MIX Microfinance World: 2010 Arab Microfinance Analysis & Benchmarking Report

SANABEL — The Microfinance Network of Arab Countries

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I. Introduction

The Arab region continues to be *a "gem in the rough"* with its high growth, high portfolio quality, and above average returns. Nonetheless, investor funding in the region continues to be modest in comparison to other regions of the world. One clear reason is the lack of appropriate regulation which would foster greater investment in the sector. This report will highlight some of the progress made in the area of regulatory reform that should enable the Arab region to shine more brightly and attract a greater number of investors in the coming years.

The 2010 Arab Benchmarking Report presents the latest regional trends based on a sample of 37 MFIs from 7 countries (Egypt, Jordan, Lebanon, Morocco, Palestine, Tunisia, and Yemen) as well as the most recent developments based on 55 Arab MFIs from 9 countries (Egypt, Jordan, Lebanon, Morocco, Palestine, Sudan, Syria, Tunisia, and Yemen).

In addition, for the first time in this series of reports, we are including a session on social performance indicators, which highlights the status of practice in the region in translating MFIs' mission into measurable outcomes and setting up policies and procedures to manage social performance.

II. Macroeconomic Outlook

The Arab region is diverse both in terms of human and natural endowments. The region's economic growth and distribution of wealth also varied widely from country to country, as illustrated in Table 1 below. According to the World Bank's classification of countries by income brackets[1], the majority of Arab countries fell under the middle- and lower-income brackets, with the exception of some of the oil-rich Gulf Cooperation Countries (GCC).

Within the region, Lebanon stood out with the highest annual growth rate in GDP and the highest Gross National Income (GNI) per capita. For low-middle income countries, Tunisia and Morocco recorded the highest growth in GDP, but also showed high income inequalities. Yemen and Sudan, both low-income countries, experienced GDP growth around 4 percent, but continued to record high incidence of poverty.

Table 1: Macroeconomic Indicators by Country in Arab Region

	Population (millions)	Population below national poverty line (%)*	Gini Coefficient[2]	Average GNI per Capita, PPP ($)	GDP Growth (Annual %)
Egypt	83	16.7%	32.1	$ 5,690	4.7%
Jordan	6	14.2%	37.7	$ 5,840	2.8%
Iraq	31	NA	NA	$ 3,340	4.2%
Lebanon	4	NA	NA	$ 13,230	8.0%
Morocco	32	NA	40.9	$ 4,450	5.0%
Palestine**	4	NA	NA	NA	NA
Sudan	42	NA	NA	$ 2,000	4.0%
Syria	21	NA	NA	$ 4,620	4.0%
Tunisia	10	7.6%	40.8	$ 7,820	3.1%
Yemen	24	41.8%	37.7	$ 2,340	3.8%

**The figures for Palestine refer to the West Bank & Gaza only. ** Data refers to most recent data available from 2000 - 2009,*
Source: World Bank Development Indicators and Human Development Report 2009

III. Market Overview

- ***A maturing market that continued to invest in its human and capital infrastructure***
- ***An evolving regulatory environment***

Regional Characteristics

Although the Arab region is the second youngest microfinance sector in the world (following ECA), it has shown signs of maturity in recent years, characterized by the following developments:

- Increased diversity of financial service providers (banks, microfinance banks, non-bank financial institutions, service companies, and NGOs)
- Higher and deeper penetration levels
- A widening pool of experienced human resources
- Improved credit risk systems
- Proliferation of meso-level non-financial service providers and supportive infrastructure (such as: business development services, credit bureaus, rating agencies, regional and national networks)
- Introduction of supportive legal and regulatory frameworks and
- Greater level of commercialization with less reliance on donor funding

[1] United Nations Development Programme (UNDP), Regional Bureau for Arab States (RBAS), "Development Challenges For The Arab Region: A Human Development Approach", Volume 1, 2009.

[2] The Gini index lies between 0 and 100. A value of 0 represents absolute equality and 100 absolute inequality.

As illustrated in Table 2, notwithstanding the age factor, the region had the highest median asset base when compared to other regions of the world and comparable infrastructure and staffing to the more mature markets of LAC and Africa.

Table 2: Institutional Characteristics by Region (2009)

	Arab region	LAC	ECA	Africa	Asia
Age	10	13	9	11.5	14
Assets	9,966,395	8,989,570	5,581,701	7,800,925	7,996,328
Offices	10	8.5	6.5	12	19
Staff	110	90.5	38	124	176

Source: Microfinance Information Exchange, Inc., 2009 Benchmarks

Within the region however, the microfinance markets are in different stages of development with Morocco, Egypt, Jordan, and Yemen showing higher levels of maturity when compared to younger markets in Iraq, Sudan, and Syria. Morocco particularly stood out as the most mature microfinance market in the region with the highest level of infrastructure in terms of both staffing and branch networks and the largest asset base and loan portfolio. Moreover, the Moroccan market was amongst the first in the region to introduce a law that regulates the sector in 2000.

While the vast majority of MFIs in the region are non-profit NGOs, two MFIs in Egypt, Reefy and Tanmeyah[3], are now operating under a for-profit service company model where they are acting as agents for local private sector banks that are interested in tapping onto the microfinance market. In Yemen, the establishment of specialized banks also came to complement the long-established non-profit NGOs offering microfinance services in the country. In Lebanon, which has one of the most advanced commercial banking sectors in the region, commercial banks have been offering microfinance products and services for years, either through strategic alliances with MFIs or by directly providing customized microfinance to microentrepreneurs.

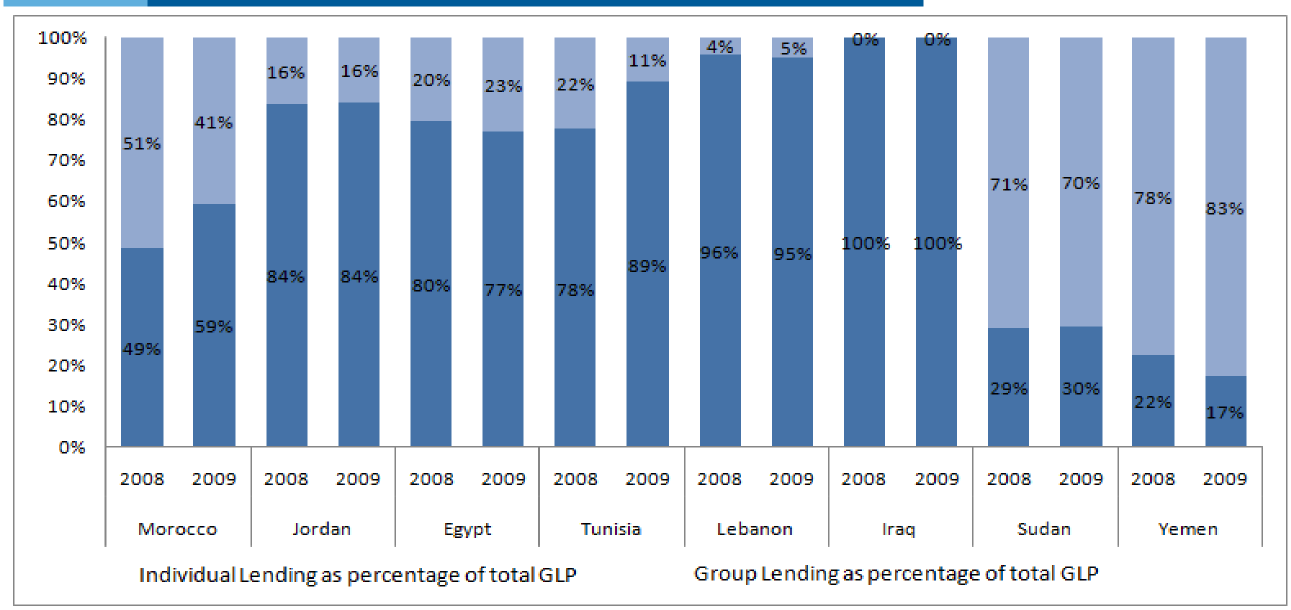
Lending Methodologies

Arab MFIs offer their clients loans using two specific lending methodologies; namely, solidarity group lending and individual lending. The choice of methodology offered by an MFI is often subject to a number of factors including the MFI's social mission, available delivery channels, product pricing and risk factors, and client needs. Similar to other regions of the world, Arab MFIs have been disbursing more credit through the individual loan methodology over the past few years. Although the region has offered more group loans in the past, typically serving female borrowers with small self-employed businesses, Figure 1 shows that Arab MFIs are now shifting their focus to more established microentrepreneurs at the higher end of the market.

The majority of the markets in the region either maintained or increased their individual lending portfolios in 2009, with the exception of Yemen. On the other hand, the group lending portfolios in the younger markets of Sudan and Yemen continued to increase. It is noteworthy that the Egyptian market experienced the highest growth in group lending portfolio within the region (48 percent increase over 2008), reconfirming the market's commitment to serving lower-end client segments.

As further evidence, Figure 2 shows that the Egyptian market saw the percentage of women borrowers (typically the group loan clients who belong to lower income segments of the market) increase in 2009 while the average loan balance as a percentage of GNI per capita decreased, signifying deeper penetration to the lower end of the market. On the other hand, the Jordanian market saw a clear shift in focus from group lending to individual lending that is more male dominated and characterized by a higher average loan balance.

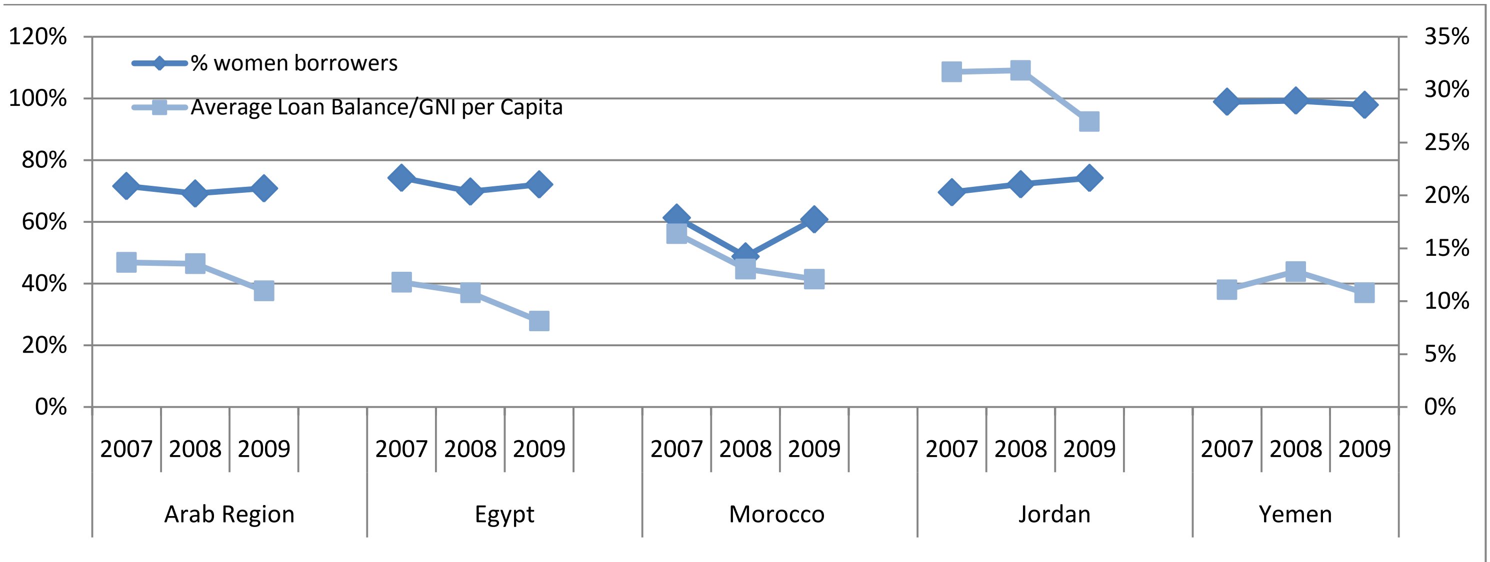
Figure 1: Breakdown of GLP by Lending Methodology (2008-2009)



Source: MIX Market 2008-2009

[3] The data of these two MFIs has not been provided for inclusion in the report.

Figure 2: **Percentage Women Borrowers and Average Loan Balance / GNI per Capita in Arab Region (2007-2009)**



Source: MIX Market 2007-2009.
Results are median and from a data set of 37 MFIs that provided information for 2007-2009

Box 1: **Innovative Methodologies from the Region**

Jabal Al Hoss

The Syrian program "Jabal Al-Hoss Agricultural Development Project" is providing microfinance through the innovative *sanduq* methodology. *Sanduq* is the Arabic term for fund and here refers to a microfinance institution that is owned, managed, and self-governed by its members. The *sanduq* is an improved version of a savings and credit association based on the principles of "self-reliance, autonomy, sustainability and outreach to the poor" and mainly targets small farmers, pastoralists, rural women, and the rural poor in general. The program which was initially established and funded by the United Nations Development Program (UNDP) and technically supported by the International Fund for Agricultural Development (IFAD).

The main attributes of *sanduq* methodology include: (1) compulsory membership (a client must pay membership shares before being eligible to borrow); (2) a member may borrow from a *sanduq* even if s/he does not place savings in it; (3) all members (regardless of whether or not they are active borrowers) are entitled to receive annual dividends based on their contributions to *sanduq* resources; and (4) each *sanduq* requires seed money during its first two to three years, which is paid back to the government without interest. Start-up microenterprises are self-financed through member share capital, from which small loans are given for up to three months. Additional capital may be provided to the microenterprise subject to successful operation and repayment track records. By December 2010, Jabal Al Hoss had established more than 30 sanadiq, with membership of 5,400 men and women. A total of 2,400 loans with an average size of about USD 833 have been granted, with a repayment rate of 96 per cent.

Palestinian Agriculture Relief Committee (PARC)

PARC, a Palestinian non-governmental organization established in 1983 and registered in both Palestine and Israel, focuses its activities on rural development and is currently serving more than 400 villages and 600 Community Based Organizations (CBOs) in the West Bank and Gaza through 14 offices, 4 branches, and 3 training centers. The Savings and Credit Program (supported by IFAD) was first introduced by one of the rural women's groups working with PARC for over 10 years as a unique mechanism to support and empower rural women financially and socially, while at the same time addressing the fact that these women are unable to access financial resources.

The savings and credit cooperative associations act as village banks that offer loans and facilitate savings by women. The saving and credit cooperatives depend on open membership for those who would like to join, with a focus on women who are able to save certain amounts as shares and savings and then lend these amounts as a revolving fund to members, with an interest rate to cover the expenses of the saving and credit associations. Each cooperative has an elected Administrative Committee that is in charge of management. One of the major achievements of PARC has been the establishment of the Union of Cooperative Associations for Saving and Credit (UCASC), a Palestinian syndicate Cooperative Association, established in order to support and provide a legal umbrella for the registered saving and credit cooperatives associations in Palestine that provide compulsory savings (shares), voluntary savings and credit as main activities. This union is currently the only legal entity on the national level and all cooperatives under same directives of work automatically fall under this legal entity.

Product Offerings

Most Arab MFIs are not regulated as financial intermediaries by the financial authorities in their respective countries and are therefore limited in the products they can offer. As such, microfinance product offerings in the Arab region continued to be limited to credit for the most part. In particular, microenterprise (business) loans constituted the majority of loan portfolios. In recent years, however, MFIs began to offer a variety of additional loan products including consumer loans, housing loans, education loans, seasonal loans, and Islamic products, to meet the demands of their target populations.

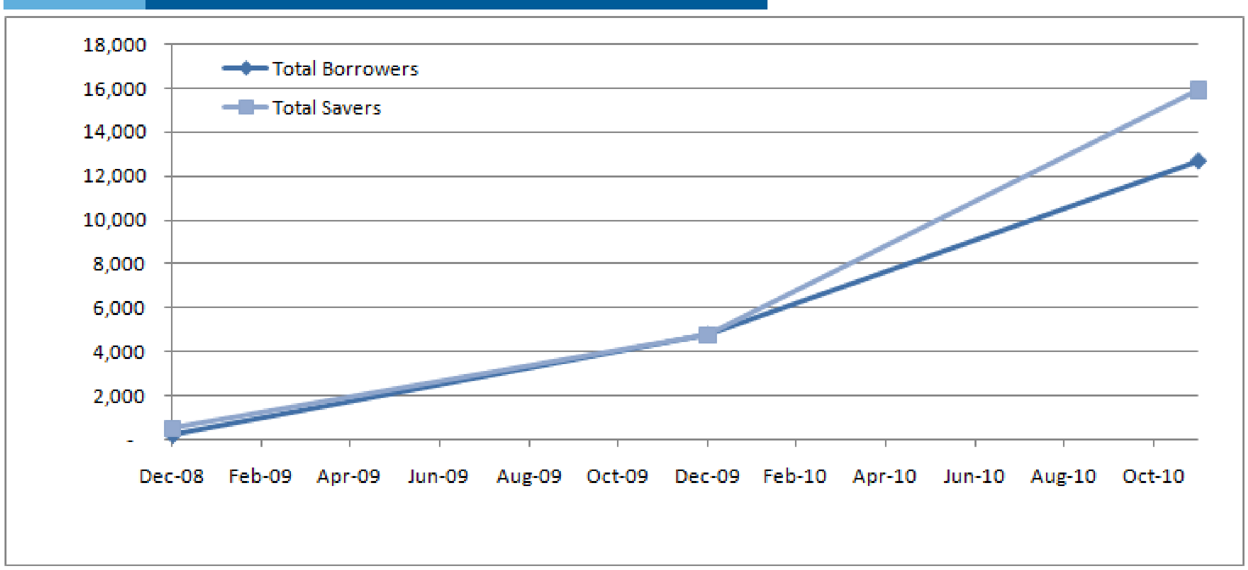
Although there are some administrative and cost challenges associated with the provision of Islamic finance on the "micro" level, the provision of *sharia'a* (Islamic law) compliant financial services may be a powerful means of expanding outreach to otherwise excluded populations. Most of the microcredit offerings in Sudan and Yemen are based on Islamic financial principles. Other countries in the region such as Lebanon, Syria, Jordan, and Palestine also offer Islamic microcredit mainly through *murabaha* mode (a business transaction in which the MFI purchases goods at the request of the borrower and then sells the goods to the borrower for cost plus markup). In Sudan, the Central Bank has issued a circular note in 2009 giving directives on microfinance to Sudanese banks encouraging the development of microfinance for housing and agriculture as well as expanding Islamic product offering beyond the widely-applied *murabaha* mode. The directive places a ceiling of 30 percent of the loan portfolio to be dedicated to *murabaha* and at the same time restricts the profit margin on *murabaha* contracts to a maximum of 9 percent[4].

In addition to microcredit products, the Jordanian and Egyptian markets also offer microinsurance products on a limited scale to their clients, mainly credit/life and permanent disability insurance products. In Jordan, with technical support from the International Labor Organization (ILO) and Women's World Banking (WWB), a new innovative microinsurance product for medical emergencies was launched in 2010 with Microfund for Women (MFW). *Ri'aya* (CareGiver) provides low-income women with an insurance policy to cover incidental expenses associated with hospitalization (such as medical fees, lost income, etc.)[5].

Due to the regulatory environment, most Arab MFIs are unable to offer saving products to the general public or services linked to remittances and payment transfers. The provision of savings products is often restricted to banks or to postal networks under a special mandate. In Syria and Yemen, where new legislation has allowed for the establishment of specialized financial institutions that are supervised by the Central Bank, savings products have been introduced.

In Syria, FMFI, 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. The pilot phase for introducing these savings products did not yield the anticipated results, however, which led the MFI to resort to some technical assistance (mainly being provided by KFW) to refine its savings product development. On the other hand, Al Amal Bank, Yemen's first specialized microfinance bank, is now offering its clients four different savings products to choose from, including a children savings account, which has proven quite successful. Moreover, it is noteworthy that the bank's active savers have exceeded the number of active borrowers in a short period of time, indicating high demand for savings products amongst the targeted populations.

Figure 3: Growth in Al Amal Bank's Borrowers and Savers



Source: Al Amal Bank.

[4] Anderson, Laura, "Government of Sudan Issues Directives Requiring Banks to Allocate 12 Percent of Portfolio to Microfinance", MicroCapital.org, May 1st 2009.

[5] Microfinance Focus, "Jordan's Microfund for Women launches Microinsurance Product 'CareGiver'", June 29th 2010.

Service Delivery

Microfinance services in the Arab region continue to be delivered through conventional channels (i.e. fixed branch networks) for the most part. However, some inroads have been made on more innovative channels. Mini-vans were introduced by Jordanian service providers to serve as mobile branches, to reach potential clients in the suburbs and remote areas of the country. In Yemen, efforts have also been made to deliver financial services beyond the limited capacity of traditional branches. In August 2009, Al Amal Bank signed a partnership agreement with Yemen Post and Postal Savings Corporation (PPSC) through which Al Amal Bank would be able to provide financial services to Yemen Post's clients – especially those in rural and frontier areas.

Over the course of 2009, Egypt and Tunisia have had ongoing discussions regarding the introduction of mobile banking services to the mainstream financial market. In Egypt, a country with over 50 million mobile subscribers and less than 8 million people with bank accounts, mobile banking was quite overdue. The Central Bank of Egypt is expected to issue regulations for mobile banking before the end of FY 2010. This may have significant implications for the microfinance sector in Egypt both in terms of outreach and efficiency, especially considering that the number of low-income mobile subscribers has been on the rise in the country over the past few years. Meanwhile, the first mobile payment system in North Africa was launched in Tunisia by Banque Internationale Arabe de Tunisie (BIAT) in partnership with Tunisiana, Tunisia's leading mobile phone operator, and Enda, the pioneering Tunisian MFI who had reached more than 123,000 clients with over USD 41 million by the end of 2009[6]. This new technology (developed by the French mobile payment systems provider Creova) will enable Enda to increase its outreach even further over the coming years.

Regulatory Framework

The key policy-related issues and challenges that Arab MFIs continue to face are the need to introduce microfinance-specific laws and regulatory frameworks to support the commercialization of the sector as well as a need to clarify the transformation process for MFIs that were initially established as NGOs and are seeking to transform into new for-profit entities. Some updates on the latest developments in the regulatory environments in Arab markets are highlighted below. [7]

Egypt: The ratification of the Regulation of Non-Banking Financial Markets and Instruments (commonly known as the "Single Regulator Law") by the Egyptian Parliament in 2009 gave the Egyptian Financial Supervisory Authority (EFSA) regulatory and supervisory authority over all non-banking financial markets and instruments (including microfinance). Following this, a microfinance law was drafted to allow for the establishment of Microfinance Companies (MFCs). The draft of the law has yet to be approved by Parliament, thus EFSA decided to change course in this regard, instead it introduced microfinance-specific clauses to the overall regulations governing non-banking financial activities. This is expected to expedite the approval process as these clauses would be incorporated with other amendments for parliamentary approval. Meanwhile, EFSA published the draft general rules for microfinance companies in Egypt on its electronic portal for consultation with stakeholders[8] in November 2010. The amendments, which are expected to be discussed by Parliament in 2011, do not include a clear framework for the transformation of Egyptian NGOs to MFCs.

Iraq: The Central Bank of Iraq (CBI) has issued instructions allowing for Micro, Small and Medium Enterprise (MSME) Finance Companies of NGO status to transform into Non-Bank Financial Institutions (NBFIs) as SME Financing Companies. The minimum capital requirement as stipulated in the instructions is USD 850,000 for companies registering as Limited Liability Companies and USD 1.7 million for Joint Stock Companies.

Morocco: Faced with the high levels of client over-indebtedness and consequent rapid deterioration in loan portfolio quality in 2008, the Moroccan government developed a plan, in collaboration with Bank Al-Maghrib (BAM) and Fédération Nationale des Associations de Microcrédit au Maroc (FNAM), to reinstate confidence and credibility to the microfinance sector in the country. As part of this plan, the Ministry of Finance launched a survey in 2009 to assess the current state of the sector and provide recommendations for improving the regulatory framework in view of the latest developments. The Moroccan government is also exploring options for the consolidation of the sector and the transformation of the largest MFIs to commercial entities. One of the significant results of the government interventions has been the acquisition of Zakoura by Fondation des Banques Populaires (FBPMC) in May 2009. This is the first acquisition of its kind in the Arab region and resulted in a new entity under the name of Zakoura Chaabi.

Palestine: In Palestine, a microfinance law has been initially drafted but – as is the case with Egypt – this draft law has been set aside for discussions on incorporating microfinance activities within existing laws governing banks. This will enable the Palestinian Monetary Authority (PMA) to determine and develop the rules and procedures that will govern the industry. This presidential decree on banking has been issued in November and has identified the PMA as the sole supervisory authority of all MFIs in Palestine - whether NGOs or companies. All existing NGOs are required to become companies (either for-profit or non-profit). New financial institutions must receive a license from the PMA for their lending activities.

[6] "Creova, BIAT and Tunisiana announce the launch of Mdinar© the first Mobile Payment Service in North Africa", February 15th, 2010.
[7] For a more detailed overview of the state of regulation in different countries in the region please refer to the "2009 Arab Microfinance Analysis and Benchmarking Report."

8 Egyptian Financial Supervisory Authority (EFSA), "EFSA launches the Draft General Rules for Microfinance Companies for Consultation", November 24th, 2010.

Sudan: To further develop and promote microfinance, the Central Bank of Sudan (CBS) has established a specialized microfinance unit which has set a number of policies for the banking sector to encourage the provision of microfinance. The policies include the allocation of a minimum of 12 percent of portfolios to microfinance and the establishment of specialized units or departments for microfinance[9]. In addition, the CBS has also introduced directives that encourage the diversification of the product mix being offered.

Supportive Infrastructure: Credit Bureaus

As the microfinance sector in the region grows and matures and competition increases, various stakeholders have come to realize the importance of establishing a functional framework for sharing client information. In several countries in the region new credit information systems are under development as a means of risk management and maintenance of healthy portfolios. While the systems in Morocco and Palestine are public and hosted in and managed by central banks, in Egypt it has been based on a private sector initiative. MFIs are included in these credit information reporting schemes and have to report to the credit bureaus. However, several MFIs are reluctant to participate due to the high cost of the system.

Egypt: Until 2005, the only credit bureau serving banks in Egypt was owned and operated by the Central Bank of Egypt (CBE). In 2005, I-score, the first private-sector credit bureau, was established by 25 banks and the Social Fund for Development (SFD). Egyptian NGO-MFIs have not been participating in I-score, however, due to the high costs per inquiry relative to loan size. This has created an information gap in the market, especially with increased and concentrated competition in the Greater Cairo region. In response to this persistent predicament, the Egyptian Micro-Finance Network (EMFN), with financial support provided by the Social Fund for Development (SFD), contracted PlaNet Finance Egypt to establish an Information Sharing System (ISS) for the network members. Five Egyptian MFIs initially participated in the piloting of the ISS; namely, ABA, DBACD, SBACD, El Mobadara, and Lead Foundation. However, given the limited overlap of geographic outreach amongst the piloting MFIs and the lack of participation of additional MFIs in the new ISS, the system remains of limited relevance and value. The EMFN is currently negotiating with I-score for integration of the ISS with I-score's system at a competitive cost per inquiry.

Jordan: Although the Jordanian government ratified the Credit Information Law in 2003, no licensed credit bureaus have been established in Jordan. To this effect, the International Finance Corporation (IFC) has recently signed an agreement with the Jordanian government for the establishment of a legal framework for credit bureaus that regulates credit information sharing within the country.

Morocco: The four largest Moroccan MFIs began regularly sharing client information through an informal credit bureau managed by one of the MFIs - Al Amana - in 2009 as a means of controlling cross-borrowing. Meanwhile, as part of the government's efforts to address client over-indebtedness and the delinquency crisis in the sector, Bank Al-Maghrib is providing support to formalize these efforts and establish an official credit bureau, to which all MFIs are expected to submit credit information.

Palestine: Until 2009, there was no private credit information market in Palestine. The Palestinian Monetary Authority (PMA) had been only collecting information from banks on borrowers with loan amounts exceeding USD 10,000. As part of its efforts to transform into a Central Bank, however, the PMA established a credit bureau in 2009. Since then the PMA has signed Memorandums of Understanding (MoUs) with the six large MFIs in Palestine which already have their MIS in place, entitling them to participate in the National Credit Bureau.

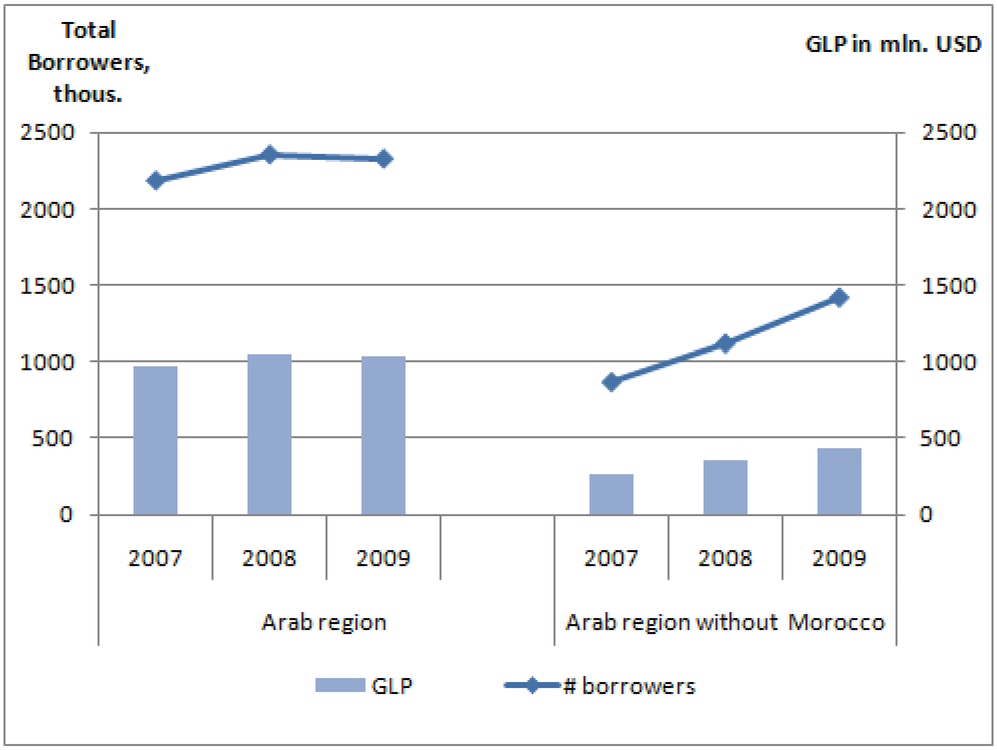
IV. *Trends in Outreach and Scale*

The Arab region is home to approximately 370 million inhabitants of which at least 26 percent are estimated to be living on less than USD $2 / day. By any estimate, the supply of microfinance services in the region is modest, at best, especially when factoring in the limited provision of financial services beyond microcredit. However, the region has seen the demand-supply gap narrow over the past few years due to high growth levels, notwithstanding global economic crises.

When compared to its global peers, the Arab region recorded the second highest median outreach and scale, following Asia and LAC respectively. Nonetheless, as illustrated in Figure 4, the total number of borrowers and average GLP in the region dropped slightly in 2009. This drop was mainly caused by the Moroccan market which saw the absolute number of borrowers and overall GLP fall in 2009 compared to 2008, as a result of the delinquency crisis.

[9] Anderson, Laura, "Government of Sudan Issues Directives Requiring Banks to Allocate 12 Percent of Portfolio to Microfinance", MicroCapital.org, May 1st 2009.

Figure 4: Outreach and Scale Trends With and Without Morocco (2007-2009)



Source: MIX Market 2007-2009.
Results are totals from a data set of 37 MFIs that provided information for 2007-2009

On the other hand, with the exclusion of Morocco, the Arab region continued to grow, recording growth rates for outreach and GLP of 29 and 40 percent respectively in 2008, and 27 percent and 29 percent respectively in 2009.

As illustrated in Table 3, Egypt recorded the highest number of borrowers in 2009 – surpassing Morocco for the first time. However, Morocco still has the largest GLP in the region, almost three times that of Egypt. That is mainly attributed to the more widespread use of group lending methodology in Egypt, which focuses on the lower end of the market through small loan sizes.

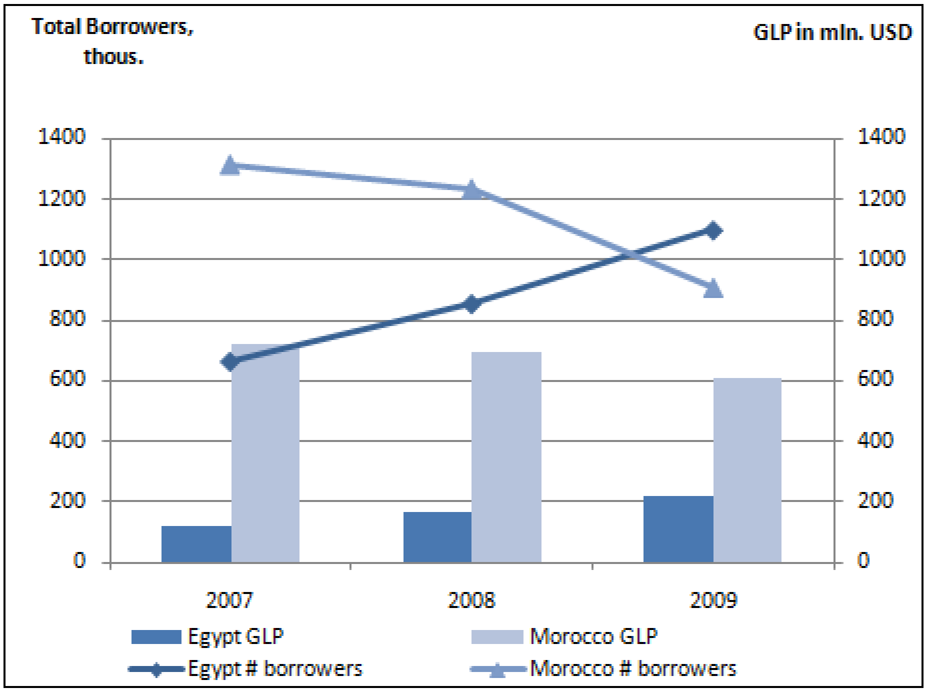
Egypt also recorded a growth rate of 28 percent in the number of borrowers and 29 percent in GLP. On the other hand, Morocco recorded, for the second year in a row, a decline in outreach and GLP of 26 percent and 12 percent respectively, due to the deterioration in portfolio quality which has caused most MFIs to revise their growth plans and take some concrete steps to address the bad loans.

Table 3: Number of Borrowers and Volume of Loans by Country in 2009 (55 MFIs)

Country	Number of participating MFIs	Number of active borrowers	Loan portfolio (USD)	Average loan balance
Egypt	13	1,100,541	216,688,450	197
Morocco	10	915,839	609,943,100	666
Jordan	8	159,081	134,262,829	844
Tunisia	1	123,041	41,355,997	336
Palestine	8	34,057	89,202,509	2619
Lebanon	3	31,671	29,274,281	924
Yemen	6	28,714	3,593,486	125
Syria	2	21,327	18,181,266	852
Sudan	3	20,155	3,867,094	192
Iraq	1	13,161	21,911,871	1665
Total	**55**	**2,447,587**	**1,168,280,883**	477

Source: Microfinance Information Exchange, Inc., 2009 Benchmarks

Figure 5: Change in Number of Borrowers and GLP for Egypt and Morocco



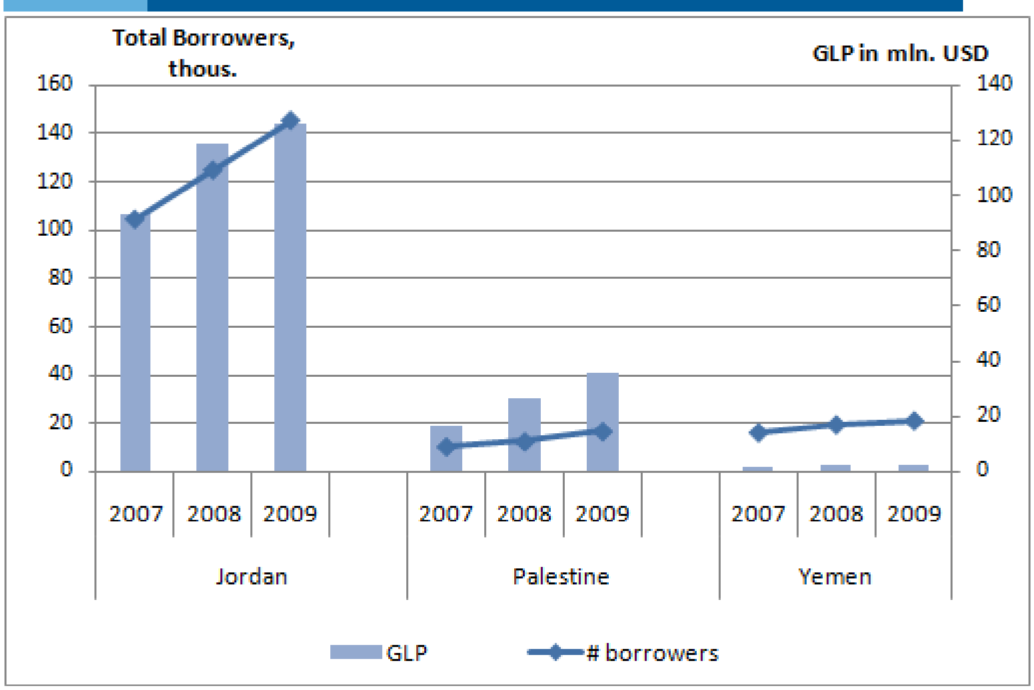
Source: MIX Market 2007-2009.
Results are total and from a data set of 37 MFIs that provided information for 2007-2009

Notwithstanding the contraction of the Moroccan market, Moroccan MFIs are still amongst the largest in the region. Seventeen large MFIs from the oldest markets in the region alone have a combined portfolio of USD 912 million, which represents 78% of the region's overall portfolio and a similar proportion of outreach.

As for the rest of the region, growth in outreach and scale continued in 2009 as well. In particular, a phenomenal increase in outreach and GLP in the Palestinian market was evident with 34 and 36 percent growth in 2009. Jordan recorded more modest growth levels of 16 percent in outreach and 6 percent in GLP respectively, followed by Yemen where the number of borrowers grew by 8 percent and GLP by 6 percent during the same period.

When looking at savings outreach and deposit levels; however, we have a different picture with the Sudanese market recording the highest number of savers and level of deposits followed by Yemen and Syria. Nonetheless, the numbers of savers and savings amounts still remain very small when compared to other countries outside the region where savings have been introduced for many years. For all other countries in the region, savings mobilization for MFIs remains unfeasible due to legal restrictions.

Figure 6: Outreach and Scale Trends in Other Countries



Source: MIX Market 2007-2009.
Results are total and from a data set of 37 MFIs that provided information for 2007-2009

Box 2: The Syrian Microfinance Sector: A National Strategy and Two New MFIs Enter the Market

Two years after the issuance of the first license to the First Microfinance Institution-Syria (FMFI) in the spring of 2008, according to Decree No. 151- two new additional licenses were issued early in 20101. The first went for Ibdaa Bank while the second to Bab RizqJameel (BRJ).

BRJ1 for Microfinance is Syria's third licensed microfinance bank. It has been granted a license to operate by the Central Bank of Syria according to Decree 15. Abdul Lateef-Jameel Community Services Programs, a Saudi Arabian company active in the area of microfinance, owns 49 percent of the venture. Two Syrian nationals own 6 percent of the new microfinance institution, with the remaining 45 percent to be sold through an IPO at a date not yet specified.

Unlike FMFI and BRJ, Ibdaa (which means creativity in Arabic) Small and Microfinance Bank was established under a special presidential decree which was passed on February 23 and will operate as a full-fledged bank providing both conventional and Islamic services. It will offer lending to low-income clients and will also accept deposits and insure its loans with local insurance firms, in accordance with instructions issued by the Syrian Insurance Supervisory Commission.

Ibdaa Bank is the fourth1 bank to be established in the Arab world as part of the AGFUND 'Banks for the Poor' initiative which was launched in early 2000. The paid-in capital of the bank is 366 million SYP (equivalent to 7 million USD), from which AGFUND owns 22 percent and the Syrian government 2 percent while the private sector owns more than 75 percent of shares. According to AGFUND, the main reason behind the special decree for the bank (instead of acquiring a license according to Decree No. 15) was the fact that Ibdaa bank is a social business which will not distribute any dividends to its shareholders but will retain its profits for capital increase. As Decree 15 requires that the licensed MFI has to be registered as a company, and the new companies law insists that at least 40 percent of the shares of each company has to be sold through an IPO, there was no way to register a social business under this decree. Decree 9 exempts Ibdaa Bank from all taxes and fees on its operations, income and profits, while its clients will be exempt from stamp duty and mortgage fees. The bank held its founders' meeting and elected its first board of directors in August 2010 and is expected to launch its operations and to begin disbursing loans before the end of the year.

In addition to the three licensed players in Syria, there are other microfinance programs such as the UNRWA Microcredit program, established in 2003, which alone is serving more than 7,000 active borrowers. There is also the Jabal Al Hoss program, established by the UNDP in the early 2000, with more than 7,000 current members.

An IFC study in 2007 estimated that 260,000 to 420,000 households in Syria require access to microfinance for business purposes and another one million households require credit for non-business purposes such as housing, education and medical care. All the providers currently serve about 30,000 active borrowers, leaving 90 - 97 percent of the market unserved.

On the national level, efforts are underway to finalize a unified microfinance strategy that is in line with the vision of the 11th national Five-Year Plan. This strategy is being developed in collaboration between the State Planning Commission and the United Nations Development Program (UNDP) in Syria, and was launched during the Sanabel conference in June 2010. Among other key objectives, the strategy calls for the development of a microfinance credit bureau, the promotion of business development services and the strengthening of partnerships between the microfinance sector and other sectors.

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[1]FMF-S was operating before the license as a microcredit program under the auspices of the Aga Khan Foundation and is currently serving more than 15,000 active borrowers. Recently KfW and IFC had some equity investment in the MFI. ADD REFERENCE HERE

[1]In February 2007, a presidential order issued Syria's General Microfinance Decree No. 15, the first and only Syrian legislation exclusively dedicated to microfinance. The Decree permitted the Currency and Monetary Council (CMC) to license Social Financial Banking Institutions (SFBIs). With a minimum capital requirement of 250 million SYP (approximately 5 million USD), SFBIs are allowed to provide various financial services, including microlending, deposit-taking, and microinsurance. According to the Decree, all SFBIs require prior CMC approval of their interest rates.

[1] In January 2010, CMC issued prudential regulations applicable to both SFBIs and banks with microfinance portfolios. The new regulations allow SFBIs to participate in CMC's credit information system without a minimum threshold and established solvency, liquidity, reserve, capital adequacy, and credit risk concentration ratios.

1In practice, BRJ has been informally active in Syria for more than a year. A statement from the institution said it has contributed to the creation of 1,413 jobs in the Tartous area where it is operating.

1 Three banks are already operational in Jordan (National Microfinance Bank), in Yemen (Alamal Bank) and in Bahrain (Al-Ibdaa Bank).

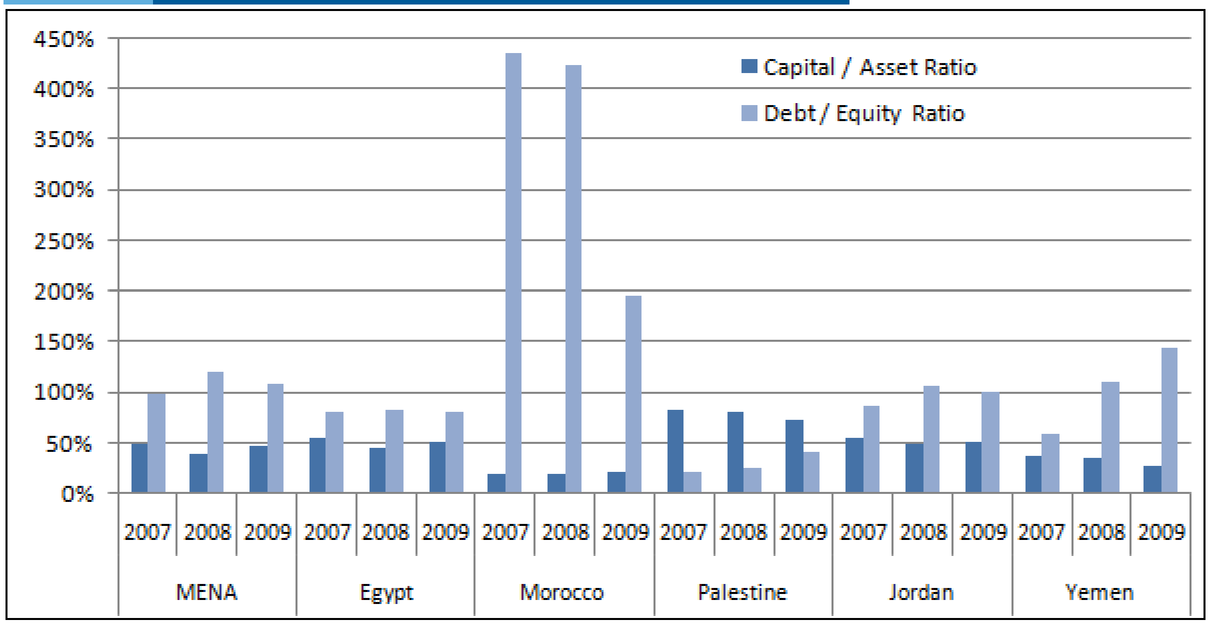
V. *Funding Structure of Arab MFIs*

MFIs generally have three main sources of funding to finance their growth: deposits, debt, and equity. Only a few markets in the Arab region (Sudan, Syria, and Yemen) currently allow for savings mobilizations while the remaining markets are hampered by restrictive regulations. Historically, Arab MFIs' main source of funding has been donated equity. In fact, the Arab region still maintains the highest capital / asset ratio in the world at 45 percent in 2009 compared to a global median of 23 percent. As illustrated in Figure 7, most countries in the region have been increasing debt financing and decreasing dependence on equity.

By the end of 2008, Arab MFIs were able to increase debt financing reaching a leverage ratio of 1.2; mainly driven by the increased commercialization of the Jordanian and Yemeni markets which saw leverage increase from 0.9 to 1.1 and 0.6 to 1.1 respectively from 2007 to 2008. Even with a steady increase in leverage for both Jordan and Yemen, 2009 witnessed a small regression in debt funding for the Arab region where leverage declined to 1.1, again as a result contraction in Morocco.

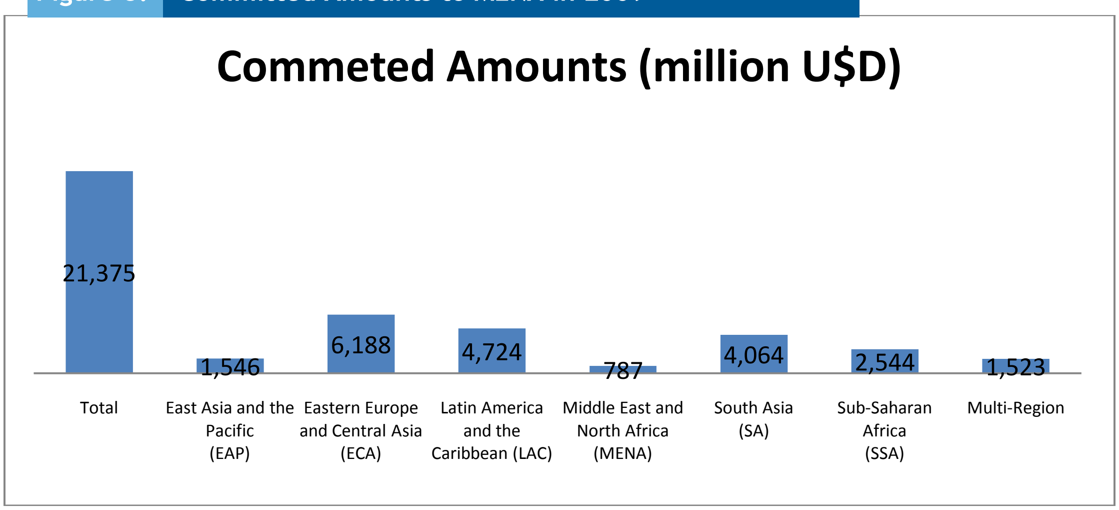
The annual CGAP Microfinance Funder Survey provides data on cross-border funding for microfinance in various regions of the world. More than 150 funders including bilateral and multilateral agencies, Development Finance Institutions (DFIs), foundations, and Microfinance Investment Intermediaries (MIIs) participated in CGAP's 2010 surveys on microfinance funding.

Figure 7: Funding Structures of MFIs by Country (2007-2009)



Source: MIX Market 2007-2009.
Results are median and from a data set of 37 MFIs that provided information for 2007-2009

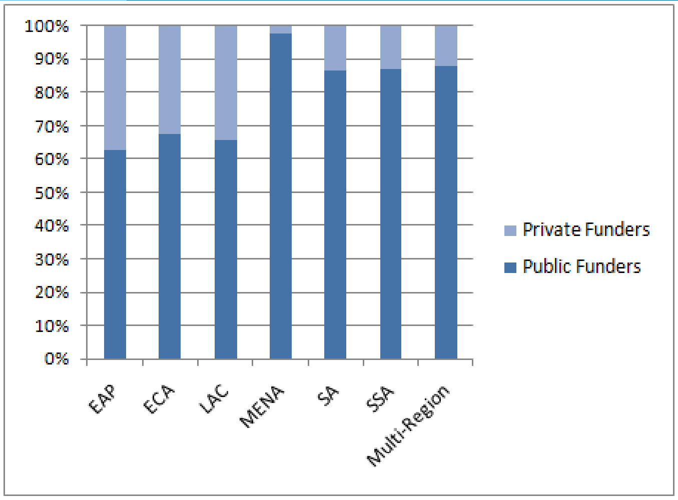
Figure 8: Committed Amounts to MENA in 2009



Source: CGAP Microfinance Funder Survey 2010

As illustrated in Figure 8, MENA received USD 787 million in cross-border funding in 2009, which represents both the lowest volume of funding and lowest percentage of total global commitments worldwide at 4 percent. Moreover, the region witnessed a slow growth in commitments with 4 percent compared to 17 percent growth in commitments globally[10].

Figure 9: Commitments to MENA in 2009 by Funder



Number of respondents: 61 and CGAP estimates based on 90 MIVs

Source: CGAP Microfinance Funder Survey 2010

The committed funds to the region in 2009 were provided by 21 public funders (bilateral and multilateral agencies and DFIs) and only 8 private funders and 16 MIIs – representing the lowest number of active private funders and intermediaries when compared to global peers. While private funding[11] represents only 13 percent of total commitments to the region, the amount of funding inflows from private investors grew by 80 percent to reach a total of USD 99 million compared to a global growth rate of 33 percent.

Egypt and Morocco continue to receive the majority of funding in the region. Almost 70 percent of the total funds for the region is directed to Morocco, followed by Egypt with almost 20 percent. Because they are two of the most mature markets in the Arab region, both Morocco and Egypt have historically been able to successfully tap donor and commercial funding to fuel their growth. Local financial institutions (commercial banks) have always been important supporters to the Moroccan sector and a main driver of growth, having created two of the largest MFIs in the country and currently funding more than 80 percent of the sector's assets. In Egypt, DFIs as well as local financial institutions have been the main funders of the sector. Egyptian commercial banks have only recently become engaged in actively funding the microfinance sector - notwithstanding the sector's track record of above-average returns, high portfolio quality, secured collateral, and available guarantee instruments.

Both Morocco and Egypt have seen their combined share of commitments drop from 90 percent to 75 percent in 2009. As the markets grow and mature, donors and investors are seeking opportunities in newer markets in the region where their funding inflows may have a similar impact in developing the sector. In fact, the CGAP survey demonstrated that the only two markets in the region that saw funding increase in 2009 were Iraq and Syria, both young markets with favorable regulatory environments.

Table 4: Funders active in Middle East and North Africa (MENA)

	No. of active Public Funders	No. Of active Foundations/NGOs
Morocco	10	4
Egypt	9	3
Other countries	37	12
Total	**56**	**19**
Total Funders	**75 Funders**	
Commitments	**$687 million**	**$99 million**
Total Commitments	**$787 million**	

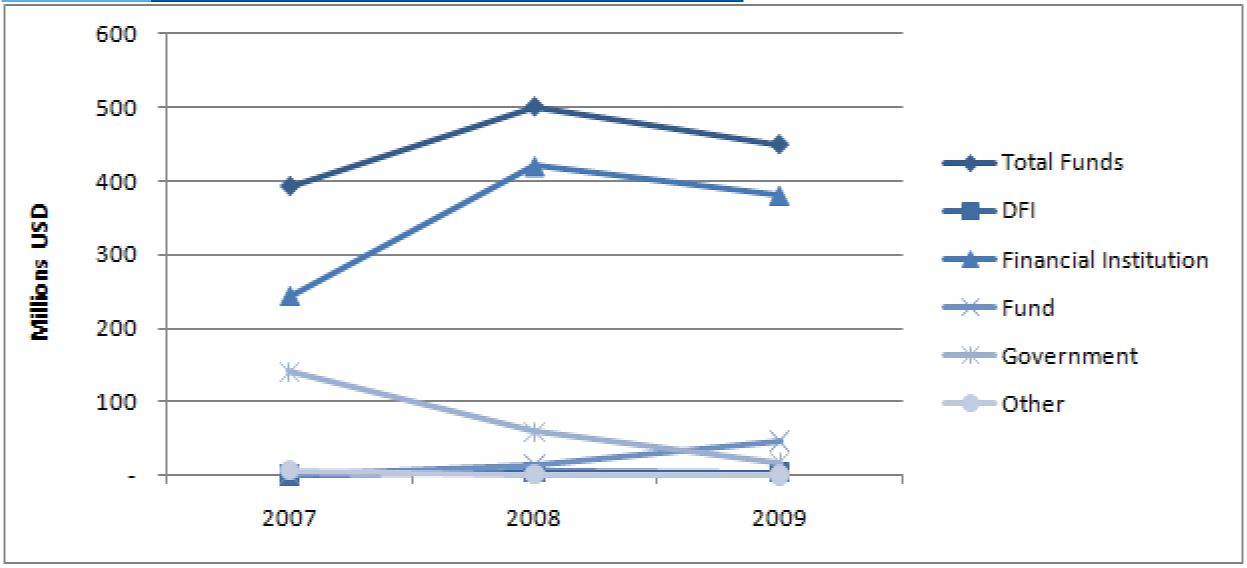
Source: CGAP Microfinance Funder Survey 2010

Benchmark data shows that the overall decrease in funding for the Moroccan market was 10 percent. Between 2008 and 2009, and in spite of the delinquency crisis in the Moroccan market, local funds have increased their funding in Morocco by almost 200 percent, while bilateral and government funds (including the French and Spanish governments) decreased their exposure by almost 70 percent.

In terms of pricing, whereas Palestinian MFIs are still dependent on concessional interest rates to fund their portfolios, Moroccan MFIs are amongst the most commercialized in the region. Because of their ability to source debt at competitive market rates, again benefiting from their long-standing relationships, the high level of commitment of local banks, the support of the government, and the high level of interest from international investors.

[10] **Commitments:** A common way to measure funding for microfinance is to look at funders' commitments. *Total commitments* describe the stock of funds set aside for microfinance at a given time.
[11] **Private Funders:** are organizations that are not directly affiliated with government, although they can also receive funding from public sources. In this context, private funders include institutional investors (e.g., pension funds, financial institutions such as insurance companies, banks, asset management companies, and treasury departments of companies), foundations (family or corporate foundations, e.g., Bill and Melinda Gates Foundation, Ford Foundation)

Figure 10: Funding in Morocco by Funder Type



Source: MIX Market 2007-2009. Results are total.

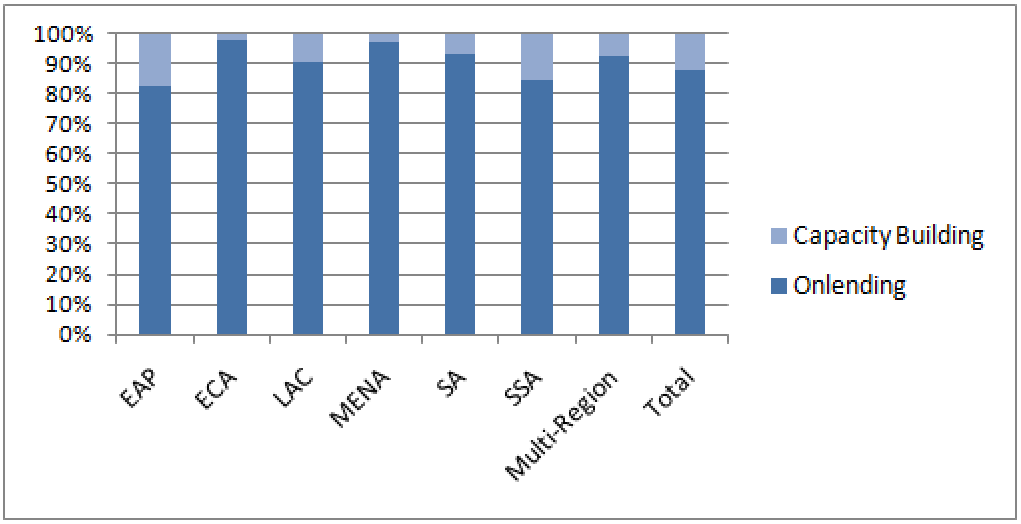
Table 5: Interest Rates by Region and by Country in Arab Region in 2009

Row Labels	2008	2009
Africa	**8.78**	**9.05**
East Asia and the Pacific	**8.69**	**3.99**
Eastern Europe and Central Asia	**7.39**	**6.90**
Latin America and The Caribbean	**9.40**	**7.67**
South Asia	**11.20**	**11.60**
Middle East and North Africa	**4.74**	**6.41**
Egypt	10.48	10.04
Jordan	7.62	6.81
Morocco	3.66	4.82
Palestine	1.93	1.99
Yemen	9.33	9.92

Source: MIX Market 2008-2009.

The CGAP Survey also shows that while debt and equity continue to be the main instruments for funding the region, guarantees followed equity as an important source of funds. In fact, guarantees are more widely used in MENA than other regions; providing 12 percent of overall financing to the region in 2009, compared to less than 5 percent of total funding for the rest of the world. Morocco received the highest level of loan guarantees in the region in 2009.

Figure 11: Commitments by Purpose in 2009



Number of respondents: 61 and CGAP estimates based on 90 MIVs

Source: CGAP Microfinance Funder Survey 2010

As illustrated in Figure 11, the majority of the committed funds (84 percent) to MENA are being used to refinance retail financial service providers both directly and indirectly. The allocation is similar to the global average of 88 percent. Again, Egypt and Morocco alone receive around 80 percent of these funds for on-lending. The remaining funding (USD 128 million) represents commitments to building the capacity of the sector. Eighty percent of these funds were used to strengthen MFIs while the remaining funds are directed towards supporting needed market infrastructure, policy and regulation.

While funding for on-lending remained more or less the same in 2009 compared to 2008, there was a noticeable increase in commitments to capacity building. In fact, MENA experienced the highest increase among its global peers (36 percent) to reach USD 128 million in commitments to capacity building. This increase can be explained by the continued growth of the industry as well as the emergence of new microfinance markets in countries such as Algeria, Iraq, and Sudan. In fact, more than half of the increase in capacity building funds to the region was a result of new or increased commitments for Iraq.

VI. *Financial Performance*

Efficiency and Profitability

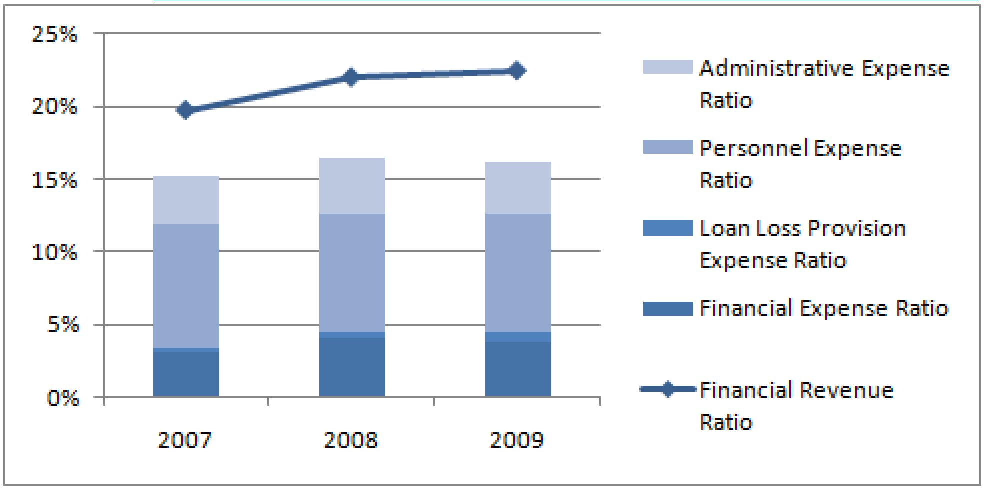
Microfinance in the Arab region continued to be highly profitable in 2009. The region recorded the highest median return on assets (ROA) at 3.4 percent.

The region's impressive profitability comes despite the fact that it has one of the lowest levels of financial revenue (22 percent) compared to its peers. While financial revenues are modest, portfolio yields are amongst the highest in the world at 25 percent. This combination was due to the fact that the region maintained a low ratio of gross loan portfolio (GLP) to assets, at 75 percent. Egypt and Yemen are particularly low, both below 70 percent, a sign that the markets are more conservative in investing their funding into lending activities.

Since revenues alone did not explain the high returns in the region, a breakdown of expense levels should. Indeed, the Arab region recorded the second lowest total expenses in the world at 20 percent (of average assets) in 2009. Although the region posted the highest personnel expense ratio in the world at 10 percent, it maintained the lowest administrative expense ratio at 4 percent and the second lowest financial expense ratio at 3.7 percent.

Trend analysis showed that both revenues and expenses increased over the past three years. Most countries in the region saw revenues and profitability increase from 2007-2009, with the exception of Morocco, which witnessed a decline in financial revenues from 27 percent in 2007 to 25 percent in 2008 and 20 percent in 2009. Consequently, the Moroccan market saw its profitability fall by more than 95 percent between 2007 and 2009. Excluding Morocco from the regional sample, Figure 12 depicts the reasons for the region's overall ROA increased even further to 5.6 percent.

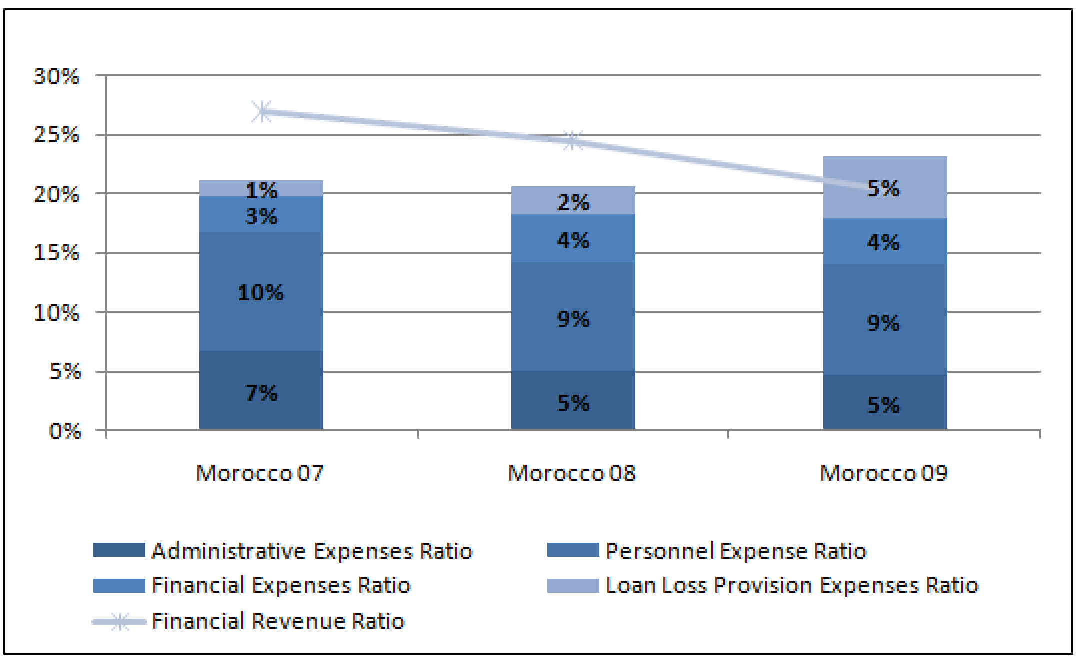
Figure 12: Regional Trend: Breaking Down the Returns on Assets in MENA When Excluding Morocco (2007-2009)



Source: MIX Market 2007-2009.
Results are median and from a data set of 37 MFIs that provided information for 2007-2009

In 2007, Moroccan MFIs posted a ROA of 4.8 percent at the median, above the regional benchmark, however by 2008 the sector's profitability began to dwindle, dropping to 1.4 percent; and in 2009 ROA fell even further to 0.2 percent. The diminishing returns over the course of the three years, as illustrated in Graph 13, were due to increasing loan losses. One can see that the loan loss provision expense ratio increased from 1 percent in 2007 to 5 percent in 2009, while other expenses dropped or remained stable. At the same time, financial revenue ratios declined from 27 percent in 2007 to 20 percent in 2009 due to deterioration in portfolio quality and increased difficulty in collection, resulting in higher write-offs.

Figure 13: Changing Profitability: Breaking down Morocco's ROA (2007-2009)



Source: MIX Market 2007-2009.
Results are median and from a data set of 37 MFIs that provided information for 2007-2009

The Palestinian sector witnessed a substantial improvement in profitability from 2007–2009, starting with a ROA of -0.7 percent in 2007, increasing to positive returns in 2008 and 2009 at 0.4 percent and 4.2 percent respectively. The increase in financial revenues from 8 percent in 2007 to 12 percent in 2008 and 15 percent in 2009 reflected higher yields on portfolio that almost doubled over the 3 year period.

Efficiency levels in the Arab region are low compared to other global peers. In 2009, the region recorded the second highest operating expenses / loan portfolio ratio at 21 percent,- compared to a global average of 18 percent, due to a higher than average personnel expense ratio of 14 percent. The two relatively younger markets in the region, Sudan and Yemen, maintained the highest operating expense ratios at 56 percent and 35 respectively.

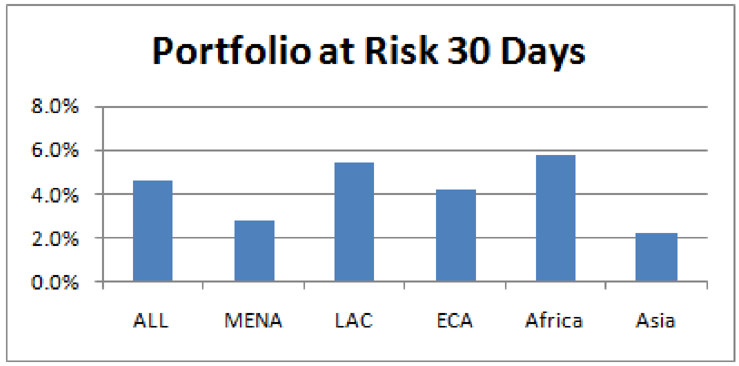
Egypt is once again the most efficient market in the region. Credit goes to tight controls over operational expenses which are the lowest in region with an operating expense / loan portfolio ratio of 13 percent, achieved in part by maintaining the region's lowest average salary / GNI per capita level of 142 percent. Given that the Egyptian market has the largest outreach in the region, it was also able to record the lowest cost per borrower ratio of only 28 cents per borrower. On the other side of the spectrum, salary levels at MFIs in Palestine were almost seven times that of income levels. Given the market's limited outreach, the Palestinian market recorded the highest cost per borrower of USD 2.80.

As part of Morocco's aggressive recovery plan, MFIs began exchanging client histories informally to identify existing cross-borrowers and have also revised and tightened lending policies to new clients. Inevitably, this led to a decline in the number of borrowers and an increase in operating expenses as staff put more time and effort to recovering bad loans, instead of increasing outreach. Doing so had a negative impact on efficiency, as evidenced by the increase in the cost per borrower by 37 percent from 2007 to 2009. Notwithstanding the impact that the crisis had on its operating costs and outreach, however, the efficiency gains accumulated from previous years rendered the Moroccan market one of the most efficient in the region. Moreover, since staffing levels increased while outreach declined, productivity also fell.

Portfolio quality

Portfolio quality remained high for the region despite the delinquency crisis in the Moroccan market in 2008 and 2009 and the volatility of some markets in the region such as Palestine. The region's overall portfolio quality was above the median, with the second lowest PAR > 30 days and PAR > 90 days in the world at 2.8 percent and 1.9 percent respectively. The region also recorded the lowest write-off ratio among its peers at 0.28 percent. MFIs in the Arab region are generally both highly conservative and cautious with above average risk coverage levels.

Figure 14: PAR > 30 Days by Region

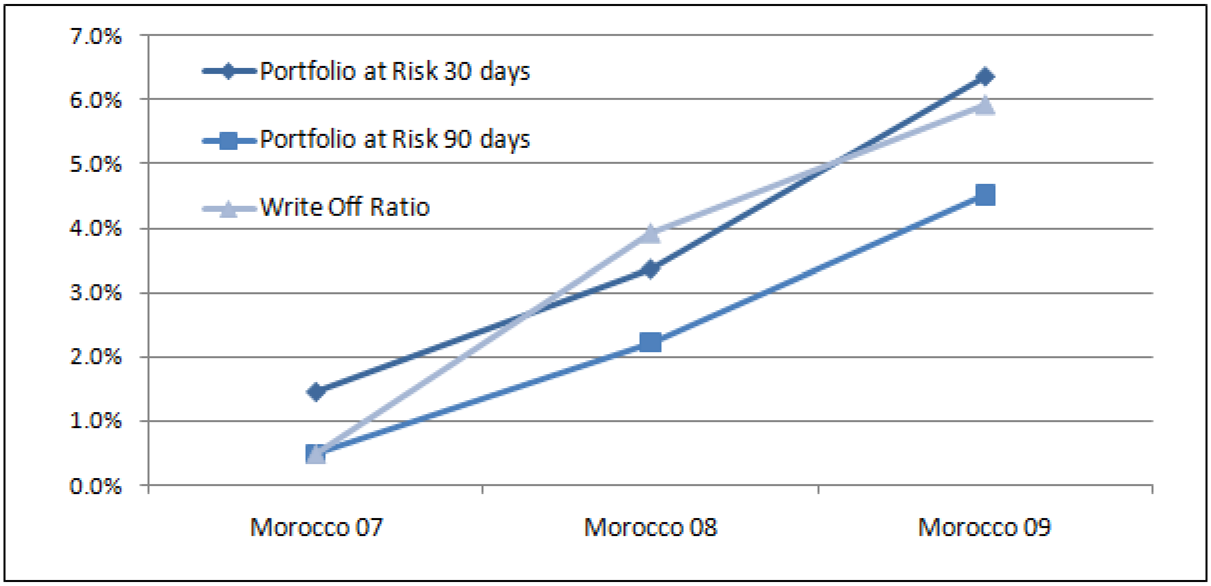


Source: Microfinance Information Exchange, Inc., 2009 Benchmarks. Results are median.

The Moroccan sector's portfolio quality moved from one of the strongest in the region (PAR > 30 days at 1.5 percent in 2007) to the weakest (6.4 percent in 2009, 1.8 percent above global average). In early 2007, an increase in non-performing loans caused by multiple lending, lenient credit policies, obsolete management information systems (MIS), and lack of internal controls led to a deterioration of portfolio quality in Morocco in 2008 and a sharp rise in portfolio-at-risk levels.

As depicted in Figure 15, PAR > 30 days levels more than tripled from 2007 to 2009. As a response to the crisis, the Moroccan government took many steps to minimize the damage. One such measure was the planned acquisition of Foundation Zakoura by Fondation Banque Populaire pour le MicroCrédit (FBPMC), as the former reported an alarming PAR 30 of approximately 30 percent. As a prudential measure, Moroccan MFIs also began exchanging credit information on weekly bases to identify and control cases of cross-lending.

Figure 15: Trends in PAR > 30 days and Write Offs in Morocco (2007-2009)

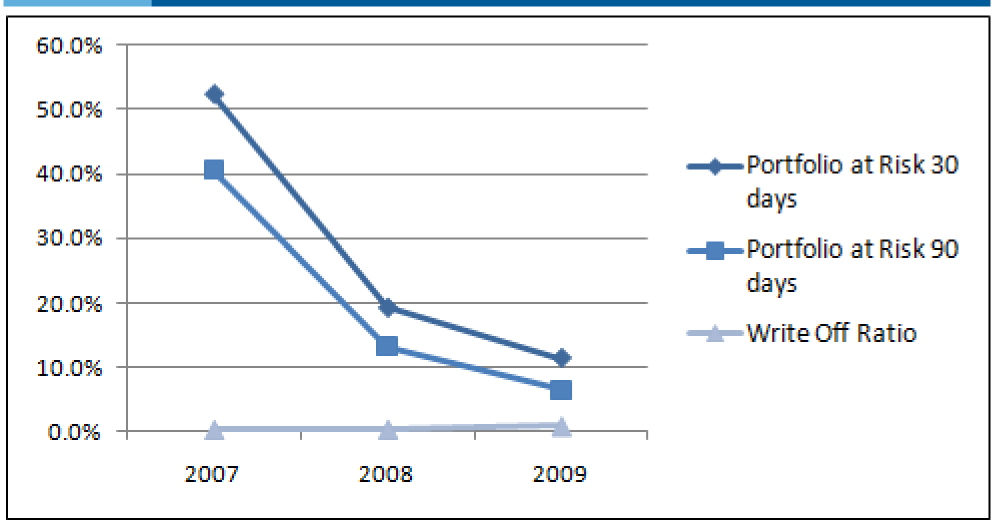


Source: MIX Market 2007-2009.
Results are median and from a data set of 37 MFIs that provided information for 2007-2009

The write-off ratio jumped from 0.5 percent to 5.9 percent between 2007 and 2009, while the risk coverage ratio continued to decline from 79 to 60 percent. In fact, Morocco maintained one of the lowest risk coverage ratios within the region in 2009. We can deduce from this that although the Loan Loss Provision Expense increased from 1 percent to 5 percent between 2007 and 2009, this increase in provisioning was not enough to cope with the even higher increase in risk during that same period. Hence, the Moroccan sector may need to consider increasing its provisioning levels in the future to keep up with the increasing risk faced by the sector.

As for other countries in the region, we can see that portfolio quality remained stable for the most part. Yemen maintained the lowest PAR > 30 days in the region in 2009, at less than 1 percent, followed by Egypt at 1.2 percent, and Jordan at 1.3 percent. While the Palestinian market maintained one of the highest PAR > 30 days ratios at 7.5 percent, portfolio quality for the sector has been improving over time as illustrated in Figure 16. PAR > 30 days and PAR > 90 days dropped by roughly 80 percent from 2007 to 2009. Meanwhile, the write-off ratio only slightly increased from 0.4 percent to 0.9 percent between years 2007 and 2009.

Figure 16: Trends in PAR > 30 days and Write Offs in Palestine (2007-2009)



Source: MIX Market 2007-2009.
Results are median and from a data set of 37 MFIs that provided information for 2007-2009

Conclusion

In 2009, microfinance in the Arab region remained unique in a number of ways. While the sector has continued to grow at double digit rates, it has not abandoned its social mission and remains committed to serving low-income populations and women borrowers. Despite the delinquency crisis that plagued the Moroccan sector and the conflict situations in a number of countries, the region still maintains very high portfolio quality. Moreover, the increase in financial revenue along with tight controls over expenses led the region to record the highest returns in comparison to its global peers. Paradoxically however, the Arab region received the lowest cross-border funding from investors. This is especially interesting to note considering the low penetration rates and potential for growth and development of the sector as well as the increased disclosure levels and transparency of Arab MFIs.

The lack of regulations and a clear legal framework in the region may partially explain the low levels of foreign direct investment to the region. In general, clear laws and regulations reduce some operational and institutional risks and hence, increase the attractiveness of an investment. While the lack of clear regulation may be perceived as a risk by investors, the existence of restrictive regulation would also hamper the willingness to invest in such markets that don't provide enough space for innovation and product diversification.

Most countries in the Arab region have either not introduced specific microfinance laws to attract investors or have maintained unclear and restrictive regulatory frameworks. This has begun to change; however, with the introduction of microfinance laws in Syria in 2007 and Yemen in 2009 and Palestine and Egypt following suit in 2010. As the microfinance industry in the Arab region matures further it will be imperative to develop country-specific regulation that is flexible enough to allow the sector to develop while providing enough supervision and reporting to ensure investor and client rights as well. We should expect then to see an increased inflow of funds from social and commercial investors who are more confident in investing in a region that can fulfill the promise of meeting the double bottom-line.

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*MIX wishes to thank CGAP for its collaboration in the writing of this report and especially Mohammed Khaled, CGAP representative for MENA.

Social Performance[1]

This section assesses the different aspects of social performance management as reported by microfinance institutions (MFIs) from the Arab region to MIX over the past two years. It provides a framework for analyzing the current state of social performance practice in the region, based on the social performance indicators selected by the Social Performance Task Force,[1] and highlights current challenges in data collection and reporting.

Overview

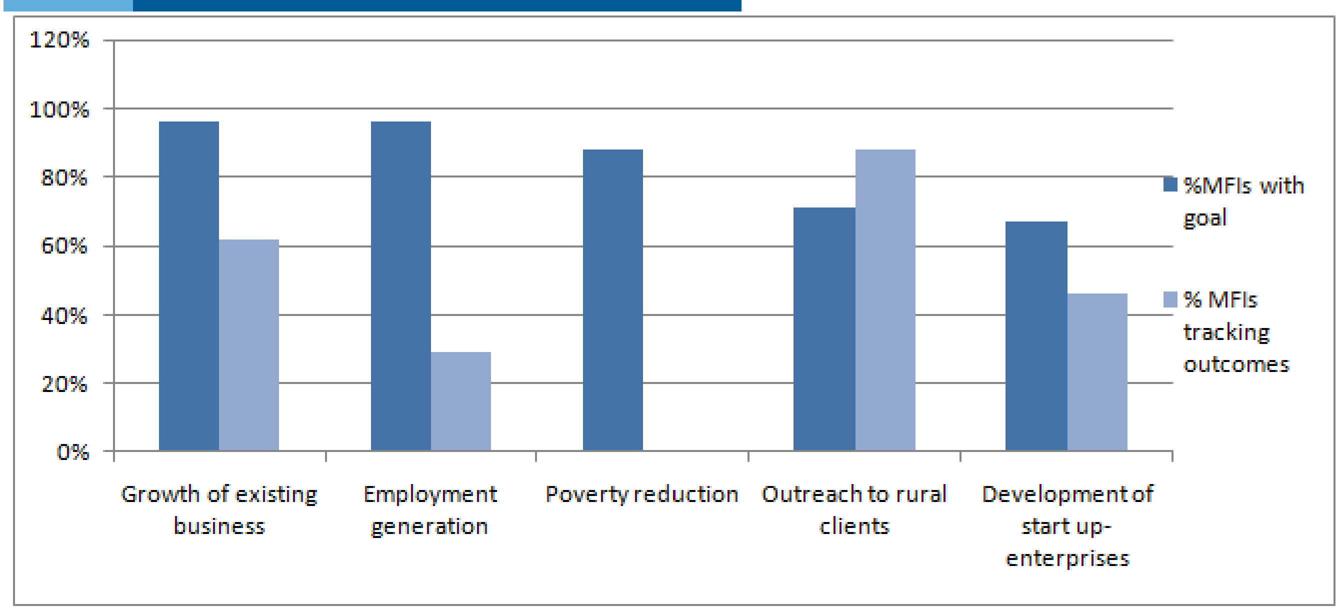
Data collected on social performance from 24 MENA MFIs over the past two years revealed a region where micro- and small enterprises compose the main target market, with a focus on female clients. These MFIs list poverty reduction among their top development goals, although poverty outreach is not a commonly –tracked indicator. On the other hand, MFIs are starting to adapt their internal policies and systems to better track social performance indicators and developing proactive policies relating to staff training on social performance and consumer protection. Overall, however, social performance indicators are not yet systematically tracked and MFIs still have difficulties reporting on the actual outcomes related to their mission.

Translating Social Mission Into Measurable Outcomes

The majority of MFIs that reported social performance data were NGOs (17 total). This reflects the predominant legal status of MFIs in the region. There were also 5 NBFIs, 1 bank and 1 agency of the United Nations. In total, these MFIs represented 41 percent of all Arab institutions reporting financial information to MIX and covered 8 countries, with Jordan being the most active in reporting. Most reporting MFIs have over 10 years of microfinance operations and are micro or small sized[12]. They reach about 800,000 borrowers in aggregate.

These MFIs reported employment creation and business growth as their top development goals, followed by poverty reduction. Most could report data on businesses financed but less than a third tracked information on employment creation. While poverty reduction was a goal for 88 percent, only 30 percent specifically mentioned targeting poverty in their mission statement. Poverty data are not commonly tracked in the region and only 4 MFIs could report data for clients below the poverty line at entry. Among these, 2 MFIs from the Occupied Palestinian Territories reported a median of 5 percent of clients below the national poverty line at entry[13]. The difficulty in tracking poverty data is due in part to the lack of availability of easy poverty scorecards in the region, such as the Progress out of Poverty Index (PPI™), at the time of reporting. The PPI™ is currently available in Egypt, Palestine, Morocco and Yemen but in fiscal year 2009 it was only available in Morocco and Yemen. One MFI in Morocco reported having tested it, although it did not report any measurements.

Figure 1: Development Goals and Outcomes Tracking



Source: MIX Market, 2008-2009. Note: MFIs tracking outcomes refers to the ability of reporting indicators related to the development goals. In the case of 'poverty reduction' it refers to the ability of the MFIs to report the number of clients who are above the poverty line after 3 years in the program

[12] Microenterprises employ 5 or fewer employees. Small enterprises employ between 5 and 50 employees.

[13] According to the Palestinian Expenditure and Consumption Survey of 2007, about 30 percent of the population lives below the national poverty line.

Women represented the majority of clients in MENA (a median of 62 percent), most of them served through group lending (68 percent). A relatively small number of MFIs (38 percent) could report the number of female clients who had graduated from group lending methodology to individual lending and that number was extremely low (a median of 5 percent). 71 percent of MFIs have established women's empowerment/gender equality as a development goal and the empowerment services offered seem to match this goal[14]; 61 percent of MFIs offer such services. The MENA microfinance sector offered relatively restricted level of financial inclusion in terms of geographic outreach, with clients living in rural and semi-urban clients representing only 31 percent of the total population served. In addition, only 4 percent of MFIs reported having branches where there were no other MFIs and clients served in these areas represent a mere 2 percent of total clientele. Among other disadvantaged groups there were refugees; 17 percent of MFIs have Palestinian refugees among their clients.

Credit remains the chief financial product offered. 75 percent of MFIs offered SME loans and almost half offered housing and agricultural loans as well. 33 percent of MFIs reporting offered consumption loans, while only 17 percent offered loans for education. The banks and NBFIs who reported social performance data all offered savings, while 2 NGOs offered savings facilitation services as well. Half of reporting MFIs offered credit life insurance but only 1 provided voluntary insurance products. 54 percent of MFIs offer business services and around 45,000 clients received this service.

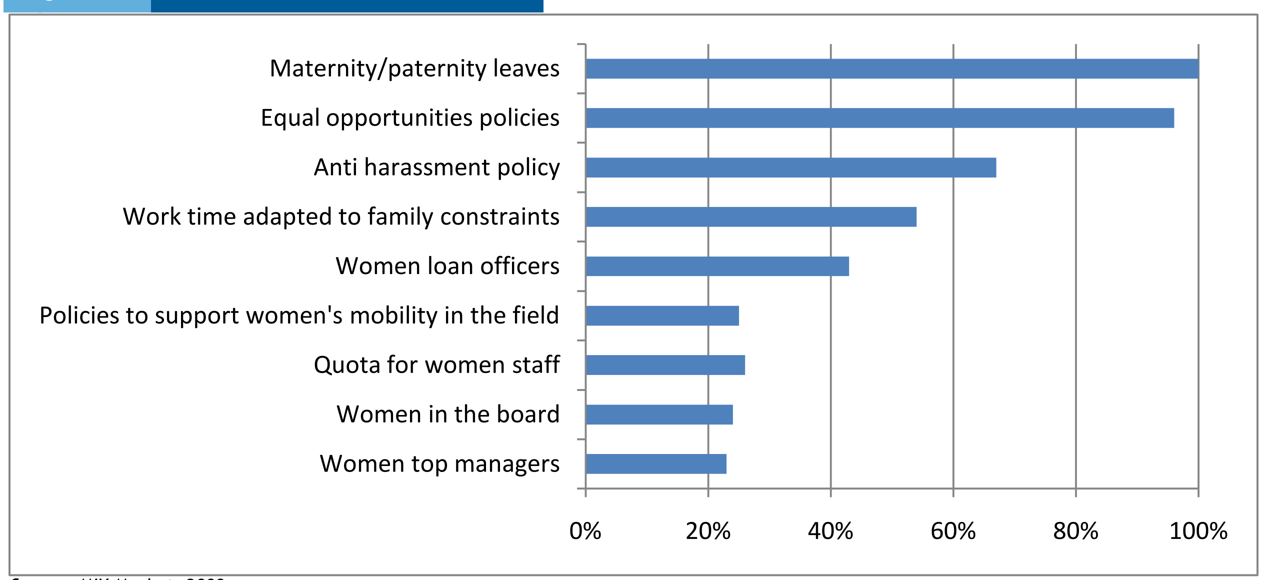
Policies and Procedures in Place to Manage Social Performance

An increasing proportion of MFIs in the region recognized social performance management as an important part of operations. The high percentage of MFIs (71 percent) that performed some variety of training on social performance topics reflects this. The most common topics for trainings were mission orientation, development goals, over-indebtedness prevention and communication with clients about prices[15]. This is only a first step, however, as few MFIs (8 percent) have established a standing social performance committee that regularly reviews social performance issues.

Reporting MFIs' human resource structure only partially reflected the tendency in MENA to prioritize gender development goals. Women represented 36 percent of staff and the majority of loan officers but they were underrepresented in board and management positions (Figure 2).

Over 80 percent of reporting MFIs rewarded staff on the basis of social performance achievements, particularly regarding portfolio quality and the ability of staff to attract new clients from the institution's target market. The average staff rotation was 14 percent and almost all staff working on microfinance operations had a permanent position within the institution. Overall, MFIs reported responsible human resources practices, the majority of which included practices to ensure safety of staff, a clear salary scale based upon market salaries, pension contribution and anti-discrimination policies. The least common policy was the right for staff to organize in a union, implemented by only a quarter of MFIs

Figure 2: Gender Dimensions of MFIs



Source: MIX Market, 2009

[14] Women's empowerment services identified in the SPS Report are: business training for women, leadership trainings, women's rights education and counseling for women victim of violence

[15] The trainings on social performance management in the region have been conducted by the Microfinance Network of Arab Countries (Sanabel)

Client dropout rate[16] in the region was 37 percent in 2009 and 29 percent of MFIs, particularly those in Morocco, reported having clients who were borrowing from other institutions. These MFIs reported that an average of 47 percent of their clients fell into this category. Around 33 percent of MENA MFIs reported regularly monitoring client exit and 65 percent of MFIs also reported using interviews of exiting clients for market research purposes.

Overall, MFIs in MENA appeared to pay attention to consumer protection principles, especially those regarding policies on over-indebtedness prevention and transparent responsible pricing (see table on Consumer Protection Principles). 21 institutions in the region have endorsed the Smart Campaign. However, only 30 percent of MFIs reported having all the consumer protection principles in place. As highlighted in the report (session III), a functional framework for sharing credit information of clients is particularly important, especially in preventing client over-indebtedness. The establishment of credit bureaus with mandatory reporting requirements is an important step that several countries in the region are already undertaking.

A loan approval process that evaluates borrower repayment capacity was the most popular measure that MENA MFIs used to address potential over-indebtedness. Nonetheless, only 25 percent of MFIs offered financial education for clients, while over 60 percent claimed to have established a mechanism to handle client's complaints or to have a code of ethics that spelled out acceptable and unacceptable debt collection practices.

Table 1: Consumer Protection Principles

Principles of Consumer Protection	MFIs reporting having consumer protection policies in place
Avoidance of over-indebtedness	71%
Transparent and responsible prices	75%
Appropriate debt collection practices	50%
Privacy of clients data	50%
Mechanisms for redress of grievances	46%
Ethical staff behavior	67%

Conclusion

Social performance reporting from MFIs in MENA showed mixed results. While MFIs rarely tracked outreach figures beyond women and geography, they are becoming increasingly aware of the importance of social performance management, especially as it relates to consumer protection. Despite this, there is still a long way to go before MENA can report data that is benchmarkable across countries. As other regions have shown, regional networks can play a fundamental role in training on, and raising awareness about, the importance of social performance management. The Microfinance Network of Arab Countries (Sanabel) in particular is already active in social performance training and, furthermore, several MFIs in the region have implemented social audits. Improved financial inclusion is critical for the fulfillment of development goals identified by the MFIs such as employment creation, and for raising incomes and reducing poverty. As mentioned above, poverty outreach was the most difficult indicator to report on in 2009. However, this could change next year with the greater availability of the PPI™ in the region and with a higher number of MFIs measuring poverty outreach of their clients.

To view social performance data of the MFIs reporting, please visit: http://www.mixmarket.org/social-performance-data

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[16] The formula used to calculate dropout rate is: (clients at beginning of the period + new clients - clients at the end of the period)/clients at the beginning of the period.

Appendix: MFIs Reporting on Social Performance

AHLI Microfinancing Company Ltd (AMC)	Jordan
Al Amal Microfinance Bank	Yemen
Al-Thiqa	Iraq
AMOS	Morocco
INMAA	Morocco
Palestine for Credit & Development "FATEN"	Palestine
ABA	Egypt
Ameen	Lebanon
CFH Iraq	Iraq
Makhzoumi	Lebanon
Dakahlya Businessmen Association for Community Development (DBACD)	Egypt
Ryada	Palestinian Territories
FBPMC	Morocco
Alwatani	Jordan
Aden	Yemen
Microfund for Women	Jordan
Development and Employment Fund	Jordan
Tamweelcom	Jordan
FINCA Jordan	Jordan
ENDA	Tunisa
Al Majmoua The Lebanese Association for Development	Lebanon
UNRWA Microfinance Programme	Palestinian Territories
AMSSF	Morocco
NAMAA	Yemen

2009 Benchmarks - 55 MFIs 2007-2009 Trend Data MFI Participants - 37 MFIs names in italics	
Egypt	*ESED*, *Lead Foundation*, *SBACD*, *IDDA*, SCDA, *ABA*, *ABWA*, *FMF*, *DBACD*, *Al Tadamun*, *CEOSS*, *RADE*, *ASBA*
Iraq	Al-Thiqa
Jordan	*MEMCO*, *Tamweelcom*, *AMC*, *DEF*, *Alwatani*, *MFW*, FINCA-JOR, UNRWA
Lebanon	*AL Majmoua*, Makhzoumi, *Ameen*
Morocco	*FBPMC*, *FONDEP*, *Zakoura*, *AMOS*, *AMSSF/MC*, *Al Karama*, *INMAA*, *ARDI*, *Al Amana*,ATIL
Palestine	UNRWA, Al Rafah Bank, FATEN, PARC, ASALA, *ACAD*, Reef, *Ryada*
Sudan	BRAC-SS, *PASED*,FSL
Syrie	FMFI Syria, UNRWA-SYR
Tunisie	*Enda*
Yemen	*Abyan*, *Al Awael*, *NMF*, *Azal*, Aden, SFSD

Peer group	Definition	Description
Country	Egypt (13 MFIs)	Egyptian MFI
	Jordan (8 MFIs)	Jordanian MFI
	Morocco (10 MFIs)	Moroccan MFI
	Palestine (8 MFIs)	Palestinian MFI
	Yemen (6 MFIs)	Yemeni MFI
	Arab region without Morocco (45 MFIs)	All Arab MFIs except Moroccans'
Sustainability	Arab FSS (38 MFIs)	Financial Self-Sufficiency ≥ 100 %
	Arab Non FSS (17 MFIs)	Financial Self-Sufficiency < 100 %
Scale	Arab Small (24 MFIs)	Arab MFI with a gross portfolio of loans < 2 million USD
	Arab Medium (15 MFIs)	Arab MFI with a gross portfolio of loans between 2 and 8 million USD
	Arab Large (16 MFIs)	Arab MFI with a gross portfolio of loans > 8 million USD
Scale (outreach)	Arab Small (14 MFIs)	Number of borrowers < 10,000
	Arab Medium (15 MFIs)	Number of borrowers ≥ 10,000 and < 30,000
	Arab Large (26 MFIs)	Number of borrowers > 30,000

Appendix — Indicator Definitions

INSTITUTIONAL CHARACTERISTICS

Number of MFIs	Sample size of group
Age	Years functioning as an MFI
Total Assets	Total assets adjusted to inflation and standardized loan portfolio provisioning and write-offs
Total Offices	Number, including head office
Total Staff	Total number of staff members

FINANCING STRUCTURE

Capital / Asset Ratio	Adjusted Total Equity/ Adjusted Total Assets
Debt to Equity	Adjusted Total Liabilities/ Adjusted Total Equity
Deposits to Loans	Deposits/ Adjusted Gross Loan Portfolio
Deposits to Total Assets	Deposits/ Adjusted Total Assets
Gross Loan Portfolio to Total Assets	Adjusted Gross Loan Portfolio/ Adjusted Total Assets

OUTREACH INDICATORS

Total Borrowers	Number of Borrowers with loans outstanding, adjusted for standardized write-offs
Percent of Female Borrowers	Number of active women borrowers / Adjusted Number of Active Borrowers
Total Loans Outstanding	Number of outstanding loans, adjusted for standardized write-offs
Gross Loan Portfolio	Gross loan portfolio, adjusted for standardized write-offs
Average Balance per Borrower	Gross loan portfolio, adjusted / Number of active borrowers, adjusted
Average Balance per Borrower / GNI per Capita	Average Loan Balance per Borrower/ GNP per Capita
Average Outstanding Balance	Adjusted Gross Loan Portfolio/ Adjusted Number of Loans Outstanding
Average Outstanding Balance / GNI per Capita	Adjusted Average Outstanding Balance / GNI per Capita
Number of Depositors	Number of depositors with any type of deposit account
Number of Deposit Accounts	Number of all deposit accounts
Deposits	Total value of all deposit accounts
Average Deposit Balance per Saver	Deposits/ Number of Depositors
Average Deposit Balance per Saver/GNI per Capita	Average Deposit Balance per Depositor/ GNI per Capita
Average Savings Account Balance	Depositors/ Number of Deposit Accounts
Average Savings Account Balance / GNI per Capita	Average Deposit Account Balance / GNI per Capita

MACROECONOMIC INDICATORS

GNP per Capita	Total income generated by a country's residents, irrespective of location / Total number of residents (World Development Indicators)
GDP Growth Rate	Annual growth in the total output of goods and services occurring within the territory of a given country (World Development Indicators)
Deposit Rate	Interest rate offered to resident customers for demand, time, or savings deposits (IMF/International Financial Statistics)
Inflation Rate	Annual change in average consumer prices (IMF/International Financial Statistics)
Financial Depth	Money aggregate including currency, deposits and electronic currency (M3) / GDP, measuring the monetization of the economy (IMF/International Financial Statistics)

OVERALL FINANCIAL PERFORMANCE

Return on Assets	Adjusted Net Operating Income - Taxes)/ Adjusted Average Total Assets
Return on Equity	Adjusted Net Operating Income - Taxes)/ Adjusted Average Total Equity
Operational Self-Sufficiency	Financial Revenue/ (Financial Expense + Impairment Losses on Loans + Operating Expense)
Financial Self-Sufficiency	Adjusted Financial Revenue/ Adjusted (Financial Expense + Impairment Losses on Loans + Operating Expense)

REVENUES

Financial Revenue/Assets	Adjusted Financial Revenue/ Adjusted Average Total Assets
Profit Margin	Adjusted Net Operating Income/ Adjusted Financial Revenue
Yield on Gross Loan Portfolio (nominal)	Adjusted Financial Revenue from Loan Portfolio/ Adjusted Average Gross Loan Portfolio
Yield on Gross Loan Portfolio (real)	(Adjusted Yield on Gross Portfolio (nominal) - Inflation Rate)/ (1 + Inflation Rate)

EXPENSES

Total Expense/ Assets	Adjusted (Financial Expense + Net Impairment Loss + Operating Expense) / Adjusted Average Total Assets
Financial Expense/Assets	Adjusted Financial Expense / Adjusted Average Total Assets
Provision for Loan Impairment/ Assets	Adjusted Impairment Losses on Loans/ Adjusted Average Total Assets
Operating Expense / Assets	Adjusted Operating Expense/ Adjusted Average Total Assets
Personnel Expense/ Assets	Adjusted Personnel Expense/ Adjusted Average Total Assets
Administrative Expense/ Assets	Adjusted Administrative Expense/ Adjusted Average Total Assets
Adjustment Expense/ Assets	(Unadjusted Net Operating Income - Adjusted Net Operating Income)/ Adjusted Average Total Assets

EFFICIENCY

Operating Expense/ Loan Portfolio	Adjusted Operating Expense/ Adjusted Average Gross Loan Portfolio
Personnel Expense/ Loan Portfolio	Adjusted Personnel Expense/ Adjusted Average Gross Loan Portfolio
Average Salary/ GNI per Capita	Adjusted Average Personnel Expense/ GNI per capita
Cost per Borrower	Adjusted Operating Expense/ Adjusted Average Number of Active Borrowers
Cost per Loan	Adjusted Operating Expense/ Adjusted Average Number of Loans

PRODUCTIVITY

Borrowers per Staff Member	Adjusted Number of Active Borrowers/ Number of Personnel
Loans per Staff Member	Adjusted Number of Loans Outstanding/Number of Personnel
Borrowers per Loan Officer	Adjusted Number of Active Borrowers/ Number of Loan Officers
Loans per Loan Officer	Adjusted Number of Loans Outstanding/ Number of Loan Officers
Voluntary Savers per Staff Member	Number of Depositors/ Number of Personnel
Savings Accounts per Staff Members	Number of Deposit Accounts/ Number of Personnel
Personnel Allocation Ratio	Number of Loan Officers/ Number of Personnel

RISK AND LIQUIDITY

Portfolio at Risk > 30 Days	Outstanding balance, portfolio overdue> 30 Days + renegotiated portfolio/ Adjusted Gross Loan Portfolio
Portfolio at Risk > 90 Days	Outstanding balance, portfolio overdue> 90 Days + renegotiated portfolio/ Adjusted Gross Loan Portfolio
Write-offs Ratio	Adjusted Value of loans written-off/ Adjusted Average Gross Loan Portfolio
Loan Loss Rate	(Adjusted Write-offs - Value of Loans Recovered)/ Adjusted Average Gross Loan Portfolio
Risk Coverage	Adjusted Impairment Loss Allowance/ PAR > 30 Day
Non-earning Liquid Assets as a % of Total Assets	Adjusted Cash and banks/ Adjusted Total Assets

	MENA	Morocco	Egypt	Jordan	Palestine	Yemen	Lebanon	Sudan
Number of MFIs	55	10	13	8	8	6	3	3
Age	10	11	12	10	14.5	6	12	3
Total Assets	9966395	17655437	12740584	15349569	8748336	706176	15898049	7480258
Total Offices	10	112.5	11	11.5	9	4	4	5
Total Staff	110	343	302	97.5	41.5	39	92	25
Capital / Asset Ratio	45%	27.3%	55.1%	47.7%	62.3%	13%	75%	20%
Debt to Equity	93%	187%	80%	110%	61%	144%	34%	0%
Deposits to Loans	0%	0.0%	0.0%	0.0%	0.7%	7%	0%	26%
Deposits to Total Assets	0%	0.0%	0.0%	0.0%	0.5%	5%	0%	4%
Gross Loan Portfolio to Total Assets	75%	81.5%	67.5%	87.7%	73.6%	61%	85%	70%
Total Borrowers	13161	55692.5	38873	16009	3520	3563.5	13230	4576
Percent of Female Borrowers	67.6%	56.6%	69.9%	74.2%	54.8%	96.0%	41.4%	82.3%
Total Loans Outstanding	13161	55692.5	38873	16009	3668.5	3563.5	13244	4576
Gross Loan Portfolio	6229943	14411850	10798152	13431640	7441902	472692	14420986	1370778
Average Balance per Borrower	363.83	393.13	200.7	784.385	2108.19	119.61	1090.02	305.72
Average Balance per Borrower / GNI per Capita	12.9%	13.8%	8.2%	20.8%	100.1%	10.8%	12.9%	22.0%
Average Outstanding Balance	363.83	387.905	200.7	784.385	2094.79	119.61	1088.87	305.72
Average Outstanding Balance / GNI per Capita	12.9%	13.6%	8.2%	20.8%	99.5%	10.8%	12.9%	22.0%
Number of Depositors	0	0	0	0	78	3291.5	0	11151.5
Number of Deposit Accounts	0	0	0	0	78	3291.5	0	11151.5
Deposits	0	0	0	0	21009	35477.235	0	164439.91
Average Deposit Balance per Saver	30.2	-	-	-	252.23	13.0	-	23.1
Average Deposit Balance per Saver/GNI per Capita	2.0%	-	-	-	0.12	1.5%	-	2.0%
Average Savings Account Balance	30.2	-	-	-	242.355	13.0	-	23.1
Average Savings Account Balance / GNI per Capita	2.0%	-	-	-	0.115	1.5%	-	2.0%
GNP per Capita	2450.41	2847.5	2450.41	3766.24	2105.5401	1107.59	8467.03	1388
GDP Growth Rate	4.2%	5.0%	4.7%	3.0%	3.9%	4.2%	7.0%	4.0%
Deposit Rate	5.0%	3.8%	6.6%	4.9%	0.8%	13.0%	7.7%	5.0%
Inflation Rate	4.3%	2.8%	11.8%	-0.7%	4.3%	8.4%	2.5%	11.0%
Financial Depth	88.4%	106.5%	88.4%	134.2%	20.2%	32.4%	239.4%	19.6%
Return on Assets	3.4%	0.2%	8.0%	7.0%	1.6%	2.1%	3.4%	0.9%
Return on Equity	10.2%	0.5%	21.4%	14.7%	4.1%	32.3%	10.9%	-10.0%
Operational Self-Sufficiency	123.5%	100.9%	168.2%	133.3%	125.4%	107.3%	134.8%	66.5%
Financial Self-Sufficiency	121.3%	93.5%	168.2%	133.3%	112.2%	107.3%	134.8%	66.5%
Financial Revenue/Assets	21.9%	20.4%	22.0%	25.7%	14.5%	29.8%	17.7%	23.2%
Profit Margin	17.6%	-7.4%	41.0%	25.0%	16.5%	6.7%	25.8%	-50.5%
Yield on Gross Loan Portfolio (nominal)	32.7%	30.9%	30.6%	35.3%	16.2%	42.1%	31.4%	65.0%
Yield on Gross Loan Portfolio (real)	25.0%	27.4%	16.9%	36.2%	11.4%	31.1%	28.3%	48.6%
Total Expense/ Assets	20.0%	25.4%	14.3%	23.6%	14.0%	29.2%	14.8%	22.2%
Financial Expense/Assets	3.7%	3.9%	4.6%	4.3%	1.2%	5.9%	0.3%	2.6%
Provision for Loan Impairment/ Assets	0.6%	5.3%	0.6%	0.6%	-0.5%	0.0%	0.6%	2.1%
Operating Expense / Assets	14.6%	14.0%	7.8%	17.6%	11.4%	23.8%	13.6%	17.5%
Personnel Expense/ Assets	10.3%	9.4%	6.7%	12.3%	6.6%	16.9%	10.4%	12.1%
Administrative Expense/ Assets	4.4%	4.6%	1.9%	5.2%	4.0%	6.9%	4.2%	5.3%
Adjustment Expense/ Assets	2.7%	0.8%	4.0%	-0.2%	3.5%	4.9%	0.9%	6.5%
Operating Expense/ Loan Portfolio	20.9%	26.4%	12.8%	20.1%	17.7%	35.2%	19.9%	58.6%
Personnel Expense/ Loan Portfolio	14.5%	15.6%	10.1%	13.8%	11.0%	24.9%	12.4%	37.4%
Average Salary/ GNI per Capita	2.62	2.61	1.42	3.425	6.725	2.68	1.97	6.33
Cost per Borrower	86	86	28	147	280	43	166	112
Cost per Loan	84	86	28	147	280	43	193	112

Borrowers per Staff Member	115	118	155	154	63	91	144	53
Loans per Staff Member	115	120	155	154	63	91	144	53
Borrowers per Loan Officer	MENA	Morocco	Egypt	Jordan	Palestine	Yemen	Lebanon	Sudan
Loans per Loan Officer	202	171	268	278	145	157	228	83
Voluntary Savers per Staff Member	202	171	268	278	146	157	228	83
Savings Accounts per Staff Members	0	0	0	0	4	69	0	37
Personnel Allocation Ratio	0	0	0	0	4	68.8	0.0	36.6
Borrowers per Staff Member	56%	66.4%	55.2%	50.7%	50.7%	51%	60%	62%
Portfolio at Risk > 30 Days	2.80%	6.4%	1.2%	1.3%	7.5%	0.92%	2.33%	29.68%
Portfolio at Risk > 90 Days	1.90%	4.5%	0.8%	1.0%	4.4%	0.26%	0.88%	3.95%
Write-offs Ratio	0.28%	7.3%	0.0%	0.6%	0.7%	0.00%	0.86%	2.82%
Loan Loss Rate	0.13%	6.6%	0.0%	0.6%	0.0%	0.00%	0.72%	2.82%
Risk Coverage	82.14%	59.9%	153.5%	195.9%	56.2%	105.15%	61.10%	44.67%
Non-earning Liquid Assets as a % of Total Assets	18.34%	16.5%	31.2%	7.9%	12.1%	20.70%	13.41%	55.50%

	MENA FSS	MENA non FSS	MENA small outreach	MENA medium outreach	MENA Large outreach	MENA small scale	MENA medium scale	MENA Large scale
Number of MFIs	38	17	24	15	16	14	15	26
Age	11	8	8.5	9	13.5	6.5	10	12.5
Total Assets	15349569	5085486	3926851	11522206	36971955	992808	5085486	25689457
Total Offices	11.5	8	6	11	41	4.5	9	13
Total Staff	120	62	39.5	124	612.5	33.5	73	254
Capital / Asset Ratio	48%	27%	56%	41%	47%	27%	42%	48%
Debt to Equity	110%	69%	55%	122%	102%	41%	122%	101%
Deposits to Loans	0%	0%	0%	0%	0%	2%	0%	0%
Deposits to Total Assets	0%	0%	0%	0%	0%	1%	0%	0%
Gross Loan Portfolio to Total Assets	77%	70%	71%	85%	76%	61%	78%	86%
Total Borrowers	15762	6965	3148.5	15315	107053	3032.5	6965	43550.5
Percent of Female Borrowers	58.4%	75.8%	66.5%	68.0%	67.6%	94.4%	67.6%	56.4%
Total Loans Outstanding	15762	6965	3148.5	15315	108795.5	3032.5	6965	43550.5
Gross Loan Portfolio	11600768	3027172	2940697	6232953	23320298	623178	3655800	20181206
Average Balance per Borrower	347.26	411.91	463.18	336.72	312.22	163.835	434.63	548.08
Average Balance per Borrower / GNI per Capita	12.3%	15.3%	19.5%	11.0%	9.2%	11.9%	15.3%	13.9%
Average Outstanding Balance	347.26	411.91	463.18	336.72	303.72	163.835	434.63	540.11
Average Outstanding Balance / GNI per Capita	12.3%	15.3%	19.5%	11.0%	9.2%	11.9%	15.3%	13.9%
Number of Depositors	0	0	0	0	0	0	0	0
Number of Deposit Accounts	0	0	0	0	0	0	0	0
Deposits	0	0	0	0	0	5759.245	0	0
Average Deposit Balance per Saver	57.0	30.2	37.3	23.1	-	17.8	95.0	3355.3
Average Deposit Balance per Saver/GNI per Capita	3.5%	2.0%	2.0%	2.0%	-	2.0%	5.0%	158.0%
Average Savings Account Balance	47.1	30.2	37.3	23.1	-	17.8	75.3	2290.7
Average Savings Account Balance / GNI per Capita	3.0%	2.0%	2.0%	2.0%	-	2.0%	4.0%	107.5%
GNP per Capita	2450.41	2450.41	2105.5401	2668.54	2648.955	1388	2450.41	2758.02
GDP Growth Rate	4.5%	4.2%	3.9%	4.7%	4.7%	4.2%	3.9%	4.7%
Deposit Rate	6.6%	3.8%	4.9%	6.6%	5.8%	7.1%	4.9%	4.9%
Inflation Rate	5.6%	4.3%	4.3%	6.9%	7.8%	8.4%	4.3%	4.1%
Financial Depth	88.4%	32.4%	32.4%	97.4%	88.4%	32.4%	88.4%	88.4%
Return on Assets	7.0%	-7.5%	2.2%	5.2%	6.6%	3.0%	1.5%	6.6%
Return on Equity	13.2%	-10.9%	4.8%	14.7%	13.4%	14.1%	4.2%	10.2%
Operational Self-Sufficiency	143.6%	69.3%	118.7%	132.7%	137.8%	114.1%	102.3%	141.8%
Financial Self-Sufficiency	138.3%	66.5%	107.3%	132.7%	132.0%	107.3%	102.3%	133.3%
Financial Revenue/Assets	22.8%	18.7%	18.8%	23.1%	22.3%	26.3%	23.7%	21.7%
Profit Margin	27.6%	-50.5%	10.3%	24.6%	24.2%	6.7%	11.8%	25.0%
Yield on Gross Loan Portfolio (nominal)	32.9%	29.9%	32.7%	33.8%	31.3%	40.7%	30.2%	30.2%

Yield on Gross Loan Portfolio (real)	26.2%	21.2%	28.3%	24.6%	20.1%	29.1%	19.1%	20.1%
Total Expense/ Assets	15.3%	26.4%	20.7%	18.7%	19.5%	23.4%	20.0%	15.5%
Financial Expense/Assets	3.7%	3.6%	1.7%	3.8%	4.2%	4.1%	2.5%	3.8%
Provision for Loan Impairment/ Assets	**MENA FSS**	**MENA non FSS**	**MENA small outreach**	**MENA medium outreach**	**MENA Large outreach**	**MENA small scale**	**MENA medium scale**	**MENA Large scale**
Operating Expense / Assets	0.6%	1.7%	0.1%	0.6%	0.7%	1.2%	0.6%	0.6%
Personnel Expense/ Assets	11.2%	19.4%	18.5%	15.8%	11.5%	19.1%	16.7%	11.4%
Administrative Expense/ Assets	8.1%	13.3%	12.3%	10.4%	8.0%	13.5%	11.6%	7.9%
Adjustment Expense/ Assets	4.0%	6.1%	5.2%	4.8%	3.4%	6.3%	5.5%	3.9%
Operating Expense/ Loan Portfolio	2.6%	3.3%	3.6%	1.5%	2.9%	4.3%	1.6%	1.3%
Personnel Expense/ Loan Portfolio	17.9%	36.6%	26.0%	18.7%	16.8%	30.8%	26.0%	16.4%
Average Salary/ GNI per Capita	11.9%	21.4%	17.1%	13.1%	11.8%	20.3%	15.1%	11.8%
Cost per Borrower	2.45	3.43	3.32	2.42	2.46	2.615	2.375	2.71
Cost per Loan	59	137	186	121	52	49	123	87
Borrowers per Staff Member	56	137	186	105	52	49	123	84
Loans per Staff Member	141	99	75	129	180	82	105	154
Borrowers per Loan Officer	141	99	75	129	180	82	105	154
Loans per Loan Officer	257	160	152	254	287	152	167	267
Voluntary Savers per Staff Member	257	165	152	254	287	152	167	267
Savings Accounts per Staff Members	0	0	0	0	0	0	0	0
Personnel Allocation Ratio	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Borrowers per Staff Member	55%	61%	53%	55%	59%	54%	55%	58%
Portfolio at Risk > 30 Days	2.28%	7.63%	7.22%	1.61%	1.81%	5.53%	3.56%	2.27%
Portfolio at Risk > 90 Days	1.22%	3.39%	2.83%	1.02%	1.71%	2.53%	1.96%	1.10%
Write-offs Ratio	0.08%	3.54%	0.86%	0.04%	0.43%	0.09%	0.02%	0.57%
Loan Loss Rate	0.04%	2.44%	0.02%	0.09%	0.27%	0.09%	0.06%	0.17%
Risk Coverage	90.25%	63.63%	67.52%	96.82%	97.46%	76.62%	70.92%	96.79%
Non-earning Liquid Assets as a % of Total Assets	15.17%	23.30%	21.01%	14.58%	22.32%	26.09%	18.34%	12.43%

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