



ACAD Business Plan 2010 - 2013

May 2010

Index

1	Background.....	3
1.1	<i>Inception</i>	3
1.2	<i>Mission.....</i>	3
1.3	<i>Services.....</i>	3
1.4	<i>Human resources.....</i>	3
1.5	<i>Credit Market share.....</i>	3
1.6	<i>ACAD's context</i>	3
1.7	<i>ACAD's recent developments</i>	4
1.8	<i>A fruitful collaboration initiated with AFD.....</i>	4
2	Presentation of ACAD	5
2.1	<i>ACAD's history.....</i>	5
2.2	<i>ACAD's mission</i>	5
2.3	<i>ACAD's context</i>	5
2.4	<i>ACAD's services and products.....</i>	7
3.1.1	<i>Credit services</i>	7
2.4.1	<i>Extension, training and community empowerment services</i>	9
2.5	<i>ACAD's recent developments</i>	9
2.6	<i>Organisation and human resources</i>	10
2.7	<i>The ACAD performance over the last 15 years</i>	12
2.8	<i>SWOT Analysis of ACAD.....</i>	15
2.9	<i>Key findings and recommendations from the rating undertaken by M-CRIL</i>	15
2.9.1	<i>About the financial rating.....</i>	15
2.9.2	<i>About the social rating.....</i>	16



3	2010-2013 strategic business planning.....	18
3.1	ACAD's Vision	18
3.2	ACAD's Key Success Factors.....	18
3.3	Strategic objectives for the Period 2009-2013	18
3.3.1	Raising funds from diversified donor agencies and investors	18
3.3.2	Transforming the legal status from NGO into a not-for-profit company	19
3.3.3	Increasing internal efficiency and productivity	19
3.3.4	Improving the quality of ACAD's loan portfolio	19
3.3.5	Consolidating sustainability	19
3.3.6	Increasing ACAD's market share and reinforcing social and economic impacts	19
3.4	A new and complementary component, wholesale lending	20
3.4.1	Expected results and activities (Act.) to be implemented:.....	21
3.4.2	Targeted Quantity indicators	21
3.4.3	Human resources	23
3.5	Financial projections over 2010 - 2013.....	24
3.5.1	Financial statements, (income statements & balance sheet)	24
3.5.2	Ratio analysis	25
3.5.3	Financing sources	25



1 BACKGROUND

1.1 Inception

The Arab Centre for Agriculture Development (ACAD) started activities in 1988 as a for profit company called UAC. It was dedicated to providing loans to the agricultural communities of the Jordan Valley and was launched in 4 rural agricultural areas. From 1993 to 1995, UAC assets has been transferred to ACAD, a newly created Palestinian non-profit nongovernmental organization that has been officially registered in Jerusalem since 1993 and also registered by the Palestinian National Authority since 2001. Based in Ramallah, ACAD expanded to cover all West Bank and Gaza Strip and has managed to evolve from a purely agricultural institution to a diversified MFI. ACAD is an active member of many local, regional and international specialized networks.

1.2 Mission

“ACAD is a Microfinance institution established to encourage micro entrepreneurship through small income generating activities among the poor and low-income individuals. ACAD provides financial services concentrating on rural and/or high poverty rate Palestinian areas that are particularly affected by the difficult political situation. Economic independence and consequently food security for the poor and disadvantaged, is an effective tool towards empowerment and active participation in the economic, social and political spheres of the life in Palestine.”

1.3 Services

- Credit services: ACAD provides financial credit services through 6 kinds of loans from 600 to 7,500 US\$;
- Extension, training and community empowerment services and technical assistance (TA) for cooperatives.

1.4 Human resources

ACAD is a small MFI with 35 staff allocated mainly for credit activities in 2008, out of them are 23% HQ staff and 77% are field staff, the credit field staff contribute up to 60% of total, meanwhile female are more than 55% of total employees.

ACAD has 8 regional offices in WB/GS plus the HQ in Ramallah city. The Board of Directors is comprised of 9 members, elected every two years by the General Assembly that governs ACAD.

1.5 Credit Market share

By the end of 2008, the outstanding loan portfolio was 2,477,397 US\$ for 2'550 active clients. Thus, reaching an average loan balance of 972 U\$, ACAD's share of the Palestinian MFI market is close to 10%.

1.6 ACAD's context

Because of the ongoing conflict and political instability, poverty continues to increase in the West Bank and Gaza.

According to the World Bank, unemployment in the West Bank rose from 17.7% in 2007 to 19% in the first quarter of 2008, while unemployment in Gaza has increased slightly from 29.7% to 29.8%¹.

The official poverty rate rose in Gaza from 47.9% in 2006 to 51.8% in 2007. In the West Bank poverty slightly declined, falling from 22% in 2006 to about 19.1% in 2008, but it is still significant.

¹ These figures do not take into account underemployed workers such as the large number who have turned to unpaid family labour or seasonal agriculture



Since its operational inception in 1995, ACAD is working in a very hard political and economical situation; in areas, witnessing a longest unsolved military and political dispute, The West Bank and the Gaza Strip are under the Israeli military occupation since 1967.

In the period from 1995 to 2008, in addition to the ongoing abnormal situation, the Palestinian territories faced cycles of military crises which affected all life aspects, mainly economy (1996-1997, 2000-2002, 2006-2007, 2008). Each crisis cycles needs ACAD few years to recover which leaving ACAD in dilemma of 'crisis - recovery' then crisis.

In despite of the very difficult environment which affected performance and loan portfolio quality ACAD, was fighting to maintain its owns assets and equity, therefore a high collection rate with minimum loses have been achieved, out of 13.280 M\$ disbursed for period 1995-2008 97.7 % have been collected leaving losses in form of unrecoverable written off loan for whole period at 2.28 %, the accumulated repayment rate by 2008 is more than 95%.

1.7 ACAD's recent developments

Since 2008, in order to better adapt to the Palestinian changing environment and better achieve its mission, ACAD has undertaken a significant number of projects that are transforming it structurally and operationally.

ACAD has developed women loans in rural areas to support the development of new activities and extend existing activities, launched a decentralization process to increase its social outreach, defining new credit policies and procedures and defining specifications for the deployment of an on-line MIS. ACAD is changing its legal structure from an NGO into a not-for-profit company.

After 2006 Palestinian deep economic crisis, ACAD is recovering and has adopted expansion policy in term of disbursement, active loans and loan portfolio (LP) management and products, number of staff and offices, with strategy to move close to poor and low income people by lowering average disbursed loans to match with per capita GDP.

At the same time restructuring pricing policy led to increase yield on LP. As a consequence, ACAD reached 93.2% OSS in 2007 and 111.7% in 2008.

In 2009, a special securitization scheme, aiming it addressing the vulnerability of the MFI because of the political risk, was operationally launched, together with SIDI, France, after an action research on the profile of this risks and its effects for an MFI like ACAD. The scheme has helped ACAD operate again normally and focus on the commercial risk, which is inherent to microfinance.

1.8 A fruitful collaboration initiated with AFD

ACAD has benefitted through the intermediation of SIDI, of a 1 Million Euro facility by AFD so as to (i) help start its wholesale finance component to cooperatives accompanied by the Palestinian Farmers Union (PFU), (ii) reinforce its loan portfolio capacity for the women clientele, (iii) incorporate anti-money laundry (AML) procedures as required nowadays by donor agencies and (iv) help address the institutionalisation of its political risk instrument together with SHARAKEH.

A new collaboration period turns out necessary so as to consolidate the progress results.



2 PRESENTATION OF ACAD

2.1 ACAD's history

The Arab Centre for Agriculture Development (ACAD) started activities in 1988 as a for profit company called UAC. It was dedicated to providing loans to the agricultural communities of the Jordan Valley and was launched in 4 rural agricultural areas.

From 1993 to 1995, UAC assets has been transferred to ACAD, a newly created Palestinian non-profit nongovernmental organization that has been officially registered in Jerusalem since 1993 and also registered by the Palestinian National Authority since 2001.

Based in Ramallah, ACAD expanded to cover all West Bank and Gaza strip and has managed to evolve from a purely agricultural institution to a diversified MFI.

ACAD has 8 branches in the West Bank and Gaza (Gaza, Hebron, Bethlehem, Jericho, Ramallah, Nablus, Jenin, and Tulkarem), and provides individual loans with a large part in rural areas.

ACAD is an active member of:

- The Palestinian NGO network (PNGO);
- The steering committee of the Palestinian Small and Micro-finance Network (PSMFN);
- 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 which includes financial organizations in Africa and the Middle East;
- The Micro-Credit Summit Campaign Council of NGOs;
- The Arabic Network for NGOs.
- The Arab micro finance network- SANABEL

2.2 ACAD's mission

"ACAD is a Microfinance institution established to encourage micro entrepreneurship through small income generating activities among the poor and low-income individuals.

ACAD provides financial services concentrating on rural and/or high poverty rate Palestinian areas that are particularly affected by the difficult political situation. Economic independence and consequently food security for the poor and disadvantaged, is an effective tools towards empowerment and active participation in the economic, social and political spheres of the life in Palestine."

2.3 ACAD's context

World bank 2007 comments on the microfinance sector in Palestine

"Operations infrastructure of the nine nonbank providers is being strengthened and a regulatory framework is being developed by PMA that should require MFIs to be organized as companies with effective corporate governance structures and procedures and contain rules for market conduct. If MFIs were permitted to take deposits from the public or convert to banks with moderate regulatory requirements, as acknowledged by the Basel Committee on Banking Supervision, it would enable MFIs to become sustainable. Moreover, profitable and expanding MFIs should result in those institutions providing access to finance for the middle market (households and SMEs), thereby creating a financing continuum in the customer spectrum."

Because of the ongoing conflict and political instability, poverty continues to increase in the West Bank and Gaza.

According to the World Bank, unemployment in the West Bank rose from 17.7% in 2007 to 19% in the first quarter of 2008, while unemployment in Gaza has increased slightly from 29.7% to 29.8%. (These figures do not take into account underemployed workers such as the large number who have turned to unpaid family labor or seasonal agriculture).



The official poverty rate rose in Gaza from 47.9% in 2006 to 51.8% in 2007. In the West Bank poverty slightly declined, falling from 22% in 2006 to about 19.1% in 2007, but it is still significant.

Microfinance has proved to be one of the most effective instruments in helping to stimulate entrepreneurship, create jobs and generate income for the poor. Thanks to large inflows of aid, the microfinance industry has well developed in the Palestinian Territory over the past decade.

There are currently 9 Palestinian microfinance institutions and several other microfinance providers, but apparent needs far exceed the funding capacity at present, specifically in rural areas, where the market has a dramatic growth potential.

However, due to economic instability, Palestine microfinance industry remains largely donor-driven and unsustainable. MFIs need to adapt to frequent economic and political changes, by offering flexible products and reactivity and adapting their business planning to the environment.

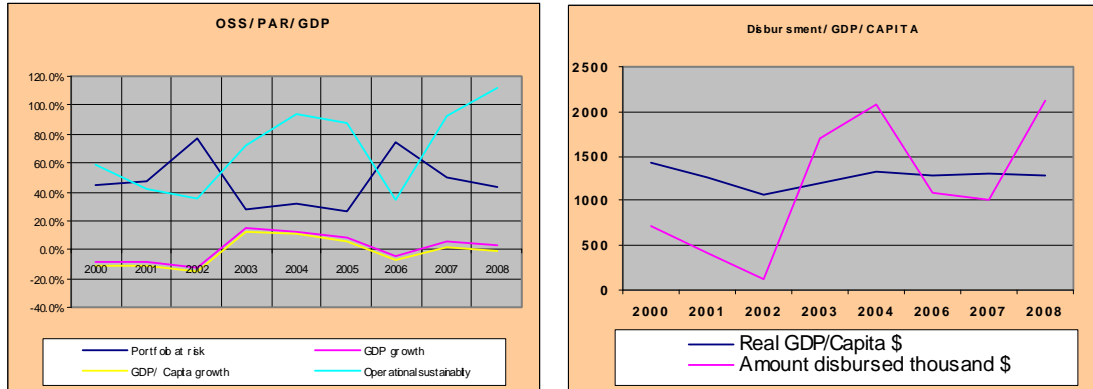
Today, ACAD represents about 10% of the Microfinance sector in Palestine and has a privileged role in the rural areas.

Since inception in 1995 ACAD is working in a very hard political and economical situation, in areas witnessing a longest unsolved military and political dispute, The West Bank and the Gaza Strip are under Israeli military occupation since 1967

In the period from 1995 to 2008, in addition to the ongoing up normal situation the Palestinian territories faced military crises cycles affecting all life aspects, mainly economy:

- 1996 The right wings political parties took power in Israel resulted in military confrontation over digging tunnels in Jerusalem followed by economic seize and restriction on movement for more than 4 months, consequently the economic situation was deteriorated rapidly, the per capita GDP dropped by 2.91%
- Again after 3 years of recovery the second Palestinian Intifada erupted in 2000 which have been faced with comprehensive economical and physical siege ended by Israeli military invasion of Palestinian territories in 2002, during this period the per capita GDP dropped by 11.41% in 2000, 11.12% 2001 and 15.71% in 2002 (38.2 % over 3 years), in parallel to this situation ACAD have been dramatically affected the LP at risk >31 jumped to 77%, Loan disbursement decreased by 47% and 70% for 2001 and 2002 and the operational sustainability dropped from 58.3% in 2000 to 41.6% and 35.4% for 2001, 2002
- Years of recovery followed again by a deep economic crises in med 2006 up to med 2007 where the Islamic Hamas party win election in WB/GS followed by comprehensive Israeli siege and freezing of all international support to the new government leaving Public sector employees who are feeding more than 35% of total population without income over on year, consequently the GPP per capita dropped by 8% in 2006 and witnessed slow improvement in 2007 by 1.76 % but again dropped by 1.26% in 2008 as a result of military confrontation in Gaza. Again ACAD LP at risk jumped to 74% by the end of 2006 and OSS dropped from 87% in 2005 to 34.5% in 2006, also loans released dropped by 57.7%

The following charts shows the correlation between ACAD's credit activities and LP performance with the national political and economical crises where OSS is increasing and PAR decreasing with increase of GDP and per capita GDP meanwhile with deep crises OSS decreasing and PAR decreasing the same with disbursement activities which is increasing with GDP growing rate increase:



Each crisis cycles needs ACAD few years to recover which leaving ACAD in dilemma of crisis - recovery then crisis. Despite the very difficult environment affecting performance and LP quality ACAD was fighting to maintain its owns assets and equity, therefore a high collection rate with minimum losses have been achieved: out of 13.280 M\$ disbursed for period 1995-2008 97.7 % have been collected leaving losses in form of unrecoverable written off loan at 2.28 %, the accumulated repayment rate by 2008 is more than 95%.

2.4 ACAD's services and products

ACAD currently offers financial and business support services to the poor and low-income Palestinian people through small income generating activities. Those services are concentrating on rural and/or high poverty rate Palestinian areas where people live under difficult political situation.

3.1.1 Credit services

ACAD provides financial credit services through 6 kinds of loans from 600 to 7,500 US\$:

- Micro and small loans
 - The Micro and small loans target micro-entrepreneurs with existing projects that need funding to expand their businesses. Loans can also be given for start-ups with defined plans. All sectors of activities can receive a loan including agricultural and other rural activities.
- Women loans
 - Women loans target poor Palestinian women who can't access micro or small loans directly. The loans can be disbursed for small production or consumption reasons.
- Islamic Women loans
- Islamic Micro and small loans
 - To better meet the demand of the microfinance sector in the Palestinian Territory, ACAD offers the same products (Women, micro and small loans) in a format that respects Islamic finance. The target populations and usages of loans are the same. The differences with the traditional loans reside in the disbursal and recollection.

The main characteristics of the products are summarized in Table 1.



Table 1: Loans main characteristics

Conventional lending

Product name	Cycles	Loan amount	Max period	Loan	Grace period	Loan usage	Interest rate	Commission	Guarantees
Women loans:	1 st cycle	Up to 1200\$	15 months		None	Productive and consumption	1,5% Flat monthly	None	Personal guarantee
	2 nd cycle	Up to 1800\$	20 months		None				
	3 rd cycle	Up to 2500\$	24 months		None (2 months)				
Micro loans		1500-3000 \$	24 months		None (3 months)	Productive	1% Flat monthly	1%	Bank guarantee
Small loans		5000–10000 \$	36 months		None (3 months)*	Productive	12% yearly Reducing	1,5%	2 Bank guarantees

Islamic financing

Product name	Cycles	Loan amount	Max period	Loan	Grace period	Loan usage	Profit margin	Commission	Guarantees
Women loans:	1 st cycle	Up to 2000\$	15 months		None	Productive	1,5% Flat monthly	None	Personal guarantee
	2 nd cycle	Up to 2500\$	20 months		None				
	3 rd cycle	Up to 3000\$	24 months		None (3 months)*				
Micro loans		3000-4000 \$	24 months		None (3 months)*	Productive	1% Flat monthly	None	Bank guarantee
Small loans		4000-6000 \$	36 months		None (3 months)*	Productive	1% Flat monthly	None	Bank guarantees

By the end of 2008, the outstanding loan portfolio was 2,477,397 US\$ for 2550 active clients. Thus, reaching an average loan balance of 972\$. ACAD's share of PMFIs market is close to 10%

2.4.1 Extension, training and community empowerment services

ACAD also provides non-financial services to the agricultural communities through three types of activities:

Extension:

ACAD's field workers make regular visits to farmers who receive loans, providing them with free information about market, prices, and advice related to the management of their farms. 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.

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.

Training activities:

The aim of the training is to provide farmers with theoretical and practical training hours, using supporting materials including slides and video films. The main topics for each course are:

- The reality of agriculture in Palestine in respect of the usage of insecticides and fertilizers.
- Recycling and plant diseases.
- Integral fighting as an alternative system.
- Disease discovery and standardization.

TA for cooperatives:

ACAD is encouraging small, poor farmers, producers and women in the poorest rural areas (the poorest micro region) in the West Bank to establish specialized cooperative societies and to motivate them to set up cooperative credit and saving funds ACAD promote the idea and provide legal assistance to register the cooperatives, ratify financial systems, set up investment and saving funds in addition to establishing saving procedures and internal credit, putting forth annual plans for the funds. ACAD also provide assistance for the financial management of the funds in addition to soft loans to be used as seed up capital.

Development activities:

ACAD is carrying on deferent type development projects which focusing on service delivery to marginalized community such as land rehabilitation, public awareness, organizing and advocacy and lobbying on national policies.

2.5 ACAD's recent developments

Since 2008, to better adapt to the Palestinian changing environment and better achieve its mission, ACAD has undertaken a significant number of projects that are transforming it structurally and operationally.



First, ACAD has developed women loans in rural areas to support the development of new activities and extend existing activities.

Moreover, ACAD has launched a decentralization process to increase its social outreach. For this, ACAD created new positions with new responsibilities in its offices (Office Managers), as well as defining new credit policies and procedures and defining specifications for the deployment of an on-line MIS.

Finally, ACAD is changing its legal structure from an NGO into a not-for-profit company. Though this may seem as a shift in the vision and mission of ACAD, this structural change is primarily motivated by practical reasons and potential gains in operational efficiency that the not-for-profit company status confers compared to that of an NGO in the Palestinian law.

In that way and for ACAD's expansion, ACAD is receiving two technical assistance programs, one funded by the Luxembourg Cooperation and implemented by PlaNet Finance aiming at helping ACAD attaining financial and operational self-sufficiency, and one funded by USAID and aiming at financing the new decentralized and integrated Management Information System MIS.

At the same time, ACAD has a long-term partnership agreement with the French institution SIDI where the latter provides technical assistance to ACAD at regular basis in addition to soft loans. SIDI also initiated with other European partners an insurance scheme to secure ACAD's loan portfolio against Political Risk.

2.6 Organisation and human resources

ACAD is a small MFI with 35 staff allocated for credit activities in 2008, out of them are 23% HQ staff and 77% are field staff, the credit field staff contribute up to 60% of total, meanwhile female are more than 55% of total employees

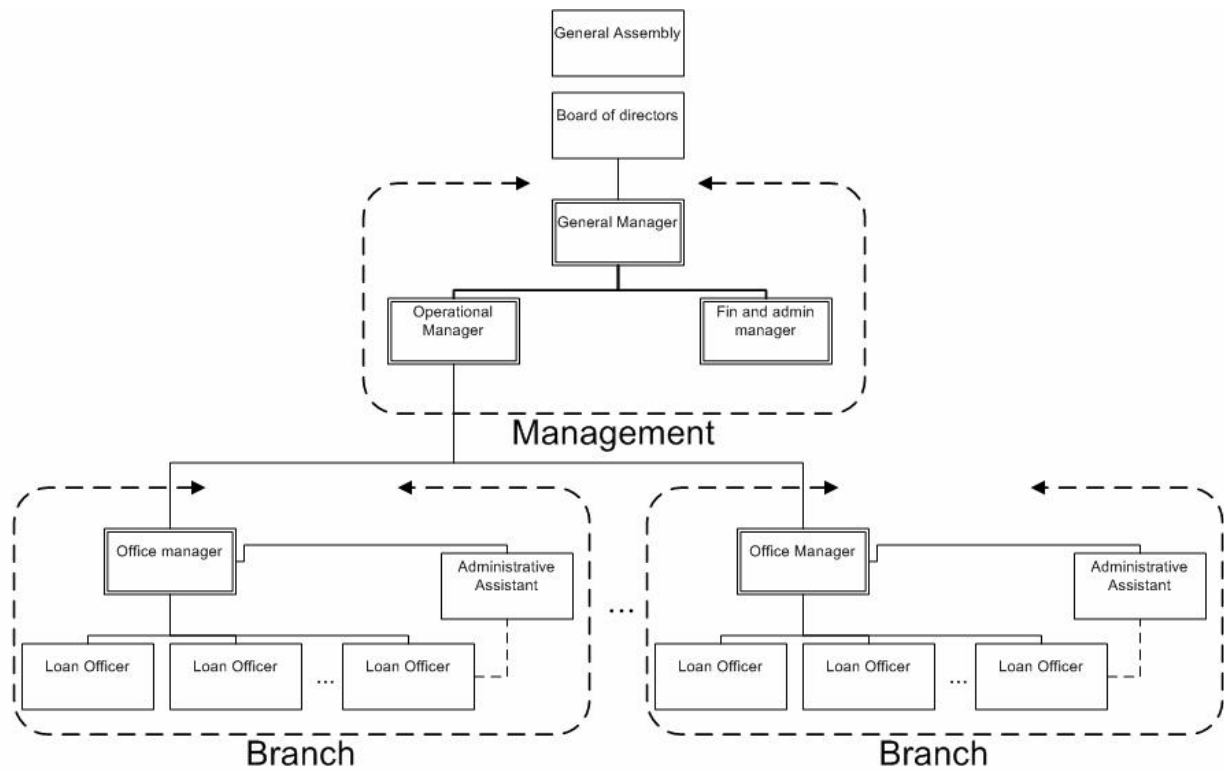
ACAD have 8 regional offices in WB/GS plus the HQ in Ramallah city

The Board of Directors is comprised of 9 members elected every two years by the General Assembly that governs ACAD.

Currently, the Board of Directors composition is as follows:

- | | |
|------------------------|------------------|
| ▪ Mr. Hasib Nashashbi | Chairman, |
| ▪ Dr. Fawwz Abu Setta | Deputy Chairman, |
| ▪ Ms. Haneen Zaidan | Treasurer, |
| ▪ Mr. Maher Safi | Member |
| ▪ Ms. Rania Qasim | Member |
| ▪ Mr. Amjad Masri | Member |
| ▪ Ms. Randa Abed Raboo | Member |
| ▪ Mr. Judeh Al Jamal | Member |
| ▪ Mr. Ghalib Hantoli | Member |

The General Manager, Mr Samir Al- Barghouthi has been managing ACAD since 1992.



2.7 The ACAD performance over the last 15 years

Historical data: The ACAD loan activities

Loans activities	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Loans															
Loan released	32	59	158	30	35	194	103	31	334	681	799	338	643	1 634	1 908
New client	32	53	145	25	28	186	50	24	314	635	678	290	533	1 509	1 489
old client	0	6	13	5	7	26	53	7	20	46	121	48	110	125	419
Average loan released	6 728	5 320	4 753	6 167	5 900	3 659	4 127	4 297	5 108	3 058	2 907	3 250	1 580	1 294	1 747
Active loans	32	80	213	202	219	309	298	280	540	1 037	1 283	1 374	1 517	2 542	3 059
Women active loans						6	7	6	32	93	154	206	607	1989	2300
Rescheduled loan by date of rescheduling	0	0	0	0	0	0	25	3	12	38	35	11	58	136	258
Written off loan by date of written						26	20	0	9	10	1	0	85		
Cost of loan (\$)	1 336	1 824	1 153	1 135	1 422	1 121	975	726	637	622	374	851	295	211	273
Ratios															
Average loan released	6 728	5 320	4 753	6 167	5 900	3 659	4 127	4 297	5 108	3 058	2 907	3 250	1 580	1 294	1 747
Average loan released/GDP per capita	485%	395%	331%	399%	366%	256%	325%	402%	427%	232%	210%	255%	122%	101%	129%
loan disbursement growth rate		1	2	-1	0	5	0	-1	10	1	0	-1	1	2	0
Average loan outstanding	3 213	3 213	3 213	3 213	3 213	3 213	2 936	2 652	3 536	2 572	2 278	1 944	1 468	966	1 025
Active loan growth rate		2	2	0	0	0	0	0	1	1	0	0	0	1	0
Retention rate	0,0%	11,3%	9,0%	20,0%	25,0%	14,0%	106,0%	29,2%	6,4%	7,2%	17,8%	16,6%	20,6%	8,3%	28,1%
Women/active loans	0,0%	0,0%	0,0%	0,0%	0,0%	1,9%	2,3%	2,1%	5,9%	9,0%	12,0%	15,0%	40,0%	78,2%	75,2%
Rescheduled loan/active loans	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	8,39%	1,07%	2,22%	3,66%	2,73%	0,80%	3,82%	5,35%	8,43%
Written off /active loans	0,00%	0,00%	0,00%	0,00%	0,00%	8,41%	6,71%	0,00%	1,67%	0,96%	0,08%	0,00%	5,60%	0,00%	0,00%
Active loans Per extension credit officers	16	27	53	51	55	62	60	56	135	207	183	172	138	121	146
Active loans by field office staff	11	16	36	34	37	41	37	35	90	130	143	125	101	94	90
Active loans per total staff	5	10	24	22	22	24	24	20	43	66	75	72	66	73	73
Outreach & market share															
Active borrowers served directly	32	80	213	202	219	309	298	280	540	1 037	1 283	1 374	1 517	2 542	3 059
Active borrowers served by whole sale lending (indirectly)									11,00	43,00	61,00	85,00	132,00	197,00	204,00
Active savers by financed cooperatives (indirectly)									25,00	89,00	151,00	236,00	344,00	493,00	611,00
Total outreach	32	80	213	202	219	309	298	280	576	1179	1495	1695	1993	3232	3874
ACAD share of active borrowers(MFIs)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	5%	6%	8%	11%	11%
ACAD share of active savers (MFIs)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	4%	5%	7%	9%	11%
ACAD share of total MFIs client	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	5%	6%	8%	10%	11%



Historical data: The ACAD portfolio behaviour and the financial effects

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Portfolio activities															
Amount disbursed	215 300	313 900	750 900	185 000	206 500	709 768	425 100	133 200	1 706 150	2 082 700	2 322 681	1 098 650	1 015 900	2 115 050	3 332 862
Active loan portfolio	205 491	428 706	999 220	821 290	751 244	967 632	874 956	742 536	1 909 568	2 667 667	2 922 133	2 670 893	2 226 881	2 454 470	3 136 699
Rescheduled amount by date of rescheduling	0	0	0	0	0	0	45 869	12 800	37 936	126 912	142 102	45 401	128 337	435 432	353 340
Written off amount by date of written	0	0	0	0	0	103 337	42 524	0	5 558	8 242	2 281	0	233 234	624 005	450 000
Loan loss reserve	0	0	0	0	106 196	34 761	31 785	33 308	123 730	293 978	349 436	1 045 564	624 005	481 113	450 000
Written off recovery															
Recovery of written off amount by recovery date	0	0	0	0	0	2 251	0	0	0	850	0	0	43 435	45 293	45 040
Ratios															
Disbursement growth rate		45,80%	139,22%	-75,36%	11,62%	243,71%	-40,11%	-68,67%	1180,89%	22,07%	11,52%	-52,70%	-7,53%	108,19%	57,58%
Active LP growth rate		108,63%	133,08%	-17,81%	-8,53%	28,80%	-9,58%	-15,13%	157,17%	39,70%	9,54%	-8,60%	-16,62%	10,22%	27,80%
Rescheduled amount/active LP	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	5,24%	1,72%	1,99%	4,76%	4,86%	1,70%	5,76%	17,74%	11,26%
Written off /active LP	0,00%	0,00%	0,00%	0,00%	0,00%	10,68%	4,86%	0,00%	0,29%	0,31%	0,08%	0,00%	10,47%	0,00%	0,00%
Active LP Per extension credit officers	102 746	142 902	249 805	205 323	187 811	193 526	174 991	148 507	477 392	533 533	417 448	333 862	202 444	116 880	149 367
Active LP by field office staff	68 497	85 741	166 537	136 882	125 207	129 018	109 370	92 817	318 261	333 458	324 681	242 808	148 459	90 906	92 256
Active LP per total staff	34 249	53 588	111 024	91 254	75 124	76 191	70 561	52 291	150 360	166 729	171 890	140 573	96 821	70 128	74 683
Portfolio at risk >30 days %	0,0%	29,8%	24,6%	60,7%	62,3%	44,0%	47,0%	77,0%	28,0%	32,0%	26,0%	74,0%	49,7%	43,0%	27,0%
Loan loss reserve	0%	0%	0%	0%	14%	4%	4%	4%	6%	11%	12%	39%	28%	20%	14%
Write off ratio	0,0%	0,0%	0,0%	0,0%	0,0%	12,7%	9,1%	0,0%	0,3%	0,4%	0,1%	0,0%	18,7%	0,0%	0,0%
Financial															
Financial income	42 029	17 595	60 520	78 535	86 679	172 466	123 017	74 230	186 248	459 510	377 361	390 270	397 975	479 511	758 334
Operational expenses	85 511	102 120	168 927	235 598	193 219	295 916	155 344	208 182	170 577	312 010	373 986	433 831	622 447	572 040	794 466
Loan loss provision					106 196	0	0	1 523	90 422	178 489	59 979	696 251	-195 551	-142 892	-31 114
Total operational exp.	85 511	102 120	168 927	235 598	299 415	295 916	296 006	209 705	260 999	490 499	433 965	1 130 082	426 896	429 148	763 352
Interest paid on borrowed fund														0	13 336
Subsides operational expenses	6 517	59 931	0	2 197	1 257	66 997	63 674	4 838			85 750	49 850	0		102 826
Net income before subsidies	-43 482	-84 525	-108 407	-157 063	-212 736	-123 450	-172 989	-135 475	-74 751	-30 989	-56 604	-739 812	-28 921	50 363	-5 018
Net income after subsidies	-36 965	-24 594	-108 407	-154 866	-211 469	-56 453	-109 315	-130 637	-74 751	-30 989	29 146	-689 962	-28 921	50 363	97 808
Ratios															
Portfolio yield	20,45%	4,10%	6,06%	9,56%	11,54%	17,82%	14,06%	10,00%	9,75%	17,23%	12,91%	14,61%	17,87%	19,54%	24,18%
Operational exp	41,61%	23,82%	16,91%	28,69%	25,72%	30,58%	17,75%	28,04%	8,93%	11,70%	12,80%	16,24%	27,95%	23,31%	25,33%
Operational sustainability	49,2%	17,2%	35,8%	33,3%	28,9%	58,3%	41,6%	35,4%	71,4%	93,7%	87,0%	34,5%	93,2%	111,7%	99,3%



Historical data: Human resources & comparison with the sector

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Human Resources															
General Manager HQ	1	1	1	1	1	0,8	0,8	0,8	0,8	0,8	0,8	0,8	0,8	0,8	0,8
Financial Manager HQ	1	1	1	1	1	0,8	0,8	0,8	0,5	0,8	0,8	0,8	0,8	0,8	0,8
Operational Manager HQ						1	1	1	1	1	1	1	1	1	1
Assistant in credit department HQ						1	1	1	1	1	1	1	1	1	1
Accountants HQ					1	0,8		0,8	1,6	1,6	1,6	1,6	1,6	1,6	1,6
Secretary HQ	1	1	1	1	1	0,8	0,8	0,8	0,8	0,8	0,8	0,8	0,8	0,8	0,8
Data entry HQ										1	1	1	1	1	1
Correspondent HQ								1	1	1	1	1	1	1	1
Branch Manager	1	1	1	1	1	1	1	1	1	1					
Office Manager						0,5	0,5	0,5	0,5	0,5	0,5	0,5	0,5	0,5	6,5
Extension credit officer	2	3	4	4	4	5	5	5	4	5	7	8	11	21	21
Front office Secretary		1	1	1	1	1	1,5	1,5	0,5	1,5	1,5	2,5	3,5	5,5	6,5
Total Staff	6	8	9	9	10	12,7	12,4	14,2	12,7	16	17	19	23	35	42
HQ Staff	3	3	3	3	4	5,2	4,4	6,2	6,7	8	8	8	8	8	8
Field offices total staff	3	5	6	6	6	7,5	8	8	6	8	9	11	15	27	34
Field offices support staff	1	2	2	2	2	2,5	3	3	2	3	2	3	4	6	13
Extension credit officers	2	3	4	4	4	5	5	5	4	5	7	8	11	21	21
Staff composition															
HQ staff /total staff	50,0%	37,5%	33,3%	33,3%	40,0%	40,9%	35,5%	43,7%	52,8%	50,0%	47,1%	42,1%	34,8%	22,9%	19,0%
Extension credit officers/total staff	33,3%	37,5%	44,4%	44,4%	40,0%	39,4%	40,3%	35,2%	31,5%	31,3%	41,2%	42,1%	47,8%	60,0%	50,0%
Field offices total staff/Total staff	50,0%	62,5%	66,7%	66,7%	60,0%	59,1%	64,5%	56,3%	47,2%	50,0%	52,9%	57,9%	65,2%	77,1%	81,0%
No of field offices	3	3	3	3	4	4	4	4	4	5	5	7	8	8	8
MFIs & national statistics															
Real GDP/Capita	1388,2	1347,8	1437,7	1546,2	1612,3	1428,3	1269,5	1070	1195	1317	1387,2	1275,4	1297,9	1281,5	1350
Real GDP (M\$)	3193,2	3286	3701,6	4147,9	4511,7	4118,5	3765,2	3264,1	3749,6	4198,4	4559,5	4322,3	4535,7	4639,7	5147,2
GDP growth	6,01%	2,91%	12,65%	12,06%	8,77%	-8,72%	-8,58%	-13,31%	14,87%	11,97%	8,60%	-5,20%	4,94%	2,29%	10,94%
GDP/ Capita growth	-1,28%	-2,91%	6,67%	7,55%	4,27%	-11,41%	-11,12%	-15,71%	11,68%	10,21%	5,33%	-8,06%	1,76%	-1,26%	5,35%
PMFIs active borrowers	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	24 848	23 339	19 638	26 048	30 800
PMFIs active savers	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	4 014	4 453	4 933	5 349	5 426
MFIs total client	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	28 862	27 792	24 571	31 397	36 226
Industry Active loans/credit officers											125	134	120	125	143
Industry active loans /total staff											73	70	59	71	81

2.8 SWOT Analysis of ACAD

Strengths	Weaknesses
<ul style="list-style-type: none"> ▶ Good image and reputation in Palestine among local and rural communities ▶ Credibility, trust of international Organisations and strong relations with donors ▶ Knowledge and Experience accumulated for 20 years mainly in rural sector ▶ Dedicated and committed staff with a clear vision of the LT strategy ▶ Ability to adapt with crisis and shocks 	<ul style="list-style-type: none"> ▶ Limited size of capital ▶ Weak loan portfolio quality - High PAR ▶ Weakness of internal monitoring and reporting - no internal control - no internal audit ▶ Legal framework not defined yet ▶ Weaknesses in HR capacities : Understaffed senior and middle management, skills to be developed for BMs and head office
Opportunities	Threats
<ul style="list-style-type: none"> ▶ Huge unexploited market especially in rural areas ▶ Strong involvement and interest of international community in Palestine ▶ Good networking with other Palestinian MFIs : sharing of resources and training ▶ Growing interest in MFI among Palestinian ministries and other official bodies (PMA) ▶ Palestinian national Policy is becoming more adapted to the sector 	<ul style="list-style-type: none"> ▶ A lot of projects started in 2009 – MIS, new procedures, Islamic products, loans for cooperative ▶ Uncertainty of new products' profitability ▶ Possible economic slowdown due to political situation ▶ No clear vision of the legal and regulatory framework of the Palestinian microfinance sector ▶ Behaviour of some donors does not respect "best practices" by providing heavy subsidy

2.9 Key findings and recommendations from the rating undertaken by M-CRIL

In March 2010, M-CRIL has rated ACAD with an overall « B » grade.

2.9.1 About the financial rating

Below are consigned the key findings & prospects issued in the financial rating report:

A. Key findings

“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 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."

B. Prospects

"ACAD has managed to survive despite the challenging political and economic environment persisting for a long time in the country. The strategic business prepared by ACAD 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."

2.9.2 About the social rating

Below are consigned the conclusions & prospects issued in the social rating report:

"Given the constraints in its operating environment, ACAD has shown progress in various aspects of social performance, including good outreach to rural clients and women, product design in keeping with the needs of its target clientele, gender focus in staffing, and provision of a variety of non financial services. ACAD is in the process of building systems for transformation to a microfinance company. Increased regulation and supervision will help to formalise processes (all MFIs will have to report to the Central Bank, and sign a code of ethics). The new organisational form will enable ACAD to raise equity for its future expansion. Another priority during the current period of political stability is improvement of portfolio quality, for which incentives have been designed and efforts are underway. ACAD is



in the process of consolidating its operations so as to achieve financial stability.

ACAD has qualified management and motivated staff. It needs to better utilise its human resources to increase productivity and lower costs of operations. Tighter monitoring systems are required. ACAD plans to recruit an internal auditor in June 2010, as it has completely lacked an internal audit function hitherto.

Social goals need to be well defined so that ACAD can put systems into place for social performance management. Currently there is an initiative to report on the MIX social indicators, but ACAD needs to prioritise what social indicators are most relevant to its mission for tracking and evaluation. ACAD has recently migrated to a new MIS and this is the right time to identify social indicators and integrate these into organisational systems. ACAD will need to formally integrate principles of client protection into its policies and operations; as well as undertake monitoring of their implementation.

Field level data shows a good achievement on outreach to both women and rural areas. The rate of client exit is high— which may adversely affect sustainability. ACAD may need to consider interest rate reduction in the future, if competition from banks becomes a challenge (currently this is not the case, because of flexibility and good product design).

ACAD has adequate competence to successfully introduce social performance management, but this will require time and attention from both the Board and management. It is possible that financial sustainability concerns will result in social performance being pushed to a lower priority level in the year 2010. However, with appropriate planning and effort, ACAD is in a favourable position to achieve on both aspects.”

3 2010-2013 STRATEGIC BUSINESS PLANNING

3.1 ACAD's Vision

"In 2013, ACAD fulfils its current mission in an efficient and sustainable way by expanding its financial services closest to urban or rural poor people of the whole Palestinian territory."

3.2 ACAD's Key Success Factors

Considering ACAD's context and SWOT analysis, the main Key Success Factors that will enable ACAD to reach its 2013-vision are:

- Continuation of ACAD's decentralization process (already set up) for best reactivity to the client needs,
- Higher internal efficiency and productivity to improve services to borrowers and reach operational sufficiency,
- Higher portfolio quality to reduce delinquency and risks and reach financial self-sufficiency,
- Sustainability: operational and financial self-sufficiency,
- Accurate market penetration considering the huge apparent gap between offer and population needs,
- Precise measurement of social and economic impacts on the Palestinian population,
- Sufficient donors funding to ACAD to be able to fulfil its transformation.

3.3 Strategic objectives for the Period 2009-2013

In light of its Key Success Factors, ACAD has developed in 2009 a strategic plan for the 5 upcoming years that will accompany its transformation process. 6 main objectives have been defined and approved by the Governing body of ACAD that will help ACAD to achieve its vision.

It must be highlighted that the key objectives defined by ACAD for the forthcoming strategic planning period are coherent with the findings, conclusions & recommendations issued by the (financial & social) rating exercises.

3.3.1 Raising funds from diversified donor agencies and investors

ACAD would like to build on its solid reputation amongst donors and investors to increase its funding but also to try to target other types of funding including soft loans and investments.

ACAD Individual lending

To finance its Loan Portfolio expansion, ACAD will be in need of 3.150\$M of new funds in term of grants or soft loan. Out of this amount, there are 1.450\$ M committed from Islamic Development Bank (IDB) and French Development Agency (AFD) leaving needs in amount of 1.7 \$M (1.2 \$M in 2011 and 0.5\$M in 2012).

ACAD wholesale lending

The portfolio requirement for wholesale lending will be 650'000 US\$. 550'000 US\$ have already been secured by the AFD loan facility to ACAD. Therefore, the additional required capital is US\$ 100'000. Technical assistance required to implement this component over the period is estimated by 511'403 US\$. ACAD will be able to generate 87'207 US\$ as interests cashed. At the same time, the amount of 260'000 US\$ is already committed as grant by AFD. Therefore, the additional grant needed is 164'195 US\$.

As a summary, the total funding requirements over the period 2009-2010 are:

	US\$
New capital for individual lending	1 700 000
New capital for wholesale lending	100 000
Additional grant for wholesale lending operations	164 195
Total	1 964 195



3.3.2 Transforming the legal status from NGO into a not-for-profit company

This short-term objective is double. From one side, it is issued from the continuing ACAD's decentralization process started in 2006. On the other hand, ACAD wishes to seize the momentum created by the law adopted very recently for non-banking financial institutions and that will modernize the Microfinance sector in Palestine. It is projected that this status transformation will reduce the legal constraints imposed on NGOs and that hinder the productivity of MFIs.

3.3.3 Increasing internal efficiency and productivity

ACAD wishes to increase the productivity of its staff as well as the efficiency of the institution as a whole.

ACAD will increase total staff by 50% over the period, from 38 to 57. The expansion will be for new field credit officers. At the same time, efficiency will be improved, i.e. the cases load per credit officer will increase from 106 to 157 and from 67 to 88 per ACAD's total staff.

The yield on Loan Portfolio will increase from 20% in 2008 to 26.8% in 2013. At the same time operating cost ratio will slowly be increased from 18.5% to 19.3% for the same period.

3.3.4 Improving the quality of ACAD's loan portfolio

ACAD will improve the quality of its loan portfolio. Achieving this objective is also one of the main steps to consolidate sustainability. In addition, a better quality of the loan portfolio will reinforce ACAD's credibility towards its clients and partners and will enable the MFI to decrease risks and possible financial losses.

3.3.5 Consolidating sustainability

Individual lending

ACAD aims at sustaining the services it provides to the Palestinian microentrepreneurs. Maintaining this objective is an important and continuous benchmark in the life of the institution. On the one hand, it is a global indication of the success of all actions undertaken in the past and ACAD will be able to keep growing by its own means and ensure the continuity of its services to micro entrepreneurs regardless of the availability of donations.

By end of the plan, and with the prospect of the growth of its key product, ACAD will reach 128% OSS and 117.6 % FSS calculated on 6.5% market rate cost of fund.

Wholesale lending

By 2014, the wholesale lending activity will be able to cover its cost.

3.3.6 Increasing ACAD's market share and reinforcing social and economic impacts

Achieving this goal will enable ACAD to address a larger number of Palestinian poor or low-income people and to enhance sustainability and risk management through diversified products and clients. ACAD then has two fields of operations: individual and wholesale lending:

Individual lending

- Targets to increase its market share by end 2013 from 10% to 15%. ACAD plans to disburse around 20'000 loans over 5 years by increasing the yearly disbursement by 220% in 2013 in comparison of 2008, and to reach 5'000 active loans by 2013 with 5,609,550 \$ active LP (129% LP increase)
- Will keep the average loan disbursed size (1'248 \$ in 2013) which less than GDP per capita. Over 80% of active clients will be women.



- As one of the oldest MFIs in Palestine, ACAD has always had a social and economic impact on the Palestinian society and especially for the poor and low-income population. For the upcoming 5 years, ACAD wishes to reinforce its social and economic role through impact measurement and more accurate design of products targeted to additional sectors in need of financial services.

Wholesale lending

By 2013, ACAD plans to work with 31 cooperatives as permanent and sustainable clients. This wholesale finance activity will increase cooperative savers from 493 in 2008 to 1'090 at the end of the plan, and to increase active borrowers from 161 to 1'046. Active loan portfolio to cooperatives will increase gradually from 131'000 US\$ in 2008 to 650'000 US\$ in 2013.

As an outcome of its plan, the ACAD total clientele, both savers and borrowers, directly to individuals or through cooperatives will reach 7'136 persons, which could be close to 20% of the clients served by MFIs in Palestine.

3.4 A new and complementary component, wholesale lending

Wholesale finance in the microfinance sector is the provision of services by a lender to institutional customers, such as small savings and credit cooperatives. In essence, wholesale financial services usually involve higher value transactions than retail, micro-credit delivery to individual natural persons: wholesale finance compares with retail micro finance, which is the provision of financial services to individuals.

A strategy on wholesale finance by ACAD, in its financial intermediation with cooperatives will allow ACAD to add value in the following ways, by:

- Addressing the 3 levels of sustainability that the cooperative will simultaneously contemplate, i.e. the members, the cooperative itself and the environment.
- Creating cost effective and "user friendly" products and services.

Benefits of being a client of a wholesale finance facility

- Flexible loan repayment terms
- full treasury of negotiated loan facilities
- Interest rates with flexible payment terms
- Capital repayment negotiable from 18 months after loan disbursement
- The opportunity to build additional sources of funding
- Loan in local currency

Profile of the products: **Mid term loans (with relevant capital repayment modalities)** a negotiated term, (at least 18 months), with a capital to be repaid on an annual basis (so as to enable its revolving for the clients institution), even if the interests (i.e. the financial service) must/should be cancelled to ACAD on a mid-year or a yearly basis

The supply of (financial) services (i.e. the ACAD strategy) will be welcome by the market for the following reasons: accessibility, reduced procedures, demand orientation, low cost financial services, prior knowledge of the ACAD co-ordinator within the microfinance circles, listening capacity favoured by the profile of products. However, this flexibility must be articulated with adequate appraisal, decision, implementation and monitoring tools. ACAD therefore creates its own set of tools based on its experience.

This indirect approach has been chosen for the expected effectiveness and efficiency of such mechanisms. It is expected to be **effective** because specialised microfinance wholesale funds have the advantage of **vicinity**. It is expected to be **efficient** because ACAD can support a larger number of final clients, and hence have more impact

Through its wholesale finance component, ACAD is then maximizing its outreach (including in rural and unattended areas) in a sustainable manner.

3.4.1 Expected results and activities (Act.) to be implemented:

- **ER 1: Grassroots local, sustainable, microfinance providers are built:**
 - Act. 1.1: Adequate capacity building and technical assistance are provided (coaching, reporting, MIS, internal procedures, business planning);
 - Act. 1.2: Adequate financial products (loans) for the cooperatives are serviced according to the savings mobilisation;
 - Act. 1.3: Promoting internal evaluation capacity.
- **ER 2: Cooperative member savings are mobilised in order to expand credit services:**
 - Act. 2.1: Helping cooperatives design relevant savings products and procedures;
 - Act. 2.1: Monitoring the savings mobilisation.
- **ER3: Working relationship between PFU, cooperatives and ACAD is enhanced and secured:**
 - Act. 3.1: Integrating the wholesale finance component within ACAD structure, policies and procedures;
 - Act. 3.2: Appropriated Memorandum of Understanding (MoU) are signed and implemented by cooperatives and ACAD;
 - Act. 3.3: Organizing periodical field visits and Information-Exchange meetings (business plan, products, evaluation).
 - Act. 3.4: Appropriated MoU is signed between ACAD & PFU and implemented. MoU describes in details of responsibilities of respective talks.

3.4.2 Targeted Quantity indicators

ACAD will operate with those cooperatives in a conservative manner, through a strict plan, rapid expansion will be avoided (ACAD's objective is to help create sustainable cooperatives). Track record shows that in order to possibly select 1 sustainable client cooperative for loans, one needs to have 4 cooperatives screened.

A complex combination of social, cultural, economical, political, institutional and legal factors affect the sustainability of cooperatives. Choosing a good client needs a lot of preparatory work and time, which is no always under ACAD's control. Numbers are therefore as follows:

1. Number of cooperatives

2008	2009	2010	2011	2012	2013
10	19	19	21	26	31

2. Final users

2.1 Active savers

2008	2009	2010	2011	2012	2013
493	614	736	856	974	1090

2.2 Active borrowers



2008	2009	2010	2011	2012	2013
161	205	329	549	816	1046

3. ACAD loan disbursement

3.1 Numbers

2008	2009	2010	2011	2012	2013
23	16	14	15	19	21

3.2 Active wholesale lending portfolio (US\$)

2008	2009	2010	2011	2012	2013
\$131,000	\$ 258,000	\$ 396,500	\$ 500,000	\$ 550,000	\$ 650,000

4. Required resources

4.1 Capital fund (wholesale finance component)

The portfolio requirement is 650'000 US\$. 550'000 US\$ is already secured from the first AFD loan facility to ACAD. The total capital requirement for the wholesale lending component over the phase 2009 - 2010 is 100'000 US\$.

4.2 Human resources

4.2.1 The Microfinance expert (full time job up to mid 2011)

- Supervising overall wholesale lending component;
- Design plans policies and procedures;
- Training qualified team at PFU and ACAD.

4.2.2 The ACAD Cooperative and wholesale coordinator (full time job from beginning Oct. 2010) under supervision of ACAD operational manager

- Responsible for the wholesale lending portfolio;
- Following-up and monitoring of cooperative loan portfolio;
- Selecting the potential new cooperatives;
- Supervising and coordinating with PFU regional coordinators related to wholesale lending;
- Monitoring the good governance and performance of the cooperatives.

4.2.3 The PFU Field Technical coordinator (full time job up to 2010)

- Field follow up and coordination with cooperatives;
- Supervises the implementation of the MIS;
- Submitting proposals for new cooperatives;
- Facilitating linkages between cooperatives and related Ministries;
- Monitoring legal aspects, good governance & performance of cooperatives.

4.2.4 The ACAD MIS operator (full time until October 2010 then part-time job)



- Implementation of the ACAD Management and Information System within new cooperatives and following up the MIS already installed;
- Providing cooperative monthly reports to the Wholesale lending coordinator.

4.2.5 The PFU Regional coordinators (part time job from Oct. 2010)

- Monthly on-site visits to follow-up the allocated fund to cooperatives;
- Nominating new cooperatives and implementation of savings activity within them before ACAD technical assistance work;
- Administrative work in relation with ACAD branches (i.e. loan application form, disbursement or renewal of a loan, loan and interest payment);

4.2.6 The ACAD branch managers

- Back office administration

5. Technical Assistance (TA) by SIDI on wholesale finance

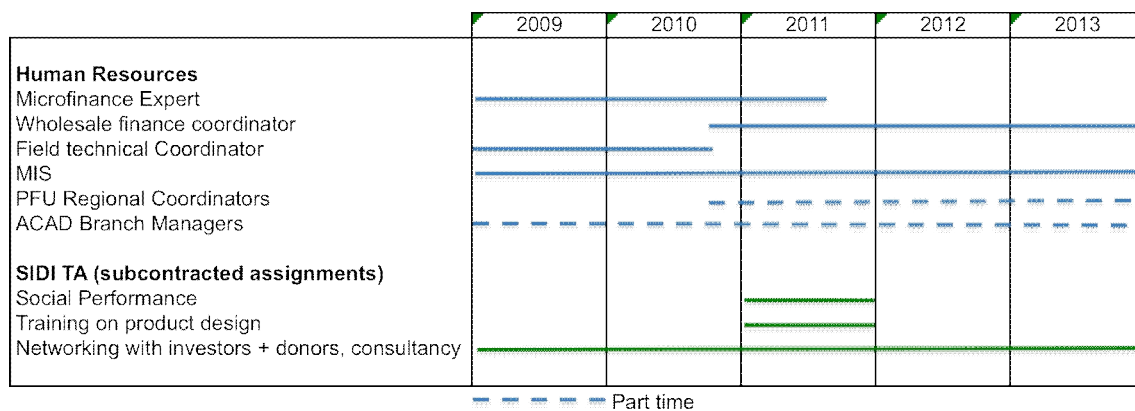
5.1. Training the ACAD and PFU team on product design,

5.2. TA on Social Performance (SP): develop tools and train ACAD and PFU staff on Social Performance

5.3. Networking and linkages with investors and donors, and consultancy

3.4.3 Human resources

The Human Resources component for the wholesale function can be wrapped up as follows:



3.5 Financial projections over 2010 - 2013

The financial projections from 2010 up to 2013 as designed by ACAD are presented as follows:

3.5.1 Financial statements, (income statements & balance sheet)

FINANCIAL STATEMENTS (In FY09 US\$)		2010	2011	2012	2013
6.04	Income Statement				
6.05	Financial Income	838 148	1 023 320	1 179 316	1 311 962
6.06	Financial Expense	25 797	26 405	43 210	62 845
6.07	Net Financial Income	812 352	996 915	1 136 106	1 249 118
6.08	Provision for loan losses	12 835	23 955	7 715	22 100
6.09	Net Financial Margin	799 517	972 960	1 128 391	1 227 017
6.10	Program Operating Exp	437 440	471 222	517 358	560 283
6.11	Administrative Operating Exp	344 882	363 076	370 536	378 277
6.12	Amount of taxes paid	0	0	0	0
6.13	Net income (after taxes and before donations)	17 195	138 662	240 497	288 457
6.14	Grant Income	0	0	0	0
6.15	Net Income (after taxes and donations)	17 195	138 662	240 497	288 457
6.16					
6.17	Adjustments to Operating Margin	112 235	125 268	125 293	118 402
6.18					
6.19	Balance Sheet				
6.20	ASSETS *				
6.21	Cash in Bank and Near Cash	0	0	0	0
6.22	Net Portfolio Outstanding	3 054 855	3 920 386	4 066 931	4 663 930
6.23	Short-term Inv. & other curr ass	545 880	150 484	184 438	128 449
6.24	Net Fixed Assets	14 084	-20 159	-53 393	-85 641
6.25	Long-term Invest. & other LT assets	0	0	0	0
6.26	TOTAL ASSETS	3 614 820	4 050 711	4 197 976	4 706 738
6.27					
6.28	LIABILITIES *				
6.29	Savings deposits	0	0	0	0
6.30	Concessional Loans	1 609 682	1 936 543	1 874 556	2 129 197
6.31	Commercial Loans	0	0	0	0
6.32	Other liabilities	40 888	40 284	39 689	39 102
6.33	TOTAL LIABILITIES	1 650 570	1 976 827	1 914 244	2 168 299
6.34					
6.35	EQUITY *				
6.36	Accum. Donated equity, prev. periods	2 491 043	2 454 230	2 417 960	2 382 227
6.37	Accum. Donated equity, prev. periods	2 491 043	2 454 230	2 417 960	2 382 227
6.38	Donated equity, current period	0	0	0	0
6.39	Shareholder equity	0	0	0	0
6.40	Accumulated dividend payments	0	0	0	0
6.41	Accumulated net surplus	-526 791	-380 344	-134 227	156 214
6.42	TOTAL EQUITY	1 964 252	2 073 885	2 283 734	2 538 441
6.43					
6.44	TOTAL LIABILITIES AND EQUITY	3 614 822	4 050 713	4 197 978	4 706 740

3.5.2 Ratio analysis

RATIO ANALYSIS (values in FY09 US\$)		2010	2011	2012	2013
5.01					
5.02	Portfolio Quality				
5.03	Reserve Ratio	14,6%	12,1%	11,7%	10,6%
5.04	Annualized Loan Write-off Ratio				
5.05	Profitability				
5.06	Adj. Pre-tax Return on Total Assets *	-2,6%	0,3%	2,7%	3,7%
5.07	Solvency				
5.08	Equity Multiplier *	1,84	1,95	1,84	1,85
5.09	Efficiency and Productivity				
5.10	Operating Cost Ratio *	23,3%	20,8%	19,7%	19,3%
5.11	Borrowers per Loan Officer *	172	152	171	156
5.12	Overhead percentage *	44,1%	43,5%	41,7%	40,3%
5.13	Loan Officers as % of total staff *	44,4%	51,0%	51,0%	56,1%
5.14	Growth and Outreach				
5.15	Total Loan Portfolio *	3 675 315	4 652 638	4 877 857	5 609 550
5.16	Overall growth in portfolio	10,2%	26,6%	4,8%	15,0%
5.17	Number of active loans *	3 430	3 950	4 450	5 000
5.18	Overall growth in loans	16,8%	15,2%	12,7%	12,4%
5.19	Client dropout rate				
5.20	Total Voluntary Savings Deposits *				
5.21	Number of voluntary depositors *				

3.5.3 Financing sources

FINANCING SOURCES (In FY09 US\$)		2010	2011	2012	2013
4.01					
4.02	New Unrestricted Grants	0	0	0	0
4.03	New Unrestricted Grants -- Not Identified	0	0	0	0
4.04	New restricted grants for operations	0	0	0	0
4.05	New restricted grants for portfolio	0	0	0	0
4.06	New restricted grants for other assets	0	0	0	0
4.07					
4.08	Unrestricted loans	0	0	0	0
4.09	Unrestricted loans -- Not Identified	0	0	0	0
4.10	Restricted loans for PORTFOLIO	1 658 334	2 025 002	1 989 585	2 293 750
4.11	Restricted loans for OTHER ASSETS	0	0	0	0
4.12					
4.13	Equity Investments (Unrestricted)	0	0	0	0