2011 Sub-Saharan Africa Regional Snapshot

February 2012
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The Big Picture

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<th>Indicator as of end of 2010 *</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of countries with microfinance providers</td>
<td>45</td>
</tr>
<tr>
<td>Population</td>
<td>863 mln</td>
</tr>
<tr>
<td>Population living below the national poverty line %</td>
<td>48.4%</td>
</tr>
<tr>
<td>GNI per capita, Atlas method</td>
<td>1183 USD</td>
</tr>
<tr>
<td>Number of microfinance providers</td>
<td>22,900</td>
</tr>
<tr>
<td>Number of loans outstanding</td>
<td>20.5 mln</td>
</tr>
<tr>
<td>Number of deposit accounts</td>
<td>44.4 mln</td>
</tr>
<tr>
<td>Loan portfolio, gross, USD</td>
<td>14.9 bln</td>
</tr>
<tr>
<td>Deposits, USD</td>
<td>13.8 bln</td>
</tr>
</tbody>
</table>

* When 2010 data is not available, data from the most recent prior period is used.

Source: World Development Indicators. GNI per capita and poverty headcounts for the region are weighted by each country’s total population.
Microfinance providers reporting to MIX in SSA reach nearly one quarter of all depositors globally, while accounting for less than five percent of borrowers. South Asia has the smallest average deposit size, SSA is a near second, emphasizing accessibility to savings accounts for the poor.

Source: MIX Market: Cross Market Analysis
Africa falls right in the middle of all regions globally in terms of percent of women borrowers, rural borrowers, and corporate and SME portfolio.
Access to Formal Financial Services Lowest in SSA

Adults without an account (%)

- High income OECD and non-OECD: 8%
- Central Asia & Eastern Europe: 50%
- Middle East & North Africa: 58%
- East Asia & Pacific: 58%
- South Asia: 78%
- Latin America and Caribbean: 60%
- Sub-Saharan Africa: 88%

% show the average percent of unbanked population

The majority of people surveyed in 14 Finscope studies across East and Southern Africa are largely excluded from formal finance or use informal financial services.
A Diverse Ecosystem of Providers

<table>
<thead>
<tr>
<th>Provider Type</th>
<th>Number of Providers</th>
<th>Number of Clients</th>
<th>Number of Loans</th>
<th>Number of Deposit Accounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit Union / Cooperative</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NBFI / NGO</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Savings Groups</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mobile Network Operator</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Savings Banks</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

A diverse set of 22,900 providers without one dominant model.
- There are more clients with savings-led organizations than credit-only providers.
- Credit unions reach the largest number of clients, but many of them are small.

Source: MIX Market: Mapping Africa Financial Inclusion - Overview
Credit unions: stable growth with deepest outreach in East and West Africa

Credit union / cooperative clients by subregion

- **Central**
- **East**
- **Southern**
- **West**

Source: WOCCU; 2008 data for WAEMU estimated
Savings groups: primarily active in East and West Africa, reaching scale comparable to formal providers in some markets.

Source: MIX Africa landscape, SAVIX site
Greenfield institutions demonstrate rapid credit and savings growth in some markets. 40+ institutions started since mid-1990s, now with over 1.4 million accounts. Congo DRC, Ghana, and Nigeria have the greatest number of greenfields.

Source: MIX Market
M-Banking is spreading to many markets, but M-Pesa and MTN dominate growth in Kenya, Tanzania, and Uganda.

Source: GSMA / Wireless Intelligence Mobile Deployment Tracker. Data is number of wallets for more recent period (2009 - present)
The most developed networks are in Southern Africa.

ATM Retail Networks

Note: Medians are reported for “High Income”, “Developing”, and “SSA” categories.

On average POS retail networks are far less developed than in other developing countries.

Note: Medians are reported for “High Income”, “Developing”, and “SSA” categories.

New MF law adopted by BCEAO and revised directives. A new accounting framework is mandatory.

Central Bank of DR Congo adopted a new regulation microfinance law and accounting framework. A E-money regulation is being drafted.

Kenyan authorities created a supervision entity for financial coops (SASRA); E-money regulation drafted; Consumer protection regulation in progress.

Harmonized microfinance law is being discussed among EAC.

Nigeria adopted revised Microfinance Policy Framework.

Non-prudential regulation for credit-only MFIs under discussion (Kenya, Tanzania, Uganda).

The Bank of the Republic of Burundi drafted a E-money regulation for adoption.

Source: CGAP Financial Inclusion Regulation Center - Central Banks’ websites
In several countries (e.g. WAEMU, CEMAC, Madagascar, Burundi, Rwanda etc.), specialized microfinance laws cover both microfinance institutions and financial cooperatives.

In 2010, revision of microfinance law in process in Nigeria, Ghana, Burundi.
Protecting Clients through Regulation

Consumer protection legislation and implementation

% of economies:

- With designated unit within regulatory body: 59
- With at least one recourse mechanism: 81
- Average extent of periodic disclosure: 44
- Average extent of disclosure at opening: 63
- Average extent of fair treatment: 86

### Sub-Saharan Africa

<table>
<thead>
<tr>
<th></th>
<th>High-income countries</th>
<th>Developing countries</th>
<th>Sub-Saharan Africa</th>
</tr>
</thead>
<tbody>
<tr>
<td>With designated unit</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>within regulatory body</td>
<td></td>
<td></td>
<td>55</td>
</tr>
<tr>
<td>With at least one</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>recourse mechanism</td>
<td></td>
<td></td>
<td>55</td>
</tr>
<tr>
<td>Average extent of</td>
<td></td>
<td></td>
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<td>44</td>
<td>52</td>
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</tr>
<tr>
<td>Average extent of</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>disclosure at opening</td>
<td>63</td>
<td>38</td>
<td>37</td>
</tr>
<tr>
<td>Average extent of</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>fair treatment</td>
<td>86</td>
<td>59</td>
<td>47</td>
</tr>
</tbody>
</table>

- **Source:** Financial Access 2010

- **27** out of **32** SSA countries have laws and regulations addressing at least some aspects of financial consumer protection (e.g. fair treatment).

- **16** SSA countries require financial institutions to implement procedures for resolving customer complaints.

- Enforcement mechanisms are the weakest despite the strong interest shown by regulators.
Penetration level measured by percentage of adults registered in private credit bureaus is 5%.

This is low compared to other regions (18% East Asia, 34% in LAC and 64% in OECD countries).

Source: Doing business 2011
Interest Rate Regulation

- 17 countries with interest rate ceiling on loans
- 7 countries (CEMAC and Ethiopia) with minimum rates on deposits
- Interest rate ceilings by type of institution, e.g. WAEMU: 27% for MFIs and 18% for banks
- Restrictions tied to certain types of loans, e.g. agricultural loans in Nigeria or type of population, e.g. in Uganda and Benin
- Growing call for regulation of interest rate as a result of the second-wave of the global financial crisis
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Provider Performance in Global Context
Deposits remain the largest source of funding for all but NGOs - many of which are not allowed to mobilize deposits.

Equity is dropping especially at NBFI s, which are increasingly focused on deposits. There was, however, an uptake of equity at banks, rural banks, and NGOs in 2010.

Source: Mix Market: Cross Market Analysis
### Annual Growth Rates

**Cross-border commitments to microfinance – US$ billion**

<table>
<thead>
<tr>
<th>Region</th>
<th>Dec07</th>
<th>Dec08</th>
<th>Dec09</th>
<th>Dec10</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sub-Saharan Africa (SSA)</strong></td>
<td>1.3</td>
<td>1.5</td>
<td>1.7</td>
<td>1.7</td>
</tr>
<tr>
<td><strong>South Asia (SA)</strong></td>
<td>2.2</td>
<td>2.9</td>
<td>3.3</td>
<td>3.1</td>
</tr>
<tr>
<td><strong>Middle East &amp; North Africa (MENA)</strong></td>
<td>0.6</td>
<td>0.6</td>
<td>0.6</td>
<td>0.6</td>
</tr>
<tr>
<td><strong>Latin America &amp; Caribbean (LAC)</strong></td>
<td>1.4</td>
<td>1.9</td>
<td>2.0</td>
<td>2.3</td>
</tr>
<tr>
<td><strong>Eastern Europe &amp; Central Asia (ECA)</strong></td>
<td>2.8</td>
<td>3.3</td>
<td>3.1</td>
<td>3.5</td>
</tr>
<tr>
<td><strong>Multi-Region</strong></td>
<td>0.8</td>
<td>1.3</td>
<td>2.2</td>
<td>2.3</td>
</tr>
<tr>
<td><strong>East Asia &amp; the Pacific (EAP)</strong></td>
<td>0.7</td>
<td>0.8</td>
<td>0.9</td>
<td>1.3</td>
</tr>
</tbody>
</table>

Data for the 20 funders in our sample

- **Cross-border commitments to microfinance – US$ billion**
- **Annual growth rates**

**Cross-border funding to SSA increased steadily but at lower rates than global growth in funding.**

**Source:** *2011 CGAP Cross-Border Funder Survey.*
There is a relatively equal split between local and foreign borrowings, even as local funds are more expensive than foreign, approaching ten percent interest rate on loans to MFIs.

Source: Mix Market: Funding Structure
Sources of Debt Financing

Nearly three quarters of borrowings come from financial institutions and funds, which are also the lenders charging the highest interest rates to MFIs.
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Seven SSA MFIs reported financial and outreach information to MIX consistently from 2005-2010.

The following slides will be based on these MFIs.

Source: Mix Market: Cross Market Analysis data download
Market Coverage by Size of MFI

Large MFIs have the lion’s share of client outreach across SSA but are experiencing slowed growth rates in both borrowers and depositors.

* Size based on number of borrowers: small: <10,000, medium: ≥10,000 ≤30,000, large: >30,000

Source: Mix Market: Cross Market Analysis data download
Low Financial Expenses Due to Deposit Focus

Africa maintains the second lowest financial expense ratio (second only to MENA, where there is little debt-financing with a greater focus on equity).

With such a large focus on deposit mobilization, MFIs in SSA overall require a smaller percentage of external debt, leading to a low financial expense ratio.
SSA has had the highest risk of all regions in the past five years, though PAR>30 decreased slightly in 2010.

Source: Mix Market: Cross Market Analysis
Medium-sized MFIs Face Greatest Challenges with Risk

Large and small MFIs saw a drop in PAR>30, though medium MFIs did not.

The contraction in borrowers among large and small MFIs may have allowed them to better focus on the repayment from existing clients.

In contrast, medium MFIs may have struggled with the growing pains of increasing numbers of borrowers and depositors in 2010.

Source: Mix Market: Cross Market Analysis data download
SSA returns on assets are on par with all regions other than South Asia, which saw a large drop due to the microfinance crisis in India. However, median returns are lower, indicating that smaller MFIs are less profitable than other regions.
About MIX

MIX is the premier source for objective, qualified and relevant microfinance performance data and analysis. Committed to strengthening financial inclusion and the microfinance sector by promoting transparency, MIX provides performance information on microfinance institutions (MFIs), funders, networks and service providers dedicated to serving the financial sector needs for low-income clients.

MIX fulfills its mission through a variety of platforms. On MIX Market (www.mixmarket.org), we provide instant access to financial and social performance information covering approximately 2,000 MFIs around the world. Our publications, MicroBanking Bulletin and MIX Microfinance World, feature thorough and timely analysis based on qualified data and research.

About CGAP

CGAP is an independent policy and research center dedicated to advancing financial access for the world’s poor. It is supported by over 30 development agencies and private foundations who share a common mission to alleviate poverty. Housed at the World Bank, CGAP provides market intelligence, promotes standards, develops innovative solutions and offers advisory services to governments, microfinance providers, donors, and investors. For more information, visit http://www.cgap.org.