Yemen Microfinance Network Newsletter

April - June 2011

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AL-Amal Microfinance Bank Receives the 2010 Islamic Microfinance Challenge Award

In Sanabel’s Eighth Conference 2011, AL-Amal Microfinance Bank received the 2010 Islamic Microfinance Challenge award. During the conference which was attended by the Jordanian Prime Minister, Marouf Bakri and 600 participants representing microfinance institutions and government offices, investors, donors of more than 28 countries in the Middle East and North Africa, the President Abdul Latef Jamel and the Minister of Planning and International Cooperation of Jordan, Dr. Mahmed Al-Lai.

The Executive Director of the Bank had participated in the opening session of the conference presenting a document on the Microfinance in the Arab Region and the challenges that microfinance faced in the last months and the future opportunities of the development of the industry.

The winning prize is offered for their Islamic based developed financial services, which contributed in creating many job opportunities in Yemen, particularly in the area of the banks where the bank becomes the first experiment of its kind in the world offering a diversified financial services according to the Islamic formulas for those owning small and micro enterprises who have limited income.

The award obtained included the grant technical support to enhance its capabilities in the expansion and production in addition to 100 thousand dollars to finance the Islamic Microfinance Programs, as well as to obtain a certificate of leadership in the provision of Islamic Microfinance services globally.

The award represented a new additional addition of successes achieved by the Bank within two years from the beginning of its activity, where the Bank currently occupies first place in the microfinance industry in Yemen of the 11 banks and enterprises engaged in financing small entrepreneurs.

AL-Amal Bank also won the World Award (for innovation and creativity in 2009) as the best financial institution in the field of innovation and creativity in the Arab World, as well as in 2010. The Bank considered the second best experience in the financing of young people in the world.

The Bank is the highest in growth and speed of deployment in the field of microfinance in the Arab World and controls 25 percent of the market for microfinance in Yemen, and has more than 19,000 savers, as the Bank has financed more than 25 thousand projects until the end of the year 2010 portfolio of financial estimates to 5.5 million, while the total number of beneficiaries of financial services is 125 thousand (average of 5 members in each family) where women constituted 62% of the total income.

YMN Members Awarded 2009 Transparency Awards

The Yemen Microfinance Network congratulates its members for achieving the “Information Exchange Certificate of Transparency 2009”.

The certificate was awarded by Sanabel and the Mix. The awards were announced in the 8th Sanabel regional conference in Amman Jordan. The members transparency was awarded by Sanabel, the microfinance network for Arab countries and the Mix. The Mix is a global-based website, and is the number 1 source for financial and social performance data on MFIs across the globe. The Mix provides unparalleled access to integrated performance information on microfinance institutions (MFIs) worldwide, public and private funds that invest in microfinance, MFI networks, and service providers. Currently, the Mix features data for more than 1900 MFIs covering over 92 million borrowers. Part of YMN mandate is to increase transparency of the microfinance sector in Yemen, so far 6 out of 11 members report their data to the Mix. YMN will continue to strive with its members in reporting their data to the Mix which will include social performance data. The list of YMN members which achieved the transparency award for 2009 are listed below:

1. Abyan Credit & Savings Program
2. Sana’a Microfinance (Azal)
3. Alawao Microfinance Company
4. Al aden Microfinance
5. National Microfinance Foundation
6. AL-Amal Microfinance Bank

The Latest Developments in the Arab States: The Consequences on the MFIs

Although it is still too early to analyze what happened and what the impact of the Arab States and its consequences on the MFIs, we can still take some general and common lessons:

Importance of Contingency plans: the institutions who already prepared these plans were better prepared for the events.

Political Loyalty: the events have proven how dangerous the loyalty to both government and opposition is and that the loyalty to both government and opposition is and that the loyalty to both government and opposition is and that the loyalty to both government and opposition is and that the loyalty to both government and opposition is and that the loyalty to both government and opposition is and that the loyalty to both government and opposition is and that the loyalty to both government and opposition is and that the loyalty to both government and opposition is and that the loyalty to both government and opposition is.

MFIs should have strong and appropriate Internal Audit systems: the coming decade will show that some institutions were largely affected by the crisis. At the same time it is important to know that these effects happened not only because of the crisis but because of weak controls existing already in the MFIs such as the lack of the internal policies and the uncontrolled growth.

Create new jobs: beside the absence of democracy, one of the reasons the current crisis is the high rate of unemployment among the youth. This unemployment figures will increase in the coming decade; it is somehow agreed that the classic microfinance products are not a solution to create more jobs and therefore the following questions can be asked:

- Will the situation become different if an Islamic product is to be developed depending on the sharing of losses and profits?
- Do the sustainable recognized MFIs have to start designing loan products to start real commercial trade and small businesses?

- Source: Mr. Mohammed Khaled
- Arabic Microfinance Gateway (translated by YMN).

Survey on the consequence of the crisis on the MFIs in Yemen

Yemen was not to be an exception for the flood of demonstrations that stormed the Arab region in Egypt, Tunisia and Yemen - whose microfinance delivery is very advanced in both countries – reaching some other Arab States. It was not in somebody’s account that these demonstrations will happen at once. We are trying here to analyze and investigate the demonstration consequences on the Yemeni MFIs which is a risk-based institution and moreover facing these uprisings. The consequences of the demonstrations have not excluded anything. The question to be asked here is what are the consequences on the MFIs in Yemen that came as a result of the uprisings that had spread in almost all Yemeni cities and provinces where MFIs are operating.

As one of the poorest Arab countries with 41% of the population under the poverty line, Yemen was very much expected to be influenced by the demonstrations. According to estimations the demand for microfinance exceeds one million households while the microfinance outreach is only 5%. During the 2010, the microfinance sector in Yemen witnessed growth and competition but this progress was not to continue during the demonstrations which include almost the Yemeni major cities. As a result all microfinance institutions were affected.

The Yemen Microfinance Network conducted a questionnaire to investigate the consequences of the current situation on MFIs in Yemen from February 2011 to May 2011. The questionnaire shows that 72% of MFIs have stopped providing loans for certain periods ranging between several days and months, 88% of the MFIs reported that their operations have been affected from the crisis, these afferations included electricity cut-offs, lack of fuel, and transportation issues.

The portfolio at risk ranges between 0% and 7.20%, while 50% of the MFIs stated that the portfolio has been affected especially in the areas where the clashes are. The number of savers notably decreased in the MFIs providing saving services. MFIs staff motivations were badly affected since they are afraid of the unknown directions for the events in Yemen. On contrary some staff was highly motivated and showed their loyalty to their institutions.

The survey also shows that the repayments rates decreased either as a result of clients putting their projects on hold or as a result of the unsecured situation. Some other clients refuse to repay because they want to keep some liquidity to face a possible worse future scenario 50% of MFIs showed that the communication among MFIs and their staff members and branches was affected. All the MFIs stated that none of them received any assistance or help to overcome the current situation.

According to the questionnaire conducted, 55% of MFIs stated that they did not prepare a contingency plan, while only 45% of them stated that they did and are dealing with the situation based on these plans.

In conclusion, any financial institution would be expected to be affected from these demonstrations that have touched each and every life aspect in the country. Generally each MFI has taken its share of the crisis’ consequences. The consequences will continue especially with the uncertainty of the situation at the current moments. YMN will work together with its members to play a significant role to minimize and avoid these difficulties facing the Microfinance sector in Yemen.
Interview with the National Microfinance Foundation Managing Director

Mr. Jamal Nasar “MFIs in the Current Situation”

- How do you evaluate the microfinance sector in general during the current uprising since February 2011?

- What is happening in Yemen was not expected and it took the institution’s operating in the area of microfinance by surprise, neither any of the institutions was ready to experience this lengthy crisis. Since most of the MFIs in Yemen in general did not reach the stage of maturity, I believe that it was important to have a specific entity uniting visions and thoughts of all the institutions and reconciled among all institutions, because many institutions believe that the best solution is to stop the loans and what I believe is that many of the old clients are in dire need of funding to be able to overcome these difficult circumstances in accordance with the social role and considering the sustainability.

- It is obvious that the current uprising consequences have touched and affected everything. Definitely the microfinance sector was not an exception of this crisis. From your point of view how can the MFIs in Yemen act in order to maintain its core activities and clients? At the same time what can they do to ensure their sustainability?

- All what can be said in this regard is an attempt to stop or decrease the crisis consequences since the crisis consequences did not exclude anything in Yemen. From my point of view the perfect solution and advice for the MFIs will come through exchange of ideas among the MFIs operators themselves. Exchange of continuity plans might play a positive role in the crisis.

- How does the current uprising affect the MFIs operations?

- Definitely, the operations have been affected due to the high cost of the operation in the current time. Despite the difficult time we at NMF have conducted many visits to our branches in the most dangerous times. We found ourselves unable to implement some plans due to the security issue and the high cost of the operations.

- As it is known NMF is one of the largest MFIs in Yemen. Considering the affects and the crisis consequences on your foundation? How can you evaluate the NMF future in particular and the Microfinance sector as a whole?

We at the NMF confirm that we will continue providing our services for our clients. We will also make sure to reduce the operational cost. It is not easy to evaluate future of the microfinance industry as a whole from one of the operators, but there is a need for microfinance in Yemen especially during and after the crisis. MF will continue to boom in Yemen.

- Finally what is your advice for the microfinance clients who are considered the focus point for the microfinance operations? And what are your plans to help those who failed to repay their loans?

Regarding the clients who have projects, I think they are the one who can closely evaluate their own projects. But what I can say is that that they have to think purely and logically. In the current situation is very critical for them and might necessitate some of them to be flexible enough to move from one project to another. For some of the clients the current crisis has increased their income and improved their lives. All what the microfinance clients can do is to be flexible and creative at the same time.

Regarding the clients who failed to repay the overdue, we at the NMF are planning to hold a focus group discussion including our clients. The group focus discussions will decide on what can be done for those who failed to repay the outstanding loans either to reschedule their payment schedule or to provide new loans.

Employee Welcome Note

The Yemen Microfinance Network (YMN) welcomes Mr. Ahmed Alhumigani as the new Finance Controller at YMN. Ahmed pursued his Bachelor of Science in Accounting from Egypt and a Master of Science in Finance from the UK. Prior to joining YMN, Ahmed has worked for Shihab Insurance & Trading Agency, Deloitte and Touche and Al-Saeed Trading Company. We wished Ahmed the very best.

External Audit

The Yemen microfinance network was audited by Grant Thornton, the audit was for years beginning 1st August 2009 till 31st December 2010. After a competitive and transparent selection process, Grant Thornton took up the assignment, spending over a month of YMN office reviewing financial documents, manuals, contracts. The network awaits the final report. The UNDF also sent Deloitte & Touche to conduct their project audit; the report was a successful one, with no management report.