**New Directions for Microfinance in Yemen**

- لقاء رمضاني الرابع للتمويل الأصغر
- نبادل الابحاث مع منظقة "اندا العالم العربي" (ح 9)
- 4th Ramadhan Microfinance Meeting
  peer exchange with "enda inter-arabe"  Pg 9
- الصندوق الاجتماعي للتنمية
  أفاق التنمية الأصغر "ورقة" ح 9
- SFD (The potentials of Micro-insurance in Yemen)
  "Workshop"  Pg 9
- المنتجات الإسلامية للتمويل الأصغر
  "دراسة" ح 11
- Islamic Microfinance Products "Study"  Pg 12-13

**Tadhamon Microfinance**

**Tadhamon International Islamic Bank**

المصادر وفقًا لصحّة التمويل الإسلامي.

- حاص ربح تفاصيلي
- أنظمة ت الناسب مع ذلك
- زيارة مملكة مغرب، ودورة,
- مشاريع و حيوات ذات ميسورة.

المصادر العامة:

- مركز الشريعة التعاونية
- مركز الشريعة التعاونية
- هيئة MICROLIB.COM / W.W.W.TLIB.COM

**Microfinance Magazine**

- مجتمع التمويل الصغير والآصغر
- التوجهات الجديدة للتمويل الأصغر في اليمن
- "Workshop"
- "Study"
In the wake of the crisis that hit the country over the past few years and the recent socio-political developments of the situation, all of which had and still has its toll on the microfinance sector as well as the economic recovery as a whole. And while there has been skepticism from commentators about the potential of microfinance to achieve poverty reduction and social impact compared to financial institutions’ focus on financial stability of their institutions. However, the answer to this debate differs from one country to the other. It is of course necessary for the industry to focus on financial performance and sustainability, but also to balance this in parallel with working to achieve the positive impact on their clients, particularly the most vulnerable segments of the population. Segments which are rapidly growing especially in times of crisis and eras of instability like the one Yemen is currently going through.

Going forward, YMN as the national microfinance association in Yemen and its members face many challenges to overcome. Some of which are due to external and internal factors (at the institutional level) hindering the industry’s performance. Therefore, YMN continuously strives to gain even more recognition among the relevant government entities including the central bank, microfinance donors/investors with the Social Fund for Development at their forefront as well as other key stakeholders. This is in order to ensure the level of cooperation needed between all stakeholders to mitigate duplication and drive impact through joint collaboration efforts. As the industry continues to grow and evolve even though at a slow pace, with signs of partial industry commercialization and increasing interest shown by conventional & Islamic banks, YMN aims to play a major role in promoting responsible & sustainable microfinance practices, this includes but not limited to, encouraging its members and partners to further take effective roles in spreading financial literacy among the people of Yemen, which will without a doubt reflect positively on the expansion of market size and increasing the outreach of microfinance. It is also one of the network’s critical mandates to promote industry knowhow to develop enabling regulatory environments, the sharing of national and global experiences to inform sector vision and strategy, and developing the capacity of its members as well as stakeholders at all levels.

Eventually and in the not too far future, YMN aims to effectively support the successful transformation of microfinance institutions into sustainable regulated entities, develop a new range of support services to further institutional development, inspire innovation for client responsive products and services, and connect its members with strategic partners to ensure sustainable refinancing from commercial sources. The Yemen Microfinance Network also strives to play a significant role in widening and deepening practitioner outreach, supporting innovations in products and delivery mechanisms, and providing evidence of the positive impact of microfinance on both poverty alleviation & social wellbeing of clients.

Yemen Microfinance Network
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Azal Islamic Microfinance program launched the “Decent Life” product, through which they aim to develop the agriculture and livestock sectors, as well as food industries.

During the first half of 2014, Azal financed more than 100 clients, with a total amount of YER 22.86 million for various agricultural and livestock products (such as grapes, strawberry, green houses, livestock, confectionery, mills and others), in addition to providing consultancy services such as technical support, trainings, in-kind grants, to support such projects. Within the same context and under the campaign slogan “Together for a Decent Life” and with direct funding from the Social Fund for Development, Nama'a also launched “Decent Life” project in 4 governorates (Sana’a, Taiz, Hodeidah, and Ibb), and targets various type of beneficiary businesses including livestock, fisheries, Bees and light industries products.

Nama'a

**Other News**

- Expanded Meeting*: In April 2014, the program branches and management held an evaluation and planning meeting in Hodeida which was also attended by Nama'a's board members. Where they evaluated the program's performance over the 1st quarter of the year, and followed by sessions to design a future development strategy for the next quarter.

- A new VIP branch dedicated to small & medium loan services.

- Signing a new MOU for cooperation:
  - To enhance future cooperation, Nama'a and the Mennonite Economic Development Associates (MEDA) have signed an MOU to establish common branches.
  - In the 1st quarter of 2014, Nama'a has started the disbursement of loans to beneficiaries in the 4 governorates: Sanaa, Taiz, Ibb, and Hodeidah.

- A new branch in Mahweet Governorate: As part of Azal’s plans for expansion and increasing financial access opportunities in the rural areas. The new branch began operations and started the disbursement of loans to clients in June 2014.

- New Customer Sales Points: With the aim to provide its clients with more convenient opportunities to getting everyday needs. Nama’a program has signed contract agreements with various stores to create several customer sales points in Sana’a and other governorates were the program operates.

- Training Courses:
  - “Delinquency Managements & Calculating Interest Rate” course was implemented for head of departments & branches.
  - “Strategic Planning” workshop: Attended by all of the branch managers and head of departments, the workshop was conducted by the consultant, Mr. Bassem Khanfar on 18th-20th May, 2014.
  - “New Home for Azal”: The program has moved its HQ to a new bigger location as part of its expansion and transformation plans.

- A lecture on “The Basics of Writing Press News”:
  - The lecture was delivered by the media expert, Mr. Hisham Ali Al-Saqaf, for branch managers and program partners.

Azal

- Expanded Meeting*: In April 2014, the program branches and management held an evaluation and planning meeting in Hodeida which was also attended by Nama'a’s board members. Where they evaluated the program’s performance over the 1st quarter of the year, and followed by sessions to design a future development strategy for the next quarter.

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In mid-June 2014, Hadramout Program launched its new system “Maen”, an MIS that connects the program branches and partners directly to the main server in the headquarter and enables them to enter their data and access the program reports.

**Miscellaneous**

- “MIS training course”:
  - A training course was held to introduce the new software system for branch managers, partners and data entry staff in mid-June 2014. It was attended by 14 trainees from Mukalla, Catan, Al-Shehr, Al-hami, Al Mahara, Al-Shabwah, and Al-Saqaf.

- A lecture on “The Basics of Writing Press News”:
  - The lecture was delivered by the media expert, Mr. Hisham Ali Al-Saqaf, for branch managers and program partners.

**Hadramout Credit & Savings Program launches a new network MIS to link its branches**

In mid-June 2014, Hadramout Program launched its new system “Maen”, an MIS that connects the program branches and partners directly to the main server in the headquarter and enables them to enter their data and access the program reports. The program’s portfolio has increased to YER 747.78 M. (almost $3.48 M,) at the end of June 2014, with (4950) clients.

**Al-Nahda Foundation and Total-Yemen Sign Al-Rayyan Project - Second Phase Implementation Agreement**

Second phase implementation agreement for Al-Rayyan program was signed on Wednesday 06/08/2014. The Program is funded by Total-Yemen Company under Al-Nahda Social Foundation’s supervision for the coming four years (2014 – 2017) in Total’s oil and gas exploration - block 10 in Hadramout’s districts; Sah and Sayoun.

The first phase of the program was implemented during 2010-2013, during which 489 projects were financed in the local communities in Sah (70% of the implementation rate), and in Sayoun (50% of the implementation rate). It is worth mentioning that 27% of the beneficiaries were women totaling (127 females).

The financing focused on projects in the agriculture and livestock sectors in the first phase, such as Beekeeping, camel & goat keeping, agricultural land reclamation and irrigation projects. Also the program financed grocery stores, brick plants, handcrafts and others. These projects have positively impacted the livelihood standards of the beneficiaries.

Al-Nahda Foundation and Total-Yemen Sign Al-Rayyan Project - Second Phase Implementation Agreement

The program’s biannual meeting was attended by the program board members, branch managers and active partners to discuss the program’s operations and future development directions.
Aden Microfinance Foundation (AMF)

New non-profit educational financial products and free wheelchairs for those with special needs

In concurrence with the new academic year, Aden Microfinance Foundation launched three new financing products serving the education market. The products include:
- **“Back to school” product**: a profit free product through which AMF provides various school supplies (stationary, backpacks, school uniforms, etc).
- **“School bench” product**: an Islamic Murabaha based product which enables parents to enroll their kids in the best private schools without the cost burden directly affecting their living standards. The foundation covers the school fees and parents pay the amount back in installments over one year with small interest rate.
- **“Specialized Training Courses” product**: With an agreed Murabaha interest rate, AMF enables its clients to study any specialized training course in any of the international or local institutions that are located in one of the cities in which AMF operates. The loan is then paid back in small proportion installments.

The foundation has donated wheelchairs for its clients or their direct relatives with special needs as part of its contribution to enhance their living conditions.

**AMF Loan Portfolio**: The amount of loans disbursed by AMF up until the end of the second quarter of 2014 reached YER 15,910,668.

**Number of new depositors**: 3,306, with a total number of active clients of 44%, having a portfolio value of YER 3,306,117.

**Number of deposits**: 138,491, with a total value of YER 3,306,117.

**Number of activity**: 4,126,130, and the Sufficiency Ratio of the number of loans disbursed to the total number of deposits is 0.22%.

**Total amount of loans**: 15,910,668.

**Total number of clients**: 7,233, and the Sufficiency Ratio of the number of clients to the total amount of loans is 0.89%.

**Number of clients**: 3,306, with a total value of YER 3,306,117.

**Number of clients covered**: 4,126,130.

**Value of loans**: YER 15,910,668.

**Portfolio**: YER 3,306,117.

**Sufficiency Ratio**: 0.22%.

**Empowerment**:

"Empowerment" being directly linked to development concepts, and by "empowerment" we mean provision of the elements of economic, social, and knowledge powers to the targeted groups so they can achieve decent living standards. One of the foundation’s most important initiatives is “Developing Microenterprises” program which provide microloans to women and youth with limited incomes. It is a socio-economic initiative which aims to deepen the culture of productivity, self-reliance through encouraging the spread of micro-businesses among youth & women. The program was established in mid-2014, and since then has created over 1,000 work opportunities for women and youth, and aims to create a thousand work opportunities for men and women during the next five years in San’a, Taiz, Aden, Hadramout and Amran.

Tawasul Foundation

Steady steps towards empowerment

Tawasul Foundation for Human Development strives for "Empowerment", being directly linked to development concepts, and by “empowerment” we mean provision of the elements of economic, social, and knowledge powers to the targeted groups so they can achieve decent living standards. One of the foundation’s most important initiatives is “Developing Microenterprises” program which provide microloans to women and youth with limited incomes. It is a socio-economic initiative which aims to deepen the culture of productivity, self-reliance through encouraging the spread of micro-businesses among youth & women. The program was established in mid-2014, and since then has created over 1,000 work opportunities for women and youth, and aims to create a thousand work opportunities for men and women during the next five years in San’a, Taiz, Aden, Hadramout and Amran.

Other News

**Tadhamon and Alkuraimi**

Sign a partnership agreement with ILO & SMEPS in «Mubadara» project for university graduates

**Tadhamon**

**Other News**

**Alkuraimi**

**Other News**

News digests

**News digests**

Prepared by: Yahya A. Alfallah (Finance Controller)
Al-Amal MF Bank wins CYFI “Pioneer” award

Once more, Amal Microfinance Bank receives a new international recognition and brings back home the “2014 Pioneer Award” by the Child & Youth Finance International. The CYFI Pioneer Award acknowledges the accomplishments of financial service providers who are pioneering innovative and original Child and Youth Friendly Financial Products, combined with an education component delivered through a variety of media channels and employing a variety of learning methodologies.

This took place in a special ceremony held in the United Nations HQ in New York on May 22, 2014. Several topics were addressed during the conference mainly focused on the financial and social empowerment of children and youth, as well as dialogues between decision makers in the UN and a group of young people addressing the lack of financial empowerment awareness.

AMB was among three finalists nominated for this award (ING Turkey and UCU Rwanda). Since the establishment of the AMB in 2009, it has given over 30,000 loans to young males and females and enabled them to start a new income generating source for them and their families, which is part of the government’s effort toward reducing the level of poverty & unemployment, especially among young people.

It is worth mentioning that CYFI aims to build the financial capacity and awareness of young people through the educational and training programs provided by its strategic partners. Its outreach target is 10,000 children in 100 countries by 2015.

3rd Lucky Draw of the Yemen Youth Savings Initiative (YYSI)

On Thursday, 05/06/2014, the initiative held its third lucky draw in Al-Sabaeen Park in Sana’a in the presence of customers of Al-Amal Microfinance Bank and Al-Kuraimi Islamic Microfinance Bank, and a large crowd of the park’s visitors. During the activity, many valuable prizes were given away to the initiative’s participants of both genders. 37 youth clients from Alkuraimi and Amal banks won prizes, such as PCs, Tablets (iPads) and other valuable prizes. More youth savers in all the country are still waiting for the fourth lucky draw during the last quarter of 2014 and which will include grand prizes of up to $ 7,000.

The social fund for development (SFD) holds a workshop on “The Potentials of Micro-insurance in Yemen”

The Social Fund for Development (SFD) has been the lead supporter of microfinance in Yemen and includes a dedicated “Small and Micro-Enterprise Development” unit to support the provision of financial services to rural and urban households through retail microfinance service providers.

During August 20 to 22, 2014, SFD in collaboration with the World Bank (WB) organized a workshop on “The Potentials of Micro-insurance in Yemen”.

The workshop was attended by stakeholders from the government and microfinance institutions, insurance companies, and a number of development organizations to discuss the micro-insurance prospects and potentials of the service in Yemen as well as the options available to provide high quality micro insurance products that will serve low-income families and small business owners and help them avert the risk of poverty and the loss of their jobs.

The main presentation on the concept of micro-insurance was given by Mr. Peter Wrede, a senior micro-insurance specialist at the World Bank, during which Mr. Wrede presented example case studies from different countries where micro-insurance was implemented and the lessons learned. National Microfinance Bank from Jordan participated in the workshop with a presentation on the bank’s and Arab Orient Insurance Company joined experience in the field of micro health insurance in Jordan.

Based on the output of this workshop, it was agreed to arrange for another meeting with the key parties involved to discuss the formation of a Steering Committee for the introduction of micro-insurance in Yemen.
Universal Standards for Social Performance Management

Achieving a social mission requires purposeful management, guided by a strategic plan. This strategy should include your mission, a definition of your target clients, a description of your social goals, targets and indicators to measure the achievement of those goals, and an explanation of how your institution will use products and services to achieve its social goals.

Defining and measuring social goals

Dimension 1 has two standards:
Standard 1a: The institution has a strategy to achieve its social goals.

Standard 1b: The institution monitors and reports on how it is meeting its social goals.

Dimension 2: Ensure board, management, and employee commitment to social goals

Your board, management and staff should be clear, committed and incentivized to achieve your social objectives.

Dimension 3: Design products and services that meet clients’ needs and preferences

Your institution should understand how financial and non-financial services fit into your clients’ lives and help them to achieve their financial goals, which would be to smooth their income, invest in opportunities, or to create a safety net for emergencies. Once you have a clear picture of clients’ needs and preferences, design your intervention according to the needs.

Dimension 4: Treat clients responsibly

Treating vulnerable clients in a responsible manner should be the bare minimum requirement for microfinance providers. This means protecting clients from over-indebtedness, treating clients fairly and respectfully, and ensuring the accuracy of client-level data related to the institution’s social goals.

Dimension 5: Treat employees responsibly

Your staff are your greatest asset for achieving your social objectives. Actively value your staff, make sure they’re clear on their roles and responsibilities, and listen to their ideas on how to improve your organization - and they will do excellent work for you.

Dimension 6: Balance financial and social performance

As a social enterprise, your organization needs to balance both financial and social performance. This means thinking through what appropriate growth means to clients and the institution, and identifying the right metrics to measure performance.

Microfinance ... an innovative solution to poverty alleviation

Yemen is one of the poorest countries in the world and the increasing rates of poverty and unemployment which has dramatically soared as a result of the social and political instability experienced by the country since 2011. Such instability elements which naturally plays a major role in increasing those rates that eat up government interventions to strengthen the social safety net and diminish the impact of these interventions in light of growing factors that directly impact the unemployment and poverty rates.

Economic and cultural environment of Yemen are of the most difficult environments where Yemen is one of the poorest countries in the world and the increasing rates of poverty and unemployment which has dramatically soared as a result of the social and political instability experienced by the country since 2011. Such instability elements which naturally plays a major role in increasing those rates that eat up government interventions to strengthen the social safety net and diminish the impact of these interventions in light of growing factors that directly impact the unemployment and poverty rates.

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**Study on Islamic Microfinance**

Yemen Microfinance Network has released a study on Islamic microfinance products conducted in cooperation with Al-Huda Center for Islamic Banking and Economics in Pakistan. The study included a number of phases which includes:

- **The design of the study.**
- **The desk review.**
- **Meeting the stakeholders both MFIs and beneficiaries.**
- **Information analysis.**
- **Drafting of the final report.**
- **Drafting a complete guide for the Islamic microfinance products.**

The study was conducted and designed to meet its aspired objective to obtain comprehensive understanding to future perspective of the microfinance industry in Yemen and assess internal and external factors that might lead to grow of microfinance products in Yemen. Also the main goal of the study was to improve and enhance Islamic microfinance products' portfolio in compliance with Islamic Sharia' in order to reach the over one million estimated potential clients of microfinance in Yemen.

Selected observations in the outcomes of the study included:

- **Urgent need to promote microfinance as a concept,** whereas community’s knowledge with microfinance in general is limited, and with Islamic financing methods specifically is even less.
- **Many of the respondents,** either in the individual or group questionnaires, believed that Morabaha is the only Islamic microfinance product, and had no knowledge whatsoever about other Islamic financing products.
- **All respondents were positive towards availability of micro-insurance products.**
- **Sustainability of many microfinance institutions remains a major issue to overcome.** In some cases, MFIs operation cost reach %55, and this is reflected on the cost clients have to pay for microfinance services.

Other observations and recommendations in the Study:

- **Currently about %90 percent of microfinance institutions in Yemen offer Islamic microfinance products,** with Morabaha as the dominant method offered in the market due to its simplicity and low risk level. But since Morabaha alone does not serve the need of all potential microfinance demand, this requires the industry to produce other Islamic microfinance products such as Musharaka, Modaraba and others.
- **Sources of funding for microfinance institutions are rather limited;** thereby, the industry requires more investors, donors support. MFIs must think strategically on how to identify new sources of funds for them to expand their operations and reach the financially unserved segments.
- **Lack of lending and financial literacy culture in general within the community calls for the need to further promote the concept of microfinance and the need for MFIs and other key stakeholders to play effective roles in spreading financial literacy;**
- **Need to enhance the infrastructure of the financial sector in general which will ease the road for banking services including microfinance to increase their outreach.** This would include strategic projects and initiatives, some of which are already on the way to materialize in Yemen such as micro-insurance and mobile banking.

Quick guide on Islamic Finance/Microfinance methodologies:

- **Murabaha:** the most common product among all institutions in Yemen. Where the seller explicitly notifies the cost of commodity and resells it to another person after adding a declared profit margin.
- **Bay’ al Salam Product:** is advance payment for goods/commodities which shall be delivered later, where the seller commit to deliver goods to the buyer at a later time against paying the price in advance and it has many provisions that the study has elaborated on.
- **Istisna:** is a sale contract where an individual or entity “Musani’” sells the product that he will be manufacturing for the client “Mustasni”, using his/her materials and according to the agreed specifications, and shall be delivered to the client later according to an agreed time between the “Musani’” and the “Mustasni”.
- **Mudaraba:** is a form of partnership between capital and labor work, where one partner (the finance “investor”) and the other is manager of the investment, provided that he/she has expertise in managing the capital within the business context and activities.
- **Musharaka:** is a contract between two parties provided that the capital is shared between both parties, as well as profit and loss.
- **Ijarah:** is a lease contract where the owner transfers the usufruct for a defined period of time, in return of an agreed rent.

Microfinance Industry Growth and Aspired Efforts

Microfinance industry in Yemen is witnessing an increasing growth level with new players entering the market such as micro-insurance, micro-employment, and successfully reach those with no access to financial services in rural/urban Yemen. This has to be imbedded in the design of MFIs’ provision of products/services which are tailored around the needs of the targeted segment and that which truly help women and to establish and maintain their own enterprises. Monitoring the financial indicators is important, but what matters more is measuring the impact of financial services on beneficiaries and the ability to access most in-need and vulnerable areas.

Within this context we would like to point out the efforts exerted by international organizations such as (UNDP, MEDA, SPARK, USAID, and ILO) in developing plans and strategies to reach rural areas and assist microfinance institutions in designing and introducing products that serve youth and women. However, microfinance institutions are required to raise their performance to the level of their social missions and strive to reach these categories with less reliance on the development plan of the international organizations which are often hesitant and usually vulnerable and disrupted by the various security and socio-economic variances.

While we need to benefit from the support given by such organizations and for which we are grateful of, microfinance institutions are required to be more innovative in order to up-scale the performance of the microfinance industry to successfully serve the national economy.