

# FINANCIAL INCLUSION POLICIES AND INNOVATIVE MSME FINANCING IN THE SOUTH MED

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# SANAD DEBT SUB-FUND – INVESTMENT AND TA SUPPORT FOR MFIs IN MENA

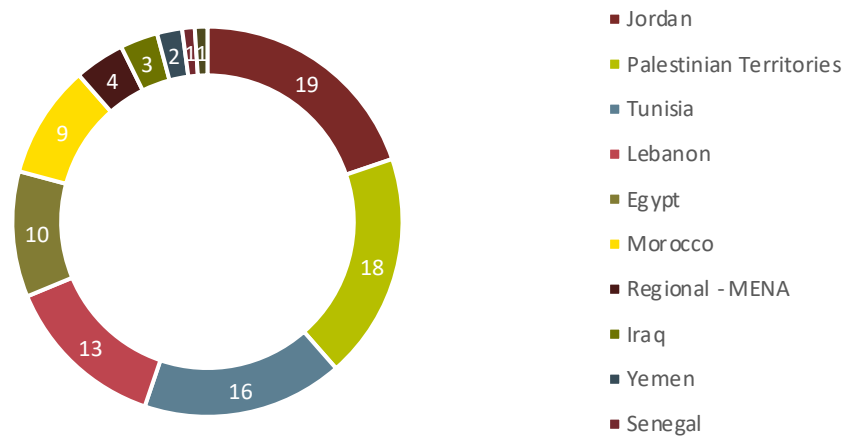
- SANAD's **outreach to MFIs in the region has always been very strong** due to the fund's deep understanding of the MENA region, the microfinance sector, very strong relationship with sector players and capacity to provide long term financing up to 4 years.
- The Fund has **signed 51 loan facilities with 18 MFIs in 7 MENA countries since establishment for total amount of USD 213.5 million, almost all facilities extended in local currency**
- SANAD stands out as a **distinct financing vehicle for MFIs due to its capacity to provide local currency via L shares** which helps the Fund continue its cooperation with its long-standing partners in times of crisis.
- Through these long-standing MFI partner institutions, SANAD **has very strong outreach to micro and very small clients in MENA region**. Total number and volume of sub-loans provided by partner MFIs to their end clients have been 254,525 and USD 425 mn respectively.
- Since inception MFIs represented **93.7% of total number of sub-loans** reported by SANAD DSF Partner Institutions with **average loan size of USD 1,670**. As of Q3 | 2022, outstanding sub-loans reported by MFI corresponds to 64.2% of outstanding number with average size of USD 2,631.
- **MFIs have also been an important supporter of the farmers in rural areas** strengthening the Fund's position in its outreach to agri sector with more than 10% of its sub-loans being extended to small farmers and VSEs in agri sector.
- Loan portfolios of local MFIs financed by SANAD reflect the **Fund's focus on the underserved groups**:
  - Share of female clients in SANAD PIs portfolio: 46%
  - Share of young clients in SANAD PIs portfolio: 41%
  - Share of rural clients in SANAD PIs portfolio: 49%

# TAF PROJECTS TO THE BENEFIT OF MFIs

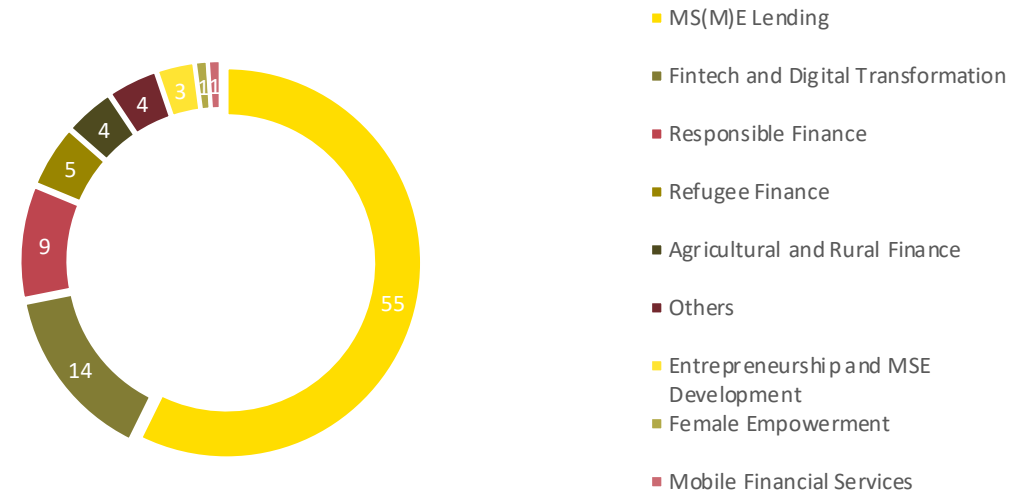
The TAF has a long-term approach in supporting the Fund’s MFI partners and works to strengthen their institutional capacities for MSME lending. Since inception the TAF has supported **32 MFIs**

Since 2011 the TAF has implemented **96 TA projects** benefitting MFIs with a budget of **over USD 9 million** supporting over **6,000 beneficiaries**

TAF support for MFIs by Target Country



MFI Technical Assistance Area of Support



## TA activities focused on social entrepreneurs and sustainability in the region

- 6-week business acceleration program for **10 social entrepreneurs from Egypt** to enhance the skills and perspectives by providing them access to knowledge, tools, and seed funding. The project resulted in the **creation of Egypt’s first social enterprise accelerator**, supported by local financial institutions and venture capitalists, as well as the Ministry of Investment
- Through its cooperation with Enactus, a global network of leading universities dedicated to helping students to take entrepreneurial action to solve societal and environmental challenges, the TAF worked on identifying and coaching **sustainable and green technology driven business solutions** that can benefit end-clients in all SANAD target countries in cooperation with local and regional partners such as universities and the business sector
- Following the outbreak of the Syrian refugee crisis, the TAF has engaged to support **Syrian refugees and the host communities** affected by the crisis through mentoring programs to guide refugees through the process of establishing or running their business. The programs helped the target group develop their leadership skills, improve their entrepreneurial skills, and thus supported them to **engage in the local economy** providing a **sustainable approach to earn a sustainable income** through the progression and growth of pre-start ideas

# CHALLENGES FACED BY MICRO FINANCE INSTITUTIONS IN MENA

## CHALLENGES

- Limited outreach to medium/long term financing especially by small and recently established MFIs in the region
- Increasing cost of funds for international lenders vs limited capacity for MFIs to reflect these increases to end clients
- Macroeconomic and political risks in the region
- Weak risk management practices (credit, market, liquidity)
- Weak corporate governance (diversity, gender inclusion, skills)
- Need for digitalization and further outreach to excluded populations; financial inclusion
- Access to fresh capital to support growth
- Sustainable finance/green finance – opportunity for the MFI institutions

## STRATEGY

- Continue strong lending relationship with existing and new potential MFI partners
- Provide local currency via internal/external hedging mechanism
- Continue support on the TA side to strengthen post-covid financial performance/recovery
- Engage in sector initiatives to promote diversity & female inclusion in the MENA financial sector
- Digitalize the partner MFIs for stronger outreach and financial inclusion
- Promote outreach to female borrowers, youth and small farmers through dedicated lending + TA
- Continue investing in existing and/or green field MFIs via equity
- Training and capacity building for MFIs re green finance and sustainable finance practices