



# Activities Report

**2012**

## Executive Summary



## **Introduction:**

At the political level, in 2012 the Palestinian territories did not witness any new developments or any progress, with the exception of the Israeli military aggression on Gaza Strip and the escalating and continuous settlement in the West Bank.

At the internal level, the Palestinian political parties failed to achieve the national reconciliation and the status quo continued with two governments, one in the West Bank and the other in Gaza Strip.

At the economic level, The Palestinian Government in the West Bank has suffered since June 2012 from a strangulating financial crisis resulted in disrupting public expenditure and public sector employees' salaries. Then the government managed to partially disburse employees' salaries, which continued until the end of 2012. This financial crisis deteriorated the economic situation in the West bank and largely affected the financial activity of banks and lending organizations.

Moreover, donors' support for the governmental and civil society organizations continuously deteriorated, which seriously affected the civil society organizations activities all over that year, including the developmental projects of ACAD.

On the other hand, the small and microcredit sector in Palestine witnessed an important and remarkable development in 2012. At the beginning of this year, President Mahmoud Abbas ratified the Regulation for Licensing of Specialized Lending Companies, which entrusted the Palestinian Monetary Authority (PMA) with regulating and licensing the lending activity. In its turn, PMA issued directives regarding the lending activities through profit or non-profit companies, provided that the company's capital should not be less than \$5 million.

ACAD, at all levels, including the Board of Directors, started making contacts and taking decisions to prepare for compliance with the new directives.

## **Financing activity**

Despite the financial crisis and the disruption of public sector employees' salaries, accompanied by an increase in financing risks and liquidity crisis of which ACAD suffered, ACAD generally sustained the same levels of 2011, albeit in a little bit less rates, in the field of financing.



ACAD's total financing amounted to \$4,55 million compared to \$4.7 million in 2011. Meanwhile, the facilities portfolio rose from \$4,46 million in 2011 to \$4,9 by the end of 2012.

**Number of active loans** dropped from 3,410 in 2011 to 3,282 in 2012. This increase in the portfolio and drop in active loans means an increase in the average size of disbursed loan from \$2,239 to \$2,626.

In 2012, **women maintained** the biggest share of disbursed loans (70,6%) with a slight drop compared to 2011. Financing for the rural financing compared to other areas increased from 57% in 2011 to 62%.

Regarding **geographical distribution** of the facilities portfolio, Jenin portfolio was highest followed by Gaza Strip portfolio, then Tulkarem portfolio and last Jericho portfolio ranked last.

As regards the portfolio distribution in terms of the provided **financing products**, the women productive loans came first (41% of the total portfolio) followed by micro credits, which means that ACAD is continuing in targeting rural women and low-income families. Also, Islamic financing formed one fifth of the facilities portfolio, while financing of small commercial activities obtained the lion's share of the portfolio (45%) followed by financing of agricultural enterprises (38%).

It is worth noting that a part of the commercial financing is linked with agricultural and foodstuffs marketing.

In 2012, ACAD's Administration merged the cooperatives loans in the total lending portfolio and formed 4.6% of the total portfolio.



In the same year, ACAD gave three loans amounting to \$37,000 to new societies, rising the number of coops with outstanding loans from ACAD to 13.

During the same year, the number of coop's members contributing to the saving program reached 700 members and savings reached \$80,000, while they gave 230 loans in \$290, 000 for its members.

### **Main important indicators of the portfolio development**

<b>Type of portfolio &amp; indicators</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Retention rate	22%	32%	37.60%	47%
Scheduled loans from active loans	8.4%	5.08%	1.76%	1.80%
Written off loans from active loans	0%	0%	0%	0%
Average number of active loans for each field employee	146	154	170.5	172
Average number of active loans for each field office employee	90	97	100	97
Average number of active loans for each employee in ACAD	73	81	81	83
Portfolio at risk more than 30 days	27%	16%	9.50%	11.61%
Loan reserve ratio	14%	9%	6.80%	6.10%
Returns on portfolio	24.18%	25.05%	26%	23.70%
Operational expenses	25.33%	22.11%	21.70%	18.70%
Operational sustainability	99.30%	132%	120%	120%
Financial sustainability	95.20%	119.50%	116%	115%

### **Non Financial Developmental Services**

Donors' deterioration in supporting developmental projects continued in 2012, which was reflected on financing ACAD's developmental projects. ACAD's budget for developmental projects dropped to \$246,000 compared to \$262,000 in 2011 projects that were under implementation dropped from 8 to five projects under implementation in 2012, three of which were extensions for previous projects.

In 2012, ACAD has only obtained funding for two projects in Gaza Strip at a total amount of \$185,000: one from the Norwegian People's Aid for supporting lobbying and advocacy issues of farmers in Gaza Strip. This project provided training for 63 entrepreneur farmers on lobbying, networking and advocacy campaigns, while the other project was funded by the NGOs Development Center, which targeted rehabilitation of agricultural lands destroyed by the Israeli aggressions and benefitted 230 farmers.





Meanwhile, ACAD continued providing technical support for 20 agricultural cooperatives in the West Bank through funds provided by the French Development Agency and the Italian CESVI.



## Resources

### ➤ Human Resources

During 2012, ACAD recruited four new employees while six employees resigned:

- Four employees were employed on projects in Gaza
- Six employees resigned for personal reasons: three lending employees, compliance female employee, project employee in Gaza and project coordinator.

### Employees by type of job

Type of job	2011	2012
Administrative employees	16	15
Field lending employees	21	19
Offices and branches Managers	7	7
Projects employees	3	4
Total	47	45



### Distribution of employees by level of education

Level of education	2011	2012
MA Degree	4	3
BA Degree	33	34
Diploma	8	6
Higher Secondary Certificate (Twejihi) and under	2	2

## Training and qualifying of Staff

In preparation for establishing a specialized lending company, ACAD's administration gave a special attention to develop and raise the capacities of staff in the fields of financing, management of lending portfolio, dealing with beneficiaries and risks management.

For this purpose, ACAD contracted the National Bank of Jordan (Al-Watani Bank) to organize a special training course for its staff (both theoretical and practical). The training course, which has taken place in Amman, was attended by 26 employees from different levels for 117 training days. The trainers received theoretical training and field visits in the bank's different locations.



Meanwhile, three employees from Gaza Strip were delegated to Alexandria (Egypt) for five days where they also received theoretical and practical training with Alexandria Businessmen Association, the biggest organization specialized in microcredit in Egypt.

In coordination with the Palestinian Ministry of National Economy, Hebron branch manager participated in an advanced training course in Islamic financing for 15 days in Malaysia where he gained knowledge about the experiences of Malaysia in the Islamic financing for small and micro projects.

Moreover, a number of employees participated in local training courses on management of Social performance and financial analysis.

In total, 30 employees (64% of the total number of employees) participated in 2012 in training courses at specialized institutes, most of them abroad.

### ➤ Physical resources

In 2012, ACAD operated nine (9) offices throughout the West Bank and Gaza Strip in addition including the main office in Ramallah.

## Development in Immovable Assets in 2012

The following assets were added:

### **Devices, equipment and software and their accessories: \$5,021**

Type	Number	Location
Laptop	2	Gaza/funded from projects
LCD	1	Gaza/funded from projects
Printer	3	ACAD, Bethlehem
Camera	2	ACAD, Gaza
Attendance Watch	1	Tulkarem

### ➤ **Furniture: \$2,204**

### **Establishment of a Lending Company**

In light of contacts made with the PMA and international investors, and the discussions held by ACAD's Executive Management with the Tax Department, the Board of Directors approved in its session held on 13 September 2012 the registration of a profit company of capital \$5 million, of them three million shares for ACAD and the remaining shares for local and foreign investors. The Board of Directors commissioned the Executive Management to make the necessary contacts with investors.

ACAD held discussions with a large group of investors and reached to understandings with them including SIDI (French), Triple Jump (Dutch), Grameen Foundation (French) and the European Investment Bank. The first three mentioned organizations sent delegations to ACAD headquarters in Ramallah where they got acquainted with work mechanisms and applicable regulations and visited ACAD's branches and borrowers. The European Investment Bank pledged to send an evaluation delegation in the beginning of 2013.





In its annual meeting held on 2 October 2012, the General Assembly endorsed the recommendations of the Board of Directors regarding the establishment of a specialized profit lending company and approved naming it “ACAD Company for Financing and Development”.

Through a special lawyer appointed for registration and establishment of the company, the Executive Management applied to the PMA to license a lending company with a capital of \$5 million (one dollar for each share) before the end of 2012. A financial five- year plan was prepared for the company and was submitted to the PMA and investors.

### **Public Relations, Networking and Financing**

ACAD promoted its relationship with PMA and held many meetings with it in preparation to establish a lending company. At the same time, ACAD built a coordination relation with the Department of Cooperatives at the Palestinian Ministry of Labor.

ACAD also continued to chair the Palestinian Network of Financing and Small and Microcredit Organizations in 2012 for the third consecutive year at the request and pressures of its members.



In Gaza Strip, Gaza Branch Director Muhsen Abu Ramadan continued to chair the Civil Organizations for the fourth consecutive year. This reflects the increasing respect of ACAD among the official and civil Palestinian circles. Moreover, ACAD built work relations and signed agreements with more than eight key banks in Palestine.

### **International Relationships and Networking**

At the international level, ACAD built relations with international organizations, which later on expressed their willingness in entering partnerships with ACAD's new lending company such as Grameen, Triple Jump and the European Investment Bank.



ACAD also maintained distinguished relations with strategic partners such as SIDI, the French Development Agency (AFD), UNDP, NAP, CCFD, CESVI and ACTED.

To activate communication, ACAD has recently restructured its website and launched it in a new form.

### **Financing**

ACAD's Administration made intensive efforts to improve the financing level. To achieve this goal, it applied for many projects to several parties, but due to the global trends in reducing the size of foreign financing in Palestine since years, its attempts did not work out. It only succeeded to raise funds for two new projects in Gaza Strip at a total amount of \$185 thousand from the Norwegian AID Program (NPA) and the NGOs Development Center.

ACAD also got a seventh loan of half a million dollar for four years at an interest of 2% and one grace period from the UNDP for financing small projects by the Islamic way. At the end of 2012, ACAD applied for another loan of the same amount allocated to Gaza Strip, which was initially approved and will be disbursed in 2013.