



ACADF
Annual
Activities
Report

2017



Executive Summary

People across the occupied Palestinian territory (OPT) continue to be negatively affected by Israel's ongoing occupation; Israel has rapidly expanded settlements in the West Bank.

Israel held 692 Palestinian administrative detainees (including 13 children) without charge or trial, based on secret evidence. A number of Palestinian prisoners have gone on hunger strikes to protest against their detention. a new escalation of resistance, characterized by demonstrations, bloody clashes, in the West Bank and at the Gaza border.

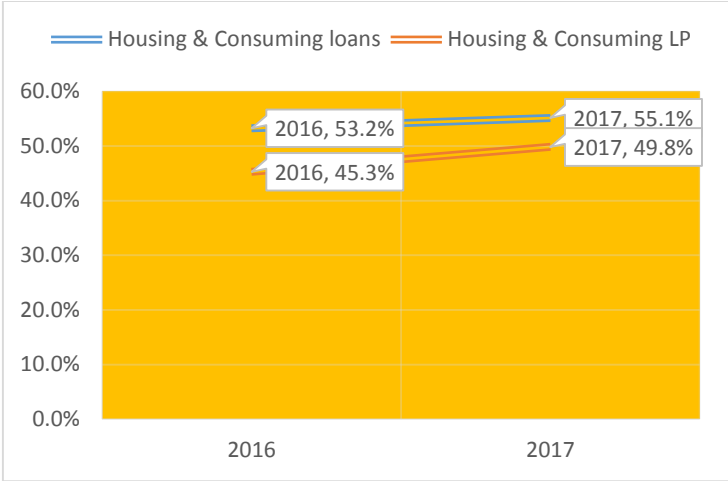
A reconciliation agreement has been signed between the two parties (Fatah and Hamas) on Oct. 12, 2017; however, the reconciliation process is still on standby since then.

On December 6th 2017, President Trump formally recognized Jerusalem as the capital of Israel, and announced plans to relocate the US embassy there. This announcement inflamed tensions in the Palestinian territories, triggering anger and protests, which led to confrontations between Palestinian demonstrators and the Israeli Security Forces,

The political events events, associated with the restrictions of movement and trade in the West Bank and the blockade of Gaza since 2007 and the slowdown in international aid, have produced an uncertain and unsustainable economic situation in both the West Bank and Gaza. The unemployment rate remains stubbornly high (28.5% in 2017, 27.3% in 2016). Unemployment in Gaza, at 44%, is more than twice as high as that in the West Bank; more than 60 % of those aged between 15 and 29 in Gaza are out of work. The Palestinian Authority's (PA) fiscal situation remained tight in the first half of 2017 due to lower than needed aid. The expenditure cuts by the PA in Gaza led to fast further economic deterioration.



At microfinance sector level, year 2017 witnessed a significant decline in the growth of the loan portfolio as it did not exceed 11% compared to 42% in 2016 while the number of active loans declined to 3.2% compared to 25%. However, the share of housing loans and personal loans increased to 55% of the total loans and 50% of its total portfolio value.



The year 2017 witnessed a marked deterioration of the quality of the lending portfolio in the sector as a whole, whereby the portfolio at risk rose from 3.4% in 2016 to 5.85% by the end of 2017.

In 2017, (PMA) issued a set of instructions to strengthen the supervision on lending companies and the banking sector; the most important of which is the Corporate Governance Code.

The Board of Directors intensified its meetings in 2017 to reach six meetings a year discussed, at length, the portfolio crises of mid 2017 whereby the portfolio at risk and the loss increased dramatically unprecedented manner, supported the management in its emergency plan that was presented in June and discussed in details, the performance at the employee and branch levels. The Board endorsed the representation of the company in the Board of Directors of INAISE by the Chairman of the Board.



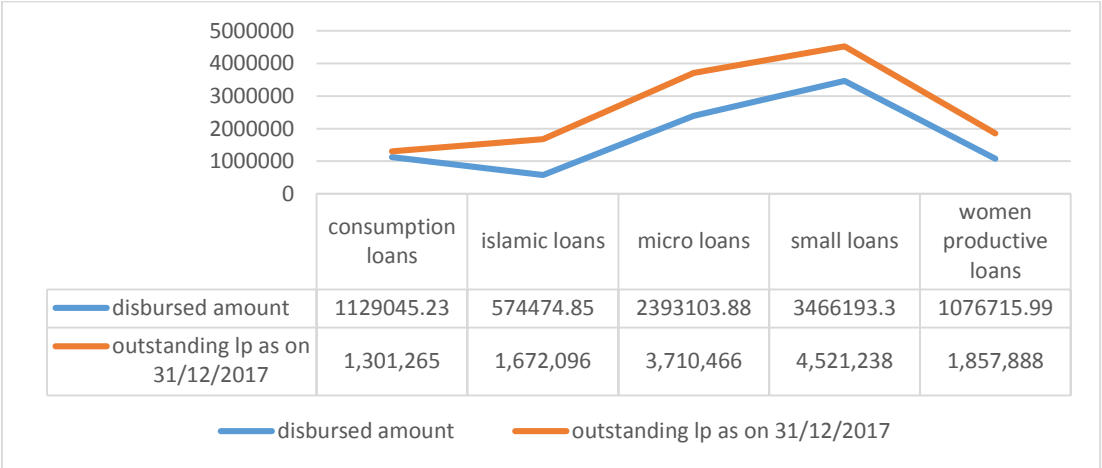
The Internal Audit Department issued the 2017 annual internal audit plan to the Board Audit Committee, which covered areas with higher risks. Four detailed audited reports were submitted and discussed over the year, the Risk Committee held four meetings during the year 2017

The company's administrative staff held 21 official meetings, with written meeting minutes, and held dozens of informal meetings, several employees from all departments attended these meetings, and some branch managers participated in the meetings to discuss issues related to their branches.

At med of 2017 ACADF, as a part of the sector, faced a difficulties which could considered as a semi crisis, the operation department with support of the Executive management and the board adopted emergency plan beginning of June, several procedures and policies were taken

In 2017 ACADF started offer 2 new products have been designed and approved by the board end of 2016 .ACADF loan portfolio reached \$ 13,602,953 USD, with 90% for production purpose and 10% for consumption. %25 Of the LP was for micro loans, %35 for small loan and 14% for women productive loan. Meanwhile the Islamic LP contribute up to 13% of total LP.

LP and disbursement by amount/ by product for 2017 summarized in the following chart



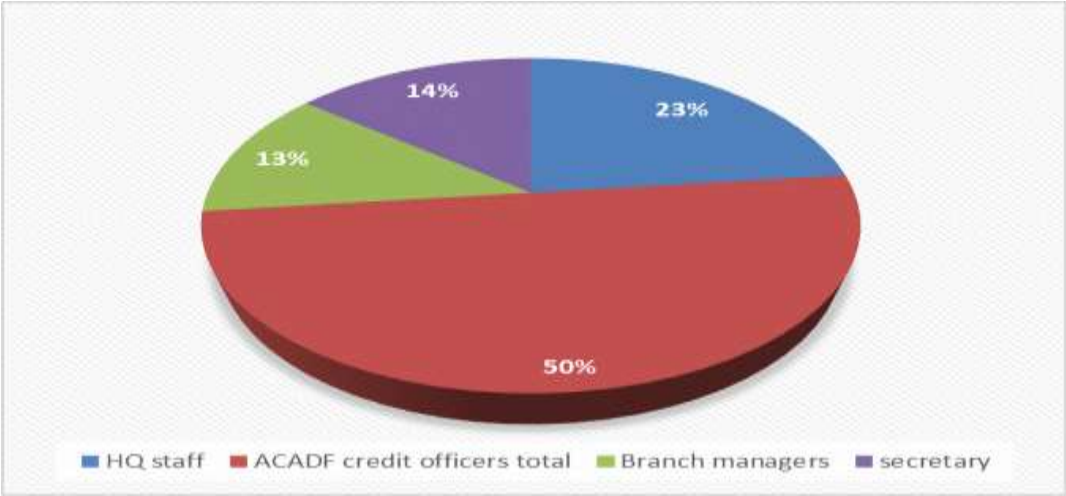
Regarding the borrowers, 51% of total active borrowers were women, 9% are living in refugee camps, 47% in urban areas and 44% in rural area, the active loans percentage to youths under the age of 35 reached 56% and 42%

under the age of 30 years old.

ACAD Finance total revenues in 2017 witnessed a remarkable growth in comparison with 2016; the increase was by an amount of \$337 thousand at 18% rate .ACADF Finance got new loans with amount of \$2.25M, from different lenders. The financing cost increased from \$224 K in 2016 to \$322 K in 2017, mainly due to the increase the share of commercial loans visa vise subsidized

borrowing. Debt/equity ratio reached 155%.The total operating costs grew by about 11.36% from \$1.44 M in 2016 to \$1.60 M in 2017. Net profit before tax increase from \$135K during 2016 to \$ 162K during 2017 the company allocated reserve for tax purpose in amount \$82K leading to \$80K as net profit.

During 2017, new five employees joined ACADF’s team, meanwhile five loan the staff turnover in 2017 was 9.01% in total, among female was 10.34 % and 7.84% among male.



By the end of 2017, the total staff at ACADF payroll was recorded 56, ACADF’s with support of EPCGF contracted the human resource development (HRD) local consultancy company to review and integrate manuals to have comprehensive internal control system. ACAD finance signed an agreement with DELTA .CO. For software application to have new MIS, the new MIS well be more flexible with accrued data, and meeting PMA’s requirements.

In cooperation with independent researcher a client satisfaction survey was conducted the purpose of the survey is to measure the degree of satisfaction of 3,063 of ACAD clients concerning its products and services

No.	Item	percentage
1.	The loan officers are qualified and have technical and professional capabilities	89.7
2.	The lending institution informs you of its services and lending policy before signing the agreement	89.5
3.	The period between applying for the loan and receiving the loan amount is short	86.1
4.	The existence of a grace period that leads to easy repayment of the loan	78.5
5.	The repayment schedule is convenient	77.5
6.	The lending institution studies and evaluates your project before granting the loan	76.5
7.	The repayment period is convenient compared to the loan size and type of project	74.6

No.	Item	percentage
8.	Easy procedures to obtain the loan	73.8
9.	The amount of the granted loan is close to the requested amount	68.3
10.	Loan size is convenient	61.0
11.	Requested collaterals are easy to provide	61.0
12.	The lending institution follows up your project after granting the loan	60.3
13.	The interest rate is reasonable	44.8
14.	The institute provides training programs before starting the project	38.0

