Arab Center for Agricultural Development (ACAD)

An NGO MFI

Ramallah, Palestine

Report – March 2010

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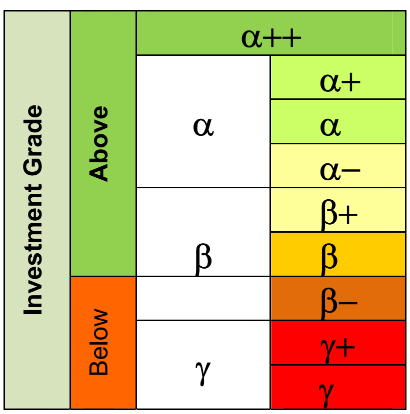
CREDIT RATING	β
RATING OUTLOOK*	*neutral*

***M-CRIL's viewpoint (positive, neutral or negative) of the future prospects of the organisation**

Date of visit 07-11 March, 2010



Main Performance Indicators	Dec-08	Dec-09
Gross Portfolio (US$ '000)	2 614	3 137
No. of active borrowers	2 550	3 067
Return on Assets	1.6%	-0.5%
Portfolio Yield	17.8%	22.5%
Portfolio at Risk (>60days)	32.4%	20.3%
Operating Expense Ratio	25.0%	24.1%
Avg. Loan O/S (US$)	1 025	1 023
Avg. Loan Size (US$)	1 294	1 747
Borrowers per field staff	121	146

Synopsis

The Arab Center for Agriculture Development (ACAD) is a not-for profit MFI based in Ramallah, with seven branches spread across the West Bank and one in Gaza. Before ACAD was formed in 1993, the credit activities were undertaken in the name of the United Agricultural Company (UAC). UAC provided credit in kind (seeds, fertilizers, agricultural tools and other inputs), through its own agricultural stores. ACAD was formed with a vision to create a self sustainable MFI with a wide scope for providing credit to farmers as well as to other micro-entrepreneurs.

In the past 17 years of operations as an MFI, ACAD has faced numerous setbacks due to wars and conflicts and their adverse impact on the economy. Despite having competent and experienced senior management, ACAD has not managed to grow at the expected rate and has weak portfolio quality. This has resulted in its failure to achieve self sufficiency.

ACAD has a nine member Board with members working on various social issues including human rights. The members are well educated and have a good reputation.

From its initial strategy to cover a wide geographical area, ACAD now plans to focus on achieving economies by increasing the scale of operations in the existing branches. To enable quick follow-up of overdues, the organisation has been training its operations staff, has recently shifted its database to a new computerised MIS and also plans to introduce a performance linked incentive system.

A rating update after one year is suggested to ascertain changes in the creditworthiness. This rating is valid, subject to no other significant changes in the organisational structure and external operating environment.

Highlights

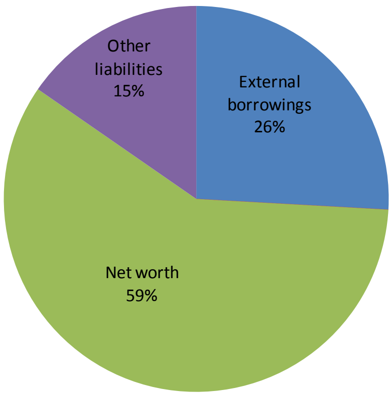
Positive

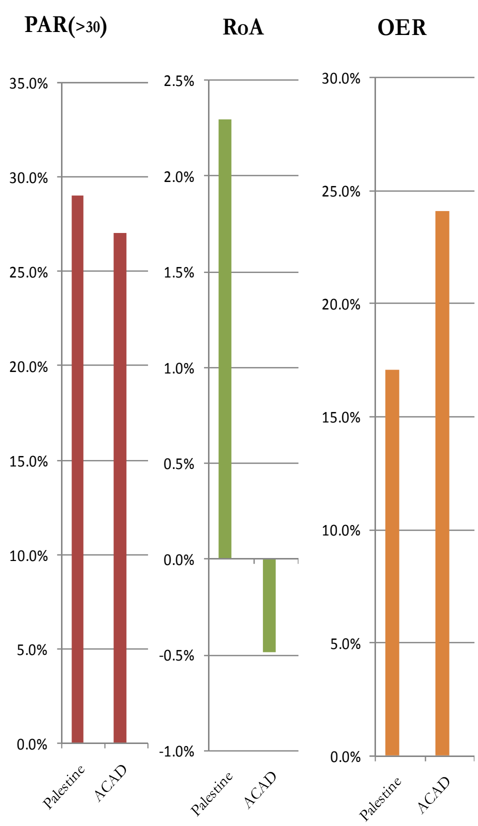
- Highly regarded Board
- Well experienced senior management
- Good MIS
- High capital adequacy

Negative

- High PAR and significant share of rescheduled loans
- Weak performance on sustainability (OSS & FSS)
- Inadequate tracking of overdues
- Lack of trained middle and field operations staff
- Low staff productivity

Sources of Funding





Comparison of ACAD's performance with NGO MFIs in Palestine.

Assessment Rationale

External environment: ACAD operates in a challenging external environment. Apart from the conflict prone nature of its operational area, people in general suffer from restrictions on the free movement of goods and services. These restrictions affect the clients' ability to repay their loans, the organisation's ability to effectively control and monitor operations and to facilitate trainings. Over the years of conflict, frequent rescheduling of loans by various MFIs has impacted the credit environment. The use of Israeli currency pre-empts the Central Bank of Palestine from having its own monetary policy, which creates currency risk for the clients. The organisation has done well to survive amidst the challenging political and economic environment in the country.

Governing Board: The nine Board members are drawn mainly from the development and social sectors. The Chairman, Mr Hassib Nashashibi is a highly respected figure and heads a human rights organisation in Palestine. Members are well educated in diverse fields, but the Board does not have any member with real microfinance experience.

High capital adequacy: ACAD's main source of funds has been grants. Recently, it has obtained a few soft loans too. As a result, ACAD has a very high Capital Adequacy Ratio (CAR) of 80.9% as on 31 December 2009. This may offer comfort to the lenders especially in an adverse external environment.

Operations: Unlike many of the other MFIs, ACAD has a centralised loan approval, disbursements, collections and control of overdues. The branches act on the instructions of the HO. This results in delays in making credit decisions and taking action on overdues. ACAD now has a computerised and networked MIS. All branches are well connected and have access to borrower information. The management is in the process of training and clarifying responsibilities to the branch staff. A new performance linked incentive system is also being designed. These changes are expected to improve quality of operations.

MIS and Accounting: ACAD now has a well designed, automated and online MIS. All the branches are well connected and have access to borrower information. This has facilitated better tracking of overdues and improving internal control. Accounting is integrated with the MIS and includes systems to provide for loan loss provisioning, derecognising interest on overdue loans (>90 days) and following accrual accounting principles. This has improved the quality of accounting.

Portfolio quality: Frequent disruptions in normalcy affect the economic conditions, clients' ability to repay and the overall control environment. This has affected ACAD's portfolio quality. ACAD has rescheduled 10.4% of its total outstanding loans and has a PAR_{60} of 20.3% as on 31 December 2009. Low yield, which is also due to low repayment rate is not even sufficient to cover operating expenses.

Comparative Performance Highlights

Comparative Rating Grades

Category	Rating grade
Governance & strategic positioning	β+
Organisation & management	β
Financial performance	β
Overall	β

Select indicators/ratios

Indicator/ratio	Dec-05	Dec-06	Dec-07	Dec-08	Dec-09
1 Growth					
Gross loans outstanding (US$ mill)	2.9	2.7	2.3	2.4	3.1
Outstanding borrowings (US$)	200 000	200 000	200 000	900 000	944 444
Active borrowers	1 283	1 374	1 517	2 550	3 067
Average loan outstanding (US$)	2 578	2 322	1 566	1 025	1 023
Average loan disbursed (US$)	2 907	3 250	1 580	1 294	1 747
2 Credit performance					
Portfolio at risk (>=30 days)	26.0%	74.0%	49.7%	43.0%	27.0%
Portfolio at risk (>=60 days)	17.9%	67.6%	43.8%	32.4%	20.3%
3 Efficiency and profitability					
Active borrowers per field staff	183	172	138	121	146
Net loans to total assets	80.5%	71.9%	70.5%	65.3%	69.6%
Annual return on assets	-2.3%	-20.5%	-4.0%	1.6%	-0.5%
Operating expense ratio	13.2%	14.9%	16.9%	25.0%	24.1%
Operating self-sufficiency	81.7%	34.5%	76.3%	111.7%	97.6%
Financial self-sufficiency	72.6%	30.0%	46.6%	66.4%	68.7%
Capital adequacy ratio	95.1%	113.4%	111.8%	95.9%	80.9%

Country Profile

Palestine is constituted by the West Bank and the Gaza Strip. Its borders and the economy are controlled almost entirely by the Israeli administration. Since the creation of the state of Israel in 1948, there have been several conflicts, skirmishes and general unrest in the area, including major wars in 1967 and 1970. It is estimated that over 5 million Palestinians have left the area since 1917.

Due to the occupation of a sizable portion of its territory, the natural resources of Palestine have been severely reduced, including water (a large amount of water from the Sea of Galilee has been diverted to Israel through the National Water Carrier). Following the second Intifadah (civil disobedience), Israel constructed a wall and network of fences to separate Israeli and Palestinian territories. Palestinians have been cut off from access to Jerusalem, and are monitored through checkpoints throughout the West Bank. Mobility for Palestinians between the West Bank and the Gaza Strip is not possible. The wall has increased travel time between towns in the West Bank threefold.

Following the January 2006 legislative elections, won by Hamas, The USA and the EU halted direct aid to the Palestinian National Authority (PNA), while the USA imposed a financial blockade on PNA's banks. Israel stopped transferring tax receipts accruing to the PNA (amounting to US$55 million). These funds accounted for a third of the PNA's budget and paid the wages of 160,000 Palestinian civil servants (among them 60,000 security and police officers).

The Palestinian territories have a predominantly agrarian economy, supplemented by small businesses and manufacturing units. Although the PNA has a Central Bank to cover monetary policy and banking regulation, there is a lot of volatility because of currency fluctuations (transactions are conducted in Israeli Shekel, Jordanian Dinar and US$). The country witnessed a moderate rate of inflation in 2008 (11.5%) and high unemployment (23%).The population below the national poverty line was measured at 46% in 2007.

Palestine had a population of approximately 5 million in 2009, of whom 72% live in urban areas (mostly towns of the West Bank and Gaza city). Of 177 countries, Palestine ranks 110 on the Human Development Index (which reflects life expectancy, literacy/education and per capita GDP), above the average for all developing countries.

There are eight main MFIs including one commercial bank. Organisations providing microfinance in Palestine are shortly to be governed by a newly passed Microfinance Law. The Palestine Central Bank will regulate MFIs under the new law. There are restrictions on the collection of deposits, so with the exception of Al Rafah Bank, the other institutions involved in microfinance provide only loans to their clients. The new law will enable opportunities for MFIs to raise equity investments, and will also enable closer supervision. Several cooperatives exist in the rural areas, undertaking internal saving and lending. Despite there being 23 commercial banks in Palestine (some local, one British and others Jordanian and Egyptian), most of the commercial banks do not engage in microfinance or lend to MFIs.

MFIs operating in Palestine face unique challenges to their operations, which raise operating costs, affect portfolio quality and hamper sustainability.

Lack of mobility: In 1994, after the Oslo agreement, signed by the PLO, Palestinian land in the West Bank was divided into 4 categories:

Category A: Controlled by Palestinian Administration
Category B: Civil affairs under Palestinian control, security under Israeli control
Category C: Military and civil control with Israel
Category D: East Jerusalem – under Israel occupation.

Palestinians who are not currently living in East Jerusalem cannot go there without permission. Categories A & B constitute 40% and Category C constitutes 60% of the West Bank. The lack of mobility between towns in the West Bank forces people to travel long distances.

Economic: Economic activities are highly dependent on trade links with Israel. All exports and imports have to be made through Israeli territory which can only be done in partnership with Israeli citizens.

Court intervention for default: Since all villages come under Category B areas, and Palestinian courts have no judicial powers over these areas, no legal action can be initiated on defaulters in these areas.

Environment for lending: MFIs in Palestine have evolved from grant based programmes of aid agencies.

This has to some extent vitiated the environment for lending as clients are accustomed to having loans rescheduled and written off. Although a certain degree of flexibility is required to meet the above challenges, it is inevitable that some wilful default also occurs because of clients' confidence that their loans will be rescheduled or written off eventually.

Microfinance operations

Main Indicators	Dec-05	Dec-06	Dec-07	Dec-08	Dec-09
Gross Loan Portfolio (US$ million)	**3.31**	**3.19**	**2.37**	**2.61**	**3.14**
Total members	1,283	1,374	1,517	2,550	3,067
Number of Active Borrowers	1,283	1,374	1,517	2,550	3,067
Number of Branches	5	7	8	8	8
Asset Quality					
Portfolio at Risk (>30 days)/Gross Loan Portfolio	26.0%	74.0%	49.7%	43.0%	27.0%
Portfolio at Risk (>60 days)/Gross Loan Portfolio	17.9%	67.6%	43.8%	32.4%	20.3%
Loan Loss Provision Expense/Gross Loan Portfolio	3.2%	23.9%	-7.9%	-6.2%	-1.0%
Loan Loss Reserves/Gross portfolio	10.6%	32.8%	26.3%	18.4%	14.3%
Write-offs/Average Gross Portfolio	0.0%	0.0%	12.0%	0.0%	1.6%
Efficiency and Productivity					
Operating Expenses/Avg. Gross Loan Portfolio	13.2%	14.9%	16.9%	25.0%	24.1%
Cost per Borrower	290	316	277	224	243
Average Outstanding Loan Size (US$)	2 578	2 322	1 566	1 025	1 023
Number of Borrowers/Field staff	183	172	138	121	146
Number of Borrowers/Total Staff	75	72	66	73	73

The Arab Center for Agriculture Development (ACAD) started activities in 1988 as United Agricultural Company (UAC). It provided agricultural inputs on credit to the farmers of the Jordan Valley. In 1993, ACAD was registered by the Palestinian National Authority (PNA) as a not for profit entity and assets of UAC assets were transferred to it. ACAD has its Head Office in Ramallah and has set up its branches to all major towns of West Bank and Gaza strip. Apart from lending to farmers, ACAD provides loans for setting up micro-enterprises as well as for consumption purposes. It also provides business support services including agricultural extension services, training and community empowerment services. The organisation also provides loans and technical assistance to 20 savings and credit cooperatives.

ACAD offers its financial and business support services to the low-income Palestinian people carrying out various income generating activities. It provides four loan products of size ranging from US$600 to US$7,500. The details of these loan products are provided later.

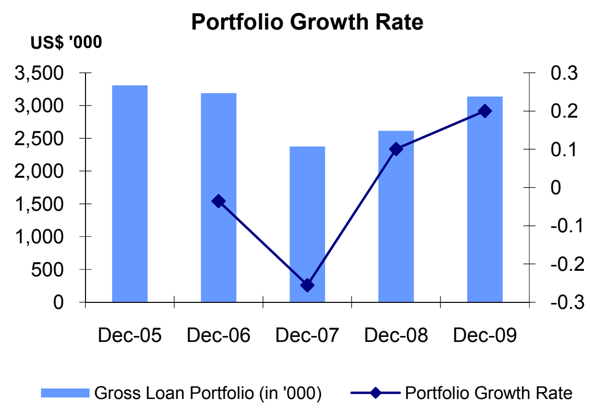
ACAD has been financially supported by the European Commission, UNDB and Islamic Development Bank. Its initial funds came from EC. ACAD has a long-term partnership agreement with the French institution SIDI where ACAD receives technical assistance on regular basis in addition to the soft loans. ACAD also received technical assistance from PlaNet Finance which was funded by the Luxembourg Cooperation and USAID.

ACAD operates in a challenging external environment. There are number of restrictions on the free movement of goods, services and people in the country. During last 17 years of ACAD's existence, there have been number of military crises which severely affected the economy and lives of the people. The recent crisis broke out in 2006 after Hamas was voted to power. This not only started another military conflict but also affected the foreign aid. There was a stoppage in payment of salaries to the government employees and overall flow of cash in the economy got affected. ACAD repayments were once again affected and PAR_{30} touched a high of 74% and it had to reschedule its loans.

Operational area (branches marked by red dots)

ACAD commenced its operations simultaneously in three cities, Ramallah which is the centre of West Bank, Nablus city which is the biggest city in the West Bank and is in the north, and in Jericho city for the Jordan Valley which has high agricultural potential. In 2006 and 2007, ACAD expanded its geographical outreach and opened up branches. It also opened a branch in Gaza. ACAD now has a network of eight branches in almost all major towns of West Bank and one in Gaza strip as well. ACAD has a borrower base of 3,067 and portfolio size of US$ 3.1 million as on 31 December 2009.

As can be seen in the graph below, ACAD's portfolio has not grown in the last five years. The growth rate was negative for 2006 and 2007 and positive for 2008 and 2009. Year 2006 and first half of 2007 were marred by economic crisis. This was after the Islamic Hamas party won the election in West Bank and Gaza Strip. This was followed by comprehensive Israeli siege and freezing of all international support to the new government leaving government employees who constitute more than 35% of total population without income for over one year. This crisis affected the portfolio quality of ACAD, PAR(>60) increased from 17.9% to 67.6% by the end of 2006. PAR was high in 2007 after which it starting improving.



Microfinance policies

ACAD follows individual lending methodology to deliver credit. As per the credit policy ACAD provides loans to entrepreneurs, farmers, agricultural cooperatives and for consumption also. The borrower should hold good reputation and should have a good credit history. ACAD avoids lending to those who already have a loan from another MFI or bank. Loan for consumption purpose is provided only to the women while other loans are provided to both men and women.

All the loan applications are collected by the branches and fed into the computerised and networked MIS at the branches and then forwarded to the HO where they are approved. Loan repayment schedule is generated and the disbursement is made by cheque from the HO to the client directly. Loan repayments are made by the client either through Post Dated Cheques or by depositing the money in ACAD's bank account. Only in rare cases cash is deposited at the branch offices. The collections are recorded in the system at the end of the month after reconciliation with the bank statements. The Branch Manager is required to follow up with the overdue clients.

ACAD also provides non-financial services to the agricultural communities. It provides agricultural extension services to its borrowers. It provides them free information about market, prices, and consultations on increasing the farm production. ACAD organises trainings for farmers on technologies, methods, irrigation systems and organic farming. These services are provided with grant support from number of donor agencies. Largest support is being provided by UNDP.

As was earlier mentioned, ACAD lends and supports small savings and credit cooperatives of farmers. ACAD provides legal assistance to register these cooperatives, supports them in setting up accounting and other management systems.

Loan products

ACAD offers four loan products to its clients – Women Loan, Small Loan, Micro Loan and Islamic Loan. While women are eligible for all loans, the 'women loan' products is exclusively for women and covers both production and consumption needs [all other loans are for productive purposes only]. Women constitute 82% of the total borrowers of ACAD as on 31 December 2009.

The 'Micro' and 'Small' Loans are for micro-entrepreneurs with existing projects for the expansion of their businesses. Loans can also be given for start-ups with well defined business plans. There is no restriction on the sectors. All agricultural and micro-enterprise activities can avail these loans. The Micro and Small loans are differentiated on the basis of their respective loan sizes.

All the loans are given in US Dollars and repayments are also collected in US Dollars. For loans of more than US$3,000, ACAD asks for a guarantor who should be a salaried government employee. This guarantee agreement is also witnessed by the bank which holds the salary account of the guarantor. This allows ACAD to get the salary deducted from the guarantor's account directly from the bank.

ACAD also offers its loan products in a format that respects Islamic principles. The target populations and usages of loans are the same. In Islamic loan product instead of giving cash directly to the borrower, it is given to the shop owner who sells agricultural products or equipments to the borrower. In this case the borrower pays back the cost of purchased item with an additional fee to ACAD over a period.

The features of loan products are given in the table below:

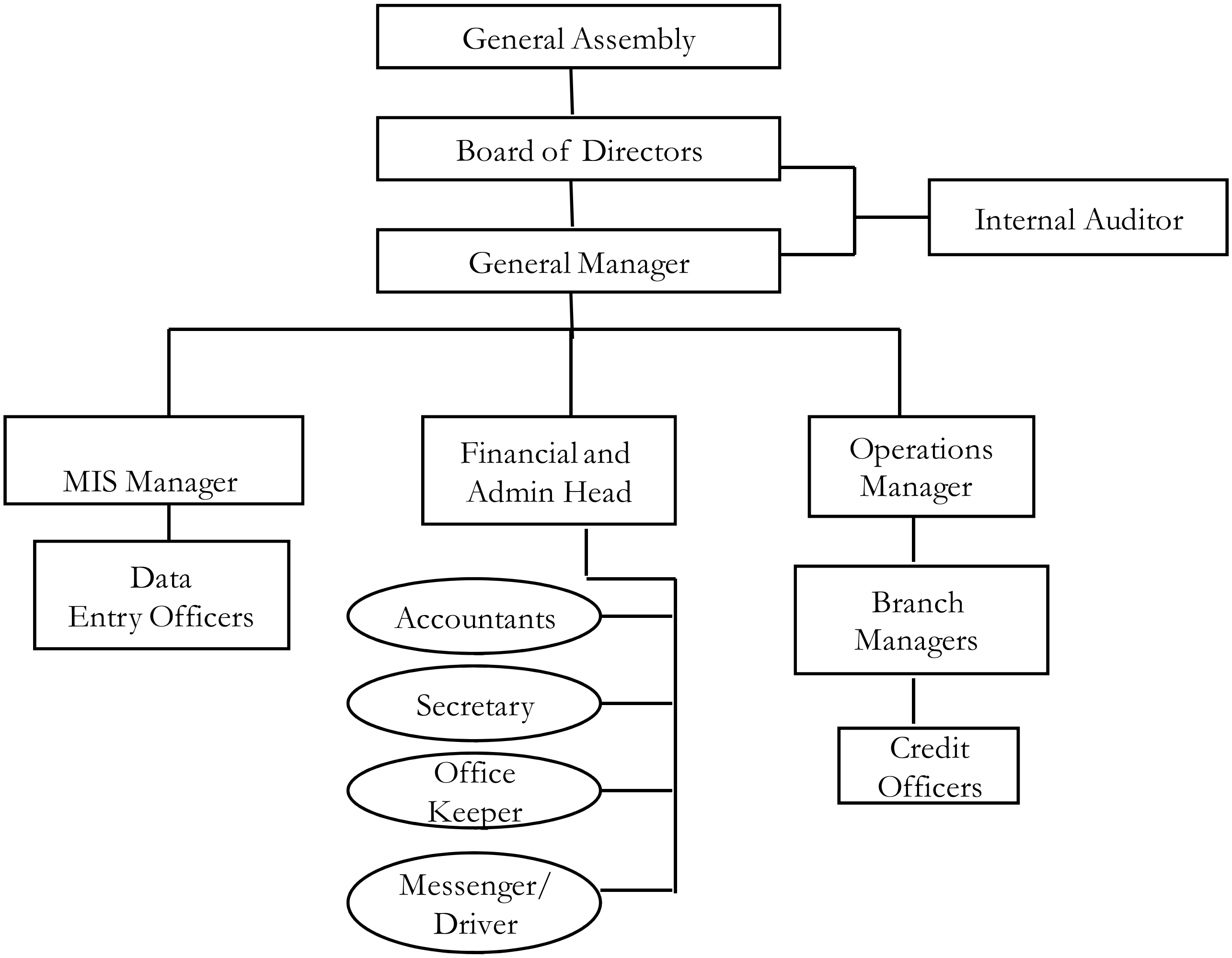
Loan product →	Women loan	Micro loan	Small loan	Islamic loan
Purpose	Production or consumption	Production	Production	Production
Loan amount range (US$)	700-2,500	300-3,000	3,500-15,000	300-8,000
Loan period (months)	3 to 24	3 to 30	3 to 36	3 to 36
Repayment frequency	Monthly	Monthly	Monthly	Monthly
Maximum grace period (months)	2	3	3	3
Interest rate	1.5% per month flat	Upto $1,500-1.5% pm >$1,500-1% pm (all rates on flat basis)	7% per annum flat	Upto $1,500-1.5% pm $1,501-3,000-1%pm $3,001-5,000-9% pa $5,001-7,000-8% pa (all rates on flat basis)

In last four years of operations, ACAD has not witnessed much change in its portfolio outstanding. However, the average loan outstanding amount has been continuously declining. The average loan size declined from US$2,578 as on 31 December 2005 to US$1,023 in last 4 years, a decline of 58%.

Organization

ACAD's microfinance operations are led by the General Manager Mr. Samir Bargouthi. He is managing ACAD since 1992. He holds a Master's degree in Economics. He is supported by two senior managers, Head Operations and the head of Finance & Administration. Among the senior management, ACAD also has a Compliance Officer who performs the role of the internal auditor in ACAD

The Finance and Admin head is responsible for cash management, accounting, human resource and other administrative issues like managing the office infrastructure. He is assisted by an Accountant, Office keeper, Secretary and a Driver. The Operations Head is responsible for supervising the activities of all the branches. Each branch is staffed by a Branch Manager and 4 to 5 Credit Officers and one secretary cum data entry officer.



Governance and strategic positioning

ACAD has a reasonable performance on governance and strategy with a grade of β+. This is due to experienced Board members, experience of senior management in working in challenging local conditions, well designed loan products and linkages with microfinance networks and financial institutions. However, lack of experience of microfinance among the Board members, a centralised organisational structure, high dependence upon international donors and adverse economic and political outlook in the country has limited the grade.

ACAD has a nine member Board. All the members are non-executive. The Chairman, Mr Hassib Nashashibi is a well respected person who runs a human rights organization in Palestine. Five Board members are currently working with various NGOs in the areas of agriculture, gender advocacy, savings and credit cooperative and livelihoods promotion. The Directors are elected every two years by the 30 members of the General Assembly. The General Assembly is constituted by professionals working in various development and social sectors in Palestine.

In 1993, ACAD transformed itself from an agricultural finance company to an MFI. It started providing loans for all kinds of small enterprises as also for consumption purposes. ACAD started with three branches in Ramallah, Nablus and Jericho. In 2005, it increased the number of branches to five, seven in 2006, and then opened the eighth branch in the year 2007. The strategy of ACAD was geographical coverage rather than depth of operations. In order to reach out and provide financial services to all parts of Palestine, it opened branches in all major cities and also in Gaza where monitoring and control is extremely difficult. Though ACAD opened up number of new branches, it centralised all decision making authority at the Head office. Unlike many of the other MFIs, all the lending decisions, loan disbursements and collections are kept centralised. Till mid of the year 2009, ACAD only had a manual MIS and borrowers record were kept at the HO. For collection of delinquent payments and following up with the overdue clients, list of clients was sent to the branches and staff was asked to take action. With the implementation of automated and networked MIS, branches now have an online access to clients served from their respective branches. ACAD is making a gradual change in its organisational structure and culture to shift the responsibilities downwards, at the branches. A new performance linked incentive system is being worked out to motivate the staff. Training and exposure is provided to the field staff for preparing them to assume new responsibilities.

ACAD was set up to provide support and relief to the farmers, other entrepreneurs and women in distress. Its loan products are designed in a way which suits its purpose. Unique features in the ACAD's loan product are initial grace period especially for the farmers, longer loan term for relatively bigger loans and loans for consumption purpose for women especially belonging to the families who have suffered directly because of war and conflicts. ACAD has lived through number of conflicts and crisis. During the conflict periods, it had no choice but to reschedule many of its loans. The portfolio quality has remained weak throughout but became worse in the years of conflict. In the last major conflict in 2006-07, its PAR (>30 days) shot up to 74%.

ACAD added another feature to its range of products in 2009 by introducing Islamic Loan product. Under Islamic Loan, borrower does not get cash but he/she receives goods from the shop owners who are paid by ACAD. The client then pays for the goods to ACAD over a period of time. It was observed by the M-CRIL team that the product not only has an inbuilt feature to check for its proper utilisation but also prevents any opportunity to refinance an old loan. It should however be noted that this product is only optional for the clients and they are free to avail a normal loan.

Another unique feature of ACAD's lending is its strategy to lend to savings and credit cooperative. As on 31 December 2009, it had a loan outstanding of US$ 218,727 to 20 cooperatives. Apart from lending, ACAD also provides technical support to these institutions to help them manage their affairs. The advantage of lending to the client through these cooperative is that these cooperatives can leverage much larger funds in the form of savings from their members and serve more number of clients. The loans provided to these cooperative are for 2-3 years and have bullet repayment. The loans are renewed by ACAD after the end of the loan term. The product provides comfort to cooperatives in managing their liquidity, however, single bullet repayment term and immediate renewal of loan does not allow reflection of correct portfolio quality of cooperative loans sin the books of ACAD.

ACAD's expansion strategies have been greatly influenced by the external environment and availability of the donor funds. For the period 2005-2009, ACAD could not see any growth in its portfolio outstanding mainly because of funds constraints. In 2006 after Hamas was voted to power, the foreign aid stopped and ACAD's portfolio reduced by 28% from US$3.3 million as on 31 December 2005 to US$2.4 million as on 31 December 2007. The portfolio again started growing and regained the earlier levels of US$3.1 million by the end of December 2009.

There has been a shift in ACAD's strategy to focus on relatively smaller sized women loan. The strategy was adopted in 2007. It was aimed to make ACAD's programme target more number of low income families in Palestine and secondly to reduce the credit risk associated with bigger sized loans. Women Loan product was introduced in 2007 and its share increased to 52% by the end of the year 2009. Women loan have an upper limit of US$2,500 while the Small Loans start from US$3,500 and have an upper limit of US$15,000. The share of Small Loan reduced from 52% in 2005 to just 7% in 2009. This change led to an increase in number of loan clients from 1,283 as on 31 December 2005 to 3,067 as on 31 December 2009, a rise of 139%. The average loan size reduced from US$2,578 as on 31 December 2005 to US$1,076 as on 31 December 2009, a significant reduction of 58%.

Market Share of Products	2007	2008	2009
Micro Loan	42.3%	22.5%	9.9%
Small Loan	32.9%	16.1%	6.8%
Women Loan	24.8%	60.3%	51.6%
Islamic Loan	0.0%	1.0%	31.7%

As part of its efforts toward transformation to a sustainable MFI, which apart from other things include, shifting focus to women loans, reducing the loan sizes, decentralisation of operations, performance linked incentive system for the staff, automated and networked MIS. ACAD also plans to change its legal structure from an NGO into a not-for-profit company. This will be done after the proposed law on microfinance institutions comes into force which will allow regulated MFIs to avail equity investments.

Competition

Palestine's microfinance sector is still small but with many small MFIs. As per MIX Market data there were eight leading MFIs in 2008 including Al Rafah Bank. Among the NGO MFIs, ACAD had a share of 5.3% in total loan portfolio while its share in number of clients served was higher at 8.5% by the end of 2008 and close to 10% by the end of year 2009. A higher share in clients as compared to the share in loan portfolio reflects a lower loan size of ACAD as compared to other NGO MFIs. In terms of market share the biggest MFIs in

Palestine is United Nations Relief and Works Agency (UNRWA) which had a share of 35% of the total loan portfolio of the NGO MFIs in Palestine, this was followed by Ryada and FATEN with shares of 23.2% and 22.2% respectively.

The total clients served by all the non bank MFIs together is currently less than 30,000. The CGAP study on the demand for microfinance loans, published in 2006, estimated the total number of micro-enterprises, which may require credit, at 150,000. This shows that there is still a big market potential for MFIs in Palestine.

ACAD's interest rates are similar to that offered by other MFIs. However, ACAD's products offer certain advantages like grace period and flexible loan terms. From the marketing perspective, these features are attractive for the clients.

ACAD has long experience of working in the agriculture sector. In Islamic lending where information on traders and suppliers is needed, ACAD has an advantage over other MFIs because of its experience as an agricultural company.

Second line of management

The second line of management of ACAD is reasonable. The Finance & Admin head and the Operations Head are experienced in their respective areas. The second line of management is adequate for the existing level of operations. However, there is high dependence upon the General Manager to provide leadership and the "Key Person" risk is high. The risk though has reduced to some extent with the standardisation of policies and procedures and with an increased clarity in roles and responsibilities.

Fund mobilisation

ACAD main source of funds has been grants. For the first time in 2006, it received a soft loan of US$ 200,000 from Islamic Development Bank (IDB) for a period of four years. In the 4th year, that is, in 2009, it received another loan of US$900,000 at a rate of 2% per annum. In 2008, ACAD received an interest free loan of US$164,000 from French Agency for Development (AFD).

Among the grants, the major source for ACAD has been the European Commission (EC) which has provided it a total support of US$3.6 million. The other major sources have been Islamic Development Bank and OPEC which provided 116,000 and 99,600 respectively.

Organisation and management

ACAD has moderate performance on management parameters with a grade of β. ACAD has an experienced senior management and also has a good MIS and Accounting system. However, performance is constrained on account of weak middle management and lack of trained operations staff at the branches. ACAD also needs to improve its overdue tracking system and strengthen its internal audit. There is a potential to improve the staff productivity and reduce the operating expenses as a percentage to the loans outstanding.

Human resource quality & management

ACAD has a small team of 42 staff members which include 8 managerial staff members at the HO, 13 Branch Office Managers & Secretaries and 21 Credit Officers. The HR policies at ACAD are formal and well standardised. These are looked after by the Finance and Admin Manager.

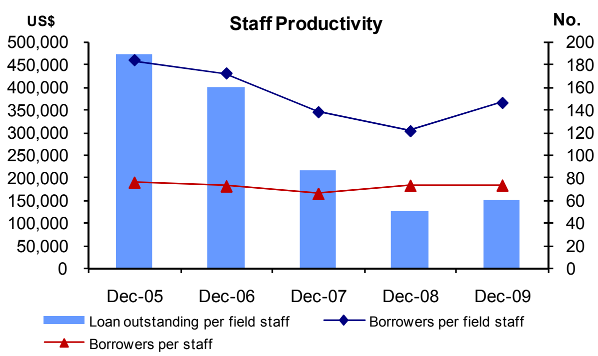
The staff was observed to have reasonable understanding of organisational processes and microfinance operations and are well aware of the systems and processes. However, the operations team lacks adequate skills on information management, overdue follow up, appraisal of loans of bigger size and in framing operational policies such as loan rescheduling or refinancing. The institution has tried to build the capacities of the staff by extensive training and exposure. New recruits are trained for a two-month period, including both field and office experience. The training of new staff is rigorous and intensive. Realising that capacity building of the staff will be one of the key factors for efficient functioning of the organization, ACAD plans to have a continuous process of training of staff at all levels.

Staff salaries are standardised based on a scale and there is a policy for retirement benefits also. ACAD does not have a performance linked incentive system but plans to implement one very soon. The incentive policy is designed by the operations team. The policy has set ambitious targets and starts providing incentive only if the field staff achieves a repayment rate of 95% while there are disincentives for those who do not achieve their targets. The policy in its present form ignores the dissimilarities among the branches in terms of the existing portfolio quality. In the current situation wherein the policies are unclear and portfolio quality is weak, it might be difficult to motivate staff to achieve such high targets.

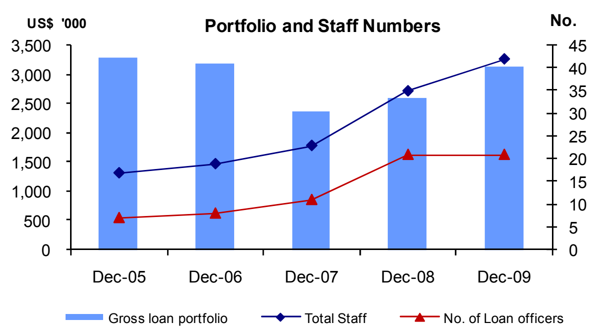
Attrition rates of ACAD staff have been quite low at 5.4% and 4.5% for the year 2008 and 2009 respectively. There are limited job opportunities for the staff in the country and ACAD pays relatively well.

Staff productivity

The staff productivity of ACAD is low with clients to total staff ratio of 73 and client to credit officer ratio of 146. The number of field staff increased during the last five years due to opening of new branches, however, the number of new clients did not increase at the same pace. The clients to Credit Officer ratio declined from 183 as on 31 March 2005 to 146 as on 31 March 2009, a decline of 20%. The staff productivity in terms of loan outstanding per Credit Officer declined even sharper from US$472,591 as on 31 December 2005 to US$149,367, a decline of 68%. Understandably, this decline was also due to sharp reduction in the loan size. This decline is also one of the reasons for an increase in Operating Expense Ratio from 13.2% for the year 2005 to 24.1% for the year 2009 which is more than double.

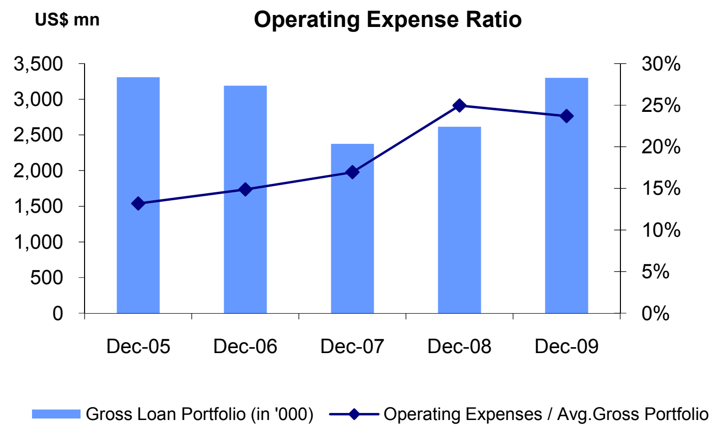


Operating efficiency



ACAD has a high Operating Expense Ratio (OER) at 24.1% for the year ending 31 December 2009. The productivity, as earlier explained, declined significantly after opening of new branches. In its next growth phase, ACAD plans to grow with the same number of branches by improving the penetration which is expected to bring efficiencies. Another reason for increase in OER is increased salary expenses. The salary expense in year 2009 increased because of a sharp decline in the value of US$ vis-à-vis Israeli Shekel (NIS). Since the salaries are paid in US$ while the local economy operates in NIS, a decline of 16% in the value of US$ forced the organisation to increase the salaries of the staff to maintain their purchasing power at earlier levels.

With an increase in the size of portfolio, the operational efficiency can be expected to improve further in the medium to long term.



Accounting and MIS

ACAD implemented a computerised, integrated and online system for its MIS and accounting in the year 2009. The software is procured from a local firm and is widely used by MFIs and banks in Palestine. The system provides access to information on their respective clients to the branches on a real time basis. The system is capable of generating all relevant borrower reports and also has inbuilt security mechanism to mark and report new loan applications which do not meet certain eligibility criteria. For instance, if the client already has a loan or has defaulted on a previous loan, the software displays the application in a negative list which then requires the consent of the Compliance Officer before the loan disbursement.

ACAD's accounting system recognises income and expenses on accrual basis. The interest income is recognised as per the repayment schedule. However, in the new system a change was made to derecognise interest on loan with more than 90 days overdue, which is a prudent practice. However, ACAD still recognises interest income on overdue loans upto 90 days which constitute more than 25% of its total portfolio. Also, the system starts recognising the interest income on loans which are rescheduled since these loans are treated as new loans. This inflates the income to some extent especially for the years wherein it has significant rescheduling of loans.

ACAD's accounting system calculates the provisioning requirement based upon the aging of PAR. It creates a reserve on following basis:

PAR	0-30 days	0%
PAR	31-60 days	10%
PAR	61-90 days	20%
PAR	91-120 days	30%

PAR	121-180 days	40%
PAR	181-360 days	50%
PAR	>360 days	100%

ACAD's accounting system does not provide for any provisioning on the rescheduled loans. However, ACAD has maintained an additional loan loss reserve of US$ 127,644 (4.1% of the loan outstanding) over and above the system generated reserve to account for various other risks. The current LLR is at 14.3% of the total loan outstanding and covers 75.9% of the PAR(>60 days), which is adequate. However, considering the rescheduled loans also this coverage is only 46.7% of the PAR(>60 days) + rescheduled loans. The adequacy of the reserve would depend upon the quality of rescheduled loans. ACAD is confident that it will be able to generate good repayments out of its rescheduled loans.

For the years 2007, 2008 and 2009 the system reduced the overall loan loss reserves and negative provisioning for these years raised the income.

Tracking system for overdues

The MIS is capable of providing quick information on the overdues. The information is consolidated in a list of overdues, which is directly monitored by the Operations Head and the General Manager. The branch staff members are required to follow up with the defaulting groups/members. With the introduction of new MIS, they are supposed take instant action without waiting for instructions from the HO. The branch staff collects repayments based on the overdue statement but they do not monitor delinquent loans closely.

The rescheduling of loans is done by senior management on the recommendations of the branch staff. The senior management is authorised to either write-off or reschedule the loans. Due to conflict and crisis faced by the people, ACAD had to write-off 12% of its portfolio and reschedule 4.8% of the portfolio in 2007. In 2008 also ACAD rescheduled significant amount of loans and rescheduled loans were 13.4% of its total loan portfolio as on 31 December 2008.

Internal audit and control systems

ACAD has a moderate internal audit system. The frequency of visit to the branch offices is monthly. There is a system of sample checks of borrowers and group level records by the Compliance Officer during her visit to the branches, however the coverage is limited to loan utilisation checks and client profile check. The organisation does not have formal processes for reporting the findings to the branch and initiating follow-up action.

The Compliance Officer covers mainly the sanctioning of new loans. The Officer checks all the loan applications on the MIS at Head office. For clients who had overdues in their past loans need an approval from her. The Officer also makes some surprise visits to the clients post disbursements to check the loan utilisation. Thereafter, a comprehensive report is prepared and presented to the General Manager. The report is not received by the branches and as such immediate corrective actions are not taken.

The Operations Manager is responsible for the internal control. He also makes occasional visits to the branches and clients. To further strengthen the control environment, the Operations Manager has planned to introduce a performance linked incentive and disincentive system with a higher emphasis on achieving a better portfolio quality.

Financial planning

ACAD's financial planning and budgeting systems need strengthening. Till now, it has not experienced the task of planning and making repayments to its lenders and has not developed tools for it. ACAD's loans to its borrowers have different and longer repayment period with grace periods as well. This would necessitate maintenance of detailed cash plans and Assets & Liability Matching (ALM) in the near future.

ACAD's has prepared a comprehensive institutional plan for the next 5 years (2009-2013). The strategy and financial plan comprehensively covers all major functional areas and charts out a well designed action plan also. ACAD also has a detailed five year financial plan. Yearly plans are prepared based on this document and branch wise, product wise and month wise goals are then set. ACAD has not devised a system to break these annual plan numbers into specific targets for branches and staff.

Quality of clients

Visited clients showed enthusiasm for the credit facility offered by ACAD.

Client awareness about the institution's lending rules/norms was observed to be reasonable. Most of them seemed very satisfied with the services. Some raised the concern about cost of currency conversion and risk of rate fluctuation since ACAD lends to them in US Dollar while they operate in Israeli currency Shekel.

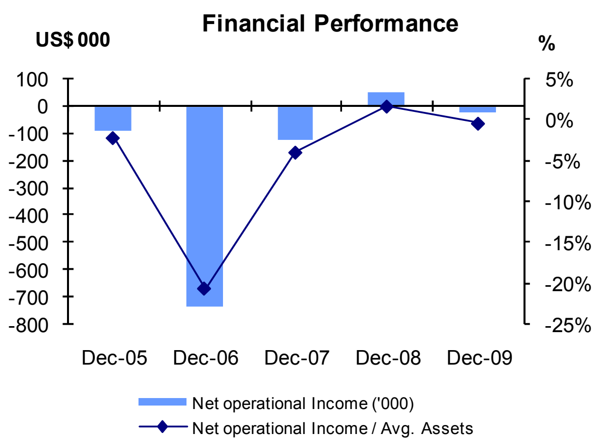
Infrastructure

Infrastructure of the organisation was observed to be adequate for its operations. Fixed assets mainly include vehicles, computers, office equipment, furniture and fixtures. As on 31 December 2009, ACAD's total net fixed assets stood at US$ 75,330 which is 2% of its total assets.

Financial profile

The financial performance of ACAD is moderate at β. The organization has a high capital adequacy as the majority of its portfolio is funded out of grant funds. However, a weak loan portfolio quality, high OER and resulting losses have restricted the grade on the financial parameter.

As can be observed in the graph below, ACAD is still slightly below the break-even levels.



Credit performance and portfolio quality

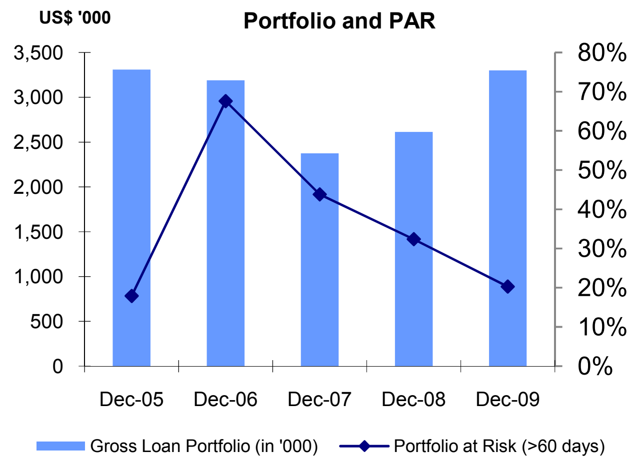
The portfolio quality of ACAD is weak with $PAR_{>30days}$ at 27.0% and $PAR_{>60days}$ at 20.3% as on 31 December 2009. During the conflict of 2006, the $PAR_{>30days}$ shot up to 74% and has reduced significantly since then.

Product wise $PAR_{>60days}$

Loan Product	$PAR_{>60day}$ (US$)	$PAR_{>60days}$ (% of portfolio)
Women Loan	432,635	26.8%
Small Loan	37,507	17.6%
Islamic Loan	84,951	8.6%
Micro Loan	79,112	25.6%

Though the main reason for high PAR is the frequent disruptions and crisis, lax tracking mechanism for overdues and weak monitoring are also reasons for a high delinquency.

The institution decided to reschedule loans to provide comfort to clients affected by the adverse environment. This though has curbed portfolio at risk for the time being, in the long run the portfolio quality will depend mainly upon economic stability and improvements in control systems.



ACAD's loans to the cooperative are for 2-3 years and have bullet repayment. The loans are renewed by ACAD after the end of the loan term. The product provides comfort to cooperatives in managing their liquidity, however, single bullet repayment term and renewal of loan does not allow reflection of correct portfolio quality in the books of ACAD. These loans are covered by specific grant funds and ACAD runs its cooperative lending programme separate from its other microfinance activities.

ACAD has created a Loan Loss Reserve (LLR) of 14.6% of the gross loan portfolio. However, due to the presence of rescheduled loans, it would be difficult to conclude if the loan loss provision provided is adequate.

Financial Ratios	2005	2006	2007	2008	2009
Capital Adequacy					
Risk Weighted Capital Adequacy Ratio	95.1%	113.4%	111.8%	95.9%	80.9%
Asset Quality					
Portfolio at Risk (>30 days)	26.0%	74.0%	49.7%	43.0%	27.0%
Portfolio at Risk (>60 days)	17.9%	67.6%	43.8%	32.4%	20.3%
Rescheduled loans/Gross Portfolio	0.1%	1.6%	4.8%	13.4%	10.4%
Write-offs/Gross Portfolio	0.0%	0.0%	12.0%	0.0%	1.6%
Loan Loss Provision Expense/Avg. Gross Portfolio	3.2%	24.9%	-6.5%	-3.6%	-0.7%
Loan Loss Reserves / Gross Portfolio	-10.6%	-32.8%	-26.3%	-18.4%	-14.3%
Loan Loss Reserves/(PAR_{60})	-66.8%	-52.9%	-48.8%	-50.8%	-75.9%
Loan Loss Reserves/(PAR_{60} +Rescheduled loans)	58.7%	47.4%	54.0%	40.2%	46.7%
Management					
Operating Expenses / Avg. Gross Loan Portfolio	13.2%	14.9%	16.9%	25.0%	24.1%
Number of Borrowers / Credit Officers	183	172	138	121	146
Number of Borrowers / Total Staff	75	72	66	73	73
Loan outstanding / Credit Officers (US$)	472,591	398,743	215,908	124,474	149,367
Earnings					
Net operational income / Avg. Assets (RoA)	-2.3%	-20.5%	-4.0%	1.6%	-0.5%
Net operational income / Avg. Equity (RoE)	-5.4%	-24.8%	-5.1%	2.4%	-0.8%
Operating Self-Sufficiency (OSS)	81.7%	34.5%	76.3%	111.7%	97.6%
Financial Self-Sufficiency (FSS)	72.6%	30.0%	46.6%	66.4%	68.7%
Portfolio Yield	13.3%	13.2%	14.8%	17.8%	22.5%
Investment income / Avg. Gross Loan Portfolio	0.1%	0.2%	1.2%	1.1%	0.1%
Other income / Avg. Gross Loan Portfolio	0.0%	0.0%	0.0%	2.0%	1.9%
Interest and Fee exp. / Avg. Gross Loan Portfolio	0.0%	0.0%	0.0%	0.0%	0.0%
Interest and Fee exp./ Avg. Funding Liabilities	0.0%	0.0%	0.0%	0.0%	0.0%
Liquidity					
Cash & Liquid Assets / Total Assets	9.8%	27.6%	31.0%	36.1%	23.4%

Asset, liability and equity composition

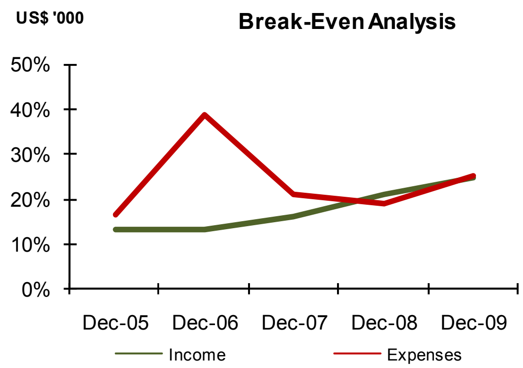
ACAD succeeded in mobilising substantial grant funds for its operations in initial years. So far ACAD has been completely dependent upon grants/interest free loan capital and has never borrowed from any commercial source. As a result, the organisation has a very high capital adequacy of 80.9%, as on 31 December 2009. ACAD has till now mobilised US$3.8 million capital and operational grant funds for its microfinance operations. It also mobilised US$1.1 million soft loan from Islamic Development Bank and US$164,000 from AFD.

As on 31 December 2009, ACAD had a moderate asset utilisation ratio with 69.6% of its total assets deployed in loans. The cash and bank balances were 23.4%. The net fixed assets comprised 1.7% of the total assets.

On the liability side, the organisation has relied mainly on grant support with the donated equity along with retained deficits accounting for 56.2% of the total liabilities and equity. Loans from IDB and AFD accounted for 29.1% of total source of funds.

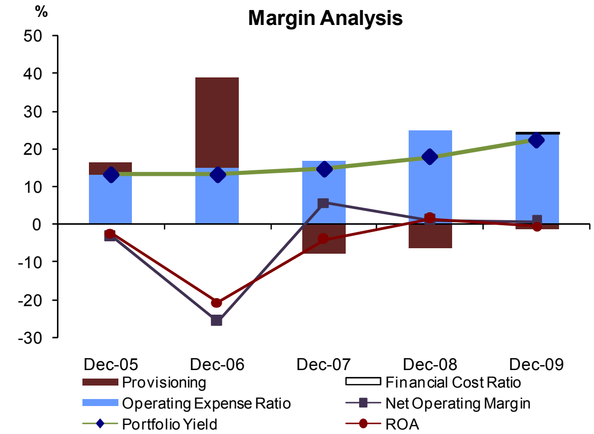
Profitability and sustainability

The financial performance of ACAD has improved in the last two financial years. In 2006, it incurred very high expense on account of write-offs and loan loss provisioning. A high portfolio at risk in 2006 and 2007 adversely affected the interest yield of 2006 and 2007 which were low at 13.2% and 14.8% respectively. The losses for these periods were high and RoA was (-)20.5% for 2006 and (-)4.0% for 2007. In 2008 and 2009, with some sort of economic and political stability in the country, ACAD improved its performance considerably and recorded a much improved RoA of 1.6% and -0.5% for 2008 and 2009 respectively. It was able to record a higher profitability in 2008 because of substantial reversal of loan loss provisioning



ACAD has shown a much improved performance on profitability and sustainability in last two years. ACAD's Return on Asset (RoA) has increased from –20.5% in 2006 to -0.5% in 2009. For the year ending 2009, the Operational Self Sufficiency (OSS) was reasonable at 97.6% however, the Financial Self Sufficiency (FSS) was low at 68.7%. FSS is understandably low because of dependence upon subsidized funds and grants.

The margin analysis below shows that the portfolio yield which dipped in 2006 and 2007, has recovered in 2008 and 2009, however, OER has also increased during this period because of increase in salaries and new staff. As the portfolio increases and operations scale up, the OER is expected to go down. The institution does not have commercial borrowings and has no financial costs. The matter of immediate concern for the organization is its portfolio quality. Significant number of loans has been rescheduled which could later increase the requirements for loan loss provisioning. The quality of loan portfolio in future will largely depend upon the external scenario.



Future plans and prospects

ACAD has managed to survive despite the challenging political and economic environment persisting for a long time in the country.

ACAD has prepared a strategic business plan for the period 2009-13 wherein it plans to decentralise most of the operational activities to the branches after providing necessary trainings and putting in place a stronger internal control system. It is going to put in place a performance linked incentive system to motivate staff to reduce PAR. ACAD projects to expand its portfolio to US$5.6 million by the end of the year 2013. The number of clients is projected to increase to 5,228 and plans to further increase the share of "Women Loans" and reduce the share of "Small Loans". In order to support its portfolio growth, ACAD plans to mobilise funds through external subsidised loan capital from different sources. The impact of positive changes made in its working and the achievement of future business projections would depend largely on the external environment.

Financial statements for ACAD

Balance sheets as on

Amount in US$

	31-Dec-05	31-Dec-06	31-Dec-07	31-Dec-08	31-Dec-09
ASSETS					
Current assets					
Cash in hand and bank	367,301	936,816	849,939	1,271,376	948,846
Interest Receivable					117,999
Prepaid expenses and taxes	6,404	6,842	5,509	5,319	5,131
Loans to employees	144,261	110,351	81,995	75,271	57,787
Debtors	400	1,675	1,927	1,983	
Due from related parties	89,627	89,627			
Receivables from donors	124,871	45,207	13,144	6,000	171,753
Loans outstanding					
Gross loan outstanding	3,308,140	3,189,941	2,374,988	2,613,945	3,136,699
Loan loss reserve	(349,436)	(1,045,564)	(624,005)	(481,113)	(450,000)
Net loans outstanding	**2,958,704**	**2,144,377**	**1,750,983**	**2,132,832**	**2,686,699**
Total current assets	**3,691,568**	**3,334,895**	**2,703,497**	**3,492,781**	**3,988,215**
Long term assets					
Net property and equipment	67,485	57,206	40,491	27,461	66,015
Total long term assets	**67,485**	**57,206**	**40,491**	**27,461**	**66,015**
Total Assets	**3,759,053**	**3,355,547**	**2,651,363**	**3,324,196**	**3,812,038**
LIABILITIES AND NET WORTH					
Current liabilities					
Other current liabilities	29,717	29,785	49,578	42,124	88,001
Short term debt					
Islamic Development Bank			200,000		
Total current liabilities	**29,717**	**29,785**	**249,578**	**42,124**	**88,001**
Long term liabilities					
Employee benefits	341,508	418,933	405,771	439,116	472,173
Long term debt					
Islamic Development Bank	200,000	200,000		900,000	944,444
AFD					164,000
Total long term liabilities	**541,508**	**618,933**	**405,771**	**1,339,116**	**1,580,617**
Net worth					
Donated Equity and grants	3,274,184	3,647,507	3,730,198	3,730,198	3,833,024
Adjustments due to system changes*					162,138
Other adjustments		(83,557)	(697,067)	(697,067)	(697,067)
Retained net surplus/(deficit)		(86,356)	(820,567)	(944,492)	(894,129)
Current net surplus/(deficit)	(86,356)	(734,211)	(123,925)	50,363	(18,354)
Total net worth	**3,187,828**	**2,743,383**	**2,088,639**	**2,139,002**	**2,385,612**
Total Liabilities and Net Worth	**3,759,053**	**3,392,101**	**2,743,988**	**3,520,242**	**4,054,230**

*Adjustments due to system changes pertain to effect of not taking into account the interest income on accrual basis in earlier years. With the implementation of new MIS, due interest is also accounted.

Income statements for the year ending

Amount in US$

	31-Dec-05	31-Dec-06	31-Dec-07	31-Dec-08	31-Dec-09
Income					
Interest on loans	364,594	379,931	366,348	407,885	679,014
Fees and commissions on loan portfolio	10,112	5,409	942	567	14,649
Bank interest	2,655	4,930	30,685	25,157	4,619
Recovery of written off loans				45,902	45,040
Other operating income					15,012
Total operational income	**377,361**	**390,270**	**397,975**	**479,511**	**758,334**
Financial costs					
Interest and fee expenses on borrowings					13,336
Gross financial margin	**377,361**	**390,270**	**397,975**	**479,511**	**758,334**
Provision for loan losses	89,727	696,251	(195,551)	(142,892)	(31,114)
Write-off			296,841		50,312
Net financial margin	**287,634**	**(305,981)**	**296,685**	**622,403**	**725,800**
Operating expenses					
Personnel Cost	256,203	315,302	278,874	386,336	507,846
Travel	11,104	10,950	19,374	24,226	26,944
Depreciation	13,462	12,048	19,987	20,721	15,926
Administrative expenses	91,524	95,531	102,375	140,757	193,438
Total Operating expenses	**372,293**	**433,831**	**420,610**	**572,040**	**744,154**
Net Surplus/Deficit (Before tax)	**(84,659)**	**(739,812)**	**(123,925)**	**50,363**	**(18,354)**
Exchange gain		5,601			
Exchange loss	1,697				
Net Surplus/Deficit (after tax)	**(86,356)**	**(734,211)**	**(123,925)**	**50,363**	**(18,354)**
Add Grants received	860,787	724,271	82,691		102,826
Less Grants based non-operational expenses	740,985	350,948			
Comprehensive Income	**33,446**	**(360,888)**	**(41,234)**	**50,363**	**84,472**

Notes to the financial statements

1. ACAD is registered as a not for profit institution with Palestine National Authority
2. Income includes interest income, fees and earnings from other microfinance related services offered by the MFI assessed. All loan portfolio related income is recognised on accrual basis but interest on loans overdue for more than 90 days is derecognised. Grants allocated to the institution's microfinance programme are treated as donated equity in the balance sheet (and not regarded as operational income).
3. Loan loss provisioning expense and the corresponding balance sheet entry (loan loss reserve) have been computed based on the quality of the portfolio.
4. Operating costs are calculated on an accrual basis.
5. Adjustments due to system changes pertains to effect of not taking into account the interest income on accrual basis in earlier years. With the implementation of new MIS, due interest is also accounted.

Glossary

1. Current repayment rate: Ratio of principal recovered (net of pre-payments) to the principal due for the last one year.
2. Portfolio at risk ($PAR_{30 \text{ or } 6p \text{ days}}$): Ratio of the principal balance outstanding on all loans with overdues greater than or equal to 30 or 60 days to the total loans outstanding on a given date.
3. Yield on portfolio: The interest income on loans divided by the average loan portfolio for the year.
4. Other income to average portfolio: Total income other than from the interest on loans divided by average portfolio.
5. Financial cost ratio: Total interest expense for the year divided by the average portfolio.
6. Loan loss provisioning ratio: Total loan loss provisioning expense for the year divided by the average portfolio.
7. Operating expense ratio: Ratio of salaries, travel, administrative costs and depreciation expenses to the average loan portfolio.
8. Net operating margin: Difference of (yield on portfolio+ yield on other income) and (financial cost ratio+ loan loss provisioning + interest loss provisioning) – also known as spread on portfolio
9. Average loan portfolio: This represents the average loan outstanding for the year computed on a monthly basis.
10. Average total assets: This represents the average total assets for the year calculated on an annual basis.
11. Operational Self-Sufficiency: Ratio of total income to total costs for the year.
12. Financial Self-Sufficiency: Ratio of total income to total adjusted expenses for the year. Adjustments have been made for subsidised cost of funds (w.r.t. market interest rate), equity (w.r.t. inflation) and in-kind donations.
13. Risk weighted capital adequacy ratio: Ratio of networth to risk weighted assets
    M-CRIL Risk weights: 100% for all assets except the following: fixed assets: 50%; cash 0%.
14. Return on assets: Ratio of operational income/(loss) to average total assets
15. Return on equity: Ratio of operational income/(loss) to average net worth

Abbreviations

ACAD	Arab Center for Agricultural Development
AFD	French Agency for Development
CO	Credit Officer
FSS	Financial Self-Sufficiency
GDP	Gross Domestic Production
HO	Head Office
HR	Human Resource
IDB	Islamic Development Bank
LLR	Loan Loss Reserve
M-CRIL	Micro-Credit Ratings International Ltd
MFI	Microfinance Institution
MIS	Management Information System
NGO	Non-Governmental Organisation
OER	Operating Expenses Ratio
OSS	Operational Self-Sufficiency
PAR_{30}	Portfolio at Risk (>=30 days)
PNA	Palestinian National Authority
RoA	Return on Assets
RoE	Return on Equity
UAC	United Agricultural Company
US$	United States Dollar