



EUROPEAN  
MICROFINANCE WEEK 2011

INCLUSIVE FINANCE FOR EXCLUDED PEOPLE  
MICROFINANCE REFOCUSING ON THE UNDERSERVED, UNSERVED AND VULNERABLE

## New opportunities and challenges for microfinance in the Mediterranean

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## Overview of PlaNNet Finance NGO

■ **PlaNNet Finance** provides technical assistance and advisory services to those working in the microfinance sector.

■ **PlaNNet Finance's** activities are organized around 3 Business Lines:

1. Technical assistance and consulting in microfinance
2. Microfinance Plus
3. Microfinance Sector Support

■ **PlaNNet Finance's** work is financed by donors (institutional and private) and clients (MFIs and banks).

### Key figures (September 2011)

- **115 programs** in **49 countries**
- 25 offices
- 228 clients (banks and MFIs)
- 226 staff (among which 123 experts)
- 90% staff in the field

### PF Middle East achievements

**Synergies between 4 offices :**  
(Egypt, Palestine, Syria and Dubai)

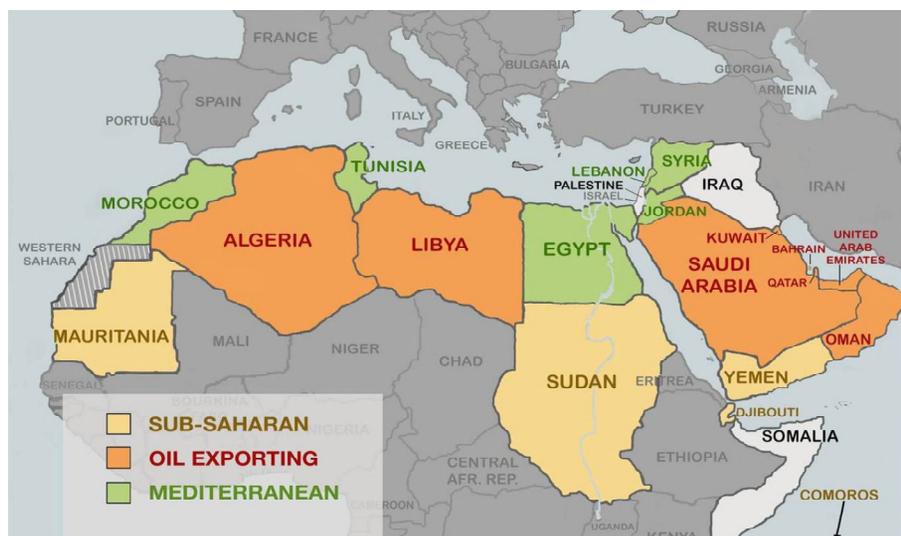
- 15 staff (January 2011)
- a professional regional expert taskforce

**Develop and share a common strategy:**

- replicating successful programs
- sharing lessons learnt

## Update on MENA Microfinance Sector

(MENA : Middle East and North Africa)



Recent events in the region show huge needs for economic, social and financial inclusion, especially for youth, because 63% of the population is under 29 years old.

### Need for financial inclusion

- High poverty including 51 million people living on less than \$2 per day
- Unemployment rates in the Arab region are the highest in the world
  - 14% among Arabs of working age
  - 25% among Arab youth
- Out of the estimated 100 million potential micro entrepreneurs, only five million had access to microfinance services as of May 2010.

## Microfinance in the region before the Arab spring

The microfinance sector in most Arab countries continued to develop both in terms of :

- **infrastructure** :
  - opening of new branches
  - staff hiring
- **operations** :
  - growth of loan portfolios
  - development of new products

However, there are striking disparities in the maturity and performance of the microfinance market in the different countries

- **Morocco**, in particular, has faced a crisis due to a high deterioration in loan portfolio quality.
- **Egypt is the major market.**

### MFIs in MENA region

- **72 MFIs** in MENA (in 2009)
- Around **51 MFIs** reporting to **Mix market**
- **Gross loan portfolio**, USD 1,2 billion
- Number of **clients**, 2,5 million

Source: Mix Market web site

## Impact of the political events since beginning of 2011

1. Arab spring has created strong expectations for financial inclusion, to address the issue of **job creation and youth unemployment**. (Especially true in **Egypt and Tunisia**)  
  
→ So the risk is high for deception:
  - There are still a great number of uncertainties; reforms will take time
  - Microfinance offers a partial solution to job creation issue. Need for self employment, but also sustainable jobs, and enterprises which will create job opportunities (SMEs)
  
2. High impact of the political events on the MF operations : increase PAR, MFIs concentrating in collection, freezing disbursements,
  - Mature MFIs have contingency plan in place so they know how to react, this is much more difficult for small ones
  - Economic recession following revolution is affecting informal, M-SMEs sector, in consequences lot of business are on hold.
  - Microenterprises and MFIs have been affected ; inflation is very high, prices are increasing, food security is an issue

## Challenges and priorities for actions

- Real opportunity to work on financial inclusion at different levels:  
→ trainings, upgrading MFIs, credit bureau, supervisory authority and postal networks  
Taking the example of Tunisia, political actions have been taken rapidly and the new framework for MF has also been created in short period of time.
- In such context , **governance and transparency** are keys issues for MFIs themselves ; political events have shown needs for more transparency;
  - Promotion of financial and social performance for the sector
  - Transparency for the sector
  - Client protection principles
- Need to address key issues of **youth unemployment; financial and non financial services**
- **Rural finance and Value chain** are key issues to promote socio economic development in the most remote areas of Morocco, Tunisia, Egypt, Palestine ; In these rural economies the agricultural sector is essential to ensure **food security**.
- We need to confront the unpredicted with **contingency plans** and arrangements to cope with liquidity crisis
- Except Israel, all the countries defined above are Muslim countries . We need to develop **Islamic finance** with appropriate supervisory framework.