

Institutional Profile

Palestine for Credit & Development (FATEN) is an independent Palestinian not for profit corporation fully dedicated to providing micro-finance services. It emerged out of a micro-finance program managed by Save the Children. FATEN spun off Save the Children in March 1999 and became fully responsible for the management of the whole program.

Vision: FATEN envisions a poverty free Palestine in which every family is assured sustained access to dignified means to generate enough income to meet their need.

Mission: to strengthen the economic base of Palestinian micro-entrepreneurs, particularly women, through the provision of sustainable high quality financial services suited to their needs.

Objectives: To provide Palestinian micro-entrepreneurs with sustained access to financial services, to offer diverse credit products and other financial services, to combine cost-efficient methodologies with exemplary client services, and to become a financially sustainable institution.

Products: during FY 2005 FATEN expanded to nine different products diversified in three main categories to reduce risk through portfolio diversification, in order to meet clients demands and to be competitive.

Category A: Business Micro Loans

(1) Group Guaranteed Lending & Saving Program (GGLS): The methodology of the GGLS is based on group-based lending program. Each group consist of a minimum of three members with loans starting at

\$200 - \$1,500 (US) for a period of 6-10 months.

Indicator	2004	2005	1995-2005
# of loans disbursed	4,303	3,490	63,583
\$ disbursed	2,140,015	1,932,375	24,633,075
Active loans	2,457	2,223	-
OSP ¹ (\$)	706,894.3	707,489.45	-

(2) Individual I: This product is designed for FATEN clients who finished two cycles in GGLS and their projects have grown to the level that their needs exceed what GGLS can offer. The loan size ranges from \$1,000 – \$2,000 (US) and may grow up to \$5,000 (US) with the client credit history is the main collateral.

Indicator	2004	2005	2000-2005
#l of loans disbursed	472	416	1,596
\$ disbursed	796,125	683,300	2,495,514
Active loans	401	443	-
OSP (\$)	461,482	479,667	-

(3) Individual II: This product target economically active female clients whom GGLS doesn't meet their need and they can't provide collateral. Loan size is from 1000USD up to 3000USD.

Indicator	2004	2005	2003-2005
#loans disbursed	98	101	208
\$ disbursed	193,300	219,500	433,278
Active loans	94	121	-
OSP(\$)	132,275,.58	141,357	-

(4) Fast Loan: this loan is given to active FATEN clients to meet urgent demands for cash during certain times like the Eid, Ramadan, Christmas, and the start of the academic year. This loan is for one month and the loan size either 50%

¹ OSP stands for outstanding portfolio end of the period.

of the current active loan or \$700 (US) whichever is less.

Indicator	2004	2005	2000-2005
# of loans disbursed	739	670	22522
\$ disbursed	248,638	244,105	898,517.6
Active loans	63	40	
OSP (\$)	22,961.3	13,643	

Category (B): Small Business Loans

(5) Family Loans: This product targets entrepreneurs who have small and medium businesses and their business size requires more than what category (A) offers, and at the same time they can provide a more solid guarantee than the previous category. The loan size ranges from \$1,000 – \$1,500 (US) for loan duration of up to 48 months.

Indicator	2004	2005	2004-2005
# of loans disbursed	211	905	1,116
\$ disbursed	664,900	3,825,787.4	4,490,687.4
Active loans	206	1021	-
OSP (\$)	584,896	3,335,884.5	-

(6) Murabaha Loans: this is a method of lending according to Islamic rules. The loan size ranges from \$1,000 - \$1,500 (US).

Indicator	2005
# of loans disbursed	76
\$ disbursed	745,092.3
Active loans	75
OSP (\$)	660,608.3

Category C: Personal Loans

(7) NGO/FATEN staff loan: These loans are guaranteed by staff pension and severance with a loan size \$1,000 - \$25,000 (US).

Indicator	2004	2005	2000-2005
# of loans disbursed	50	66	147
\$ disbursed	313,031	368,949.5	1,490,499.4
Active loans	98	123	-
OSP (\$)	589,527	441,242	-

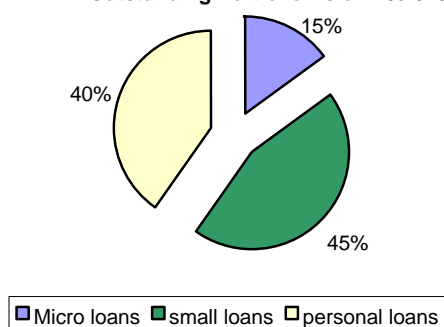
(8) Home Improvement Loan: This product target clients in villages and refugee camps in order to help them improve their place of living. The loan size ranges from \$1,000 – \$15,000 (US).

Indicator	2005
# of loans disbursed	463
\$ disbursed	3,189,193.5
Active loans	462
OSP (\$)	2,988,577.6

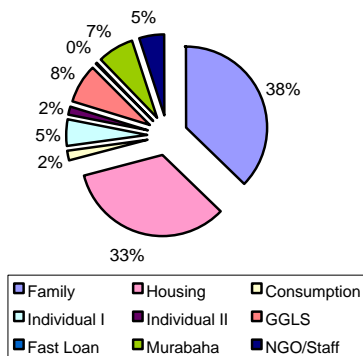
(9) Consumption Loan: the loan size ranges from \$100 - \$1,000 (US) and is disbursed for personal uses.

Indicator	2005
# of loans disbursed	278
\$ disbursed	257,050
Active loans	266
OSP (\$)	175,611

Outstanding Portfolio As of 12/31/2005

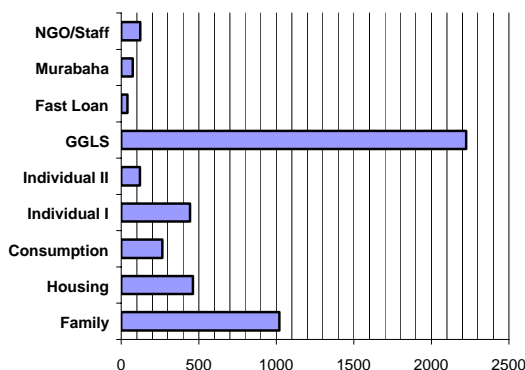


**Outstanding portfolio for FATEN
Products end of 2005**

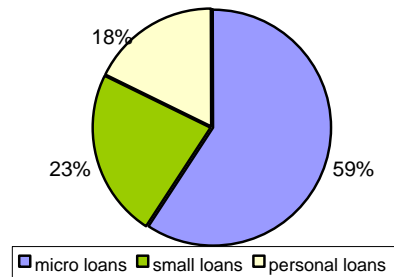


The above chart shows that the family loan with an average loan size \$3,267 forms 38% of FATEN's outstanding portfolio. This is due to the huge demand for small business loans with attainable and achievable requirements for small entrepreneurs. The home improvement loan forms 33% of OSP with an average loan size of \$6,468, as FATEN is the only institution that targets marginalized Palestinians in villages and refugee camps that can't provide tangible collateral. This product represents the solution for them to get loans to improve their place of living which will have positive impact in their children and families.

Distribution of FATEN Clients for each Product



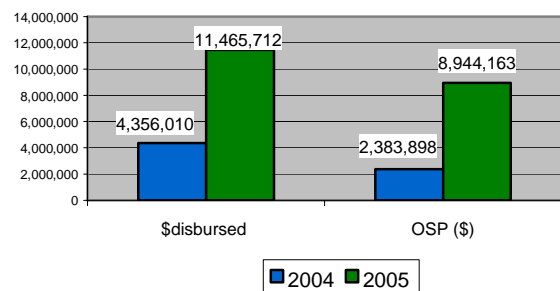
Active Clients for each Category



The previous two charts show that the majority of FATEN clients are concentrated in GGLS with 46% of the total active clients while micro loans form 59% of active clients.

Indicator	2004	2005	1995-2005
# of loans disbursed	5,873	6,465	70,032
\$ disbursed	4,356,010	11,465,712	38,632,907
Active loans	3,319	4,774	-
OSP (\$)	2,383,898	8,944,163	-
% women Clients	98%	98%	-
Average loan size	718.2	1,873.5	-

Comparing 2004 to 2005



During the next year FATEN is planning to concentrate in micro loans to reach 30% of the total outstanding portfolio and minimize personal loan share in order to expand the number of borrowers and to

expand its outreach while keeping 125% of the current outstanding portfolio

Portfolio Quality: despite the increase in the amount disbursed and outstanding portfolio, FATEN maintained its excellent portfolio quality.

Month	Portfolio in Arrears		PAR ²
	1 day late	>30 day late	>30 day late
January	2.45%	1.29%	1.94%
February	2.37%	1.3%	1.85%
March	2.25%	1.22%	2%
April	2.06%	1.24%	2.57%
May	1.61%	1.06%	1.94%
June	1.13%	0.82%	1.48%
July	1.22%	0.73%	1.34%
August	1.37%	0.75%	2.08%
September	1.28%	0.73%	2.43%
October	1.26%	0.70%	2.24%
November	1.13%	0.69%	2.09%
December	0.84%	0.59%	1.6%

Operational & Financial Sustainability: During FY2005 FATEN was able to reach operational sustainability and is now very close to financial sustainability.

Month	2004		2005	
	OPS ³	FS ⁴	OPS	FS
Jan	47.75%	43.77%	81.69%	68.44%
Feb	50.89%	45.83%	83.66%	70.08%
March	66.89%	58.69%	85.35%	72.07%
April	66.38%	58.76%	86.68%	70.55%
May	61.76%	55.04%	110.34%	86.74%
June	68.61%	59.62%	101.16%	78.19%
July	69.64%	59.31%	66.65%	54.62%
Aug	68.39%	57.95%	93.33%	70.01%
Sep	69.74%	58.03%	102.85%	73.48%
Oct	69.84%	57.44%	103.01%	74.74%
Nov	75.61%	61.04%	115.55%	78.82%
Dec	83.95%	66.45%	120.52%	78.19%
Annually	66.02%	56.64%	95.53%	72.55%

² PAR stands for portfolio at risk

³ OPS stands for Operational sustainability

⁴ FS stands for Financial sustainability

Operating Efficiency: The table below shows the progress in FATEN's operating efficiency.

Year	Cost per unit lent	Cost per loan made	Promoter Case hold	Portfolio/Promoter
1999	0.24	81	106	21,539
2000	0.20	87	121	30,789
2001	0.19	108	116	39,570
2002	0.61	215.4	39	9,577
2003	0.29	136.88	62	22,370
2004	0.13	97.74	111	56,419
2005	0.06	102	129	171,631

Public Relations & Networking: FATEN is an active member in several networks, locally and internationally, including the Palestine micro finance network, Sanabel, Mix Market, and Save the Children US, in order to gain and exchange experience with similar micro finance institutions. FATEN was also represented in several international and local meetings and conferences held around the world to eliminate poverty.

Staff Development & Training: During FY 2005 several trainings were conducted including in house training for staff on the new products in addition to financial business analysis. FATEN sent more than 30 staff members for trainings conducted in Palestine by the Palestinian Monetary Authority and DAI in addition to trainings held by Sanabel conducted in Egypt and Jordan.

FATEN held a general meeting for all staff at the end of FY 2005 to discuss lessons learned and obstacles facing the staff and steps that should be taken to address challenges.

Outreach & Geographical Presence: FATEN expanded throughout Palestine, and a new branch was opened in Tulkarem which serves the Tulkarem and Qalqilia districts, while Bethlehem expanded its operations to Abu Dees and Jericho. The next year FATEN is planning to open two new branches in order to reach every Palestinian in need of financial services to improve their family and children lives. Currently FATEN has 11 branches and 3 regional offices in addition to its headquarters that serves 326 locations through West Bank and Gaza.



Fundraising: During FY 2005 FATEN and Save the Children signed an agreement with USAID which was the EFSP amendment for \$4,950,000 USD through September 2006. FATEN also signed with the Islamic Development Bank a soft loan (free of charge) for \$200,000 USD for three years to be disbursed as Murabaha loans according to Islamic rules, in addition to 36,000 USD to cover operations cost and risk. As a member in the Palestinian micro finance network, FATEN helped to fundraise for the network and received \$100,000 USD for

two years from NOVIB for network activities.

Success Story: I'm forty five years old and a mother of nine children. My husband is working as a policeman and his job was the only source of income for our household. We were forced to live with my parents in law because we can't afford the rent for a house. I start thinking of ways to help my husband to increase our income since my children are growing and our needs are growing. Four years ago a loan officer from FATEN visited our house in Beita. When she explained the FATEN program I felt that this was my chance to improve our income. I took a loan of 200JD (\$282 US) and I bought a goat and added it to the other goat I used to raise for our own use of milk and cheese, and start selling cheese and milk to my neighbors. Now after four years and after 7 loans I have 6 goats, 3 cows and 25 pigeons. My current loan is \$2,000; lately we were able to build our own house and our financial conditions are much better now. I am confident that my children will continue their high school and university education, I am very proud of myself, and I am encouraging every woman who wants to help her family to have better future to start her own business and to be hand in hand with her husband. **Um Muneer from Beita Village, Nablus Branch**

