

Executive Summary

In September 2000, the United Nations Development Programme (UNDP) began to establish local financial institutions in Jabal al-Hoss, one of the poorest rural areas in Syria.

With its 157 villages, Jabal al-Hoss is known for its harsh dry climate, which exacerbates the challenges for these already impoverished communities. However, the "villages funds" established in 2000 are uncovering great potential in this vast, rural region.

The villages funds fall under the rubric of the Rural Community Development Project (RCDP) in Jabal al-Hoss, a joint effort between the Ministry of Agriculture and Agrarian Reform and UNDP, which began in 1998.

RCDP is working to establish an institutionalized microfinance system on a national level that suits the national cultural and social mores and also complies with international best practices, in order to alleviate poverty and achieve sustainable human development.

The RCDP primary objective is to build sustainable local financial institutions owned and managed by the people themselves. If successful in Jabal al-Hoss, RCDP will serve as a model for all of Syria and perhaps the wider MENA region.

The Villages Fund's development goal is community development, encompassing income and employment generation through diversified agricultural and non-agricultural income-generating activities, and the overall improvement in the people's lives.

Between September 2000 and December 2002, (22) village funds were established, comprising of 4,669 members (42, 30 % women) with shareholder equity of S.P 6,557,000.¹

In 2002 steps were taken to establish a network to provide professional services and to initiate dialogue on the importance of establishing an enabling legal framework. Also, a central fund supervised by the Central Auditing Agency (government agency), was inaugurated.

During the second phase of the project (2003-2007), the Japanese Government and UNDP are providing assistance for expanding similar microfinance networks throughout Syria as a strategy for rural development, poverty alleviation and employment generation.

As of December 2006 Jabal-al-Hoss had 32 villages funds, and 7,160 stakeholders with a share capital of 15 million Syrian Pounds. The total outstanding portfolio was 92 million S.P and portfolio at risk at 30 days was 5%. The total income was 10 million S.P, almost 2.7 million of which was paid

¹ 1 US\$ = 50 Syrian Pounds.

to shareholders, and 42% to cover the operating and financial expenses and adjustment of inflation and loan loss provision, and the balance (30%) was retained as capital. With annual dividends around 18, 5% of paid-in-capital, membership was very attractive.

The villages funds pay special attention to women, who constitute 47% of the shares value and are mostly illiterate. This level of participation stands out in comparison to the other microfinance programmes in Syria where the average level of female clients is 19%.

Most of the women in Jabal al-Hoss opted to take part in integrated villages funds, in which female members could participate in the management committees. The villages funds do not require physical collateral and are thus, very attractive to women. Women, young and old, use the loans to consolidate and expand businesses such as fattening sheep, raising cows, opening small shops and renting land to plant cash crops. They also use the additional income to support their families. In many cases, women - many with large families - prove to be adroit entrepreneurs, focusing on high-yielding activities outside the traditional agricultural sector.