



DAMAN for SMEs Annual Report 2021



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Glossary

ACADF: ACAD Finance

ASALA: ASALA for Credit and Development

CGS: Credit Guarantee Scheme

DAMAN: DAMAN for SMEs

MEI: Middle East Initiative for Credit Guarantee scheme

MFI: Micro Finance Institutions

MoU: Memorandum of Understanding

OPT: Occupied Palestinian Territory

PA: Palestinian Authority

PMA: Palestinian Monetary Authority

MoNE: Ministry of National Economy

REEF Finance: REEF for micro finance credit

SIDI : Solidarité Internationale pour le Développement et l'Investissement

EPCGF: European Palestinian Credit Guarantee Fund

SIDA: Swedish International Development Agency

SHARAKAH: Palestinian Micro Finance Network

SPTF: Social Performance Task Force

SEPM: Social Environmental Performance Management System

1- Preface by Mr Dominique Lesaffre (chairman of the Board)

DAMAN for SMEs has gone through a major breakthrough in 2021. The acknowledgment by the Palestinian Monetary Authority of the very profile of the guarantees issued thanks to the MoUs signed between DAMAN and the related MFIs, has brought about a major securitization of the MFIs' portfolio, whereas the Palestinian MFI's keep bearing all risks of the prevailing context of illegal occupation.

This relevant key achievement was made possible thanks to the comprehensive partnership set over time between DAMAN and the Palestinian Microfinance Institutions on one hand, and on the other hand with the Comité pour une Paix Juste au Proche Orient (CPJPO), the DAMAN strategic partner which has enabled the Credit Guarantee funding thanks to its long-standing relation with the Ministry of Foreign Affairs in Luxemburg.

COVID 19 has, of course, reduced the implementation capacity but not its commitment to the strategic socio-economical functions of the microfinance sector in Palestine.

Please be all warmly thanked!

Dominique Lesaffre

Chairman of the Board

2- Introduction:

The year 2021 witnessed an extraordinary situation as the COVID 19 pandemic affected all aspects of life worldwide, and in the Palestinian context the Israeli Occupation was a plus in influencing all aspects of life whether social, economic and political after the war against Gaza during May 2021, and the increase of home demolitions and Palestinian houses' confiscation mainly in Sheikh Jarrah, East Jerusalem.

The total population in the Occupied Palestinian Territory (OPT) is estimated around 4. 8 million people; 2, 9 million in the West Bank and 1, 9 million in the Gaza Strip. Amongst this total, 47% of the population (approximately 2 million people) are less than 17 years old, which means that the Palestinian society is a "youth society" whereas most of it has been undergoing the effects of illegal occupation all its life long.

The number of households in Palestine is estimated at 919,000 when the average family size is about 5.1 persons. Amongst this figure, women head 10.6 % of Palestinian households.

During the year 2021, the war against Gaza and the continuous closure of Gaza Strip, house demolitions and confiscations mainly in Sheikh Jarrah (East Jerusalem), the augmentation of settlement constructions in West Bank areas, restriction of movement and the sanction imposed on the Palestinian Authority by stopping the international funds and tax money collected by Israel on behalf of the PA (Al MAQASSEH) during the year 2021 , in which cut off of salaries was imposed on the PA staff and employees, all formed a burden on the Palestinian people. Moreover, the continuance of internal division between West Bank and Gaza for the 14th year, the COVID 19 pandemic, and the President declarations to cancel the presidential and legislative elections and the continuation of the emergency situation during the whole year of 2021, altogether made the life of the Palestinian people more and more complicated.

The implementation of the project of DAMAN for SMEs and the partner MFIs was also affected by all the above-mentioned obstacles. However, despite of all mentioned above, DAMAN managed to implement the action plan for the year 2021 successfully although not completely. The total number of loans dispersed by the 3 MFIs which was **1037 loans** with a total portfolio **2,994,481 US\$** in the West Bank, Gaza and East Jerusalem with the total amount of **240.000 Euros (272,400 US\$)** Credit Guarantee coverage for the 3 MFIs from DAMAN for SMEs.

Total Number of loans for 3 MFIs in the year 2021

Month/2021	ASALA			ACAD FINANCE			REEF FINANCE			TOTAL
	WB	Gaza	Total	WB	Gaza	Total	WB	Gaza	Total	
January	14	12	26	31	0	31	9	0	9	
February	25	15	40	51	0	51	5	1	6	
March	10	14	24	35	0	35	6	3	9	
April	18	8	26	56	0	56	6	5	11	
May	22	3	25	36	0	36	3	1	4	
June	24	14	38	43	0	43	3	6	9	
July	14	9	23	27	0	27	8	6	14	
August	25	10	35	28	0	28	5	22	27	
September	21	14	35	39	0	39	4	17	21	
October	24	21	45	34	0	34	1	21	22	
November	21	20	41	41	0	41	1	26	27	
December	18	21	39	23	0	23	3	33	36	
Total no. of loans			397			444			196	1037
Grand total in US dollars	1,095,500			\$1,382,301			516,680			2,994,481

3- DAMAN for SMEs:

DAMAN for SMEs is a non-profit company for the Credit Guarantee Scheme registered in Ramallah under the Palestinian law on April 8th, 2015 under (562540039) aiming at enhancing entrepreneurship in the adverse context of occupation.

3.1- Governance & Structure:

During the year 2021, Mrs. Rasha Qawasmi, the new member of the Board of Directors replacing Mrs. Feirouz Barghouthi, as the representative of ASALA, joined the DAMAN Board as its treasurer. The DAMAN Board consists of:

1. Mr. Dominique Lesaffre: Representative of International SIDI, Chairman of the Board,
2. Mr. Samir Barghouthi', Representative of ACAD Finance / vice president of the Board,
3. Mrs. Rasha Qawasmi, Representative of ASALA, Treasurer

DAMAN for SMEs was established as a partnership between ACAD Finance, ASALA for Credit and Development and the French company International Solidarity for Development and

Investment (SIDI) together with New Vision, a Private Consultancy company acting as the management wing for DAMAN. REEF Microfinance recently joined the scheme as a beneficiary not a shareholder and meanwhile they are covered by the CGS of DAMAN for SMEs starting from the year 2021.

DAMAN for SMEs acts as a financial compensation instrument for vulnerable persons and groups benefiting from services of the 3 MFIs (ASALA, ACADF and REEF) in West Bank, Gaza and East Jerusalem. DAMAN for SMEs credit scheme covers the political risks that are directly affected by policies, and practices imposed and implemented by the illegal Israeli occupation.

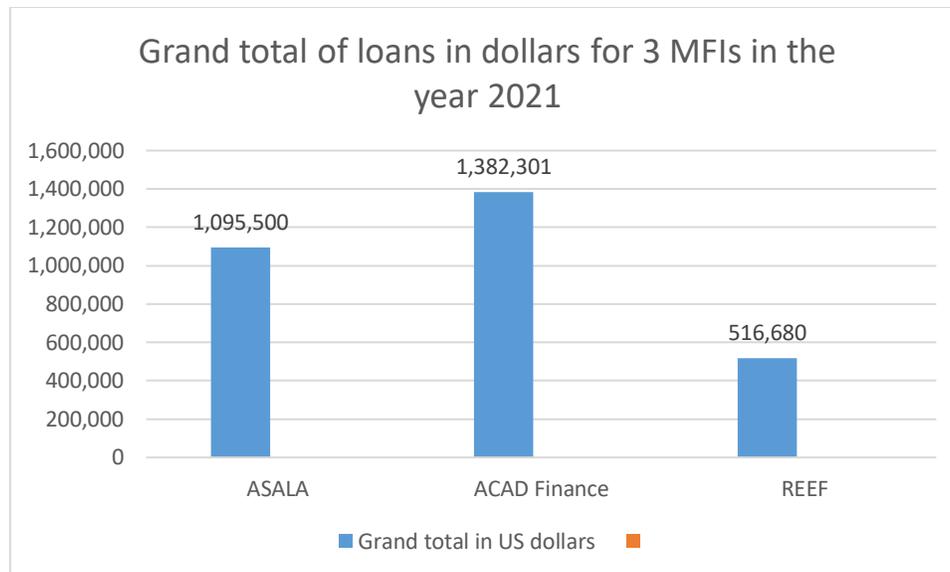
3.2 - Vision and Mission

DAMAN for SMEs believes in the socio- economic empowerment of Palestinians as a development instrument and focuses on certain community segments which encounter high unemployment and poverty rates, such as women, new graduates, small farmers, cooperatives, and other vulnerable persons, for whom it runs out necessary to provide with business perspectives to potential entrepreneurs and thus economic and social development of vulnerable communities in Palestine.

In order to encourage investment in these areas, DAMAN provides institutional guarantees to the MFIs, aiming at protecting them from the effects of the political related-risks on their client portfolio.

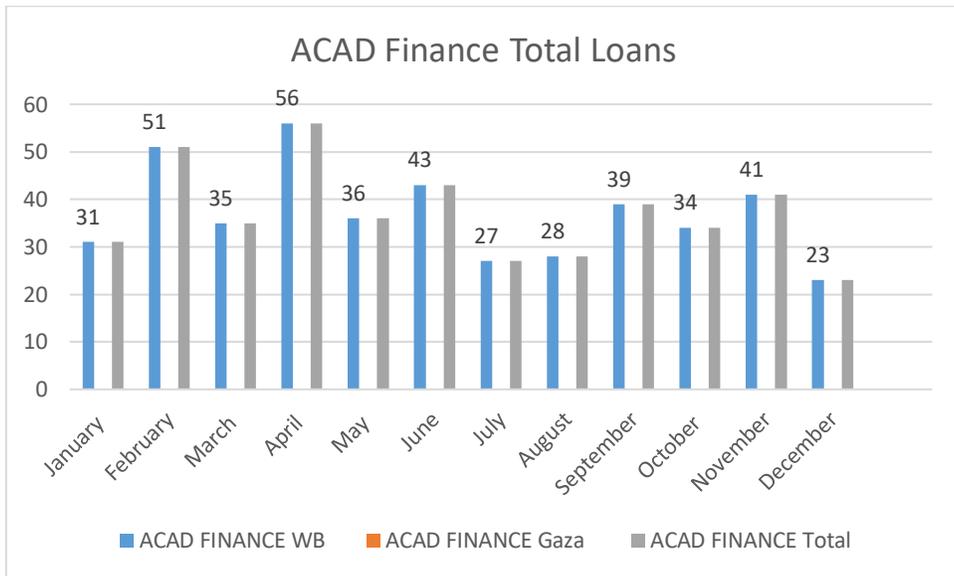
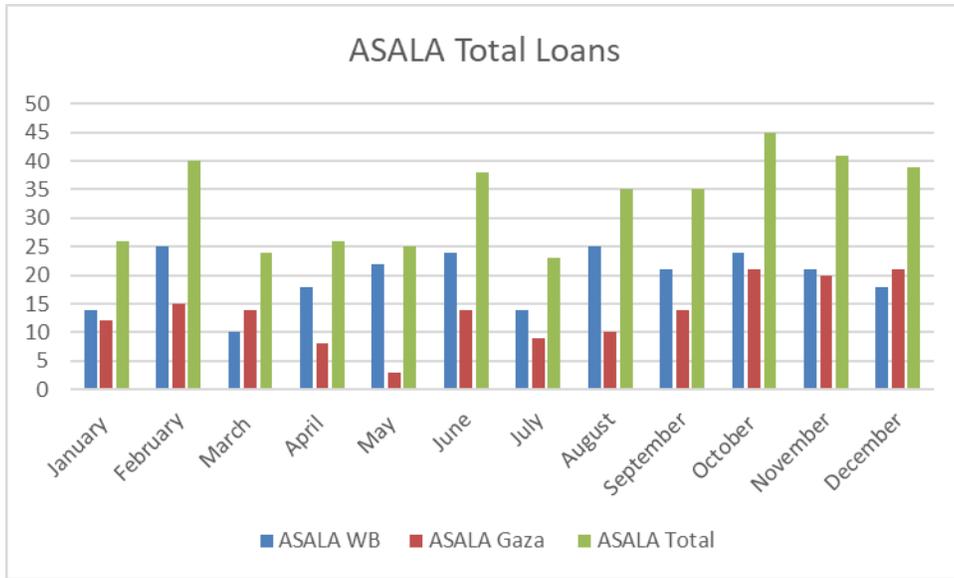
3.3- Objectives and expected results

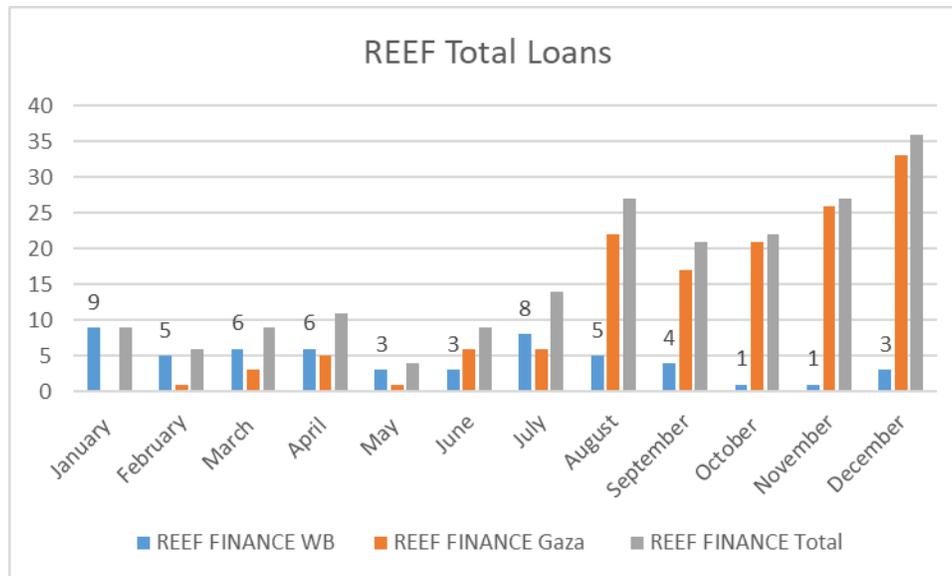
DAMAN for SMEs' objective is to contribute to sustainable access to the financial services provided by the MFIs that are directed towards vulnerable micro and small entrepreneurs in high political risk areas. In addition, DAMAN encompasses occurrences of damages endured by borrowers because of the Israeli occupation of the Palestinian territories, expands its outreach in the West Bank, Gaza Strip and includes coverage of entrepreneurs residing in East Jerusalem. It also aims for a continuous operation of the MFIs in the Gaza Strip, East Jerusalem and area C and strengthens poverty alleviation, environmental protection and reduction of unemployment in the OPT.



In that perspective, **DAMAN** pursues the following specific objectives:

- Enabling the MFIs to sustain their financial services to the small and micro entrepreneurs who are vulnerable to the external political shocks caused by the illegal Israeli occupation policies and measures;
- Assisting the clients of ACAD F, REEF and ASALA in the Occupied Palestinian Territory in business management;
- Encouraging investment in areas affected highly by the occupation (small and micro income generating projects);
- Green energy and environment protection;
- Improving living conditions of the poor families;
- Creating jobs, through self-employment especially in rural and remote areas;
- Guaranteeing some of the specific risks that vulnerable clients face;
- Building the capacities of the MFIs in micro credit, social performance and other related issues;
- Working with SHARAKA and other MFIs on Advocacy and Lobbying issues for MFIs.





Out of these objectives, the expected results are:

- Result 1: Access of the vulnerable people to financial resources is sustained through generating funds and mobilizing resources;
- Result 2: MFI members of DAMAN are enabled to provide financial services to vulnerable entrepreneurs who are exposed to the Israeli illegal occupation policies and measures;
- Result 3: Supportive national policies and structures that respond to the internal policies and external political shocks are formalized through the support of DAMAN.

Adjustments of the 2nd year of Cooperation with CPJPO DAMAN has signed a significant agreement with CPJPO whereby the Ministry of Foreign Affairs supports DAMAN thanks to a contribution to the Credit Guarantee Scheme.

The following emerged as a consequence of the above adjustments:

- 1- A new supervisor and two new members of the Board were appointed following the partnership with DAMAN which was the tool to re-organize the relation between the two partners.
- 2- The Ministry of Foreign Affairs - Luxembourg was patient until all issues were settled and the project continued smoothly; which started late during the year 2021.

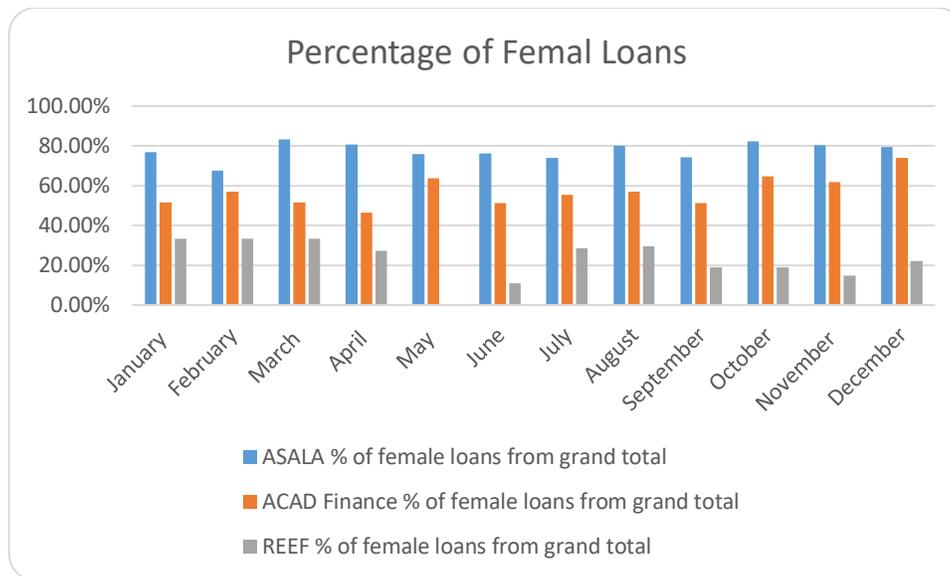
4- Major accomplishments during 2021:

4.1 DAMAN for SME Guarantee Scheme:



4.2-The program, 2021 actual coverage of loans:

- DAMAN for SMEs managed to sign three MoUs with the three MFIs with a total budget of 240.000 Euros and give a letter of credit to each MFI. This helps the MFIs to get approval from PMA concerning the Provision for defaulted loans (PAR >180 days).
- The portfolio increment as a new revolving fund was released from provision.
- More marginalized regions and target groups have been reached.
- More profit was generated, which was re-injected in the coming year loans portfolios of the three MFIs.
- In summary: 1037 loans were covered under the guarantees scheme of DAMAN with a total portfolio of 2,994,481 US\$.
- The regions covered are Gaza Strip, East Jerusalem and rural areas of the West Bank.
- Women percentage in the loans given by the 3 MFIs count an average of 55.35%.



- The total loans in Gaza Strip are 302 loans and 735 loans in West Bank and East Jerusalem
- The main sectors covered are:

- 1- Agriculture 266,
- 2- Commercial 567,
- 3- Industrial 14,
- 4- And services 190 loans.

4.3 - Capacity building and training

1. As a result of the difficulties between DAMAN and CPJPO and late transfer of the 2nd year budget no programs were implemented during the year.
2. As a result of the COVID 19 restriction of movement, the trainers from Luxembourg were unable to visit Palestine so ADA training program was implemented even virtually because the 3 MFIs were not willing to participate.
3. This training was planned to develop the capacities of the staff of the 3 MFIs in risk management, financial management and human resources in close cooperation with SHARAKAH.
4. Only the first step was done prior to the training proposed through a diagnostic tool developed by ADA and the MFIs did assessment of their capacity development needs.
5. We planned with SIDI and CPJPO during the year 2022 to implement a social and environmental performance management system.
6. DAMAN started the process of negotiation with SPTF to develop a social performance tool in close cooperation with DAMAN beneficiaries (ASALA, ACADF and REEF) with active support from SIDI as a major shareholder of DAMAN for SMEs.

4.4 - Lobby & advocacy:

The 3rd main objective of DAMAN for SMEs is to work closely with SHARAKAH, and 9 other MFIs on the following issues:

1. DAMAN was recognized as the 3rd Credit Guarantee fund in Palestine and a new endorsement letter was issued to DAMAN to be used for fund raising purposes.
2. Laws and legislations governed the microfinance environment in Palestine (as PMA rules and regulations, Ministry of Finance and tax department).
3. Donors' awareness and raise their attention towards the importance of credit guarantee schemes as a tool for employment and create income generation projects better than the humanitarian assistance for poor and marginalized people and communities.
4. The development of new initiatives concerning the Credit Guarantee Schemes as a leverage of the microfinance and income generating activities.
5. Training and capacity building for the microfinance institution about the last and updated techniques developed in the microfinance sector as the Social Performance Tools with SHARAKAH .
6. The importance of partnership, coordination and gaps filling between the main actors working in Credit Guarantee Schemes (EPCGF, MEI and AFD – PROPARCO)

4.5 Internal restructuring of DAMAN for SMEs:

1. ASALA new member of the board of directors joined the board.
2. The opening of new deposit fixed bank account for the budget of the Credit Guarantee Fund of the project.
3. Amendment and extension of the MoU with the three MFIs retroactively.
4. Sign an extension and amendment with New Vision for Management Consulting Company as the hosting company for DAMAN for SMEs.
5. During the year of 2021 the board had 2 meetings and one ordinary general assembly and one non ordinary general assembly.
6. The **management team** for the implementation of the project funded by the Ministry of Foreign Affairs – Luxembourg and the Comité pour une Paix Juste au Proche Orient (CPJPO) and Solidarité Internationale pour le Développement et l'Investissement (SIDI and ACTES –France) consists of:
 - Mrs. Mostaham Salameh (supervisor of the project) on behalf of CPJPO.
 - Mr. Michel LEGRAND and Monique Langevin representing the board of CPJPO
 - Mr. Christian Schmitz, on behalf of SIDI
 - Mr. Judeh Jamal, Managing Director of DAMAN
- 1- The day-to-day management was active between the Managing Director of DAMAN and New Vision consulting company as the hosting company for DAMAN for SMEs
- 2- The **technical committee** of DAMAN for SMEs held 3 meetings during the year 2021 with active participation of:
 - New Vision (DAMAN hosting company)
 - DAMAN for SMEs Managing Director

- Reef Finance
- ASALA
- ACAD F
- CPJPO

4.6 External relations with the PA and donor community:

1. A successful visit to Luxembourg by DAMAN delegation (November 2021) met with:
 - CPJPO board members
 - Ministry of Foreign Affairs Luxembourg
 - ADA Luxembourg
 - Micro insurance network Luxembourg
 - House of Micro Finance Luxembourg

This achieved result was by a declaration of DAMAN for SMEs.

2. Strengthen the relationship between DAMAN for SMEs with the Ministry of National Economy according to the Palestinian companies' law which apply on the work of DAMAN for SMEs as a non-profit company. This enabled DAMAN for SMEs to get the approval from Prime Minister Office to have the grant for the Luxembourg project during September 2021.
3. Signing the agreement with Pal professional consulting company to help in fund raising
4. New contacts with MEGA project (World Bank)
5. Meeting EU, Middle East Initiative (MEI) and the EBRD, EBI
6. Discussing with SEPM system and SPTF and other potential donors to apply for DAMAN phase 2 projects.

5.Lessons Learned and conclusions

- The 3 MFIs are affected a lot by the COVID 19 pandemic and closure of areas and governorates makes their activities too difficult, this needs a new mechanism as “mobile banking services” to be introduced.
- Regarding the training, it was not implemented this year due to delay of money transfer from Luxemburg.
- Other Palestinian MFIs demanded to be covered by the project but due to the eligible criteria, this was not possible in this phase, but this shows the relevance of the project for MFIs.
- Considering the specific context, DAMAN phase 2 is needed as a complementary step to DAMAN phase 1.

In conclusion we can point out, despite the following obstacles:

- Israeli occupation measures to move freely between West Bank, Gaza Strip and East Jerusalem
- Bureaucratic problems from the Palestinian Authorities

- COVID 19 pandemic and obstacles caused on the general economic and health situation

6. Success stories

Gaza Strip-Palestine



Najwa Ali Abdel Aziz Abu Odeh established her agricultural project in an elaborate manner, where she exploited the energy of her children to work on the land, and also used the land, which was mostly waste land, where she cultivated the land with vegetables by leading her children to work and market the products. Now, Najwa says: “Most of the family’s income is generated from this project.

As a business owner, she says: “I am happy with my independence and I am happy that I am the breadwinner for my family and I will not let them need other people to survive life.



Jihan Al-Rawag is a photography hobbyist and loved by many relatives and friends. She started her project with a small camera that photographed events, weddings and university students at graduation ceremonies. She created an online page for her and started in the field of outdoor photography, making outdoor angles in parks and the port, and when the demand for her increased, she thought of opening a shop of her own.

The borrower started with a small camera and evolved to have more shooting angles than a photographic or video camera, preparing photos, editing them, and besides that, she wraps and sells gifts and accessories.

She conveys a message to the pioneering women and youth not to stop at a certain limit or surrender to bad conditions and to pursue their hobbies or passion so that they can be financially independent and improve the economic situation of their families.

Insaf and Haitham Yasseen, are in their 40s, married with 6 sons at the primary and secondary schools in the West Bank.

For more than 10 years, Haitham used to work at a nylon factory in a nearby settlement, till 2017, when he and his wife headed to Reef to borrow 10,000\$ to start up their own project, and establish a small nylon factory. He and his wife were working 24/7 to make sure their business succeeds and is sustainable.

Demand on small nylon bags increased, in 2020 Insaf and Haitham borrowed another 3,000\$ from Reef, to buy new equipment that makes new sizes of nylon bags. They hired 2 workers from the surrounding villages, and when they have big orders, they hire 2 other female workers to assist on daily basis.

In early 2021, they borrowed 7,000\$ from Reef again, to buy new equipment that makes new shapes and sizes of bags. Insaf and Haitham are now making around 6,000 Nis per month, they have 2 paid workers, and are looking to expand and develop even more.

Malak Mohammad Naser is 29 years old, from Braij city, widow since 2016, holds BA degree, but did not have the opportunity to find a job, to live with dignity and cover her sons' needs, after her husband's death who was the only breadwinner of the family.

Malak started doing makeup, trying on her face, then moved to her friends, and when she sharpened her skills, she started receiving customers in a small room in her house, till 2019, when she borrowed from Reef 5,000\$ to establish her own beauty salon, and to buy makeup products.

During one year and a half Malak improved her beauty salon, and added new cosmetic sections, such as skin care units, hair removal, and tattoo making.

Now she provides various beauty services, and hired 2 women to help her, and her monthly income exceeds 5,000 NIS. Malak is now able to cover her sons' needs, and she pays her monthly installments regularly.



Beneficiary Maher Ahmed Saeed Jada (49 years old) from the town of Zita in Tulkarm governorate, father of three children, has been working in the cultivation of vegetables (greenhouses) for twenty years. He was not able to study, but rather professionally cultivated by heredity. Since childhood he worked as a farmer Wages for large farmers, at a monthly average of no more than 2,500 shekels, except that his living requirements increased, so he became the supporter of his family, and he was entrusted with providing for their health and educational needs, so he had to find solutions for a decent life for his children.

Throughout his years of work in agriculture, Maher was unable to provide one shekel that he could invest in starting his own agricultural project, and like all small farmers, his options for access to financing sources are very limited, so Maher applied in 2016 to obtain financing from the Reef company, worth \$ 10,000. To be able to create a greenhouse of 2.5 dunums. Maher, his wife and his son started working on this land, and they began cultivating a good variety of vegetables, such as tomatoes, cucumbers, beans, peppers, and others, and the project began to generate money for this family, so that they could cover their monthly obligations, spend easily on the family, and provide them with the necessary living needs.

After the demand for vegetables harvested from Maher and his family's land increased, he applied in 2019 to obtain another funding of \$ 13,000, to develop his project, to operate other farmers with them on this land, and to expand the marketing network for these vegetables, as he started selling his products in the local markets to everyone Nablus and Jenin, and his monthly income exceeds 4000 shekels, and he has now managed to employ two other women to work on his project, to grow other vegetables, and to reach new markets.

The beneficiary's countryside funds helped Maher Jada to maintain a stable monthly income, secure his family's health and education needs, as well as enhance the family's experiences through her work in this project.

Beneficiary Mahmoud Hassan Ahmed Zubeidat, from Zubeidat / Jericho, works as a farmer who lives in Malak's house; Married with two sons, he works and his wife works on the project; He owns a plastic house and agricultural land with an area of 7 dunums and has worked with his father for nearly 6 years and has sufficient experience in the field of agriculture; And the beneficiary has a bachelor's degree and works in the field of vegetable cultivation (cucumbers; beans).

The beneficiary owned 1 dunum of plastic houses in the village of Zubeidat, and the beneficiary worked on building 1 dunum by obtaining funding from the countryside for financing in the amount of \$ 3500, and this project increased the family's income and also provided the hands of his worker. The beneficiary closed the existing loan before the repayment date, noting that the value of the seasonal income in the first financing was 15,000 shekels per acre.

After the success of the project and the provision of a main source of income for the family to meet the monthly obligations, he offered to obtain another financing from the countryside of Islamic financing to build 1 dunum of another greenhouse to expand his existing project, improve the living situation and increase the family's income, since this income is the main income of the family and he obtained the required financing Where he was granted a loan of \$ 8,000 also in order to develop his project and complete the cultivation of cucumbers and beans. The project is considered successful and meets the needs of the local market and contributes to providing food security at the household and public level, as the project's products are sold and marketed to Palestine's internal markets (the local market) with a seasonal income. With a value of 15,000 shekels, meaning that his seasonal income, after obtaining the financing, became 30,000 shekels, and approximately 8 family members (3 women and 5 men) work on the project.

Through the aforementioned project, all family members have university degrees and some of them work in the education sector in addition to their work in the field of agriculture, as agriculture helped them meet their full needs and obligations of water, electricity and all expenses, and also helped them buy lands in the Jordan Valley and Talluzah areas to invest in them from During the cultivation of olive seedlings in it; An agricultural tractor was purchased and internet service was provided in the region.

Thanks to all Our Partners

