



Kingdom of Bahrain

United Nations Development Programme

Proposed Title: Expansion of Micro Finance Services to the Needy Citizens
in the Kingdom of Bahrain

Brief description: The main objective of the Microfinance project is to expand upon the number of beneficiaries who benefited under earlier project (Microstart) in order to achieve a significant impact on reducing unemployment and poverty in Bahrain. The project will focus on developing microfinance capacity of local NGOs by adopting a more pro-growth oriented microfinance approach, employment generation modality by promoting micro entrepreneurship targeting a larger proportion of the loans provided towards unemployed youth and women. The project will also link various stakeholders operating in the microfinance sector to develop a National Microfinance Strategy which will map out the current demand for and supply of microfinance in the kingdom and identify key impediments and opportunities for growth.

United Nations Development Programme

Country: Kingdom of Bahrain

CPD Outcome: Strengthening Governance and Participation

Expected Outputs: MFI capacity developed; 6000 beneficiaries reached and National MF procedures developed

Executing Entity: Ministry of Social Development

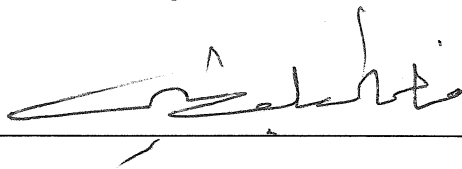
Implementing agencies: Local NGOs

Programme Period: **2008-2011**
Programme Component: **Poverty Reduction**
Project Title: **Expansion of Micro Finance Services to the Needy Citizens in the Kingdom of Bahrain.**

Project ID: _____
Project Duration: **3 years**
Management Arrangement: **NEX**

Budget	<u>\$ 1,338,000</u>
Management Support Fees	<u>\$ 62,000</u>
Total Budget:	<u>\$ 1,400,000</u>
• Government <u>\$ 900,000</u>	
• Regular	
• Other: Ahli United Bank B.S.C <u>\$ 500,000</u>	

Agreed by (Government): H.E. Fatima Bint Mohammed Al Balooshi, Minister of Social Development, Kingdom of Bahrain



24 January 2008

Agreed by (UNDP): Mr. Sayed Aqa, UN Resident Coordinator, UNDP Resident Representative



24 January 2008

Part I: Situation Analysis

The Micro Start Project in the Kingdom of Bahrain initiated in 1999 by the United Nations Development Programme (UNDP) and the Ministry of Labour and Social Affairs ended up in December 2002. This was highly successful in achieving its objective of generating employment by providing small, short-term loans to low-income individuals, including women, while at the same time creating a system of sustainable credit delivery and management capacity in three national welfare non-governmental organizations, namely: Awal Women Society, Child and Mother Welfare Society and Al Islah Welfare Society. The total budget of the programme amounted to US \$1.5 million, with US \$1 million contributed by the government and US \$500,000 provided by UNDP in the form of technical assistance.

In addressing poverty and unemployment in the country, the programme by 2002 provided 7,637 short-term loans to 4,347 low-income individuals for a total value of US \$2,532,713. The number of beneficiaries (4,347 loan recipients) was equal to about 40% of the number of needy individuals on the social assistance rolls, or to almost 30% of the estimated numbers of unemployed nationals. Furthermore, by 2002 the size of the individual loans ranged from US \$130 to US \$1,600, while the portfolio at risk was below the 3% acceptable level as set by the programme. In fact, over 99% of all the loans paid out are on their prescribed schedule for repayment (or have already been fully repaid), which, in turn, has served to instill a discipline of loan repayment among recipients, thus encouraging attitudes of self-reliance rather than a habit of dependency.

The main beneficiaries under the programme were predominantly financially disadvantaged Bahraini women seeking to engage in economic activities, constituting 65% of all loan recipients. Other beneficiaries were the microfinance institutions (MFIs), whose institutional capacities have been consolidated through technical assistance from highly qualified technical service providers, namely the Alexandria Business Association. These MFIs succeeded in making the difficult transition from a purely charitable approach to a business/banking oriented approach, and have successfully utilized computerized financial and programme management systems. At the present, the activities of the MFIs are financially sustainable in the sense that the amounts generated by the interest rates are greater than the cost of staffing and administering the programme. As a result, in the process of successfully delivering a large amount of micro credit, the Micro Start programme positioned the participating MFIs to manage growing portfolios of financial assistance to needy families in the future.

By facilitating a large volume of profitable activities in the informal sector, mostly trading and small craft activities, the beneficiaries under the programme increased their revenues between 25% and 50%, as reported in an impact survey conducted, in addition to raising their contributions to their household budgets. Consequently, the experience of the Micro Start Project by 2002 clearly indicates that there is a fairly large market of micro-finance services in the country, as over 15% of all Bahraini families are presently receiving direct government assistance and, therefore, the continuation of the Micro Start programme in Bahrain will undoubtedly make a significant and lasting contribution to the social and economic development of the country over the coming years.

Part II. Strategy

Global experiences show micro entrepreneurship as being one of the most effective means of job creation and poverty reduction in developing countries. As a result, with an unemployment rate in the double digits, promoting the rapid growth of micro enterprises as a vehicle for generating employment is of a critical importance for Bahrain.

Due to the highly favorable impact the Micro Start Project has had on poverty reduction and civil society capacity development under the Microfinance project/programme, UNDP in collaboration with the Ministry of Social Development in the Kingdom of Bahrain are continuing the programme in order to expand its impact and focus its results on youth as a primary target (youth unemployment rate at about 40%), in addition to women. The relaunched scheme will be designed to tackle one of the most pressing socio-economic and political concerns facing the country, which is to ensure the availability of sufficient local employment opportunities for the ever increasing national labor force, as well as the creation of an entrepreneurship mentality in lieu of the social welfare concept.

The follow-up to the Micro Start project now being called as the “Microfinance” Project will expand the total number of NGOs and loan recipients in order to achieve a significant impact in reducing the high level of unemployment in the country and develop capacity of NGOs to manage micro finance initiatives. UNDP will also establish partnership with other UN agencies and different stakeholders such as Ministry of Labour, EDB, Supreme Council for Women, Chamber of Commerce, private sector and banks and others to monitor successful beneficiaries and assist them to move from Micro to Small and Medium entrepreneurship projects. The primary focus for expanding the number of beneficiaries and micro enterprise opportunities under the Microfinance project will be:

- **Target Youth and Introduce Group Lending:** In order to have a real and sustainable impact on unemployment, micro finance efforts in the country must target the youth. as it is a large proportion of the youth in the country who are suffering from unemployment. With the proper guidance, support and some access to capital, the large proportion of Bahraini youth who are suffering from unemployment could evolve into resourceful and dynamic micro-entrepreneurs. At the same time, the programme will introduce the micro-finance methodology of group lending to the beneficiaries, as it is especially appealing and appropriate for youth.
- **Focus on Women:** International experience has demonstrated that a high degree of female participation as borrowers in micro finance programmes serves as an impetus for the strong performance of the overall lending portfolio. Moreover, women have proven in all cultures to be more responsive than men to the opportunities gained through micro-finance schemes, as well as more reliable regarding loan repayment. As such, one major proposed component for the renewed programme is to focus on maintaining the number of women beneficiaries at no less than 50% of all loan recipients. The component will be coordinated with the Supreme Council for Women and women NGOs.
- **Increase the number of NGOs and loan recipients:** In order to expand the positive impact of the programme in reducing unemployment and developing

the capacity of civil society in Bahrain, the total number of NGOs benefiting from the project will be increased from three (under Micro Start project) to six. NGOs involved in the Micro Start project will be used as trainers for the new NGOs that will act as MFIs to benefit from the lessons learned and strengthen cooperation and coordination between civil society organizations. In addition, the number of loan recipient beneficiaries will be increased with the aim of improving the standard of living of a greater number of disadvantaged and low income individuals in the country.

In order to maintain the sustainability of the programme towards the achievement of its objectives, the project's duration will be for three years, with a total budget of US \$1.4 million—US \$500,000 by the Ahli United Bank B.S.C, and US \$500,000 from the Ministry of Social Development, and UNDP will make all efforts to mobilize US \$400,000 as part of its partnership with the government of Bahrain or other sources.

Special emphasis will be made on building of professional capacities of MFIs (NGOs) capable of reaching thousands of poor people, particularly women, on a sustainable basis to ensure the access by the poor to productive assets. Technical Assistance to these MFIs will focus on institutional capacity building, with a specific focus on product development and IT innovations, to ensure that the unbanked in Bahrain have access to a wide array of products, including those particularly tailored to meet the needs of the unemployed youth and female entrepreneurs in the Kingdom.

Furthermore, at the inception stage of the project implementation, close links with ongoing upstream policy dialogue will be made to establish a new model for the future development of microfinance in the Kingdom of Bahrain that can serve as a model for the Arab States region more broadly. It will contribute to the development of knowledge, expertise, and information sharing concerning microfinance. Working with the Government of Bahrain and the various stakeholders operating in the microfinance sector at national and international level, to identify the key priorities for the development of the microfinance sector. The resulting National Microfinance Strategy will map out the current demand for and supply of microfinance in the kingdom and identify key impediments and opportunities for growth. It will also map out appropriate roles for the various actors operating in the sector and the use of government subsidies, if any, to facilitate the healthy growth of the industry.

Part III: Management Arrangements

Roles and responsibilities:

Ministry of Social Development

The project will be implemented by the **Ministry of Social Development**, applying the UNDP National Execution (NEX) modality. Other UN agencies and international bodies (i.e. UNDCF) may be utilized as 'other partners' to support the execution of the project. In order to ensure the proper and effective coordination of activities during the project's implementation, a **Project Director (PD)** will be recruited for the total duration of the project. The **PD** will report to the **Steering Committee (SC)** and will be in charge of developing the workplan of the project and ensuring the timely achievement of high-quality project outputs during the implementation stages, which will include the preparation of periodic progress reports. In addition, provisions will be made for an

administrative support team to assist the **PD** in organizing and executing the project activities. The institutional management of the project will be headed by the **SC**, which will be comprised of the concerned stakeholders, such as:

- Ministry of Social Development
- Ministry of Finance
- Supreme Council for Women
- Ministry of Labour
- Ahli United Bank B.S.C
- Bahrain Economic Development Board (EDB)
- UNDP
- NGOs
- MPs
- Others; based on the recommendation of the SC majority vote.

The main responsibility of the SC will be to provide:

- Policy guidance to the Micro Finance modality
- Endorse the project workplan prepared by the **PD** during the initial stage of the project implementation.
- Approve the NGOs through which the funds will be disbursed.
- Approve the criteria relating to the borrowers
- Assess the project progress and monitor the high-level execution of the project through receipt of annual audited reports, regular updates from NGOs and the progress receipt from the Project Director.

The total number of members on the SC shall not exceed 10. All financial reports required under UNDP NEX procedures will be prepared by the **PD** and approved by the **Ministry of Social Development** prior to their submission to UNDP and the **SC**.

UNDP

UNDP will facilitate the implementation of the project and the creation of partnerships and coordination among stakeholders. UNDP will use its global and local knowledge networks to provide timely and most appropriate technical solutions and advice to the **SC**, and will be responsible for monitoring and evaluating of the implementation of the project activities in accordance with the policies and procedures established for this purpose by UNDP.

Part IV: Monitoring and Evaluation

The project will be subject to the standard UNDP review, monitoring and evaluation guidelines.

Monitoring and evaluation will focus on outputs and their contribution towards the intended outcomes. Information from monitoring will provide the basis for making decisions and taking action under the project, and an evaluation of the project will be organized together with that of other related projects and programmes. The evaluation will primarily focus on assessing the long-term results (or impacts) and sustainability of the project following completion of the yearly plan and draw lessons for further programming and policy making. The timing for and necessity of this evaluation will be decided upon at a later date, based on the mutual agreement between the NEX Agency and UNDP.

Part V: Legal Context

This project shall be the instrument referred to as such in Article I of the Standard Basic Agreement between the Kingdom of Bahrain and the United Nations Development Programme (UNDP), signed by the parties in September 1972. The Government implementing agency (MoSD) shall for the purposes of this Standard Basic Agreement, refer to the Government Cooperating Agency described in the Agreement.

As in all agreements between the Kingdom of Bahrain and UNDP, the programme document referred to in the Standard Basic Agreement shall be the main instrument governing the conduct and performance of the contractors and agents.

The following type of revisions may be made to this programme document with the signature of the UNDP Resident Representative, provided he is assured that the other parties involved in the programme have no objection to the proposed changes:

- i. Revisions in, or addition of, any of the annexes of the programme document;
- ii. Revisions which do not involve significant changes in the immediate objectives, outputs or activities of the programme, but are caused by the rearrangement of inputs already agreed to or by cost increases due to inflation;
- iii. Mandatory annual revisions which re-phase the delivery of agreed programme inputs, agency expenditure flexibility; and
- iv. Semi-final and final budget revisions based on Combined Delivery Reports (CDRs) signed by the project manager.

Section VI: Results Framework

Please see attached table (Annex I)

Section VII: Work Plan

Will be developed in due course.

Part V: Budget

Components	Budget (US\$)
A. Technical Components (Consultants, Training, Monitoring and Evaluation)	\$ 215,000
B. Credits	\$ 1,100,000
C. Audit reports, miscellaneous	\$ 23,000
D. Overhead cost at 3% for Govt. Cost Sharing and 7% for Third Party (bank)	\$ 62,000
TOTAL	\$ 1,400,000

PROJECT RESULTS AND RESOURCES FRAMEWORK

<p>Intended Outcome as stated in the Country Programme Results and Resources Framework: Enhanced Environment for equitable, job creating and sustainable economic growth.</p> <p>Outcome Indicators as stated in the Country Programme Results and Resources Framework: Increase in the number of NGOs managing micro finance initiatives, target Youth Groups and Women and initiate support system to transform Micro entrepreneurs to Small and Medium Enterprises finance.</p> <p>Partnership Strategy: Main partners will be:</p> <p>a. The Ministry of Social Development c. NGOs b. The Ministry of Labour d. Ahli United Bank B.S.C e. UNDP</p>			
<p>Project title and ID (ATLAS Award ID): Expansion of Micro Finance Services to the Needy Citizens</p>			
Intended Outputs	Output targets	Indicative Activities	Resp. Agency
<p>Output 1</p> <p>Professional Microfinance Institutions (MFIs) capable of reaching poor people (particularly women and youth) on a sustainable basis developed.</p>	<ul style="list-style-type: none"> • 3-6 NGOs trained as MFIs. • National Microfinance Steering formed • 3-4 tailored packages of technical assistance for MFIs for a range of products and services prepared. 	<p>1.1.1 Assess experience of current NGOs and their capacities that started functioning as MFIs during Micro Start project since 1997. Identify their role and contribution to the new Micro Finance project.</p> <p>1.1.2 Select additional NGOs to act as MFIs based on clear and agreed upon criteria's and develop training programmes to be executed by existing MFIs and international consultants.</p> <p>1.1.3 Invite relevant stakeholders as members of the National SC and convene at least 2 meetings/year</p> <p>1.1.4 Design concentrated institutional capacity building training to the selected MFIs with a specific focus on product development and IT innovations, to ensure that the unbanked in Bahrain have access to a wide array of products, including those particularly tailored to meet the needs of the unemployed youth and female entrepreneurs</p>	<p>UNDP UNCDF MoSD</p>
			<p><i>Inputs</i></p> <p>International Consultants: \$ 75,000 Local Consultants: 50,000 Workshops: 20,000</p>

		<p>in Bahrain.</p> <p>1.1.5 Develop separate plan for MFIs to ensure strengthening the development of knowledge, expertise, and information sharing concerning microfinance to enhance the impact of development cooperative activities.</p>		<p style="text-align: right;"><u>Sub Total: \$ 145,000</u></p>
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Outcome Indicators as stated in the Country Programme Results and Resources Framework: Increase in the number of NGOs managing micro finance initiatives, target Youth Groups and Women and initiate support system to transform Micro entrepreneurs to Small and Medium Enterprises finance.			
Partnership Strategy: Main partners will be:			
c. The Ministry of Social Development		c. Ministry of Finance	e. EDB
b. Supreme Council for Women		d. Ahli United Bank B.S.C	f. UNDP
Project title and ID (ATLAS Award ID): Expansion of Micro Finance Services to the Needy Citizens			
Output 3			
Links with ongoing upstream policy support to establish a new model for the future development of microfinance in Bahrain established.	<ul style="list-style-type: none"> National MF strategy developed in consultation with all stakeholders particularly the SC. 2 workshops for stakeholders to review MF Strategy organized. 	<p>3.1.1. Review and analyze current ongoing policy support to Micro Finance programme by different entities.</p> <p>3.1.2. Identify linkages between the Micro Start programme and propose a functional model for long-term microfinance model to ensure its sustainability.</p> <p>3.1.3. Based on the proposed model, develop a National Microfinance Strategy for review by the National Microfinance Steering Committee. The resulting National Microfinance Strategy will map out the current demand for and supply of microfinance and identify key impediments and opportunities for growth. It will also map out appropriate roles for the various actors operating in MF.</p> <p>3.1.4. Organize 2-3 workshops for seeking feedback to the Strategy by different stakeholders.</p> <p>3.1.5. Present the Strategy for decision-makers for approval and implementation.</p>	<p>MoSD EDB UNDP UNCDF NGOs</p> <p>International Experts: \$ 10,000 National Consultants: \$ 5,000 Workshops: \$ 5,000</p> <p>Subtotal: \$ 20,000 Grand Total: \$ 1,338,000</p>