

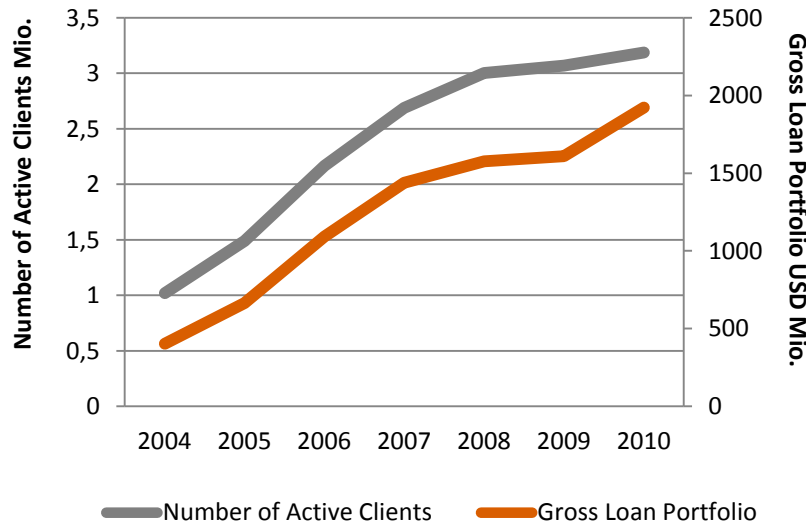
Microfinance in the MENA region after the Arab Spring: Challenges & Opportunities



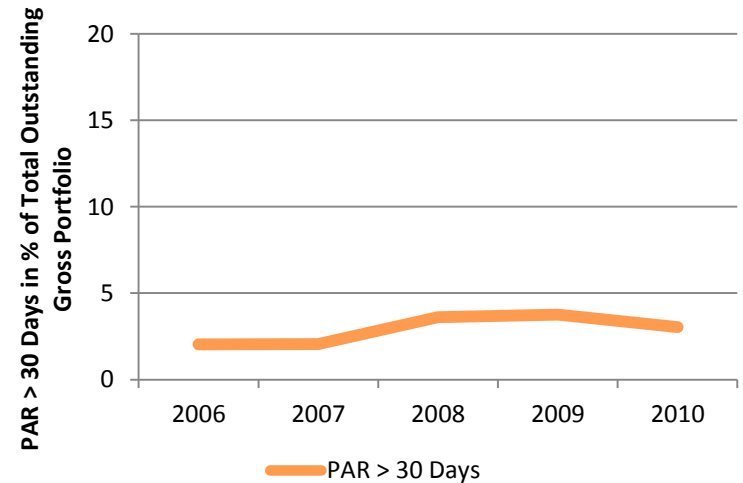
Luxembourg, 4 November 2011

Microfinance in the MENA Region before the Revolution

MENA MF Sector Development



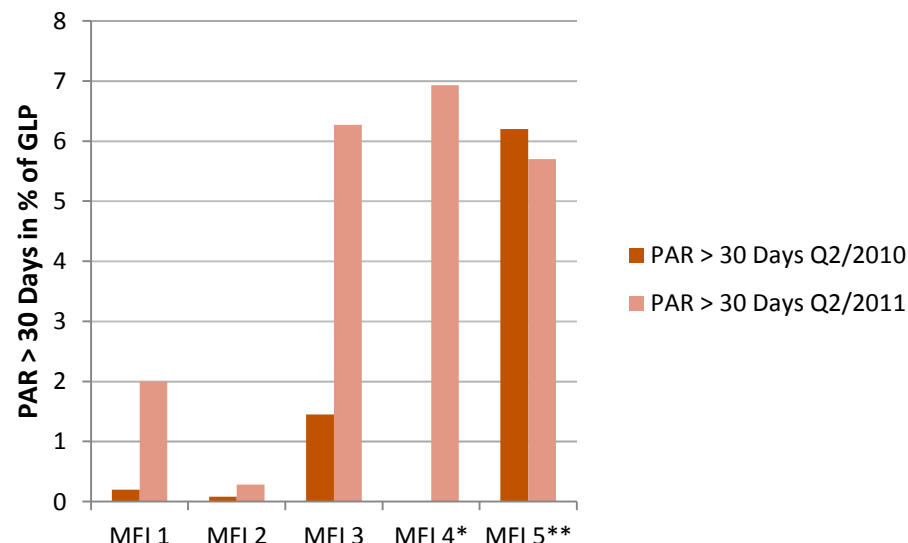
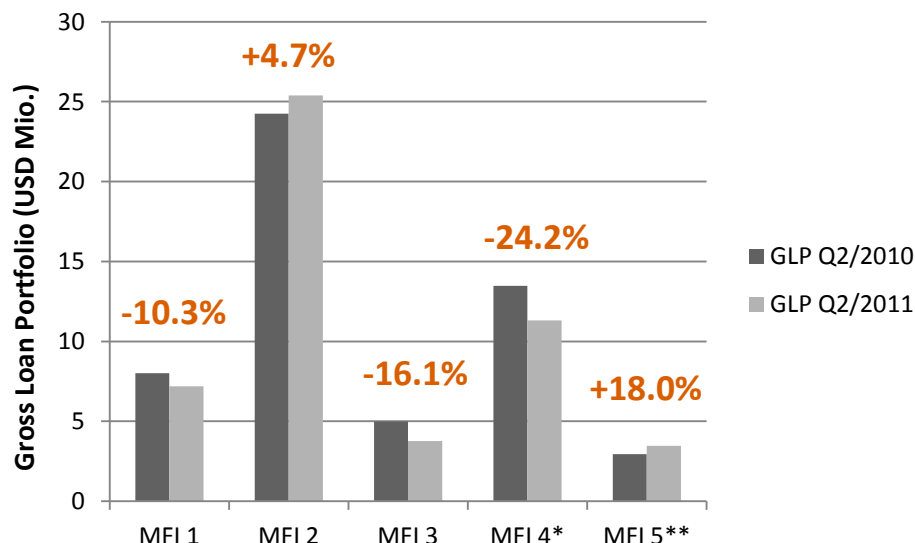
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Microfinance in the MENA Region after the Revolution

2011 – A year of fundamental changes (for the region and the MF sector):

- Portfolio stagnation/decline
 - Deterioration of portfolio quality
 - Decline of profitability
- ... depending on the country, city, location
- ... depending on the institution



*Annualized figures for 2010 as figures for Q2/2010 unavailable and figures for Q1/2011 as figures for Q2/2011 unavailable.

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The Arab Spring – Challenges of the revolution

Some of the MENA countries experienced **serious challenges** after the Arab spring.

- **Political instability:** reforms of the MF sector stagnated in Egypt, MFI laws were pushed through in Tunisia
- **Economic downturn:** the political turmoil lead to a significant economic slowdown, lowest growth rates were reached in Egypt and Tunisia
- **Security issues:** a lack of security and law enforcement caused the so-called security chaos
- **Reputational repercussions:** MFIs (falsely) associated with old elites/regimes

How did operations change for MFIs?

The revolutionary movements have had a **direct (short-term) impact** on the microfinance industry in Tunisia, Egypt, Syria and Yemen.

- **Alterations in internal operations:** working hours changed, several branches were completely shut down for a number of days
- **Decreasing productivity and lending stop:** focus laid on collection of due repayments
- **HR implications:** employee morale suffered
- **Focus on securing assets:** several branches got attacked or burned down, staff threatened
- **Communication problems:** branches got cut off, clients were not reachable and difficulties in travelling occurred

Opportunities after the Arab Revolutions

The events of the Arab Revolutions offered **new opportunities** to the Arab countries.

- **Political openness:** temporary governments in Tunisia and Egypt show greater focus on extending outreach to youth, poor populations, and MSMEs
- **Focus shifting towards employment creation:** increased government attention on the missing middle, MFIs upscaling, banks downscaling
- **Economic openness** of formerly socialist driven countries : demand for microfinance grows
- **Emerging civil societies:** solidarity grows between different groups of the population
- **Growing media interest:** microfinance industry and development issues for the region gain in importance
- **More attention to the region:** funding, grants and technical assistance from donors and partners increase

The SANAD Fund – Investing in Employment

- Initiated in August 2011 by KfW Entwicklungsbank
- Launched with initial funding from BMZ and European Commission
- Managed by Finance in Motion and Oppenheim

Target Partner Institutions:

banks , microfinance institutions & other financial intermediaries that serve MSMEs

Products:

medium and long term debt, guarantees, standby facilities & equity financing



Technical Assistance Facility:

Capacity building, training, research & development

Thank you for your attention!

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