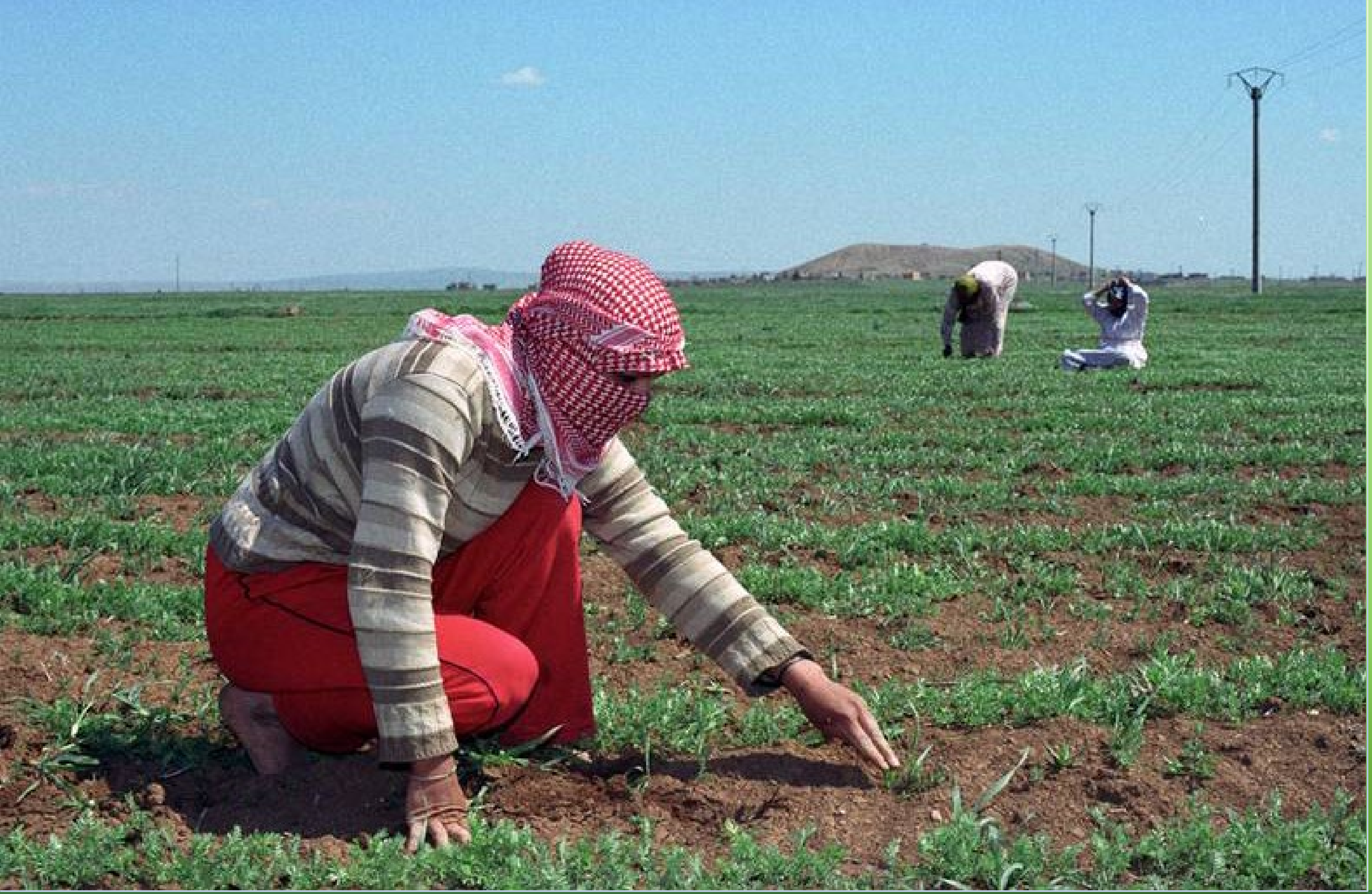
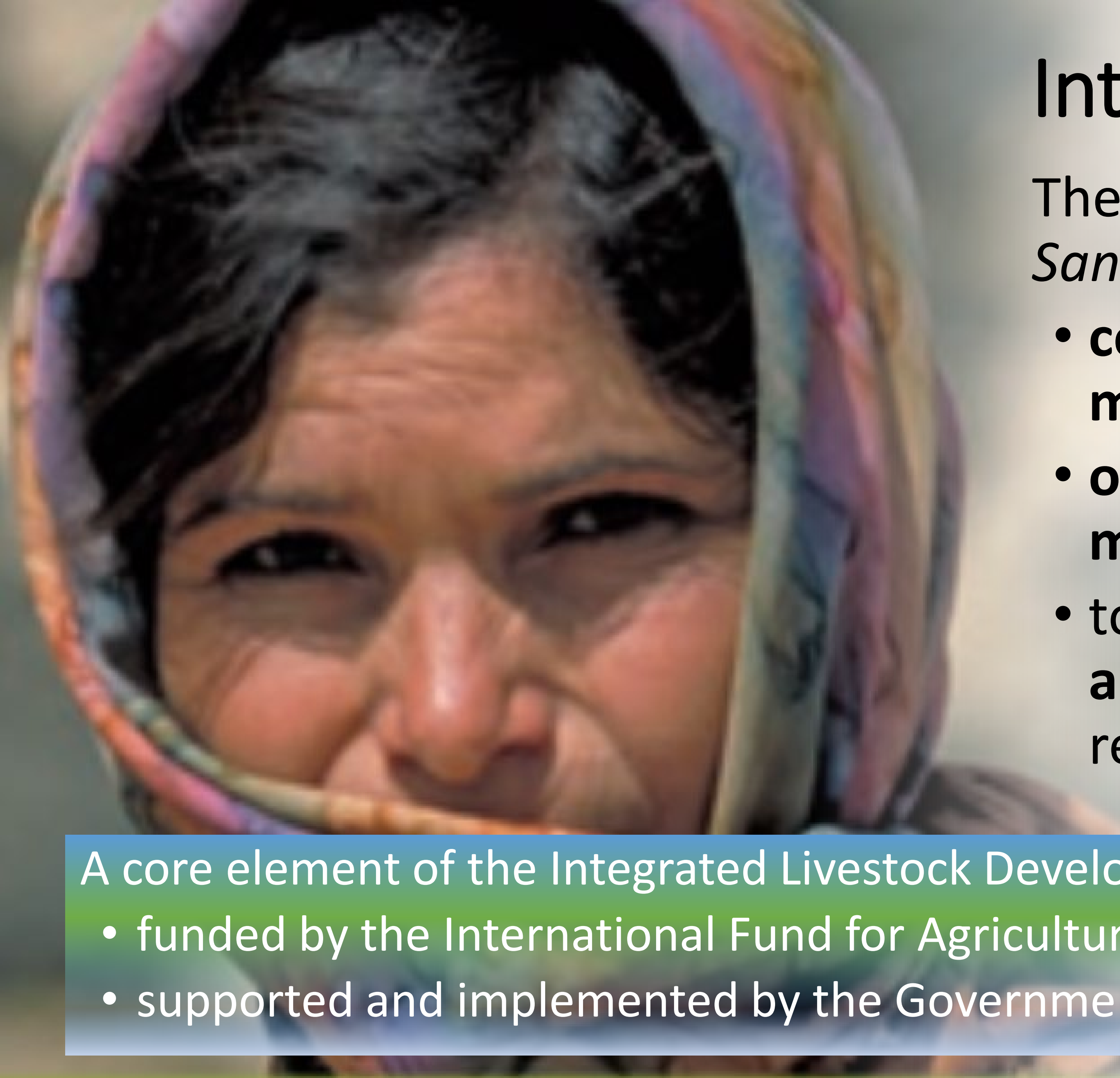


Sanadiq in Syria

Agro Microfinance

The Integrated Livestock Development Project

reducing poverty and empowering poor rural households



Introduction

The report focuses on the village *Sanadiq*

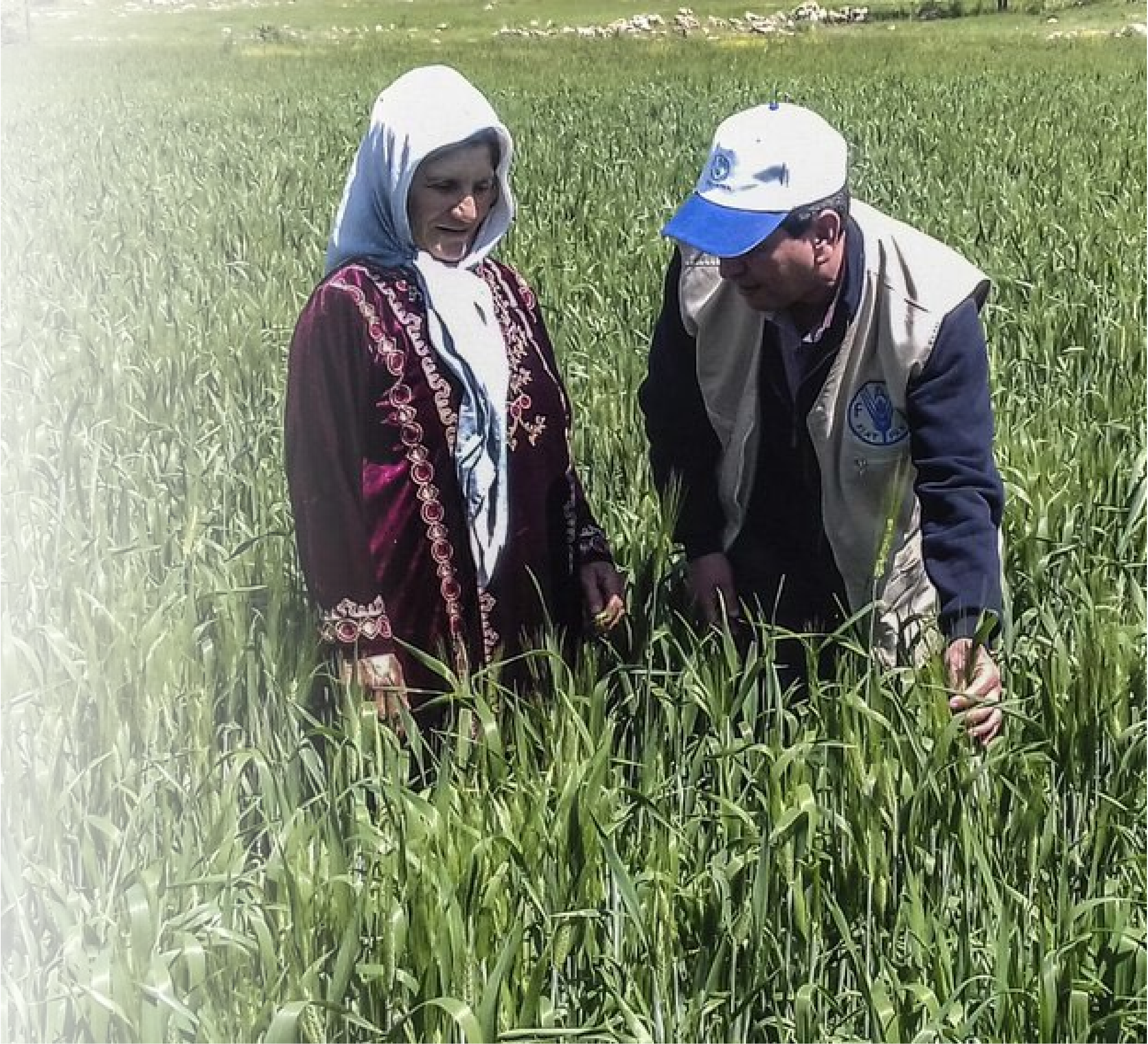
- **community-based microfinance associations**
- **owned and managed by its members**
- to **finance income-generating activities** and mobilize local resources

A core element of the Integrated Livestock Development Project (ILDP)

- funded by the International Fund for Agricultural Development (IFAD)
- supported and implemented by the Government of the Syrian Arab Republic

Benefits of the Sanadiq model

There is recognition from all stakeholders of how community ownership and Management (forming a **social contract** among its members), **coupled with robust and focused Government** administrative **support and ongoing commitment**, have been **critical for community lending groups to be financially sustainable.**



Benefits of the Sanadiq model

The Sanadiq model **reaches remote or insecure areas** effectively and at an appropriate scale,

Sanadiq's track record since inception is **delivering results quickly and in an inclusive manner**.

Beneficiaries, Sanadiq committee members, and ILDP staff noted that the **model's simplicity has been integral to its success**

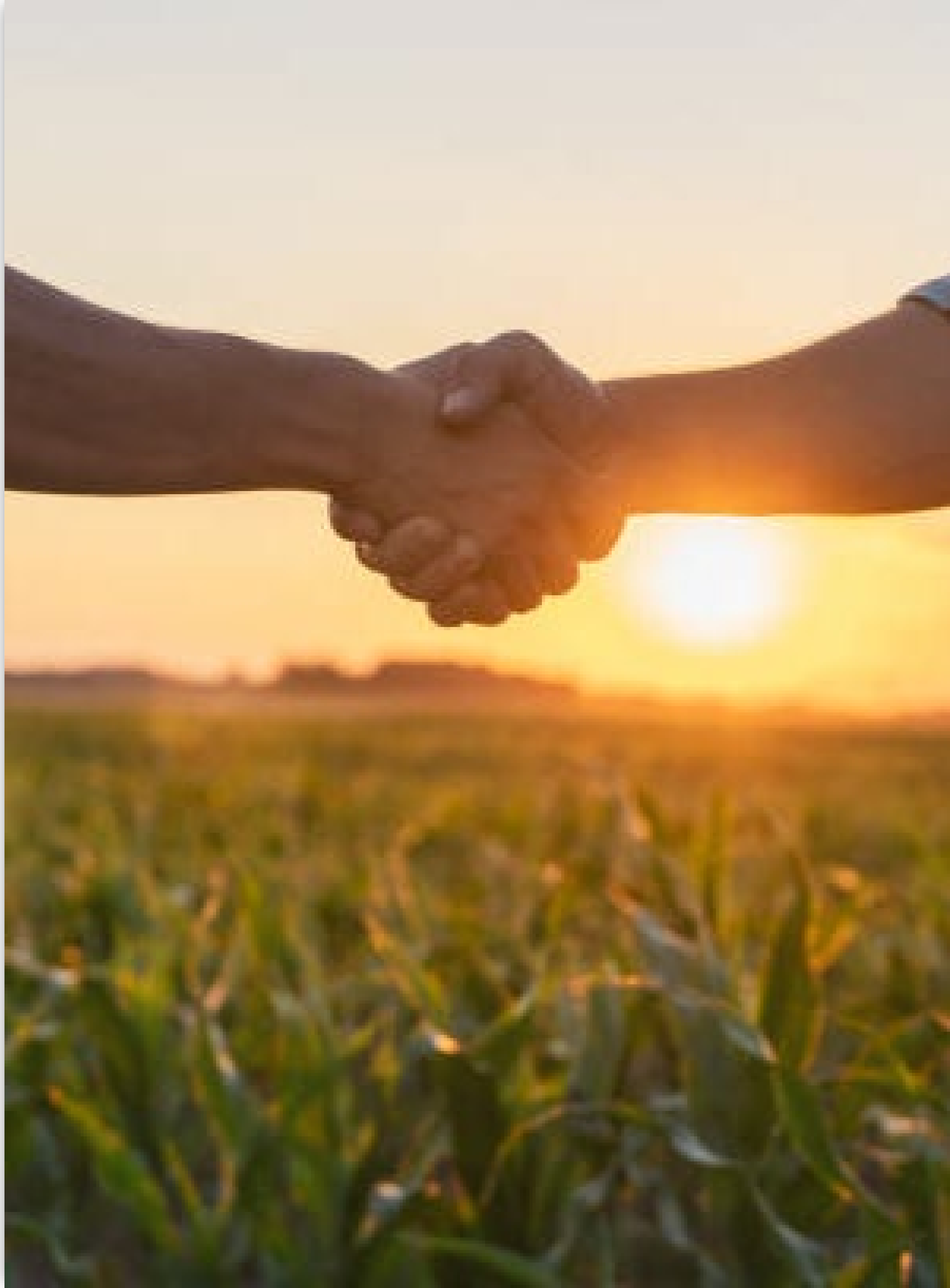
Summary of Benefits of the Sanadiq

Sanadiq program

- Has an **increasing** and **vital role in Syria**
- Is crucial in *reducing* **vulnerability** and *promoting* **microenterprises**
- *Supports* **entrepreneurship**, *alleviates* **poverty**, *empowers* **women**, and *uplifts* **communities**

community-based microfinance model

- Is centered around *placing trust in* **people** and **empowering** them
- Involves **a social contract** among its members
- **Minimizes loan risk -** with to date close to **100% loan repay**
- Provides a **flexible loan solution** for those **outside** the formal banking system



Future Challenges

The completion of IFAD's involvement in the highly successful ILDP project leaves future challenges (and opportunities) for the Senadiq and the Ministry of Agriculture.

Sustainability: strong ongoing financial model | user relevance

Governance and Management: Institutional sustainability, good management of systems and processes, improved economic environment

Legal Capacity and Regulatory Framework: most cost-effective and aligns with financial sustainability

Sustainability: requirements

A robust financial model	**support operations** beyond the duration of the ILDP project
	sufficient funds to cover the expenses of both the Microfinance Unit and the Sanadiq committees
	flat interest rate on loans must cover the operational costs of the unit and committees
Ongoing user relevance	future implementation of “**digital solutions to drive financial inclusion**”
	once the undercapitalized banking system recovers and
	Syria’s ‘brain drain’ in the Financial Sector reverses

Governance and Management: requirements

Institutional Sustainability	**continuing existing support** from the Ministry of Agriculture through its ILDP department (critical success factor to date)
	retention and strengthening of support for institutional sustainability for Sanadiq in the short-to-medium term
	capacity development reinforcing good governance, management, and administration at the village Sanadiq for the medium to longer-term

Legal Capacity and Regulatory Framework

Legal Capacity and Regulatory Oversight	**preserve the simplicity** of community-based microfinance
	avoid inclusion in formal banking and microfinance sector regulatory oversight
	avoid formal legal entity, which adds unsustainable compliance costs
	continue Ministry of Agriculture financial and statutory regulations that provide quasi-legal status for Sanadiq without a formal legal entity

Sanadiq in Syria

Agro Microfinance Program

Next Step

Achieving sustainability: financial model

Recommendations to ensure sufficient funds to cover the expenses of both the Microfinance Unit and the Sanadiq committees

- **Increase the flat loan interest rate** from 9.6% to 12%. (Instead of paying SYP 96,000 for every SYP 1 million borrowed, the beneficiary will pay SYP 120,000)
- **Increase the Microfinance Unit retention by three times to** compensate for the economic hardship and to ensure continuous active engagement after project closure
- **Increase the Sanadiq committees' retention of interest income by 56%** to compensate for the economic hardship and ensure continuous active engagement after project closure.

Achieving sustainability: financial model

Results of recommendations

The increased interest rate (9.6% to 15%) coupled with the increased levy paid to the Sanadiq (1.92% to 3%) based on the loans in 2022 would mean the **Sanadiq levy would increase from SYP 33,004,800 to SYP 51,570,000, an increase of 56.3%.**

Achieving sustainability: user relevance

Upon recovery of the formal banking sector, we recommend that "**digital solutions to drive financial inclusion**" **should be implemented**:

- An **examination of optimum linkages** for financial wallet services and the development of a road map for linking community-based digital financial services with financial wallets appropriate to the Sanadiq,
- Development of **digital solutions to serve low-income households and SMEs** and
- The developers of the digital solutions consider how their work is affected by the specific context of Syria, such as its economy, laws, politics, and culture.

Achieve ongoing sustainability:

Governance and Management

Build on the current program support from the Ministry of Agriculture

Use existing ILDP staff within the Ministry of Agriculture to

provide their current management and support for the Sanadiq committees and, where possible,	expand support into skill knowledge transfer to Sanadiq committees	Strengthen governance, management, and administrative procedures from the village Sanadiq committees upward

The **Ministry of Agriculture** to consider **providing sole policy and regulatory oversight of the Sanadiq**, recognizing that burdening them with legal registration and expensive regulation is not sustainable

Achieve ongoing sustainability:

- The **increased Microfinance Unit retention funds** from lending within the Sanadiq will be **used for ongoing administrative, policy, and governance support**.
- This support **links into** the Sanadiq's **operational and financial sustainability**.
- **International experience** in developing countries shows that when given
  - clear and transparent rules,
  - access to information, and
  - appropriate technical and financial support

Communities can effectively organize to identify community priorities, address local development challenges, and enhance livelihoods.

https://www.worldbank.org/en/topic/communitydrivendevelopment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