



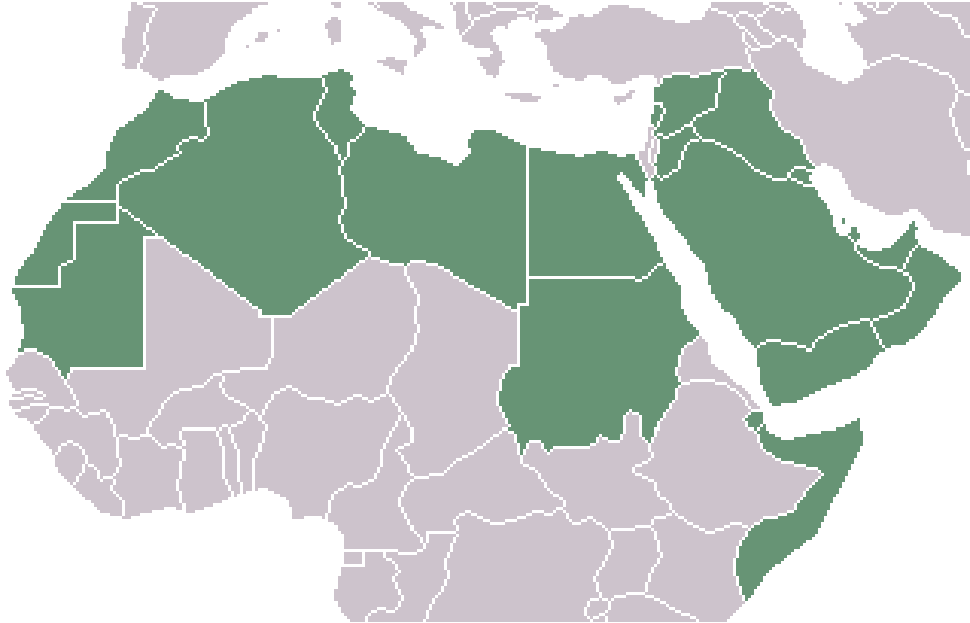
Advancing financial access for the world's poor

Advancing Financial Access in the Arab World: Opportunities and Challenges

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Savings and Credit Forum, SDC
October 17, 2012

Arab region is diverse



Members of the Arab League + Western Sahara

22 States and territories connected by language

Population of 360 million

Several distinct sub-regions

North Africa (Morocco, Algeria, Tunisia, Libya)

Middle East (Egypt, WBG, Jordan, Lebanon, Syria, Iraq, Yemen)

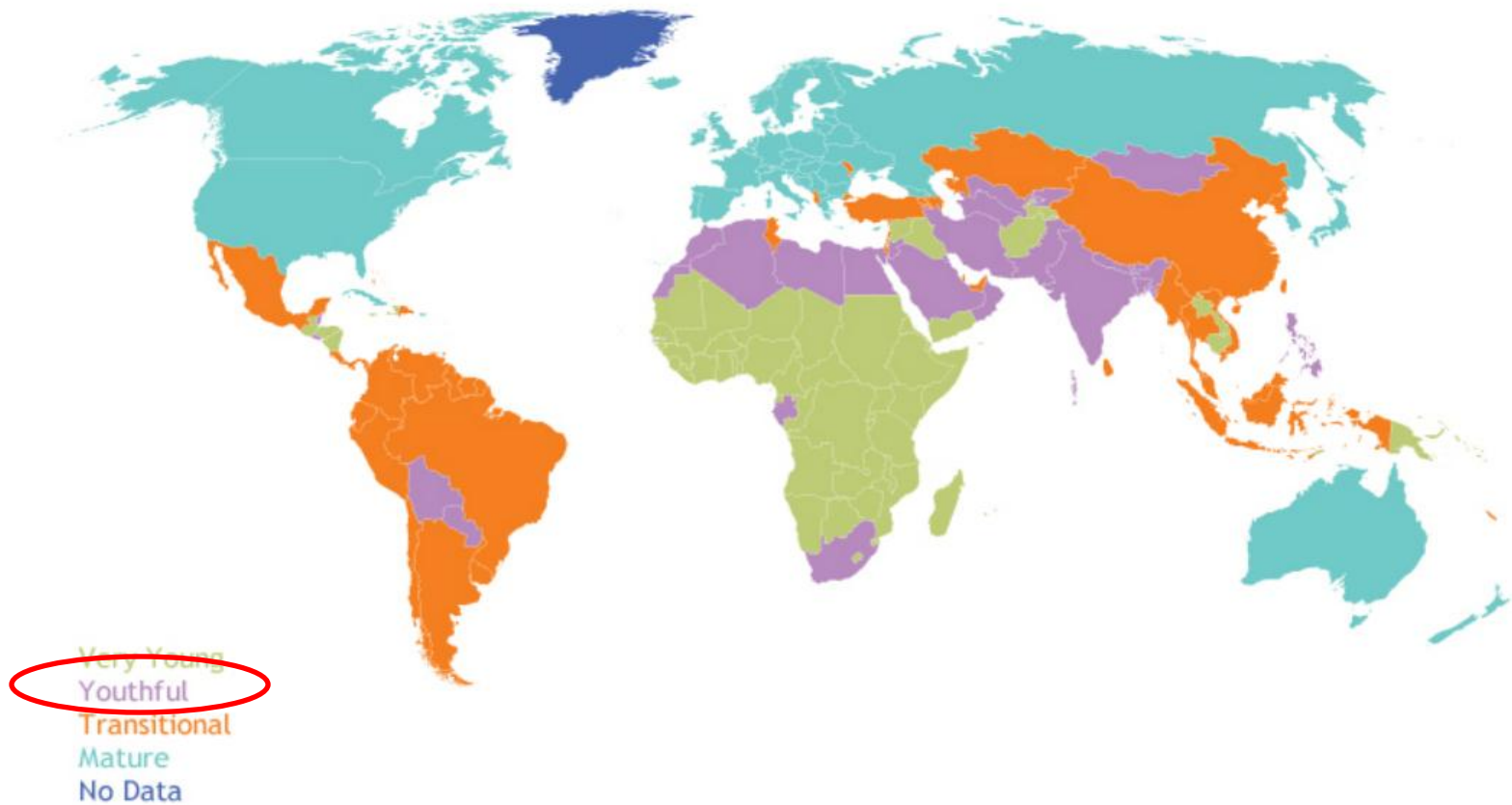
GCC countries (Saudi, Bahrain, UAE, Oman, Qatar, Kuwait)

SSA countries (W. Sahara, Mauritania, Sudan, Somalia, Djibouti, Comoros)

CGAP Focus on Middle East and North Africa (MENA)

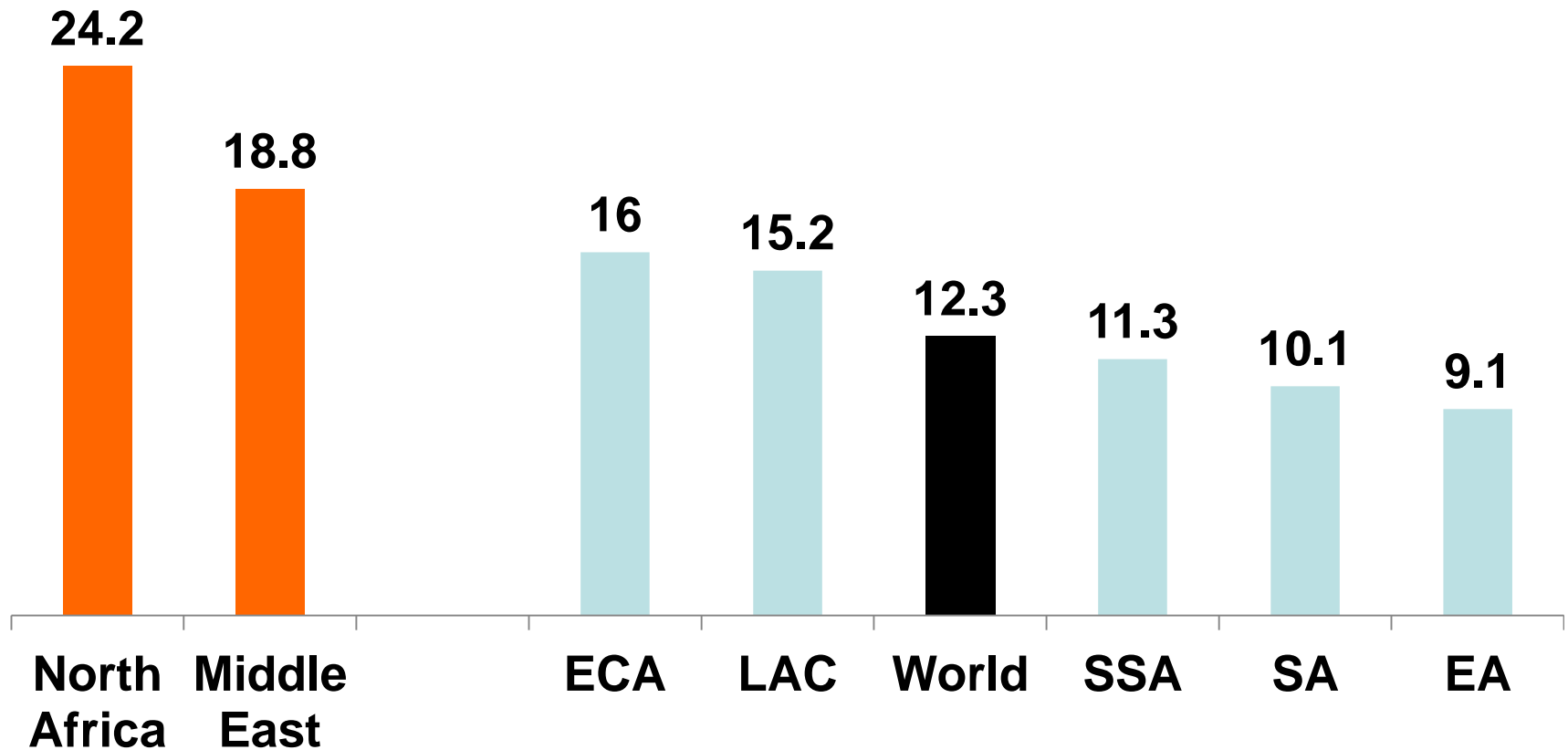
Region is young – 60% less than 30 years old

2005 AGE STRUCTURE DATABASE



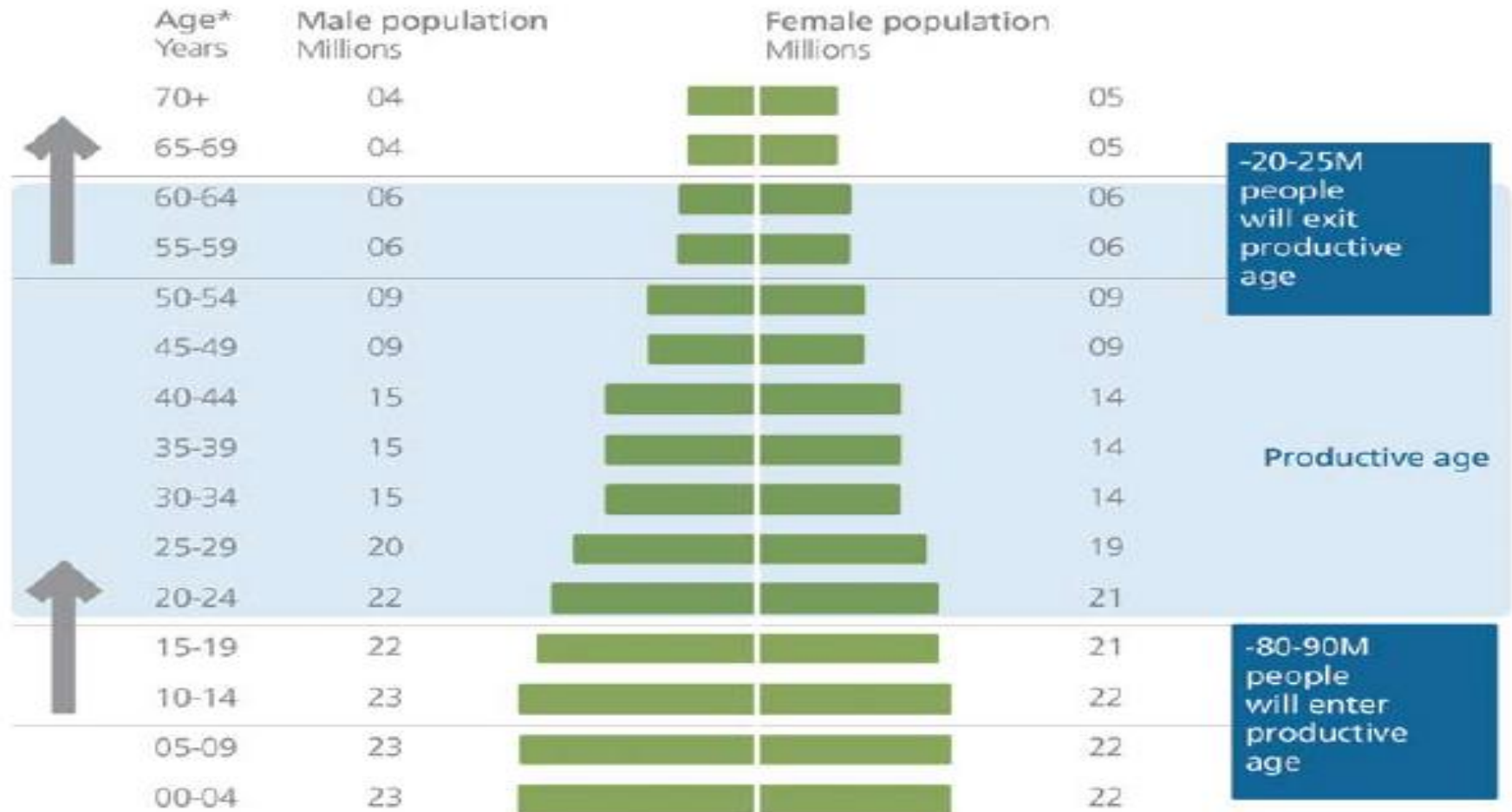
With high unemployment

% of unemployed youth



With more young entering workforce, region needs to create 85 million jobs in 10 years

Arab world population, 2010



* For age groups where data is not given in 5-year increments an even split was used as an estimate
Source: Global insight

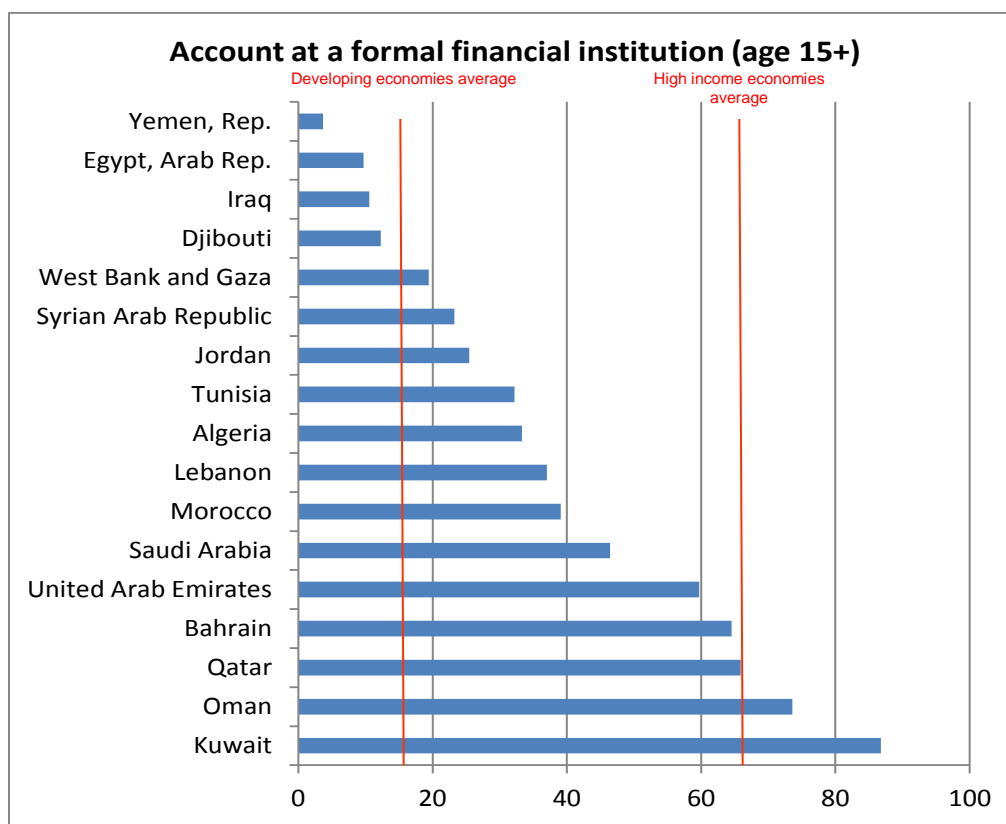
Source: McKinsey IFC

Microenterprises constitute the vast majority of enterprises in MENA

Country	Size Breakdown (% of all MSMEs)		
	Micro	Small	Medium
Bahrain	78.3	13.0	8.7
Egypt	98.1	1.7	0.1
Israel	85.4	12.9	1.7
Jordan	89.1	9.2	1.6
Lebanon	97.5	2.3	0.2
Morocco	97.8	1.9	0.3
Oman	81.4	12.6	6.1
Saudi Arabia	20.6	48.5	30.9
UAE	59.1	37.5	3.4
Yemen	96.4	3.4	0.2

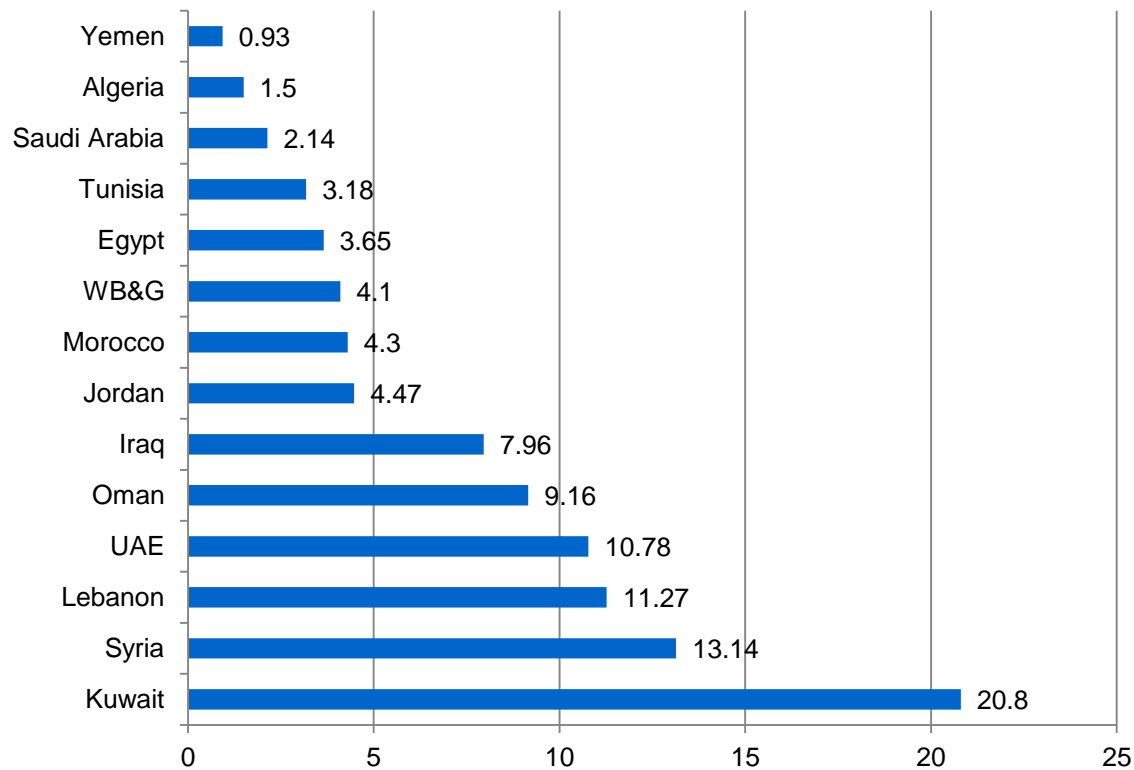
Region has low levels of financial inclusion (bank accounts at formal financial institutions)

18% of population in Arab developing economies has account with formal institution, lower than in any other region.



Limited borrowing from formal financial institutions

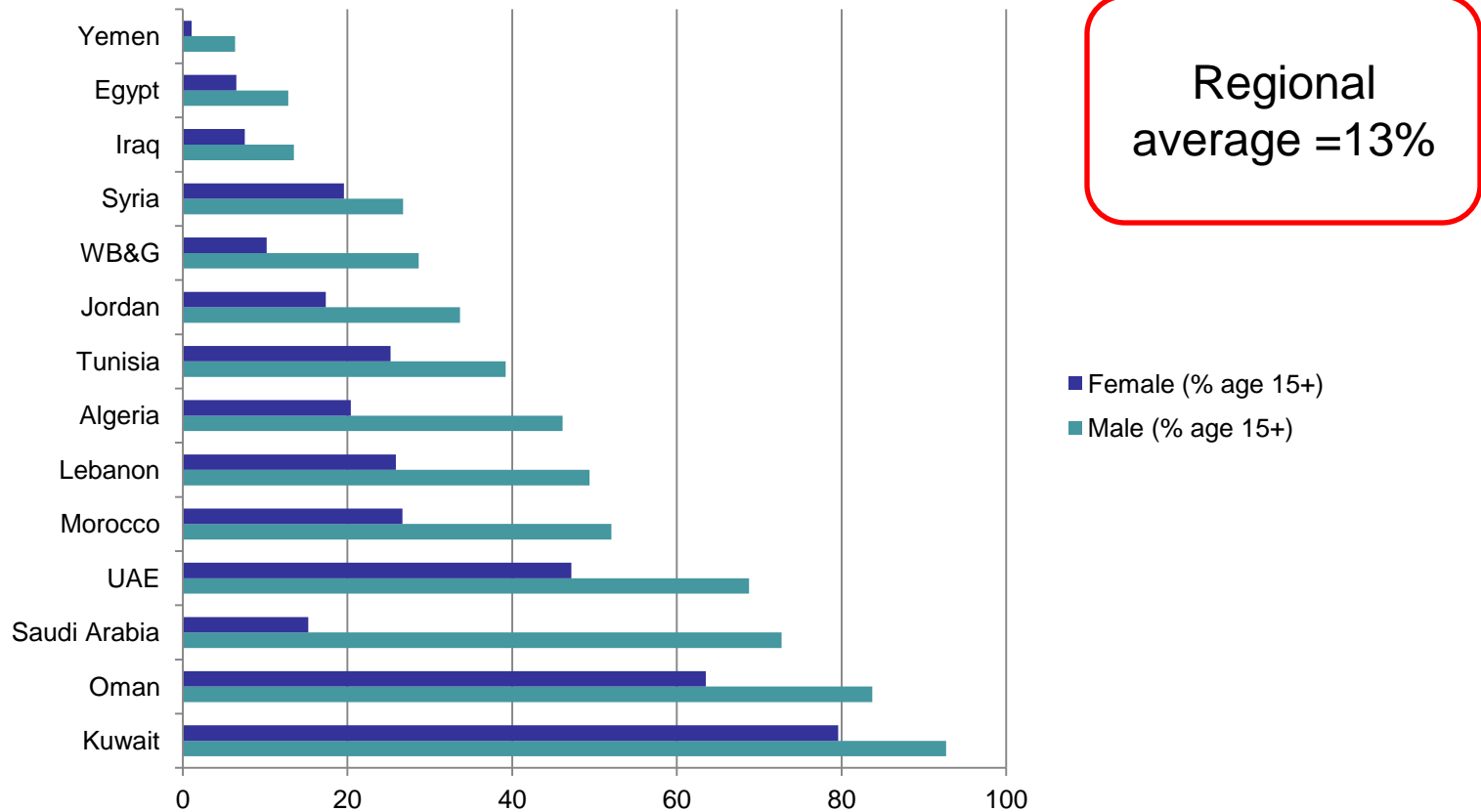
Adults who borrow from formal financial institution
Loans in the past year (% age 15+)



Regional
average =18%

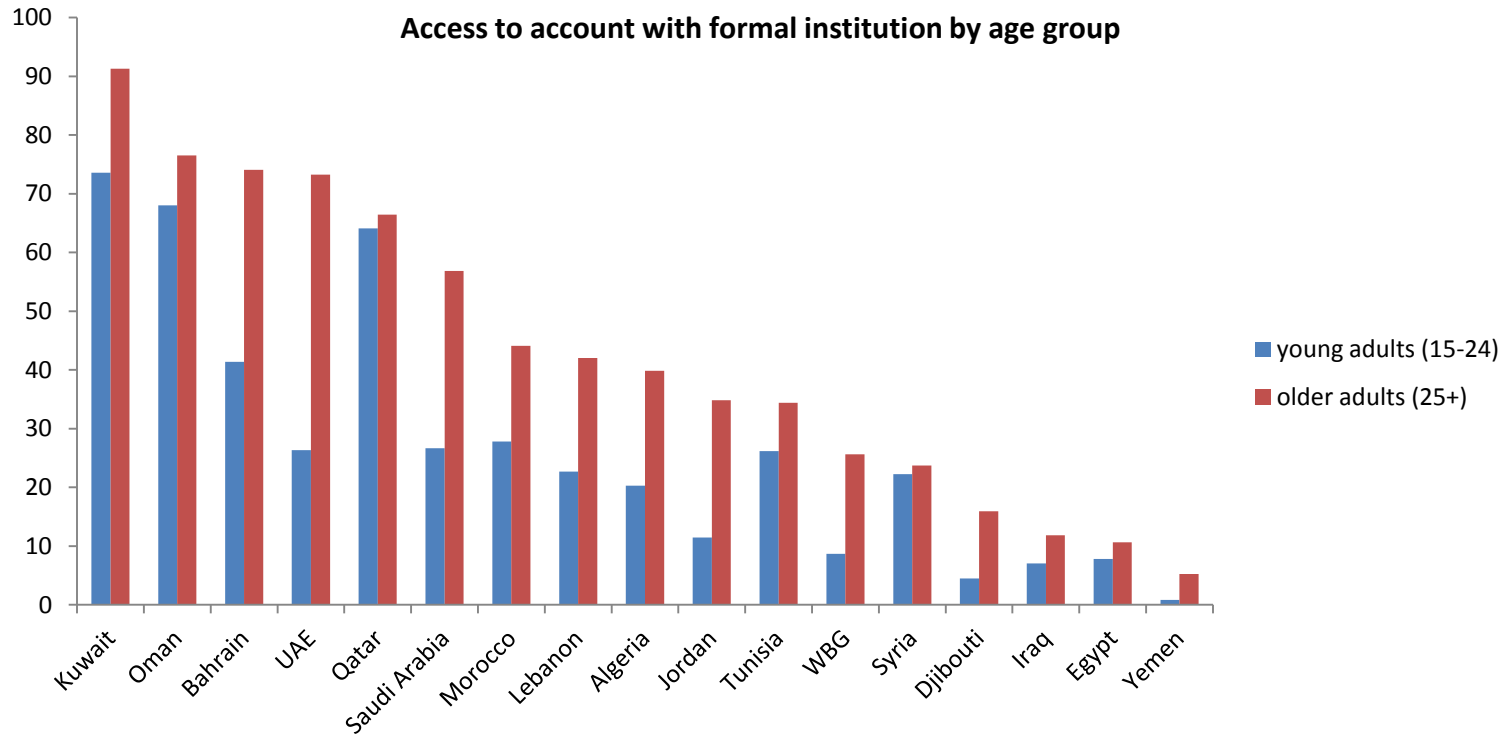
Source: Demirguc-Kunt and Klapper 2012

Women are less likely to have access to bank accounts



Source: Demirguc-Kunt and Klapper 2012

Young adults are less likely to have access to bank accounts

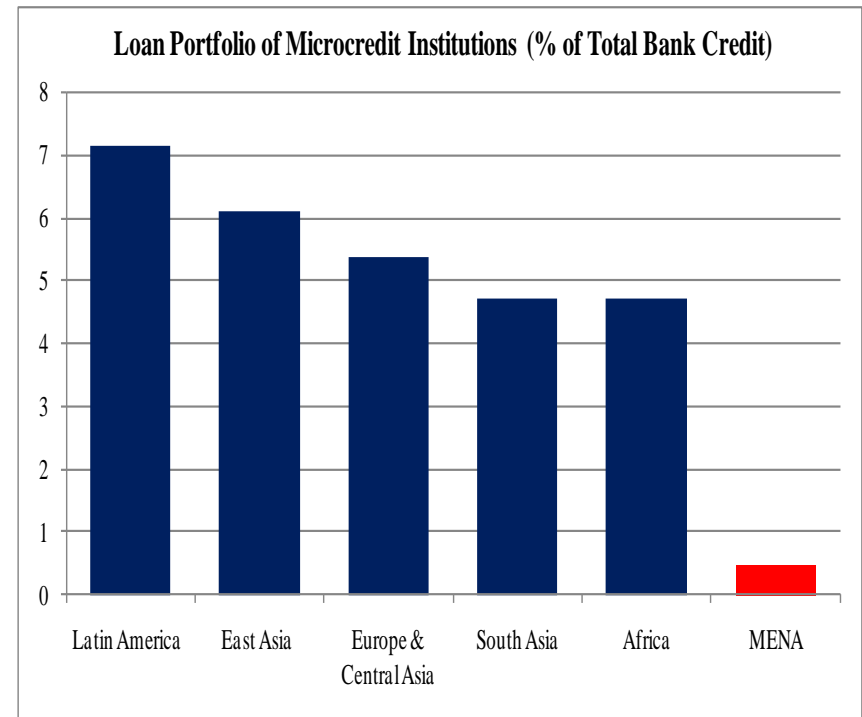
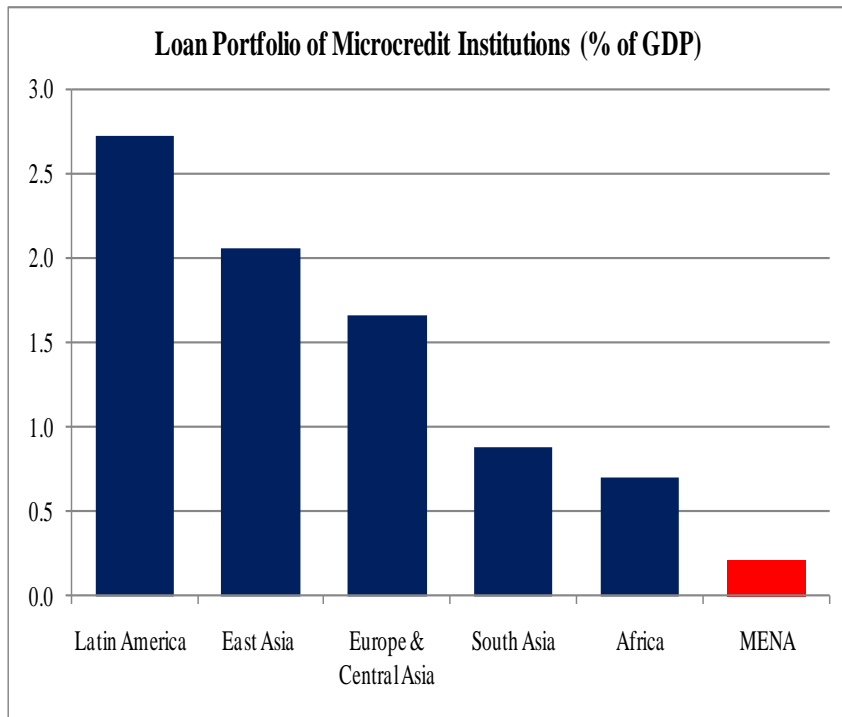


Source: Asli Demirguc-Kunt and Leora Klapper, 2012

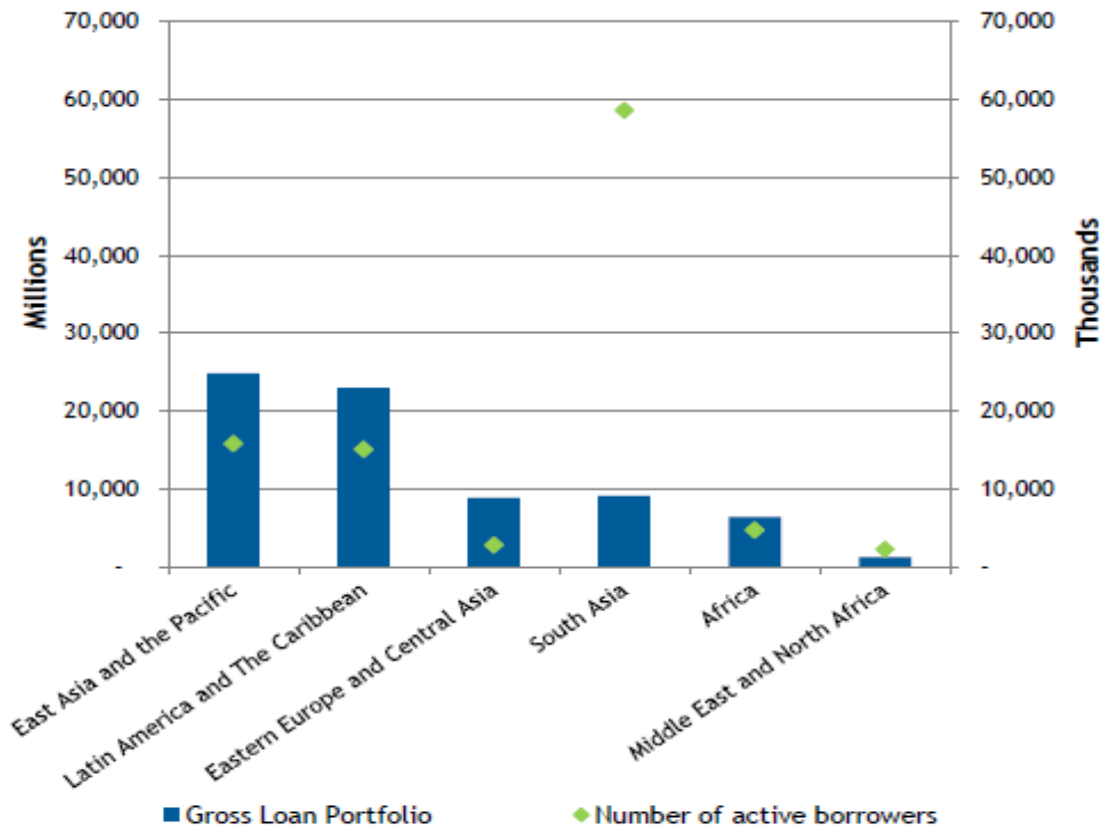
Financial inclusion in the MENA region is characterized by NGO-dominated microcredit sectors, postal networks and state banks

- ✓ **Direct commercial bank** involvement in microfinance in the MENA region is very limited
Morocco, Egypt, Lebanon best practices
- ✓ **State banks** are significant providers of financial services for low income people and microenterprises in some MENA countries
- ✓ **Microfinance banks, or specialized microfinance institutions,** are an alternative model where regulations allow
- ✓ **Postal networks** are the main provider of savings and payment services

MFIs are small relative to other markets



MFI outreach limited compared to other regions



Lowest number of active borrowers

Lowest gross loan portfolio

<http://www.mixmarket.org/profiles-reports/crossmarket-analysis-report?rid=MlvzqvtDK>

Some innovation on the product front



Life and hospitalization insurance (Jordan)



Payment services via mobile (Jordan)

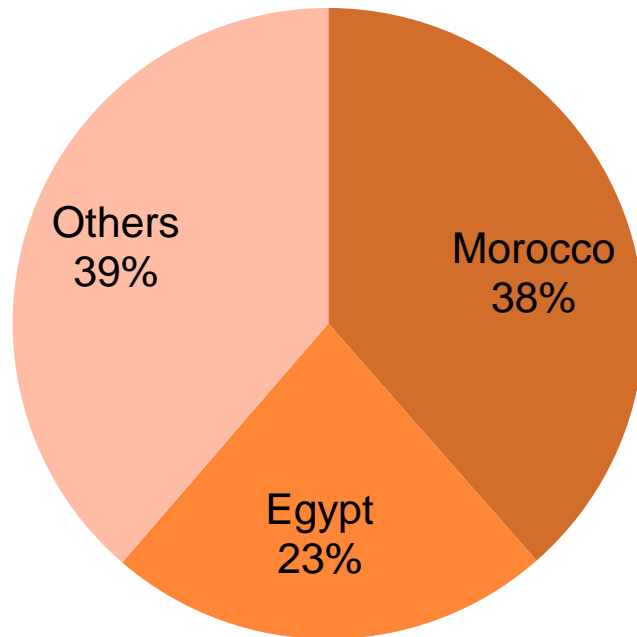
Masary Wallet



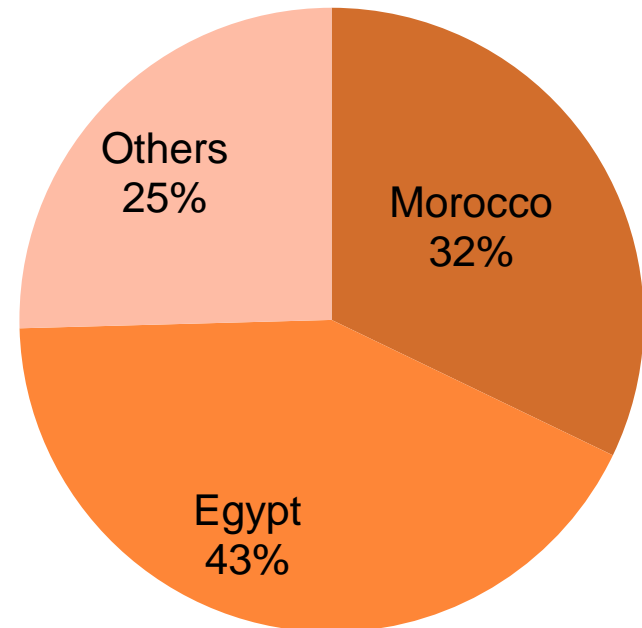
Payment services using mobile wallet
(Egypt)

Morocco & Egypt dominate outreach in region

Gross Loan Portfolio



Number of Active Borrowers



Regulations not “enabling”

Persistent focus on charity and social dimension of microfinance, but low attention paid to sustainable business models and enabling environment.

	MF Specific Legislation	Savings		Interest Rate Cap	
		MFIs	Postal	Banks	MFIs/ NGOs
Egypt	Pending		✓		✓
Iraq					✓
Jordan			✓		✓
Lebanon					
Morocco	✓		✓	✓	
Palestine	Pending				
Sudan	✓			✓	✓
Syria	✓	✓	✓		
Tunisia	✓		✓	✓	✓
Yemen	✓	✓	✓		

Potential areas for advancement

Delivery channels

- Postal networks
- Branchless banking
- Islamic microfinance

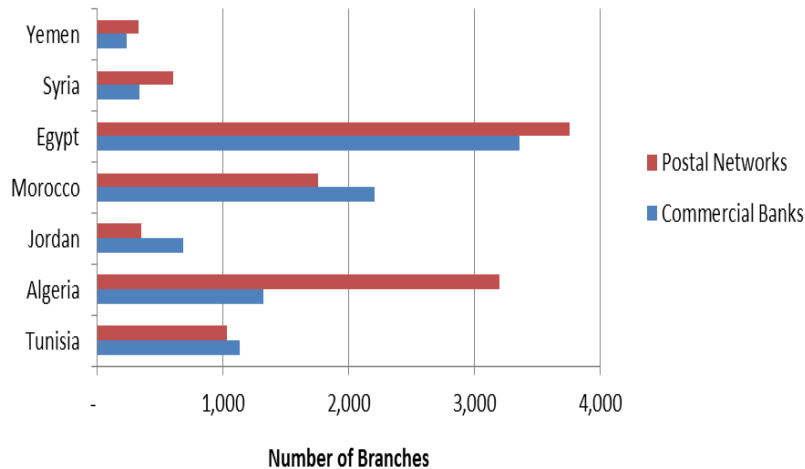


Within a more enabling policy and regulatory framework

Using evidence and global best practice

Postal networks have good infrastructure

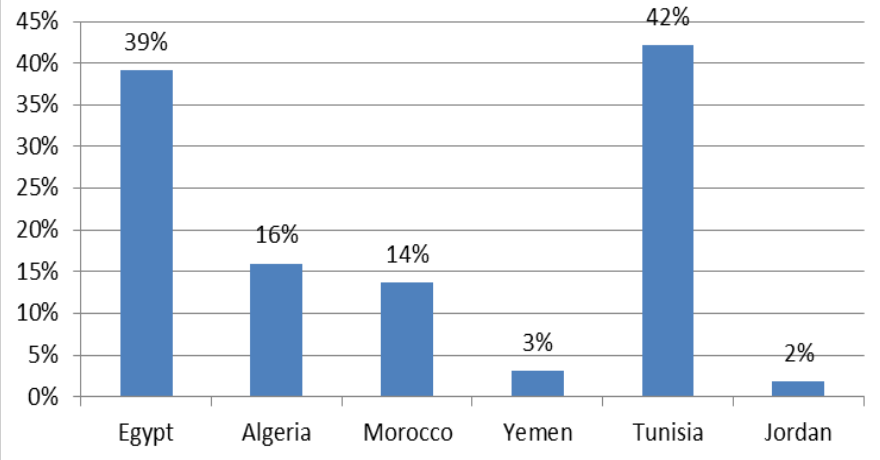
MENA Postal and Commercial Bank Branches



Source: Universal Postal Union (UPU), 12/31/09 data, and CGAP 2010 Postal Questionnaires.

More branches than
commercial banks

Postal Account Penetration of Adult Population



Source: MENA Central Banks, The MIX Market, 2010 CGAP Questionnaires

Reaching high shares
of adult populations
with savings products

Some potential for branchless banking

Table 6. Which MENA Countries have the Most Potential for Mobile Banking?

LOW POTENTIAL	MEDIUM POTENTIAL	HIGH POTENTIAL
<p>Low rural or unbanked population</p> <p>Low mobile penetration</p> <p>Uncertain regulatory regimes</p> <p>High state ownership of bank and/or telecom assets (can limit innovation)</p>	<p>High state ownership and control of banking and telecoms sectors</p> <p>Uncertain regulatory and business environments</p>	<p>High rural populations</p> <p>Low levels of banked people</p> <p>High mobile penetration</p> <p>Increasingly conducive regulatory regimes</p>
Djibouti, Libya, Saudi Arabia, Syria	Algeria, Iraq	Egypt, Jordan, Morocco, Yemen, Tunisia

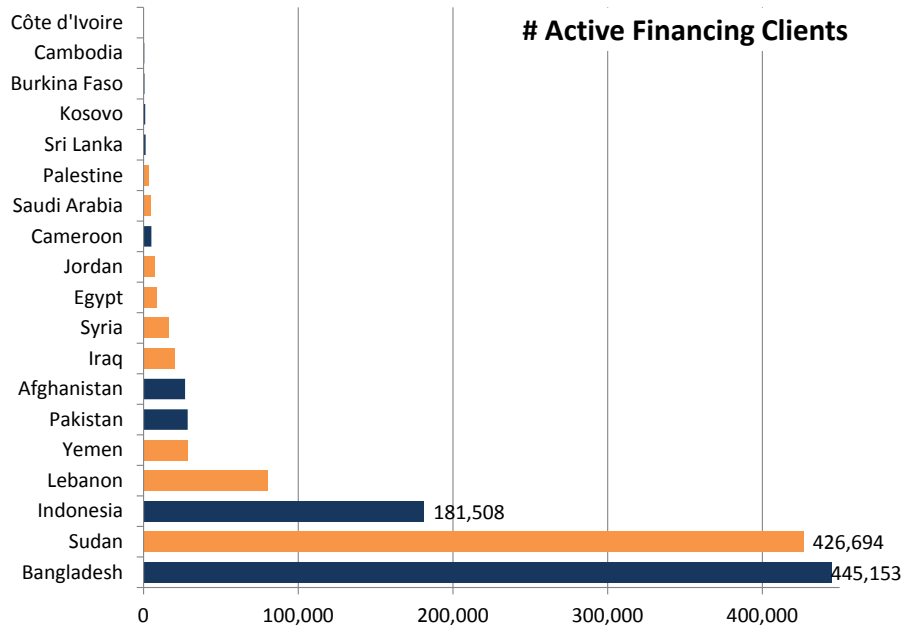
Source: Michaels, 2010. Data presented in Annex 3.3.



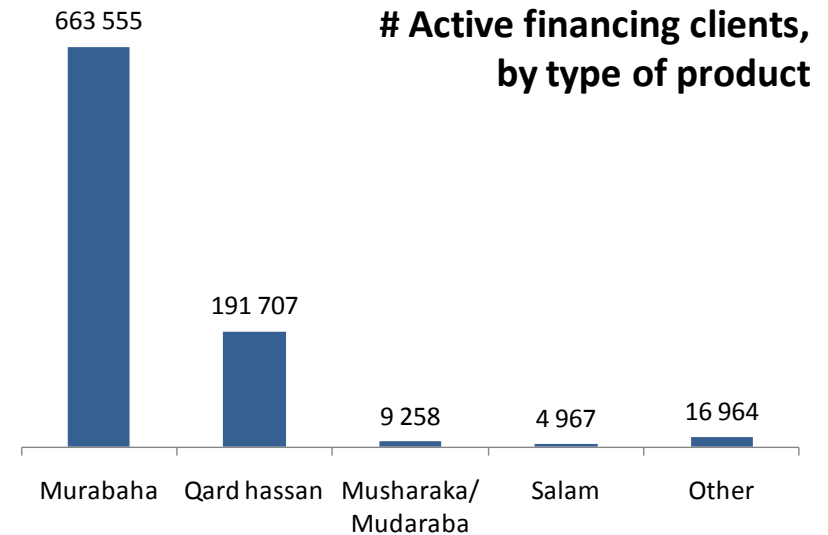
Potential for expansion of Islamic microfinance

High levels of demand for Islamic microfinance products: Between 20 and 40 percent of interviewed individuals and businesses in Jordan, Algeria, Syria prefer shari'a compliant products (IFC).

Sudan is only country in MENA with high number of active clients of shari'a compliant products

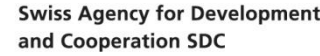
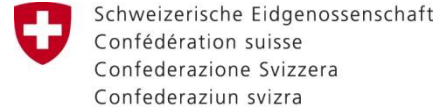


Lack of product diversification: Murabaha by far most common product



Missing IBBL, BRI and some small institutions

Source: CGAP/AFD Islamic Microfinance Survey, 2012



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www.cgap.org

www.microfinancegateway.org



MINISTRY FOR FOREIGN AFFAIRS OF FINLAND

