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Microfinance in the MENA Region

Financial inclusion
empowerment programme



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The European Union (EU) and the German Federal Ministry for Economic Cooperation and Development (BMZ) support financial inclusion in the Middle East and North Africa to promote sustainable growth and employment.

In Jordan, the EU supports the Government of Jordan in "Promoting financial inclusion through improved governance and outreach of Microfinance in Jordan". The EU Action foresees budget support and complementary support of a total of EUR 35 million for implementing the national microfinance strategy and developing the national financial inclusion strategy. The complementary support covers financial and technical assistance, delegated to GIZ, for the sector stakeholders in the programme.

GIZ on behalf of the BMZ promotes the regional dialogue, knowledge exchange, and peer-learning among policymakers, thereby assisting partner governments together with the Arab Monetary Fund in policy processes for more inclusive financial sectors. It also supports the Microfinance Network of Arab Countries, Sanabel, through strategic advice.

In Egypt, Jordan and the Palestinian Territories, GIZ provides technical support at policy, regulatory, and the infrastructure level of the microfinance sector. It supports policymakers in developing financial inclusion strategies and the authorities in strengthening the legal and supervisory framework for and the outreach of microfinance.

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Authors:
**Atilla Kaiser-Yuecel
 Sofia Bublatzky
 Armin Satzger**



Only a **very limited number** of people and businesses in the MENA* region have access to financial services

61.5%

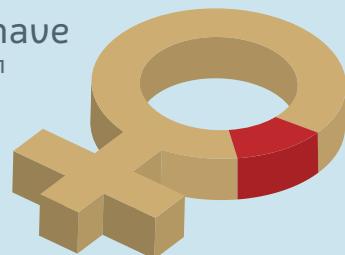
of adults (15+ years) worldwide have an account ¹

14.2%

of adults (15+ years) in the MENA Region have an account ¹

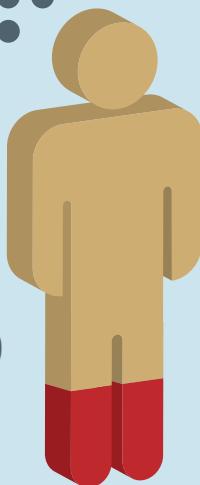
9%

of women have an account ¹



14%

of adults (15+ years) have an account ¹



21 million

micro, small and medium enterprises (MSMEs) (formal & informal) in MENA ³



47.6%

MSMEs (formal & informal) in MENA are unserved or underserved ³



11.7%

is the total unemployment rate in 2014 ²

29.5%

is the youth (15–25 years) unemployment rate in 2014 ²

References

* MENA statistics here refer to the World Bank Findex's definition (2014) of the Middle East and comprises Egypt, Iraq, Jordan, Lebanon, the West Bank and Gaza, and Yemen.

¹ Source: World Bank Global Findex (2014)

² Source: ILO World Employment and Social Outlook (2015)

³ Source: IFC Enterprise Finance Gap Database (2011)

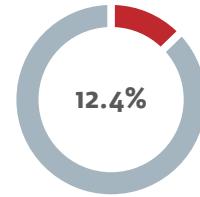
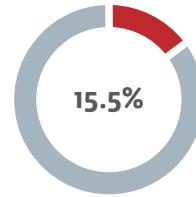
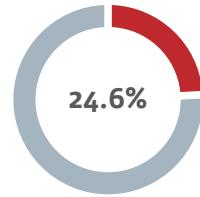
Account penetration (15+ years)

All adults

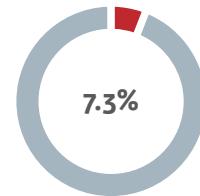
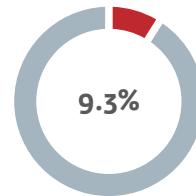
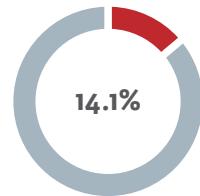
Women

Young people (15-24)

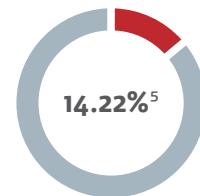
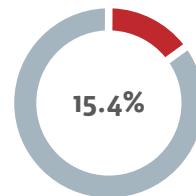
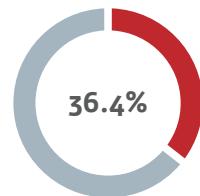
Jordan⁴



Egypt



Palestinian Territories



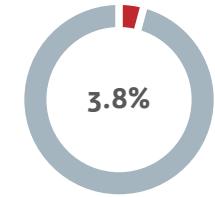
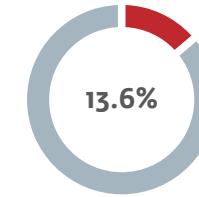
⁴ Source: for Jordan and Egypt World Bank Global Findex (2014); for Palestinian Territories the national financial inclusion survey (2016) and PMA/CMA statistics data (2015)

⁵ Age segment: young adults (18-24)

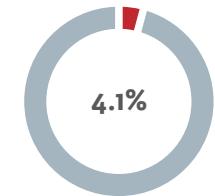
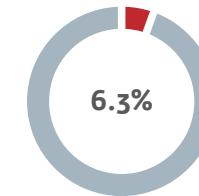
Borrowed from an institution (15+ years)

Saved at an institution (15+ years)

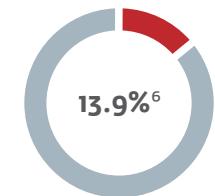
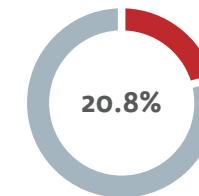
Jordan



Egypt



Palestinian Territories



⁶ Regular bank deposits and other investment options such as Islamic leasing ending with ownership, shares and bonds, pension scheme.

What is Financial Inclusion?

Financial inclusion means that people and businesses have access to a broad set of adequate and affordable formal financial products and services provided in a responsible way. Financial inclusion has three dimensions: access to, usage of and quality of financial services.

Greater access to appropriate financial services and client empowerment helps individuals improve their financial and occupational perspectives.

Financially inclusive markets comprise an enabling ecosystem and an efficient infrastructure that facilitates a broad set of market actors to deliver financial products safely, affordably and efficiently to empowered, well informed clients.

What is Microfinance?

Microfinance is the provision of financial services to the low-income population. It plays an important role in advancing financial inclusion. Microfinance can include savings, insurance, payments, and remittances.

Microcredits are small loans to unsalaried borrowers with little or no collateral. To ensure successful repayment, the loan amounts increase over time or loans are lent to a group of people.

Emerging technology and new business models enable microfinance institutions (MFIs) and other financial service providers to reach out to more people in remote areas at low cost. For example, MFIs use mobile money and agents instead of sending staff to the client.

What is the Financial Inclusion Empowerment Programme about?

The European Union (EU) and the German Federal Ministry for Economic Cooperation and Development (BMZ) support financial inclusion in the Middle East and North Africa to promote sustainable growth and employment.

GIZ to this end implements technical assistance in Egypt, Jordan and the Palestinian Territories, aiming to improve the framework conditions for broader access to adequate financial services for the low-income population. It assists policymakers, regulators and supervisors in financial inclusion policy-making and in strengthening the legal and regulatory framework for as well as the outreach of the microfinance sector. It promotes regional dialogue and knowledge exchange among peers.



Financial Inclusion Empowerment in the **Middle East and North Africa**

There is great potential for more adequate financial services for people and businesses in the Arab region to save, invest, make payments, or to protect themselves against risks. GIZ empowers its partners in enhancing financial inclusion to promote social stability and stimulate employment.

Action

GIZ promotes cross-border dialogue and knowledge exchange among policymakers and financial regulators as well as access to sector-specific information across the Middle East and North Africa (MENA) region. It undertakes capacity development measures with the Arab Monetary Fund (AMF) to assist partner governments in their policy processes towards more inclusive financial sectors. It furthermore supports the Microfinance Network of Arab Countries, Sanabel, through organisational and strategic advice.

Achievements

GIZ has hosted two regional high-level policy conferences together with the AMF and the Central Bank of Jordan (CBJ). In November 2015, the policy forum on “Financial Inclusion and Employment in the Arab Region” moved forward the policy

dialogue following up on the 2015 action plan for financial inclusion in the MENA endorsed by the Deauville Partnership, the G7 members and Arab partner states. In November 2016, the policy forum on “Advancing Women’s Financial Inclusion in the Arab World” led to the announcement of policy actions for financial inclusion in the region.

The AMF, the Alliance for Financial Inclusion (AFI) and GIZ announced to jointly establish a regional platform for financial inclusion in the Arab World to broaden and deepen regional and global knowledge exchange.

The AMF developed a basic set of indicators, the total financial inclusion index, and a survey toolbox with the support of GIZ.

Sanabel approved a three year strategy, erected a new internal structure and improved its training offers for MFIs in the region. It was empowered to launch the 2014 and 2015 GIZ Gender Award to highlight best practises of MFIs in the financial inclusion of women from across the region.

The Arab Monetary Fund is a sub-organisation of the Arab League and hosts the Council of Arab Central Banks. It provides financial and technical assistance to banks and other financial institutions in the member states.

The Fund facilitates knowledge and experience exchange between policymakers and financial regulators. It undertakes capacity building for its members together with GIZ.

Sanabel is the Microfinance Network of Arab Countries. It supports capacity building in the microfinance sector, thereby facilitating access to financial services for low-income people in the Arab countries. The Network plays an important role as a support service institution with direct access to MFIs.

Financial Inclusion Empowerment in Jordan

While the majority remains unbanked, the financial system is evolving quickly. The growing microfinance sector is getting regulated. New players strengthen the infrastructure or develop markets. Technology leads to disruptive innovation. A new strategy for responsible financial inclusion will empower vulnerable groups.

Action

The European Union (EU) supports the Government of Jordan in "Promoting financial inclusion through improved governance and outreach of Microfinance in Jordan". Tanmeyah, the Microfinance Network, receives financial and technical assistance to support its institutional capacity development.

On behalf of the EU and the German Federal Ministry for Economic Cooperation and Development (BMZ), GIZ in Jordan supports the sector governance by the Microfinance Steering Committee chaired by the Ministry of Planning and International Cooperation (MoPIC); the financial inclusion policymaking and the microfinance regulation and supervision by the Central Bank of Jordan (CBJ); and the strengthening of funding programmes by the Development and Employment Fund (DEF).

Achievements

The Microfinance Steering Committee updated the National Microfinance Policy Framework's Action Plan and Monitoring Framework (2018-2016).

The CBJ established the Credit Bureau and Microfinance Supervisory unit, developed first microfinance-specific regulations, and is licensing MFIs. It enabled the functioning of a credit bureau and interoperable payments systems. The CBJ is chairing the Financial Inclusion Steering Committee (FISC), has a Financial Inclusion Unit and is leading consultations with public, private and civil society players to develop the financial inclusion strategy. It committed to financial inclusion targets (Maya declaration 2016) and co-hosted regional forums on financial inclusion and employment and on financial inclusion of women.

The DEF developed a business plan (2020-2016) and assumed internal restructurings for its risk management, internal audit and human resource functions in view of improving its performance and increasing outreach of the microfinance sector to remote areas. Tanmeyah improved the sector's information exchange and strengthens research and social performance within the sector.

The Central Bank of Jordan (CBJ) is the financial regulator and supervisor. It aims at monetary stability and the soundness of the financial system. The CBJ leads the Financial Inclusion policy process in Jordan and is responsible for effective microfinance regulation and supervision.

The Development and Employment Fund (DEF) is the public finance arm of the Government. DEF's objective is to encourage and finance low-income individuals to start their own projects, thereby creating employment opportunities.

The Fund's role in the programme is to strengthen the financial infrastructure of MFIs, especially in remote areas.

Tanmeyah, the Microfinance Network, was established to support the development of a sustainable microfinance industry, providing advocacy and awareness raising on behalf of MFIs, promoting information and knowledge exchange. Tanmeyah facilitates the formalization of MFIs, the implementation of the regulatory environment and gathers performance data of the sector.

The Ministry of Planning and International Cooperation (MoPIC) coordinates assistance by and cooperation with governments and civil society organizations to improve economic policies and governance.

Within the programme, MoPIC coordinates the national microfinance stakeholders alongside international donors.

Success Story

Deir Alla

Nisreen Kaabneh

Nayef Supermarket

Nisreen Al Kaabneh, a client of FINCA since 2010, is the 37-year-old woman behind the success of “Nayef Supermarket” in the town of Deir Alla. Where around 27.1% of the 70,000 residents of Deir Alla live below the poverty line*, Nisreen’s success is testament to the relevance of Microfinance for empowering people by improving their job and life prospects. The support of the EU, the BMZ, and the GIZ assures a continuously stable and well-functioning Microfinance sector for even more people from towns like hers.

Working at the supermarket from 6:30 in the morning until 1:00 after midnight, Nisreen and her husband, Nayef, serve around 100 customers daily. The secret to their success? “We sell everything!” Nisreen says. “We order merchandise and products that other supermarkets don’t order, and most importantly, if a customer comes in looking for something we don’t have, we make a note of it so we can have it next time.”

Nisreen was born and raised in the Baqaa Refugee Camp where she worked in her family’s supermarket since the age of 8. “My father opened up a supermarket and died 2 years later.

After that, as the eldest daughter, my mother depended on my help to run it.” Nisreen helped out every day until she was 18 years old, and saved 5000 JDs. Before leaving her family home when she got married to Nayef, she gave her mother the money she had saved to rebuild the family home.

Nisreen and Nayef settled in the village of Jifna in the West Bank after their marriage, but they soon had to move back to Jordan due to the political situation. The couple decided to settle in Deir Alla and took over the shop of an uncle. “We bought merchandise for 600 JDs and opened up a little store.” Then in 2010, Raed, a credit officer from FINCA, who was also one of Nisreen’s customers, offered her a loan of 1,200 JDs. At first she declined because she felt it was not enough money, but then Raed explained that if she starts with this amount and pays it back on time, she

will be able to increase the amount the following year. Encouraged by this promise, Nisreen decided to take the loan.

In 2011, Nisreen took a loan of 3,000 JD, followed by 6,000 JD in 2012. That year, the couple decided to build a home and move their supermarket’s location and extend it to their house. “The 6,000 JD loan made a big difference. We were able to buy more merchandise and double our income. We were also able to buy new appliances for our house and put our children in better schools”, says Nisreen.

As her family’s life improved, Nisreen continued to take out loans and reached a 20,000 JD loan in 2016. “When I take a loan, the first thing I do is buy all the merchandise I need, investing all the money in products I will sell in the supermarket. I don’t keep the cash on me because then I will spend it! It is much better to buy stock and keep

them in storage. That way, I can profit from selling the products and that’s how I ensure my family’s income.” In 2018, Nisreen is up for a 35,000 JD loan and plans to expand the supermarket.

Reflecting on her journey from her time as an 8-year-old helping her father to the entrepreneur she is today, Nisreen says: “I think I am someone who always finds her way. My father used to tell me and my sisters that following our dreams is more important than adhering to the limiting social rules for women. If he were alive today, he would be proud of me.”

* Department of Statistics Jordan, 2015; UNDP 2012, “Thinking Differently about the Poor, Findings from Poverty Pockets Survey in Jordan”



Success Story

Irbid

Wael Qdeisat

Children's Clothing Shop

Wael Qdeisat from Irbid is a prime example of someone who achieved success against all odds. Continued access to small loans and his hard work and perseverance is what allowed him to become a successful entrepreneur. The initiative of the EU, the BMZ, and the GIZ contributes to improving the availability of microfinance for hard-working small-business owners like Wael and improves poor Jordanians' chances of financial and entrepreneurial success in life.

Inside a small compound for second-hand clothes in downtown Irbid is the home of Wael Qdeisat's shop for children's clothing. Dressed in a crisp yellow shirt, hair gelled back with artful precision, 44-year-old Wael balances himself on top of a stool as he carefully arranges the colourful outfits and ruffled dresses hanging from the ceiling of his shop.

"Most of the customers that come to my shop can't tell that I am blind. I've been selling clothes since I was 18 years old and a student in university. By now, I have developed a talent for understanding what my customers are looking for.



Also, it helps that I have a good memory of children's sizes." A client of FINCA since 2014, Wael lost his eyesight permanently in 2005 due to a hereditary genetic condition. "But I did not give up. I refused to be a victim of my circumstances," says Wael Qdeisat. "I kept my business running, while also working as a computer teacher in the town's school, and being a father to my 14-year-old son Amir. He goes to Rosary College, one of the best private schools in Irbid," he says, proudly.

Wael started his business with a street stall in 1995. He was still a student in university when he used the income from selling clothes to fund his education and cover his living expenses for three years. He continued his business after graduating from university and had managed to save an amount of 6,000 JD by the year 2000. At around the same time, he started working as a computer teacher at a public school for a salary of 180 JD. Seeking to expand his street stall, he started renting out the shop he is now working in for 500 JD a year.

In the winter of 2006, Wael wanted to include leather jackets into his product line. After a friend had told him about the microfinance company, Tamweelcom, and how he can apply for one of their microloans, Wael took out a loan of 1,500 JD to begin with and bought the leather jackets, all of which he consequently sold successfully. In order to speed up the growth of his business, however, Wael needed to make larger investments. Successfully repaying one loan after the other over multiple periods allowed him to steadily raise the amount of his microloans to 7,800 JD, becoming one of Tamweelcom's most important clients in the Irbid region.

When Wael was approached by FINCA in 2014, he decided to switch microfinance companies to take out a loan of 5,000 JD, at more favourable conditions. With this loan, he was able to buy stock at a lower cost, which allowed him to increase his profits to 10,000 JD annually. In

2016, Wael took out a loan of 11,000 JD in order to expand his business further. It is currently worth 25,000 JD.

Wael says that his life improved significantly because of the opportunities that came with access to funding for his investments. Not only was he able to buy more merchandise and increase his income; the ever-increasing profits of his business also enabled him to buy a car, pay for his son's private education, provide some small luxuries for his family home and even invest in a local enterprise.

"Although becoming blind has been a great loss, God has blessed me with a supportive wife and son, who believe in me and have helped me along each step of my journey. I know it's difficult for them, and that I place a heavy burden on them at times because of my disability, but their unwavering love is what has helped me persevere against all odds."

Financial Inclusion Empowerment in Egypt

Supervisory Authorities in Egypt have been promoting financial inclusion to address barriers to financial access while assuring financial system stability. Digital financial services and regulatory frameworks still bear great potential for reaching out particularly to women and youth.

Action

GIZ in Egypt supports cross-sector initiatives through technical advisory at policy and regulatory level to the Central Bank of Egypt (CBE) and the Egyptian Financial Supervisory Authority (EFSA).

The programme assists in the financial inclusion policy process by supporting: The CBE to establish a comprehensive evidence base needed to inform policy development for greater financial access as well as building the capacity of its Financial Inclusion Unit and Data Committee; the EFSA in the regulation and supervision of microfinance and micro-insurance, and building the capacities of the Microfinance Unit and the multi-stakeholder platform on Micro-insurance; the Egyptian Banking Institute (EBI) and the national steering committee for financial education in developing the national financial literacy strategy.

Achievements

The CBE joined the Alliance for Financial Inclusion (AFI) in 2013, and established a national Steering Committee led by the EBI to develop the National Financial Literacy Strategy, as well as a dedicated Financial Inclusion Unit to lead the financial inclusion process and coordinate among the multi-stakeholders. Egypt is hosting the 2017 AFI Global Policy Forum.

CBE has also issued regulations to increase banks' SME loan portfolios to %20 by 2020 as well as mobile payments regulations allowing cross-border remittances from mobile wallets. A National Payment Council has been established to promote the development of digital payments.

The I-Score credit bureau has become effective and is providing credit information to financial institutions.

Since the ratification of the microfinance law in 2014, the EFSA has licensed three commercial microfinance companies and 725 NGO MFIs. EFSA has also issued directives to formalize the micro-insurance sector.

The Central Bank of Egypt (CBE) is the financial regulatory body, aiming at price stability and the soundness of the banking system. It supervises the banking sector and national payments system. CBE is leading the coordination of stakeholders in the financial literacy policy process and for the collection of data.

The Egyptian Financial Supervisory Authority (EFSA) is the regulator for non-banking financial services. Its objective is to stabilise and develop efficient and transparent markets, thereby protecting investors and clients. EFSA is leading the reforms in the non-banking financial services and is responsible for a sound microfinance and micro-insurance regulation and supervision.

Financial Inclusion Empowerment in The Palestinian Territories

While several institutional preconditions for financial access are set, awareness in the public about and use of financial services remains at low level. The microfinance sector is growing steadily, but many MSMEs remain underserved.

Action

GIZ advises the Palestine Monetary Authority (PMA) in developing and implementing strategies on financial inclusion. It supports them in their efforts to strengthen the legal framework and the supervisory capacities for the microfinance sector as well as consumer protection. Since 2017, GIZ supports the PMA in empowering financial clients through advisory and financial education in its Consumer Relation Halls.

Achievements

Palestinian stakeholders have developed a national financial inclusion strategy draft that combines public and private sector initiatives under a common roof for the period until 2025.

The PMA has set up internal structures that are responsible and capable to supervise the microfinance sector. The sector has witnessed a significant transformation, consolidation and growth. 7 MFIs are currently licensed and under supervision, adhere to international standards and attract social investments.

On the side of consumer protection, the PMA has established an institutional and regulatory structure that improves consumers' rights. As part of the technical cooperation, the regulator has developed a draft regulation to increase transparency and comparability of the costs of loans.



The Palestine Monetary Authority (PMA) is the emerging Central Bank of Palestine. It is responsible for price and financial stability, to safeguard the banking sector and to promote national sustainable growth. The PMA is promoting major national efforts for financial inclusion, the regulation and supervision of microfinance, and consumer protection.



Greater access to financial services promotes social stability, stimulates economic growth and employment, and stabilises the financial system. Yet, only a very limited number of people and businesses in the Middle East and North Africa have access to adequate formal financial services.

Microfinance is a means to advance financial inclusion. Strategic public and private efforts, progressive policies, laws and regulations, and an efficient financial infrastructure are needed to ensure the sector's stability and outreach to the unbanked.

This programme aims to improve the framework conditions for financial inclusion of the low-income population to promote sustainable and inclusive growth.



Greater access to financial services promotes social stability, stimulates growth and employment, and stabilises the financial system.

Visit us at www.microfinance-mena.org.

Subscribe to our newsletter at financialinclusion-mena@giz.de

GIZ Office Cairo

Deutsche Gesellschaft für
Internationale Zusammenarbeit
(GIZ) GmbH
4D, El Gezira Street
11211 Zamalek
Cairo, Egypt
T: +202 27370425-26
F: +202 27370424

GIZ Office Amman

Deutsche Gesellschaft für
Internationale Zusammenarbeit
(GIZ) GmbH
Muhammad Al-Khumash St.13
P.O. Box 926238
Amman 11190
Jordan
T: + 962 6 5868090
F: + 962 6 5819863

GIZ Programme House

Deutsche Gesellschaft für
Internationale Zusammenarbeit
(GIZ) GmbH
Al Atari Building, Abu Iyad Street
P.O. Box 38383
East Jerusalem 91383
Palestinian Territories
T: + 972 2 2400740
F: + 972 2 2400741