



**Securing financing for small and micro entrepreneurs in Palestine  
through a Credit Guarantee Scheme to address contextual risk**

An initiative by ACAD and SIDI

August 2004



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### Executive summary of the proposal

The Arab Center for Agricultural Development (ACAD) is a professional lender to farmers and small enterprises in Palestine. The relevance of its vision and mission were recognized by the European Union which provided to ACAD with a credit fund so as to enable ACAD to implement its mission all over Palestine.

The present political situation has been generating, among other effects, a dramatic withdrawal of most international MFI's and lending projects. A small group of Palestinian MFI's have decided to keep on implementing their mission, because farmers and small enterprises keep on expressing a diversified demand of financial services including capital investment and working capital.

ACAD stands in a very peculiar situation: if it does not carry out its mission, it is no longer relevant as a development orientated financial institution. But, if it applies normally accepted securities (as MFI's do in normal contexts), the risk is very high not to be paid back. ACAD's portfolio is therefore at stake and at risk. In order to address this risk, ACAD and its partner SIDI have launched a survey so as to achieve the following goals<sup>1</sup>:

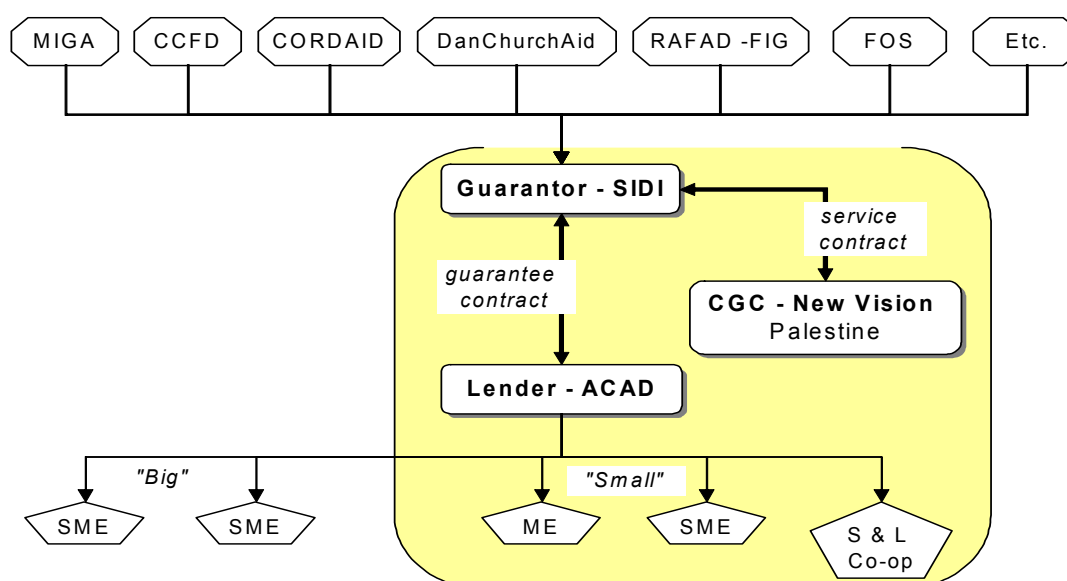
1. Creating enabling conditions for the implementation of ACAD's mission through
2. Identifying better the ACAD risk profile and investigating a relevant risk covering system,
3. Creating the basis and the proposal so as to mobilise as high a number of stakeholders as possible so as to share risk as much as possible.

The present document results from an intensive cooperation between ACAD and SIDI. After an in-depth investigation, it turns out a portfolio guarantee scheme represents a tangible answer to address contextual risk for a (micro)-lender in Palestine. Such an action-research is part and parcel of SIDI's approach for Solidarity Finance (as stated in its Strategic Planning 2003-2005).

The results of this survey do represent a proposal (i) for ACAD, (ii) for other potential micro lenders in Palestine and (iii) for mature and professional lenders operating in similar contexts.

ACAD and SIDI intend to approach potential stakeholders who belong to (a) specialised institutions, (b) solidarity groups and (c) donor agencies looking for an updated approach for the Solidarity in the Middle East.

*Chart # 1: Presentation of the CGS-ACAD*



<sup>1</sup> With the financial support of F3E in Paris,

## **PART 1 – THE ARAB CENTER FOR AGRICULTURAL DEVELOPMENT**

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### **1.1 ACAD a major microfinance service provider in Palestine**

ACAD, the Arab Centre for Agricultural Development is a Palestinian non-profit non-governmental organization. ACAD has been officially registered in Jerusalem since 1993, and also registered by Palestinian National Authority since 2001 according to Palestinian Law. ACAD is specialized in microfinance and offers Business Support Services to the poor and low-income Palestinian producers in rural & urban areas that include Palestinian farmers.

ACAD **fosters micro entrepreneurship** through small income generating activities among the poor and low income individuals, by providing them with financial and business support services concentrating in rural and/or high poverty rate in Palestinian areas that are particularly affected by the difficult political situation. Economic independence and consequently food security of poor people - as ACAD's main goal - will empower independence and consequently food security for the poor and disadvantaged. This is an effective tool toward empowerment and active participation in the economic, social and political spheres of life in Palestine.

ACAD is an active member of:

- PNGO, the Palestinian NGO network.
- The steering committee of the Palestinian Small and Micro-finance network.
- The Palestinian Higher Agricultural Coordination Body, which is a joint body consisting of NGOs functioning in the field of agriculture and the Palestinian Ministry of Agriculture.
- The Micro-finance African Institutions Network (MAIN), which includes 40 financial organizations in Africa and the Middle East.
- The Micro-credit Summit Campaign Council of NGOs.
- The Arabic Network for NGOs.

### **1.2 ACAD's General Objectives:-**

1. Promotion of self-sustaining employment and income generating projects in the Palestinian poor and low income rural and urban communities.
2. Expanding geographical access to financial resources.
3. Graduating poor and small rural producers into capital lending markets by shifting the balance of power towards those needing credit.
4. Mobilizing savings.
5. Empowering poor communities.

### **1.3 Activities and achievements**

#### ***Financial services***

The credit services provided by ACAD did follow important stages, starting in 1988 until 1994 with relief funds and credit in kind, to move gradually to financial self-sustainability: the policy was adjusted in year 2000 to cover operational costs and then establish a collateral based credit system in cooperation with banks.

ACAD has been supported by the European Union and established partnership with European institutions such as SIDI (International Solidarity for Development and Investment)<sup>2</sup>. SIDI has contributed to enhance the capacity of ACAD by recommending specific management tools. ACAD is regarded as a very efficient and professional financial institution<sup>3</sup>.

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<sup>2</sup> See [www.sidi.fr](http://www.sidi.fr)

With regard to credit activities, ACAD provides credit in the Palestinian Territories through three kinds of credit products:

1. **Capital Investment Loan** to encourage start up small scale private investment, or developing existing projects.
2. **Micro Loan** to cover working capital requirements for existing projects.
3. Enhancing and **Creating Productive Cooperatives Credit and Saving Funds (CCSF)**: This project was launched in 2002 in order to encourage small-scale farmers in the poor rural areas by providing them soft loans.

After a professional screening, ACAD has extended, since 1995, 971 loans in amount of US\$ 4.66 million, the total family members of the borrowers are 6'438, and their per capita income is US\$ 731<sup>4</sup>. ACAD has designed its own Management Information System and its practices are coherent in order to assure its sustainability and the one of its clients. ACAD's mission helps work out an enabling environment for accessible finance.

The project was launched in (11) locations in 1995 and expanded to (240) locations in 2003 in West Bank and Gaza Strip.

**In order to secure loans, ACAD is adopting a very reliable securitization policy** to assure the repayment of the loans, at the same time this policy was designed to allow the target groups to have accesses to ACAD financial services. The securitization system of ACAD consists of following tools:

1. Loan Agreement contract with the borrowers,
2. Promissory note,
3. Postponed checks.

This system was effective enough to secure the loans, but it required a functioning legal system in the country which stopped exist since political situation (Intifada) in the year 2000. As a result ACAD had to strengthen the security system by the requirement of National Palestinian Authority guarantors receiving the salaries through banks contracted by ACAD. For a tighter more securitization, ACAD is adopting very strict screening and follow up procedures (see p. 11).

**With regard to follow up and monitoring**, ACAD field workers make regular visits to the producers who received loans, providing them with free information about market, prices, and management of their projects. In case of capital investment projects, field workers provide list of names and addresses of all local and foreign suppliers with the price and quality.

### *Non financial services*

ACAD provides training services with theoretical and practical training courses, on different agricultural topics such as the rationalization of chemical use in agriculture.

ACAD in cooperation with specialized local training institutions, organizes regular visits by specialized agronomists to provide the farmers with free extension about advanced methods of farming, irrigation systems, and ways to minimize, as much as possible, the consumption of chemicals, explaining to them the negative impact of using chemicals on soil, water and environment in general.

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<sup>3</sup> See its improving figures p. 25

<sup>4</sup> Which is below the relative poverty line in Palestine US\$ 850 per capita,

## PART 2 - THE CONTEXT: ISSUES AND EFFECTS

### 2.1 Sharp issues to deal with

The Annex N° 2 p. 26 provides with a detailed description of the economical situation in Palestine and its related issues. This situation can however be summarized with the following key facts:

1. Following the signature of the Oslo Agreement in Sept. 1993, the Palestinian economy witnessed a period of rapid growth.
2. Private sector investment and donor support fostered the reconstruction of the Palestinian Economy (high growth with a peak as high as 40% in 1994), unemployment below 10%.
3. This positive trend was reversed from year 2000 due to Israeli closure policy and political situation.
4. Israeli military occupation and the closure policy have had real negative effects on the living conditions of the Palestinian population, economic growth, the public and private investment. The enforcement of the Apartheid worsens this environment<sup>5</sup>.

The table below shows major deterioration in key indicators:

*Table 1: Main indicators of the Palestinian economy*

	1999	2000	2001	2002
GNP at market price – in US\$ (Billion)	5.056	5.455	4.526	3.768
GDP at market prices- in US\$ (Billion)	4.198	4.637	4.034	3.396
GNI per capita (%)	4.00	-8.00	- 23.00	- 23.00
GDP per capita (%)	3.00	-5.00	- 20.00	- 23.00
Private Consumption (%)	8.00	- 6.00	- 16.00	- 15.00
Public Consumption (%)	20.00	31.00	- 2.00	- 1.00
Total Fixed Investment (%)	- 8.00	- 28.00	- 77.00	- 44.00
Exports (%)	2.00	- 9.00	- 13.00	- 24.00
Imports (%)	5.00	- 16.00	- 29.00	- 13.00
Trade Balance				
Unemployment Rate (%)	11.8	14.5	25.5	33.6
Poverty, Share of population under poverty line (%) (UNDP criteria)	20.0	31.00	46.00	59.00
CPI, annual change (%)	5.5	2.7	2.1	5.7
Population, mid year – million	3.019	3.150	3.298	3.464

The business environment in Palestine turns out too much discouraging: the plight of the economy, so as its people, comes from man-made obstacles. This type of obstacles could normally be eased or removed within hours, days, or in worst cases within weeks. The impact would immediately carry out positive effects. But the man-made obstacles are unpredictable. Therefore, it might be difficult to mitigate risk by a reasonable cost.

The main concern thus is when the man-made obstacles create a permanent handicap. So far, it is difficult to confirm, that distortion created in the Palestinian economy are irremediable. Hopefully sooner rather than later, Israel will come back to the moment of truth, and realize that ending their occupation is essential for their survival and economic prosperity.

<sup>5</sup> See [www.stopthewall.org](http://www.stopthewall.org)

Based on that vision, the economy of Palestine will recover its comparative advantage, kick start its restructuring effort, and create a competitive business environment. The Palestinian private sector, including its informal base, the very widespread micro enterprises, will play a significant and increasing role.

**Demand for micro and small credit is expected to considerably increase**, and thus the development of micro credit industry should be part of the preparation for such period. The development of access to finance through easing the procedure, development of the outreach network, and technical assistance to borrowers and others, will definitely contribute to increase the level of sustainability for micro enterprises and micro credit organizations alike.

## 2.2 The direct effects of the situation

### *Effects on Clients*

The target groups faced difficulties in reaching ACAD's offices to apply for loans and following up their application, at the same time the transportation cost was increased.

Since the supply of raw materials and marketing of products of the rural projects depends mainly on free movement to the cities and urban communities. The beneficiaries have to use very primitive transportation tools like animals to satisfy their needed contacts with the main cities and markets, as the results, the cost of production was increased dramatically which lead to decrease in profitability and the ability of repaying back the loan. In many cases the agricultural products was destroyed and left in the field because the farmers could not reach the main markets.

In some areas witnessed military operations the Israeli tanks destroyed many financed projects by ACAD. A quick survey shows that 33 projects financed by ACAD with outstanding balance in amount of USD\$ 97,575 were partly or totally destroyed. Therefore:

- On one hand, small producers (both urban and rural areas) have a need for adequate finance (working capital + fixed assets) to maintain their simple reproduction due to the time and spatial discrepancy between production and capital back-flow.
- On the other hand, the present situation in Palestine generates dramatic effects for its population.
- In addition, because of their small scale and poor accumulating power, small farming units are not strong enough to enter the capital market and therefore are difficult to attract direct investment. As a result, their money is mostly borrowed from MFIs and from ACAD in particular.

### *Effects on ACAD*

#### **The institution**

As a result of the rapid economic deterioration, in Palestine the financial service as a very sensitive sector to the political instability has been a very affected sector:

- The formal financial banks freeze partly or totally financial delivery to the private sector. In some cases the credit was linked with very strong collateral requirements which makes even the wealthy, rich people are not able to meet.
- The legal system which considered as strong tools for securing the credit activities was destroyed. The courts are not functioning and the police apparatus was dismantled.
- The situation with non-profit micro finance institution is becoming even worse, where the collateral system in nature is flexible and depending in moral, non-physical collateral elements.
- The micro finance schemes in Palestine were designed to serve poor entrepreneurs mainly living under poverty line or jobless people who are not able to meet the banks collateral requirements, the regular personal contacts with borrowers, the following up of



the financed projects, providing assistants to the entrepreneurs to ensure the profitability, are the main tools used to secure the loans and keep the repayments going on.

ACAD as a micro credit provider in Palestine has been very much affected by the political instability in the last three years. For two major reasons:

- The majority of ACAD's credit activities are in the agricultural sector where the risk in nature is very high and enlarged dramatically by the political instability.
- The large percentage of ACAD's borrowers living in the rural areas where follow up and monitoring are becoming increasingly difficult.

Since the year 2000 up to now, the Israeli army imposed very tough restrictions on the movement in West Bank and the Gaza Strip:

- division of the Palestinian territories to 68 isolated communities;
- the main cities are separated from their surrounding country sides;
- in year 2002 alone the major cities where ACAD has offices and branches were put under comprehensive military curfew for more than three months.

This continuing Israeli tough military procedures affected ACAD's operation.

The ability of ACAD's field workers to move has become very difficult and in some time even very risky and dangerous, as well. In many cases ACAD's employees were captured by the army while trying to smuggle to certain village and communities to carry their jobs, they were beaten and arrested for long hours. In areas like the Northern part of the West Bank, in the worst moments, the field workers used to walk on foots through mountains for long away. ACAD is however doomed to appraising adequately its risk.

A special workshop was organized by the ACAD staff and Board<sup>6</sup>. It produced a detail risk appraisal (see Annex # 1 p 23).

The collateral system and the collection of loans depend mainly on regular contacts with borrowers and using social pressures through respected persons in the communities. The restriction on movement makes this system insufficient, which means increasing the risk on the loan portfolio.

Because of the very risk ACAD is facing, a covering instrument must therefore be designed so as to enable ACAD to keep on carrying out its mission to lend to small entrepreneurs of Palestine while maintaining its resources in a context where the effects of the political crisis generate bad debts.

Yet at present, because of their deteriorating credit record, and because ACAD has not been mobilizing securities, its activities are presently developed at a very low pace.

### **The portfolio**

Due to the above mentioned factors and the high risk incurred, ACAD's loan portfolio quality was affected. Currently (at the end of December 2003) ACAD have 554 active borrowers with active loan portfolio in amount of 1,939,071 US\$ .

The total amount overdue is 423,536 US\$ meanwhile the outstanding balance of arrears is 634,862. The arrears ratio is 21.84% and portfolio at risk is 32.74%, more than 85% of amount overdue is for more than 360 days. The following table shows the real picture of the loan portfolio:

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<sup>6</sup> under the survey cofinanced by F3E,

Table 2: Loan portfolio, aging as of Dec. 31<sup>st</sup> 2003

	<b>Overdue capital</b>	<b>%</b>	<b>Outstanding Balance</b>
31-60 days	12,592.0	2.97%	112,763.0
61-90	6,962.0	1.64%	60,770.0
91-180	13,845.0	3.27%	55,098.0
181-360	26,005.0	6.14%	26,339.0
more 360	364,132.0	85.97%	379,892.0
	<b>423,536.0</b>	<b>100%</b>	<b>634,862.0</b>

**Arrears Ratio**  
**Loanportfolio at risk**

**21.84%****32.74%**

Loan portfolio at risk and arrears show that despite a continuous activity, ACAD cannot develop and make use of its available financial resources as much as it could/should. Hence the prospects, realistically designed in Year 2000 in the Business Plan cannot be reached in the present context.

Conclusion on the effects:

As one of the central effects of the present situation, financial institutions (including MFI's) become extremely cautious in loan business in order to avoid and control loan risk. Lenders are extremely fastidious to clients with regard to mortgage, mortgage condition and qualification of guarantors.

Under such conditions, the CGS-ACAD can, as an instrument to cover risk, share loan risk with ACAD, offer protection to their credit right and thus increase their confidence for on-lending to small farmers and small entrepreneurs.

### PART 3 - MEASURES TAKEN BY ACAD TO OVERCOME THE EFFECTS OF THE CONTEXT AND ADDRESS THE RISK

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The **risk that ACAD must manage is very special**; its profile is broader than the usual analysis developed by microfinance circles, i.e.:

- profile of the occupation of Palestine by Israeli army: numerous check points opened at its own discretion, splitting of the territory through on-going settlements and opening new roads, restrictions imposed to the population and its movements, high cost of inputs, destroyed businesses etc....
- fragile eco-system imposing discerning criteria in the use of fertilizers in addition to the general constraints of agriculture and rural finance,
- weak level of "*Farmers Unions*" requiring an intensive follow up and accompaniment,

In order to minimize the risk and to protect the loan portfolio ACAD had to adopt a very conservative strategy by the beginning of year 2002; this strategy had two major elements:

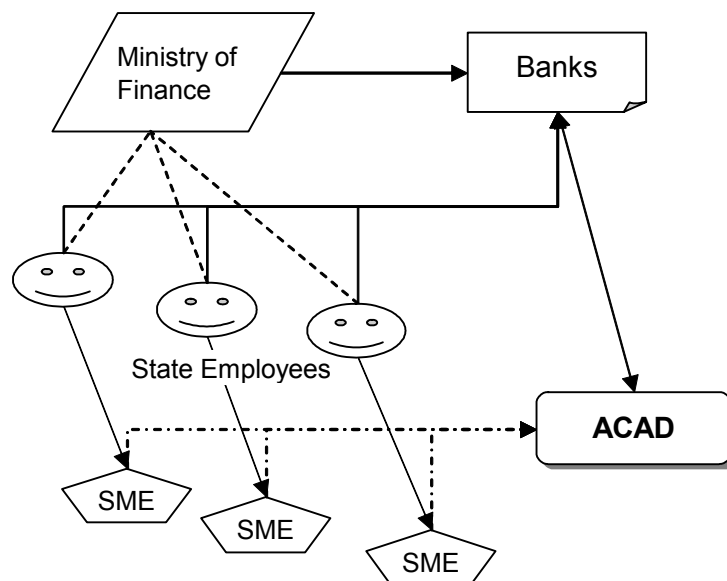
#### Credit policy

- Reduce the credit activities and services.
- Strengthening the screening and following up procedures.
- Increasing social pressure (at village council level),
- Diversified activities in order to generate enough income to cover operational costs (including urban micro-credit),
- Decentralization of ACAD's activities, opening new offices and sub-contracting with small microfinance organizations to overcome closure policy.

#### Security policy

Strengthening the collateral requirements by asking the borrowers to provide state employees guarantors receiving their salaries through banks contracted with ACAD. This enables ACAD to deduct directly from salaries in case of arrears.

Chart # 2: Present security system applied by ACAD



The entrepreneur is guaranteed by a State Employee<sup>7</sup>, whose salary paid by the Ministry of Finance is transferred directly in one of the four banks with which ACAD has signed an agreement, enabling then ACAD to draw from the guarantor's account the stated amount of bad debt according to a negotiated procedure.

ACAD charges 1.5% as admin fee from the entrepreneur to be deducted in advance, 1% is transferred to the bank for security services provided to ACAD and 0.5 % remains for ACAD. Contracts are signed between:

- The bank and Ministry of Finance and State employee;
- Banks and ACAD;
- The State employee and the bank;
- The entrepreneurs and ACAD.

The advantages of the system are:

- high securitization of the loan,
- direct involvement of the banks in the securitization system,
- indirect involvement of the Ministry of Finance in the securitization system,
- allowing ACAD to expand credit activities at low risk.

The main disadvantages of the system are:

- Accessibility only to the entrepreneurs who have a connection with State Employees,
- High dependence of the entrepreneur to his/her guarantor,
- Selection of clients which is beyond the mandate of ACAD.

Thanks to these measures, ACAD could improve its numbers over the last years:

*Table 3: Product distribution, 2002 - 2004*

Products in USD	2002	2003	31/5/2004
Capital Investment average loan. Distribution	7,964	9,732	6,920
Capital Investment average loan. Outstanding	4,086	5,748	5,461
Working Capital average loan. Distribution	2,819	3,233	2,576
Working Capital average loan. Outstanding	1,479	2,105	1,830
Micro loans average loan disbursed	0	1,445	1,602
Micro loans average loan outstanding	0	1,295	1,236
Average loan disbursed total	4,877	5,232	3,412
Average loan outstanding total	2,746	3,584	3,189

*Table 4: Portfolio distribution, 2002 - 2004*

Portfolio	2002	2003	31/5/2004	Expected 2004
No of loan disbursed	35	329	209	850
Amount disbursed (in USD)	172,500	1,669,150	713,000	1,905,325
Loan disbursed growth rate	-64%	840%		158%
Amount disbursed growth rate	-236	9		0
Outstanding loan portfolio (in USD)	779,858	1,931,812	2,248,040	1,985,000
Active loans	284	539	705	997
Portfolio growth rate	-14.00%	147.71%		2.75%
Active loans growth rate	-3.70%	89.79%		84.97%
Women %	2.46%	4.63%	6.20%	8.50%
Geographical coverage	North, Cen. WB & GS	All WB& GS	All WB& GS	All WB& GS

<sup>7</sup> In Palestine there are 153'000 State Employees, 70% of those are receiving their salaries through the 3 operating banks,

Table 5: Management, main indicators 2002 - 2004

Management	2002	2003	31/5/2004	Expected 2004
Admin staff	6	6	7	7
Operational staff	7	8	9	10
Operational expenses	208,182	170,577	126,684	283,686
Loan loss provision	1,523	90,721		67,461
Income	79,068	205,700	128,365	355,006
Covering expenses (without provision)	37.98%	120.59%		125.14%
Covering expenses (with provision)	37.70%	78.72%		101.10%
Loan loss reserve	33,309	123,731		191,192
No of borrowers per operation staff	41	67		100
No of borrower per total staff	22	39		59

Table 6: Repayment track record.

	Due	Paid	Rate %
1995	11,750	16,989	145
1996	112,516	93,915	83
1997	239,163	216,250	90
1998	492,447	350,870	71
1999	347,433	310,165	89
2000	490,527	397,105	81
2001	508,659	429,460	84
2002	397,569	365,872	92
2003	454,829	514,000	113
2004	442,390	398,264	90
Totals	<b>3,497,283</b>	<b>3,092,890</b>	<b>88</b>

But the present security system is NOT accessible for small entrepreneurs and poor clients who do not have a guarantor justifying wages from the PNA.

The CGS-ACAD is then designed to cover ACAD's risk while on-lending to small and poor producers in order to help them have easier and timely access to the financing of their development.

As an expected outcome, the credit guarantee scheme will help ACAD implement better its mission while assuring a better sustainability through a covered risk.

## PART 4 - DESIGNING THE CGS-ACAD

### 4.1 Growth and development prospects for ACAD

The ACAD strategy was evaluated by the end of the year 2002. The outcome of the evaluation indicates a negative impact on the institution and its goals and mission:

- The reducing of the credit activities resulted in income reduction which endangered the plans to reach the sustainability and the existence of the institution it self.
- The strengthening of the collateral requirements restricted the ability of the poor people (the main target groups of ACAD, according to the mission and objectives) to benefit from financial services provided by ACAD.

The conservative strategy was revised and replaced by a more progressive strategy based on speeding up credit activities and increasing gradually services to the poor and low income people in both urban and rural areas for all economical sectors. This can only be done with an adequate risk-covering system that ACAD seeks to implement through the CGS-ACAD.

A three years business plan starting year 2003 to reflect the new strategy was worked out by ACAD, the following table summarizes the main target of the BP:

*Table 7: The ACAD operation targets*

Year	2003	2004	2005	Total
No of loan disbursed (Total)	238	736	1 139	2 113
Amount disbursed (Total)	1 113 600	2 574 600	2 647 809	6 336 009

**Including:**

**Micro loans (less than 3'000 US\$)**

No	152	542	1 012	1 706
%	63.87%	73.64%	88.85%	80.74%
Amount	425 600	1 022 600	1 631 809	3 080 009
%	38.22%	39.72%	61.63%	48.61%

**Small loans (3'000 - 7'000 USD)**

No	86	194	127	407
%	36.13%	26.36%	11.15%	19.26%
Amount	688 000	1 552 000	1 016 000	3 256 000
%	61.78%	60.28%	38.37%	51.39%

ACAD is then going to keep on providing two types of product:

**The first one** is small scale loans (capital investment loans) with loan size more than 3'000 US\$ and less than 7'000 US\$, for three years with 6 months grace period. The purpose of this product is to make the financial resources available to the small producers who is willing to expand their income generating projects and create another job opportunities for other family members.

Due to the size and duration of the loan the collateral system will be strong enough to secure the loans. ACAD will use the current system developed by cooperation with official banks, which requires two state employees receiving their salaries through banks as a guarantors. Based on this system ACAD is able to deduct from the salaries in case of arrears, which means that the risk is relatively lower than the micro loans .But according to ACAD's policy and working philosophy

some of the clients who passed successfully the micro-credit scheme, obtaining good repayment record, and they are not able at the same time to offer the collateral requirement will be allowed to apply to this kind of product with less strong collaterals, in despite of the risk increase..

ACAD is planning to release loans for this product in amount of 3'256'000 US\$ over three years (2003-2005), the outstanding loan portfolio will be 1'745'902 US\$. It is expected that 30% of the loan portfolio (523'770 US\$) will not be covered by the collateral requirements for this product.

**The second one** is the micro loans with loan range from 1'000 US\$ to 3'000 US\$ for one year without grace period (except agricultural loans) the purpose of this product is to finance poor, low income people in urban and rural areas who are in needs for working capital to keep their projects going on. The target of this product are mainly powerless people who are not able to offer securities required by the banks and by the first product provided by ACAD. Obviously the risk for such kind of product is very high.

According to the PB ACAD will provide loans in amount of 3'080'009 US\$ over three years the outstanding loan portfolio is expected to be 766'971 US\$. According to the records and nature of this product the total loan portfolio is in very high risk.

### **Expected increase over the Business Plan**

The Business Plan identified the low ceiling of the credit activities and did not take in the account the expansion beyond the target. The real situation indicates That the actual amount released in year 2003 is 1'669'150 US\$ meanwhile the BP targeted 1'113'600 \$ (50% increase).

This proposal will explore the feasibility of establishing a pilot Credit Guarantee Scheme in for ACAD in Palestine.

**The establishment of the CGS-ACAD is a necessary step to secure ACAD's activities in order** to satisfy demand of the small farmers/producers and small entrepreneurs of Palestine approaching ACAD for financial services while making sure ACAD can go on implementing its mission in a complex and challenging context.

### *4.2 Objectives and guarantee model for the CGS-ACAD:*

CGS-ACAD will serve to **provide an umbrella risk cover** to ACAD by sharing a substantial part of its risk from its own resources.

**Additionality:** With this securitization scheme, ACAD will be able to expand its portfolio for **poor entrepreneurs<sup>8</sup>, women and co-operatives**. CGS-ACAD **will bring about additionality<sup>9</sup>**. The CGS-ACAD aims at completing the current securitization scheme implemented by ACAD, both for entrepreneurs with high potential who cannot provide with the requested guarantee and the ones whose guarantee is not matching their business requirements<sup>10</sup>. The benefits to borrowers are first are foremost in the form of access to loans which otherwise would not been the case.

**Quick and reliable adoption** (decision process) and release of loans<sup>11</sup>. Furthermore, CGS-ACAD will lead to an overall development of the financial services supplied by ACAD.

<sup>8</sup> Even "poor" some entrepreneurs are sustainable,

<sup>9</sup> "To enable lending that without the guarantee would not have taken place at the particular time, if at all".

<sup>10</sup> Additionality of lending is a precondition to the justification of a guarantee fund scheme. Only on this basis is it to be determined whether the benefits of a guarantee scheme outweigh its costs,

<sup>11</sup> Swift and clear procedures between the lender and the guarantee function are of paramount importance, especially in settling default claims. Any time delays or difference of opinion will result in an increase of operation costs if not a loss of interest on the part of the lender;

### 4.3 Selecting a credit guarantee model

A credit guarantee is “A promise by a person or institution to make good on a failure by a debtor to repay a credit”. There are different types of credit guarantees models, depending on certain characteristics such as the profile of the risk to be covered and whether there is any direct contact between guarantor and borrower, as well. The following guarantee models can be identified<sup>12</sup>:

1. Individual model, where loan guarantees have to be agreed and specified between the lender and the guarantor on a case by case basis;
2. The Portfolio model provides loan guarantees for all loans within an eligible category, regardless of the risk level of each loan. Contact between the lender and the guarantor on a specific loan only takes place in case of a claim to settle loan default;
3. Intermediary of retail model which provides loan guarantees indirect through NGOs and other types of organizations. These organisations in return on-lend the guaranteed credit to SMEs. In this case, there is no direct contact between the original lender and the ultimate borrower.

Table 8: Appraisal of credit guarantee models and relevance for CGS-ACAD

Guarantee Model	Advantages	Disadvantages	Relevance for ACAD
“Individual <sup>13</sup> ”	Close follow up of clients.	High cost <sup>14</sup> for clients, lender and guarantor	<b>Very low:</b> too costly, not justified given clientele and ACAD’s financial intermediation model
“Portfolio”	Quickly operational, excellent identification requested, flexible.	Requires a good negotiation on criteria	<b>Very high:</b> given ACAD professional skills for SME’s financial intermediation
“Intermediary”	Creates leverage.	Opportunity cost to survey	<b>High:</b> If ACAD needs (soft) loans

#### Recommendation:

The CGS-ACAD is designed first and foremost to help ACAD expand its portfolio to sustainable (micro) entrepreneurs who cannot provide with the PNA-staff guarantee security.

A portfolio credit guarantee scheme is therefore advocated and promoted (see Chart p. 4).

<sup>12</sup> As a synthetic results of the survey carried out on CGS (see bibliography p. 34)

<sup>13</sup> i.e. each client evaluated separately,

<sup>14</sup> As guarantee schemes add a third party in the form of the guarantor, this leads to an increase of lending costs. However, these costs may be partially or even fully offset by cost savings such as a reduction of collateral cost for the lender; which is not proved with MFI’s,



#### 4.4 Functions and actors related to the CGS-ACAD

3 types of functions are identified: lending, contributing to the scheme, guaranteeing.

*Table 9: Functions and actors*

Headline	Detail ...	Implemented by:
Lending	Extending loans to clients	ACAD
Contributing to the scheme	Bringing stakeholders in the scheme	Stakeholders
Guaranteeing	1/ Making sure the lender applies the criteria approved by the lender and the stakeholders 2/ Enforcing the CGS-ACAD policy 3/ Checking the securitization procedures (including collection of collateral) 4/ Making adequate projections and business plan. 5/ Deciding to trigger disbursement on claim 6/ Managing with accountability	The guarantee centre New Vision Inc., according to a delegation by SIDI

Most guarantee schemes share the risk of loss in an agreed proportion between the lender and the guarantee entity. However, in the case of CGS-ACAD, the appraisal of the borrowers is left entirely to the lender (i.e. ACAD) on the basis of certain lending criteria agreed between the lender and the guarantor.

#### 4.5 Implementation

##### *Targeted clientele, eligibility*

As for the **eligible activities or purposes**, preference will be given to urban small business and rural agriculture related on-farm or rural off-farm income-generating activities, including marketing and processing and considering the emphasis on livelihood diversification.

The **eligible clientele** of CGS-ACAD will be ACAD's clientele, i.e.:

- The geographical scope is the whole Palestine, the areas/branches where ACAD is operating: in Ramallah, Napluse, Qalquilia, Tulkarem, Jericho, Bethlehem, Gaza;
- micro entrepreneurship, women (including farming);
- informal associations of self-help groups, credit unions and savings and loans co-ops<sup>15</sup>, village associations, and preferably their higher-level financial services delivery mechanisms, including NGO-based financial intermediaries, working with such out-reach grassroots financial services mechanisms;
- microfinance mechanisms governed by cooperative laws of the country;
- Producers' associations, marketing or export associations, NGOs or companies creating or arranging crucial market outlets for small producers;
- Loan size 3'000 US\$ and less (with exception Co-operatives);
- Clients provide with all other requested securities (except the PNA-staff guarantee).

CGS-ACAD will also emphasize support to development of micro-enterprises, small businesses, crafts, trades, services which have potential of generating enough profit for the end-user as not to limit his/ her ability to repay the loan. Credits for distress or consumption loans are excluded from CGS guarantee coverage.

<sup>15</sup> Especially the ones supported by ACAD, see list p.24. ACAD provides a significant economy of scale particularly for small loans. However the retailing credit procedure, which involves the permanent control of the Ministry of Labor, is not flexible enough to smooth the progress of the delivery. Women coops show a more efficient participation and an excellent recovery of loans.

### *Credibility, leverage and risk sharing*

**CGS-ACAD, to be effective, must be credible.** This implies that:

- the value of the guarantee is backed by an equivalent financial asset which can be readily encashed, without undue red-tape in redeeming the guarantee up to its stated value, in the event of loan repayment default. A credible leverage can range from 1 – 1 to 1 – 3. To start with, **a leverage of the fund is 1 - 2** is proposed; i.e. a 100,000 guarantee can cover credit as high as 200,000. Track record will help improve the leverage with time.
- CGS-ACAD is perceived as a responsible and professional tool which makes an objective assessment of the clients and carefully screens their loan proposals before offering its guarantee. The size of the guarantee represents a sufficiently high proportion of risk under the agreed risk-sharing arrangements.
- CGS-ACAD will operate in a cost effective manner so that it is able to cover in the short-to-medium term its operating costs, and in the longer term its costs as well as its losses from default claims. The level of the guarantee fee, or premium, has to be reasonable.

This is necessary as long-term viability is a function of a build up of volume turnover, limited loss factor due to manageable default rates, and maintaining the value of its capital base by safeguards against erosion of value due to inflation or currency depreciation.

### **Appraisal of the financial risk:**

- The present track record of ACAD shows a portfolio as high as +/- 25 % of which 10 % can be recovered (with the present collection of securities). Risk to be covered is 15%.
- The present portfolio prospects to be covered are as high as +/- 1,300,000 US\$<sup>16</sup>
- Annual risk to be covered is expected to be (in the worst case)  $1,300,000 * 15 \% = 197'000$  US\$.

The issue is to make sure risk **is shared** by/ with as many stakeholders as possible so as to reduce as much as possible the effects of claims on stakeholders.

Taking into account this rationale, a credible first target to achieve is to set up the CGS-ACAD with a capital base as high as 650'000 US\$. To start with SIDI commits itself with a 50'000 US\$ counter-guarantee over 3 years.

### *Resources of CGS-ACAD and stakeholders*

CGS-ACAD must be in a position to provide **financial back up for the credits** authorized by ACAD. As a reliable portfolio guarantee scheme, CGS-ACAD must be as liquid as possible.

**Hence financial resources** to CGS-ACAD will be in order of priority:

- (1) Unconditional Grants,
- (2) Counter-guarantees,
- (3) Interests on financial investments and
- (4) (Very soft and long term loan) in US dollars or Euros.

The CGS-ACAD resources will have two use-based categories: (A) Resources provided for guarantee operations; (B) complementary resources provided to meet management and operating costs, technical assistance and networking.

The annual cost of the guarantee function is expected to be roughly 60'000 US\$ (including adequate promotion). Its funding will be shared between: (1) a fee<sup>17</sup> from the borrowers<sup>18</sup>, (2) ACAD with an annual flat contribution of 5'000 US\$ and (3) donor contributions.

<sup>16</sup> As an average between the targeted figures of small loans in 2004 and 2005,

<sup>17</sup> around 1% of the credit amount,

**Basic rules for the management of the CGS-ACAD capital:**

- The fund belongs to the scheme.
- Profit generated will increase the CGS's account.
- Legal aspects of the management to be investigated in Paris
- The fund managed by SIDI (ACAD proposes the Trust Fund be located with SIDI so as to facilitate the issuance of guarantees (through Standby Letters of Credit).

**4.6 Governance and management**

In order to carry out its mission properly, CGS-ACAD will be both cost efficient and transparent.

**There will be two organs:**

- A committee of the interested stakeholders<sup>19</sup> will entrust funds to a Trust Fund. Its central organ will be involved in the governance of the CGS-ACAD: this Steering Board will be composed of representatives of SIDI and the interested stakeholders. Its mission is to lay down the policies for the governance of the CGS-ACAD, programme of work and budget. SIDI can have two functions: issuing a Standby Letter of Credit or a simple guarantee to ACAD.
- The “guarantee center” (GC): will assume the guarantee functions described p. 17. For obvious operational considerations, it will be located in Palestine but will be a different body as ACAD so as to avoid conflicts of interest. The expected skills are: professionalism, expertise on loan portfolio management, experience in lending policies and procedures, experience of the field, independence, honesty and diligence at reporting

Regarding the GC, the following options have been considered and investigated by ACAD in Palestine: (1) a person appointed within a bank or another specialized institution, (2) an individual person, (3) a “committee” of 3 persons. After investigation, ACAD and SIDI have chosen **New Vision Inc.**, an experienced Palestinian consulting firm working in West Bank and Gaza) providing marketing and management services and organisational development, as well (see details p.34).

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<sup>18</sup> a guarantee is a financial service,

<sup>19</sup> Not all stakeholders will be interested to be actively involved, they will then be able to delegate their participation,

4.7 Procedure: triggering claim

Stage	Description
1	<b>Loan Application:</b> Clients apply to ACAD for loans
2	<b>Decision by ACAD:</b> approval of the loan by ACAD at credit committee (weekly).
3	<b>Notification:</b> ACAD presents to CGS-ACAD the portfolio to be covered
4	<b>Receipt by GC:</b> The list is signed by the GC (acknowledgement of receipt) (two copies, 1 with ACAD). The items in the list: loan N°, name, location, project type, amount approved, duration, social status, collateral collected, date of application + date of approval by ACAD, a sentence of comment. A summary of the amount requested
5	<b>Decision by the GC:</b> one week to turn down/amend the proposal to cover the risk. The decision is notified by the GC. Silence means approval.
6	<b>Checking data:</b> During the time frame of 1 week the GC is entitled to check, a sample of or all file to investigate the quality of the list, ("CGS-ACAD portfolio" only and is clearly identified (in the MIS). The related cost for checking is covered by the GC.
7	<b>Extending loans:</b> ACAD extends loans
8	<b>Addressing arrears:</b> In case of arrears, ACAD enforces its usual recovery policy and practices, ACAD can claim 90 days after due payment, showing that ACAD started the process of enforcement of the other securities (i.e. promissory note transferred to the lawyer, contract payment(after two visits by ACAD's staff) and cashing postponed checks stamp from the bank).
9	<b>Special circumstances for claim</b> (in such case, ACAD will not make use of the above mentioned securities and will resort directly to CGS): <ul style="list-style-type: none"> <li>▪ Project destroyed with proofs,</li> <li>▪ Entrepreneurs jailed for political reason (more than 2 months);</li> <li>▪ Entrepreneurs or one of his/her family member was killed as a result of the political conflict.</li> <li>▪ Long term curfew (occurring after loan extension) or close of the area with obvious effects on economical. If the production process is stopped for a long period (as a result of the closure) or the product cannot be sold for closing market (especially for agricultural project).</li> <li>▪ Confiscation of land related to the project.</li> </ul>
10	<b>Claiming:</b> <ol style="list-style-type: none"> <li>1. ACAD will send every 3 months a detailed list with all client data and the remaining balance to be settled and the overall amount to claim. The GC has 1 month to review the list. During this month, the GC is entitled to do any further investigation regarding the good faith of the list.</li> <li>2. After one month ACAD is allowed to claim the related amount to the Trust through its Secretary. A copy of the claim will go to the GC.</li> <li>3. The GC sends an immediate report stating its approval/ refusal of the list. In case of refusal or discrepancy, the GC has 1 additional week to make to issue a counter report.</li> <li>4. The approved amount is disbursed at once by the Trust.</li> <li>5. The "disagreed amount" will be discussed again between ACAD, the GC and the Secretary to settle the matter. In case of further discrepancies, the final decision lies in the Secretary hands.</li> </ol>

**All defaults covered by the CGS and collected later on will be transferred back to the CGS.**

ACAD commits itself to make all possible and reasonable efforts for debt collection.

**The GC has a permanent access to ACAD records related to the CGS anytime.**

**A MIS for CGS-ACAD** would include the following elements:

- Objectives of the MIS (for management, for the Board),
- Plan of accounts,
- Monthly and quarterly report, delivered until day 10 of next month.
- Budgeting norms.
- Electronic data processing norms (if possible compatible with banks).

#### 4.8 Institutional building

The CGS-ACAD, can/will be established as a **Trust fund**. This trust Fund is proposed to be managed by SIDI on behalf of the stakeholders' committee<sup>20</sup>. The management of CGS-ACAD operations must indeed be entrusted to an existing specialized institution with extensive experience in providing and managing international guarantees for microfinance and small enterprise development. The main functions and responsibilities of the Management Institution are summarized below:

##### **Issue of Guarantees**

1. To undertake and manage all operations relating to receipt, screening and processing, review and analysis, for issue of international guarantees to enable them to borrow from prospective lending institutions;
2. To arrange with the Focal Institution for establishment of an appropriate risk cover reserve to cushion the CGS against potential defaults;
3. To pursue with (i) the lender all cases of *calls on guarantees* in terms of fulfillment of their relevant contractual obligations prior to such claims on international guarantees; and (ii) with beneficiaries their contractual obligations in terms of fees and other dues, and in the event of *calls* on international guarantee, about their repayment to the CGS of all outstanding credit dues covered by the default.
4. To follow-up on the implementation, progress monitoring, and impact assessment in respect with the CGS-ACAD approach.
5. To act the Secretary of the stakeholders' Committee.

##### **Technical Assistance and Advisory Services**

To provide technical assistance and start up support for activities related to guarantee operations, particularly in areas such as instituting risk-coverage arrangements at the level of beneficiaries, creation of local, regional guarantee funds or other relevant financial mechanisms.

##### **Networking**

To assist CGS-ACAD in undertaking, or undertake on its behalf: (i) strengthening of CGS networking arrangements through regional consultations/ seminars; and (ii) dissemination and sharing of experience.

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<sup>20</sup> See the profile of SIDI p. 33

#### 4.9 Budget estimates, financial projections and sustainability

The main assumptions underlying these estimates are summarized below. CGS-ACAD initial capital base will be built up through contributions for:

- funds earmarked for guarantee operations,
- funds earmarked for management expenses
- funds earmarked for technical assistance and networking activities,
- funds necessary to the recapitalization of the risk cover reserve in case of calls from the lending banks due to default credits.

The figures targeted are the following:

*Table 10: Financial resources mobilization for the CGS-ACAD*

Purpose of funding	Rough amount (US\$)	Modalities
Credit Guarantee Fund	650'000	Grants + soft loan + counter-guarantees
Management expenses	30'000 (per annum) <sup>21</sup>	Grants from donor
Technical Assistance	20'000	Grants
Recapitalization of the risk cover reserve	195'000	Grants

<sup>21</sup> The rough budget is 60'000 US\$ of which 50% approximately will be covered locally in Palestine,

## ANNEXURE

### *Annex 1 – Risk profile faced by ACAD as micro-lender*

The survey was carried out in November 2003 through a special workshop which could enable the staff and Board of ACAD to analyze the various effects of the context on ACAD's risk.

*Table 11: External threats affecting the ACAD portfolio*

1	External Threats on Acad Loan Portfolio	no	weak	middle	strong	very strong	Total
1.1	Curfew	0	1	1	1	5	8
1.2	Damage of produce	0	3	1	2	3	9
1.3	Denial access to land	0	2	1	3	3	9
1.4	Closure of main roads	0	0	1	5	3	9
1.5	Closer of main and village access roads	0	0	2	5	2	9
1.6	Weak enforcement of law and order	0	0	3	3	2	8

*Table 12: Israeli measures affecting the ACAD portfolio*

2	Effect of Israeli measures on ACAD clients	no	weak	middle	strong	very strong	Total
2.1	Denial of access to farm	0	2	4	0	3	9
2.2	No ability to provide inputs	0	1	4	3	1	9
2.3	no ability to sell the produce in time	0	0	3	2	3	8
2.4	High production costs	0	2	0	5	2	9
2.5	Damage of produce	0	0	5	3	1	9
2.6	Weak ability to follow up with borrowers	0	1	1	3	4	9
2.7	Other: Inability of officers to reach banks					1	1

*Table 13: Obstacles faced by ACAD's operating staff*

3	Kind of obstacles facing the loan officers as a result of the political situation	no	weak	middle	strong	very strong	Total
3.1	Impossible routine communication	1	0	2	4	1	8
3.2	Inability to implement routine visits to clients as scheduled	1	0	1	2	5	9
3.3	Inability of clients to reach banks for repayment	1	0	1	6	1	9
3.4	Inability of ACAD employees to reach their offices	0	0	5	2	2	9
3.5	Inability of Loan Committee to convene regularly	0	0	2	5	2	9
3.6	Inability to implement ACAD lending policy	0	1	2	4	2	9
3.7	Inability to implement the training program according to the plan	0	1	0	3	5	9
3.8	Reoccupation of ACAD offices	7	1	1	0	0	9

*Table 14: Effects of political risk on the cost of lending*

4	Changes	increase of costs	decrease
4.1	Application processing	7	2
4.2	Overhead	6	0
4.3	Problematic loan provisions	4	1
4.4	Implementation of the loans	8	1
4.5	Follow up costs	6	3
4.6	Overall costs	8	2

Table 15: How policies, procedures or actions affect ACAD portfolio

5	Policies and measures	No effect	High effect	do not know
5.1	Conservative approach	1	8	0
5.2	Tough terms for selecting clients	1	8	0
5.3	More collaterals	4	5	0
5.4	Decreasing the average loan size	7	2	0
5.5	Change of products	2	7	0
5.6	Insurance scheme	3	3	3
5.7	Others: Rescheduling of loans	0	1	0
5.8	Clients experience	0	1	0

Annex 2 – Savings and Credit Cooperatives supported by ACAD

Table 16: Savings and credit cooperatives supported by ACAD

No.	Cooperative		Loans from ACAD	Savings \$	Relationship with ACAD	Legal Status	No. of Loans	Loans amount \$	No. of Coop. Members		Establishing year	Address	Gender
									upon estab	up till 31/5/2004			
1	Palestinian Farmers Coop.	was established	5000	12607	MOU	Licensed	15	17500	22	31	2002	Jericho	Male
2	Palm Trees Growers Coop.	was established	3000	8359	MOU	Licensed	7	7700	13	31	1999	Jericho	Male
3	Grape Growers Coop.	Initiated by ACAD	3000	8366	MOU	Licensed	9	8600	19	19	1999	Jericho	Male
4	Agricultural industry Coop.	was established	9000	25819	MOU	Licensed	20	37000	17	51	2000	Tammoun	Female +Male
5	Saffa Coop.	Initiated by ACAD		17683	MOU	Licensed	25	16590	60	118	2003	Saffa	Female
6	Kufur Ne'meh Coop.	Initiated by ACAD		9142	Approval Decision	Licensed	-	-	90	64	2003	Kufur Na'meh	Female
7	Deir Jreir Coop.	Initiated by ACAD		6547	Approval Decision	Not Licensed	-	-	70	74	2003	Deir Jreir	Female
8	Al Mazra'ah Al Gharbeyeh	Initiated by ACAD		5816	Approval Decision	Not Licensed	-	-	38	45	2003	Mezra'ah Gharbeyeh	Female
9	Bel'ein	Initiated by ACAD		3500	Approval Decision	Licensed	2	1710	28	16	2003	Belein	Female
10	Ramallah Women Coop.	Initiated by ACAD		8192	Approval Decision	Licensed	-	-	40	57	2003	Ramallah	Female
11	Atara Coop.	Initiated by ACAD		8962	Approval Decision	Licensed	-	-	29	67	2003	Atara	Female
12	Ne'leen Coop.	Initiated by ACAD		3511	Approval Decision	Licensed	-	-	20	16	2003	Ne'lin	Female
13	Kobar Livestock	was established		3945	MOU	Licensed	-	-	40	15	2003	Kobar	Male
14	Sheep Breeders	was established		11237	MOU	Licensed	10	9870	73	155	1998	Ramallah	Male
15	Organic Oil	was established		6887	MOU	Licensed	-	-	15	45	2003	Salfit	Male
16	Froush Beit Dajan	Initiated by ACAD		3000	MOU	Licensed	-	-	24	24	2003	Froush beit Dajan	Male
17	Al Mentar Coop.	was established		1915	MOU	Licensed	-	-	24	24	2003	Hebron	Male
18	Baqa Sharqeyyah	was established		1260	MOU	Licensed	-	-	17	35	2003	Tulkarem	male
19	Dennaba Agricultural Coop.	was established		2929	MOU	Licensed	-	-	24	31	2004	Tulkarem	male
20	Tammoun Protected Agriculture	was established		13500	MOU	Licensed	-	-	15	18	2000	Tammoun	Male
21	Doura Al Qare'	was established		2680	Approval Decision	Licensed	-	-	15	17	2003	Ramallah	Female
22	Al Fawwar	was established		1050	Approval Decision	Licensed	-	-	22	22	1999	Hebron	Male
23	Deir Ghasaneh Coop.	was established		3000	Approval Decision	Licensed	-	-	30	43	1984	Ramallah	Male
24	Arabeh Coop.	was established		11310	Approval Decision	Licensed	-	-	143	143	1985	Jenin	Male
25	Zboubah	was established		1640	Approval Decision	Licensed	-	-	25	25	2004	Jenin	Male
26	Bee Breeders	was established		4280	Approval Decision	Licensed	-	-	33	33	1994	Ramallah	Male
27	Al Mustaqbal	Initiated by ACAD		4780	negotiation	Licensed	-	-	36	36	2004	Nablus	Male
<b>TOTAL</b>			<b>\$20,000</b>	<b>\$191,917</b>			<b>88</b>	<b>\$98,970</b>	<b>982</b>	<b>1,255</b>			



***Annex 3 – ACAD's financial statements***

The 2003 figures are provisional as not yet audited, they provide however a good idea of ACAD's progress and the effects of the measures taken on its financials.

**Table 17: Statement of financial position (2002 – 2003)**

	2003	2002
<b>Assets</b>		
Cash and Due from Bank	1 317 034	1 308 630
Gross Loan Portfolio	2 034 367	889 858
(Doubtful Debts provision)	- 68 731	- 33 308
Net Loan Portfolio	1 965 636	85 655
Interest Receivable	28 876	
Other Short Term Assets	73 779	20 831
Tangible Fixed Assets	138 866	127 779
(Depreciation of Tangible Fixed Assets)	- 76 074	- 57 479
Net Tangible Fixed Assets	62 792	703
<b>Total Assets</b>	<b>3 448 117</b>	<b>2 256 311</b>
<b>Liabilities</b>		
Deferred Revenue	68 774	98 377
Other Short Term Liabilities	16 749	15 831
Provision for severance pay	218 712	20 061
<b>Total Liabilities</b>	<b>304 235</b>	<b>314 818</b>
<b>Net Assets</b>		
Net Assets - Permanently Restricted	2 604 217	1 420 354
Net Assets – Unrestricted	539 665	521 139
Total Net Assets	3 143 882	1 941 493
Total Liabilities and Net Assets	<b>3 448 117</b>	<b>2 256 311</b>

**Table 18: Statement of activities (2002 – 2003)**

	2003	2002
<b>Financial Income and Expenses</b>		
Interest on Loan Portfolio	143 922	67 331
Fees and Commissions on Loan Portfolio	5 541	728
Financial Revenue from Loan Portfolio	149 463	68 059
Financial Revenue from Other Financial Assets	38 603	10 274
Other Revenue related to Financial Services	7 156	- 369
Financial Revenue	195 222	74 643
Less: Net Loan Loss Provision Expense	- 35 424	- 1 523
Net Financial Income	159 798	7 312
<b>Operating Expenses</b>		
Personnel Expense	- 119 178	- 141 915
Rent and Utilities	- 16 683	- 27 755
Transportation	- 1 687	- 1 692
Communications	- 4 916	- 8 147
Depreciation and Amortization	- 18 493	- 4 784
Other Administrative Expenses	- 15 451	- 24 302
Non-operating Revenue	377 815	214 067
(Non-operating Expense)	- 365 789	- 189 241
Net Non-Operating Income	12 026	24 826
Net Income Before Donations	- 4 584	- 110 649
Donations to Subsidize Financial Services	2 311	4 838
<b>Net Income (Loss) After Donations</b>	<b>18 526</b>	<b>- 105 811</b>

## **Annex 4 – The Palestinian Economy– General Overview**

### **1. Introduction**

The Palestinian economy is one of the smallest economies in the region. Being under a hostile military occupation for more than three decades, its development was characterized by long periods of stagnation, and many structural distortions. The military occupation in itself creates destructive conditions for development. The Israeli military occupation, with its colonial and extraterritorial expansionist occupation, consistently applied heavy handed control over resources use and investments. The most hostile practices were the confiscation of land and water, and the colonial settlement activities in the WBGS, disinvestments in infrastructure, colonial fiscal policy, restriction on remained land and water resources, control over private investment through permits procedures, denial the establishment of financial intermediation, restrictions on foreign trade, and many others.

Despite the very negative investment climate and heavy handed control during that period, the Palestinian people, and especially its private sector were able to establish thousands of companies, and gain control over an increasing share of the Palestinian market. Furthermore, some companies were able to export their products to Israel and abroad.

The Middle East peace process launched in Madrid in November 1991, and especially the signing of the Oslo Accords in September 1993 between the Palestinian Liberation Organisation (PLO) and the Israeli Government, was expected to open a qualitatively new era in the political, economic, and social development for the Palestinian people. An era where the Palestinians can freely invest, trade, promulgate new laws and regulations, conduct and implement economic development plans, prepare economic policies, and deal with other countries on equal footing.

The signing of Oslo Accords actually generated high expectations, and created a momentum for the reconstruction of the Palestinian economy. In particular, an intensive international campaign was launched to create an enabling development and business environment that is conducive to private investment and an increase in capital inflows. The overall aim of this effort has been to set the economy on the right track towards sustainable economic development.

The newly established Palestinian National Authority (PNA) and the international donor community have focused on physical and social infrastructure, institution building, and private sector development. The Palestinian economy witnessed unprecedented inflow of donor's assistance of more than USD 500 annually since 1995. Many expatriate Palestinian investors mobilized financial resources and established holding shareholding companies in preparation for mass investments in all sectors of the Palestinian economy.

Unpredictably, and just few months after the establishment of PNA, the effort of donors, private sector, and the PNA started facing difficulties and impediments from the Israeli authorities. The most effective impediments were the Israeli closure policies, which slowly became part of the daily life in the WBGS.

As a result, the development of the Palestinian economy remained hostage to the Israeli authority practices. The economy witnessed unprecedented growth during 1993 and 1994, then faced a sharp decline in 1995 and 1996. A new recovery started in 1997 and continued through 1998, and 1999, when it recorded a 6% real growth of GNP. A slow down started in the millennium year 2000, and the major set back started in September 2000. Since then it is facing a cruel economic warfare, which infecting daily damage to all sectors and aspects of the Palestinian economy. The following paragraphs provide more details on the development environment in the WBGS.

## **2. Economic Performance**

After many years of stagnation, the Palestinian economy witnessed rapid growth in the aftermath of the Madrid conference in November 1991, and particularly after the signing of Oslo Accords in September 1993. This rapid growth resulted from the following changes:

- The Israeli heavy handed occupation was weakened, and the occupation military administration no longer allowed to micromanage the Palestinian economic affairs.
- The establishment of the Palestinian National Authority, which represent a significant change in the economic and social development conditions.
- The significant increase in donor assistance to the WBGS, which was estimated at no less than USD 500 million every year since then.
- The rich and well established Palestinian community abroad started their investments inside Palestine.

As a result of these changes, the Palestinian economy achieved unprecedented real growth in its GDP and GNP of 8% for the period 1992- 1994. Investment rate mounted to 40% in 1994, and unemployment remained at less than 10%. The economy witnessed construction boom, which positively affected all sectors. Right after this period, the economy experienced setbacks in 1995-1997 as a result of the Israeli closure, and the confrontation during September – November 1997. The economy recovered during 1998 and 1999, when the GDP totaled US\$4.2 billion and GNP US\$5.1 billion, with a per capita GDP of US\$1,614 and US\$1,782, respectively. These figures placed the Palestinian economy within the group of lower middle-income economies.

A main development in the capital inflows issue was the donor's support to the Palestinian Authority. In the donor's meeting in Washington, October 1<sup>st</sup>, 1993, the donor community pledged USD 2.4 billions for 5 years. Donors support far exceeded this initial pledge as a result of slow progress in the peace process. Since then, the WBGS is receiving as annual average of more than USD 500 millions. This financial inflow was spent on infrastructure development, institution building, legal and regulatory development, and private sector support. A very small fraction of all donors support (less than USD 20 millions) was allocated to micro finance.

Private investment reached its highest level in 1993 and 1994, where it represented 35%-40% of GDP. In absolute numbers it came to more than one billion USD. Since 1995 the rate of gross investment deteriorated despite the rise in public investments. The public investments increased from less than USD 50 million in 1993 to USD 190 million in 1995, and to USD 340 million in 1998. Gross local investments increased in 1998 and 1999 to USD 1,668 and USD 1,464 million respectively, then it declined to USD 984 million in 2000, and to USD 209 million in 2001, and USD 119 million in 2002 as a result of the deterioration in political stability.

Private investment is heavily concentrated in construction activity, with residential construction accounting for 85 % of total planned construction areas for the period January-September 1999. Planned business construction areas increased by only 6.8% in relation to the same period in 1998, compared with a 16 per cent growth in planned residential construction.

Foreign direct investment (FDI) remains marginal, mainly concentrated in the construction, real estate and hotels. Some are sharing or taking equity with local producers or distributors.

## **3. The Palestinian Financial Sector –General Overview**

The Protocol on Economic Relations signed the PLO and Israeli officials in April 29, 1994 assigned many functions to the Palestinian Monetary Authority (PMA), which are close to traditional responsibilities of a central bank. As per the protocol, the PMA carry the functions of licensing, supervising, and controlling the financial system, and as banker to both the PA and the commercial banks. The banks operating in the WBGS were obliged to report to PMA and to

deposit the compulsory reserves as per the PMA regulation aimed at assuring solvency, liquidity and stability. In addition to that, the Protocol called upon the PMA to operate discount window to provide loans to commercial banks, and act as the lender of last resort. But the PMA could not exercise these functions, especially as the lender of last resort, because the PA do not have its own currency, an issue left for the final status agreement. In the Palestinian market three main currencies are being used as: The USD as a store of value in cash or saving accounts, the Jordanian Dinar (JD) for rent and some long term contracts and bank loans, and the New Israeli Shekel (NIS) for daily transactions. As for saving deposits and money market investments, the EURO also became in use recently.

The interest rate on deposits and for lending, the banks as a basic rate refer to the LIBOR for USD, the Central Bank of Jordan for the JD, and the Bank of Israel for the NIS. But the margin charged above the basic rate for lending was always very high. On USD for example, when the LIBOR decreased to 1%, the banks operating in the WBGS continue to charge 7-9%. The PMA has no authority or economic tools to regulate reasonable margin, that reflect the Palestinian market risk.

The PMA, which was able to use some instruments to boost economic growth, did not build adequate capacity to do so. These instruments include the rate of compulsory reserves, the discount window, the management of government deposits, open-market operations in foreign currency, and to help create the inter-bank and the subordinate credit market. However, these instruments have their own limitation, and they are mainly effective for the short run. But the PMA could use them gradually, and gradually build the necessary capacities in preparation for mastering the monetary policy instruments. The PMA was also not able to manage the PNA financial affairs, including the carrying out the management of public debt.

The unique Palestinian monetary "de facto" system of having three main currencies in circulation put a heavy burden on transaction. The public of course might rationally move from currency to another to safeguard their savings, but for banks and companies this creates additional costs and additional money market risks.

Nevertheless, a significant development in the field of financial sector was the unprecedented growth of the banking and insurance sector. The number of banks increased from 2 banks with 13 branches in 1993 to 21 banks with 120 branches 2003. The amount of private deposits have grown from less than USD 150 million before 1993 to USD 1501 millions in Dec. 1996 and to 3.506 billions in Sep. 2000. This amount stagnated since then with a slight decline in some years due to the deterioration of political situation. The amount of private deposits in June 2002 amounted 3.4 billions. Bank Deposits in Banks Operating in the WBGS in June 2002<sup>22</sup>

*Table 19: Deposit compositions by type of account and currency<sup>23</sup>*

Type of Account	NIS in USD		JD in USD		USD	
	M	%	M	%	M	%
Current	271.0	51.1	167.8	22.3	459.0	21.8
Saving	65.3	12.3	276.6	36.7	181.9	8.6
Time Deposits	194.5	36.6	308.3	41.0	1469.89	69.6
Total	530.8	100	752.7	100	2110.79	100
Grand total	3,394.29					

<sup>22</sup> MAS, *Economic monitor*. pp. 96

<sup>23</sup> PBS, *Financial Sector Survey*.

The overall bank credit to the private sector witnessed steady but slow growth from 1994 to September 2000, then growth was slowed down afterward as a result of the deterioration in the investment climate and in all aspects of economic activities. Credit grew from USD 251 million USD 1074 million in September 2000, and reached a peak point in August 2001, then decreased gradually afterward. By mid 2002 the amount of credit amounted USD 1018 million.

Credit extended to private sector by type indicates that the majority of it is in overdraft facility with one year or less maturity, which represent 55%, and the term loans with 3 years or less maturity, represent 45% and the discounted bills represent a small fraction of less than 3%. The Palestinian economy lacked the provision of long term credit to finance investment. The only long term credit was provided by the Arab Palestinian Investment Bank and by the Extended Reach Program of the International Finance Corporation (IFC). But both Institutions put hold to their activities since the break out of the Intifada in September 2000.

*Table 20: Credit extended by banks in the WBGS in June 2002 by type of currency<sup>24</sup>*

Type of Credit	In NIS		In JD		In USD		TOTAL	
	M	%	M	%	M	%	M	%
Term Loans	13.40	7.50	86.8	57.8	326.0	47.3	426.20	41.8
Over daft	164.40	91.90	58.7	39.1	340.8	49.4	563.90	55.3
Discounted Bills	1.16	0.65	4.7	3.1	23.0	3.3	28.86	2.8
Total	178.96	100	150.2	100	689.8	100	1018.96	100

Conservative lending policies adopted by banks operating in the WBGS might be understood in light of the following facts:

- The judicial system in the WBGS is still very weak, which weakened the ability to m enforce contract. There are no quick commercial courts. This means that banks have to wait for years to get a court decision to regain their money back.
- The base for collaterals is very limited due to the fact that most of the Palestinian land do not have title in the land registrar.
- No central registration of collaterals on moveable assets except on cars.
- The political situation is also a deterrent to the enforcement of contract. The Palestine police has become very weak, and lacks the proper facilities to handle violation of contracts.
- Operating banks in the WBGS have their headquarters outside Palestine, and since Palestine do not have its national currency and monetary policy, so these banks have many options to allocate their loans, and the Palestinian private sector has to compete for gaining credit from "its" deposits with private sector of the regional countries of the circulating currencies.

As for the insurance sector, the number of companies rose from one to 9 companies, 4 of them are new Palestinian companies, two Arab, and the others are foreign companies which opened branches in the WBGS. These companies are employing now 718 employee and their added value was USD 15 millions<sup>25</sup>.

<sup>24</sup> MAS, *Economic Monitor*, Number 9, December 2002, pp.98

<sup>25</sup> PBS, *Financial intermediaries and insurance survey*,

#### 4. The Palestinian Informal Private Sector<sup>26</sup>: General Overview

##### **Size of the Informal Sector :**

The informal sector in Palestine is a widespread phenomenon. The number of informal enterprises is substantial, and estimated at 110,530. . In the West Bank, informal enterprises represent 21% of all households in cities, 19% of all households in villages, and 25% of all households in refugee camps. The overall ratio of enterprises to households in the West Bank is 19.5%. In the Gaza Strip 27% of households in cities have informal enterprises, and 33% of village households, and 29% of refugee camps have their own enterprises. The overall average of household, which own informal enterprises in Gaza Strip is 27%.

The sectoral distribution of enterprises in the West Bank indicates that 42% are performing trade activities, 19.2% are in animal husbandry, 15.2% are in services, 12.3% are in food processing, and a 0.4% are in construction. The sectoral distribution in the Gaza Strip showed similar high ratio of 49% that are active in trade, 19% in services, 10% in each of food processing and manufacturing of non-food products, 9.2% in animal husbandry farming, and 2% in construction.(pp.20).

##### **Sector Characteristics:**

The most recent field research of the informal sector shows the following characteristics:

1. **Ownership:** The ownership is mainly held by male, which represent 78% in the West Bank, and 91.5% in Gaza. Male ownership is more dominant in cities (89% in the WB and 95.5% in GS), while female ownership in villages and refugee camps is higher ( around 20% in both areas). The survey indicates that 75% in the WB and 78% in GS of informal business are owned by individuals, and 17% in the WB and 15.5% of informal business are household owned, and an 8% of informal business in the WB and 6.5% of GS are partnerships.
2. **Gender management:** The data indicate similarity with the ownership results, which indicate that the management is carried by owners.
3. **Age of owners/ managers:** Almost 50% of enterprises are owned and managed by the age groups 26 to 32 and 33-40. The younger age group 18 to 25, and the older ones 41 to 48 own and manage 13-15 of enterprises, and the each of the older groups (49 to 56) and 57 and above own and manage 10-12% of informal enterprises.
4. **Marital Status of owners/ managers:** The majority (74% in and 79% in Gaza) were married with children. As for single entrepreneurs, they represent 16% in the WB and 14% in GS. The rest are either married without children (7% in WB and 5% in GS), or widows (2% -2.5%).
5. **The level of schooling of owners/ managers:** The survey shows that more than 50 % of the entrepreneurs have elementary ( 9 years) and secondary (12 years) of schooling. At the university level the ratio of entrepreneurs was 7.5 % in WB, and 9.5% in Gaza Strip. The illiterate entrepreneurs ratio is reasonable, and represent 10.5% in WB, and 14.5% in Gaza Strip. In General the data show the existence of good quality of human resources ( 70 % of owners/ managers have 9 years of schooling or more), which indicates a high potential for expansion, and for development of capacities.
6. **The Occupation of entrepreneurs:** The survey indicates that 67.5% of entrepreneurs in WB and 77% in GS have no formal occupation, and they are fully dedicated to their informal business. The low ratio of employees in the government and with the private sector among entrepreneurs reflects a hesitation of middle class to engage in informal activities.

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<sup>26</sup> Massar Associates, *Palestinian Informal Enterprises: Key Characteristics, Constraints To Growth, and Development Opportunities*, Ramallah, March 2003. This study is based on field survey, which provide first hand data on the informal sector.

7. **Employment characteristics:** The survey shows that two third of informal enterprises do not employ laborers, and only one third do. The figures are very close to all types of localities. The number of employees in those enterprises, which employ labor, is one worker for 52% of them in the WB and 53% in GS. Those employing 2 workers represent 26% of WB labour employer enterprises, and 34% of GS Labour employer enterprises. The majority of labourers in the informal enterprises in the WB and GS are direct family members. As for payment of compensation to employees, almost 44% in WB and 34.5% in GS pay salaries, 33.5% in the WB and 36% in GS pay on piece bases. Hourly payment is not very widespread except
  8. **Labor intensity and frequency:** Data on time spent at work in the informal enterprises demonstrate that 75% of entrepreneurs in the WBGS spend 6 working hours or more in their informal business. This date indicate a high level of production and income stability, an additional confirmation of the fact, that the Palestinian informal sector is not a part time job for the majority engaged in it. Another indicator on the stability is the frequency of operations, where 75.5% of WB and 82% of Gaza enterprises are having a permanent operation. The ratio of those having seasonal operations are 14% of WB and 7.5% of Gaza Strip enterprises, and 10.5% of WB and 10.5% of GS are having casual operations. The survey indicated that 78% of enterprises are working whole year.
  9. **Proportion to family income:** The survey shows that their informal income is the sole source for 44% of informal enterprises in WB and 47.5 in GS.
  10. **Average size of investment and type technology:** The average size of investment in enterprises according to the survey is USD 2,568 in the WB and USD 1770 in Gaza Strip. The average for both is USD 2211. The maximum investment reported is USD 12,000. The majority of enterprises, 80% in the WB and 90% in GS, use manual or semi manual production technology. The rest use primarily electrical powered machines.
  11. **Sales and profit and return on investment:** The survey shows that the average annual sales reached is USD 7,662, and the average net profit is USD 2,876, which represent 38% of sales. Average sales of WB enterprises is USD 8,174 and the net profit is USD 2,929, which represent 36% of sales. As for GS enterprise the average annual sales is USD 7,040 and the net profit is USD 2,811, which represent 40% of sales.
  12. **Sources of financing:** The survey indicated that the majority of informal enterprises, 71% in the WB and 63% in GS, financed their investments form own resources. Loans from family and friends represented 19% of financing investments in the WB and 26% in GS. A very few number, 1% of WB and 3% in GS enterprises were able to get loan from banks. As for the non-bank credit the survey shows that 1% of WB and 2% of GS enterprises were able to use this source of financing.
- Demand for credit:** The survey indicated that the vast majority of surveyed enterprises, 96.7% in the WB and 93% in GS, did not ask for credit at the start. But the situation after operation demand for credit slightly changed. Only 5.2% in the WB and 13.3% in GS sought financing from banks and micro credit organizations. The reason is here mainly because the possibility to get the loan is higher. The reasons behind the low demand for financing according to the answers of surveyed enterprises are as follows: 26.7% concern on risk of default, 33.2% for religious reasons, 8.7% do not like to be in debt, 25.6% said they did not need to borrow, 2.5% did not have information, and 2.1% they didn't have collateral. Only 0.2%, and 0.4% said that the difficult loan conditions and the high interest rate are the obstacles for not seeking financing.
13. **Potential Demand for Credit:** Despite the above mentioned facts, the potential demand for credit seems very encouraging. 33% of surveyed enterprises in the WB and 24% in GS expressed their willingness to ask for credit. The average amount sought in the WB is estimated

at USD 4,010, and in the GS is estimated at USD 2,315. The difference between the two areas reflects the level of development between the two areas. A difference exists also according to type of locality, where the average size of loan sought in the WB cities is larger than villages and camps.

The structure of the potential loan portfolio according to size seems to be concentrated on the middle size loans. The structure of the potential loan portfolio according to sector shows no difference between sectors. Almost one third expressed their interest to get loan, and two thirds said they would not seek borrowing. The estimated amount of potential lending according to the survey is estimated at USD 105, 80 millions in the WB and USD 25 in GS.

Demand according to maturity, most of loan seekers prefer 18 months loan term, only one quarter of loan seekers asked for a term loan of less than a year. The majority (83%) also prefers a monthly payment, and only 8% prefers quarterly payments, and 6% prefers semi-annual payments. With regard to the interest rate, most of entrepreneurs surveyed feel that a monthly rate of 1.74% (in the WB) and 1.9 % (in GS) would be an acceptable and reasonable rate.

#### *Annex 5 – Services provided by New Vision, the Guarantee Centre for the CGS-ACAD*

##### **Marketing Services:**

- Marketing Strategies and plans.
- Market Research.
- Social Marketing.
- Marketing Campaigns.
- Market Representation.
- Managing Promotional Campaigns.
- Feasibility Studies.
- Export Services.

##### **Management Services & Organizational Development:**

- Strategic Management & Organizational Structure.
- System Analysis & Management Information Systems.
- Management Evaluation & Assessment.
- Organizational Development
- Economic & Financial Studies

##### **Event Management:**

- Trade Exhibitions.
- Design and Implement National And International Conferences.
- Design and Implement special events.

##### **Track record (main mandates from):**

Catholic Relief Services, Ramallah Municipality, PARC, Save the Children Federation, Red Cross International, Ma'an Center, Democratic Workers Right Center, Palestinian Vision, GTZ, World Vision, United Palestinian Appeal (UPA), Palestinian Food Industries Association, Palestine Industry Integrated program, UNIDO, Palestine Trade Center (Paltrade), Palestinian Chemical Association, BirZeit Continues Education, Palestinian Textile Association, Swedish International Development Agency, Red Cross, study of war impact on civilians in West Bank, Sector study for Teachers, for Democratic Development Center in Ramallah.



## Annex 6 – Profile of SIDI

SIDI has been involved in Palestine for many years and collaborating with ACAD for 5 years. SIDI has an international experience (Africa, Asia, Middle East and South America) in supporting microfinance institutions. Currently, SIDI is a shareholder in 18 MFI's such as SIPEM in Madagascar, CERUDEB in Uganda, CONFianza in Peru, EMT in Cambodia etc.

### **Creation:**

SIDI, *Solidarité Internationale pour le Développement et l'Investissement*, was established in 1983 by CCFD, to strengthen its intervention in the economic and financial field.

### **Objectives:**

SIDI is specialised in the financial and technical support of microfinance institutions: it aims to promote viable economic activities and to foster the establishment of a social and economic environment capable of promoting **sustainable development**.

### **Partners:**

In terms of legal structure and methodology used, SIDI's partners are diversified: local associations; financial NGOs; savings and credit unions; socially-oriented banks. SIDI expects its partners to provide viable financial services adapted to the needs of micro and small entrepreneurs of developing countries, with profitable projects, excluded from the formal financial sector, because of lack of guarantees and seed capital.

### **Resources:**

SIDI's financial resources include:

- *Share capital* (5.32 M€) held by the CCFD (the founding shareholder) and other institutional and private shareholders.
- *Shared income of the mutual fund "Faim & Développement"* (Hunger and development), promoted by the CCFD.
- *Funds negotiated* with bi-and multilateral public agencies and private development organisations.
- *Revenues from its portfolio*.

### **Fields of intervention:**

- *Financial support* : consolidation of financial resources of the partners through Equity investment, Loans, Credit Guarantees and Grants negotiated with international institutions.
- *Business Development Support*: Reinforcement of operational capacities of partners, Governance and institutional support (participation in the governing and decision-making bodies), support and advice in internal organisation (strategic planning, employee training), support to operational activities (design of sustainable financial services).

### **Results:**

Since its creation in 1983, SIDI has developed partnerships with financial institutions specialised in support of micro and small enterprises in 25 countries in Africa, in Asia, in the Middle East and in South America. As of December 2003, SIDI's equity and loan portfolio amounted to 5,32 million of Euro. Thanks to the lending activity of its local partners, SIDI's network disbursed in 2003, more than 150.000 loans (ranging from 100 to 5.000 €) to SME's of developing countries. At the end of 2003, the aggregated portfolio of SIDI's partners amount to 190 million of Euro.

### **The Finansol label :**

The Finansol association brings together the majority of French actors active in solidarity financing and awards a label of quality to vouchsafe the transparent and efficient use of funds. This label has been obtained by the "*Faim et Développement*" (Hunger and Development) and the "*Eurco Solidarité*" (Eurco Solidarity) mutual fund and the equity shares of SIDI.

Annex 7 – Track record of the MD of New Vision, the Credit Guarantee Centre

Name: Adnan Andrawes Faramand

Date of birth: 1963

Status: Married , Children: One girl and one boy

Nationality: Palestinian

**Key Qualifications**

- Managerial and organizational skills acquired from working in various work environment.
- Familiarity with USAID, SIDA, UNIDO, DEG, World Bank, International NGO procedures, policies and reporting requirements.
- Familiarity with the Palestinian private and NGO sector in West Bank & Gaza.
- Familiarity with private sector representatives.
- Familiarity with the Palestinian culture and mentality.
- Familiarity with the local environment, both public and private sector, and knowledge of existing structures, systems and procedures.
- Fluency in English, Arabic, and good Russian Language, excellent analysis and writing skills.
- Capacity to lead a team as well within a team.
- Capacity to work under pressure, work long hours and willingness to travel
- Computer literacy, Windows, Excel, MS Project and PowerPoint.
- A valid driving license.

**EDUCATION:**

- High School Certificate - **Friends** Boys High School, Palestine.
- B.A. Accounting major, Economics minor - **Birzeit** University, Palestine.
- Executive MBA – **Kellogg- Recanati**, Northwestern University **USA**.

**PROFESSIONAL EXPERIENCE:**

**General Director**

New Vision Management Consulting

**2002- Present**

- Projects implemented are various such as evaluation, management review and audit, organizational structure development, focus groups, surveys, business plans and diagnostic studies.
- Clients are local, international organizations and companies such as, United Palestinian Appeal, Save the Children, Ramallah Municipality, Red Crescent, GTZ/SEC, UNIDO, and Palestinian Federation of Industries. Representing United Palestinian Appeal UPA (USA PVO) in West Bank and Gaza as monitoring & Liaisons with USAID for the \$3 million EEGP program.

**Manager**

**Sector Support Program/ Capacity Building**

**2001- 2002**

Welfare Association Consortium, World Bank Project (Consortium of Welfare Association- Geneva, Charities Aid Foundation- United Kingdom, and The British Council).

Management of all aspects of capacity building strategy and Sector Support Program activities, accounting for 2 MUS\$ funded by the World Bank for the benefit of the Palestinian NGO sector.

**General Manager**

New Vision Management Consulting

**2000- 2001**

New Vision is a consulting firm located in Ramallah specializing in management, Capacity building, policy, marketing, and promotional services.

Institutional Support Manager, Development Alternative Inc. (DAI) / Small Business Support Project 1999-1998 (USAID Funded Project)

- Main responsibilities were to coordinate, manage the industry strategies for the main Associations, Stone, Food, Pharmaceutical, Textile, and other industries.
- Palestine Trade Center Paltrade was my initial success within DAI from the institutional and regulatory scope, registration, and recruiting the founders from the businessmen community Gaza and West Bank.

Marketing & Business Development Advisor

Development Alternative Inc. / Small Business Support Project

1998-1997

- Develop SBSP Marketing Strategy and provide marketing services, export and local marketing to client firms and business organizations in West Bank and Gaza.
- Managing three representative offices in Dubai, Israel and USA to export Palestinian Products to these markets

**General Manager**

**Arab Food Products Company**

1997-1993

Arab Food Products Company is a Palestinian firm located in Birzeit- Ramallah, specializing in canned food and markets its products locally and internationally. The total number of employees was 50 employees. Management, marketing locally & export, purchasing fresh raw materials, and production. The company was exporting to Canada, Belgium, Panama, USA and Jordan

**Professional Memberships & Certifications:**

- A founding member of the Palestinian Food Industries Association, and a board member for two years.
- A founding member of the Palestinian Association for Management Consulting Companies.
- Board Member of the Palestinian Association for Management Consulting Companies (Mustashar) for two terms.
- A Founder and President of Student Council in Friends Boys School.
- Vice chairman of Friends Graduate Alumni.
- DEG Certified Consultant for SMEs.
- UNIDO, Certified Consultant for diagnosis and business planning.

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