



# **Arab Center for Agricultural Development**

## **Administrative Report**

**2013**

**Approved by Board of Directors Members**

**In its session held on 24 April 2014**

## Activities Report 2013

### Introduction:

In 2013, economic growth rates in the region slowed and dropped to 3.5% after it reached 8.7% in the previous years. Nevertheless, in 2013, the region did not witness any dramatic political or economic troubles and maintained relative calm. This enabled the economic and financial institutions and organizations to practice their activities, expand and grew.

In Palestine, 2013 was a distinguished year for the micro and small finance sector. During this year the Palestinian Monetary Authority (PMA), under the Specialized Lending Companies Law No. 132 of 2012, embarked on the practical procedures to organize this sector. To achieve this purpose, it issued internal directives and regulations while the lending companies started to document their situations. Most of the microfinance companies obtained initial approval from the PMA.

In this environment, the Arab Center for Agricultural Development continued to promote its advance and presence in the Palestinian market. It also improved its performance indicators, made profits and became an attraction center for international investors. As a result, it signed a partnership agreement with four international institutions, including the European Investment Bank (EIB), in September last year to establish ACAD Finance with capital of US\$ 5.35 million. Thus, ACAD is considered the first microfinance institution in Palestine that attracted international investors to the microfinance sector.

With maintaining its good and expected level in providing financial and developmental services in 2013, ACAD Executive Administration and Board of Directors made great efforts to achieve a complicated process. The process was intended to transform ACAD from a non-governmental organization to a company at the different administrative, financial and legal levels and at the level of relationship with official parties and international investors.

### Financing Activities

In 2013, ACAD total financing amounted to \$4.3 million compared to \$4.55 million in 2012. Meanwhile, the facilities portfolio increased from \$4.9 million in 2012 to \$5.13 million at the end of 2013.

The **number of active loans** dropped from 3,282 in 2012 to 3,112 loans in 2013. The increase in the average size of the loan disbursed from \$2,626 to \$2,853 explains why the portfolio is high and the active loans are low.

At the same time, **women** maintained the highest percentage of loans disbursed (69.33%) in 2013 with a slight decrease from 2012.

Also, financing outreach in **rural areas** dropped in comparison with other areas. The financing portfolio in the rural areas dropped from 62% to 58%.

With regard to **geographical distribution** of the facilities portfolio, Jenin governorate portfolio came first followed by Gaza Strip portfolio and then Tulkarem governorate portfolio, which was almost close to Gaza portfolio, while Jericho governorate portfolio ranked last.

As for the portfolio distribution in terms of the **extended financing products**, women productive loans ranked first, obtaining 40% of the total portfolio followed by micro credits, which confirms that ACAD is continuing in targeting rural women and low income people.

Meanwhile, **Islamic financing** formed 16.5% of the facilities portfolio.

Financing of the small commercial activities obtained the lion's share of the facilities portfolio (49%) followed by agricultural projects, which obtained 35%.

It is worth to note that a part of the commercial financing is related to agricultural and food stuffs marketing and it was concentrated in rural areas.

In 2013, the cooperatives loans amounted to 4% of the gross portfolio and one loan was extended to one existing society.

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

<b>Type of portfolio and indicators</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Frequency rate	32%	37.60%	47%	48.50%
Scheduled loans from active loans	5.08%	1.76%	1.80%	1.58%
Deleted loans from active loans	0%	0%	0%	0%
Average of active loans for a field worker	154	170.5	172	164
Average of active loans for an office employee	97	100	97	97

Average of active loans for a field worker for each employee in ACAD	81	81	83	70
Portfolio at risk for more than 30 days	16%	9.50%	11.61%	10.42%
Reserve doubtful debts	9%	6.80%	6.10%	5.86%
Return on portfolio	25.05%	26%	23.70%	23.20%
Operational expenses	22.11%	21.70%	18.70%	22.50%
Operational sustainability	132%	120%	120%	115%
Financial sustainability	119.50%	116%	115%	106%

### **Developmental Services**

In 2013, support for developmental projects has continued to deteriorate in extension of the two last years. This was also reflected on the financing of developmental centers projects. The budget of these projects dropped from \$167 thousand compared to \$246 thousand in 2012 and from five projects under implementation to 6 projects under implementation in 2013 of which one project in Gaza Strip. ACAD obtained five projects in the West Bank in 2013.

In the meantime, ACAD continued to provide technical support for 20 agricultural cooperatives in the West Bank under financing previously offered by the French Development Agency and CESVI the Italian NGO.

### **Resources**

- **Human Resources**

In 2013, ACAD hired 12 new employees while one employee resigned, as follows:

- (1) Accountant, (1) executive and public relations secretary, (7) employees hired on projects including a program director for ACAD and (3) lending employees including a lending director assistant.
- One employee “lending director assistant” resigned during 2013 for personal reasons.

### Number of Employees

Number of employees	2012	2013
Administrative employees	15 employees	18 employees
Lending field employees	19 employees	19 employees
Offices and branches directors	7 directors	7 directors
Employees on projects	4 employees	9 employees
<b>Total</b>	<b>45 employees</b>	<b>53 employees</b>

### Employees by Education

Level of education	2012	2013
M.A. Degree	3 employees	4 employees
B.A. degree	34 employees	41 employees
Diploma	6 employees	4 employees
General Secondary Certificate "Tewjihi" and below	2 employees	4 employees

### Training and Qualifying of Employees

In 2013, 8 employees participated in training courses for a total 21 days inside and outside Palestine. These trainees received training in specializations related to their field of work, including financing of micro projects, projects management, financial analysis, modern methods in effective negotiation to collect insolvent debts and others. Specialized training courses took place in Jordan and Indonesia.

- **Physical Resources**

In 2013, ACAD had 9 offices in addition to the main administration office.

Development in fixed assets: In 2013, the following assets were procured:

- **Apparatuses, devices, equipment, soft wares and others: \$9,277**

<b>Description</b>	<b>Number</b>	<b>Location</b>
Computer set	3	Tobas, Tulkarem (donation)
Laptop	1	Administration (donation)
Printer	1	Administration (donation)
Photocopy machine	1	Administration (donation)
Computer set	1	Bethlehem
Laptop	1	Administration
Scanner	2	Administration/ Jenin
Fax	1	Jericho
Air Condition	1	Jericho
Printer	1	Administration
Switchboard	1	Bethlehem
Camera	1	Administration/ Projects
LCD	1	Administration/ Projects

- **Furniture : \$706**

### **Establishment of ACAD Finance**

In a ceremony held in Ramallah on 11 September 2013 under the sponsorship of H.E. Dr. Jihad Al-Wazir, Governor of Palestine Monetary Authority, ACAD signed a shareholders' rights agreement with the European Bank for Investment, the

International Solidarity for Development and Investment, Grameen Company for Agricultural Lending and Triple Jump with a total amount of \$5.3 million.

An official license was obtained for the establishment of ACAD Finance from the Ministry of National Economy. Separation between ACAD and ACAD Finance will officially and conclusively take place by the beginning of 2014.

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

### ▪ **Public Relations and Local Networking**

ACAD continued in promoting its relationship with the Palestinian Monetary Authority and a number of meetings were held between them to register ACAD Finance. Meanwhile, ACAD maintained a strong coordination and relationship with the Cooperatives Department at the Palestinian Ministry of Labour including exchange of information and visits.

In Gaza Strip, Gaza Branch Director Muhsen Abu Ramadan continued to chair the NGOs Network, the fact that reflects the increasing respect of ACAD in the official and civil Palestinian circles.

### ▪ **International Relationships and Networking**

ACAD maintained its distinguished relationships with strategic partnerships such as SIDI, French Development Agency (AFD), UNDP, Norwegian Aid Program, CCFD, CESVI and ACTED. Recently, ACAD added Planet Finance to the list of its partners.

As a part of its concern in farmers, ACAD conducted a study titled “Farmers Fund between Constraints and Opportunities”. This study presented farmers’ situation in Gaza Strip from a legal perspective in accordance with the right to development philosophy.

## **Financing**

In 2013, ACAD obtained an eighth loan from UNDP to fund small projects by Islamic way. The loan amounted to half a million US\$ for four years including one year grace period with zero interest.

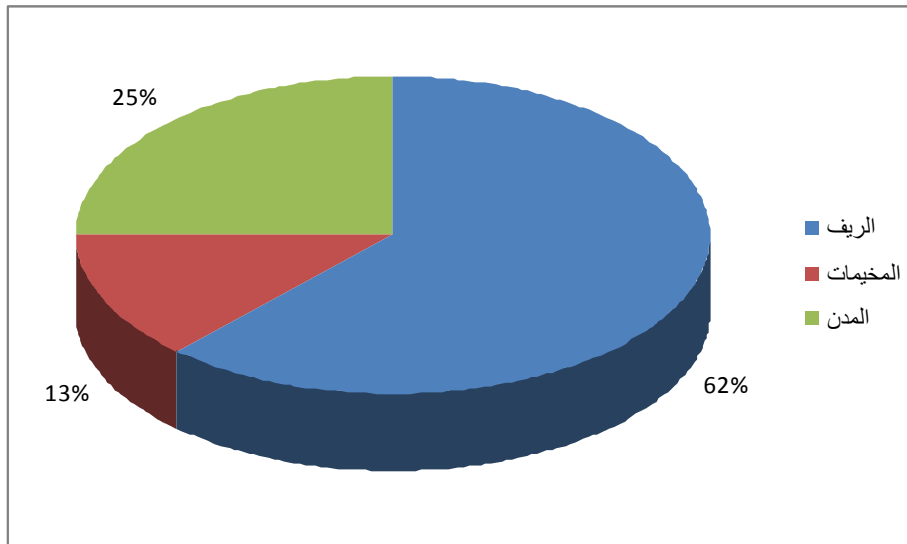
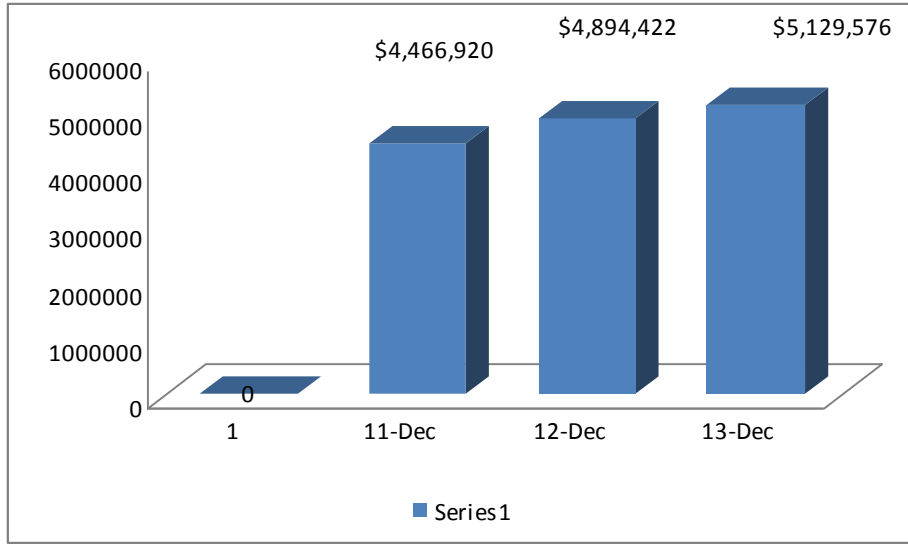
**Detailed Statistical Annex**

**ACAD Lending Processes Report 2013**

<b>Outreach</b>		
<b>Description</b>	<b>December 2012</b>	<b>December 2013</b>
Gross Portfolio (US\$)	\$ 4,894,422	\$ 5,129,575.83
Active loans-Individual loans (US\$)	\$ 4,648,372	\$ 4,923,036.96
Active loans-Cooperative loans (US\$)	\$ 246,050	\$ 206,538.87
Active portfolio Growth Rate	10%	5%
No. of active loans-Individual loans	3,264	3,094
No. of active loans-Cooperative loans	18	18
No. of active loans	3,282	3,112
Average loan outstanding (US\$)	1,491	1,648
Total amount disbursed-Individual loans	\$ 4,367,100	\$ 4,266,800
Amount disbursed-Cooperative loans	\$ 183,500	\$ 10,000
Total amount disbursed	\$ 4,550,600	\$ 4,276,800
Loan released-Individual loans	1,733	1,499
Loan released-Cooperative loans	16	1
Total loan disbursed	1,749	1,500
Average loan disbursed	2,626	2,851
Disbursement growth rate	-4.00%	-14.24%
Women active loans	2,305	2,145
% of women active loans	70.60%	69.33%
No. of field offices	8	8



Distribution of active loans by type of locality		
Rural	62%	58%
Refugee camps	13%	16%
Urban	25%	26%



### Comparison between Gaza Strip and West Bank Loans

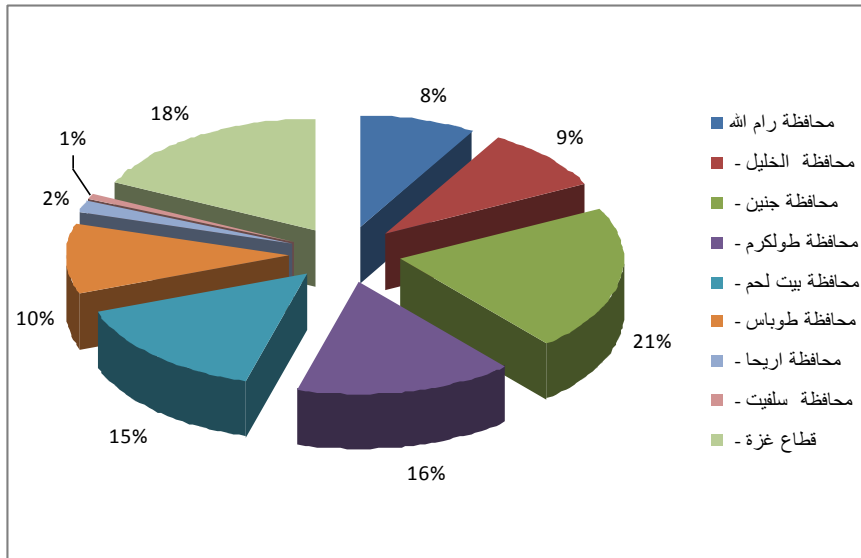
<b>Description</b>	<b>2012</b>	<b>2013</b>
Outstanding portfolio – West Bank	\$ 4,145,190	\$ 4,260,456
Outstanding portfolio – Gaza Strip	\$ 749,232	869,120 \$
<b>Total</b>	<b>\$ 4,894,422</b>	<b>\$ 5,129,576</b>
No. of outstanding loans – West Bank	2834	2,686
No. of outstanding loans – Gaza Strip	448	426
<b>Total</b>	<b>3282</b>	<b>3112</b>
Average outstanding loans – West Bank	\$ 1,463	\$ 1,586
Average outstanding loans – Gaza Strip	\$ 1,672	\$ 2,040
ACAD overall average loans	\$ 1,491	\$ 1,648
Loans amount disbursed – West Bank	\$ 4,018,750	\$ 3,505,680
Loans amount disbursed – Gaza Strip	\$ 594,400	\$ 761,200
<b>Total</b>	<b>\$ 4,613,150</b>	<b>\$ 4,266,880</b>
No. of loans disbursed – West Bank	1550	1,455
No. of loans disbursed – Gaza Strip	201	227
<b>Total</b>	<b>1751</b>	<b>1,682</b>

### Distribution of individual loans by office and governorate

<b>Geographical distribution by governorate</b>	<b>2012</b>	<b>2013</b>
Amount of portfolio outstanding – Ramallah governorate	\$419,417	\$407,379.00
Amount of portfolio outstanding – Nablus governorate	\$125,48	0

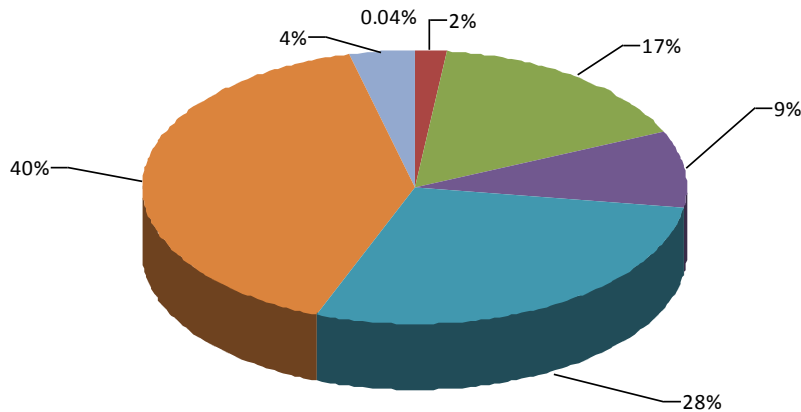
Amount of portfolio outstanding – Hebron governorate	\$ 423,886	\$451,881.00
Amount of portfolio outstanding – Jenin governorate	\$ 1,103,969	\$1,042,983.00
Amount of portfolio outstanding – Tulkarem governorate	\$ 721,197	\$ 774927
Amount of portfolio outstanding –Bethlehem governorate	\$ 539,200	\$ 740857
Amount of portfolio outstanding – Tobas governorate	\$ 609,005	\$ 505829
Amount of portfolio outstanding – Jericho governorate	\$ 84,368	\$ 84592
Amount of portfolio outstanding – Salfit governorate	\$ 118,667	\$ 45,470.00
Amount of portfolio outstanding –Gaza Strip governorate	\$ 749,232	\$ 869,120
<b>Total</b>	<b>\$4,894,422</b>	<b>\$ 4923038</b>

Cooperatives loans were included within the lending portfolio on 31 December 2013



### Distribution of active portfolio / individual loans by type of product

Financial products (programs) / active loans	2012	2013
Women consumer loans	\$ 95,758	\$ 94,867
Islamic loans	\$ 938,809	\$ 850,245
Small credits	\$ 301,274	\$ 459,378
Micro credits	\$ 1,306,965	\$ 1,452,117
Women productive loans	\$ 2,005,565	\$ 2,066,427
Cooperatives loans	\$ 246,050	\$ 206,538
<b>Total</b>	<b>\$ 4,894,422</b>	<b>\$ 5,129,572</b>

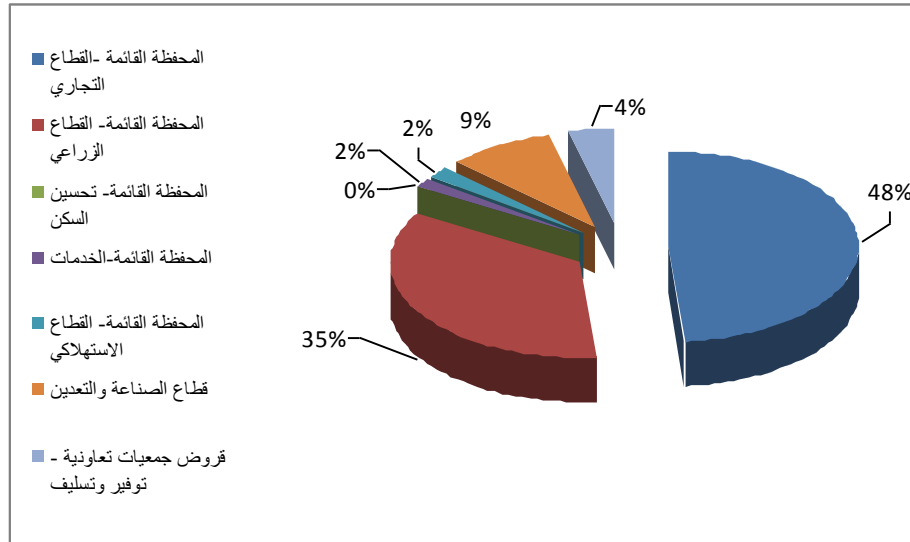


قروض جمعيات 0.04% قروض نسويه إنتاجية 2% قروض متناهية الصغر 4% قروض صغيرة 9% قروض إسلامية 17% قروض نسويه استهلاكية 28% المنتجات المالية (البرامج) / القروض النشطة 40%

Cooperatives loans women productive loans micro credits small credits Islamic loans women consumer loans financial products (programs)/ active loans

### Distribution of the active portfolio by economic activity

Economic sectors/ Active loans	2012	2012	2013	2013
Portfolio outstanding – commercial sector	\$ 2,196,120	1510	\$ 2,486,735	1475
Portfolio outstanding – agricultural sector	\$ 1,872,446	1272	\$ 1,798,397	1160
Portfolio outstanding – house improvement	\$ 0	0	\$ 0	-
Portfolio outstanding - services	\$ 60,644	45	\$ 81,090	43
Portfolio outstanding – consumer sector	\$ 101,264	129	\$ 91,862	135
Industry and mining sector	\$ 437,398	310	\$ 465,308	280
Cooperatives loans – savings and credit	\$ 226,550	16	\$ 206,538	19
<b>Total</b>	<b>\$ 4,894,422</b>	<b>3282</b>	<b>\$ 5,129,572</b>	<b>3112</b>



### Cooperatives Active Loans

#	Name of Cooperative	Loan 1	Total repaid	Balance
1	Tamoun Cooperative for Agricultural Processing	\$ 9,000	-	\$ 39,000
2	Dora Al-Qara' Agricultural Cooperative	\$ 15,000	\$ 2,890	\$ 12,110
3	Betilo Cooperative /Islamic partnership	\$ 16,000	\$ 3,000	\$ 3,000
4	Bizaria Cooperative for Animal Wealth	\$ 20,000	-	\$ 20,000
5	Al-Marbad Cooperative	\$ 3,500	-	\$ 3,500
	Al-Marbad Cooperative / Islamic partnership	\$ 16,000	-	\$ 16,000
6	Al-Wifaq Cooperative	\$ 10,000	\$ 3,621	\$ 6,379
7	Beit Fouriq Cooperative	\$ 10,000	\$ 9,200	\$ 17,800
8	Talfit Cooperative	\$ 5,000	\$ 20,500	\$ 24,500
9	Deir Ibzei' Cooperative for Rural Development	\$ 7,000	\$ 5,000	\$ 7,000
10	Al-Nour Cooperative for Rural Development	\$ 35,000	-	\$ 35,000
11	Al-Adalah Cooperative for Social Development	\$ 25,000	\$ 6,250	\$ 18,750
12	Rafat Agricultural Cooperative	\$ 3,500	-	\$ 3,500
<b>Total</b>				<b>\$ 206,539</b>

<b>Project #</b>	<b>Project Name</b>	<b>Donor</b>	<b>Allocated for the project in 2013</b>
C03700	Support and Rehabilitation of Cooperatives in Salfit and Qalqilia	ACTED	\$ 35546.18
C03800	Toward a Local Network for Supporting Farmers' Rights / 2013	NPA	\$ 55420.07
C03900	Economic Empowerment of Poor Families Program	DEEP	\$ 26888.58
C04000	Supporting Social and Economic Life in Beit Sakaria	NDC	\$ 17160.80
C04100	Youth Training Project / West Bank	Planet Finance	\$ 29570.14
C04200	Beit Siera Project	Decentralized Cooperation Network	\$ 2670.66
C04300	Planting Olive Trees Project	Different French donors	-
<b>Total</b>			<b>\$ 1,67256.43</b>