

Update

CGAP MENA

Director's Note:

Welcome to the CGAP MENA Update, CGAP is pleased to report once again on the activities and achievements of our partners of the regional microfinance industry during the period April 2009-July 2009. We are also pleased to update you on new CGAP publications which are relevant to the development of the sector in our region.

For this issue, we also interviewed Fouad Abdelmoumini, the Director of Alamana and a member of CGAP's Executive Committee, to try to understand the situation in Morocco and how the sector has reacted and is still reacting, in an attempt to begin gathering some of the lessons learned.

CGAP is grateful to all of our consortium partners for their active participation in the MENA microfinance sector and we look forward to continuing our joint work and coordination.

Mohammed Khaled,
CGAP MENA Regional Representative

Upcoming Events

MENA Microfinance Conference 2009. Sanabel and Uniglobal Research are organizing a two-day conference on October 26-27 in Amman, Jordan for MFIs, banks, NGOs, donors, researchers, technical service providers and other microfinance actors of the MENA region. Key topics will include, among others, the environmental bottom line, expanding outreach, new products, credit bureaus, MIS and transformation. For more information, visit <http://microfinanceassociation.ning.com/events>

Mohammed Bin Rashid Establishment for Small and Medium Size Enterprises, in collaboration with Mashreq Bank, launches the fifth edition of Small and Medium Enterprises Award. The SME Award is part of a concerted strategy to support small and medium businesses in Dubai and provide entrepreneurs with adequate encouragement to grow and develop their businesses. Sixteen awards are distributed this year including Best Start-Up Business of the Year 2008 (Male/Female), for applicants from outside the UAE, Best Arab Start-Up Business of the Year 2008 (Locally/Regionally), and Best Business Project Award in the following sectors: Information Technology, Manufacturing, Marketing and Promotion, Electronics,

Education, Tourism, Consulting, Professional Services, Retail, Design, Food and Beverage, Real Estate, Facility Management, Transport & Logistics Services. To compete in the awards, visit the SME award website, <http://www.smeawards.ae/english/index.html>, and fill the application form latest by 5th November 09.

Regional Updates

Sanabel Annual Conference. The Microfinance Network of Arab Countries (Sanabel) held its Sixth Annual Conference, "Human Capital in Microfinance: People, Passion and Value", from May 12-14, 2008 in Beirut, Lebanon. More than 500 participants attended the conference to learn about regional and international trends and examine the challenges and opportunities faced by the microfinance institutions (MFIs) in the region as they mature institutionally, diversify their products, reach new markets, access new sources of funding, and contemplate transformation. Presentations from the three-day conference are available from <http://www.sanabelconf.org/presentations.html>.

CGAP Policy Forum. CGAP, with support from Sanabel, organized the first Policy Forum for the Arab World for policymakers of the region on May 11. Modeled on other regional policy forums, such as the recent forums for Francophone Africa and Eastern Europe/Central Asia, the one-day event gave central bankers and other officials from 11 countries the unique opportunity to exchange experiences and knowledge with their peers and develop strategies for effectively mitigating sector risks, while simultaneously expanding outreach in a region where only an estimated 15 percent of microfinance demand is being met. A summary of key issues and the presentations given during the Forum are available at <http://www.cgap.org/p/site/c/template.rc/I.26.10634/>.

CGAP Funders' Training. As part of its ongoing efforts to build the capacity of donors and government staff, CGAP conducted its second donor training in the region in June, 2009 at the Dead Sea, Jordan. The one-week course "Building Financial Systems for the Poor — How Donors can Make a Difference" targets donor agency field staff and government officials. For more information about future CGAP donor trainings, visit <http://www.cgap.org/p/site/c/template.rc/I.26.1437/>.

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Grameen-Jameel support for the Sanabel conference, MFI awards and trainings. Grameen-Jameel was a Gold Sponsor of the Sanabel Sixth Annual Conference in Lebanon and supported the Lebanese Microentrepreneur Awards ceremony, the Arab Microfinance Staff Awards, and the "Aligning People with Strategy" session. During the conference, Grameen-Jameel and Sanabel announced the launch of the 2010 Grameen-Jameel MFI Awards. Three awards, with a cash prize of US\$ 10,000, will be presented to the winning MFIs in the following areas: Innovation, Leadership and Sustainable Growth. The Grameen-Jameel Award for Innovation will be presented to the MFI that demonstrates innovation through product development, organizational design, technology, staff training or any other area considered new to the Arab region. The Grameen Jameel Award for Leadership will be presented to the MFI that demonstrates leadership in its local sector, client retention, human resources, new product offerings, poverty focus, operating in a difficult environment or other areas that differentiate the MFI from other MFIs in the region. The Grameen Jameel Award for Sustainable Growth will be presented to the MFI that achieves fast growth defined through client outreach, expansion of services, and market penetration while maintaining healthy financial and operational performance. All Sanabel members are eligible to apply for the awards starting June 1st, 2009. The application deadline is February 28, 2010. Awards will be disbursed at the 2010 Sanabel Conference. Applications are available from <http://www.grameen-jameel.com/news.html>.

Grameen-Jameel held training sessions for microfinance partners and other industry stakeholders following the Sanabel Conference on the 'Progress Out of Poverty Index™' (PPI), developing the next generation of leaders and advanced financial analysis using the F.R.A.M.E. Tool. In May, Grameen-Jameel also launched its Microfinance Loan Officer E-Learning Course. This course is available on CDs in Arabic and online in English.

Arab Microfinance Benchmarking Report, 2008. The Microfinance Information Exchange (MIX) and Sanabel published the 2008 report which explores the growth, efficiency, profitability and recent evolution of regulatory frameworks for MFIs in the Arab region. The MFI sample was composed of 48 MFIs in 10 countries for the benchmarks, with 36 MFIs from nine countries for the 2006-2007 trend data. The median number of borrowers for MFIs in the Arab region increased from 13,266 in 2006 to 15,407 in 2007 while the median GLP for the region increased from US\$ 4.9 million to US\$ 7.5 million. The average loan balance per borrower increased 21 percent (US\$ 259 dollars to US\$ 314 dollars per borrower). Other findings include: 79 percent of Arab MFIs were opera-

tionally self-sufficient with only 50 percent being financially self-sufficient. The report implies that many Arab MFIs are reliant on subsidized funding. Egypt, Morocco and Jordan achieve a financial self-sufficiency rate of 104 percent, 109 percent and 111 percent respectively. The report notes that Yemen and Palestine struggled to achieve full cost-recovery in competitive commercial markets with a financial self-sufficiency rate of 89 percent and 53 percent respectively. To download the report, go to [http://www.themix.org/sites/default/files/2008 percent20Arab percent20Microfinance percent20Analysis percent20and percent20Benchmarking percent20Report percent20- percent20English_2.pdf](http://www.themix.org/sites/default/files/2008%20Arab%20Microfinance%20Analysis%20and%20Benchmarking%20Report%20-%20English_2.pdf).

IFC investment in CHF Holdings. IFC's investment of US\$ 10 million equity in the holding company was approved in June 2009. Advisory services and investments in affiliates in Lebanon, Jordan and Iraq are being contemplated.

Country Updates

Algeria

Pilot of Sharia-Compliant Financial Services shows stable growth. FIDES, with the support of GTZ, started rolling out Islamic financial products in partnership with Al Baraka Bank. Outstanding portfolio has surpassed €100,000 with zero defaults so far. These promising results help to support the confidence of the local authorities as well as of the partnering bank in a country where commercial microfinance approaches are virtually nonexistent.

Egypt

Consultation Meeting on the proposed draft General Rules for Microfinance Companies. The Ministry of Investment and GAFI organized a meeting with CGAP, donors, NGO-MFIs, banks, the two candidates to become the first microfinance companies (MFCs), investors, the private credit bureau company and other stakeholders in late May to get feedback on the proposed draft General Rules. The General Rules for Microfinance Companies are expected to come into force upon the enactment of the new Single Regulator Act which will pave the way for commercial microfinance. The main issues discussed included transformation of NGOs, interest rate caps, remittances, the credit bureau, taxes and commercial funding and liquidity.

Launch of a new microfinance company. Tanmeyah Micro Enterprise Services was launched in May to target established small business owners and low to middle-income entrepreneurs in both urban and rural communities, with a focus on rural areas where access to financial services is often low. Tanmeyah is owned by Finance Unlimited, Citadel Capital and the Egyptian Gulf Bank (EGB) and an agreement with the EGB

The state of the microfinance sector in Morocco: Interview with Fouad Abdelmoumni, CEO of Al-Amana.

Morocco has long been portrayed as the success story of microfinance in the Middle East and North Africa region. It accounts for almost half of microfinance clients in the Arab world and, between 2002 and 2007, Moroccan MFIs witnessed one of the fastest rates of growth in the history of microfinance anywhere in the world. In 2008, however, some MFIs began to face critical repayment problems. We asked Fouad Abdelmoumni, CEO of one of the largest MFIs in Morocco — Al Amana, and a member of CGAP Executive Committee, to explain how the microfinance sector has been affected and the changes he sees on the horizon.

1) What are the main causes, reasons for what has happened in the sector in Morocco?

Between 2007 and 2009, MFIs in Morocco saw their PAR 30 increase by 1 to 6 percent while their loan portfolios grew very little. In my opinion, this is due first of all to changes in the supply and demand for microfinance services, second to organizational weaknesses and third to the global economic crisis.

Up until 2005, clients had few sources for loans and thus had a strong motivation to repay when they were able to obtain credit from microfinance institutions to ensure continued access to this vital resource. With the boom in microcredit providers and their policy to offer credit to anyone and to give them larger loans, clients themselves started losing their competitive advantage (a carpenter who is one of a few to obtain a loan has an advantage over other carpenters until all the other carpenters in the neighborhood can also obtain loans and prices start to come down). Lenders also lost their monopoly status and clients began to see them differently. So clients began making fewer profits and became less dependent on their MFI. With little social, legal or institutional pressure to repay on time, clients no longer view their commitment to their MFI as a top priority and, in many cases, prefer to spend their money on more pressing matters.

At the same time, confidence in the microfinance sector in Morocco was so high after ten years of remarkable performance, along with international and national enthusiasm for microfinance, generous funding, positive assessments from external audit firms and supervisory authorities. In such a context coupled with a growing economy, MFIs put their efforts into expanding their branch network and began taking more risk by offering a wider range of products, reinforcing their market position and strengthening their governance, internal controls and information systems.

Luckily, the series of economic crises in 2008-2009 did not hit Morocco as hard or have system-wide repercussions as in other countries. But some of our microfinance clients were certainly affected. The increase in food prices has meant spending more of their limited revenues on essential goods, and has increased their production costs, putting a dent in their market and their profit margins. Even if most of the population has not been affected, it only takes as little as 10 percent of an MFI's clients experiencing trouble with repayments for an MFI's portfolio quality to deteriorate. On top of this, the microcredit sector was hailed as having been miraculously spared and as a key instrument to lessen poverty by the government, the palace, civil society and international donors. The inefficiency of the legal system and the reluctance of local authorities to put pressure on politically sensitive and socially disadvantaged populations has also led to a sense of impunity and even encouraged a few to campaign for non-repayment, especially before the elections.

Thankfully, the microfinance sector has managed to retain its good image overall and local banks and other lenders have not asked for early repayment of loans nor has it led to rethinking the range of future services (public savings mobilisation in particular).

2) How have key actors, such as the MFIs, the Ministry of Finance or the Bank Al Maghrib (the Central Bank) reacted to contain the possible fall-out and what have the results been so far?

When Moroccan MFIs realized that delinquency rates were rising significantly in mid-2008, they came together to look for solutions and to seek international expertise. First, the largest MFIs had to take a hard look at themselves and agreed to have their collective results analyzed by external parties such as CGAP and the IFC so that diagnostics could be carried out.

Each MFI has put systems in place to clean up its portfolio and better manage delinquency. The information-sharing platform on risks, which was put in place in April 2008 and quickly alerted MFIs to rising delinquency, has been improved. Bank Al Maghrib has recommended MFIs to take care of institutional, MIS and internal control weaknesses as a top priority, along with increasing provisioning and creating better links between themselves and also with banks. When Fondation Zakoura put in place its new MIS it discovered some serious repayment and fraud problems and decided to merge with Fondation Banque Populaire de Micro-Crédit because of its soundness and close relationship with the group Banques Populaires du Maroc.

The government became more aware of the dangers facing the industry and promised to improve the responsiveness of the legal and administrative system, though we have yet to see concrete results in this area.

These responses have managed to contain growth and kept the repayment crisis from getting worse. But it's likely that we won't see a significant and widespread improvement in loan delinquency in 2009. Actually most of the steps that have been taken, such as reducing loan sizes or not giving out loans to riskier and more problematic potential clients, lead to higher incidents of non-payment because client cashflow goes down, clients have less confidence in the institution's continued existence and willingness to improve services and both their ability to repay on time and their motivation to do so diminish. MFIs, however, are beginning to improve their relationships with their clients and communications with them and to better understand how to motivate staff and clients to improve repayment and reduce fraud and delinquency.

3) What are the lessons learned from what has happened so far, for the sector — in Morocco, the region and world wide?

We've learned that a new economic sector can grow incredibly fast, at least for a while, but as the situation in Morocco has shown, that sustained long-term growth is only possible if it's based on a sound economic model and on parallel improvements in terms of governance, operations, systems and products to ensure client satisfaction and good management.

It's also taught us that strong performance in one institution does not translate into success for all similar institutions and for a long period of time. Finally, it's shown us that managing a crisis depends a great deal on attitudes and skills developed in lean times. Transparency, cooperation, the ability to recognize one's limits and to learn from one's mistakes are key for making some often difficult decisions and that may require management staff to leave their egos at the door and to confront those who have behaved illegally in order to start again on a solid foundation.

is being finalized for funding for on-lending. Tanmeyah began its operations in July 2009 and disbursed about 1,700 loans totaling more than 8 million Egyptian pounds in its first month of operations. Tanmeyah expects to grow to 300 branches and to expand into microinsurance, brokerage, money transfers and ATMs.

First Microfinance Foundation-Egypt (FMF-E).

Within the framework of the partnership agreement signed between FMF-E and USAID, with a worth of 20 million Egyptian pounds (around US\$ 3.3 million), FMF-E used a first tranche of this funding (US\$ 275,000) to increase its US\$ 3.9 million portfolio by the end of June. The goals of this partnership are to reach 30,000 beneficiaries and extend FMF-E's regional network to nine cities and 75 percent of Aswan villages, which will help to develop and fund small business ventures in the Aswan Governorate. Through FMF-E's cooperation with the First MicroFinance Bank-Afghanistan, two Afghan SME trainers came to Cairo at the end of February to deliver an eight-week training program which included classroom and practical field training, and field coaching on actual cases. The first SME loans were disbursed by FMF-E in May 2009. At the end of July, five SME loans totaling 160,000 Egyptian pounds had been disbursed. The loans are being given to existing microfinance clients who have increased their business size and graduated to larger loans. The SME unit is cooperating with other Aga Khan Development Network agencies to bring loans to borrowers who want to expand their businesses to serve visitors to the historic Cairo neighborhood of Darb Al-Ahmar.

Iraq

Tijara Microfinance Component/USAID Iraq. Tijara organized an MFI partners' conference on July 28 and 29 to celebrate the latest progress and success in the institutionalization and modernization of the Iraqi microfinance industry. The theme of the conference was "Mainstreaming Iraqi Microfinance into the Financial Sector" and included 66 participants from the national Iraqi and regional Kurdistan Governments, the Central Bank of Iraq, USAID-Iraq, provincial reconstruction teams (PRTs), governing board members and staff members from all Iraqi MFIs, as well as USAID. A wide variety of subjects were covered, including: the status of the microfinance industry; effective loan portfolio management; MFI operational assessments; human resource development; microfinance in challenging security, social and cultural environments; solidarity group lending; mainstreaming microfinance into the formal financial sector; MFI transformation out of NGO status; financial transparency; information technology; grants and reporting requirements.

Through June 2009, the eleven Iraqi microfinance institutional (MFI) partners of Tijara had almost 46,000 active clients with nearly US\$ 72 million outstanding in loans, and a PAR > 30 days of I.I per-

cent. This is a 60 percent increase of outstanding portfolio over the last year.

Jordan

JMCC-Tamweelcom launches into solar energy. In cooperation with the National Energy Research Centre (NERC) and Nur Company, a firm specialised in solar technology production, the Jordan Micro Credit Company-Tamweelcom launched an initiative in April to enable low-income Jordanians and entrepreneurs to purchase solar water heaters through low monthly installments.

Islamic Development Bank signs funding agreement with MOPIC.

The Ministry of Planning and International Cooperation (MOPIC) and the Islamic Development Bank (IDB) signed financing agreements worth US\$ 10.35 million on May 5, in the presence of Her Majesty Queen Rania. The US\$ 10 million soft loan will be used to support the financial and institutional capabilities of the Development and Employment Fund (DEF) to extend Islamic financing, and strengthen the capability of DEF to act as a wholesale lending facility for MFIs. The US\$350,000 grant will be used for training and extending technical support to MFIs for the purpose of introducing Islamic products. In addition, the IDB gave a grant of US\$ 300,000 to a project that will be supervised by the Jordan River Foundation and will support low-income farmers in the Al Mudawara area.

IDLO Seminar on Legal and Regulatory Frameworks.

The International Development Law Organization (IDLO) held a seminar on the legal and regulatory frameworks that impact the provision of microfinance and other financial services to the poor in the Middle East region. The seminar took place in the Dead Sea, Jordan from June 7 to 18. The topics of the seminar included discussions on existing microfinance legislation and regulatory frameworks in the Arab states, commercialization of the industry, consumer protection issues, new microfinance delivery methods, different sources of capital, transformation into licensed regulated institutions, and more. The seminar was attended by 23 participants from 13 countries, mostly legal professionals from the government, central banks, private sector and NGOs with some experience in the microfinance sector.

Lebanon

Al Majmoua obtains first commercial loans. In the second quarter of 2009, Al-Majmoua signed three loan agreements with Triple Jump Fund Management (US\$ 1.5 million), Blue Orchard (US\$ 250,000) and Planis (US\$ 250,000) and is in the process of negotiating other loans from domestic commercial banks.

Morocco

Credit crisis. Microfinance institutions have been facing an unprecedented credit crisis since 2008. But the

sector has reacted swiftly and MFIs have put in place aggressive recovery plans. MFIs are slowing down growth, tightening their credit processes and focusing on loan recovery. They are also exchanging credit information on a weekly basis to control cross-indebtedness. See the interview in this issue with Fouad Abdelmoumni the CEO of Al-Amana for his analysis of the situation.

Acquisition of Zakoura. The Moroccan flagship institution Fondation Zakoura was acquired by Fondation des Banques Populaires in a landmark deal announced in May 2009. The new entity will be named Zakoura Chaabi Microcredit Association.

Launch of credit bureau covering microfinance. Microfinance institutions will be integrated into the new global credit bureau set up by the central bank of Morocco, Bank Al-Maghrib. The new credit information service is expected to be fully operational by December 2009.

PROFOR extended. The training & technical assistance programme "PROFOR", which is carried out by Horus Development Finance under German Financial Cooperation through KfW, has been extended until January 2010. The training measures are complementary to KfW's fiduciary participation in the Moroccan wholesale fund for MFIs, JAÏDA. The program is targeted at the institutional strengthening of primarily smaller and medium-sized MFIs that wish to qualify for commercial wholesale funding through JAÏDA. The program also supports the creation of a wider range of microfinance products, especially in rural areas.

Oman

First microfinance project to be launched in Oman. PlaNet Finance UAE is in the process of registering the first microfinance institution, a new joint stock company called Greenfield, to provide financial and non-financial services to poor entrepreneurs in Oman.

Palestine

DEEP/UNDP Islamic Microfinance Component. DEEP enables microentrepreneurs to increase their income by encouraging partner MFIs to apply the principles of Islamic microfinance that emphasize risk sharing, individual rights and duties, property rights and the sanctity of contracts. DEEP also focuses on developmental and social goals through Islamic microfinance. From April to June 2009, DEEP continued to disburse loans to six MFIs in the Palestinian Territories in the amount of US\$ 2.2 million.

European-Palestinian Credit Guarantee Fund (EPCGF). EPCGF – a programme supported by KfW (on behalf of German BMZ), the European Commission (EC) and the European Investment Bank (EIB) to broaden access to finance for Palestinian MSME – continues its very successful opera-

tions. As of July 1, 2009 the fund issued its 1000th loan guarantee bringing a total credit volume of loans approved and guaranteed under the programme to more than US\$ 29 million. Repayment rates remain high, and, since its inception in September 2006, EPCGF has helped Palestinian MSMEs maintain and safeguard 3,700 jobs. In addition, a comprehensive bank training program continues to be offered to strengthen the sustainable development of the Palestinian banking sector.

Development of a credit bureau. The Palestine Monetary Authority (PMA) has signed MOUs with the six main microfinance institutions which already have their MIS in place and will sign the same MOU with the other MFIs when their MIS is ready. The data of the UNRWA microcredit program is already installed in the central data and UNRWA can already check the credit history of their clients electronically with the Credit Bureau.

SMART Program. With USAID support under the AED-managed SMART program, Al Rafah Microfinance Bank, officially opened a new sub-branch in the town of Dura, near Hebron in the south of the West Bank. The branch opening represents AMB's strategy to expand outreach outside of major cities. AMB, with the assistance of SBI under the AED managed ESAF program, continues to build its microfinance capacity and by July 2009 has increased the microfinance portion of its lending to 40 percent of its overall portfolio.

IFAD project for Savings and Credit Associations. After the 2000 intifada and the resulting rise in poverty, IFAD launched the Rehabilitation and Development Project. An innovative element of this project was the Women's Livelihood Support component, which aimed to empower women by setting up Savings and Credit Associations (SCAs) with the support of the Palestinian Agricultural Relief Committees (PARC). These "village banks" provide women with access to credit and other services, thus paving the way for them to establish their own businesses. In addition, the financial, administrative and organizational training offered by the women's Business Service Centers has allowed women to expand the range of their activities. By December 2008, 12 women's SCAs were legally registered as savings and credit cooperatives and are members of the Union of Cooperative Associations for Savings and Credit. The Union represents 176 locations and villages and includes 7,383 members, for a total amount of over US\$ 2.6 million in savings and shares, and a total current portfolio of over US\$ 3.1 million. The project is currently being replicated among farmer cooperatives in Gaza and the West Bank and, recently, the SCAs have been working to establish a Palestinian banking institution that is regarded as the first step towards a "bank for the poor".

On-site consultancy for PARC. Grameen-Jameel completed a six-month on-site consultancy on behalf of the Palestinian Agricultural Relief Committees (PARC) in June. In addition to providing daily operations oversight, the consultant developed new procedures to monitor delinquency issues along with strategic and operations plans for five of PARC's twelve Savings and Credit Associations (SCAs) and the Union.

Sudan

Central Bank of Sudan issues directives for microfinance. The Central Bank of Sudan has issued a circular note giving directives on microfinance to Sudanese banks. As part of its 2009 Central Bank Policy the CBOS has encouraged the development of microfinance for housing and agriculture, as well as the expansion of Islamic banking. To develop and promote microfinance, the Central Bank has established a specialized microfinance unit. Policies include requiring banks to: allocate a minimum of 12 percent of their portfolios to microfinance, establish specialized units or departments for microfinance that must submit annual microfinance plans to the Central Bank, and; to carry out media-based microfinance awareness programs. The 2009 Policy also states that the Central Bank may put in place an institution to provide guarantees for microfinance activities. The directive also encourages other modes of Islamic banking besides Murabaha (sale contract for cost plus markup) by requiring banks to have a 30 percent maximum of their loan portfolio dedicated to Murabaha and it stipulates that the profit margin on Murabaha contracts can be no more than nine percent.

Syria

First MicroFinance Institution Syria (FMFI-S). FMFI-S, the first MFI to be licensed by the Central Bank of Syria, began collecting deposits on June 25, 2009 and is offering its clients the option of opening current and savings accounts. In September, after a two-month testing period, FMFI-S will be extending these services to its new branch in Homs and will then roll it out throughout its entire network. In addition, a new fixed-term deposit product will be introduced in all branches. FMFI-S also recently installed a new MIS to gain in efficiency and improve the quality of its services. FMFI-S has 15,000 active customers and branches in Damascus, Aleppo, Lattakia, Salamieh, Homs, Tartous, and Al Sweida, and is seeking to cover all Syrian Governorates by 2011.

KfW support to FMFI-S. On July 23, representatives of KfW Entwicklungsbank (the German development bank), the State Planning Commission of Syria and First MicroFinance Institution Syria (FMFI-S) signed two financial agreements for the support of FMFI-S through KfW. The financing agreements will provide FMFI-S with € 2.3 million for on-lending, to be chan-

nelled through CBS, a grant for the development of the branch network (€ 200,000) and a grant for consulting services for product development (€ 500,000). KfW is also in the process of acquiring shares in the capital of FMFI-S (up to € 2 million). During the last German-Syrian government negotiations, the German government committed further funds of up to € 4 million for the support of FMFI-S.

The IFC is currently assessing FMFI-S to provide technical assistance for capacity building.

IFAD and UNDP support Sanduq initiative. In the IFAD-supported Jabal al-Hoss Agricultural Development Project, the term *sanduq* refers to an autonomous microfinance institution that is owned and managed by its members – a novel concept in a centralized banking system. The United Nations Development Programme (UNDP) promoted the *sanduq* microfinance initiative in some areas where the project was being implemented. IFAD identified the target groups, trained them and assisted in appraising the loan applications; UNDP provided financial support to the *sanadiq*. The *sanadiq* (plural of *sanduq*) are self-managed and autonomous in their decision-making, which has included the adoption of financial practices consistent with local values. The start-up is self-financed through member share capital, from which small loans are given for up to three months. Whenever initial financial intermediation is satisfactory, the project provides an additional capital injection, thereby increasing outreach, loan sizes and loan terms. Special attention is given to women, who constitute 41 percent of the membership. So far, 50 *sanadiq* have been established. More recently, IFAD's North-Eastern Regional Rural Development Project extended the initiative to the north-east of Syria, where it plans to set up *sanadiq* in 96 villages.

Tunisia

MSME Market Study in Tunisia. Together with its Tunisian partners, KfW started the pre-selection procedure in May inviting international consulting firms to submit their interest in executing a market study for the Tunisian MSME sector in the fourth quarter 2009/first quarter of 2010. The study will also touch on the microfinance market segment when analyzing market demand and supply regarding loan sizes between 4,000 and 80,000 TD.

Enda inter-arabe launches Mifos. Enda inter-arabe (Enda) became the first Arab MFI to go live on the Mifos open source Management Information System (MIS) platform. Enda selected Mifos, a technology platform specifically designed for microfinance, to help drive and sustain its outreach, innovation and growth. Enda expects that its investment in Mifos, the open

source initiative developed by Grameen Foundation and launched in the Arab World by Grameen-Jameel, will assist it in managing its high growth from the current 100,000-plus poor clients across Tunisia to its target of 300,000 by the end of 2012. A web-based MIS, Mifos supports loan and savings portfolio management, centralized operational reporting, social performance measurement, and can be integrated with other technology solutions.

Yemen

Social Fund for Development continues funding and training of MFIs. SFD disbursed loan funds to the National Microfinance Foundation, to Hadhramout MFI and a second installment to Nama MFI, all to expand their outreach. SFD also implemented a number of courses during this period: an internal auditing course aimed at internal auditors, financial managers and accountants, a training on the Maeen v. 2 loan tracking system and on-the-job training for two MFIs on operational risk management and product development. The SMED unit in SFD also provided technical assistance to partner MFIs by installing Maeen v.2 in two MFIs and carrying out field audits of the portfolios of three MFIs.

SFD microfinance partners workshop. The SMED unit organized a workshop on May 27, 2009 that was attended by 30 participants representing 11 organizations working in microfinance. During the workshop a number of issues were reviewed and discussed, the most important of which were the new release of Maeen Loan Tracking System, and on-the-job training. Also, the MFIs performance indicators for the first quarter of 2009 were discussed and compared to the plans, in addition to the problems facing the expansion of MFIs.

The National Microfinance Network. On May 26, 2009 a workshop that included the Network's potential partners was organized in cooperation with UNDP. It was attended by 23 people representing upper management and decision makers from 15 MFIs and other institutions. During the workshop, participants discussed a number of issues such as the establishment of the network, the findings from field visits to MFIs to help NMN take stock of the microfinance industry and challenges and difficulties.

BRAC– Yemen. Following a visit by BRAC's team to Yemen to explore the microfinance industry and examine the potential market, SFD is currently assisting BRAC to officially register with the authorities in order to create a BRAC-SFD partnership to provide microfinance services, especially in rural areas.

Graduation from Poverty Project. SMED, in coordination with the Social Welfare Fund (SWF) and CGAP, are carrying out a project to help 900 SWF beneficiaries improve their living conditions.

In coordination with Grameen-Jameel and Grameen Foundation, a simple poverty scoring card was developed for Yemen. The Scorecard, which was created from Yemen's 2005-2006 Household Budget Survey, was used to survey almost 8,000 households which are receiving assistance from SWF in the project areas, in order to select the 900 households with whom the pilot project will work. The scorecard uses ten simple indicators that field officers can quickly collect and verify. Poverty scores can be computed on paper in the field in about five to ten minutes. With the poverty scorecard, MFIs in Yemen can now implement the PPI to monitor client poverty rates, track changes in poverty rates over time, and target their services.

Also, a survey has been launched to pave the way for a study that will define key income-generating activities, how to market them and potential risks for those participating in the project.

Value Chain study. SMED, in cooperation with World Bank, carried out value chain studies for five sectors: honey, wheat, fish, qat, and coffee. Based on field surveys, the study helps clarify the market for these sectors, in addition to acquiring knowledge on incentive policies for SMEs.

GTZ provides support for the implementation of the new microfinance law. Microfinance staff in the Central Bank of Yemen has received training on financial analysis, interest rates, risk management and internal audit. The second phase of the ongoing project is focusing on regulation on the MFI licensing process. Supervision manuals are also planned.

New CGAP Research and Publications

The Microfinance Gateway, an online resource for the global microfinance community, and a service of CGAP, has revamped its website, creating a new look, improved navigation and new interactive features. The site has an interactive library of over 7,000 microfinance documents with ratings and reviews, a job board with the capacity to post jobs or receive emails about jobs, an interactive event calendar, daily news, announcements, blogs, and comment boards. Visit www.microfinancegateway.org.

Advance Results of the 2009 CGAP Microfinance Funder Survey. The following highlights for the MENA region are drawn from CGAP's annual survey of cross-border funding for microfinance. Sixty-one donors and investors participated in this year's survey.

- Twenty-five funders committed US\$ 717 million to the region as of December 2008, representing 5 percent of the total US\$ 14.8 billion committed to microfinance for all regions.
- Close to 30 percent of total foreign funding committed to the region goes to Egypt and Morocco.
- The top funders, AECID (Spain), AfDB, AFD Proparco, EC, IFC and IFAD, account for 61 percent of funding committed for MENA.
- Donors and investors are equally represented in terms of funding commitments (17 donors provide 53 percent of funds committed; 9 investors provide 47 percent of funding).

In MENA, debt is the most widely used instrument (62 percent), followed by grants (22 percent), and guarantees (15 percent).

Note: The survey does not include local sources of funding. More results will be available by the end of October on www.cgap.org/funders.

The Microfinance Banana Skins 2009 survey. The report, the second in the series, explores the risks, or "Banana Skins," facing the microfinance industry at a time when the global financial crisis has raised new and unfamiliar challenges. The survey was conducted in April and May 2009 and is based on 430 responses from practitioners, investors, regulators and observers of the sector from 82 countries and multinational institutions.

The key finding of the survey is that the economic crisis has completely transformed perceptions of the microfinance risk landscape. MFIs, their investors, and regulators are now focusing on credit risk, liquidity, and global economic trends, in contrast to the top three concerns from 2008 - management quality, corporate governance, and inappropriate regulation. <http://www.cgap.org/p/site/c/template.rc/I.26.I0907/>.

AML/CFT: Strengthening Financial Inclusion and Integrity. This September 2009 CGAP Focus Note looks at how the inappropriate implementation of the international standards on anti-money laundering

(AML) and combating the financing of terrorism (CFT)—especially in emerging markets—can play a role in excluding millions of low-income people from formal financial services. It can relegate the unserved majority to the informal world of cash, undermining social and economic advancements and denying regulators and law enforcement a key means of strengthening financial integrity: the ability to trace the movement of money. The Note argues that financial inclusion and an effective financial integrity regime can—and should—be complementary national policy objectives. International AML/CFT standards have some flexibility, enabling countries to craft effective and appropriate controls. The challenge is finding the right level of protection for a particular financial environment. <http://www.cgap.org/p/site/c/template.rc/I.9.37862/>

CGAP Focus Note on Better Asset and Liability Management. The recently published Focus Note "Asset and Liability Management for Deposit-Taking Microfinance Institutions", argues that many MFIs need to strengthen their asset and liability management to match the diversification of their funding sources and the risk that comes with it. Many MFIs have evolved from relying on a combination of grants and concessional funding to commercial sources of finance, including deposits, loans, bond issuance and equity. Accordingly, these institutions need to place greater emphasis on liability management in particular. This need has become all the more urgent given the scarcity and higher cost of funds to MFIs during the global financial crisis. <http://www.cgap.org/p/site/c/template.rc/I.26.I0804/>

Greening Microfinance: Clients and the Climate of Change. This Focus Note offers practical suggestions on how microfinance institutions can have an exponential impact on combatting climate change by empowering their hundreds of millions of clients — often those who are most likely to suffer from global warming — with the knowledge and financing to effect positive change in their own communities. Although many of the technologies cited, like greener cooking fuels and solar panels, may be too expensive to finance through individual consumer loans, MFIs can go a long way toward encouraging environmentally friendly practices by lending to green microbusinesses, including retailers of things like solar panels. The key is to link all parts of the supply chain, from wholesalers, to retailers, to end-users. <http://www.cgap.org/p/site/c/template.rc/I.26.I0508/>.

Microfinance Managers Consider Online Funding: Is It Finance, Marketing, or Something Else Entirely? This April 2009 CGAP Focus Note looks at how the growth in online lending and investment platforms presents an opportunity and a challenge for MFIs intent on tapping the potential of online lenders or investors. The Note focuses on the demand side of the equation and highlights issues that MFIs may want to consider before signing up for a loan from an online lending platform. <http://www.cgap.org/p/site/c/template.rc/I.9.34243/>.