



SANABEL
The Microfinance Network of Arab Countries



Update

CGAP-Sanabel MENA

December 2011

Note from CGAP and Sanabel

CGAP and Sanabel are pleased to announce the first issue of their joint MENA Update. We are happy to continue to offer this bi-annual update on the microfinance industry in the Middle East and North Africa (MENA) in a new partnership between CGAP and Sanabel.

The MENA Update aims at sharing information about funders' activities in the region in order to facilitate coordination and exchange. We thank all members and partners for their contributions to this edition of the MENA Update, which covers April to September 2011, and upcoming events and projects. In this edition, we invited Johannes Majewski from the Deutsche Gesellschaft für internationale Zusammenarbeit (GIZ) to present GIZ's new regional microfinance program and share his views about financial inclusion in the region.

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Events

Donor Coordination Meeting Tunisia. CGAP is facilitating a donor coordination meeting in Tunis in January 2012. The meeting will bring together donors and investors interested in supporting the Tunisian microfinance sector and facilitate a discussion around the new national microfinance strategy.

Iraq Microfinance Policy Forum to be held in January 2012. USAID-Tijara and UNDP plan to organize a microfinance policy forum in Erbil (date to be confirmed). The forum will look at challenges and priorities for the development of the Iraqi microfinance sector and attempts to outline cohesive policy recommendations for all levels of the financial system.

Managing the Crisis and Planning for the Future. Sanabel organized the first regional workshop tackling the current situation in the microfinance sector for November 20 - 21 in Cairo, Egypt. The workshop afforded regional and international speakers with experience in working under similar situations the opportunity to share their experiences. Earlier this year, Sanabel undertook a brief survey on the impact of revolutions and uprisings on its members and on the microfinance industry in general. The results were presented at Sanabel's annual conference.

Global Microcredit Summit in Valladolid, Spain. The Global Microcredit Summit was held November 14 - 17 in Valladolid, Spain. Her Majesty Queen Sofía of Spain, Nobel Peace Prize Laureate Professor Muhammad Yunus, Sir Fazle Abed of BRAC, and more than 1,800 delegates from over 100 countries participated in the Summit.

Second International Conference on Inclusive Islamic Financial Sector Development held in Khartoum. The Sudan Academy for Banking and Financial Sciences (SABFS) and the Islamic Research and Training Institute (IRTI) of the Islamic Development Bank (IsDB), based in Saudi Arabia, with support from the Microfinance Unit of the Central Bank of Sudan, hosted a conference in October to analyze the challenges presented by the limited availability of Islamic financial services to the poor, and to explore the development of such services.

Peer Learning Exchange Program Organized in Morocco. Sanabel organized a Peer Learning Exchange Program in Morocco, October 3 - 7. The Program aimed to improve the skills of microfinance practitioners through the exchange of expertise and opportunities to gain direct contact to practical and field experience, relying primarily on visits to pioneer institutions and learning directly by hearing from employees' accounts of their actual experiences.

Citi Micro Entrepreneurs Award 2011 Launched in Cairo. The objective of the Citi Micro Entrepreneurs Award 2011 is to acknowledge and promote the effective role of microfinance in alleviating poverty worldwide. The awards, launched in Cairo by Sanabel for the second consecutive year, recognize individual micro-entrepreneurs for their extraordinary contributions in gaining self-sufficiency for their families and for their communities, in addition to successful loan officers, who were recognized for their dedication and determination to support their clients. The awards will be given in seven categories this year: 1) Pioneer female micro-entrepreneurs; 2) Loan-guarantee groups; 3) Pioneer microenterprise

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in industry and handcrafts; 4) Best employer of micro enterprise; 5) Innovation in Microfinance; 6) Microenterprise that scaled up into a small enterprise; 7) Loan officer/specialist of the Year.

Sanabel's Eighth Annual Conference held in Amman. Sanabel's eighth annual conference, entitled "Microfinance in the Arab Region: Challenges of the Past and Opportunities of the Future", was held in Amman, Jordan, June 7–9. The conference focused on addressing the challenges and opportunities facing the Arab region as it continues to grow, and the implications that global trends and developments have for the region. The conference was attended by more than 500 participants, including microfinance practitioners, government officials, investors, donors, as well as 70 regional and international speakers.

Grameen-Jameel Presents Awards to Leading Microfinance Institutions (MFIs) and Micro-entrepreneurs in the MENA Region. Grameen-Jameel's MFI awards for Sustainable Growth, Innovation, and Leadership were announced during Sanabel's eighth annual conference in Amman, Jordan. Designed to recognize leading MFIs, awards were presented to the Microfund for Women in Jordan for sustainable growth, Fondation Banque Populaire pour le Microcrédit in Morocco for innovation, and enda inter-arabe in Tunisia for leadership. In addition, seven outstanding micro-entrepreneurs from Jordan were awarded the Grameen-Jameel and Sanabel micro-entrepreneur awards and provided the opportunity to present their success stories during the opening plenary session. Finally, the Islamic Microfinance Challenge 2010, sponsored by CGAP, Deutsche Bank, Grameen-Jameel, and Islamic Development Bank, was awarded to Al Amal Bank from Yemen.

Regional Updates

Sanabel Welcomes Two New Members and Builds New Partnerships. Since April 2011, the International Commercial Bank (CIB) from Egypt joined Sanabel as a full member and the Sudan Academy for Banking and Financial Sciences became a friend of Sanabel. Sanabel itself joined the Imp-Act Consortium, which will allow Sanabel to provide higher value-added to its members in social performance management. The Imp-Act Consortium is a global group of 12 organizations working to promote and support the management of social performance by MFIs. Sanabel further signed an extension for the social performance management project with Oxfam Novib until June 30, 2012. Sanabel has also renewed its partnership with AGFUND. The partnership was extended for two years and continues to focus on supporting Sanabel's training and capacity building program and the

annual conference.

CGAP, Sanabel, AFD and Al Baraka Banking Group Launch Global Survey on Islamic Micro-, Small- and Medium-Enterprise (MSME) Finance. Studies indicate that a sizeable proportion of people living in Muslim-majority countries opt out of financial services for religious reasons, preferring Shariah-compliant financial services if they were provided on a competitive basis with conventional financial services. Improving the availability of Shariah-compliant financial services is therefore crucial in expanding access to finance among Muslim populations. CGAP, in partnership with the French development agency (AFD), Sanabel and Al Baraka Banking Group, is currently undertaking a global survey on Islamic MSME finance that will share knowledge on global practices in this area. The paper will update the CGAP 2008 Focus Note on Islamic microfinance delivered by MFIs, but expands the scope to include information on SMEs. It looks at MFIs as well as other types of financial service providers. Sanabel is collecting data on the MENA region for this survey. The data collection phase is expected to be completed by December 2011, with a final paper to be released in the spring of 2012.

GIZ Launches Regional Microfinance Project and Partners with Sanabel. GIZ was commissioned by the German Federal Ministry of Economic Cooperation and Development (BMZ) to design and implement a three-year regional microfinance project in MENA. The project aims to strengthen the regulatory framework in selected countries in the region (namely Egypt, Jordan, and Palestine) as well as provide technical assistance to Sanabel in the areas of strategy development, procedures and governance, and service provision.

Regional SANAD Fund for MSME Launched in August 2011. The SANAD Fund for MSMEs in the MENA region was launched by the German Development Bank (KfW Entwicklungsbank), with funding from BMZ, and the European Commission (EC). BMZ, the EC, and KfW signed agreements for investments totaling EUR 30 million. SANAD will foster employment creation, especially among youth, and economic development in the MENA region through the sustainable provision of finance to MSMEs through qualified and eligible partner institutions. The Fund has three main targets. First, maintain and create employment, especially for the youth – primarily through support to small and medium enterprises. Second, reduce poverty – by facilitating self-employment, primarily through microfinance. Third, build inclusive financial systems – by cooperating with banks, microfinance institutions and other institutions to facilitate access to financial services. Based on an innovative public-private partnership model, the SANAD Fund is open to various types of investors, such as development finance institutions, international finance

institutions as well as private investors. SANAD has already approved the first two investments, one in Jordan and one in Lebanon.

Introducing Youth-Inclusive Financial Services Training in the Arab Region. Sanabel signed a Memorandum of Understanding with Making Cents International and Alexandria Business Association (ABA) to introduce Youth-Inclusive Financial Services training in the Arab region. The first training was held in April 2011 in Alexandria. Making Cents designed the training course to provide financial services providers and youth-oriented organizations with an understanding of the issues particular to the youth market, and equip them with strategies and tools to be able to develop and deliver financial services to this target market.

Silatech, Sanabel, and GIZ to Launch Regional Youth Savings Scheme. With the commitment of financing and technical assistance from Silatech, Sanabel, and Germany's GIZ, this new regional initiative will seek to help disadvantaged young people aged 16-30 across the MENA region increase their ability to build assets through the opening of youth-specific micro-savings accounts. These will be linked to the provision of financial literacy training as well as social marketing activities designed to increase awareness of the importance of savings. This initiative also will support collective interventions in Egypt, Morocco, and Yemen. Key operational partners include financial institutions, youth organizations, national microfinance networks, and media partners in each of the three countries. Sanabel, as the knowledge dissemination partner, will share experiences across the countries.

UNWRA and Silatech Join Forces to Provide Support to Youth Start-ups Through Innovative Loan-Guarantee Scheme. United Nations Relief and Works Agency (UNWRA) and Silatech have jointly structured a Youth Start-up Loan Guarantee Fund. This product provides a partial guarantee to UNWRA's lending operations, enabling them to manage the increased potential risk associated with lending to youth start-ups, opening up this market for UNWRA while creating an innovative model for other providers in the region.

Taqeem Initiative to Offer New Perspectives on Gathering, Analyzing and Using Social Performance Data. Silatech and its partners, the Youth Employment Network and the Jacobs Foundation, have launched the Taqeem Fund to help development organizations to better monitor, measure, and effectively report on their programs' impact to a broad community of policymakers, practitioners and funders. More than 70 organizations applied for the Fund and 15 have been shortlisted, including Al Amal Microfinance Bank and MEDA Maroc. The 10

finalists will be selected following a workshop in Doha in December. The selected organizations will be provided with technical assistance by the Taqeem Fund to make use of mobile and web-based technologies to strengthen their ability to provide cost-effective and real-time social performance monitoring data and analysis.

OPIC and USAID Support Access to Finance for SMEs in Egypt and Jordan Through Guarantees, Technical Assistance. The Overseas Private Investment Corporation (OPIC) has approved US\$ 250 million in loan guarantees both in Egypt and Jordan for local banks that lend to SMEs, MFIs and non-bank financial institutions. USAID approved US\$ 20.7 million in grants for the implementation of the initiative and provides technical assistance to the lenders. CHF International and the Middle East Investment Initiative have been selected as implementing partners.

Arab World "Misinterpreted" Microfinance Principles: Muhammad Yunus. In a recent interview with Lebanese newspaper The Daily Star, Muhammad Yunus argued that microfinance does not reach its full potential in the Arab world as it is regarded as charity, and not as part of the financial system. According to Yunus, lawmakers should pass a banking law for the poor, transforming microlending from a charity-like affair to a fully-fledged part of the financial sector. Yunus also said that governments should create regulatory authorities that would set norms for interest rates and quality of services.

Maghreb Private Equity Fund III (MPEF III) Closes. The Tuninvest-Africinvest Group, a private equity company based in Tunis that invests in SMEs, recently announced the closing of MPEF III with approximately EUR 96 million (US\$ 134 million) in capital commitments. The 10-year fund has a target size of EUR 150 million (US\$ 210 million) and will invest in Algeria, Morocco, Tunisia, Libya, and possibly Egypt. Investors include the African Development Bank, the International Finance Corporation (IFC), and several European development finance institutions.

Improved Transparency on MFIs in Arab Countries. Sanabel succeeded in collecting and standardizing data from 65 Arab MFIs compared to 55 MFIs in 2009. The data feeds automatically in the MFIs' profiles on the MIX and will also feed into Sanabel's software "Shafafeya" which is planned to be released in early 2012 as part of Sanabel's endeavors to achieve a more transparent market in the Arab region.



Country Updates

Egypt

Enhancing Access to Micro and Small Enterprises Project: 30 Percent of Funding Disbursed Since April 2011. The Enhancing Access to Finance for Micro and Small Enterprises is a \$300 million investment loan to the Government of Egypt which aims at contributing to a sustainable improvement in inclusive access to finance for micro and small enterprises on a commercial basis. The three-tier lending operation provides a line of credit channeled through the Social Fund for Development (SFD), which then on-lends it to eligible banks and microfinance NGOs that on-lend to micro and small enterprises. Since the project started in April 2011, approximately 30 percent of the funding has been withdrawn by SFD, and LE 412.5 million was disbursed by SFD to NGOs and banks, including ABA, the Small Projects Development Association of Fayyoun, the Shabab Masr Foundation, National Bank of Egypt, Banque Misr, Société Arab Internationale de Banque, Banque du Caire and Audi Bank. Despite the challenging business environment in Egypt today, these intermediaries have managed to disburse LE 367.5 to micro and small enterprises. In addition, ABA is in the process of linking up with selected post office branches to make use of their teller services to both disburse and collect loan payments. This pilot initiative will take advantage of the post office's branch network which counts more than 3,000 outlets.

IFC Supporting DBACD and the Egyptian Microfinance Network. IFC has begun helping Dakahleya Businessmen Association for Community Development (DBACD) through capacity building services focused on market research and institutional analysis, home improvement product development, and development of a responsible finance strategy. IFC plans to help the Egyptian Microfinance Network roll out an initiative to integrate the microfinance sector into the private credit bureau (I-Score) on a national level, following its early efforts working with Lead Foundation and ABA. IFC and the key players – the Egyptian Microfinance Network, the Social Fund for Development, leading MFIs and I-Score – are in advanced discussions to define a clear scope of work concerning the credit bureau.

FMF-E launches Head Start! A New Program for Young Entrepreneurs. Head Start! is a new program funded by USAID and the Aga Khan Foundation USA. The program aims to promote youth entrepreneurship through improved access to finance and vocational training. It will also provide short-term job opportunities for youth through the various projects that will be implemented to foster community development for sustained economic growth. The program, scheduled to start in November 2011, will take

place in Cairo in Darb al Ahmar, Mansheyat Nasser, and Shubra. Head Start! targets youth between 18 and 35 years, with women making up half this number. It will finance at least 1,200 young entrepreneurs to start their own micro- or small business that – collectively – should ultimately employ between 1,800 and 2,400 people.

Updated Country Profile for Egypt Available on the Arabic Microfinance Gateway (AMFG). The Egypt Country Profile was updated with 2010 and 2011 data and includes information on microfinance indicators, impact of microfinance, microfinance National Strategy, microfinance laws and regulations.

Iraq

World Bank, IFC and CGAP Hosted a Workshop on Access to Finance for Micro, Small, and Medium Enterprises (MSMEs) for Iraqi Stakeholders in Beirut, Lebanon on October 16 and 17. The workshop brought together global and regional experts to share lessons learned on a number of critical issues for the development of the Iraqi MSME sector. During the first day, led jointly by the World Bank and CGAP, participants explored the role of national inclusion strategies and how they are used by governments and donors around the world to streamline and galvanize support to the sector. The workshop also looked at the role of wholesale funding for MSMEs. Finally, the workshop focused on the enabling environment for microfinance and its key strengths, as well as the areas which still require the attention of the Iraqi government. The second half of the workshop was led by the IFC and focused on ways to strengthen Iraq's financial infrastructure. Among the issues highlighted were branchless banking as a tool to enhance financial inclusion, global best practices in developing credit reporting frameworks, secured transactions, and leasing for financing the purchase of equipment.

Iraq, Germany Launch New Program for Sustainable Economic Development. A forum on "Financial Systems Development in Iraq" was held in Amman, September 25 - 29. Experts from the Central Bank of Iraq and the German central bank as well as representatives from the Ministry of Planning and the Ministry of Finance in Iraq discussed monetary policy, banking supervision, asset management and banking vocational training. The event marked the beginning of the new programme called "Sustainable Economic Development in Iraq" (SEDI), which is implemented by GIZ on behalf of the German Ministry on Economic Cooperation.

Microfinance Conference in Erbil Reviews Opportunities for Greater Outreach to Poor. A two-day national microfinance conference took place in Erbil October 3 - 4, organized by Iraqi microfinance institutions and supported by

USAID-Tijara. The conference brought together about 200 officials from Iraq's 12 MFIs, as well as Iraqi policy makers, donors, the Central Bank of Iraq, the NGO Directorate, private commercial banks, and representatives from USAID. The forum included panels discussing the key elements required for successful transformation of Iraqi MFIs, including increased transparency, good governance, and how to better serve vulnerable groups such as youth and women. The development of new, demand-driven products, alternative collaterals, strategic business planning and the creation of a credit bureau were also on the agenda.

Latest Report on State of Iraq's Microfinance Industry Available Online. The State of the Iraqi Microfinance Industry report for 2011 highlights drivers of financial inclusion, and provides analysis on the impact and the financial and operational sustainability of the 12 Iraqi MFIs. Together, these MFIs serve over 86,000 clients, and have an outstanding portfolio of US\$ 126.3 million. The report gives insights on market segmentation of the poor, with emphasis on the 2.7 million internally-displaced people, and provides recommendations for industry practitioners, donors, and other stakeholders for building an inclusive financial sector in Iraq. The report can be downloaded at: <http://www.imfi.org/files/StateofIraqsMicrofinanceIndustry2011.pdf>

Al Bashaer Completes Mobile Banking Pilot Project. Al Bashaer, a USAID-Tijara partner MFI, has completed a mobile banking pilot project, which identified constraints in delivering financial services to the poor via cellular phones. The project exposed a lack of access to reliable internet connectivity and appropriate digital platforms to support service delivery, as well as an inadequate cash conversion network comprising full-fledged bank branches, ATM terminals and third-party banking agents. Finally, it noted that the legal and regulatory framework that could govern mobile banking is yet to be developed.

Five Iraqi MFIs Strengthen Their Governance and Two Institutions Introduce New Microinsurance Products. Twenty board members from five USAID-Tijara partner MFIs (Al Takadum, Tal'afar Economic Development Centre, Al Tadamun, Al Mosaned and Izdiharona) have attended training in corporate governance. Two MFIs, Relief International and Izdiharona have rolled out micro-insurance products, which will help protect clients and MFIs in case of the death of the borrower. All 12 USAID-Tijara partner MFIs are now profiled on the Microfinance Information eXchange (MIX Market).

Second Phase of UNDP Private Sector Development Program in Iraq Focuses on Outreach and Social Performance. The Private

Sector Development Program for Iraq is a joint UN program led by UNDP to support the Government of Iraq in establishing an enabling policy and regulatory environment, as well as strengthening economic recovery in Basrah, Anbar and Erbil. UNDP is supporting the Government of Iraq in reviewing its position regarding microfinance, i.e. moving from direct lending to fostering Iraq's microfinance sector. In addition, UNDP supports selected MFIs with a total of US\$ 2 million. To date UNDP has been partnering with Al Takadum, Al Thiqa, CHF and Relief International. In the first phase, focus has been on building linkages with beneficiaries of vocational trainings of UNHABITAT and FAO, with the second phase expected to focus on geographic distribution and social performance.

Jordan

Update on the Jordan National Strategy for Microfinance. In early 2011, the Ministry of Planning and International Cooperation asked the German government, through KfW, to help with the process of updating the National Strategy for Microfinance, adopted in 2005. This participatory process was launched in February 2011, seeking the views, suggestions and inputs of all relevant stakeholders to ensure broad buy-in and ownership. A working group was established consisting of all relevant government stakeholders, as well as representatives from the private sector. The updated national strategy and action plan were approved and presented by the Ministry of Planning at the annual Sanabel conference.

Progress Out of Poverty Index (PPI) Introduced in Jordan. Grameen-Jameel, in association with the PPI Social performance team of Grameen Foundation, conducted a three-day training session on the Progress out of Poverty Index in Amman, Jordan in April 2011. Participants included representatives from Tamweelcom, the Sanabel Network, and Grameen-Jameel staff members. Tamweelcom is currently implementing the PPI.

ResponsAbility Provides Loan to FINCA Jordan. ResponsAbility Social Investments AG, a Swiss asset management company that invests in microfinance, has provided financing of US\$ 500,000 to FINCA Jordan through its ResponsAbility Microfinance Leaders Fund (rAMLF).

Two New Initiatives Developing Microinsurance Products in Jordan. Jordan Insurance Company (JIC) and Microfund for Women established a partnership to compensate women for lost income in case of health emergencies. A second partnership between Arab Orient Insurance Company and Alwatani (the National Microfinance Bank) will allow micro health insurance for low income clients including hospitalization at a monthly premium of US\$ 10.

Lebanon

Second Phase of “Lebanon Investment in Microfinance” Program launched by USAID and Volunteers for Economic Growth Alliance/ International Executive Service Corps (VEGA/ IESC). The Lebanon Investment in Microfinance (LIM) program, initiated in 2009, goes into its second phase. The program provides a total of US\$ 12 million funding to seven MFIs in Lebanon: Association for the Development of Rural Capacities, Association d’Entraide Professionnelle, Al Majmoua, Ameen, Lebanese Cooperative for Development, Emkan and Makhzoumi Foundation.

Morocco

Grameen-Jameel and responsAbility Provide Loans to Al Karama Microcredit. In June, Grameen-Jameel Microfinance and Al Karama Microcredit signed a loan agreement amounting to US\$ 500,000, payable over three years. The loan agreement is a result of the culmination of six years of cooperation between the two organizations. Al Karama also received an additional US\$ 500,000 in financing from responsAbility Social Investments through two of its microfinance investment vehicles, responsAbility Global Microfinance Fund, and responsAbility Microfinance Leaders Fund.

FONDEP Rated “A” by MicroFinanza. MicroFinanza assigned an “A” performance rating to FONDEP in April. Julia Assaad, General Manager of Grameen-Jameel said that “the performance rating of FONDEP clearly demonstrates the endurance, strengths and commitment of FONDEP, given the challenging environment the microfinance market faced in Morocco in the last two years. It also affirms Grameen-Jameel’s confidence that FONDEP has, more than ever, all the ingredients for sustained growth in place to help grow microcredit in Morocco.” Grameen-Jameel has been a partner with FONDEP since 2004 providing financial and technical assistance.

IFC Assists With Capacity Building at Al Amana. IFC is helping Al Amana through capacity building services focused on the management of non-performing loans, product review, and the establishment of a risk management department with the help of Frankfurt School of Management.

Silatech Plans to Launch Youth Loan Product With Fondation Banque Populaire and Youth Savings Initiative With Al Barid Bank. Fondation Banque Populaire MicroCredit (FBPMC) and Silatech are working together to launch a Youth Loan Fund and linked Youth Loan Product targeting people between the ages of 18 - 30 years. FBPMC and Silatech’s joint vision is to position this partnership as a leading youth-serving micro-enterprise support solution in Morocco and in

the region. The initiative will launch in January 2012, with the aim of increasing youth as a percentage of FBPMC active clients. In addition, Al Barid Bank, a subsidiary of Post Morocco and a leading provider of savings services with over 5 million accounts, and Silatech have signed a letter of intent signaling their joint interest in launching Morocco’s first ever large-scale Youth Savings Initiative in early 2012. The initiative is part of a regional savings initiative promoted by Silatech, GIZ and Sanabel. Al Barid Bank will seek to introduce a holistic approach to Youth Savings, including the large-scale deployment of a youth specific savings product combined with the provision of financial literacy training, as well as a broader social marketing campaign designed to create positive awareness of the importance of asset building.

Sending Money From Belgium to Morocco Via Mobile Phone. A new strategic partnership between Wafacash and BICS of Belgacom Group provides an easy and cost-effective way to send money from Belgium to Morocco. The new application, HomeSend, allows the transfer of airtime and money from various sources such as eWallets, bank accounts, credit cards and cash. People in Morocco can collect the money at any of 500 Wafacash agent locations.

Palestinian Territories

IFC Provides US\$ 3 Million Loan To Faten. IFC has approved a US\$ 3 million loan to help Faten expand its customer base and grow its loan portfolio to small entrepreneurs in West Bank and Gaza. With IFC’s help, Faten plans to reach 22,000 customers and develop a net outstanding portfolio of US\$ 33 million by 2015. IFC’s long-term funding also will allow Faten to better manage its cash flow and liquidity.

European Palestinian Credit Guarantee Fund (EPCGF) Expands Into Microfinance Sector. KfW approved the allocation of EUR 2.5 million to support microfinance activities in Palestine through the EPCGF, which currently has eight partner banks serving the SME market. Through its guarantees EPCGF covers approximately 80 percent of the SME lending market in Palestine. Under this new initiative, EPCGF approved a partial guarantee to cover commercial borrowing of Faten for loans up to US\$ 1 million. The guarantee will be issued through EPCGF’s international bank and will be available to any of the partner banks interested in lending to Faten, based on approved terms and conditions.

Saudi Arabia

IFC Supports SME Credit in Saudi Arabia. IFC plans to support Saudi Hollandi Bank, a Saudi Arabia-based, publicly-owned commercial bank, in expanding the provision of credit to SMEs in Saudi Arabia.

Sudan

Insurance Industry Provides Guarantees for Microfinance Projects. Industry sources report that the Sudanese trade group Insurance Companies Union reached an agreement to guarantee microfinance loans. Further details of the agreement are to be discussed with the governor of the central bank before January 2012.

Sudan Approves Recommendations to Strengthen the Microfinance Sector. The Cabinet of the Republic of Sudan reportedly approved recommendations of the central bank to strengthen the Sudanese microfinance sector, including the establishment of a Supreme Council, which would develop and implement policies to develop the sector.

Syria

IFC Supports Transformation of First Microfinance Institution Syria (FMFI). IFC is providing capacity building services to FMFI to complete its transformation into a microfinance bank. IFC's technical assistance focuses on devising a funding strategy and supporting deposit mobilization, risk and financial management, and social and financial ratings.

Tunisia

World Bank, IFC Backing Tunisian MSMEs Through New Facility. In the wake of the Tunisian political revolution, access to finance and financial stability agendas became the top priorities of the monetary and financial authorities. At the request of the government, the World Bank has worked on a facility to maintain Tunisian MSME access to finance during challenging economic times as well as preserving and creating new jobs. During the summer, a technical assistance needs assessment has been carried out by the World Bank and the IFC. It is expected that part of this program will be financed by the technical assistance window of the new regional MSME facility. The World Bank Group's support of access to finance in Tunisia also includes the establishment of a credit bureau to complement the information collected by the Central Bank's credit registry. A Financial Sector Assessment Program (FSAP) update is planned for January 2012.

New Legal Framework for Tunisian Microfinance Sector. As part of a joint donor budget support program (World Bank, AFDB, EU and AFD), the Minister of Finance has prepared a new legal framework for the microfinance sector, which was enacted mid-October. In parallel, CGAP and the World Bank have supported the government in the development of a national strategy for the microfinance sector in Tunisia.

EIB and Luxembourg Launch New Support Program for the Tunisian Microfinance Sector. The European Investment Bank (EIB) and the Government of Luxembourg have launched a new initiative that focuses on improving the regulatory framework for microfinance in Tunisia by promoting targeted support, technology transfer, and regional cooperation. Studies are planned on the establishment of a credit bureau, the role of the postal system in financial inclusion, mobile money, and microinsurance, among other topics. A capacity building pillar within this effort also focuses on improving the expertise of MFIs in risk management and transparency.

Interview with Johannes Majewski, GIZ

Since July 2011, Johannes Majewski has held the position of program coordinator of the regional microfinance program: "Promotion of the microfinance sector in the MENA Region", which is based in Egypt and implemented by GIZ. Majewski gave MENA Update an overview of GIZ's new regional program, and his view of the challenges for financial inclusion in the region.

What have been the main areas of work for GIZ in the MENA region so far?

In the area of financial systems development, GIZ has supported the reform process of the Syrian Central Bank, worked with selected Moroccan banks on financial services to small and medium entrepreneurs and advised the Central Bank in Yemen on microfinance regulation. In Algeria we have also worked on Islamic microfinance.

What are GIZ's main successes and lessons learned in your work in the region to date?

Since 2009, the number of savings accounts held by microfinance clients in Yemen have climbed from an insignificant figure to more than 20,000 active accounts today, equaling more than 50 percent of outstanding loans in the sector. GIZ helped to pave the road for this success story by supporting the implementation of an adequate regulatory framework by the central bank, enabling licensed MFIs to mobilize savings. Together with Syria, Yemen is the second country in the region offering such favorable framework conditions to MFIs.

Personally, I learned a lot from the Yemeni case. A few champions among the policy makers were able to unlock the potential of a whole sector. Thus, identifying and promoting such champions in other countries in the region is something we consider one of our major tasks under the ongoing initiative.

The new regional GIZ project seeks to promote the legal and regulatory framework conditions for the microfinance sector in the MENA region. Which countries will you focus on and what are your plans?

Yes, in July this year, we started this new six-year regional initiative. The program, which is implemented on behalf of BMZ, contains two main areas of intervention. First, we are supporting the regional microfinance network Sanabel. Second, we want to contribute to strengthen the regulatory and supervisory capacities within selected countries. During the first phase, we are planning to focus our activities on Jordan, Palestine, and Egypt. However, taking into consideration the latest political developments, we will also have to identify how we can support the ongoing changes in Tunisia. While we are still in the phase of fine-tuning our approach in the area of the legal and regulatory framework, two major types of support will stand out: While each country will receive some tailor-made support depending on the individual situation, on a regional level, we will also try to enhance the exchange between the different policy makers.

Why did GIZ choose a regional approach? How does this fit with your bilateral programs elsewhere?

Behind this strategic decision taken by BMZ is the strong belief in the value-added of intraregional exchange to overcome similar challenges, as well as the promotion of common standards. We are convinced that this is particularly valid for the MENA region. As different countries face, or have faced, comparable bottlenecks, much can be learned from peer-to-peer exchange. In addition, Sanabel is a strong candidate to set regional standards when it comes to good practices in microfinance.

Within the area of the promotion of the legal and regulatory framework, the relationship to the bilateral programs is fully complementary. In none of the selected countries do we have a bilateral program within the area of financial systems development. Important learning experiences from the bilateral level within countries of Sanabel member institutions will feed into existing learning cycles.

What are the main regulatory barriers that you are seeing in the focus countries?

The main barriers are not new. In none of the focus countries are MFIs allowed to mobilize savings. But savings play an important role as a safety net for the poor and the management of their cash-flow.

What are your plans for work with Sanabel? Are there other plans for capacity building?

The partnership with Sanabel will be quite comprehensive. It will focus on three main areas.

First, we will support the network in its efforts regarding overall strategy development as well as business planning. Second, internal procedures and governance issues will be promoted. Last but not least, we will help with the review and adaptation of products and services offered. Additional capacity building efforts will take place at the national level through support to the supervisory authorities.

Who are your main partners in promoting better regulatory framework conditions in the MENA region? How does the GIZ project relate to other initiatives at the policy level?

We work very closely with the institutions in charge of regulation and supervision of the microfinance sector in our partner countries. They may vary from country to country. On the international level, CGAP will play an important role, particularly when it comes to the sensitization of the policy makers. But we are also in touch with institutions like the Alliance for Financial Inclusion (AFI) and the World Bank.

Do you think financial inclusion is a priority for governments in the region?

This question requires a differentiated answer. Five countries in the region have prepared a microfinance strategy, drawing a clear roadmap on where they want to go and how they want to reach their objectives. But yet there does not exist something like a more comprehensive financial inclusion approach. A limited commitment by many policy makers to create a more professionalized microfinance sector in the region remains one of the big challenges. Many central banks and supervisory authorities may still not be fully aware of the potential of a broad and deep microfinance sector. However, recent political changes in the region also imply new opportunities for the financial inclusion agenda. We are quite confident that this topic will become more prominent in the future.

As a participant in the Arab Policy Forum on Financial Inclusion, co-sponsored by Sanabel, CGAP and AFI, what are your impressions of the Forum and how can such forums be strengthened in the future?

I believe that the dialogue on financial inclusion among policy makers in the region is an important achievement. As a next step we need to identify mechanisms on how this exchange may translate into action at the individual country level. The GIZ regional program will be happy to join these efforts being a strong partner to explore possibilities.

Publications

The Role of Funders in Responsible Finance. This CGAP brief addresses the recent movement toward responsible finance, which has shaped the industry's belief that financial service providers have a responsibility to deliver financial services in a way that is transparent, fair, safe, and likely to generate benefits for poor clients.
<http://www.cgap.org/p/site/c/template.rc/1.11.2746/>

Emerging Lessons of Public Funders in Branchless Banking. A recent CGAP Focus Note highlights emerging lessons from the public funders that have been engaged in branchless banking. The goal is to help other funders consider the role they might play in this area.
<http://www.cgap.org/p/site/c/template.rc/1.9.52408/>

Advancing Savings Services: Resource Guide for Funders. Supporting savings mobilization is fundamental to building inclusive financial systems. A new CGAP Technical Guide gathers in one source the issues funders need to consider when focusing on the expansion of voluntary savings mobilization.
<http://www.cgap.org/p/site/c/template.rc/1.9.55535/>

Credit Reporting at the Base of the Pyramid. This joint IFC-CGAP report takes a fresh look at the state of credit reporting at the base of the pyramid, illustrated with country examples.
<http://www.cgap.org/p/site/c/template.rc/1.9.55445/>

Cross-border Funding of Microfinance. This CGAP Focus Note draws on data from CGAP's annual surveys on cross-border funding to provide an overview of the microfinance funding landscape and trends in cross-border funding.
<http://www.cgap.org/p/site/c/template.rc/1.9.50740/>

Foreign Capital Investment in Microfinance: Reassessing Financial and Social Returns. This CGAP Focus Note examines foreign investment in microfinance at a critical juncture in the industry, exploring the current investor landscape, including the role of development finance institutions and the growing interest of retail investors.
<http://www.cgap.org/p/site/c/template.rc/1.9.50967/>

New on the Web

Blog Series on Arab Spring. CGAP, in partnership with Sanabel and the Arabic Microfinance Gateway hosted a special series on its Microfinance Blog on the new challenges and opportunities that were created by the Arab Spring. Featuring voices from various countries including practitioners, donors, and regulators, the series provides a platform to share lessons learned. See microfinance.cgap.org

Sanabel's Website Re-launched. Sanabel's website (www.sanabelnetwork.org) was re-launched with an improved design and updated content. The website serves as a platform for exchange on the latest developments in the microfinance industry in the region. The revamped website provides some advanced functionalities including graphical representation of data and information, in addition to publications, event announcements, and links to other useful resources and tools.

Results of the Microfinance Gateway User Survey. In conjunction with the English and French Gateways, the Arabic Microfinance Gateway (AMFG) conducted a user survey to get feedback on the gateway's features and services. Sixty-nine percent of respondents rated the quality of the AMFG as being high or very high, 30 percent gave average ratings, and 1 percent rated the quality low. AMFG continued to serve its visitors and subscribers with more information uploaded daily. Altogether, the AMFG has been visited by more than 50,476 unique visitors. In addition, the site's bi-monthly newsletter has been sent regularly to more than 6,000 subscribers.

Additional Features Respondents Asked to Add

