



MIDDLE EAST NORTH AFRICA

PLANET FINANCE

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The Microfinance Platform

Microfinance in the Middle East and North Africa: State of Affairs





Microfinance in the MENA Region

Where is microfinance in the Middle East and North Africa?

Algeria

Bahrain

Egypt

Iran

Iraq

Jordan

Lebanon

Mauritania

Morocco

Oman

The Palestinian Territories

Saudi Arabia

Sudan

Syria

Tunisia

UAE

Yemen



Microfinance in the MENA Region

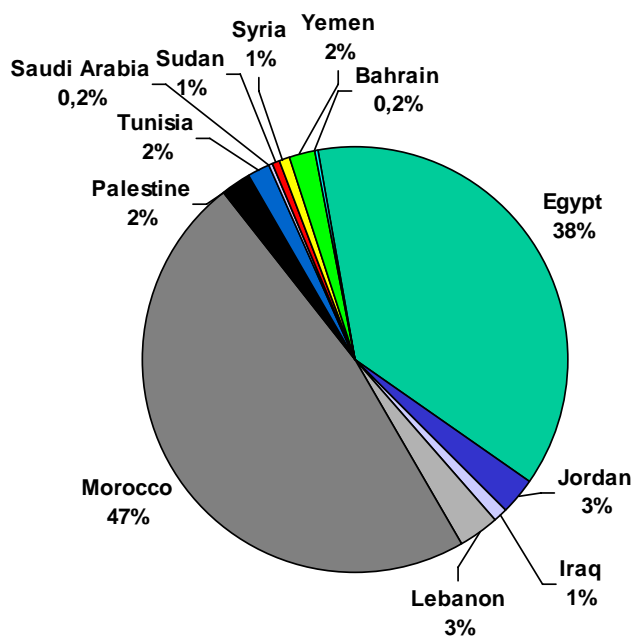
- The number of active clients has increased more than tenfold, from **129,000** to approximately **1.5 million** (1999 to 2006).
- **61%** of clients are women and **22%** live in rural areas.
- The majority of clients are **microentrepreneurs** working in the **informal sector**.
- **Solidarity Groups** are the dominant lending methodology in a number of countries.
- **Microfinance Best Practices** are by and large used by practitioners in the region. The majority of beneficiaries in the MENA zone are clients of Best Practice MFIs.



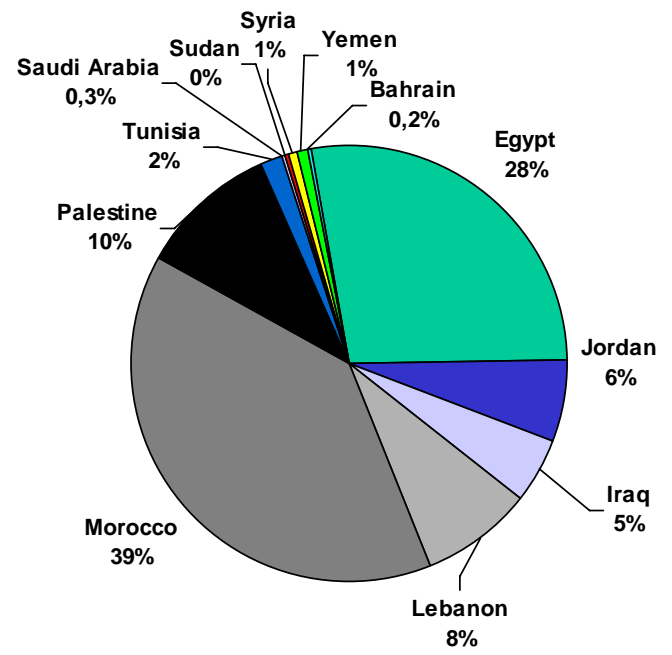


Microfinance in the MENA Region

The market is not equally distributed. **6 institutions serve 60% of all clients** in the region (3 in Egypt, 3 in Morocco), and **77% of all active loans are concentrated in three places** (Egypt, Morocco, and the Palestinian Territories).



Active Borrowers
Total 1,210,417



Portfolio Outstanding USD
Total \$349,960,033

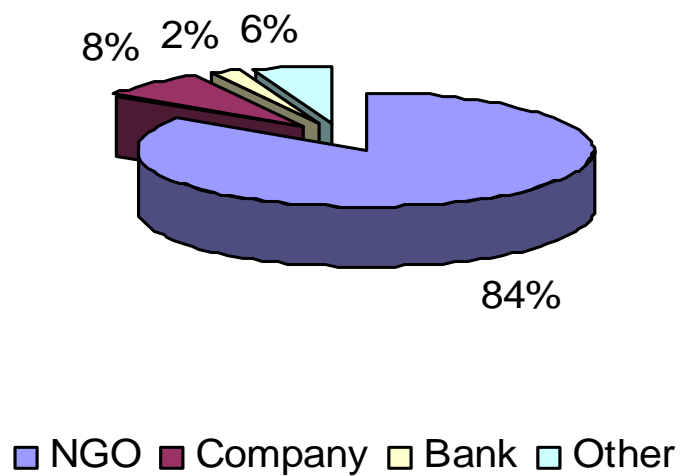
Source: G & UP, Oct 2005



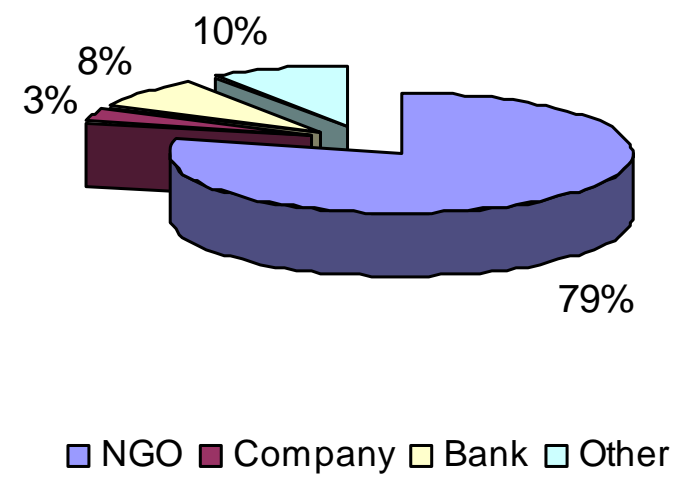
Microfinance in the MENA Region

The majority of MFIs in the region are not-for-profit **NGOs**. Very few commercial banks are actives in the microfinance sectors in the countries.

Legal Status



Active Clients By Legal Status

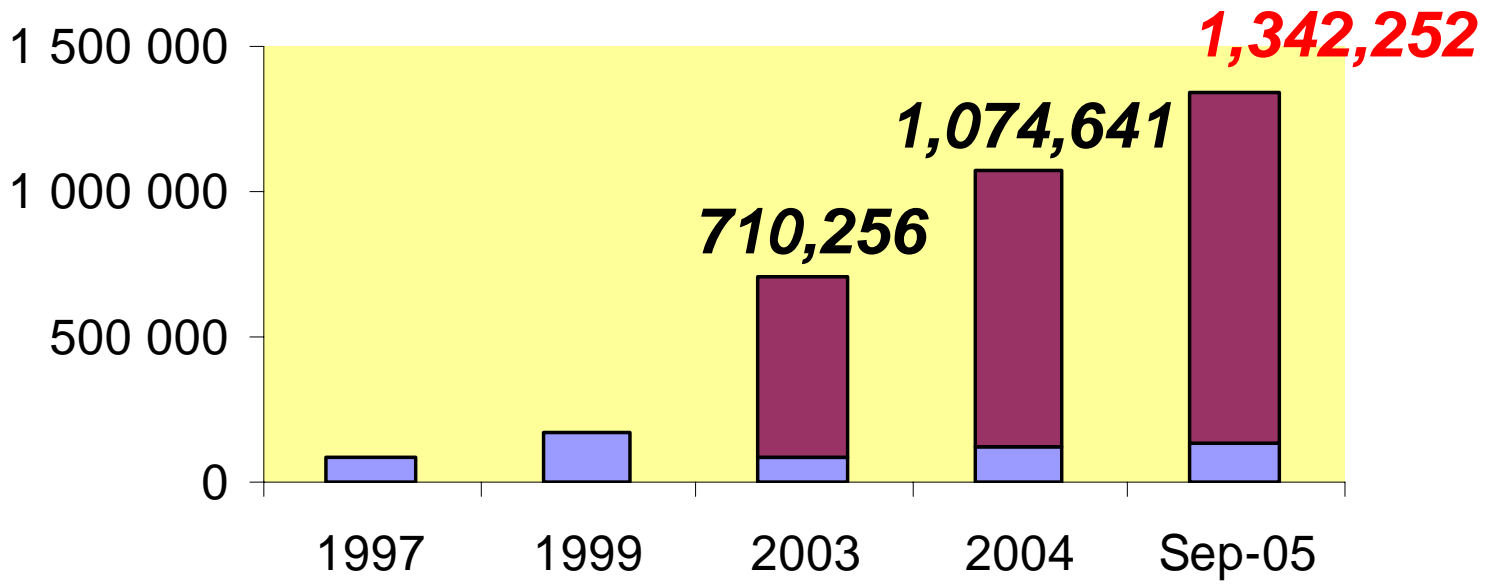




Microfinance in the MENA Region

Microfinance has replaced government programs and employment funds as the most important source tool for starting and consolidating income-generating activities.

Active Borrowers



G& UP: Government programs and employment funds ■ G&UP ■ MFI

Source: Sanabel (Sep 2005)

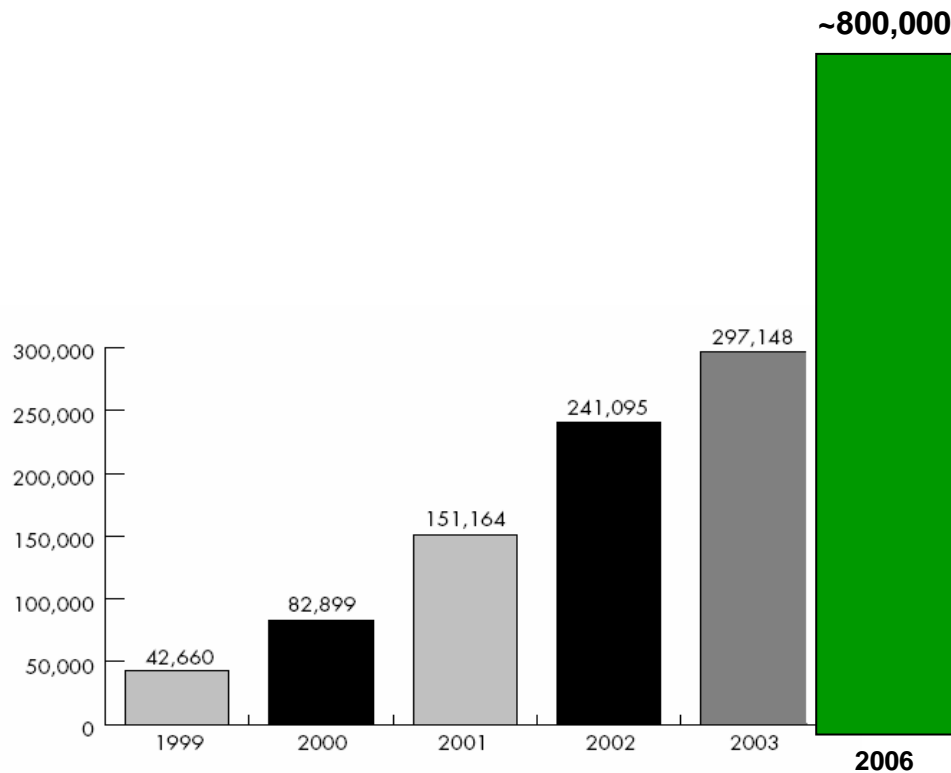


Case Study: Microfinance in Morocco



Microfinance in Morocco

Microfinance in Morocco has become a model for the region



Source: UNCDF, 2004

- **Huge growth of the sector in last 5 years** : Morocco has overtaken Egypt as the microfinance market leader
- 3 MFIs have are responsible for over three quarters of total active clients.
- Microfinance law now allows for **housing credit**, but still prevents MFIs from taking **savings**
- A national impact study has shown that 82% of clients are happy with their loans
- Microfinance in Morocco has **limited outreach to rural areas**, where populations are among the poorest in the country.



Microfinance in Morocco

What are the reasons for the success of the Moroccan microfinance market?

- MFIs such as Al Amana have achieved economies of scale and have been able to reproduce their model all over the country
- The Law on Microfinance has allowed MFIs to obtain commercial finance and has created a framework for best practice microfinance
- The interest rate cap has not been important as it is on the nominal rate and not the annual effective rate



Challenges for Microfinance in the MENA Zone



Challenges for Microfinance in the MENA Zone

Sectors in the Initial Phase:

GCC countries, Algeria, Syria

- Challenge to change the perception of economic development and poverty alleviation, especially in richer countries
- Challenge to educate the general public and government authorities about microfinance
- Challenge to develop a demand for microfinance among potential clients

Sectors in the Expansion Phase:

Yemen, Lebanon, Tunisia

- Challenge to find new forms of commercial finance as donor loans dry-up
- Challenge to diversify products in order to meet the demand and be more competitive
- Challenge to achieve operational and financial sustainability



Challenges for Microfinance in the MENA Zone

Sectors in the Consolidation Phase:

Morocco, Egypt, Jordan

- Challenge to integrate microfinance institutions fully into the formal financial sector
- Challenge to create an enabling legal and policy environment
- Challenge to succeed in transforming MFIs into financial institutions offering the full range of products

Sectors in Conflict Situations:

Palestine, Sudan

- Challenge to maintain current clients without experiencing large spikes in the PAR
- Challenge to recruit new clients whose livelihoods may have been jeopardized or destroyed
- Challenge to adapt methodologies and products specifically designed for situations of political instability



Challenges for Microfinance in the MENA Zone

OVERALL CHALLENGES

- The outreach gap in the MENA region is huge. **5 million potential microentrepreneurs** currently lack access to microfinance.
- The region's MFIs do not have sufficient **financial** and **operational capacities** to bridge this outreach gap.
- The **legal and regulatory frameworks** for microfinance are in most cases not well adapted, and there is a lack of appropriate **infrastructure**.
- The products offered by MFIs do not respond to the **diverse needs of microentrepreneurs**.
- To improve the efficiency and sustainability of MFIs, there is a need to improve their **strategic and operational management**.



THANK YOU

PlaNet Finance MENA

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