

realising self-reliance outreach

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UNRWA - Microfinance Department *Quarterly* Newsletter



spotLight:

Sanabel **Recognition** for Gaza Microfinance Officer

Gaza Field Microfinance Officer (FMO), Mr. Naser Jabr was recognized during the annual Sanabel conference on May 12, 2009 as a "best manager" in the MENA region for his contribution to the microfinance industry in the Gaza Strip. Naser has been heading the Microfinance Department (MD) in Gaza since 2004 but has been a member of the department since 1993. As FMO, Naser believes in staff participation to achieve the MD objective of serving the Palestinian poor. He has managed the department in good times as well as bad. Until 2005 the department was growing steadily and adding new loan products and staff to meet clients' demand for products and the expansion strategy of the Department. Starting with only one credit product in 1991, the department now offers a basket of financial services including five loan products specifically designed to serve the different needs of poor and marginalized groups.

MD Gaza has invested to date more than USD 93 million in 89,000 new and repeated borrowers, enabling them to start or expand their businesses and to improve the quality of life of their households. Since the crisis following the 2006 elections, the challenge for the MD in Gaza was to continue delivering services when other institutions had stopped providing loans and had left the market place. It managed to do this by reducing costs and overheads. Naser believes that special thanks must go to MD staff in Gaza for their commitment and dedication to serving the department's clients under the most trying of conditions. Despite the gloomy prospect for Gaza at this time, he believes that the future for the MD in Gaza is assured as it has weathered one of the most difficult situations facing any microfinance institution; surviving blockade, civil unrest and war.

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1st Half Results:
124% Operational
Self Sufficiency

FACTS & FIGURES

14,040 Loans worth USD **18.18** million were financed during Jan-Jun 2009.

NEW & UPCOMING EVENTS

2009 Boulder MFT

Date: 20/07 - 07/08/09
5 MD staff attend Microfinance training at the ILO Training Institute in Turin, Italy.

Microcredit Summit

The Director of MD was invited to join the Regional Advisory Committee of the Africa/Middle East Microcredit Summit to be held in Kenya on 07-10/04/10

MD - Advisory Board

Advisory Board meeting to take place in September 2009 in Jerusalem.

MENA Microfinance 2009

UNIGLOBAL Research will hold its regional microfinance conference in Amman, Jordan on 26-27/10/2009

Management's Message

This is the first edition of the MD's new newsletter, **outreach**, which has been created to provide an interactive communication forum for the different issues that touch the development of building inclusive financial services to the poor and to ensure that staff have a voice and are aware of issues that are relevant to their work, the MD and UNRWA.

The newsletter will be issued on quarterly basis, and aims to keep staff and stakeholders posted on different aspects of the department's work of "realising self-reliance", as well as regional and global developments of the microfinance industry.

At the same time, it is our Marketing Unit's first step towards implementing its marketing plan, which is designed to improve the department's visibility as the leading microfinance provider in the oPt and to place it amongst its peers in Jordan and Syria, the MENA region and the rest of the world.

In 2011, the department will celebrate **20 years** of success in serving the small and microenterprise community in Palestine, Jordan and Syria. During the past 18 years, the department has been adjusting its policies to its financial resources and the needs of its clients in the environment in which they live. During this time, the department has grown from a small programme in Gaza to a multinational programme serving three countries. This has brought many new changes and challenges to its business operations, chief among which is the development of an appropriate corporate identity which remains a key challenge for management and staff to achieve.

As it has grown, the department has expanded into new areas and diversified its products and services to meet the increasing needs of the poor and other groups. It has also been adopting the industry's best practices in strategic planning and standardization of reporting and benchmarking of financial and social performance.

The department has a unique combination of human capital; equipped with theoretical and practical on-the-job experience that is necessary for it to enhance its performance in serving its clients. It also has enjoyed a fruitful relationship with key donors who have been providing continuous support to the department with required capital and technical assistance to produce positive changes in the lives of our clients.

For the future, the department must look forward to a time of peace, independence and Palestinian nationhood, and plan accordingly. As such, the management of UNRWA and the MD is exploring the prospects of establishing the MD's operation as a separate entity and much of our efforts over the next few years will be to ensure that such an entity will be economically and financially viable to ensure the continuity of services to our clients and the continued employment of our staff.

“...the past **18 years**, the department has been adjusting its policies to its financial resources and the needs of its clients in the environment in which they live.”



Annual Seminar 2009

[16 - 17 May 2009]

During 16-17 May 2009, the department held its third annual senior management seminar. This annual forum is the major policy-making and business planning event of the department and it enables senior and middle management to come together to discuss policy matters and strategic initiatives as well as the ongoing institutional concerns influencing organizational achievements and progress.

The theme of this year's seminar was dedicated to discussing the department's institutional readiness for transition and to prepare the department's business plan for 2009-2011. It was emphasised by all participants that the social values of the department should be maintained as well as its commitment to continue to serve its existing clients. All managers stressed the importance of developing the human capital of the department and expressed the desire that staff training be improved and developed.

A number of organizational initiatives were discussed from various perspectives. Senior

each field office and their corresponding branch offices. The technical team of the central office has presented three working papers that will require additional organisational development. These areas include the development of quality control, managing social performance and introducing an innovative marketing strategy for the department.

These management developments will provide a comprehensive and complementary performance management framework for the department that will enhance institutional efficiency and improve the quality of the department's outputs and outcomes. These will, in turn, bolster the overall goal of truly and positively impacting the lives of the poor.

Other discussed points:

- Developing our social performance management system together with our financial management system through the effective translation of the department's mission into commonly accepted social values.



management provided an overview of the future transformation roadmap, with a presentation of the preparatory transformation issues, exit strategies, and business plan that included: developing the organizational design and culture, preparation of stakeholders, and raising the necessary capital.

The Verification, Finance and Operations sections presented the past year's financial and operations performance as well as the verification results for

- Improve targeting policy by applying innovative marketing strategies and techniques to reach the poor.

- Developing new marketing and media outreach to ensure that the department has a unified message, one image, and strong presence.

- To maintain the department's position as the leading microfinance provider in Palestine, and to achieve its potential as a primary microfinance provider in the Middle East, four working

“ The third Annual Seminar was a demonstration that has shown the collective effort of staff to develop inclusive financial services to the poor and marginal groups of their communities within microfinance best practices.”

MD DEVELOPMENTS

During the next period the MD will develop and integrate its three performance management systems:

- Financial Performance Management;
- Social Performance Management and
- Staff Performance Management.

NEW & UPCOMING EVENTS

OFID Agreement

Date: 01/07/09

Com-Gen signs letter of agreement with the OPEC Fund for International Development for an additional USD 3 million for the PalFund Trust Fund.

Client Trade Show

As part of the UNRWA at 60 commemoration, the MD will hold a Trade Show for a 100 clients in Amman, Jordan at the end of 2009.

FACTS & FIGURES

Since 1991,
MD financed
180,000 loans
worth
USD **200** million

papers, including product development and re-engineering were presented by the fields and the safe-saving product development team.

The second day of the seminar included a workshop that was dedicated to refining the department's business plan for 2009-2011. In the workshop, the staff collectively contributed to analysing the strengths, weaknesses, opportunities and threats that may affect the accomplishments of set targets; taking into account the characteristics of each field of operation. In their closing remarks to the seminar, senior management thanked the

staff for their contribution to the success of this annual event and highlighted the importance of all staff's input in the next stages.

In separate meeting with the MD management team in Jordan, there was a focussed discussion on the need of all managers in Jordan to take more responsibility for the poor performance of the MD in Jordan as compared to its peers in the local market. It was agreed that middle level management in Jordan would be held accountable for the output of their branches and the staff they supervise and that 2009 will be a year when the Jordan team establishes improved productivity for each branch office.

Commissioner-General at MD Syria

"I highly appreciate your efforts in serving Palestine Refugee women", were the opening words and theme of Mrs. Karen AbuZayd at a ceremony to honour the clients and the staff of the Women's Household Credit product at UNRWA's Microfinance Department.

On the 26th of April 2009, UNRWA's Commissioner General, Karen AbuZayd, accompanied by the Director of UNRWA Affairs in Syria, Mr. Panos Moutziz, visited the Microfinance Department's office in Yarmouk refugee camp. Mrs AbuZayd honoured selected clients that had loans through the Women Household Credit (WHC) product, as well as the operations team responsible for delivering this product, whom she thanked for their distinguished efforts and accomplishments. During the ceremony certificates of appreciation were provided to a number of staff and small awards were given to successful women

microentrepreneurs, who displayed samples of their products during the ceremony.

The Women's Household Credit product was launched in April 2007 to support and economically empower women through developing their enterprises and to increase the assets of their households. This specific product targets women microentrepreneurs with market as well as household-based projects and income-generating activities. This product has enabled the MD in Syria to increase the percentage of its women clientele from just five to 42 percent of the portfolio.

In addition, the team working on the WHC product maintained a 98 percent repayment rate, and a portfolio-at-risk (PAR) of less than one percent. These indicators are amongst the best in the MENA region.

"I highly appreciate your efforts in serving Palestine Refugee women"

FACTS & FIGURES

Women clients in Syria constitute
42% of the portfolio.



Financial Performance

“Operational Self-Sufficiency at 124%”

The MD's loan portfolio is built on funds granted by governments and international donors. Since 1997, the department has been financially independent of UNRWA's General Fund and has received no subsidy from this or any other UNRWA sources. It operates as a going-concern and has been running its operations self-sufficiently for more than a decade. Unlike other UNRWA departments, it is subject to an independent annual external audit by the United Nations Board of Auditors (UNBOA). Every three years it also contracts an independent financial rating assessment to benchmark its financial performance against other rated institutions.

supervisors to intervene in a timely manner to identify and resolve performance issues.

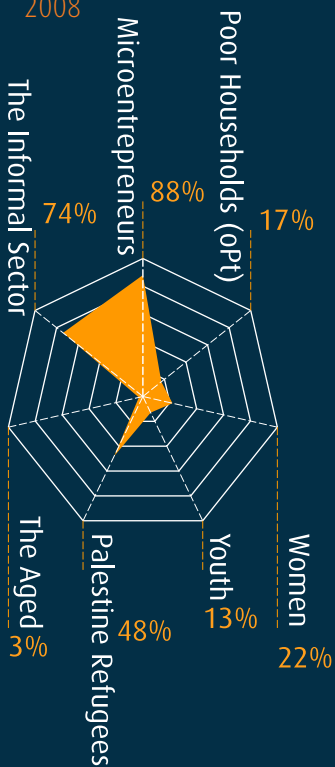
In the first half of 2009, at the corporate level, the department maintained full operational self-sufficiency and profitability, with only Gaza not fully covering its costs. However, while it is still the best performing microfinance institution in Palestine and Syria, it is still under-performing on a few key indicators when compared to the MENA region as a whole. It is below the comparator on productivity and portfolio quality ratios, although these continue to improve each quarter. The PAR is higher than the regional standard.

The MD's performance and financial indicators are shared and benchmarked with the MIXmarket, Sanabel - the Microfinance Network for Arab countries, and the Palestine Network of Microfinance Institutions. The department uses international accounting practices and implements International Financial Reporting Standards (IFRS). The MD's finance office produces a series of quarterly financial reports to determine the financial performance of the department at the corporate, field and branch office levels. Results are analysed and compared to ensure that each field and branch are meeting department standards and covering their costs. Such financial analysis and monitoring ensures good performance and the continued self-sufficiency and sustainability of the department and its branches. It enables managers and

The corporate results indicate a good improvement in operational self-sufficiency (OSS) at **124 percent**, which is at the regional standard for the best microfinance institutions. Most notable in this respect was the performance of the West Bank, which reached an OSS of 150 percent and produced a profit margin of 34 percent that beat the regional standards. This was followed by Jordan with an OSS 116 percent and Syria with 102 percent. The high costs of operations in Syria compared to the lower loan size results in a higher operating expense ratio which makes it difficult for Syria to breakeven consistently and produce the reserves necessary to finance expansion. This may have to be offset by a marginal increase in interest rates to improve the margin. All fields, but especially Jordan, must improve staff productivity.

Ratios	International Standards	MD Corporate	Field Offices			
			Gaza	West Bank	Jordan	Syria
Operational Self-Sufficiency	> 125 %	124 %	91 %	150 %	116 %	102 %
Profit Margin	> 20 %	19 %	-10 %	34 %	14 %	2 %
Portfolio At Risk (PAR)	< 3 %	8 %	5 %	9 %	9 %	5 %
Write Of Ratio	< 3 %	1 %	1 %	1 %	1 %	1 %
Loan Officer Productivity	> 250 clients	178	131	189	174	191
Operating Expense Ratio	< 25 %	28 %	29 %	28 %	25 %	33 %

SOCIAL PERFORMANCE ACHIEVEMENTS in 2008



UPCOMING EVENTS

Planet Finance

A new financial rating mission started in July 2009 undertaken by Planet Finance.

clientStory

Name: Muhannad Shalo
Location: Downtown Nablus
Buisness: Key Maker
Dependants: Six
Loan Cycle: Thirteenth

“Hard work and honesty got me standing on my feet”, says Mr. Muhannad Shalo, a key-maker from Nablus city, who has been a longstanding client of UNRWA’s Microfinance department since 1998.

Muhannad received his first loan, valued at USD 847 in 1998 to buy some raw materials for his small traditional key-making business that he managed to establish in 1988 with a capital of 3,000 Jordanian Dinar (approximately USD 4,200), utilizing traditional key shaping machines.

Ten years and 12 loans later, Muhannad is still at his store, which is now fully equipped with modern key cutting, copying and cloning machines, with a capital value exceeding USD 13,000. In addition, Muhannad has established another more modern workshop at Al-Faisal area of downtown Nablus offering more services to his clients, including locks, tools and other equipment.

When asked about the reason behind him staying at his small traditional workshop rather than moving to his modern store, Muhannad replied “I am attached to working in my old store as my starting point was through here, no matter how modern my other store has become”. Muhannad says he hopes to borrow a larger amount in the future so that he can realise his ambition of buying one of the most modern key cloners from Italy.



“ Hard work and honesty got me standing on my feet...”

staffHighlight

Name: Rima Akel
Location: Yarmouk Branch, Syria
Title: Credit Extension Assistant

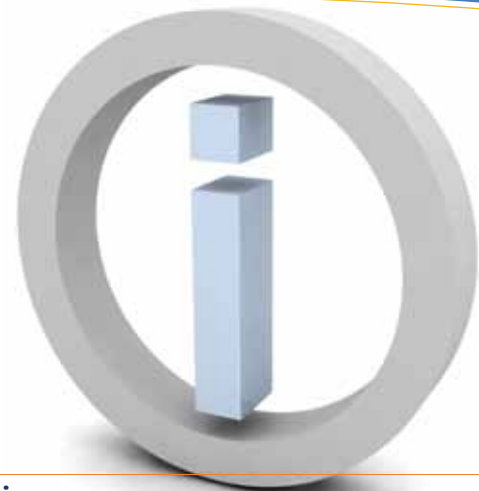
Rima Akel joined the MD Syria team on 1 March 2007 as Credit Extension Assistant working with the new women-only Solidarity Group Lending (SGL) product in the Yarmouk branch office. The new product was successfully introduced under the leadership of Sana Muhana, and Rima was on the original team that did the initial market research that led to the launch of the SGL product in Syria on 5 April 2007.

Rima is a Palestine refugee who was born in 1984. She lives in Yarmouk Camp where she was raised and went to school. She graduated from Damascus University with BA in French literature and worked as a Public Relations Officer at FARAH organization for three years before joining the MD. Rima was selected as a staff member because of her experience with women and community development, which provided her with intimate knowledge and experience of women’s income-generating projects and microentrepreneurship.

Since joining MD, Rima has been an outstanding loan officer who combines an excellent portfolio of high quality loans with superior performance. She often finances more than 40 loans a month and on average finances 35 loans each month with an active portfolio of 254 loans. Her portfolio-at-risk (PAR) was just 1.8 percent at the end of June 2009 and not a single loan in her portfolio has been written off. Her performance places her in the highest category of loan officers in the MENA region, where she meets and even surpasses the work of the best loan officers.

She is a model staff member able to motivate and pass on her knowledge and experience to other staff. Because of her ability and experience, Rima was recently appointed to lead the rollout of the new Women’s Household Credit (WHC) product in the al-Amin branch office in Damascus, where we expect her to lead and develop a team on new women Credit Extension Assistants. This will enable the branch office to expand its outreach in the central Damascus area and meet its gender targets.

“ My work is hard. However, the enjoyment I get from it relieves me from its burden, especially when I see the happiness and gratitude of my clients.”



MD Donors 2009

The below list highlights the main donors of the MD that contributed in 2009. These enabled continuing success and achievement.

Donor	Information
Luxemburg	The Government of Grand Duchy of Luxembourg contributed EURO 296,043 in 2009 for Capacity Building and Technical Assistance, bringing its total contribution to EURO 1.30 million since 2008.
OFID	The OPEC Fund For International Development, signed a new letter of agreement, in July 2009, for an additional USD 3 million to the PalFund Trust Fund, bringing the total fund value to USD 10 million.

Microfinance Links

The following links provide important tools, resources, and information for staff to develop their knowledge and capacity.

- Arabic - Microfinance Gateway
- CGAP: Consultative Group To Assist The Poor
- Microfinance Gateway
- Sanabel - Microfinance Network Of Arab Countries
- The Small Enterprise Education And Promotion (SEEP) Network
- The SPM Network
- The Palestinian Network (Sharakeh)

Contact MD

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