

# Arab Microfinance Analysis and Benchmarking Report, 2008

A report from Microfinance Information Exchange, Inc. and Sanabel

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## In Brief

In 2007, the microfinance sector in the Arab region (also called the Middle East and North Africa, or MENA, region) intensified its activities, providing access to financial services to more customers while developing the product range offered. International financial partners, growing in number, invested heavily in the sector and as a result, the microfinance market in the Arab region is entering a phase of maturity, although the levels of maturity vary by subregion.

While savings remained negligible due to legislative restrictions and limitations, Arab microfinance institutions (MFIs) diversified their lending product mix to include agricultural, consumer, education, housing, seasonal, and start-up loans, in addition to the working capital loans for microenterprises already on offer. The MFIs in the region focused more on understanding the needs of their customers, and new loan products were designed thusly. For instance, in Jordan, MEMCO introduced a family business loan so as not to burden family

members with high indebtedness. In Egypt, ABA introduced a twist to their group lending methodology, called Road to Development, which includes one to three borrowers, of which one may be male, for the purpose of facilitating the smooth graduation of clients from group lending to individual lending. FY 2007 also witnessed an increase in the provision of micro-insurance in the region, with six Arab countries currently providing micro-insurance products, although these are still largely limited to death and disability. Moreover, for the first time in the region an MFI, MFW from Jordan, piloted a micro-leasing product. This dynamism encouraged a multitude of international financial partners to invest intensively in the microfinance sector that is reaching maturity, despite some obstacles in the region.

The MFI sample for this report is composed of 2007 data from 48 MFIs in 10 countries for the benchmarks, and 36 MFIs from nine countries for the 2006-2007 trend data. This study, co-written by the Arab Microfinance Network Sanabel and Microfinance Information Exchange, Inc. (MIX), also relies on data from a CGAP study on international investment in the Arab region. To compare the performance of the Arab sector to the rest of the world, this report also refers to the results (medians) of international benchmarks from 890 MFIs that MIX produced in autumn, 2008.

Please note that including countries other than Morocco, Egypt, Jordan, Yemen and Palestine in the 2006-2007 trend lines is not yet possible, because of limited number of MFIs in the other countries (fewer than three institution), which is not sufficiently representative of the market.

## Growth — A Scale that Extends

In 2007, MFIs in the Arab region increased their activities with the median number of borrowers increasing

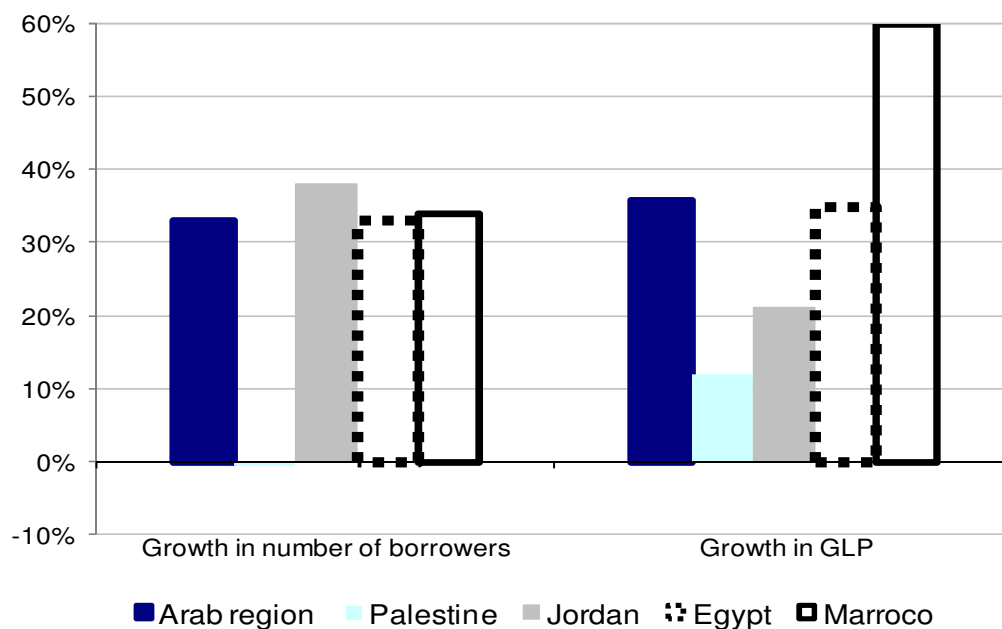
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Table 1 Number of Borrowers and Volume of Loans by Country

Country	Number of Participating MFIs	Number of Active Borrowers	Loan Portfolio (USD)
Morocco	9	1,325,243	721,512,669
Egypt	13	666,300	116,602,018
Jordan	6	100,206	93,595,303
Tunisia	1	63,775	22,304,016
Palestine	6	24,699	43,616,249
Yemen	5	18,354	2,079,131
Lebanon	3	17,730	15,260,580
Syria	2	16,297	14,050,128
Sudan	2	6,858	1,708,036
Iraq	1	5,268	8,341,706
<b>TOTAL</b>	<b>48</b>	<b>2,244,730</b>	<b>1,039,069, 836</b>

Figure 1 Change in Number of Borrowers and Loan Portfolio (GLP): 2006 - 2007



Note: These trends were made in local currency to avoid variations in exchange rate between 2006 and 2007.

Source: Microfinance Information Exchange, Inc., 2007 Benchmarks

from 13,266 in 2006 to 15,407 in 2007; during this time period, the median GLP for the region increased from USD 4,941,643 to 7,502,332. Moreover, the average loan balance per borrower increased by 21 percent, from USD 259 to 314 per borrower. Jordan was the exception, as the sample of its 2006 – 2007 trends indicates a slight decline in the average loan balance per borrower, a result of a rapid increase in the number of borrowers relative to its portfolio. It is important to note that the strong national gap has resulted in deviation of data coverage between the leading markets of Morocco, Egypt, Jordan and the rest of the sector.

The Moroccan sector witnessed remarkable growth in both the number of borrowers and the volume of loan portfolio. The growth of five leading Moroccan MFIs (Al Amana, Zakoura, FBPMC, FONDEP, and ARDI) – from the nine that comprise the Moroccan sample – exemplify this trend, with the number of borrowers of these five MFIs recording an increase of 46 percent from 2006 to 2007, up from a 16 percent increase in 2006. Additionally, four of the five leading Moroccan MFIs reached more than 100,000 borrowers, and two of those had more than 400,000 borrowers each. The three largest MFIs in the region are all from Morocco; namely, Al Amana, Zakoura and FBPMC. Collectively, these three Moroccan MFIs reached 49 percent of the region's total borrowers and their portfolios represent approximately 61 percent of the region's total portfolio.

This growth is even more striking in terms of volume, simply because the growth within this group of five Moroccan MFI leaders varies from 40 percent to more than 300 percent. The volume of the loan portfolio also grew faster than the number of borrowers — the median loan portfolio has consistently grown by 17.3 percent— which had its implications on the country's average loan balance per borrower.

It is interesting to note that the remaining four Moroccan MFIs out of the sample of nine also witnessed a growth in the number of borrowers between 13 percent and 60 percent. These four MFIs reflected slower developments in portfolio volume, between 45 percent and 89 percent, with a median of 64 percent, compared to the median portfolio growth of 93 percent among the five Moroccan MFI leaders. As a result, the five leading MFIs carry an average outstanding balance of 459 USD per borrower due to a wider product offering, the graduation of many borrowers to larger loans, and increased focus on individual lending. The remaining sample has an average balance of 287 USD per borrower.

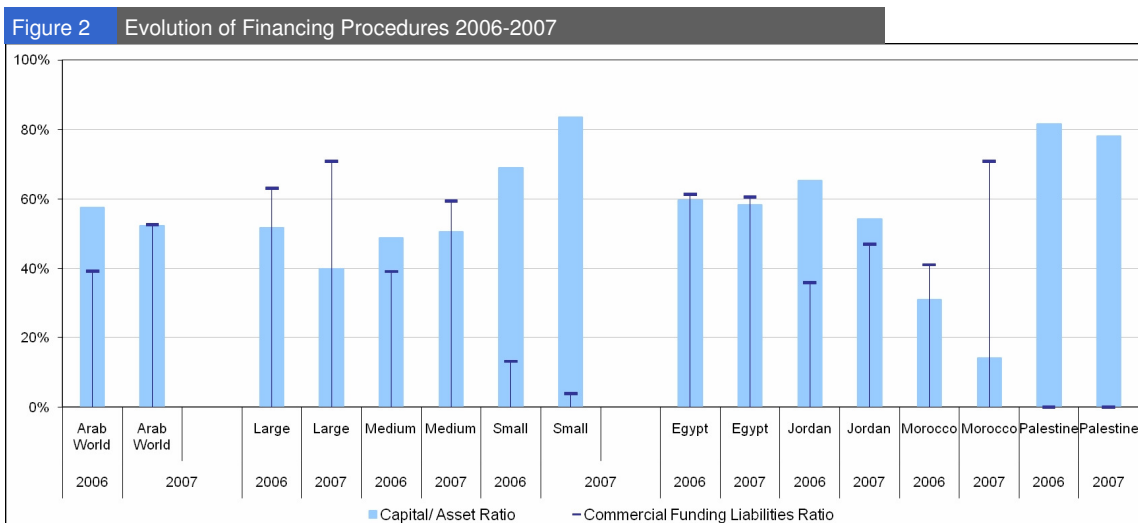
In addition to Morocco, Egypt and Jordan are two other dynamic sectors in the Arab region. As depicted in **Figure 1**, from 2006 to 2007, the Egyptian and Jordanian markets each grew by more than 30 percent in the number of borrowers. However, while Jordan's loan portfolio increased by 20 percent, Egypt achieved a growth rate of 35 percent, close to the region's median growth.

While increasing its client base, Arab MFIs remained true to their social mission by focusing on the low-end of the market. In fact, outreach to women slightly increased to 71 percent of borrowers and average loan balance per borrower/GNI per capita slightly decreased to 14 percent. Women are the main target borrowers in four MENA countries with the following percentages of women borrowers: Yemen, 98 percent; Sudan, 91 percent; Jordan, 82 percent; Egypt, 75 percent. The average share of women borrowers in the MENA region varies between 71 percent and 81 percent, with the exception of Morocco, where only 59.5 percent of borrowers are women.

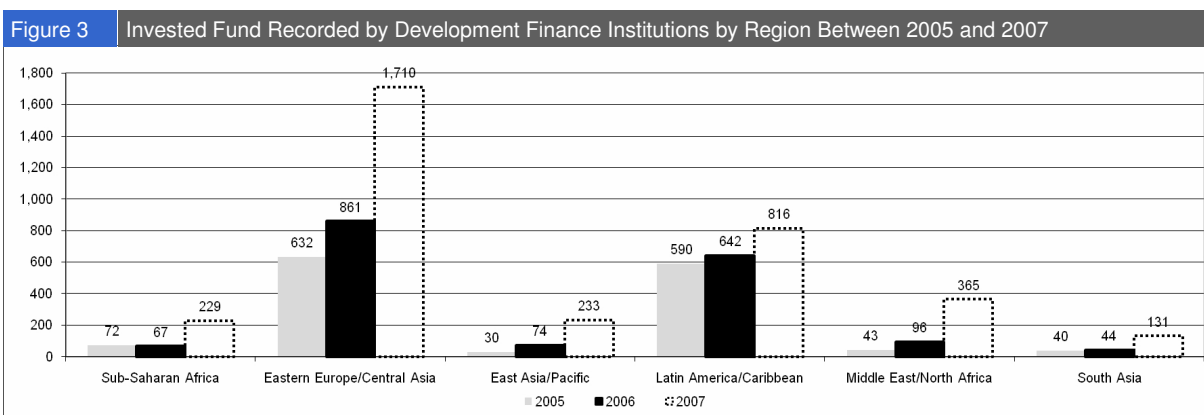
Two markets saw a decline in the percentage of women borrowers in 2007: Egypt and Morocco. The Moroccan trend could be explained by greater diversification in individual product offering, sector maturity, and overall growth in individual products that are demanded by male entrepreneurs. The development of individual products was notable in the average loan portfolio, which realized a median growth of more than 20 percent (as noted above). By comparison, the rate of women borrowers (primarily through group lending methodology) in Morocco stood at 87 percent in 2004, dropping to 46 percent in 2007. This was a sign of the rapid increase in individual loans.

### Financing Structures with Eminent Change

In 2007, around 79 percent of Arab MFIs benchmarked were operationally self-sufficient, but only 50 percent were also financially self-sufficient, implying that many Arab MFIs are still reliant on subsidized funding. From a country perspective, all Arab countries were operationally self-sufficient with the exception of Palestine (at 95 percent). Moreover, Egypt, Morocco and Jordan also achieved financial self-sufficiency of 104.3 percent, 109.3 percent and 111.6 percent, respectively. Palestine was at 53.5 percent and Yemen 89 percent, both still struggling to achieve full cost-recovery in competitive commercial markets.



Source: Microfinance Information Exchange, Inc., 2007 Benchmarks.



Source : CGAP Microfinance Fund Survey : <http://www.cgap.org/p/site/c/template.rc/1.26.1426>

Investments in capital shares and mobilization of savings are as yet unauthorized in most MENA MFIs; as a result, these organizations depend on donations and other similar resources to finance their operations. Nevertheless, interest from donors and investors in the Arab region has been increasing, as it is a rather stable sector whose performance – although very heterogeneous – continues to grow. A recent study by the Consultative Group to Assist the Poor (CGAP), the CGAP Microfinance Fund Survey 2008, on the commitments of donors and investors at the end of 2007 echoes and supports this finding. This comprehensive study is a first of its kind, and includes trends from 2005—2007 that are not available for all investor categories.

Two others CGAP studies were conducted in 2006 and 2007 on investments of development finance institutions (DFIs) to trace the trends from 2005 – 2007 for this category of donors. DFIs are branches of private

sector investment that belong to development agencies such as Agence Française de Développement (AFD), Kreditanstalt Für Wiederaufbau (KfW) and International Finance Corporation (IFC), and represent more than 40 percent of total investment in the MENA region. **Figure 3** illustrates detailed results by region on a global scale. It shows that the maximum increase in microfinance investments between 2005 and 2007 (192 percent growth) was in the MENA region.

Microfinance borrowers in the Arab region are growing in number and enjoying new sources of financing to develop their activities. Although total investment in the region did not exceed 7 percent of total international commitments, 76 percent of these investments was directed to MFIs. An additional 22 percent was allocated to meso-level services (local support, training, professional associations) and 2 percent was allocated to the macro level, representing the state through regulatory

framework for microfinance. In terms of percentage of direct investment in microfinance, MENA was third, following Eastern Europe and Central Asia, at 79 percent and South Asia at 87 percent, reflecting the confidence of its financial services providers.

Between 2006 and 2007, the median commercial funding liabilities ratio (all liabilities with “market” price/adjusted gross loan portfolio) for the MENA region increased from 39.2 percent to 52.5 percent. Yet, the region is still behind other parts of the world when it comes to commercial funding, such as sub-Saharan Africa with a ratio of 62.4 percent and Asia at 80.7 percent, and also when compared to the global median of 71.9 percent.

This growth in investor confidence is particularly notable in Morocco, where the ratio of debt to equity grew by 173 percent, from 2.3:1 to 6.2:1. Moreover, the commercial funding liabilities ratio increased by 73 percent from 41 percent to 71 percent, as depicted in **Figure 2**, an indication that the Moroccan market is increasingly tapping commercial sources for funds. This trend is further substantiated in CGAP’s study.

**Figure 4** is representative of this evolution in the Moroccan market: between 2003 and 2007, the capital/assets ratio dropped from 72.8 percent to 19.4 percent. Consequently, the commercial funding liabilities ratio increased from 9.5 percent to 75 percent. During this period, access to international funds was limited, though in high demand. As a result, MFIs turned to concessional loans offered by public authorities and some donors to finance their activities. It should be noted that only national programs are taken into consideration for this study. It does not include regional programs.

< 50 million	50 — 100 million	100—300 million	> 300 million
Algeria	Palestine	Egypt	Morocco
Djibouti	Syria		
Iraq	Tunisia		
Jordan	Yemen		
Lebanon			

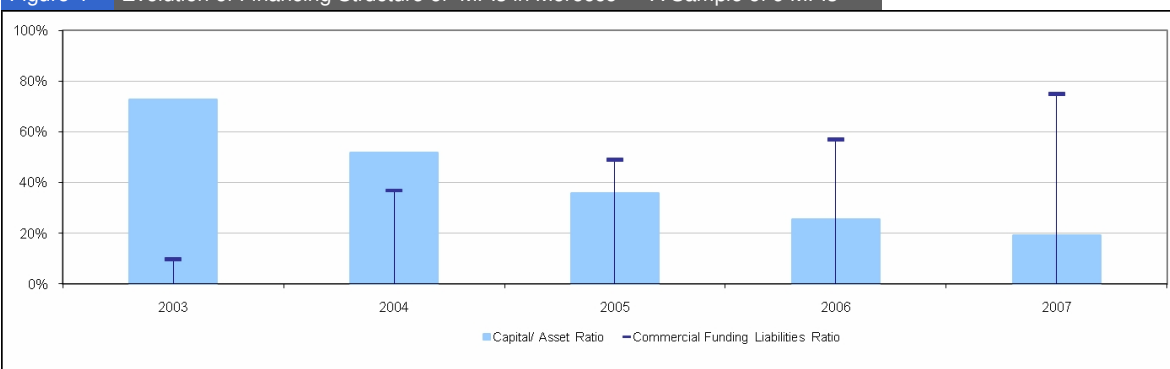
Source : CGAP Microfinance Fund Survey :  
<http://www.cgap.org/p/site/c/template.rc/1.26.1426>

By the end of 2007, Morocco was the only country that managed commercial funding liabilities/commitments of more than USD 300 million (see **Table 2**). It was followed by Egypt which had between USD 100 and 300 million. Palestine, Syria, Tunisia and Yemen each received commitments ranging between 50 and 100 million, while other countries in the region managed less than USD 50 million in commitments.

In fact, if Morocco is excluded from our overall sample of 48 MFIs in 2007, we find that the commercial funding liability ratio drops from 47.4 percent to 28 percent, again illustrating the rapid growth in the Moroccan market compared to the other Arab countries. The trends of 2006 – 2007 remained stable for the Egyptian sector, with a commercial funding liabilities ratio of 58.3 percent.

Jordan falls squarely in the middle of the MENA sector, with a growth of 31 percent. The ratio of commercial funding liabilities in Jordan increased from 36 to 47 percent. On one hand, this is due to the good perform-

Figure 4 Evolution of Financing Structure of MFIs in Morocco — A Sample of 6 MFIs



Source : Microfinance Information Exchange , Inc, 2003, 2007 Benchmarks

ance of the Jordanian sector which has succeeded in securing the confidence of commercial investors. On the other hand, it is due in part to the involvement of the banking sector in microfinance. For example, the Jordanian MFI Ahli Microfinance Company (AMC) was established by Jordan Ahli Bank.

### **Guarantee Schemes: An Effective Tool**

In 2007, the major players in the Arab microfinance sector were able to secure loan transactions with local banks, despite their status as non-governmental organizations. For some MFIs this was a reflection of their ability to negotiate funding deals with local banks by leveraging their high penetration rates in their respective markets, consistently high performance, and promising growth potentials. For others, securing bank loans was only made possible with the help of loan guarantees provided by donors to the local banks. Because of their high profitability and sustained growth, these market leaders have been able to establish solid relationships with local banks.

However, as local banks remain cautious regarding financing new and emerging MFIs, the loan guarantee scheme is still applicable on a major scale, especially given that 12 percent of all financial liabilities in the region are dedicated to guarantees — a percentage allocation far greater than in any other region in the world.

In Morocco, JAIDA (the private fund for refinancing MFIs) disbursed one loan each to medium-sized MFIs INMAA and Al Karama in 2007. In Egypt, the Social Fund for Development (SFD) introduced a new guarantee to facilitate microfinance activities among down-scaling Egyptian banks (specifically Bank of Alexandria) covering the risk of default between 5 to 8 percent for all end borrowers. Moreover, USAID Egypt is investigating the possibility of using the Development Credit Authority (DCA) tool to issue partial loan guarantees to facilitate bank lending for Egyptian MFIs. Grameen – Jameel has also been active as a regional player in the provision of guarantees for tier 1 and tier 2 MFIs in the Arab region in the form of a Standby Letter of Credit (SBLC) or Letter of Guarantee (LG). With an improved legislative environment in Egypt, Syria and Yemen, we can expect to see funding further increase in these countries over the next few years.

### **Efficiency and Profitability**

The profitable MFIs are positioned as attractive investment opportunities for the MENA region. In 2007, Arab MFIs recorded a loss on assets of 0.15 percent, compared to a global median return on assets (ROA) ratio of 0.6 percent. Yet, as shown in **Figure 5**, the sample of 36 MFIs for the 2006 – 2007 trends shows a positive movement from 0.6 percent in 2006 to 0.9 percent in 2007. This increase is a result of a higher representation of the most mature MFIs in the sample. The increase in return on assets is also attributed to the increase in financial revenues while maintaining relatively low expense levels. In fact, the Arab region maintained the lowest expense levels in the world, with a total expense ratio of 21.5 percent, compared to the median global ratio of 23.8 percent.

The low expense level may be partially explained by the Arab region's low commercial funding liabilities ratio (47.4 percent for the region compared to a global median of 71.9 percent). With increased participation of commercial investors and the involvement of local banks in financing this sector we can expect to see a reversal of this trend of low financial costs in the coming years. Once this happens, the MFIs should enjoy more power and should find better means to fund themselves and expand.

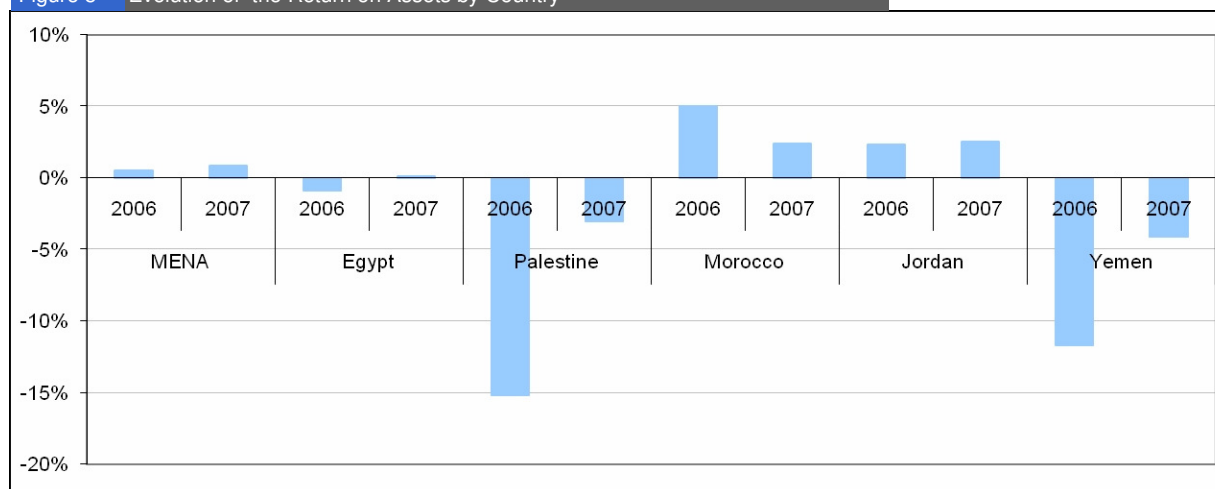
In general, the national markets underwent a clear progression in their quest towards increased profitability. This is particularly notable in Palestine and Yemen (see **Figure 5**). Indeed, the performance of both countries improved despite their continued losses.

From 2006 to 2007, Egypt also succeeded in making progress in its results so as to move beyond the losses mark, from 0.9 losses on assets to 0.2 percent returns on assets. While Jordan is still making headway in its profitability with an 8 percent increase in return on assets, the Moroccan sector is the only sector that saw its ROA ratio drop, falling to 2.4 percent.

### **Well Controlled Expenses**

The Arab region remains the most competitive region in the world in terms of total expense ratio levels. As previously noted, this is to some extent due to the result of low financial expenses. More so, this is due to having maintained low administrative expenses and the lowest provisioning expense ratio in the world — a reflection

Figure 5 Evolution of the Return on Assets by Country



Source: Microfinance Information Exchange, Inc., 2007 Benchmarks.

of high portfolio quality, which has been a priority and key distinguishing feature of the sector.

In Morocco, operational expenses dropped by 2 percent in 2007 compared to 2006, with the exception of one MFI from the sample which witnessed exceptional growth in the numbers of branches and staff members, resulting in a substantial increase in associated costs. Financial revenues also dropped in Morocco from 32.4 percent to 28 percent. This decrease was caused mainly by the decrease of yield on gross portfolio from 33.9 percent to 29.8 percent between 2006 and 2007, which occurred due to the maturity of the market and increased competition, driving MFIs to reduce their interest rates to maintain their competitiveness.

The analysis of portfolio at risk (PAR) reveals that the trend in portfolio deterioration is new to the Moroccan sector. Portfolio at risk more than 30 days (PAR >30 days) increased from 0.6 to 1.3 percent between 2006 and 2007. A similar increase also took place in portfolio at risk more than 90 days (PAR >90 days), increasing from 0.2 to 0.7 percent. It is worth noting that Morocco is the only country in our sample of the Arab region that witnessed a deterioration in portfolio, thus impacting the median for the entire region.

According to a report published by the Moroccan Central Bank in September 2008, PAR >30 days in 2008 increased to 5 percent. This marked the first time the sector witnessed such a hike in PAR since the beginning of microfinance activities in Morocco in the 1990s. This case is to be examined carefully, especially given

that the rate of risk coverage dropped to 75 percent in 2007 compared to 81 percent in 2006.

In 2007, efficiency levels for the region improved, as evidenced by the decrease in operating expense ratio/loan portfolio by 5 percentage points to reach 20 percent in the MENA region. The Moroccan market was the only market to experience an increase in this ratio, a remarkable 41 percent growth, to reach 24 percent, owing to contributions from one MFI that had experienced tremendous growth that year reflecting high operating expenses. However, if this institution is excluded from the sample, we can see that the Moroccan sector's efficiency improved by 11 percent compared to 2006. The Moroccan sector is, therefore well within the regional median category of 20 percent.

Nonetheless, the Jordanian market is still the most efficient in the region, recording an operating expense ratio/loan portfolio ratio of 17 percent, representing a 13 percent decrease over 2006. This is among the highest efficiency levels worldwide. In Jordan, microfinance activities developed gradually, allowing the sector to grow in a stable manner, which is why all indicators reveal positive trends.

The following factors demonstrate the stability of microfinance sector development in Jordan:

- Increase in outreach by 40 percent.
- Tight control of PAR with the highest coverage ratio in the region.
- High productivity compared to global median.
- Efficiency in managing cost of credit that increased by 15 percent, indicating sector development.

- Increasing yield on portfolio by 3 percentage points in 2007.

The Egyptian market remained relatively constant between 2006 and 2007 in terms of expense ratios, although the financial expense ratio jumped 25 percent due to an increase in financing of activities. Despite a decline in operating expenses, however, efficiency slightly deteriorated with an increase in operating expense ratio/loan portfolio to record almost 20 percent.

In Palestine, the microfinance sector considerably improved its portfolio at risk by more than 21 points during 2007 to reach 26.5 percent. This was directly reflected in its performance by reducing net loan loss provision expense from 13 percent to 8.6 percent.

In Yemen, there was also a slight improvement in PAR > 30 days from 2.1 percent to 1.5 percent. However, it appears that the sector experienced high delinquency in 2007 as evidenced by the increase of the write-off ratio from zero percent in 2006 to 1.2 percent in 2007. While the high write-off ratio may have contributed to the decline in loan portfolio, the decline may also be attributed to the overall contraction of activities, since there was also a decline in the average number of borrowers being served in 2007. Nonetheless, while both average number of borrowers and volume of loan portfolio declined in 2007, the Yemeni sector saw its total asset base increase by 40 percent, signifying increased capital investments that are expected to translate into higher growth levels in the coming years.

## Irregular but Encouraging Results

**Figure 6** illustrates the various peer groups in MENA by size and sustainability. An analysis of these peer groups yields discordant yet encouraging results. The “small” outreach MFIs which each serve fewer than 10,000 borrowers achieved an increase in their financial revenues of 10 percent while their operational expenses decreased in parallel. The decrease in operational expenses was primarily the result of a drop in provisioning expenses which took place despite the increase in PAR > 30 days from 2.2 percent to 3 percent and the increase in PAR > 90 days from 1.3 percent to 2.5 percent. The decrease in operational expenses reflected positively on efficiency levels, whereby the cost of managing one dollar in loans dropped from 30 cents in 2006 to 27 cents in 2007. However, while efficiency levels improved for these small MFIs, high PAR and subsequent delinquency may result in an increase in operational

expenses and a decline in productivity which would both negatively impact efficiency. Indeed, the loan portfolio is the MFI’s primary asset, yet it represents the highest risk as well. Thus, it is important to maintain high portfolio quality to sustain efficiency levels and overall profitability.

The “medium” outreach MFIs each serve 10,000 to 30,000 borrowers. However, while medium sized MFIs tightened their control over running costs, recording a 15 percent decrease in operational expenses, their median loan portfolio fell in both amount and as a percentage of assets. This resulted in a deterioration in efficiency with the cost per borrower increasing from USD 39 to USD 77 and the cost of managing one dollar of loans increasing to 21 cents.

The “large” outreach MFIs serve more than 30,000 borrowers each; this peer group saw its financial revenue ratio increase from 18.9 percent to 26.2 percent. This increase may be partially attributed to the increase in commercial funding, which financed the loan portfolios for the most part (gross loan portfolio represented 83 percent of total assets of the large MFIs). While the increase in commercial funding resulted in an 18 percent increase in financial expenses, large MFIs were able to bring down their operating expenses by 10 percent. This reduction in running costs was not large enough, however, to accommodate the 23 percent increase in portfolio and, consequently, resulted in a decline in efficiency. Nonetheless, thanks to economies of scale, large MFIs enjoy the highest efficiency levels among their peers at a cost of 18 cents for managing each dollar in loans and USD 54 per borrower.

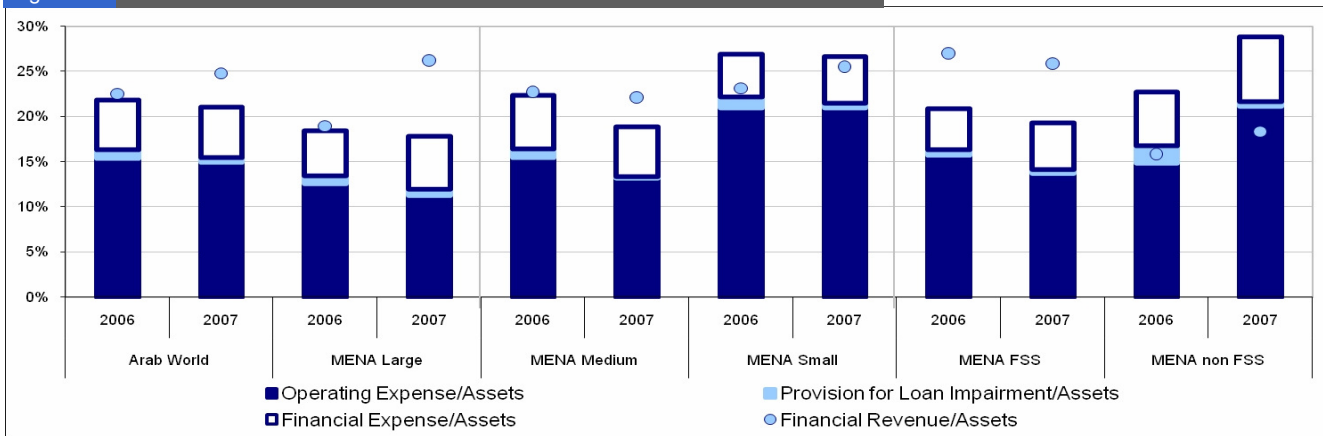
The sector is expected to develop more with the enactment of new regulations of funds guarantee, investors’ regulations and appropriate national legislations. Furthermore, financial expenses are expected to increase in the future for the sector as a whole, similar to the trends in Morocco.

## Evolution of Regulatory Frameworks

The growing enthusiasm for the Moroccan market is closely related to the regulatory environment in the country, which has undoubtedly created a competitive edge, providing a solid ground for developing activities targeted at new sources of funding in the country.

Similarly, the regulatory changes that took place in Syria in 2008 with the enactment of Law No. 15<sup>1</sup> allows

Figure 6 Breakdown on Return on Assets



Source: Microfinance Information Exchange, Inc., 2007 Benchmarks.

MFI to obtain a license to operate under the direct supervision of the Central Bank of Syria. This step has paved the way for additional investment in Syria in the coming years.

In Yemen, the Central Bank is currently studying a Draft Banking Law on microfinance. This step is meant to promote, develop and diversify the activities of microfinance in Yemen. The parliament is currently reviewing and discussing the law which is expected to be published before the end of 2009.

Many local and international investors are waiting for the approval of the new Sectoral Regulation Code in Egypt that is to be administered by the Ministry of Investment. This new code should be enacted in the first half of 2009, and is expected to increase the volume of investment in this sector and encourage the emergence of new statutes regarding microfinance and MFIs, specifically non bank financial institutions (NBFIs).

### Conclusion

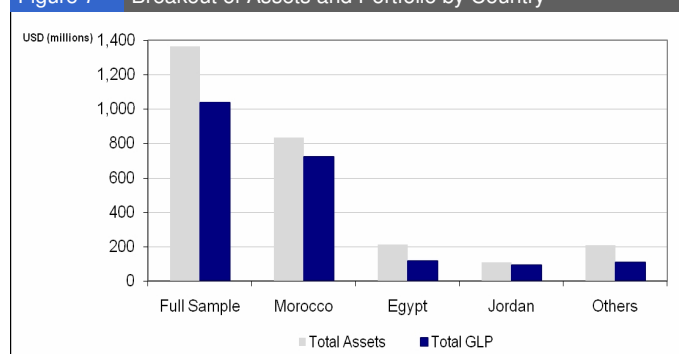
There has been a notable evolution of the microfinance sector in the Arab world, dividing the sampled countries into two distinct groups: the first is comprised of Morocco, Egypt, and Jordan, controls the majority of the market (approximately 90 percent of the market in terms of loan portfolio volume total borrowers), is more mature, and enjoys greater access to funding sources. Iraq, Lebanon, Palestine, Sudan, Syria and Yemen, in the second group, are young and emerging sectors that are slowly but steadily developing and growing their

activities and operations.

Total assets of the first group jumped by 62 percent in 2007 compared to 2006, while the number of borrowers jumped by 34 percent, and the gross loan portfolio volume by 63.7 percent. The second group witnessed more conservative growth in comparison, with the gross loan portfolio increasing by 26 percent, the number of borrowers by 24.7 percent and volume of loans by 36 percent.

As demonstrated in **Figure 7**, Morocco dominated the market in terms of volume of assets and loan portfolio, which, in 2007, were significantly higher than those of its closest peers, including Egypt. Indeed, Morocco has four times more assets and seven times more loan portfolio than Egypt.

Figure 7 Breakout of Assets and Portfolio by Country



Source: Microfinance Information Exchange, Inc., 2007 Benchmarks.

1. See the paragraph entitled Syria — an Emerging Market.

In general, 2007 trends are the same for the least efficient peer groups of non financially self sufficient (FSS) and the small MFIs, both in terms of outreach and scale. Indeed, non FSS Arab MFIs receive 3 to 18 times less commercial financial resources compared to their FSS peers, which highlights the challenges this group faces. These MFIs need to see change in legislative frameworks to attract greater commercial funding in the future. They also need to continue their efforts towards achieving higher levels of profitability and sustainability.

The interest of some international financial partners in certain markets, such as Morocco, may have undesirable and harmful consequences for the sector in the absence of carefully applied precautionary measures. The growing financial support to MFIs often leads to rapid market development, increased competition, and — in the absence of credit bureaus and geographical spread — may lead to multiple loan products to repeat borrowers. This increases the level of indebtedness to micro-entrepreneurs and considerably increases default risk on loans.

In highly competitive markets, the increase in the scale of cross loans will lead to further deterioration of portfolio quality. This conclusion was reported in a study by the Moroccan Central Bank “Bank Al Maghreb,” published in September 2008. The study reported that approximately 40 percent of microfinance clients in Morocco are customers of at least two MFIs.

To prevent the risk of corruption within the microfinance industry in the Arab region, and more specifically for countries or MFIs benefiting from external financing, the necessary legislative measures need to be adopted to protect the various players in this area. Nevertheless, the increasing interest on the part of international investors in the region and the rather low penetration rates should allow the microfinance sector to continue to grow, targeting more clients annually. This objective is achievable because of the solid relationship between local banks and MFIs, particularly in Morocco, Egypt and Jordan, and which should extend soon to Yemen with the new regulatory framework there.

A new regulatory system should change the microfinance scene in Egypt, especially when the new sector regulation comes into force in 2009. This regulatory system will introduce a new type of MFI, the non banking financial institution (NBFI), that is currently illicit within the Arab microfinance systems. Arab MFIs will be subject to minimum capital requirements and their status will allow them to raise funds from private investors in the form of loans and/or equity participation. This legislative change is anticipated to take the sector to the next level of development and we can expect to see similar efforts in other Arab countries once the model is proven to be applicable and successful.

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## Syria – an Emerging Market

The Syrian microfinance sector is young and largely untapped in comparison to other Arab countries in the region. There are currently six governmental, non-governmental, and donor sponsored organizations in Syria, operating mainly in rural areas where poverty is highest. Given that total outreach of three of these MFIs in 2007 was approximately 50,000<sup>1</sup> clients and that roughly 1.4 million Syrians between the ages of 15 to 65 years are living below the poverty line<sup>2</sup>, the potential demand side of the market stands out as grossly underserved. Moreover, with respect to product diversification, the current providers offer a limited variety of individual (business, consumption, housing, and rural development) and group loans.

The Government of Syria has taken a number of significant steps towards developing the industry over the past few years. The most significant achievements have been setting the strategic pillars for the National Strategy for Microfinance as part of the tenth Five Year Plan (2006-2010), and most recently the ratification of the General Microfinance Decree (Syrian Legislative Decree # 15) in February 2007. The decree authorizes the establishment of "Social Financial Banking Institutions," which may be local or foreign-owned microcredit providers, and are permitted to take deposits and offer other financial services, including microinsurance. This decree marks Syria as the first Arab country to allow the establishment of deposit-taking MFIs and the transformation of existing programs into regulated institutions.

The First Microfinance Foundation Institution (FMFI) was the first Syrian MFI to receive a license to operate from the Central Bank of Syria in March 2008. Several other MFIs are currently contemplating transformation. In addition to increasing and diversifying funding sources for Syrian MFIs, the new legal status provided by the decree shall allow Syrian MFIs to provide clients with a wide range of new products and better services.

Data from both FMFI<sup>3</sup> and Jabal Al Hoss have been included in the 2007 Arab and global benchmarks. While this data is not sufficient to provide an accurate representation of the current performance of the Syrian market, a few indicators have been highlighted below to provide a snapshot of the sector in 2007 – excluding the impact of the newly issued decree. Over the coming years, the Arab Microfinance Analysis and Benchmarking Report will highlight trends and developments in the Syrian market in view of the impetus provided by the legislative reform.

Indicators	Syria	Arab Region
Number of Borrowers	8,149	12,463
Percentage of Women Borrowers	37%	71%
Gross Loan Portfolio (USD)	7,025,064	5,863,114
Average Loan Balance / GNI per Capita	51%	15%
Return on Assets	-10%	- 0.15%
Financial Self-Sufficiency	114%	100%
Operational Expenses / Gross Loan Portfolio	10%	20%
Borrowers/Loan Officer	161	207
Portfolio at Risk >30 Days	3.5%	1.9%

Source: Microfinance Information Exchange, Inc., 2007 Benchmarks

1. Source: Sanabel Annual Industry Survey, 2007, Sanabel Microfinance Network of Arab Countries.
2. Source: CIA Factbook.
3. Previously known as Micro-Credit Facility – Syria (MCF Syria).

## Data and Data Preparation

For benchmarking purposes, MIX collects and prepares MFI financial and outreach data according to international microfinance reporting standards as applied in *The MicroBanking Bulletin*. Raw data are collected from the MFI, inputted into standard reporting formats and crosschecked with audited

financial statements, ratings and other third party due diligence reports, as available. Performance results are then adjusted, using industry standard adjustments, to eliminate subsidy, guarantee minimal provisioning for risk and reflect the impact of inflation on institutional performance. This process increases comparability of performance results across institutions.

### Arab Region MFI Participants

2007 Benchmarks - 48 MFIs  
2006-2007 Trend Data MFI Participants - 36 MFIs *names in italics*

<b>Egypt</b>	<i>ESED, Lead Foundation, SBACD, IDDA, SCDA, ABA, ABWA, FMF, ABMA, DBACD, Al Tadamun, CEOSS, RADE</i>
<b>Iraq</b>	<i>Al-Thiqa</i>
<b>Jordan</b>	<i>MEMCO, Tamweelcom, AMC, DEF, Alwatani, MFW</i>
<b>Lebanon</b>	<i>AL Majmoua, Makhzoumi, Ameen</i>
<b>Morocco</b>	<i>FBPMC, FONDEP, Zakoura, AMOS, AMSSF/MC, Al Karama, INMAA, ARDI, Al Amana</i>
<b>Palestine</b>	<i>UNRWA, Al Rafah Bank, FATEN, ACP-CHF, PARC, ASALA</i>
<b>Sudan</b>	<i>BRAC Sudan, PASED</i>
<b>Syria</b>	<i>Jabal al Hoss, MCF Syria</i>
<b>Tunisia</b>	<i>Enda</i>
<b>Yemen</b>	<i>Abyan, SFSD, Al Awael, NMF, Azal</i>

## Peer Group Definitions

Peer Group	Definition	Description
<b>Country</b>	Egypt (13 MFI)	Egyptian MFI
	Jordan (6 MFI)	Jordanian MFI
	Morocco (9 MFI)	Moroccan MFI
	Palestine (6 MFI)	Palestinian MFI
	Yemen (5 MFI)	Yemeni MFI
	Arab area without Morocco (39 MFI)	All Arab MFIs except for the Moroccans
<b>Profitability</b>	Arab FSS (24 MFIs)	Financial Self-Sufficiency $\geq$ 100 %
	Arab Non FSS (24 MFIs)	Financial Self-Sufficiency $<$ 100 %
<b>Scale</b>	Arab Small (14 MFIs)	Arab MFI with a gross portfolio of loans $<$ 2 million USD
	Arab Medium (14 MFIs)	Arab MFI with a gross portfolio of loans between 2 and 8 million USD
	Arab Large (20 MFIs)	Arab MFI with a gross portfolio of loans $>$ 8 million USD
<b>Scale</b>	Arab Small Scale (21 MFIs)	Number of borrowers $<$ 10,000
	Arab Medium Scale (13 MFIs)	Number of borrowers $\geq$ 10,000 and $\leq$ 30,000
	Arab Large Scale (14 MFIs)	Number of borrowers $>$ 30,000

## Indicator Definitions

### INSTITUTIONAL CHARACTERISTICS

Number of MFIs	Sample Size of Group
Age	Years Functioning as an MFI
Total Assets	Total Assets, adjusted for inflation and standardized provisioning for loan impairment and write-offs
Offices	Number, including head office
Personnel	Total number of staff members

### FINANCING STRUCTURE

Capital/ Asset Ratio	Adjusted Total Equity/ Adjusted Total Assets
Commercial Funding Liabilities Ratio	(Voluntary and Time Deposits + Borrowings at Commercial Interest Rates) / Adjusted Average Gross Loan Portfolio
Debt to Equity	Adjusted Total Liabilities/ Adjusted Total Equity
Deposits to Loans	Voluntary Deposits/ Adjusted Gross Loan Portfolio
Deposits to Total Assets	Voluntary Deposits/ Adjusted Total Assets
Portfolio to Assets	Adjusted Gross Loan Portfolio/ Adjusted Total Assets

### OUTREACH INDICATORS

Number of Active Borrowers	Number of borrowers with loans outstanding, adjusted for standardized write-offs
Percent of Women Borrowers	Number of active women borrowers/ Adjusted Number of Active Borrowers
Number of Loans Outstanding	Number of loans outstanding, adjusted for standardized write-offs
Gross Loan Portfolio	Gross Loan Portfolio, adjusted for standardized write-offs
Average Loan Balance per Borrower	Adjusted Gross Loan Portfolio/ Adjusted Number of Active Borrowers
Average Loan Balance per Borrower/ GNI per Capita	Adjusted Average Loan Balance per Borrower/ GNI 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 Voluntary Depositors	Number of depositors with voluntary deposit and time deposit accounts
Number of Voluntary Deposit Accounts	Number of voluntary deposit and time deposit accounts
Voluntary Deposits	Total value of voluntary deposit and time deposit accounts
Average Deposit Balance per Depositor	Voluntary Deposits/ Number of Voluntary Depositors
Average Deposit Balance per Depositor / GNI per capita	Average Deposit Balance per Depositor / GNI per capita
Average Deposit Account Balance	Voluntary Depositors/ Number of Voluntary Deposit Accounts
Average Deposit Account Balance / GNI per capita	Average Deposit Account Balance / GNI per capita

### MACROECONOMIC INDICATORS

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

### 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 Portfolio (nominal)	Adjusted Financial Revenue from Loan Portfolio/ Adjusted Average Gross Loan Portfolio
Yield on Gross Portfolio (real)	(Adjusted Yield on Gross Portfolio (nominal) - Inflation Rate)/ (1 + Inflation Rate)

### EXPENSES

Total Expense/ Assets	Adjusted (Financial Expense + Net Loan Loss Provision Expense + 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	(Adjusted Net Operating Income - Unadjusted Net Operating Income)/ Adjusted Average Total Assets

## Indicator Definitions (cont'd)

### 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 Depositors per Staff Member	Number of Voluntary Depositors/ Number of Personnel
Deposit Accounts per Staff Member	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-off 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 Ratio	Adjusted Impairment Loss Allowance/ PAR > 30 Days
Non-Earning Liquid Assets as a % of Total Assets	Adjusted Cash and banks/ Adjusted Total Assets
Current Ratio	Short Term Assets/ Short Term Liabilities

## 2007 Arab Benchmarks — Median Values

	All MENA* MFIs	Egypt	Jordan	Morocco	Palestine	Yemen	All MENA* without Morocco
<b>INSTITUTIONAL CHARACTERISTICS</b>							
Number of MFIs	48	13	6	9	6	5	39
Age	8	9	8	8	8	4	8
Total Assets	8,177,997	5,962,057	12,519,789	20,549,354	10,085,471	531,023	6,965,304
Offices	11	10	13	131	13	4	10
Personnel	97	169	87	403	45	30	90
<b>FINANCING STRUCTURE</b>							
Capital/ Asset Ratio	50.4%	57.4%	54.3%	13.9%	77.0%	22.1%	57.5%
Commercial Funding Liabilities Ratio	47.4%	66.1%	47.0%	70.8%	2.0%	18.0%	28.0%
Debt/ Equity Ratio	91.3%	74.2%	85.6%	619.3%	30.0%	96.7%	70.6%
Gross Loan Portfolio/ Total Assets	77.9%	58.8%	86.6%	83.8%	72.2%	76.7%	76.7%
<b>SCALE AND OUTREACH</b>							
Number of Active Borrowers	12,463	26,280	14,731	74,052	2,576	2,520	9,024
Percent of Women Borrowers	71.4%	75.1%	82.0%	59.5%	66.0%	97.7%	80.4%
Gross Loan Portfolio	5,863,114	4,664,319	11,261,466	18,761,792	6,271,237	282,760	4,695,665
Average Loan Balance per Borrower	326	181	979	303	1,379	110	331
Average Loan Balance per Borrower/ GNI per capita	15.1%	11.4%	36.8%	16.0%	112.1%	13.2%	14.5%
<b>PROFITABILITY/SUSTAINABILITY</b>							
Return on Assets	-0.2%	0.9%	2.6%	2.4%	-15.9%	-4.1%	-1.5%
Return on Equity	0.7%	1.9%	5.0%	11.9%	-19.4%	-1.1%	-1.6%
Operational Self-Sufficiency	125.0%	126.2%	136.1%	117.5%	95.0%	109.1%	125.0%
Financial Self-Sufficiency	100.1%	104.3%	111.6%	109.4%	53.5%	89.0%	90.9%
<b>REVENUES</b>							
Financial Revenue Ratio	21.8%	20.2%	23.6%	28.0%	7.3%	29.2%	20.4%
Profit Margin	0.0%	4.1%	9.8%	8.6%	-112.2%	-12.4%	-10.1%
Yield on Gross Portfolio (nominal)	31.7%	30.1%	26.5%	32.4%	14.2%	39.3%	30.1%
Yield on Gross Portfolio (real)	23.4%	19.0%	20.0%	29.8%	11.3%	26.6%	20.3%
<b>EXPENSES</b>							
Total Expense Ratio	21.5%	18.2%	21.5%	25.6%	27.6%	36.9%	21.2%
Financial Expense Ratio	5.5%	8.5%	5.9%	3.5%	2.4%	10.3%	6.3%
Loan Loss Provision Expense Ratio	0.7%	0.5%	0.7%	1.6%	8.6%	0.3%	0.5%
Operating Expense Ratio	13.4%	9.5%	14.7%	22.0%	7.5%	26.0%	12.9%
Personnel Expense Ratio	8.7%	7.5%	9.8%	13.6%	4.9%	18.9%	8.6%
Administrative Expense Ratio	4.9%	2.3%	4.9%	7.5%	2.6%	7.6%	4.4%
Adjustment Expense Ratio	3.3%	4.5%	2.9%	0.5%	2.2%	7.3%	3.9%
<b>EFFICIENCY</b>							
Operating Expense/ Loan Portfolio	19.9%	17.4%	16.6%	24.0%	16.4%	37.9%	19.5%
Personnel Expense/ Loan Portfolio	14.0%	13.6%	11.1%	15.6%	10.1%	25.8%	13.6%
Average Salary/ GNI per Capita	3	1.5	4.3	3.9	10.0	2.9	3.1
Cost per Borrower	69	29.0	118.5	69.0	250.5	32.0	68.0
<b>PRODUCTIVITY</b>							
Borrowers per Staff Member	119	139.6	169.1	175.3	59.7	99.1	100.3
Borrowers per Loan Officer	207	231.3	267.1	247.2	114.8	193.7	193.7
Personnel Allocation Ratio	57.3%	55.3%	63.4%	74.1%	55.2%	51.3%	54.5%
<b>RISK AND LIQUIDITY</b>							
Portfolio at Risk > 30 days	1.9%	1.5%	1.8%	1.3%	26.5%	1.4%	2.0%
Portfolio at Risk > 90 days	0.7%	0.4%	0.5%	0.7%	19.0%	0.6%	0.6%
Write-off ratio	0.5%	0.2%	0.3%	0.6%	8.1%	0.0%	0.4%
Loan Loss Rate	0.4%	0.1%	0.2%	0.6%	3.8%	0.0%	0.4%
Risk Coverage	1	0.7	2.0	0.8	0.8	1.0	0.8
Non-earning Liquid Assets as % Total Assets	8.7%	1.5%	7.0%	8.8%	23.8%	1.9%	8.6%

\* MENA = Middle East and North Africa region.

## 2007 Arab Benchmarks — Median Values

	MENA FSS	MENA Non-FSS	MENA Large	MENA Medium	MENA Small	MENA Large Outreach	MENA Medium Outreach	MENA Small Outreach
<b>INSTITUTIONAL CHARACTERISTICS</b>								
Number of MFIs	24	24	20	14	14	14	13	21
Age	8	7.5	9.5	8.5	6	10.5	8	7
Total Assets	12,244,967	3,559,627	24,363,772	5,801,720	1,190,852	26,919,911	5,290,088	1,943,350
Offices	13	10	16	11	6	44	11	6
Personnel	118	71	345	98	33	551	114	39
<b>FINANCING STRUCTURE</b>								
Capital/ Asset Ratio	36.8%	66.2%	48.5%	50.5%	54.2%	37.9%	47.2%	67.3%
Commercial Funding Liabilities Ratio	64.4%	21.6%	64.4%	37.3%	15.5%	71.3%	60.0%	3.9%
Debt/ Equity Ratio	1.7	0.4	1.1	1.0	0.6	1.6	1.1	0.3
Gross Loan Portfolio/ Total Assets	79.1%	76.7%	85.2%	75.8%	69.4%	81.9%	73.8%	76.7%
<b>SCALE AND OUTREACH</b>								
Number of Active Borrowers	21,309	4,520	66,246	12,190	2,382	84,996	14,054	3,126
Percent of Women Borrowers	69.8%	73.2%	62.9%	63.6%	96.4%	73.4%	67.7%	82.8%
Gross Loan Portfolio	11,261,466	3,169,581	16,874,179	4,126,963	696,943	19,969,613	3,312,920	1,756,415
Average Loan Balance per Borrower	345	320	440	288	198	315	279	854
Average Loan Balance per Borrower/ GNI per capita	14.1%	20.1%	20.8%	14.3%	15.5%	13.6%	14.3%	23.2%
<b>PROFITABILITY/SUSTAINABILITY</b>								
Return on Assets	4.9%	(4.9%)	1.9%	0.5%	(5.6%)	3.8%	(0.6%)	(4.6%)
Return on Equity	10.4%	(5.9%)	7.3%	0.9%	(5.9%)	12.4%	(1.6%)	(5.4%)
Operational Self-Sufficiency	142.3%	100.5%	131.1%	120.1%	110.0%	136.1%	124.9%	111.6%
Financial Self-Sufficiency	121.8%	72.5%	109.6%	103.2%	71.7%	119.1%	98.1%	71.8%
<b>REVENUES</b>								
Financial Revenue Ratio	24.8%	16.8%	20.6%	23.1%	24.6%	23.4%	22.0%	21.6%
Profit Margin	17.9%	(37.9%)	8.8%	3.1%	(39.5%)	16.0%	(1.9%)	(39.2%)
Yield on Gross Portfolio (nominal)	31.9%	29.7%	29.4%	32.7%	36.4%	30.7%	30.1%	34.0%
Yield on Gross Portfolio (real)	25.8%	18.6%	20.6%	23.7%	25.9%	24.0%	21.9%	25.2%
<b>EXPENSES</b>								
Total Expense Ratio	18.1%	32.1%	18.3%	22.9%	34.8%	21.5%	19.1%	25.6%
Financial Expense Ratio	5.2%	5.9%	5.5%	4.6%	6.5%	6.1%	5.9%	4.4%
Loan Loss Provision Expense Ratio	0.3%	1.7%	0.6%	0.9%	0.9%	0.7%	0.2%	1.1%
Operating Expense Ratio	13.1%	15.6%	11.0%	15.7%	21.9%	11.0%	12.9%	17.0%
Personnel Expense Ratio	7.6%	9.0%	7.4%	10.3%	15.3%	8.1%	7.9%	9.5%
Administrative Expense Ratio	4.2%	5.5%	3.8%	4.7%	6.7%	3.8%	5.0%	5.7%
Adjustment Expense Ratio	1.8%	5.1%	2.0%	3.6%	6.1%	1.9%	2.8%	4.6%
<b>EFFICIENCY</b>								
Operating Expense/ Loan Portfolio	18.6%	26.9%	16.4%	21.2%	31.4%	17.6%	20.7%	24.5%
Personnel Expense/ Loan Portfolio	12.5%	18.6%	10.5%	15.5%	19.8%	12.6%	13.6%	15.0%
Average Salary/ GNI per Capita	3.4	3.3	3.9	3.0	2.8	3.4	3.3	3.3
Cost per Borrower	66	76	68	77	56	54	73	141
<b>PRODUCTIVITY</b>								
Borrowers per Staff Member	174	87	173	115	89	194	140	79
Borrowers per Loan Officer	252	160	239	194	141	256	223	127
Personnel Allocation Ratio	64.0%	53.9%	69.0%	55.9%	52.5%	71.0%	54.7%	54.5%
<b>RISK AND LIQUIDITY</b>								
Portfolio at Risk > 30 days	1.2%	3.0%	1.8%	1.6%	2.2%	0.9%	1.3%	2.9%
Portfolio at Risk > 90 days	0.4%	1.6%	0.4%	1.0%	1.6%	0.4%	0.7%	1.7%
Write-off ratio	0.3%	2.6%	0.3%	1.7%	1.0%	0.3%	0.4%	1.2%
Loan Loss Rate	0.2%	1.6%	0.2%	0.9%	0.9%	0.2%	0.2%	1.0%
Risk Coverage	0.8	0.8	0.9	0.7	0.6	0.8	0.8	0.7
Non-earning Liquid Assets as % Total Assets	6.9%	9.3%	3.5%	13.0%	18.8%	2.1%	12.8%	15.9%

\* MENA = Middle East and North Africa region.

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## Arab Microfinance Analysis and Benchmarking Report, 2008

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### **About Sanabel**

Sanabel was established in 2002 when 17 representatives from seven Arab countries gathered in Tunisia to launch a network designed to serve microfinance institutions in the Arab world. At this meeting the group adopted by-laws and membership criteria, articulated a vision, mission and objectives and elected an executive committee. At its General Assembly meeting in December 2003, Sanabel members voted to formalize the organization by registering Sanabel as a not-for-profit organization and opening a regional office. In 2004, the organization was incorporated and registered as a nonprofit organization in both Atlanta, Georgia, USA and in Cairo, Egypt where the headquarters is located. For more information, visit [www.sanabelnetwork.org](http://www.sanabelnetwork.org)

### **About MIX**

MIX is the leading provider of business information and data services for the microfinance industry. Dedicated to strengthening the microfinance sector by promoting transparency, MIX provides detailed performance and financial information on microfinance institutions, investors, networks and service providers associated with the industry. MIX does this through a variety of publicly available platforms, including MIX Market ([www.mixmarket.org](http://www.mixmarket.org)) and the *MicroBanking Bulletin*.

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