

# MIX and Sanabel Analysis of Key Trends

## 2011 Middle East and North Africa Regional Snapshot

March 2012

*The Premier Source for Microfinance Data and Analysis*



# Data Sources

<ul style="list-style-type: none"><li>• Performance of Microfinance Institutions (MFIs)</li></ul>	<ul style="list-style-type: none"><li>• <a href="#">MIX Market</a></li><li>• <a href="#">MIX Market Funding Structure Data</a></li></ul>
<ul style="list-style-type: none"><li>• Funding Structure of MFIs</li></ul>	
<ul style="list-style-type: none"><li>• Arab spring</li></ul>	<ul style="list-style-type: none"><li>• <a href="#">Sanabel's post revolution survey</a></li></ul>
<ul style="list-style-type: none"><li>• Cross-Border Funders Investments</li></ul>	<ul style="list-style-type: none"><li>• <a href="#">CGAP Cross-Border Funder Survey</a></li></ul>
<ul style="list-style-type: none"><li>• Macroeconomic Data</li></ul>	<ul style="list-style-type: none"><li>• <a href="#">World Development Indicators</a></li></ul>
<ul style="list-style-type: none"><li>• Iraq Microfinance</li></ul>	<ul style="list-style-type: none"><li>• <a href="#">Tijara-Iraq</a></li></ul>

# Indicators

Indicator	Value
Number of countries	10
Population*	258 million
Number of Microfinance institutions surveyed	64
Total Number of Borrowers, Millions	2.2
Gross loan Portfolio, USD Billion	1.2
Average Loan Balance, USD	610
Number of offices	More than 1800 Offices
Legal structure	More than 70% are NGOs

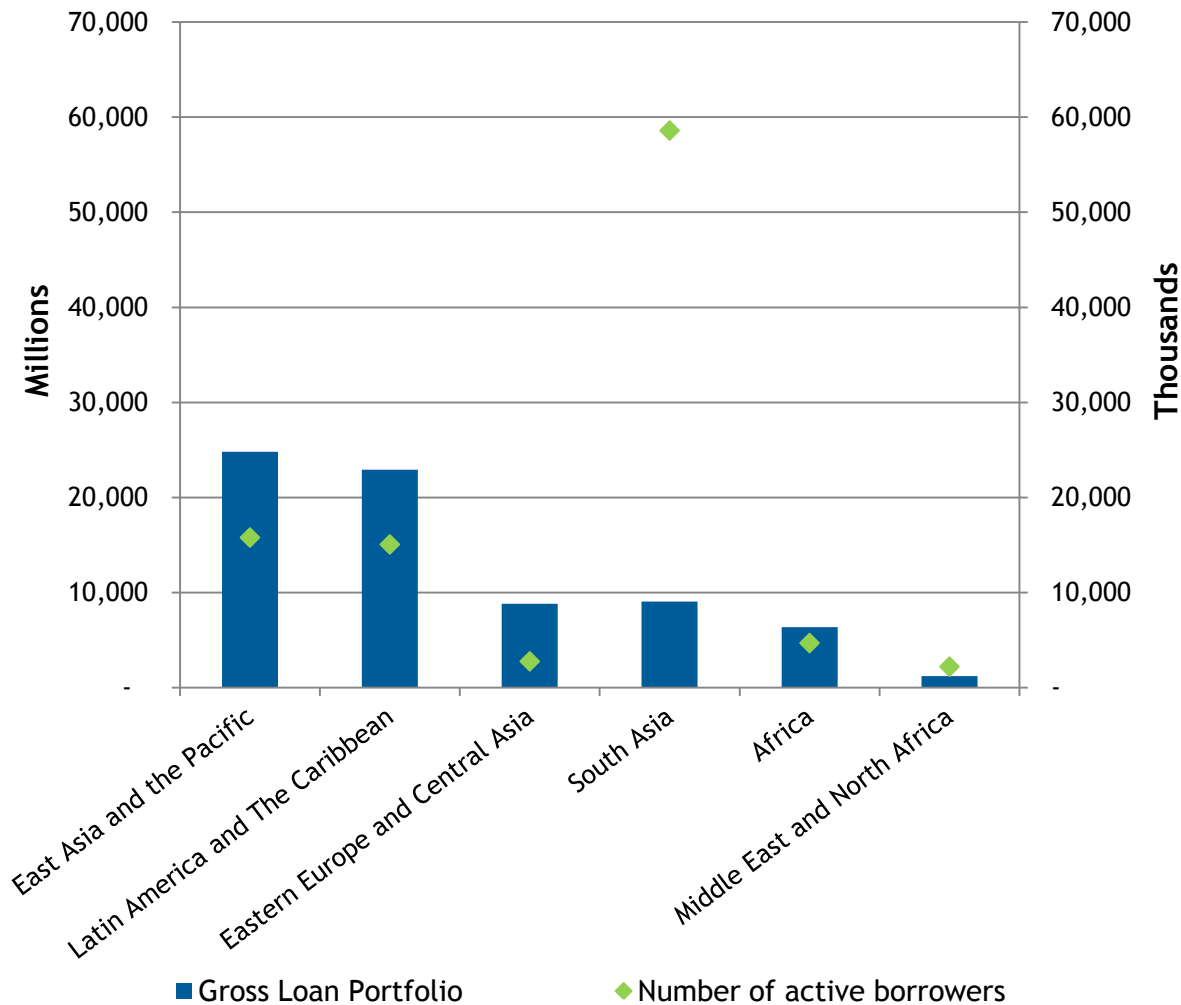
Source: [\\*World Development Indicators](#), [MIX Market](#), National Associations, Central Banks.

# Regulatory Framework

MF Specific Legislation		Savings		Interest Rate Cap		Credit Bureau/info sharing		
		MFIs	Postal	Banks	MFIs/ NGOs	Banks	NBFI	NGO-MFIs
Egypt	Pending		✓		✓	✓	✓	Pending
Iraq					✓			
Jordan			✓		✓	✓	Pending	Pending
Lebanon						✓	✓	Pending
Morocco	✓		✓	✓		✓		✓
Palestine	Pending					✓	✓	✓
Sudan	✓			✓	✓	✓	Pending	Pending
Syria	✓	✓	✓			✓		
Tunisia	✓		✓	✓	✓			
Yemen	✓	✓	✓					Being tested

Source: 2009 State of industry presentation, Ranya Abdel-Baki

# Lowest Outreach in MENA

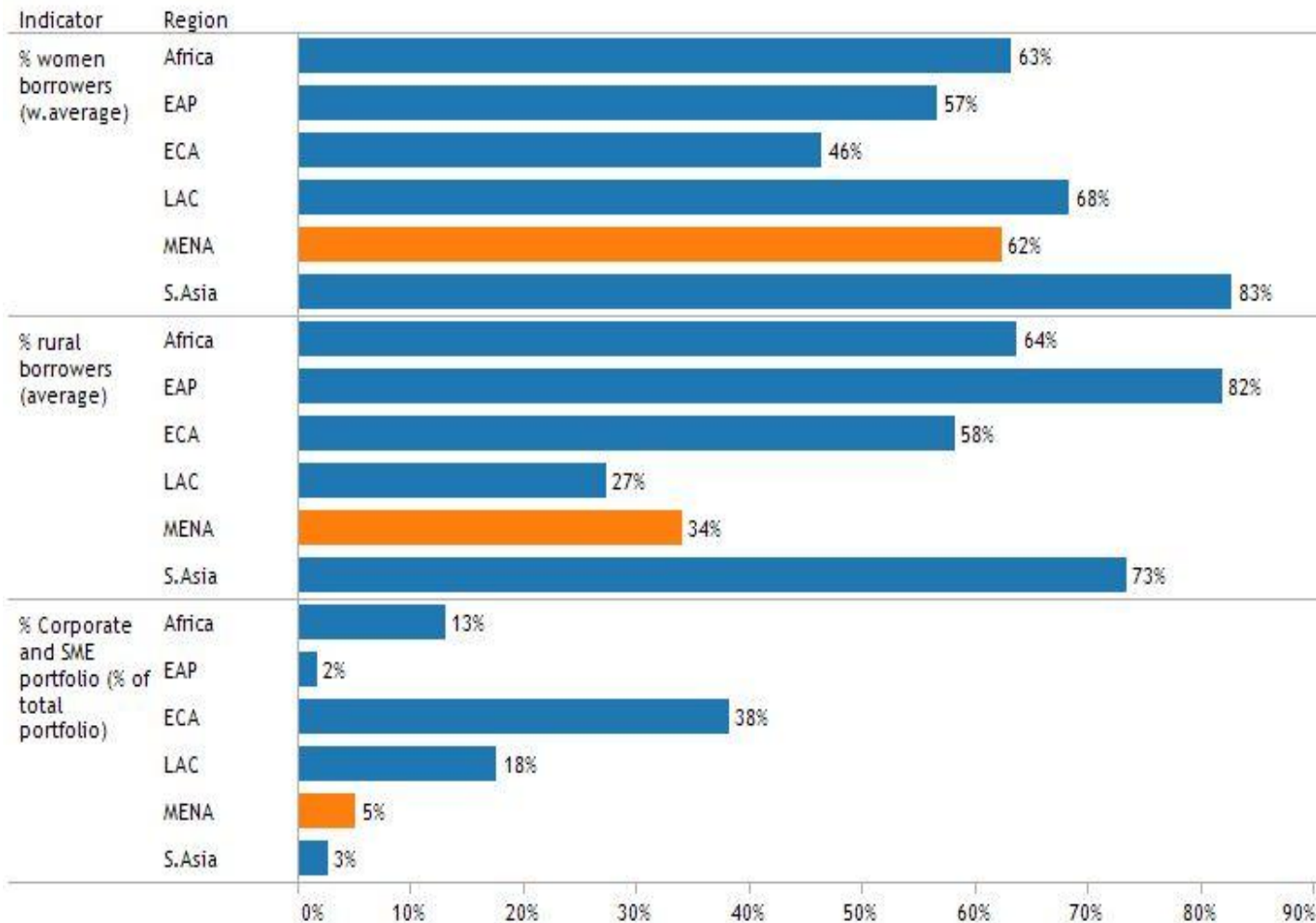


In terms of total outreach and scale, the Arab region recorded the lowest compared to its global peers.

The region has among the lowest average loan balances, at 16 percent of GNI per capita, following South Asia and East Asia.

<http://www.mixmarket.org/profiles-reports/crossmarket-analysis-report?rid=MwzqVtDK>

# MENA in the Global Context



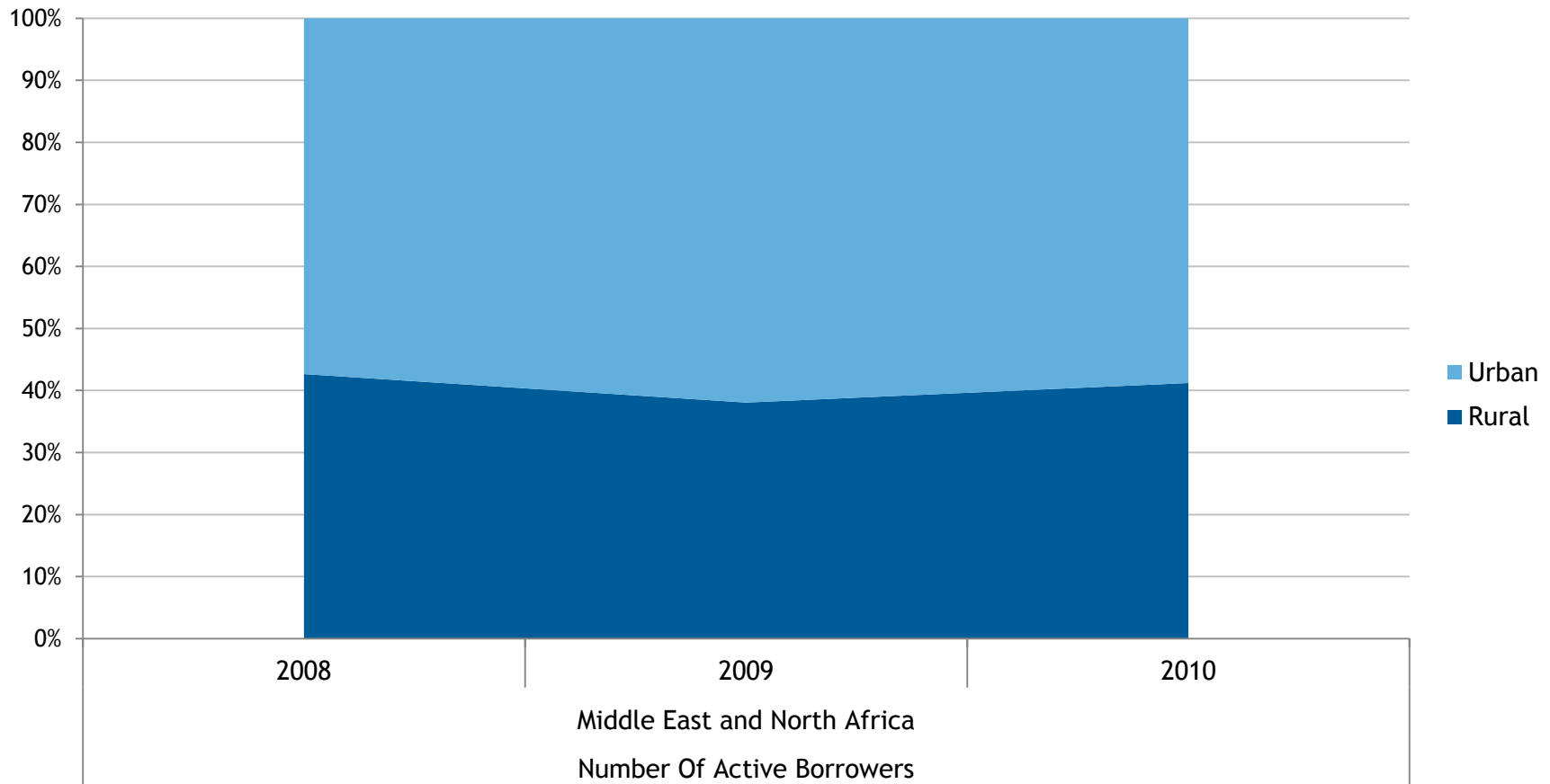
62% of loans in MENA are to female borrowers though their proportion declined in Lebanon, Palestine, Sudan and Yemen.

Compared to other regions, MENA has a low outreach to rural clients.

Corporate and SME portfolio represent just 5% of MENA's total portfolio.

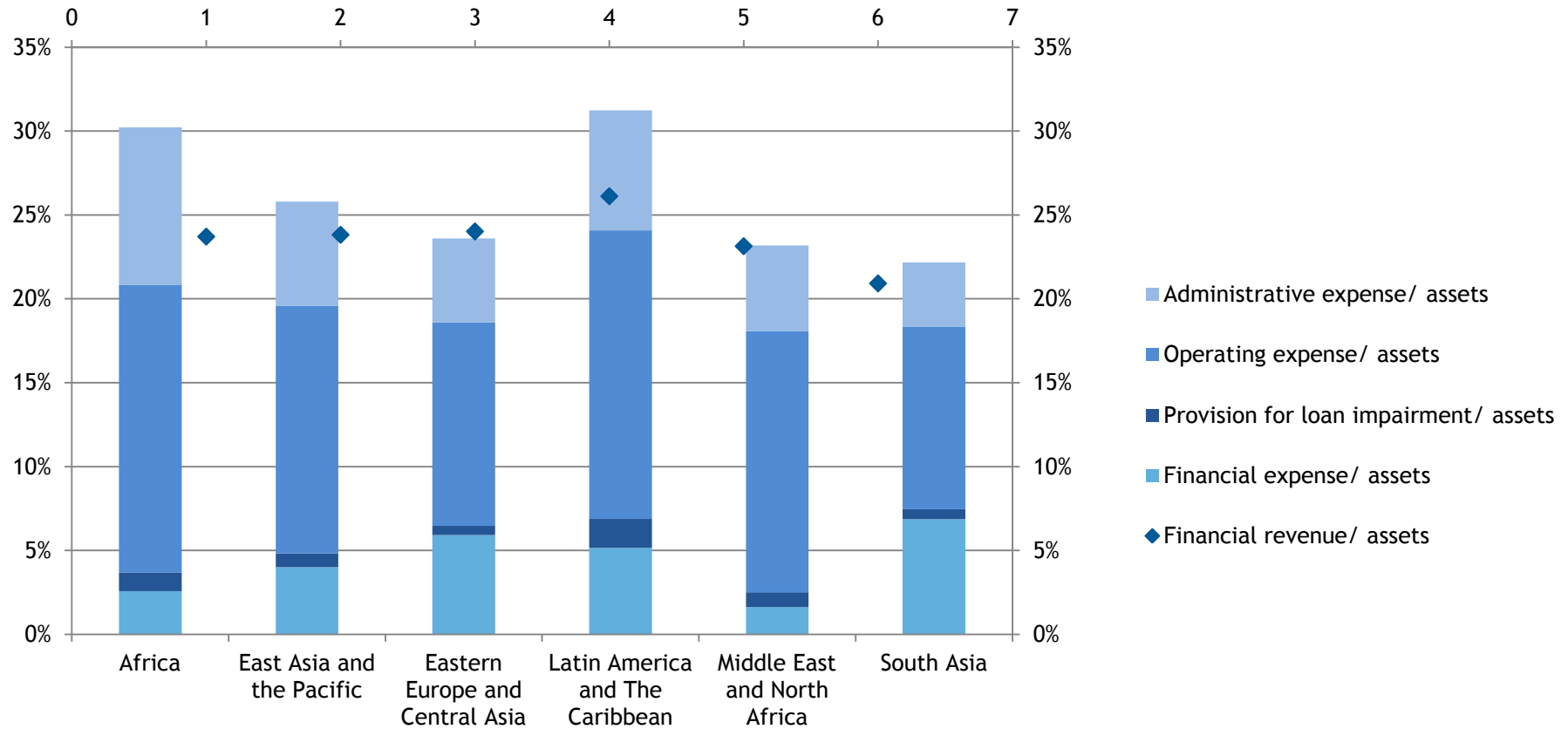
<http://public.tableausoftware.com/views/ECAmicrofinanceclients/MENAclients?:embed=y>  
 Data on women borrowers: <http://www.mixmarket.org/profiles-reports/crossmarket-analysis-report?rid=Pbf7EMju>

# Steady Geographic Outreach Trends



The proportion of rural outreach remains steady compared to the levels of 2008 and 2009, despite the overall growth in the region

# Efficiency and Profitability: Lowest Financial Expense in MENA



<http://www.mixmarket.org/profiles-reports/crossmarket-analysis-report?rid=kpymUxkN>

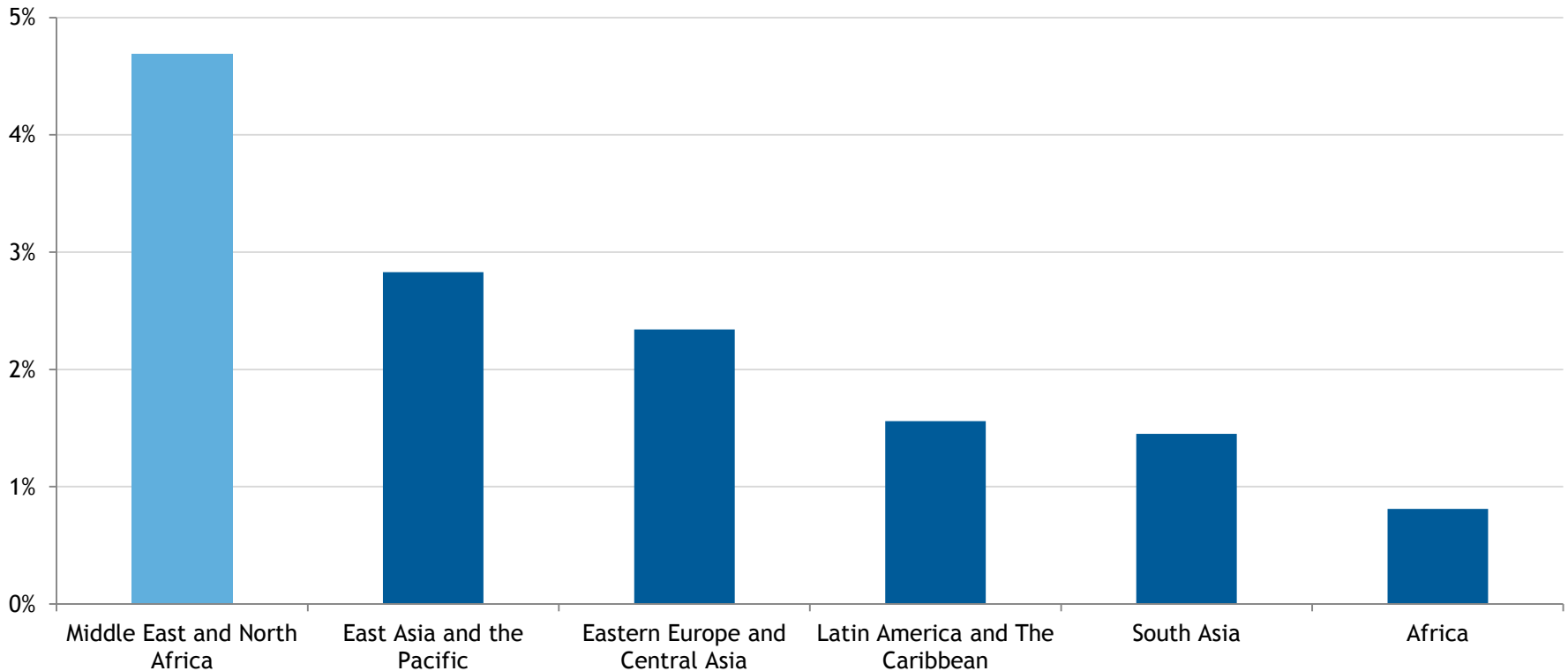
MENA has low costs compared to other regions thanks to its considerably low cost of funds at 1.7%, followed by Africa with 2.8%. This is attributed to its limited ability to secure commercial funds, rather than an ability to secure commercial funds at low cost.



# Efficiency and Profitability: Highest Returns

As a result of its low total expenses and average financial revenue, MENA recorded the highest Return on Assets at 4.69%, followed by East Asia and Pacific at 2.83%.

## Return on Assets

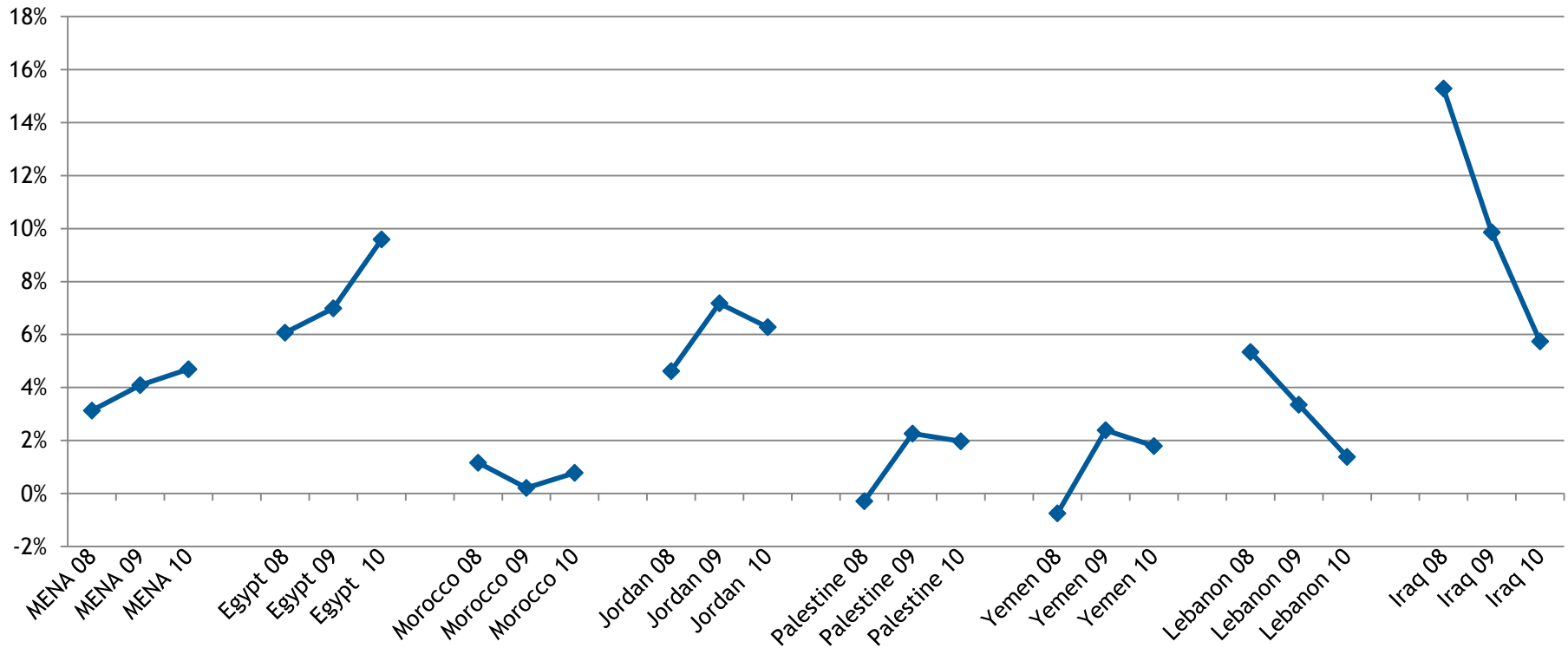


<http://www.mixmarket.org/profiles-reports/crossmarket-analysis-report?rid=SkMR8GXd>

# Efficiency and Profitability: Returns Levels by Countries

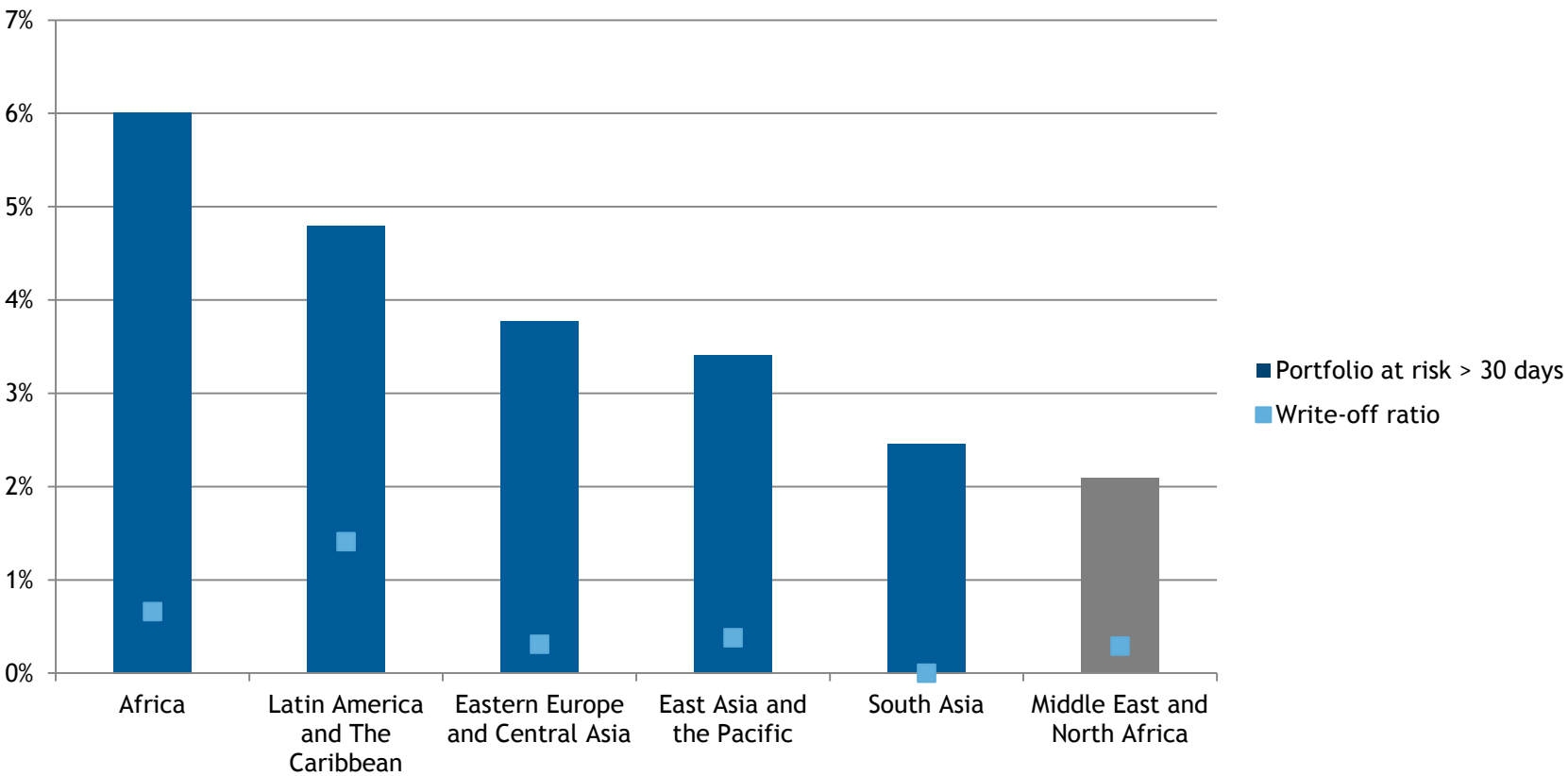
Great variations are observed per country: where Egypt shows an increase of more than 5% between 2008 and 2010, Iraq shows a phenomenal drop of almost 10 percentage points but remains above average with a 5.7% ROA.

Return on assets



MENA region: <http://www.mixmarket.org/profiles-reports/crossmarket-analysis-report?rid=t2CQZcht>  
MENA Countries: <http://www.mixmarket.org/profiles-reports/crossmarket-analysis-report?rid=6sgA8eS4>

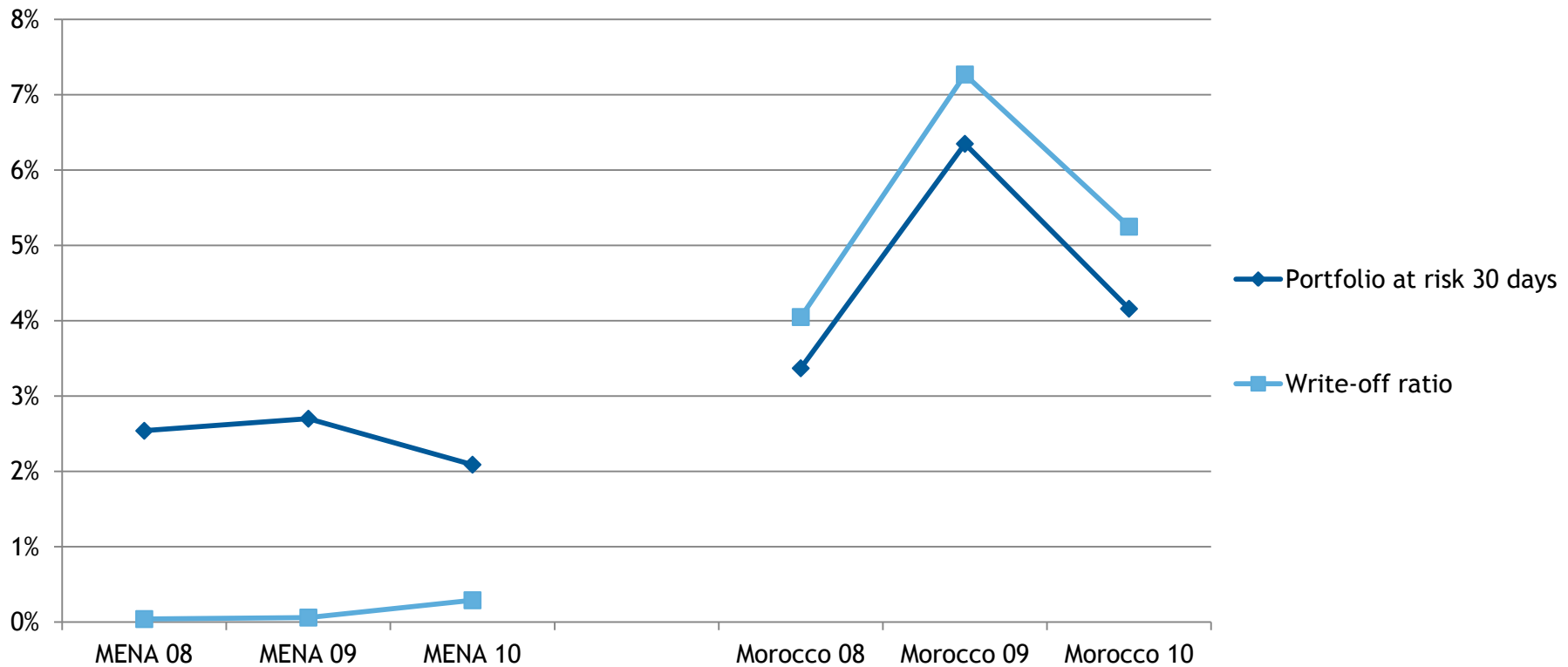
# High Portfolio Quality



<http://www.mixmarket.org/profiles-reports/crossmarket-analysis-report?rid=o5XwUbfY>

MENA Arab Region maintained a high portfolio quality with the lowest median portfolio at risk > 30 days at 2.09%.

# Portfolio Quality: Post-Crisis trends in Morocco



MENA: <http://www.mixmarket.org/profiles-reports/crossmarket-analysis-report?rid=qASDye6a>

Morocco: <http://www.mixmarket.org/profiles-reports/crossmarket-analysis-report?rid=Zr43Bvbd>

Portfolio at risk > 30 days dropped more than one percent in one year due to support from the government, confidence in the sector from different stakeholders including commercial banks, investors, and donors, as well as responsible actions from the MFIs responding to the crisis.

# Recovery in Morocco

The Moroccan sector is recovering from the delinquency crisis thanks to the measures taken by different stakeholders to restore confidence:

## MFI's

- Acquisition of Zakoura by Fondation Banque Populaire pour le MicroCrédit (FBPMC) in mid-2009
- Creation of credit information sharing systems and tightening of credit processes as a reaction to multiple lending

## Donors & Commercial Funders

- Played a key role in supporting the sector by continuing funding the sector and directing 70% of the total funding of the sector in year end 2009 to the Moroccan sector

## Moroccan Government

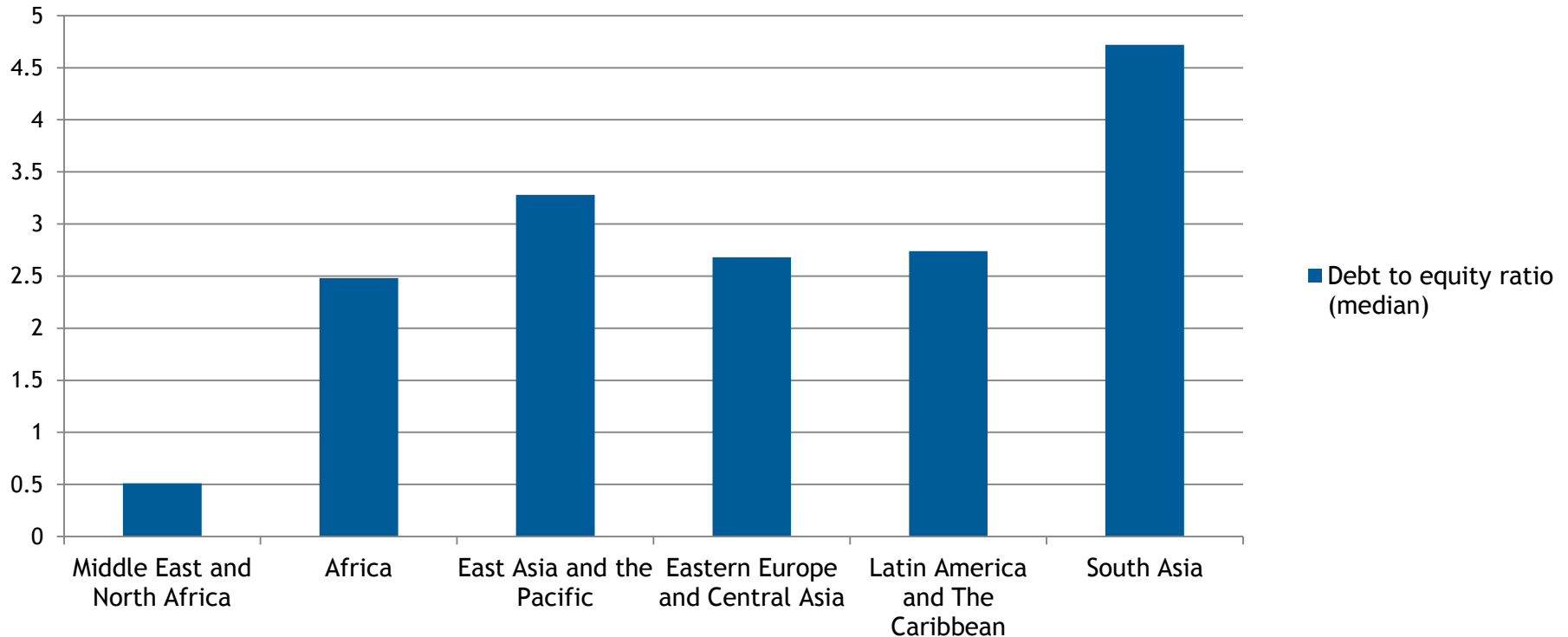
- Secured \$46 million to strengthen MFI's systems and internal control

[http://www.cgap.org/gm/document-1.9.41164/BR\\_Microfinance\\_Sector\\_Morocco.pdf](http://www.cgap.org/gm/document-1.9.41164/BR_Microfinance_Sector_Morocco.pdf)

[http://www.themix.org/sites/default/files/2010%20Arab%20Microfinance%20Analysis%20Benchmarking%20Report%20-Final\\_3.pdf](http://www.themix.org/sites/default/files/2010%20Arab%20Microfinance%20Analysis%20Benchmarking%20Report%20-Final_3.pdf)

# Limited funding through debt and deposits

## Debt to equity ratio (median)

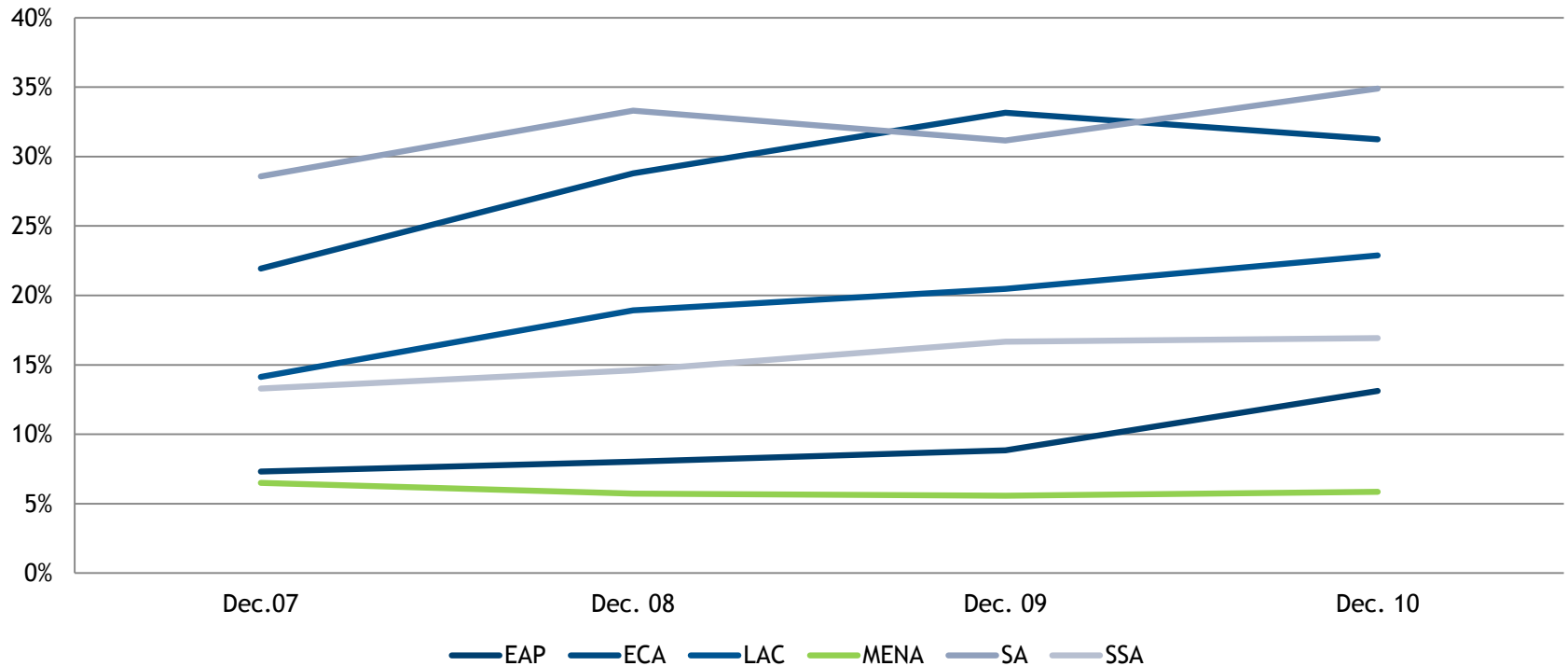


<http://www.mixmarket.org/profiles-reports/crossmarket-analysis-report?rid=JLGCFRNi>

- MENA has received the fewest cross-border funds historically and depends primarily on donations.
- Very few MFIs in the region use saving for funding except in Yemen, Syria, and Sudan where savings mobilization is allowed.

# Funding Structure by Regions

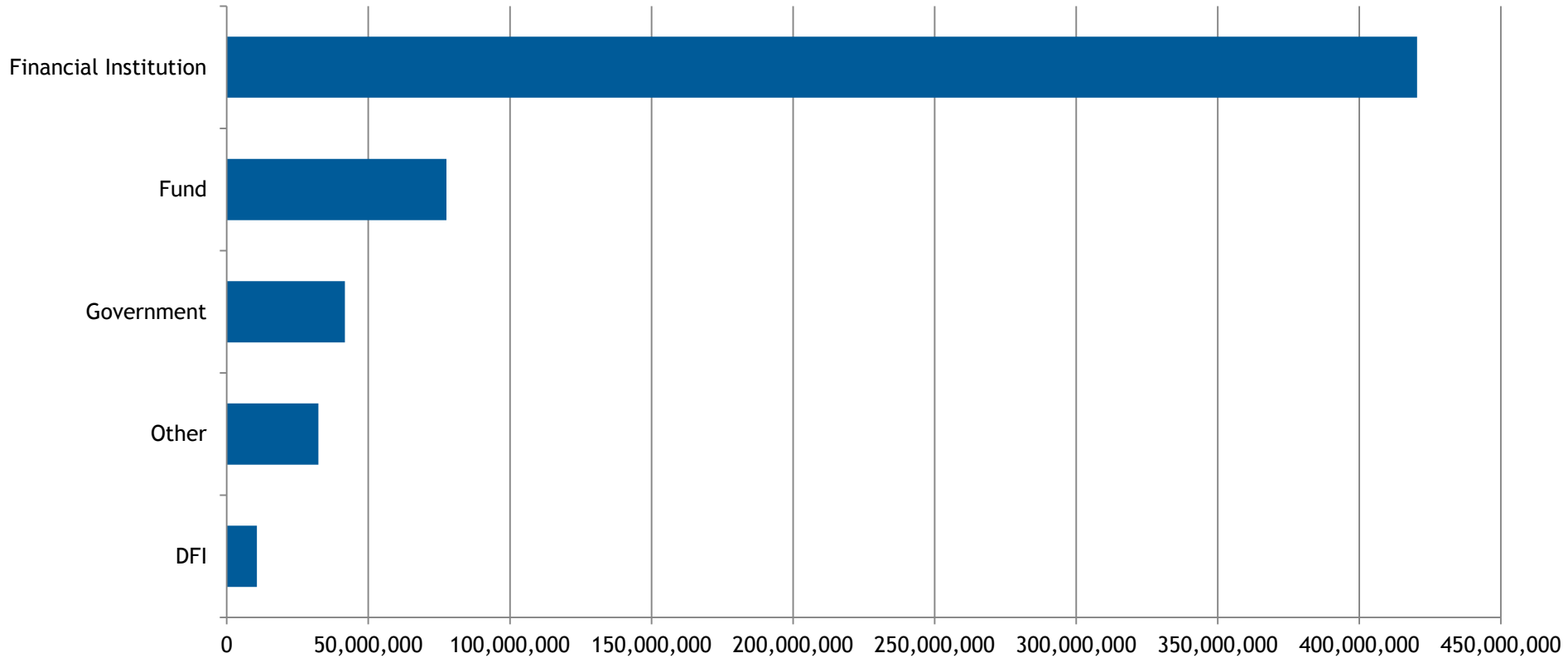
## % of Total Funders



Source: [CGAP funders survey 2011](#)

MENA remains the region receiving the least funding for microfinance. Commitments to MENA represent a mere 6% of global commitments and increased by 5% in 2010.

# Funding Structure



MENA funding classified by funders type: <http://www.mixmarket.org/profiles-reports/funding-structure-report?rid=P5qxV8no>

462 financial institutions (with a large proportion of commercial banks) secured a total of USD 5,850 billion which represent almost 40% of the total funds committed to the region. Morocco, followed by Lebanon and Egypt were the main recipients.



# Arab Spring

As a result of inequality, corruption, concentration of wealth and power in hands of very few, Arab youth lead revolutions in Tunisia followed by Egypt, Libya, Bahrain, Yemen, and Syria calling for changing regimes.

Microfinance is one of the sectors that suffered most from the Arab spring revolutions. Sanabel has conducted a survey to measure the impact of the revolutions on 23 MFIs from 4 countries (Tunisia, Egypt, Syria, Yemen). Some common factors among the countries summarized in the following:

- The revolutions impacted internal operations of MFIs, especially those operating in the urban metropolis (shutting down, changing working hours to suit curfews, etc.)
  - Increase in operating expenses for MFIs due to collection during difficult times
  - No MFI had a full-fledged contingency plan in place prior to the revolutions and uprisings
  - Actual affiliation or perception of affiliation to government bodies or some commercial / business entities proved to be harmful (*i.e. both in Tunisia and Egypt MFIs that were perceived to be affiliated to gov't officials or businessmen faced greater difficulty in collection*)
- Either no government intervention or not useful for the industry (*i.e. in Egypt 3 months postponement of repayment to clients had a negative impact on repayment*)
  - High levels of social commitment to clients and community in times of need (*i.e. Tunisia: refugees from Libya*)

# Arab Spring: Impact on the Microfinance Sector

## On MFIs Level:

- Disruptions in work schedules: staff working from home at times and collection being done earlier in the day
- Issuance of new loans ceased or under stricter terms, renewals cautiously maintained
- Staff spirit and morale affected, demonstrations to require more benefits

### Yemen

- MFIs put greater time and effort into collection
- Shorter working hours for banks impacted installment payments by clients and salary payments for MFI staff
- High operational costs of administrative processes due to delayed repayments and higher PAR
- Increase in staff resignation, especially females

### Egypt

- Some branches closed off
- Loan ceiling brought down: some banks were closed and CBE placed a ceiling on disbursement
- SFD decision to postpone repayment for 3 months for all clients impacted collection
- Field dangerous for loan officers (cases of attacks)
- Absence of police forces and non-functioning courts system affected repayment and litigations

### Tunisia

- Enda's branches impacted to some extent:
  - windows broken,
  - equipment looted,
  - one branch burned
- Special efforts required from staff to fulfill commitment to clients during difficult times

# Arab Spring: Impact on the Microfinance Sector

## On Client Level:

### Yemen

- Microenterprises (mostly commercial and service businesses) affected by shortage in basic needs and services
- Microenterprises closed down for a given period/worked for shorter periods
- Withdrawal from labour market,
  - loss of business activity,
  - displacement(i.e. Abyan),
  - injuries or deaths among clients, or members of their households.
- Individual savings depleted to meet consumption needs

### Egypt

- Cease or decrease of microenterprises operations due to military-imposed curfew, lack of security, and theft
- Handicrafts, tourism related activities, and manufacturing most impacted whereas food industries benefited
- Loss of business activity, injuries or deaths among clients, or members of their households.

### Tunisia

- Microenterprises attacked, looted, burned down while some were damaged or closed
- Few deaths among Enda's micro-entrepreneurs or their family members.

# Arab Spring: Impact on the Microfinance Sector

## Measures taken by MFIs:

### Yemen

- Modifying credit policies, halting some financing processes, and increasing procedures for other funding
  - Decrease in loan size
  - Minimal rescheduling of loans
  - Increase in securities and decrease in lending to casual workers
  - Ceased issuance of consumer loans due to high demand / high risk
  - Ceased loan issuance in remote areas (far from MFI)
  - Postponing the disbursement of funds that do not meet certain criteria
  - Making adjustments to the withdrawal of savings
- Making multiple back-up files of databases and other data sources
- Emphasizing the independence of the MFIs and not taking side with any party involved in the conflicts
- Making adjustments to the cash-in and cash-out within branches on a daily basis and decreasing the size of sundry accounts

# Arab Spring: Impact on the Microfinance Sector

## Measures taken by MFIs:

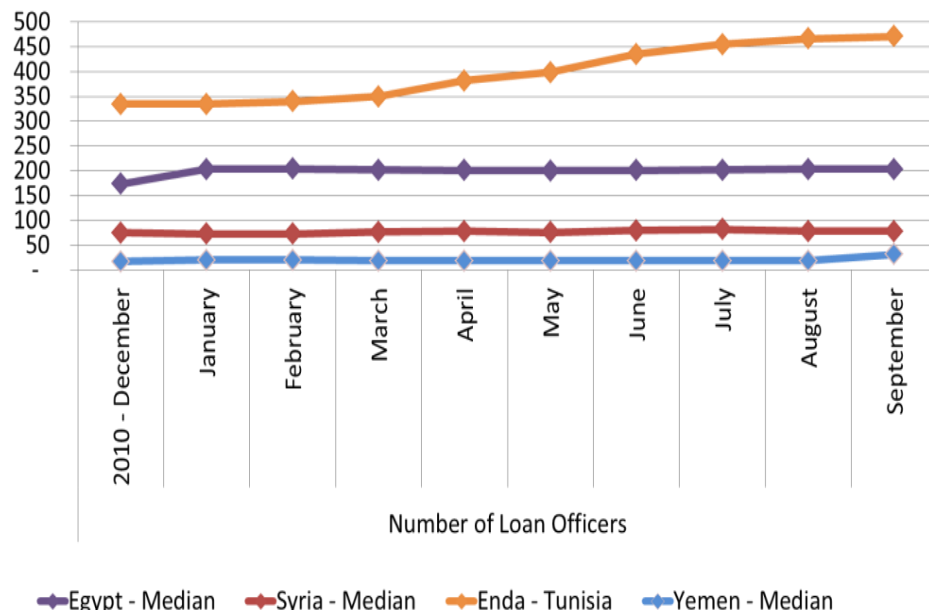
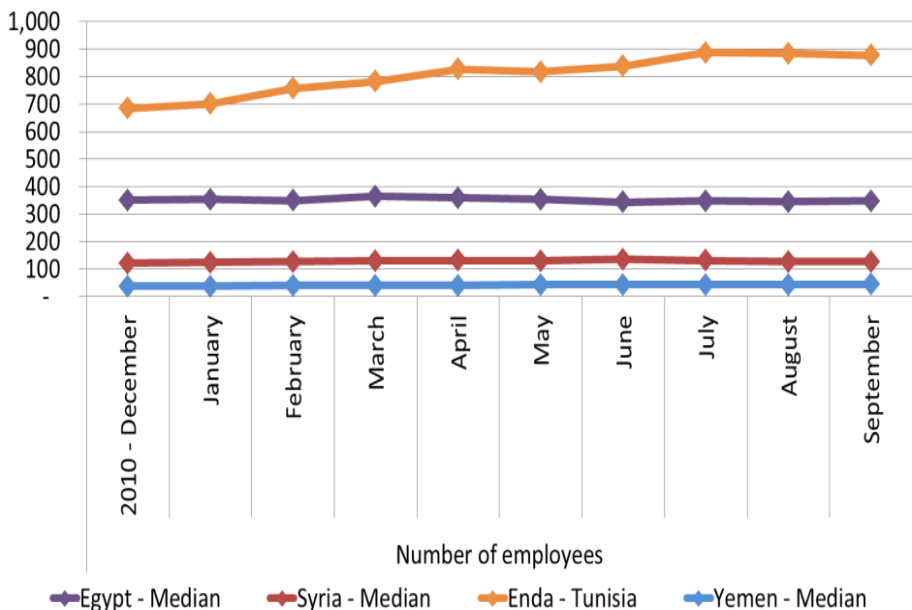
### Egypt

- Case-by-case basis (complete loan write off, partial write-off, interest free loans, postponement /deferment of due loan installments for one month, rescheduling loan payments by extending the loan period, combined installment repayments for clients)
- Offering of new loan products (emergency loan)
- Organization of exhibitions for clients

### Tunisia

- No penalties for late payments during January
- Special loans provided to rebuild lost stocks and interest rates lowered for particular cases.
- Indemnities paid to the most severely affected clients
- Enda took a clear public commitment (TV and radio) to stand by its clients in these difficult times
- Enda provided support to refugees from neighboring Libya

# Quick Look at Figures: Before, During, and After

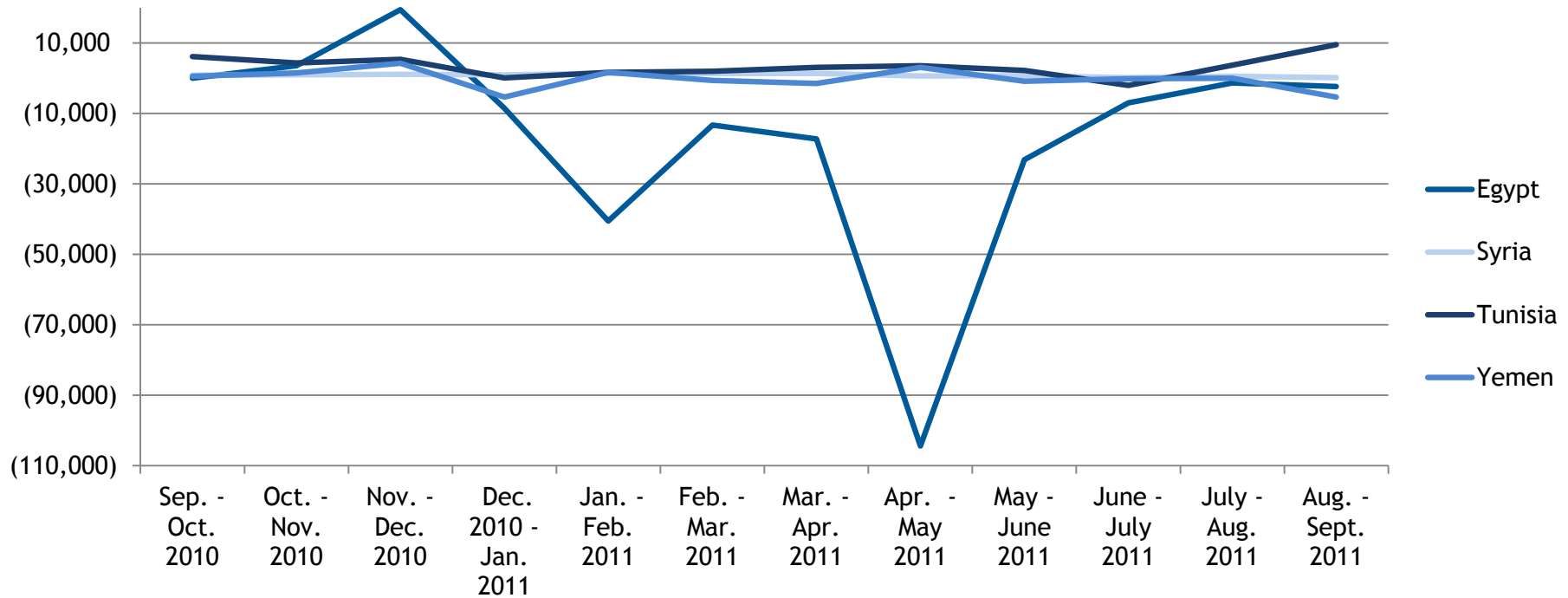


Source: Sanabel - based on data collected from 23 MFIs Tunisia (1 MFI) Egypt (9 MFIs) Yemen (10 MFIs) Syria (3 MFIs)

- The revolutions did not impact employment levels: during 2011, median staff levels increased in Tunisia, Yemen and Syria and dropped by only 1% in Egypt
- MFIs in all four countries have witnessed an increase in median number of loan officers over the period. Yemen witnessed the largest increase in loan officers at 88%, followed by Tunisia, Egypt and Syria.
- Loan officers are the profit generating resource within any MFI and despite the conditions, MFIs have opted to increase investments in their most productive assets instead of slowing down hiring or laying off staff.

# Quick Look at Figures: Before, During, and After?

## Outstanding Active Borrowers (Actuals):

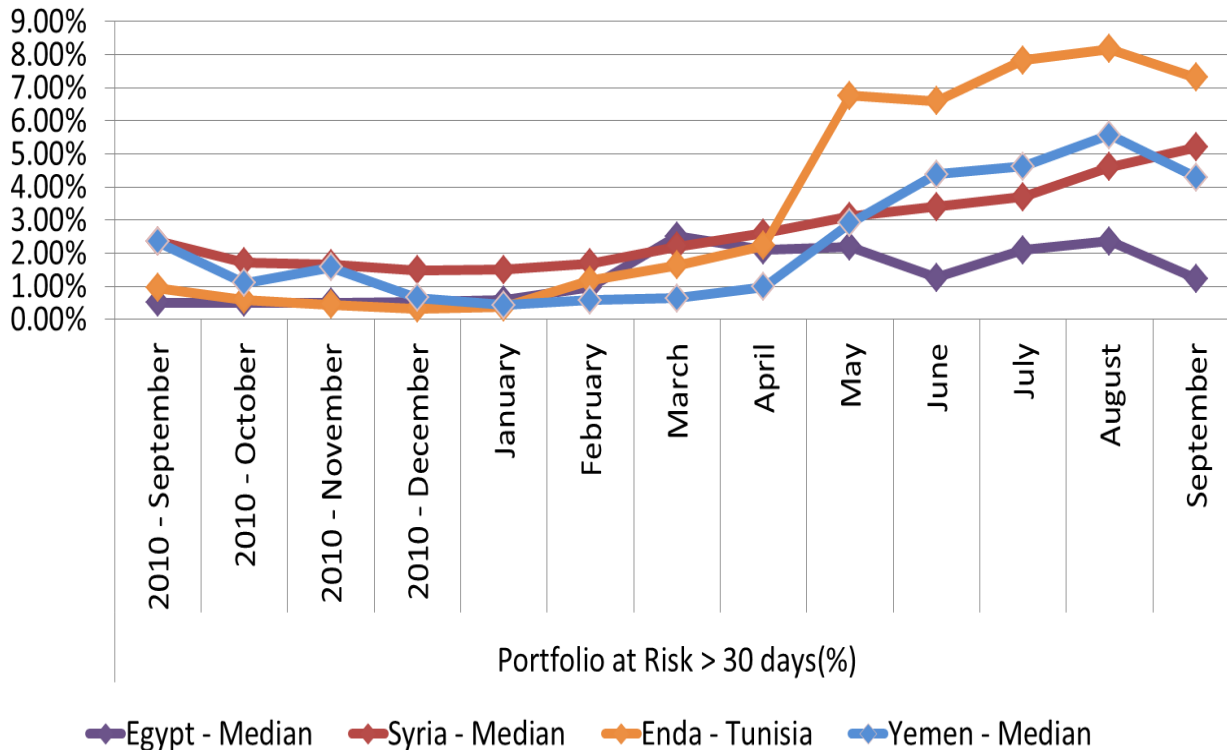


Source: Sanabel - based on data collected from 23 MFIs Tunisia (1 MFI) Egypt (9 MFIs) Yemen (10 MFIs) Syria (3 MFIs)

- Egypt witnessed the greatest decrease in actual number of borrowers over the past year compared to the other markets in the region
- The MFIs surveyed in Egypt in total lost more than 99,000 clients while the sector in Yemen increased outreach by 44,000 clients followed by Tunisia at 40,000 clients and Syria at 3,000 clients.

# Quick Look at Figures: Before, During, and After?

## Portfolio at Risk > 30 days (%)



Source: Sanabel - based on data collected from 23 MFIs Tunisia (1 MFI) Egypt (9 MFIs) Yemen (10 MFIs) Syria (3 MFIs)

- Tunisia witnessed the highest increase in median PAR > 30 days over the past year followed by Egypt, Syria and Yemen.

- Tunisia also witnessed the highest median PAR > 30 days with 8% in August, while Yemen reached 6% in August.

- The highest mark could be found in Yemen where an MFI recorded 22% PAR. In Egypt some MFIs hovered around 20% PAR while in Syria and Tunisia, the highest recorded PAR were respectively 12% and 8%.



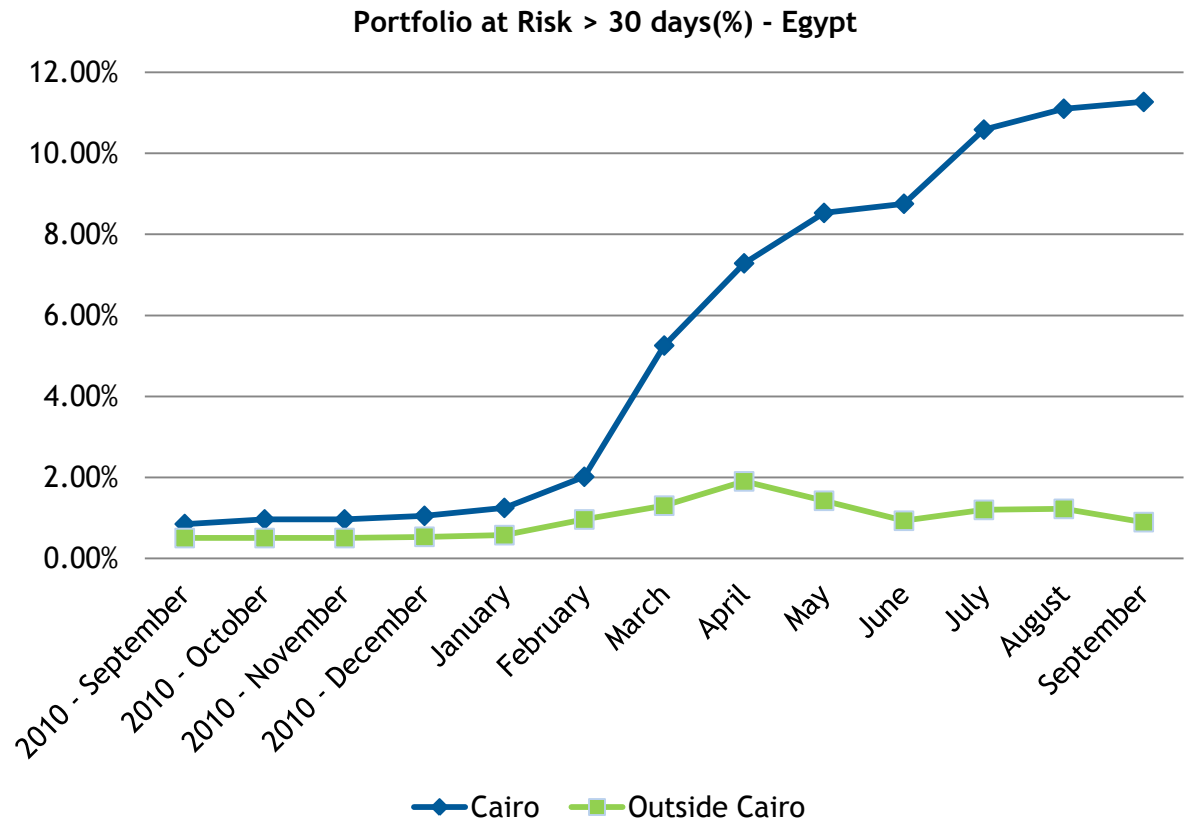
# Quick Look at Figures: Before, During, and After?

Egypt's portfolio quality looked good overall.

However, by comparing Cairo with the rest of Egypt, portfolio quality in Cairo deteriorated after January 2011.

A study of write-off policies would provide a clearer picture of the situation.

## Portfolio at Risk > 30 days (%)



Source: Sanabel - based on data collected from 23 MFIs Tunisia (1 MFI) Egypt (9 MFIs) Yemen (10 MFIs) Syria (3 MFIs)

# How Can Different Stakeholders Help?

## Government

- Provide security against theft and fraud and to enable operations
- Support the microfinance sector through the provision of legal measures to safeguard the industry against fraud as well as enforce contracts
- Define single regulator for the sector
- Establishment of credit bureaus for microfinance industry
- Use the state media channels to propagate for the microfinance industry

## Donors and Social Investors

- Rescheduling loans for severely-impacted MFIs
- Provision of technical assistance to MFIs in facing exogenous risks (political risk)

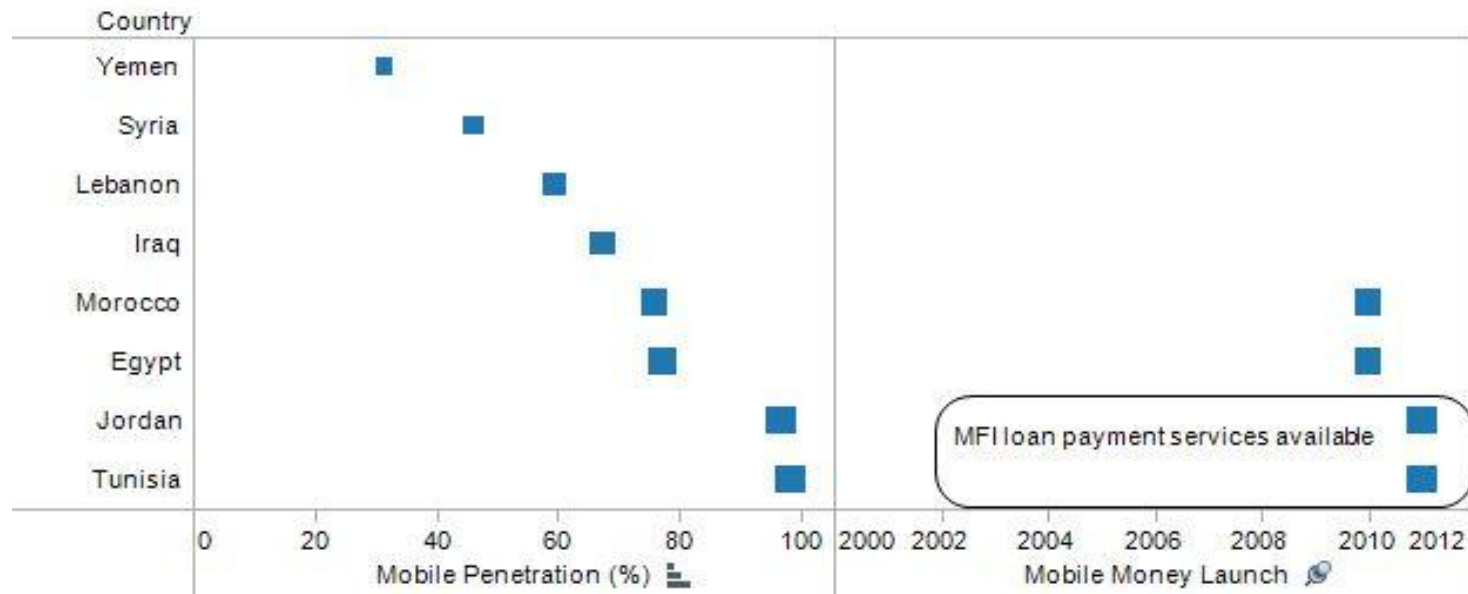
## Networks

- More information on situation within local and regional context (information dissemination)
- Support on managing risk and training on various available tools
- Organization of events and gathering to exchange experiences and discuss lessons learned
- Research on impact of revolutions on operations

# Has mobile banking gone through?

Following Enda, the first Middle Eastern and North African MFI to deploy Mobile Banking service to its clients, in 2011 Tamweelcom in partnership with Zain (one of the mobile operators in Jordan and owner of 45 percent of the subscribers in early 2011) launched Zain El-mal through which Tamweelcom allows 30,000 borrowers to repay their micro-loans.

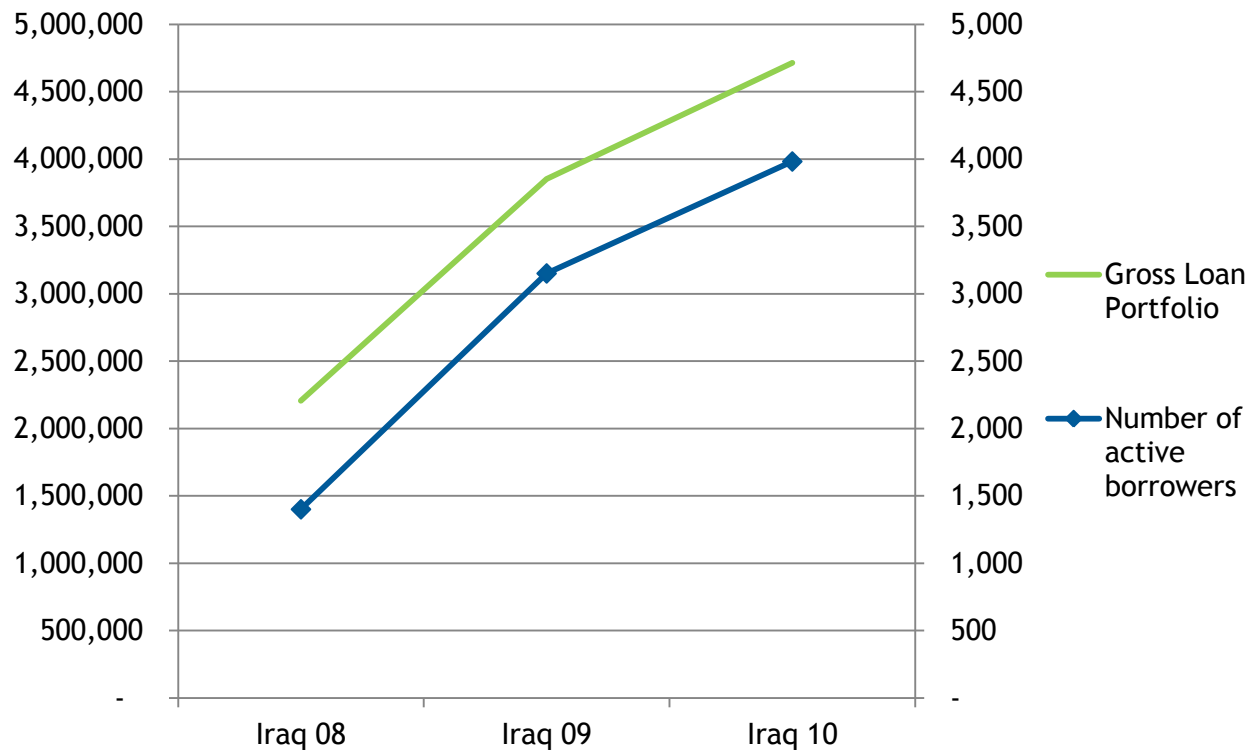
Zain El-mal is about creating a virtual wallet on subscribers' phones, borrowers has to deposit money in his/her wallet in what is known as Cash-In.



Source: <http://www.wirelessintelligence.com/mobile-money> and [Creova](#)

# Country Focus: Iraq

## Outreach and Scale



- Iraq is home to 31.5 million people, out of which 25% live below the poverty line

- 12 NGO-MFIs operate in all 18 provinces using 93 branches and satellite offices to serve 74,000 people, leading to a penetration rate of only 1% percent

- In 2010, Gross Loan Portfolio reached \$103.5 million

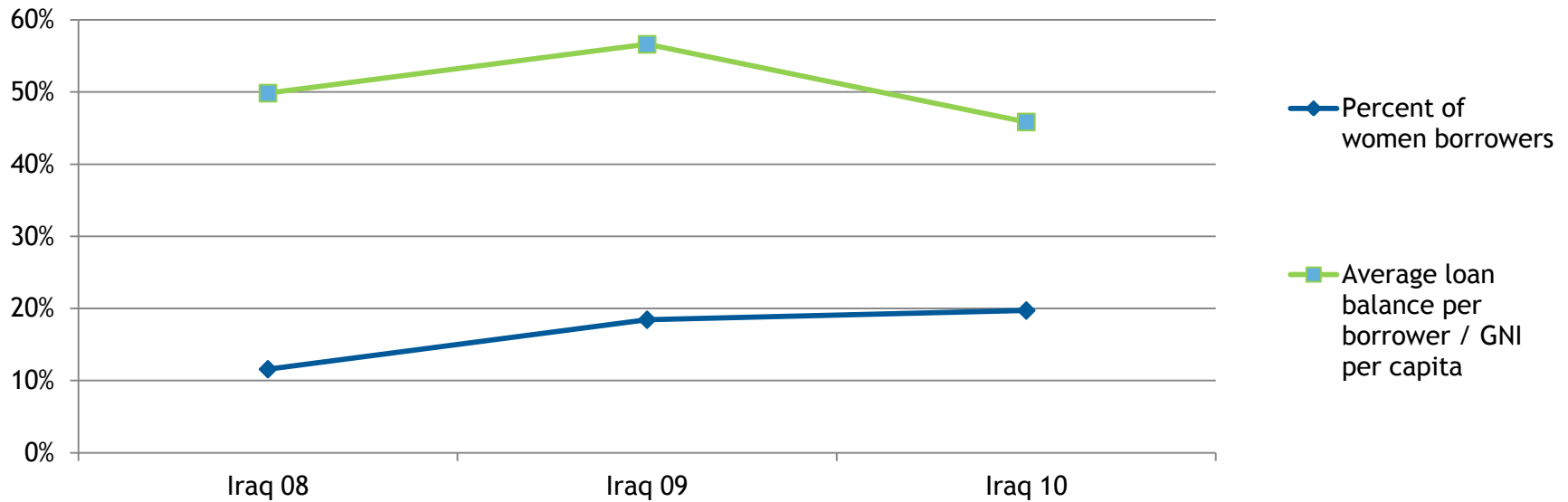
<http://www.mixmarket.org/profiles-reports/crossmarket-analysis-report?rid=iuHpa7eE>

Microfinance in Iraq started in 2003 through with institutions funded through US government sources as a tool to assist victims of war and violence.

In mid-2007, the Iraqi government started its own Microfinance program through the Ministry of Labor and Social Affairs.

# Country Focus: Iraq

## Outreach and Scale



<http://www.mixmarket.org/profiles-reports/crossmarket-analysis-report?rid=Msv2EqZz>

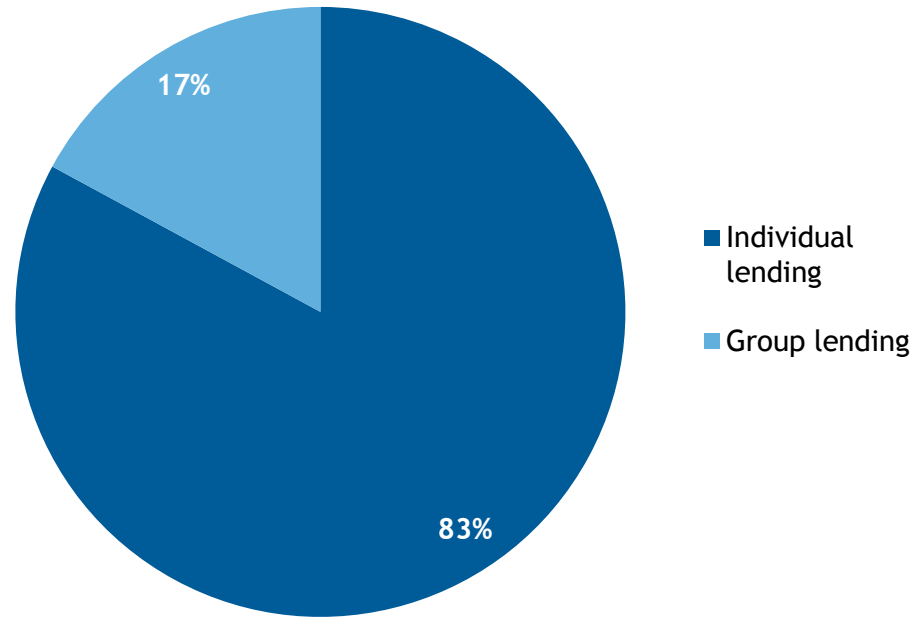
In 2008, the market was dominated by males (more than 90% of the borrowers). This has changed dramatically since 2009 with deepened outreach to women.

In 2010, Average Loan Balance/GNI per Capita declined by almost 10 percentage points indicating that MFIs are downscaling to reach poorer clients through client segmentation, noteworthy the increase in the income level accompanied with the downscaling.

The downscaling is characterized by a clear strategy to reach the poor categorizing loans in three main types of loan sizes: \$500 (Ultra-poor client), up to \$5000 (micro enterprise clients), \$5001 to \$25000 (small enterprise clients) and above \$50,000 for MSME.

# Country Focus: Iraq

## Microfinance Products and Loan Methodology



[http://www.imfi.org/files/StateOfIMFI\\_USAID\\_en.pdf](http://www.imfi.org/files/StateOfIMFI_USAID_en.pdf) Source: State of Iraq's microfinance Industry

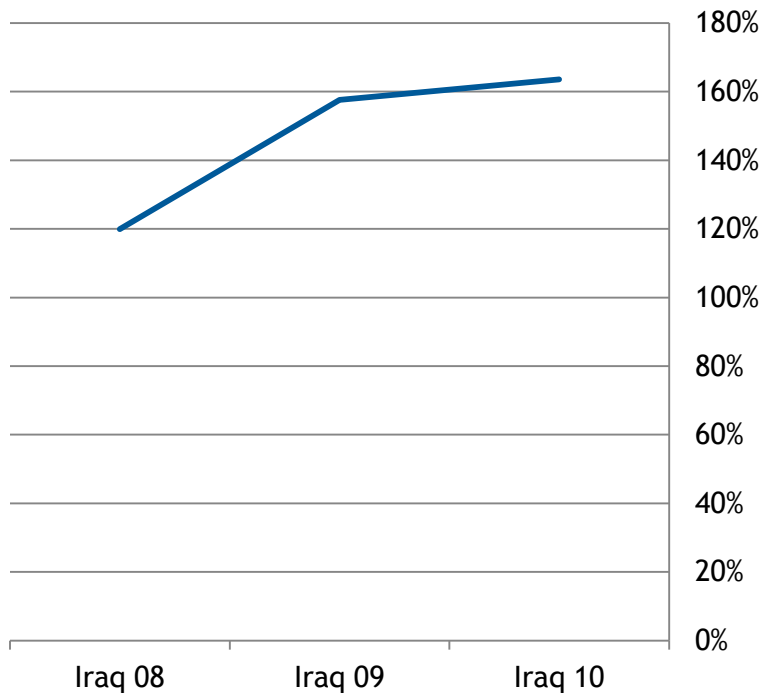
Iraqi MFIs are using both individual and group methodologies with a domination of individual methodologies.

Loan product offering varies from MSME, agri-business, housing, trade, taxi loans, as well as Islamic loans. Iraqi MFIs introduced Youth Initiative, 94 youth loans of \$274,404 are disbursed to youth (18-35 years).

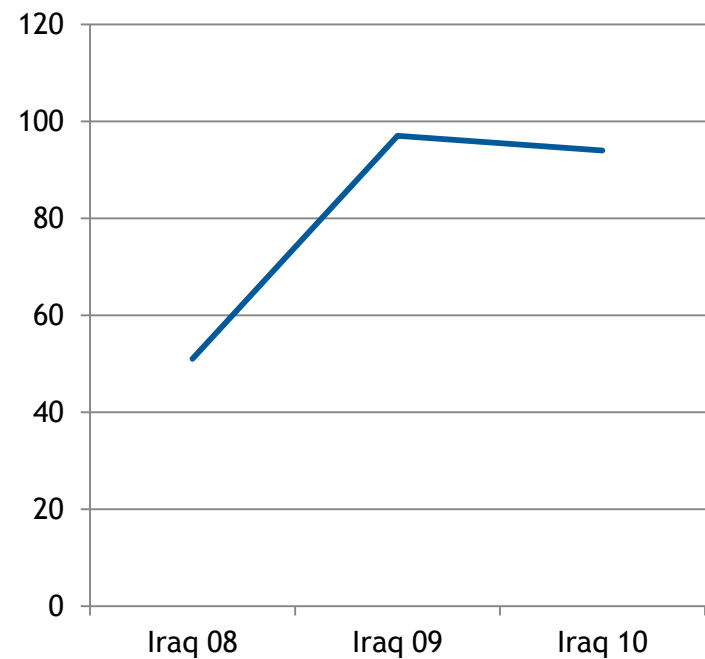
# Country Focus: Iraq

## Profitability & Productivity

### Operational self sufficiency



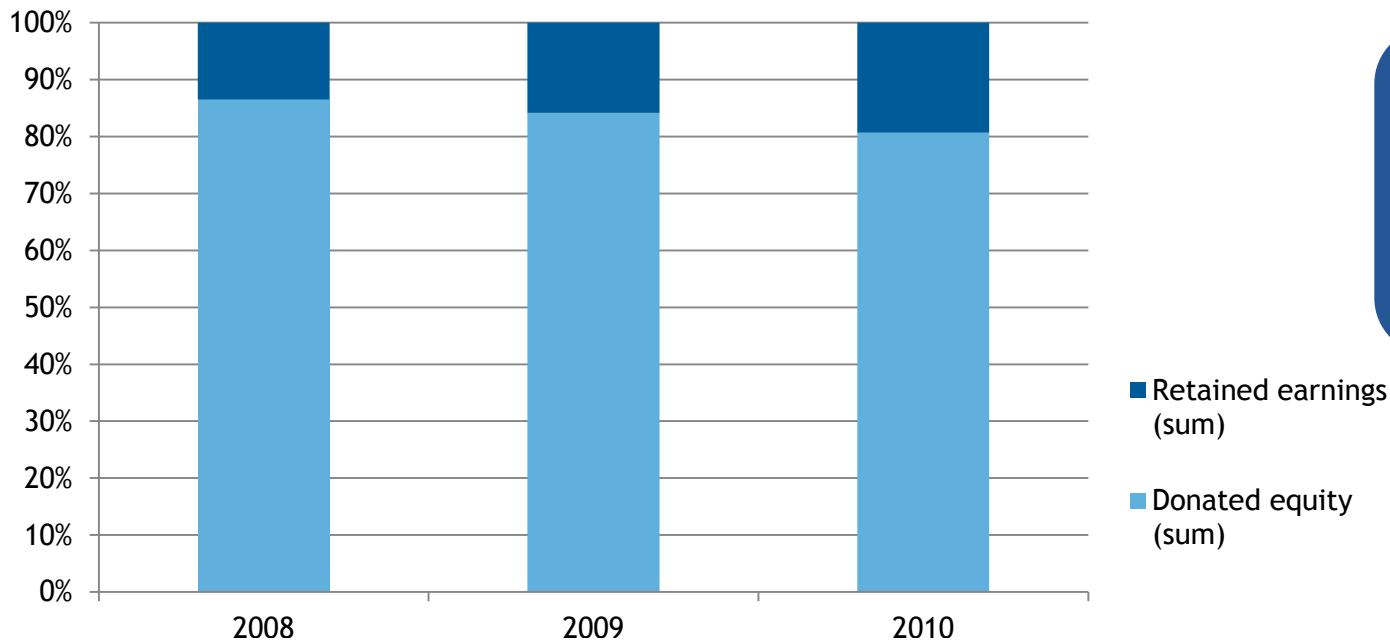
### Borrowers per staff member



<http://www.mixmarket.org/profiles-reports/crossmarket-analysis-report?rid=8z36mMJh>  
<http://www.mixmarket.org/profiles-reports/crossmarket-analysis-report?rid=vFmsLfcY>

Operational self-sufficiency increased by around 50 percentage points from 2008 to 2010  
Profitability and productivity increase as MFIs build economies of scale

# Iraq: dependent on government and donor resources



More than 80% of the Iraqi MFIs depend on donations with little fluctuations in the ratio between years 2008, 2009 and 2010.

<http://www.mixmarket.org/profiles-reports/crossmarket-analysis-report?rid=EbvVmPhD>

Since 2004 more than \$35 million were provided to MFIs by USAID.

In 2009, two MFIs received grant funding from the Australian Agency for Development Cooperation (AusAid) and the UN

In 2010, another form of funding was provided to the Iraqi sector through capital commitments in form of line of credit made by the Overseas Private Investment Corporation (OPIC), an agency of the U.S. government.



# About MIX and SANABEL

## About MIX

MIX is the premier source for objective, qualified and relevant microfinance performance data and analysis. Committed to strengthening financial inclusion and the microfinance sector by promoting transparency, MIX provides performance information on microfinance institutions (MFIs), funders, networks and service providers dedicated to serving the financial sector needs for low-income clients.

MIX fulfills its mission through a variety of platforms. On MIX Market ([www.mixmarket.org](http://www.mixmarket.org)), we provide instant access to financial and social performance information covering approximately 2,000 MFIs around the world. Our publications, *MicroBanking Bulletin* and *MIX Microfinance World*, feature thorough and timely analysis based on qualified data and research.

## About Sanabel

[Sanabel - the Microfinance Network of Arab Countries](#) - is the only and largest membership-driven regional microfinance network in the Arab region. Sanabel envisions all low income people in Arab countries with access to comprehensive financial services. In addition, Sanabel advocates for growth, innovation, best practices & standardization of the microfinance sector in Arab countries.

Since establishment in 2002, Sanabel's membership has grown from 14 members to 80 Arab MFIs by the end of 2010 (representing NGOs, non-bank financial institutions, international organizations, banks that provide direct lending, top organizations that provide in-direct lending, and local networks) and individuals from 12 different countries as well as 2 International Friends of the network.

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 FORDFOUNDATION

  
FMO  
Finance for Development

Funding by  
  
CISCO  
Foundation

# Microfinance Information Exchange

## Headquarters:

1901 Pennsylvania Ave., NW, Suite 307  
Washington, D.C. 20006 USA

## Regional Offices:

### **Baku, Azerbaijan**

44 J. Jabbarli st. Caspian Plaza I, 5<sup>th</sup> Floor,  
Baku, Azerbaijan

### **Lima, Peru**

Jirón León Velarde 333 Lince, Lima 14, Perú

### **Rabat, Morocco**

Immeuble CDG Place Moulay Hassan  
BP 408 Rabat Morocco

### **Hyderabad, India**

Road #12, Landmark Building, 5<sup>th</sup> Floor,  
Banjara Hills, Hyderabad 500034, India

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