Institutional Analysis to explain the Success of

Moroccan Microfinance Institutions

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Abstract

This paper looks at whether Morocco meets the usual criteria of a country where MFIs can succeed and what distinguishes Morocco from its North African neighbors (Algeria, Tunisia, Libya and Egypt) where a priori the culture is similar even though institutions may be different. The paper uses the similarities and differences of these five countries to identify cultural, institutional, economic and geographic factors which explain why Microfinance in particular and development in general arrives sooner in some environments than in others. The objective of the research is to identify controllable institutional factors which can be introduced in regulation to enable Microfinance to succeed in a country. We used a case study approach combined with a little bit of correlation analysis. The case study approach is the most adapted to studying small samples in more detail. The success of Microfinance is linked to population density, smallness of a country's geographical size and its poverty as well as the amount of international donor funds it has received. The availability of oil exports as revenues may lead to a delay in developing microfinance. Establishing a specific legal framework for Microfinance, such as in Morocco, may help foster the growth of Microfinance. The existence of Apex organizations for centralizing international aid and redistributing funds may in fact lead to lower donor participation since their choices are reduced and an extra level of bureaucratic costs is imposed. The results also indicate the need for a better quality database than that currently provided by the MIX. Biases may come in from the small sample size as well as from the lack of data on Libya. Future research may focus on correlation with violence, corruption, women's rights, political risk and economic sanctions. The findings would lead microfinance institutions to lobby for specific laws, more initial direct donor funding, less government apex distribution and better information databases. This kind of comparative institutional analysis has not been performed, at least for this region.

Key Words: Institutional analysis, regulation, microfinance, North Africa

Introduction

The ranking of the top fifty Microfinance Institutions (MFIs) by Forbes brought a surprise. Four of the top fifty institutions were from Morocco. While we are used to seeing the large institutions from Bangladesh in this ranking, and we imagine that institutions from densely populated areas would make it into this list, Morocco was a surprise. A relatively small country in North Africa, with considerable amounts of desert, does not a priori make one think of microfinance penetration. Nevertheless, half of the microfinance beneficiaries in the Mediterranean region are found in Morocco. The Forbes study was based on the Microfinance Information Exchange (MIX) database of over 1000 microfinance institutions out of an estimated population of over 10,000 worldwide. However, the MIX database is not representative. It looks at only formal MFIs such as banks, NGOs, NBFI and semi-formal institutions such as co-operatives. It excludes the proliferation of informal MFIs such as self-help groups and trade finance. Therefore, we should nuance the success of Morocco and indicate that it has successfully developed a sector of formal and semi-formal MFIs. A second problem with the MIX database is that the data is purely self-reported and voluntary. Nevertheless, it is a database which is publicly available and we can imagine that in terms of number of customers reached, the MIX data base probably represents a vast majority of the total MFIs in the world.

What is more surprising in the Forbes study is the relative absence of MFIs from the rest of North Africa. Out of the other North African countries, one Egyptian MFI and one Tunisian MFI appear in the Forbes 2007 ranking. Algeria and Libya are absent. A first explanation might be in connection with the fact that it may be particularly difficult to get data about these two latter countries. Another explanation may be that there are a number of MFIs which just missed the top 50 rankings of Forbes but which are located in these other North African countries. Therefore, we looked at the entire MIX collection. There are 49 MFIs listed in the North Africa and Middle East region. Of these, 22 are in North Africa. The break-down of these MFIs is given in Annex 1. The analysis confirms the Forbes sample. Moroccan MFIs constitute 85% of gross loan portfolio and 70% of total number of borrowers in North Africa. This is notwithstanding the fact that there are more Egyptian MFIs (11) in the database than Moroccan (10), with the last being Tunisian. The high outreach of Morocco is because Morocco has many well-developed MFIs, followed by Egypt and Tunisia. Once more, there is a complete absence of Algerian and Libyan MFIs in the database. It is possible, a priori, that MFIs in Algeria and Libya are of the semi-formal or informal type. Even if there is under-reporting to the MIX from Algeria and Libya, it does appear that there is considerably less microfinance penetration in these 2 countries. But without data, it is not possible to confirm this.

All this explains why it is interesting to examine why some countries succeed in establishing formal MFIs and others do not. A priori, these North African countries share some common physical and human geographical traits. They are all Mediterranean countries, with large tracts of deserts of different types. They have a similar historical background steeped in Islamic traditions. This means that many elements of human geography and some soft institutions are shared.

The paper would like to use the similarities and differences of these five countries to identify cultural, institutional, economic and perhaps geographic factors which explain why formal microfinance arrives sooner in some environments than in others.

The paper conducts a literature review to list factors which are commonly considered to be relevant factors, based on individual country longitudinal studies or multi-country cross-sectional studies. These factors are then analyzed for these five countries. Based on this, we can report whether correlations confirm or negate expected roles attributed to these factors. After that we go into a deeper institutional analysis of these countries. For this, we first compare the broad political, economic and legal environment and the financial institutional framework in the five countries and then we look at the historical evolution of Microfinance Institutions in these countries.

Preliminary Statistical Analysis

A recent paper by Vanroose (2008) is based on a multi-country survey of over 115 countries. Three of the six propositions she tested were not validated: no significance has been found. Two were validated. In one she found the inverse of what she expected. Her research has been a starting point in order to test other factors for explaining microfinance growth.

Our study, based on different data, tests her results for our five country sample. We also consider other factors which may explain the success of one country rather than another. Although a small sample size limits the statistical validity of the research, it permits a deeper analysis and appreciation of qualitative factors, yielding different results.

The preliminary analysis is based on four or five countries, depending on whether we were able to find information on Libya. Information for the other four countries was usually available from mixmarket.org, from the World Bank World Development Indicator and Global Development.

Our results for the different hypothesis are presented in Annex 2. Conclusions about this preliminary statistical analysis can be dispatched into two categories: economical matters and political choices.

The proposition according to which microfinance is more present in poorer countries among developing countries seems to corroborate the mainstream argument (and reverses the finding of Vanroose (2008)) that richer countries (GNI per capital) have less Microfinance, at least in the sample of four countries for which we have information. It could be argued that among developing or middle income countries, microfinance takes root as a poverty mitigation tool and is therefore more prevalent in poorer countries (Westley, 2005). However, the correlation is significant only at 89% confidence level. We went a step further and used

GDP corrected by purchasing power parity. Not only the negative correlation got confirmed, but now the results became significant.

For the relationship between inflation and microfinance, we find low correlation, confirming Vanroose (2008) results (Jacquier, 1999).

As regards the proposition that microfinance could be spurred by donors (Imboden, 2005), we find a modest positive correlation between microfinance and aid to GNI ratio.

We have tested for the proposition that larger countries should logically have more microfinance. The size of the country has been based on three variables: GNI, population and geographical area. Our proposition on large size of the country affecting Microfinance provides curious results. There is rather low correlation with respect to both GNI and to total population. However, there is a strong correlation to geographical size, but ironically it is negative. This may be due to the fact that most of the large size is desert and that in fact the large size is related to lower population density. For population density, the four country survey conforms to conventional wisdom (Hulme and Moore, 2005). There is a high correlation between Microfinance outreach and the population density of the country.

While Vanroose (2008) finds an insignificant relationship to level of industrialization, we find a high but, again, non-significant correlation to manufacturing value added figures.

We also looked at economic growth. The hypothesis would be that growing countries would need more financing or more financing would lead to faster growth (Crabb, 2008 Rhyne, 2001). In either case, we would expect a positive correlation. For the relationship between growth rate and microfinance, we had found a high correlation with the 2006 growth rate in GNI. However, growth rates fluctuate. So, we took the average growth rate over the eight year period 1999-2006. Our analysis does not show a high coefficient of correlation.

Also, since we had data for the cost of setting up business easily, we tested the proposition that lower set up costs encourages enterprise which should increase the demand for microfinance.

Other fields have been explored; they are all connected with political or institutional factors.

It is possible that set up costs to create enterprises discourages enterprise and reduces the need for micro-financing. However, low enterprise registration costs as a function of GDP per capita also did not show any correlation.

Another explanatory factor could be competition by other sources of microfinance. We find a strong and significant negative correlation to the rank between percent of population served by postal accounts. This new channel of financing could replace traditional banks where microborrowers are excluded from classical banking system.

The correlation to public infrastructure as a determinant of MFI expansion was tested by looking at the percent of roads that were paved as an indicator for ease of reach. There was no correlation.

We had expected, in line with the Vanroose (2008) literature review, that the development of microfinance would be influenced by literacy levels. However, we find a high negative, significant, correlation with male adult literacy, suggesting that microfinance could be co-related to low literacy levels which is in turn correlated to lower income levels in those countries.

Having looked at the different explanatory variables, we find that the only high correlation factors with significance to explain the success of Morocco seems to be population density, poverty, low literacy rates, extent of industrialization, small geographical size and absence of postal services.

Are these factors sufficient or do we need to go deeper into an institutional analysis? According to Zuberi et al. (2003) even phenomena like fertility rates and death rates could have structural effects on society, with a two-way relationship. Therefore, we need to look at specific institutional factors. This will be the focus of the next section.

Institutional Analysis of North African Microfinance

We look at the institutional analysis from five different perspectives. We look at the political history of these countries, their economic environment, the legal and institutional framework, the history of the growth of microfinance in these countries, and the characteristics of some of the more successful MFIs of this region.

Political History. As a brief history of the five countries, we can say that four of the Maghreb countries (with the exception of Morocco) were part of the Ottoman Empire till the late 19th, early 20th centuries. Europeans (French, Italian and British) started their occupation of the Arab countries during the 19th century: the conquest of Algeria, Morocco and Tunisia by France; the British invasion in Egypt, the Italian colonisation of Libya. Morocco, Tunisia and Egypt benefited from a protectorate status but Algeria and Libya experienced colonisation movements. The independence of the five states of North Africa was realized between 1951 and 1962. The results of our historical analysis are in table 1 below.

Table 1: Political comparison of the five North African Countries

	Morocco	Egypt	Tunisia	Algeria	Libya
Beginning of European influence	1832	1882	1881	1830	1912
Date of independence	1956	1952	1956	1962	1951
Length of colonization (in years)	124	70	75	132	39
Colonial form	Protectorate	Protectorate	Protectorate	Colony	Colony
Colonial country	France	Great Britain	France	France	Italy
Political influence	Liberalism	Firstly socialism, then liberalism	Liberalism	Socialism	Socialism

Political government	Constitutional monarchy	Republic	Republic, official pluralist parties system	Republic, usually backed by military	Republic, but commonly considered as a military dictator system
Religion	Islam	Islam	Islam	Islam	Islam

From table 1, we can see that all the countries share a past with high influence of imperialism, having gained independence at different dates in the 1950s and 1960s. Therefore, the fact of imperial presence does not seem to matter, nor does the number of years since independence have any correlation with the rank in microfinance, nor the number of years of colonial presence. The latter correlation coefficient increases but does not become significant if we can increase the number of years of imperial influence of Egypt to 154 years if we add the first attempt in 1798 with the Bonaparte's Campaign of Egypt.

However, whereas Morocco and Tunisia had protectorate status, Algeria was a colony of France. Therefore, perhaps, the depth of imperialistic influence in the past may have a correlation with the extent and persistence of nationalistic post-independence influence. This nationalistic sentiment, in Algeria – where French colonization lasted over 132 years – and in Libya, may have been responsible for a politically isolationist attitude, thus cutting off international aid, vital for the development of microfinance. Moreover, the same nationalism may also have led to a closed mind to try out ideas like microfinance which succeeded elsewhere.

An alternative explanation could be that Libya and Algeria chose a socialist model, aligning with the USSR, and as such they received little international aid, and hence microfinance did not develop.

Libya is considered to have a dictator, Morocco is a monarchy, and Algeria, Tunisia and Egypt are democracies. Therefore, as far as formal institutions are concerned, Morocco would be closer to Libya and Algeria would be closer to Tunisia and Egypt. However, a deeper examination would look at the de facto working of the political party systems to examine if there is real democracy or one-party domination backed by a military regime in Algeria (Bouandel 2004)[1], for example and whether Morocco is not in fact a constitutional Monarchy such as UK. These aspects and their role in Microfinance are left for further research.

Moreover, all the countries share a similar religious Maghreb Islamic culture. Thus, the influence of this aspect of religion and culture cannot be analyzed.

Ultimately, our analysis of the political history would indicate that the isolationist and dictatorial regimes may have had an influence in the retard in the development of Microfinance in Algeria and Libya.

Future research needs to treat this issue further. As indicated by Zuberi et al. (2003), colonization and the redefinition of borders in large tracts of Africa creates heterogeneous societies with conflicts and violence, less inducive for economic development. This issue needs to be more deeply examined for North Africa specifically to check if borders have really been shifting and whether it is as affected by migration as sub-Saharan Africa.

Economy. Our comparative economic analysis of these countries suggested additional possible explanations. Table 2 provides a brief description of these economic indicators (other than those already analyzed in Annex 2). From this, analysis, we note that Libya and Algeria are major oil exporters while Morocco and Tunisia are not. We find a significant negative high correlation between the level of economy dependent on oil exports and microfinance. Oil rich countries may have other mechanisms of looking after the poor: therefore, financing micro-entrepreneurs may not be necessary. We find that all the five countries also import oil. It is possible that they export one variety of oil and import a different variety. The correlation with microfinance development is even stronger and positive and

[1] Except in the 2004 Presidential election of President Abdelaziz Bouteflika, all other presidential elections, including the first term of Bouteflika were supported by the military or were military coup d'Etats (Bouandel, 2004).

significant. The reasoning is inversely similar. If we take net oil exports (indicated in the table 2 below), we again get the same high negative correlation as for gross exports and about the same high level of significance.

Table 2: Comparative Economic Indicators

	Morocco	Egypt	Tunisia	Algeria	Libya
Unemployment	15%	10,1%	13,9%	Reducing (25% to 15%)	30%
Most important economic sector	Farming (rural) then tourism	Suez Channel then tourism	Tourism	Hydrocarbons	Petroleum
Oil county (Net exports / imports barrels per day)	-168 140,00	64 700,00	-15 340,00	1 830 890,00	1 454 425,00

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We can also observe that countries in the first ranks are touristic countries, perhaps because politically they are more open. This may be an explanation as far as it can contribute in developing microfinance. Indeed, in these countries we can find craft shops where owners may need a small amount of money to begin their business. In this line, we can add that in socialist countries, contrary to countries with influence of liberalism, entrepreneurship is not encouraged. This can be an explanation of the poor ranks of Algeria and Libya.

Statistics for unemployment in less developed countries are not reliable since disguised unemployment plays a significant role, especially in rural economics. However, a correlation test based on table 2 figures using 20% unemployment for Algeria (the mid-point) indicates a strong negative and significant correlation. However, the causal relationship is more likely that microfinance reduces unemployment rather than employment encourages microfinance.

Legal and institutional framework. We have compared the financial and institutional framework of these countries. In Annex 3, we present the comparison of the financial legislative framework in which MFIs are operating, and further developments will show the legal ownership of the MFIs, the supervisory bodies, the funding and financing sources and the authorized activities of the MFIs. We do not have sufficient information for Libya and we therefore compare only the other four countries.

The table given in annex 3 provides details of the legislation in the financial sector, including banks, non-banking financial institutions, development agencies, cooperatives / credit unions and NGOs. Whereas Morocco and Tunisia have a spefic law for microfinance institutions (Reille and Lyman 2005), Egyptian and Algerian NGOs are governed by the law on NGOs in general.

Based on these legislations, the following table 3 summarizes the institutional framework of financial institutions.

Table 3: Comparative legal governance of financial institutions

Type of institutions	Morocco	Egypt	Tunisia	Algeria
Commercial banks	State-owned	Mostly state-owned banks while NBD is the sole private sector bank	State owned	Six State-owned banks represent 90% of banking
Non-Bank Financial Institutions	na	Na	na	State owned, or joint-stock companies
Post	State-owned	State-owned	State owned	State owned corporation
Development agencies		SFD is quasi-governmental		State owned
Cooperatives/credit unions		Unions	State owned	Cooperatives have to form a banking subsidiary to provide banking services
NGO/Microfinance Institutions	Associations. No legal path for NBFI transformation.	Not-for-profit associations, foundations. No legal path for NBFI transformation	Associations. Theoretical transformation to corporation is possible but practically unfeasible	State owned + founding members. No restriction on legal status

In all the Maghreb countries, the State seems to play a major part in the banking and postal systems. This therefore does not allow us to comment on the reasons why Morocco would fare better than the others in Microfinance.

Although it is expected that the ability of NGO-MFIs to be able to transform to a NBFI enables them to attract more funds and grow, it is paradoxical that while the first three countries do not have a legal path for “transformation”, Algeria which has the most enabling environment in this regard is the worst performer. The MFIs in the four countries are predominantly NGO-MFIs or state owned.

It should be noted that an overall well-developed financial system may provide the basis for a better microfinance sector. To this end, Morocco is seen to have a well developed financial system by regional standards. The table 4 below provides the governance provided by institutional bodies.

Table 4: Financial Oversight institutions in North African coutnries

Type of institutions	Morocco	Egypt	Tunisia	Algeria
Commercial banks	Credit and Savings National Committee + Credit Establishments Committee + Bank Al-Maghrib	The Central Bank of Egypt (CBE)	The Central Bank of Tunisia (BCT), the Minister of Finance	Bank of Algeria
Non-Bank Financial Institutions	na	Na	na	Bank of Algeria
Post	State tutorship	Ministry of Communication end Computer Technologies	Ministry in charge of postal services	Ministry in charge of postal services.
Development agencies		SFD for Microfinance coordination and planning		Head of Government; Minister responsible for employment; and Ministry of Labor and Social Security. Set up ANSEJ, CNAC and ANGEM
Cooperatives/credit unions	Office of Cooperation Development			
NGO/Microfinance Institutions	Ministry of Finance + Federation of Microcredit Associations + Bank Al-Maghrib	Ministry of Social Solidarity (MSS)	The Ministry of Finance, The Ministry of Social Solidarity (for ENDA)	Ministry of the Interior

In all the countries studied, as expected, banking oversight is provided by the Central Bank. For NGOs related to microfinance, oversight is provided by a Ministry. In Morocco and Tunisia, where there is a specific Microfinance law, oversight is provided by the Ministry of Finance. In Egypt, Microfinance is treated as a solidarity issue and the Ministry of Social Solidarity provides oversight on the NGOs. Strangely, in Algeria, associations seem to be "policed" by the Ministry of Interior (CGAP report 2006). Perhaps, this provides a negative signal.

Funding/ Financing

MFIs often need exemption of taxes or subsidies in the beginning to stabilize and a sustained source of financing for subsequent growth. Morocco and Tunisia have a high degree of subsidy. Morocco also has a high degree of foreign funding. As regards ability to raise financing on an ongoing basis, Egypt and Tunisia MFIs face hurdles in raising further commercial loans and other sources of funds.

Table 5: Financial Governance of financial institutions in North Africa

Type of institutions	Morocco	Egypt	Tunisia	Algeria
Commercial banks		None. Private entities may own shares in state-owned banks		
NGO/Microfinance Institutions	Government, Donors, ODA (40% foreign funding as of 2003). Heavily subsidized	Mainly USAID, KfW and UNCDF; Very hard to borrow commercially as MFIs are not allowed to pledge their assets, restricted fund raising ability	Tunisian bank of Solidarity (TBS) funds NGOs at zero interest rates. Highly subsidized, but attracting other sources of funds is a hurdle	No collection of funds is authorized except through appeals to the public, member contributions, grants, and possible subsidies
Specific Microfinance institutions: Apex funding/ non-funding	The FNAM (Fédération Nationale des Associations de MicroCrédit) establishes ethical codes/ but not funding	The SFD is in charge of planning and coordination of microfinance and does the liaison with international donors (EU) for developing MFIs	Tunisian bank of Solidarity (TBS) allocates credits to the NGOs	SDA / ANGEM provide funds to commercial banks. Restrictive anti-money laundering, legal and tax requirements in loan agreements

Table 5 suggests that perhaps, some restrictive regulations matter may have dissuaded MFIs to invest in Algeria (Fournier 2002). Indeed, anti-money laundering laws (AML), and legal and tax laws relating to loan agreements have been enacted there. However, even if we haven’t yet found information about similar regulation in other countries, we can guess that antiterrorist financing legislations probably exist in all the countries of the sample, which might attenuate this conclusion.

In Tunisia and Algeria, foreign aid seems to be controlled and centralized through Apex bodies like the Tunisian Bank of Solidarity or the ANGEM, who then redistribute the funds. In Morocco, at the other extreme, individual MFIs seem to be able to receive funds directly from international donors. This may therefore suggest that donor aid prefers to reach the final recipient as directly as possible, eliminating national tentatives to centralize and control, which are seen as additional layers of bureaucracy, thus reducing the final amount available to the ultimate beneficiary.

Authorized activities

The authorized activities of the different financial institutions are compared in Table 6. As can be seen, all the countries seem to allow banks to offer all financial products except insurance. Therefore, this factor is not a key success factor.

Table 6: Comparative licensing and authorized activities

Type of institutions	Morocco	Egypt	Tunisia	Algeria
Commercial banks	Traditional financial services including deposits	Deposits, credits and investments. Some microfinance programs, like the National Bank for Development (NBD), provide life insurance to their clients to cover part of the amount lent in case of default due to death	Deposits from the public but limited , granting of loans, foreign exchange transactions	All banking transactions, including taking deposits, granting loans (including pawn broking, leasing and signature loans) and managing means of payment
Non-Bank Financial Institutions	na	na	na	All services except taking deposits and managing means of payment
Post Office	Barid-al-Maghrib offers deposits, remittances, payments, insurance, micro-pension, mutual funds. No loans	National Postal Authority offers savings. Recently authorised to start credit and remittances	Savings and postal checking accounts only. No microlending	Saving and checking accounts and cards only. Has partnerships for loans
Development agencies		SFD provides credit, technical assistance, skills, and technological know-how		Social and Economic activities + granting interest-free loans and subsidizing bank interest rates
Cooperatives/credit unions	Economic and social services. No deposits	Loans only, No deposits or insurance		Cooperatives no longer allowed to do banking operations: have to start a banking subsidairy. Credit union may collect and raise funds and grant loans exclusively to its members

NGO/Microfinance Institutions	No deposits. Loans only. Interest rate caps exist but not enforced in practice (maximum rate in 2008 : 45%)	No deposits or insurance. Loans only. Interest rate cap exists at 4% in law	BTS associations: loans only. No deposits. Interest rate capped at 5%. ENDA offers loans + Non-financial services (training, marketing assistance, etc.). No deposits. Interest rate cap not enforced on ENDA	The nonprofit pooling of knowledge and resources to promote professional and social activities. No savings. Interest rate caps have been eliminated since 1995

Also, MFIs are not permitted to take deposits in any of these countries. This is normal to protect small savers. The four countries offer savings and remittances through the post office. Morocco anecdotally offers the most number of products though its coverage is low at 10% of the adult population. As we have seen earlier, there is a strong negative correlation between the ranking and the prevalence of postal accounts, indicating perhaps that countries which provide microfinance facilities through post do not need to have an informal microfinance sector.

As regards interest rates, all the countries except Algeria have interest rate ceilings, but it is more in letter than in practice in the case of Morocco. It is perhaps a factor in its ability to raise funds. However the ceilings do impact the profitability and ability to raise funds in Egypt and Tunisia.

In Annex 4, we describe some features of the history of microfinance in the four countries. We have not found information for microfinance for Libya. Perhaps no Microfinance activity exists in Libya probably because of the high petroleum activity which makes Libya a rich country. In the absence of information, it is difficult to say. The main limitation is that historical information for the four countries is rarely available in a uniform manner. Based on this we can make some broad comparisons, summarized in Table 7.

The first is that microfinance in North Africa is more recent than in countries like Bangladesh, where it started in the early 1970s. Tunisia was the first North African country to start microfinance in the 1980s.

Table 7: Comparison of Microfinance Environment

	Morocco	Egypt	Tunisia	Algeria
Microfinance started in	1993	around 1990	1980s	1996
Government support	Directly: "Hassan II funds": 100 billion DH (11,7 million USD)	Indirectly: state-owned Banque du Caire is one of the two leading institutions	Directly: several microenterprises systems + Tunisian Bank of Solidarity	Directly: Social Development Agency then ANGEM (National Agency for Management of Microcredit)
Specific microfinance law	1999	No	1995	No
Potential borrowers' market	14 or 15 millions but FNAM's official aim is 5 million until 3 or 4 years			About 5 millions households and 150 000 small firms
Unbanked population	76% (with a weak increase potential because of law level of life and education)			70%
Credits already granted	19,2 billion DH (2,2 billion USD)		189 million dinars (134 million USD)	39 millions DZD (433 000 USD)
Repayment rates	99% in 2007 decreasing to 95% in late June 2008		90%	85% falling down to 35% in government agency
Rates of lending (in % of GDP)	56%		61%	13%

FitchRatings, 2006; Heddad, 2006

The history also indicates that Tunisia has opted for a model of Apex funding to many (227) small associations in different regions. These small NGOs are not reported in the MIX. Therefore, the ranking provided by the MIX data may not be perfect.

The history or repayment rates indicates that Morocco has not only the largest Microfinance sector, but also the highest repayment rates. On the one hand, it seems that the poor in Morocco are more honest than the poor in other North African countries. But it must be noted that when microfinance is financed by increasing amounts of donor aid (and Morocco has received large amounts of this), it is easy to disguise loan defaults by giving new loans to repay old ones. An extreme example of recent scandals is in Benin (IRIS, 2009). However, Morocco is also facing increasing default rates owing to the perception of borrowers that the loans were in fact subsidies. This would explain why they borrowed more in the past.

Study of a sample of largest MFIs in Maghreb.

Finally, we will study a few large MFIs of the region. These large MFIs represent the bulk of lending. Thus the success of these MFIs could determine the success of the microfinance sector in a country. We would like to see if a comparison of these large MFIs throws up other institutional factors determining the success of Morocco. Five of these are from Morocco, five from Egypt and one from Tunisia. The major limitation of this analysis therefore stems from selection bias: failed MFIs may also have had the same features. Different features are going to be explored from the legal form to the size of MFIs in the sample.

Legal Form

Name	Country	Type of Institution
Al Amana	Morocco	NGO
Zakoura	Morocco	NGO
FBPMC	Morocco	NGO
FONDEP	Morocco	NGO
BdC	Egypt	Bank
Enda	Tunisia	NGO
ABA	Egypt	NGO
ARDI	Morocco	NGO
ESED	Egypt	NGO
DBACD	Egypt	NGO
Lead Foundation	Egypt	NGO

Source: MixMarket

It appears from the table that most large MFIs in North Africa are NGOs apart for Egypt where the Banque du Caire and the National Bank for Development are banks. However, the National Bank for Development of Egypt and the Banque Tunisienne de Solidarité in Tunisia are not represented in the MixMarket. It means that this legal form of not-for-profit may be a key to success for MFIs in North Africa. This may be because banks are State owned and perhaps less enterprising.

Location

Name	Country	Location
Al Amana	Morocco	Rabat
Zakoura	Morocco	Casablanca
FBPMC	Morocco	Casablanca
FONDEP	Morocco	Rabat
BdC	Egypt	Cairo
Enda	Tunisia	Tunis
ABA	Egypt	Alexandria
ARDI	Morocco	Rabat
ESED	Egypt	Giza
DBACD	Egypt	Mansoura
Lead Foundation	Egypt	Giza

Source: MixMarket

At a first glance, all MFIs are situated in the biggest cities. In Morocco, the five largest MFIs are either in Rabat, the capital, or in Casablanca, the economic capital of the country. In Egypt, the largest MFIs are situated in Cairo, the capital and Giza (at the base of the pyramids where there are many artisans). In Tunisia the MFI is situated in Tunis, the capital. Therefore, the location seems to be a key success factor. This may be because North African MFIs target urban people rather than rural people who are really dispersed. Tunisia actually targets relatively more in rural areas through cooperatives. But the information does not represent the real microfinance situation because many branch offices may be present in rural areas in each country. For instance, ARDI began with 70 offices, goes up to 250 by the end of 2008 in order to reach 300 at the end of 2009. Among MFIs in Morocco some have a national coverage, others have a regional focus and finally six are officially proximity associations. So, there is no uniformity within MFIs in Morocco. Therefore, this element of location might not be used for explaining the success of these MFIs.

Age of the MFIs in North Africa

Name	Country	Created in	Age of the MFIs
Al Amana	Morocco	1997	12
Zakoura	Morocco	1995	14
FBPMC	Morocco	1998	11
FONDEP	Morocco	1996	13
BdC	Egypt	1952	57
Enda	Tunisia	1990	19
ABA	Egypt	1983	26
ARDI	Morocco	2001	8
ESED	Egypt	1988	21
DBACD	Egypt	1995	14
Lead Foundation	Egypt	2003	6

Source : MixMarket

The four top MFIs in Morocco were all created at least ten years ago. Concerning the Banque du Caire in Egypt, microfinance was launched in 2001 and then it has just practiced it for 8 years. So, this may be a good indicator of success. Generally speaking, MFIs need more or less ten years of experience to get mature in microfinance.

Size of the MFIs

Name	Country	Number of personnel
Al Amana	Morocco	1,845
Zakoura	Morocco	1240
FBPMC	Morocco	533
FONDEP	Morocco	343
BdC	Egypt	761
Enda	Tunisia	207
ABA	Egypt	778
ARDI	Morocco	90
ESED	Egypt	500
DBACD	Egypt	401
Lead Foundation	Egypt	380
Source: MixMarket		

The size of the first five Moroccan MFIs varies from ARDI with 90 employees to Al Amana with 1845 employees. ABA is as big as BdC which is a bank, both working with over 700 employees. Surprisingly, Enda has only got 207 employees. Then, we can suppose that MFIs need to reach a certain size to be more successful in Microfinance.

Conclusion

Our preliminary statistical analysis indicates that the success of Microfinance is linked to population density, smallness of a country's geographical size and its poverty as well as the amount of international donor funds it has received.

Our analysis of political institutions and history suggests that the low amount of international aid to Libya and Algeria may have two sources: an isolationist and nationalistic sentiment prevailing for a longer time owing to the depth of colonialization in the past, or a choice to align themselves with the USSR.

The economic analysis indicates that the availability of oil exports as revenues may lead to a delay in developing microfinance, perhaps because other options are then available of redistributing funds.

Our institutional analysis indicates that establishing a specific legal framework for Microfinance, such as in Morocco, may help foster the growth of Microfinance. At the same time, the existence of Apex organizations for centralising international aid and redistributing funds may in fact lead to lower donor participation since their choices are reduced and perhaps because donors may perceive this as an extra level of bureaucratic costs imposed.

The existence of a well developed postal system offering banking facilities usually means that formal microfinance is not required and does not develop.

Our study of the history of the MFIs of these countries indicates that Tunisia has gone for an Apex structure which provides funds to hundreds of small MFIs which are not reported in the MIX. Therefore, the MIX classification may not represent the correct ranking. This conclusion is further vindicated by the absence of some major institutions from the MIX data: the National Bank for Development of Egypt and the Banque Tunisienne de Solidarité in Tunisia are not represented in the MixMarket.

Our study of the large MFIs of this region indicates that they are primarily NGOs. This again shows large dependence on donor funds, especially because deposits are not allowed for NGOs. All these elements gathered are good keys to understand the proeminence of Moroccan MFIs in the international rankings.

Future research

One question for future research could be based on the observation from a study of Algerian history that violence has marked the country not only during the colonial period, but thereafter as well (McDougall 2005, Viorst 1997). Although McDougall (2005) would like to explain violence through socio-cultural analysis rather than use violence as an explanatory factor, much of history is path dependent and in the real world economics tends to be evolutionary rather than neo-classical. As a result of violence, political risk is high, creating high systematic risk for all businesses[2]. This means that the political climate does not encourage micro-entrepreneurship. However, we would need to find comparable statistics of deaths caused by violence for all five countries to perform even superficial analysis. Viorst (1997) and Turshen (2002) suggest that the strong Islamic movement in Algerian politics during the 1990s and the early years of this decade was the result of bureaucratic corruption and indifference of the ruling National Liberation Front (FLN) party, despite being socialist in

[2] For example, Zuberi et al. (2005) indicate that African industries did not develop during the entire era of slavery because of violence and this created a dependence on imported goods.

ideology. Therefore, microcredit development may be correlated to bureaucratic corruption rank (maybe Transparency international could provide the sources). Other factors they suggest for the violence are the tripling of the population creating huge pressures and the overdependence on natural resources such as oil implying that if prices or world demand go down, unemployment is created which in turn leads to fundamentalism and violence, which then discourages microfinance.

This violence has been coupled with a strong reduction in women's rights in Algeria since the enacting of the Family Code in 1984, accelerating with the strong increase in Islamic fundemantalism during the civil war of the 1990s (Turshen 2002). This is precisely the period in which Microfinance started in North Africa. However, if women are not allowed to work, it is understandable that microcredit, which has been a rather feminised phenomenon, did not develop.

Another area to investigate is the degree of nationalisation. Algeria has gone in for a strong investment in public sector run enterprises. Thus, again we need to look at the share of private sector in the total economy.

Lenway's (1988) review of literature on economic sanctions suggests that although recent authors may prefer them to military pressures, economic sanctions and embargos, such as those on Libya since 1986, are essentially ineffective, because the target country can turn to others for import, the target country's political will to defy the sanction creates internal cohesiveness, and eventually only the punishing country is hurt because its exports reduce. The question would be whether Libya benefitted from such embargoes to create its own industries and micro-entrepreneurship base. Unfortunately, data on Libya is limited.

Annex 1: North African MFIs according to MixMarket.org

	Name	Country	Type of Institution	Gross Loan Portfolio in USD	Number of Active Borrowers
1.	Al Amana	Morocco	Non-Profit (NGO)	304 743 477,00 (31/12/07)	481303 (31/12/07)
2.	Zakoura	Morocco	Non-Profit (NGO)	198 205 389,00 (31/12/07)	443016 (31/12/07)
3.	FBPMC	Morocco	Non-Profit (NGO)	134 291 756,00 (31/12/07)	176738 (31/12/07)
4.	FONDEP	Morocco	Non-Profit (NGO)	51 441 777,00 (31/12/07)	111495 (31/12/07)
5.	BdC	Egypt	Bank	35 372 853,00 (30/06/06)	93516 (30/06/06)
6.	Enda	Tunisia	Non-Profit (NGO)	29 982 879,00 (31/08/08)	80964 (31/08/08)
7.	ABA	Egypt	Non-Profit (NGO)	21 105 161,00 (31/12/07)	68716 (31/12/07)
8.	ARDI	Morocco	Non-Profit (NGO)	18 739 959,00 (31/12/07)	74759 (29/02/08)
9.	DBACD	Egypt	Non-Profit (NGO)	15 609 357,00 (31/12/07)	80960 (31/12/07)
10.	Lead Foundation	Egypt	Non-Profit (NGO)	10 126 474,00 (31/12/07)	106321 (31/12/07)
11.	AMSSF/MC	Morocco	Non-Profit (NGO)	5 780 163,00 (31/12/07)	19095 (31/12/07)
12.	SBACD	Egypt	Non-Profit (NGO)	4 718 418,00 (31/12/07)	26071 (31/12/07)
13.	Al Tadamun	Egypt	Other	4 648 401,00 (31/12/07)	41027 (31/12/07)
14.	Al Karama	Morocco	Non-Profit (NGO)	3 302 287,00 (31/12/07)	11972 (31/12/07)
15.	FMF	Egypt	Non-Profit (NGO)	3 301 613,00 (31/12/07)	14552 (31/12/07)
16.	INMAA	Morocco	Non-Profit (NGO)	3 022 720,00 (31/12/07)	10236 (31/12/07)
17.	CEOSS	Egypt	Non-Profit (NGO)	2 624 821,00 (31/12/07)	26280 (31/12/07)
18.	ABWA	Egypt	Non-Profit (NGO)	2 350 202,00 (31/12/07)	16337 (31/12/07)
19.	YMMA	Egypt	Non-Profit (NGO)	1 266 915,00 (31/12/06)	11856 (31/12/06)
20.	AMOS	Morocco	Non-Profit (NGO)	1 176 593,00 (31/12/07)	5854 (31/12/07)
21.	ATIL MC	Morocco	Non-Profit (NGO)	696 803,00 (31/12/06)	2294 (31/12/06)
22.	NSBA	Egypt	Non-Profit (NGO)	616 820,00 (31/12/07)	5392 (31/12/07)
				853124838	1908754
	Morroco	10		84,6%	70,0%
	Egypt	11		11,9%	25,7%
	Tunisia	1		3,5%	4,2%

Annex 2: Tests of different hypothesis

Proposition	Variable	Morocco	Egypt	Tunisia	Algeria	Libya	Expected	Vanroose findings (2008)	Coefficient correlation with expected rank	Significance level	Vanroose explanation for the general sample	Findings about the North African sample	Conclusion about the North African sample
Expected rank		1	2	3	4	5			-1,00				
Reverse rank for correlation		5	4	3	2	1			1,00				
1. Microfinance tends to exist in high-inflation areas	Inflation rate (2006)	**3,28%**	**7,64%**	**4,49%**	**2,53%**	**3,40%**	Positive	No significance	0,38	0,26	Opposing forces offset each other	Positive, not significant	Confirms global results
2. Microfinance reaches more clients in countries that receive a higher proportion of international aid	Aid to GNI ratio in 1990	**4%**	**13%**	**3%**	**0**	**na**	Positive	Positive, significant	0,51	0,25	But causality could go both ways	Positive, not significant	
3. The microfinance sector is more developed in densely populated areas	Population density (2005)	**68**	**73**	**65**	**14**	**3**	Positive	Positive, significant	0,90	0,02	Also explains why urban microfinance spreads faster than rural microfinance	Positive, significant	Confirms hypothesis
4. Microfinance is more present in poorer countries (among developing countries)	GNI per capita	**1900**	**1350**	**2970**	**3030**		Negative	Positive, significant	-0,78	0,11	MFIs reach more countries in richer LDCs	Negative, not significant	Microfinance develops as a poverty reduction tool
	GDP per capita based on PPP (2005)	3554	4574	6445	7176	12560	Negative		-0,93	0,01		Negative significant	
5. Microfinance is more developed in less industrialized economies	Manufacturing, value added (2005)	**17,20%**	**17,30%**	**17,40%**	**5,60%**	**na**	Negative	Not significant	0,77	0,12		Positive, not significant	
6. Microfinance is more present in developing countries that have higher literacy rates	Literacy rates of males years 15 or higher (2005)	**66,00%**	**83,00%**	**83,00%**	**80,00%**	**93,00%**	Positive	Not significant	-0,83	0,04		Negative, significant	Microfinance could grow in poorer countries where literacy rate is correlated to poverty levels
7. Larger countries have more Microfinance	GDP (current US$; thousands)	**57 306 730**	**107 484 037**	**30 298 491**	**114 727 059**		Positive		-0,30	0,35		Negative, not significant	Low correlation
	Population, total (thousands - 2006)	**30 497**	**74 167**	**10 128**	**33 351**	**6 038**	Positive		0,52	0,18		Positive, not significant	
	Total area (square km)	**710 000**	**1 001 450**	**163610**	**2 381 741**	**1 759 540**	Positive		-0,84	0,04		Negative, significant	Due to the large size of desert that causes decrease of density
8. Faster growing countries have more Microfinance	GDP per capita growth (annual %) average of 1999-	**2,40%**	**2,63%**	**3,73%**	**2,60%**		Positive		-0,36	0,32		Negative, not significant	Growth rates fluctuate, which is a kind of biases
9. Lower enterprise setup costs encourage enterprise and financing	Cost to register a business (% of GNI per capita)	**12,70%**	**68,80%**	**9,30%**	**21,50%**	**na**	Negative		0,15	0,42		Positive, not significant	
10. Countries with better public infrastrucure should have more microfinance	Roads, paved (% of total roads - 1999)	**56,30%**	**78,10%**	**63,80%**	**68,90%**	**57%**	Positive		0,13	0,42		Positive, not significant	
11. Well developed postal systems should decrease demand for microfinance	% of population covered by postal system	**10,00%**	**9,44%**	**22,26%**	**21,29%**				-0,86	0,03		Negative, significant	

Annex 3: Legal and Institutional Framework of the four countries (Excluding Libya)

Type of institutions	Morocco	Egypt	Tunisia	Algeria
Commercial banks	Banking law (No. 34-03)	Banking Law (The Law of the Central Bank, the Banking Sector and Money No. 88, 2003 and amended 2005) + Banking Regulations (Presidential Decree No. 101, 2004)	Banking law (Law No. 2001-65, 2001 modified by Law No. 2006-19, 2006, Law No. 2005-96, 2005)	Ordinance (No. 75-59 ,1975) , Act 90-10 of April 14, 1990 on Currency and Credit, as amended by Order O3-11 of August 26, 2003
Non-Bank Financial Institutions				Ordinance (No. 75-59,1975) + Ordinance (No. 03-11, 2003)
Post	Law (N°24-96) on Post	Laws 16/1970 and 19/1982	Postal code (Act 98-38 of June 2nd, 1998)	Law (No. 88-01, 1988) + Law No. 2000-03, 2000) + Executive Decree (No. 02-43, 2002)
Development agencies		The Small Enterprise Development Law No. 141, 2004 names SFD as coordinating organization		Presidential Decree (No. 03-300)
Cooperatives/credit unions	Cooperative law (No. 24-83, 1984 + amendment 1993)	Unions are covered under Nongovernmental Organizations law (Law No. 84, 2002)		OMC 03-11 abolished the monetary authority's power to grant a cooperative insurance company special dispensation to engage in banking transactions, new regulations required. Article 81 of the 2006 Budget Act introduced the notion of credit unions.E44
NGO/Microfinance Institutions	Law Regulation Associations (1958 Dahir) + Microcredit law (No. 18-97, 1999, 2004; n° 04-07, 2007) + Banking law (supervision) + Bank Al Maghrib's regulation	Law on Nongovernmental Organizations (Law No. 84, 2002)	Banking law (Law No. 59-154, 1959, Law No. 99-67, 1999) + Convention between the Ministry of Finance and the BTS concerning the management of the line of credit made available to associations authorized to grant microloans." MFI Law (Law No. 95-154, 1995)	Law (No. 90-31 on associations) + Article 77 of Ordinance No. 03-11. OMC 03-11 allows Algerian NGOs to engage in lending to their members without being subject to banking supervision

Fournier, 2002; Moussa, 2006; Reille and Lyman, 2005

Annex 4: Brief history of the development of Microfinance in the North African countries

A. MOROCCO

The first reference to microfinance was made during the summit on the desertification of Morocco in 1992[3]. Some participants of the Catholic Service Relief (CSR), in partnership with the AMSED (Association Marocaine de Solidarité et de Développement) decided to experiment in the rural sector in the « Middle Atlas » region, near Khenifra in collaboration with the local association Oued Srou. The first loan was allocated to a group of eight women. A few attempts confirmed the efficiency of the system, well adapted to the Moroccan tradition of unity.

Thereafter, key MFI formation dates are:

1993 : The association AMOS, Association pour le Microcédit Oued Srou, started its microcredit activities for 300 clients in the region of EL Kbab

1994 : Extension of the AMSSF program to microcredit (Association marocaine de solidarité sans frontières)

1995 : Creation of the Zakoura foundation

1996 : Creation of the ACAET (Association des Cadres et Anciens Elèves de Tanderara) which became the Al Karama association.

The creation of these agencies was followed by donor aid and government funding. The Micro Start program of UNDP (United Nations Development Program) started in 1998 providing financial and technical assistance to six associations with a operational budget of $1.7 millions. Subsequenty, USAID has granted more than $16 millions largely to the Al Amana association. In 2000, the funds « Hassan II » supported the sector to the tune of 100 millions DH (€10millions). This financial contribution allowed the increase in number and amount of granted loans in particular for the three main associations: Al Amana, Zakoura and FBPMC.

Initially, microcredit was a component of generalist NGOs activities. However, the enactment of the law on microcredit (law n°18-97 created the first of April 1999) required the separation of the microcredit program from their parent/mother NGOs. This law approved and secured the existing microcredit sector. The institutions are structured in the form of associations in accordance with the dispositions of the « dahir » law (15th November 1958) which regulates the associative law. But, the associative form may disappear soon, since a reform is in process. The law now sets 50 000 DH as the maximum loan size to be termed microcredit.

[3] Aziz Heddad, Analyse du secteur du microcrédit au Maroc, Note de synthèse, fin 2006.

The FNAM (Fédération des Associations de Micro Crédit) Is the spokesperson for the sector.

Today, this sector is relatively diversified: three AMCs have a national coverage (Al Amana, Zakoura and FONDEP), three have a regional coverage and five others are neighbourhood associations and are limited in scope. Al Amana is the main MFI in Morocco, following by Zakoura, FONDEP and FBPMC. The five associations are looking to transform to financial institutions,

By June 2007, 4,5 billions DH of outstanding loans had been granted to 1.2 million borrowers, two thirds being women. Moreover, more than five millions of microloans have been granted since the launch of the sector (average amount of 3568 DH). The repayment rate is 99% as of 2006. More and more, new products are being introduced such as housing credit, insurance, (in addition to income generation loans) innovations adapted to the rural region and a continuous increase of individual loans. This sector employs more than 3500 professionals.

Despite progress, 75% of the population is unbanked.

B. EGYPT

Egypt was the early leader in the MENA region with 60,000 active borrowers in 1997, though it has lost its position in recent years. There is no specific law for microfinance in Egypt. However, MFIs are subject to laws applicable to NGOs, small and medium-sized enterprises (SME), Companies Law and the Banking law. Micro-enterprises are defined by a 2004 law as small enterprises in which there are 5 to 49 employees and between EGP 50000 and 1 million paid up capital.

The National Bank for Development (NBD) was the pioneer private sector bank in Microfinance. Today, the two leading institutions in the MF industry are the State owned “Banque du Caire” (BdC), a licensed bank, and ABA (Alexandria Business Association). BdC was created in 1950 and is actively in the MF sector since 1999. Its micro-lending services were designed using USAID funding. It provides individual loans (attracts more urban and services enterprises) and can accept deposits. ABA has been in operation since 1990. It grants credits, training, technical assistance and mobilize savings and targeted small and microenterprises. It has 27 branches throughout Egypt and operates in five governates.

ABA’s challenge is to transit into the formal sector and the NBD’s challenge is to become a national operator. The NBD, provides life insurance to their clients to cover part of the amount loaned in case of default due to death (Moussa 2006).

C. TUNISIA

In Tunisia, the first microcredit activities started as components of development programs set up by NGOs in rural regions in the eighties to alleviate youth unemployment, paucity of micro-enterprises and poverty in rural areas. The activity in the urban regions is more recent starting from the mid-1990s.

Several micro-enterprise systems have been set up: Fonds National pour la promotion de l'artisanat (FONAPRA); Office National de l'Artisant (ONA), the Programme de Développement Urbain Intégré (PDUI) et rural intégré (PDRI), Fonds National de Solidarité (FSN), Fonds National pour l'Emploi (FNE) and the Agence Tunisienne de l'Emploi (ATE).

In 1999, the government authorized and regulated the activity of the microcredit institutions by establishing a law. This latter determines the rates, periods, the amount of loans, authorises the eligible associations to do microcredit and affirms that MFIs have to provide non financial services (training course, orientation and assistance).

The two big actors are Tunisian bank of Solidarity (TBS) and ENDA. TBS is a government body which provides interest free capital to 227 NGI-MFIs to onlend. This is a highly subsidized program that accounts for 84% of all active borrowers in the country. TBS has a focus on low income rural clients.

ENDA, an international NGO, was created in 1991 focusing on the environment. Since 1995 it has focused on the development of microcredit with loans, partnerships and training in the regions of Etthadhamen, M'nihla, Omrane, Séjoumi, Sidi Hassine and Douar Hicher. Today, it is largely oriented to women. In thirteen years, ENDA has allowed 122000 micro entrepreneurs to take 372,000 loans for a total of 189 millions dinars. The sector enjoys repayment rates of over 90%.

The postal savings system is the significant provider or deposits services, with an average of one savings account per household.There are currently 2,254,000 postal savings accounts amounting to 1,205,763,000 Tunisian Dinars (TD) or approximately US$ 884,639,031.

D. ALGERIA

The Algerian experience in microfinance is quite recent (since the late nineties) initiated by the government in parallel with other development projects. Today, fifteen NGOS are present in the non profit sector in Algeria, including Touiza since 1996.

Six state-owned banks comprise 90% of the branches. They lend essentially to large enterprises and to government undertakings. Foreign banks are only looking at high-end customers.

The main actor was the Social Development Agency (l'Agence pour le Développment Social, the ADS), a public institution which considers microfinance as a poverty alleviation tool and a support for small economic activities. Since 1999, it has funded commercial banks for onward lending to microborrowers. In 2002, the ADS announced a non-repayment rate of 47% (since 1999) mainly due to past and current government policies. Since 2003, the microfinance portfolio has been transferred to ANGEM (Agence Nationale de Gestion du Microcrédit) for improved monitoring. Fifty to seventy-five percent of microfinance funding in the country is by the FNDRA.

Today, the potential market (artisans, shopkeepers, famers and employees) size is about 5 million households and 150,000 small firms. Further there is a sizeable informal sector with 1,25 million unbanked workers. It is estimated that only 30% of Algerians are banked.

The main institution providing microfinance services is Algérie Poste, which has a large branch network, manages 7.1 million postal checking accounts and handles more than a million transactions daily. A major actor for deposits as well as ATMs and inter-bank cards is the Postal Service which has 85% of inter-bank cards and is setting up its own financial subsidiary. Some 1,400 of Algérie Poste's 25,000 employees work for its financial services arm.

Touiza (meaning mutual help and solidarity), an NGO created in 1962, has been active in microfinance since 1996 but has only a tiny coverage at 445 loans disbursed since 1999, with loans outstanding of 39 million DZD ((1 USD = 90 DZD). But, to get a loan from Touiza, the client must come up with 30% of the amount required by the project from another source.

Other microfinance bodies have been set up such as SDA, ANSEJ (Agence Nationale de Soutien à l'Emploi des Jeunes), FNRDA (Fonds National de Régulation et de Développement Agricole), etc. But these systems are inflexible, bureaucratic, and slow. They do not incentivize the recipients to repay: the repayment rate varies between 20 to 50% whereas the Touiza association gets better results of 85% owing to better management.

All legal forms of MFIs are permitted while the interest rate has been gradually de-regulated, removing usury rate caps.

Algeria has low rates of lending to the private sector at 13% of GDP (in 2004) compared to Morocco and Tunisia at 56% and 61% respectively.

E. LIBYA

We have not found information for Microfinance for Libya. Perhaps no Microfinance activity exists in Libya probably because of the high petroleum activity which makes Libya a rich country. In the absence of information, it is difficult to say.

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