

PROJECT FACTSHEET

Title of project	SCBF 2011-01: Pilot test of Savings products in a MFI in Palestine
Country/ region	Palestinian Territories
Financial Intermediary	UNRWA, Jerusalem, Occupied Palestinian Territories Local microfinance institution part of a United Nation Agency in the process of transformation into a full commercial bank
Competence Centre mandated for execution	FIDES Financial Systems Development Services SA Route de la Fonderie 2, CH-1700 Fribourg
Overall project budget	CHF 196'435.00 (24% self-contribution by partners)
SCBF contribution	CHF 149'300.00 (76% SCBF funding share)
Date of project approval	16.06.2011
Project period	09.2011 until 08.2012 put on hold in 06.2012 for external reasons
Context	The microfinance industry in Palestine has long been a donor subsidized industry evolving in a non-regulated environment with important political risks. The market is evolving, with new donor policies pushing the institutions towards commercialization and sustainability. A new banking legislation and regulation to be finalized is including microfinance and providing a route for deposit collection. It seems crucial at this point to support the institutions not only to increase their outreach and financial sustainability but also to develop new products allowing them to respond to the client needs: savings being one of the main clients' needs not being addressed by any microfinance institution.
Current status	UNRWA is a unique case of an UN-program that will become institutionalized through the creation of a microfinance institution under the new banking law. UNRWA MD is the microfinance provider with the most important portfolio and the most important number of clients in the Palestinian territories (WBGs). As of October 2010, their number of active borrowers is about 10,857 with a loan portfolio of USD 13 million (65% in WB and 35% in GS). UNRWA MD has designed and implemented specific products and lending technologies for the poorest and the women in particular and is more advanced than other MFIs in the country in financial sustainability with a positive return on assets and Operational Self Sufficiency ratio over 100% since 2007. Over the five next years, UNRWA MD foreseen to increase by 139% its number of active borrowers (from 9,813 to 23,500). The poor client group will directly benefit from the product by gaining a unique access to savings and deposit products outside of the classical banking system. A market study done by UNRWA about savings concludes that 45% of the interviewed do not have a bank account. It represents more than 650 000 people having no access.
Objective and main activities	The objective is to transform UNRWA-MD from its current United Nations project status into a commercial microfinance bank. The current project is designed to prepare and to give operational experience to UNRWA for the savings collection. Capitalizing on the existing branch network and capacity to manage the cash developed by the institution, the project will develop a pilot operation to start savings collection. The main activities of the project are to: <ol style="list-style-type: none"> 1. Via the provision of a full term expert in microfinance and in savings, the project will boost the capacity of UNRWA to achieve its final goal; 2. Participate and finalize the negotiations with the Palestinian Monetary Authorities to get the approval for the pilot project and determine its concrete set up; 3. Identify key staff in charge of the savings development within UNRWA staff; 4. Design of several savings products; 5. Development of the framework of the pilot, implementation of the pilot and conclusion of the pilot; 6. Develop the back office support, procedures and manuals for savings products; 7. Develop the training material associated to the savings products; 8. Verify the compatibility of the MIS used by UNRWA to the introduction of savings products and integrate its restrictions if any in the design of the product.