



Annual Report

2020





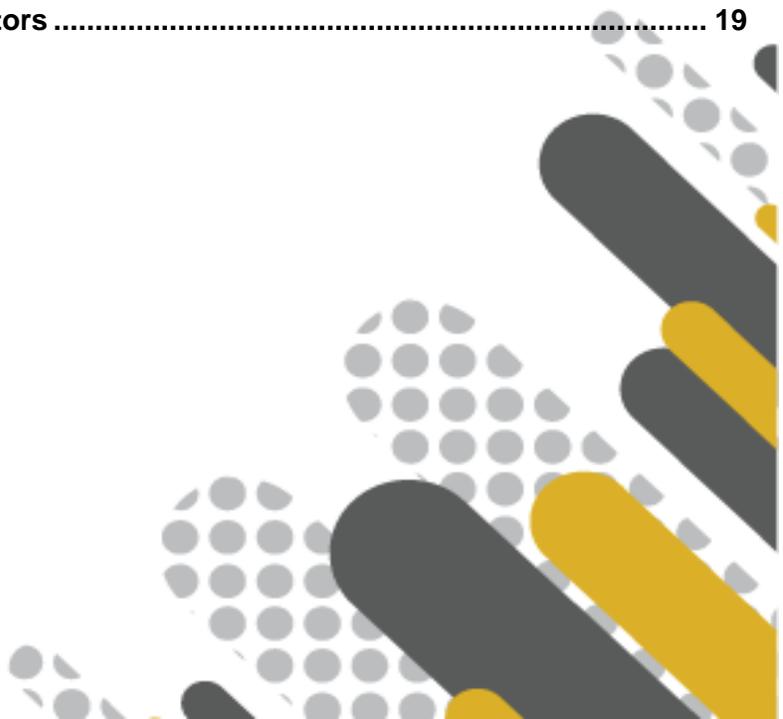
Through its operations, YLG works as an entity that provides a conducive business environment that allows micro and small enterprises to take advantage of financing opportunities in the economy and thus assure their resilience within the current socio-economic context in Yemen

ABBREVIATIONS AND ACRONYMS

SFD	SOCIAL FUND FOR DEVELOPMENT
YLG	YEMEN LOAN GUARANTEE PROGRAM
MFIS	MICROFINANCE INSTITUTIONS
HDI	HUMAN DEVELOPMENT INDEX
MSE	MICRO & SMALL ENTERPRISES
JLGF	JORDAN LOAN GUARANTEE FACILITY
KAFALAT S.A.L	GUARANTEES FOR LOANS TO SMALL AND MEDIUM ENTERPRISES
CGC	CREDIT GUARANTEE COMPANY
ELGF	OPIC EGYPT LOAN GUARANTEE FACILITY
WB	WORLD BANK
KFW	GERMAN DEVELOPMENT BANK
GPAs	GUARANTEE PARTNERSHIP AGREEMENTS
TA	TECHNICAL ASSISTANCE
DFID	DEPARTMENT FOR INTERNATIONAL DEVELOPMENT – UK GOVERNMENT
IDB	ISLAMIC DEVELOPMENT BANK
PFI	PARTNER FINANCIAL INSTITUTIONS
EU	EUROPEAN UNION
NMF	NATIONAL MICROFINANCE FOUNDATION
YMN	YEMEN MICROFINANCE NETWORK
PAR	PORTFOLIO AT RISK

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EXECUTIVE SUMMARY

The need for an entity that provides a conducive business environment that allows micro and small enterprises to take advantage of opportunities in the economy was found to be urgent and essential especially during the current socio-economic context in Yemen. As a result, in July 2017, the SFD, established the Yemen Loan Guarantee Program (YLG), a non-for-profit guarantee provider, aiming to increase the facilitation of credit to enterprise owners for growth and expansion. The YLG provides partial guarantees on loans made by PFIs (banks and microfinance institutions MFIs) to micro and small enterprise borrowers located in the region.

Since establishment, YLG adapted a market-based approach aiming to understand the microfinance sector and to tailor a business model that reflects international best practices while remaining sensitive to the Yemeni local context and microfinance sector needs. The program worked closely with SFD, WB and KFW and number of international credit guarantee, microfinance and risk management experts to design its model, policies, procedures, internal controls and systems. In less than a year, the program was fully equipped to operate and signed its first partnership agreement with NMF, one of the biggest microfinance foundations in Yemen. In Nov 2017, YLG was able to issue its first guarantee certificate under a loan issued by NMF and opened doors to other PFIs to start submitting guarantee applications. Today, YLG has 9 active guarantee partnership agreements with 9 PFIs of which 4 are microfinance banks and 5 are microfinance institutions and programs.

During the FY 2020, YLG reviewed 1,629 guarantee requests from which 1,432 clients were approved to obtain a loan under YLG guarantee scheme. Subsequently, YLG issued 1,271 guarantee certificates upon PFIs finalization of loan disbursements. YLG is receiving guarantee requests from all PFI branches in Yemen and is adopting a market spread strategy. Moreover, in 2020, YLG continued implementing tailored guarantee products and services towards women and youth empowerment, micro and small enterprise owners and PFI capacity building and knowledge sharing. YLG also developed two new models to be introduced in 2021, Blanket Model and the Portfolio Model guided by LANDT, a group focused on providing technical assistance in managing credit guarantee funds among their other activities.

This report describes YLG's establishment activities and cumulative operational progress during the year 2020.

INTRODUCTION

The YLG provides partial guarantees on loans made by lenders (banks and microfinance institutions MFIs) to micro and small enterprise borrowers located in the region. The use of a partial guarantee ensures that the judgment of the lender will be part of the application decision process along with the expertise of YLG's employees. **The expectation is that the banking community will be able to serve a larger number of micro and small enterprises, which will create jobs and expand the local economy.**

Vision, Mission and Strategic Goals

Vision

Improved financial inclusion for target segments leading to better standards of living in Yemen.

Mission

Facilitate financial access for target segments through the provision of guarantees products and services to those with insufficient collateral.

Strategic Goals

- I. Improve the target segments' economic status.
- II. Support the expansion and growth of the small and microfinance sector.
- III. Pioneer a guarantee experience for MSMEs based on international best practices and innovative principles.
- IV. Establish a more trust-based credit culture in the small and microfinance sector

FY 2020 Milestones

Internal Development

During this Year, YLG further developed its management information system to have an online portal for our partner financial institution. This portal enables PFIs to enter client's data and send them directly to YLG guarantee department online. Moreover, YLG developed the portfolio models with the guide of LANDT to be introduced in 2021. This model will allow PFIs to issue loans with YLG guarantees without having to submit guarantee requests based on previously agreed upon criteria.

Recruitment and Training

YLG recruited and trained qualified staff on loan guarantee models/tools, credit evaluation, financial analysis, risk management, agro-lending, and strategic planning. Accordingly, YLG team worked on channeling acquired knowledge and experience to PFIs through workshops, training sessions and knowledge sharing seminars.

YLG	8 staff got trained in defernites areas, like financial analyze, excel advanced, risk, and strategic planning.
PFI	6 PFIs from which a minimum of 4 staff member benefited and trained in MIS online portal (i.e. 24 personal)
Volunteers and Interns	Total (8) :6 university graduates were trained for a minimum of 3 months each, and another 2 for a period of 1.5 month

Table 1

The table above shows the number of trainings YLG staff received and implemented.

Partnerships with PFIs

YLG worked intensively in advocating for the program to local PFIs along with building strong relations and partnerships with important plays in the industry including MFIs/banks, commercial banks and local NGOs. YLG conducted number of workshops, orientation sessions and meetings with local MFIs/banks to understand the market/sector needs, design appropriate guarantee products/services and raise awareness among PFIs of YLG role in the industry. This included; Al-Kuraimi Islamic Microfinance Bank, Al-Amal Microfinance Bank, Tadhamon Microfinance Program, National Microfinance Foundation, AZAL Microfinance Program and Union Microfinance Program, Hadramout Microfinance Program, Saba Islamic Bank, Yemen Bank for Reconstruction and Development, Yemen Kuwait Bank and Shamel Bank of Yemen and Bahrain.

Donors & Contributors

YLG received TA from Sanad through LANDT to help in developing the Portfolio Model. YLG also continued during 2020 towards its capital from the DFID and towards implementing the 4th component of the Vocational Literacy Program for Poverty Reduction from IDB. On the other hand, YLG is gaining international recognition by number of potential donors including EU, KFW, SANAD, UNOPs, USAID, JICA, WB and IFC.

Donors & Contributors in 2020	
DFID	USD 2,000,000 towards capital for issuing guarantees
SFD	USD 288,719 towards Operational Expenses for FY 2020
IDB	USD 608,994 towards implementing the 4th component of the Vocational Literacy Program for Poverty Reduction
SANAD	TA for YLG to develop the portfolio guarantees with finance in motion and LANDT

Table 2

Products and Services

In Nov 2017 (Pilot phase), YLG started its operations with the launch of two-guarantee products (i.e. Basic and VOLIP). By the end of 2020, YLG is operating with four guarantee products (i.e. Basic, VOLIP, Geo- spread, Musanada, Women Empowerment, Youth Empowerment). Table (3) below gives more details on the guarantee products/services developed and implemented during 2020.

Products and Services implemented by YLG				
Product	Coverage	Average Loan + Murabaha Amount	Sector	Description
Basic Product	70% - 50%	500,000 – 10,000,000 YR	Agriculture-Commercial-Industrial-Service-Startups	
VOLIP Product	- %90 %100	10,000 - 1,500,000 YR	Entrepreneurs and project owners, males and females from all sectors	The program provides capacity building and institutional support during the first three months of the loan life
Geo-Spread Product	70 %	– 100,000 2,000,000 YR	Agro-Commercial-Industrial-Service	This product targets the branches of small and microfinance institutions that have 300 loans or less in one year for the last two years, in addition to the branches that face difficulty in issuing loans
Musanada	80%	500,000 – 10,000,000 YR	Agro-Commercial-Industrial-Service	This product was established to support PFIs in accessing areas with increased percentage of guarantee
Youth Empowerment Product	80 %	– 1,000,000 5,000,000 YR	Agro-Commercial-Industrial-Service	This product targets young entrepreneurs, males and females, from the age groups of (18 – 35) for all sectors and regions
Women Empowerment Product	80 %	–100,000 1,000,000 YR	Agro-Commercial-Industrial-Service	This product targets entrepreneur women from all ages, regions, and sectors.

Table 3- Guarantee Products & services FY 2020

Portfolio Analysis

During 2020, YLG conducted credit guarantee analysis and evaluation for a total of **1,629 clients**, from which **1,432 were found eligible for a guarantee** i.e. approved to be issued a loan by PFIs under the guarantee of the YLG. However, YLG MIS system reports the completion of issuing **1,271 guarantee certificates** i.e. 88.7% of the actual total number of approved guarantee clients for FY 2020. According to YLG policies, a guarantee certificate is issued only when PFI finalizes the loan disbursement process. Therefore, 161 guarantee certificates are pending and yet to be issued as soon as PFIs finalize the loan disbursement process. Tables (4 and 5) and Figure (1) below, summarizes YLG Portfolio per product per PFI and per month

YLG 2020 Annual Portfolio Summary Report (per guarantee product)

Indicators	Guarantee Products							
	Basic	Geo-Spread	Micro-Spread	Musanada	VOLIP	Women Empowerment	Youth Empowerment	Total
# Guarantees applications	916	36		30	222	2	423	1629
# Guarantees Approved *	769	33		24	229	2	375	1432
# Guarantees issued **	645	29		24	232	3	338	1271
# Rejected Clients	30	2		2			13	47
# Withdraw Clients/ not matching the criteria	58	1		2		1	19	81
%(PAR)=>120	2.07%	0.00%	0.00%	0.02%	0.21%	0.00%	1.20%	3.50%
Pay-Offs Amount	2,894,916 YER				9,225,520 YER			12,120,436 YER
Value of Loans issued (Principle and Murabaha)	2,121,077,483 YER	33,073,156 YER		54,267,422 YER	61,795,862 YER	1,689,720 YER	751,209,641 YER	3,023,113,284 YER
Value of Guarantees issued	1,355,118,880 YER	23,151,209 YER		43,413,938 YER	52,369,375 YER	1,351,776 YER	600,967,713 YER	2,076,372,890 YER
Value of Outstanding Guarantee Portfolio	975,268,446 YER	10,745,185 YER	- YER	22,960,349 YER	38,053,342 YER	510,918 YER	400,743,805 YER	1,448,282,044 YER
Value of Cumulative Loan Portfolio (Principle and Murabaha)	3,353,253,381 YER	70,372,449 YER	12,102,545 YER	79,027,633 YER	138,063,581 YER	3,321,490 YER	1,040,917,676 YER	4,697,058,754 YER
Value of Cumulative Guarantee Portfolio	2,139,759,677 YER	49,260,714 YER	10,892,290 YER	63,222,106 YER	117,003,035 YER	2,657,192 YER	832,734,141 YER	3,215,529,155 YER

Table 4 – FY 2020 Portfolio summary per guarantee product

YLG 2020 Annual Portfolio Summary Report (per PFI)

Indicators	Partner Financial Institutions							
	Al-Amal Bank	Azal	Etihad	Kuraimi	NMF	Tadhamon	YKB	Total
# Guarantees applications	600	16	48	391	202	310	62	1629
# Guarantees Approved *	555	16	49	334	185	250	43	1432
# Guarantees issued **	547	22	26	288	165	203	20	1271
# Rejected Clients	7		8	8	9	12	3	47
# Withdraw Clients/ not matching the criteria (PAR)=>120	40	1		20	5	12	3	81
Pay-Offs Amount	2,876,800 YER	751,896 YER		208,290 YER	2,426,140 YER	5,857,310 YER		12,120,436 YER
Value of Loans issued (Principle and Murabaha)	902,962,869 YER	57,986,020 YER	42,389,949 YER	789,334,041 YER	343,777,365 YER	739,342,119 YER	147,320,922 YER	3,023,113,284 YER
Value of Guarantees issued	643,265,064 YER	42,752,002 YER	27,205,990 YER	548,781,642 YER	242,806,077 YER	471,844,271 YER	99,717,845 YER	2,076,372,890 YER
Value of Outstanding Guarantee Portfolio	423,383,249 YER	3,054,347 YER	24,465,237 YER	399,873,183 YER	184,884,099 YER	344,641,804 YER	67,980,125 YER	1,448,282,044 YER
Value of Cumulative Loan Portfolio	1,243,384,561 YER	224,660,820 YER	72,812,985 YER	1,227,748,901 YER	762,400,620 YER	997,564,040 YER	168,486,827 YER	4,697,058,754 YER
Value of Cumulative Guarantee Portfolio	870,202,217 YER	159,078,837 YER	48,974,017 YER	852,026,059 YER	527,990,532 YER	642,608,495 YER	114,648,999 YER	3,215,529,155 YER

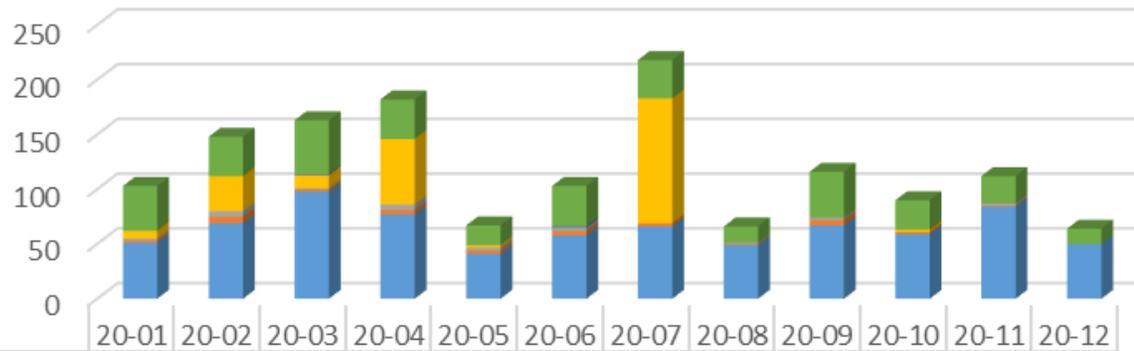
Table 5 -- FY2020 Portfolio Report per PFI

¹ Approved*; meaning, YLG conducted credit guarantee evaluation and analysis for client and declared client eligibility for a loan disbursement under the guarantee of the YLG. However, guarantee certificate is not issued yet due to the delay in loan disbursement by PFI.

Issued**; meaning, YLG conducted credit guarantee evaluation and analysis for client and declared client eligibility for a loan disbursement under the guarantee of the YLG. A Guarantee certificates was issued due to the completion of loan disbursement by PFI.

Count of Client Code

of clients approved for guarantees per product



LGP Product

- Youth Empowerment
- Women Empowerment
- VOLIP
- Musanada
- Geo-spread
- BASIC

	20-01	20-02	20-03	20-04	20-05	20-06	20-07	20-08	20-09	20-10	20-11	20-12
■ Youth Empowerment	41	36	49	36	18	37	35	15	42	27	25	14
■ Women Empowerment			1			1						
■ VOLIP	7	32	12	60	2		114			2		
■ Musanada	2	5	1	5	3	3		1	2		2	
■ Geo-spread	2	6	2	4	3	4	3	1	5	2	1	
■ BASIC	51	69	98	77	41	58	66	49	67	59	84	50

Month of Approval

Figure 1 – FY 2020 Guarantee approval per month

YLG is committed to the financial inclusion of youth and women through the provision of guarantee products and services enable accessibility to financial services and economic opportunities in the market. As illustrated in figures (2 and 3) below, **94.45% of YLG portfolio in 2020 consists men. 48.46% of men are between the age group of 18-35 years old. While, 5.55% of YLG portfolio are women from which 2.54% are young women between the age group of 18-35 years old.**

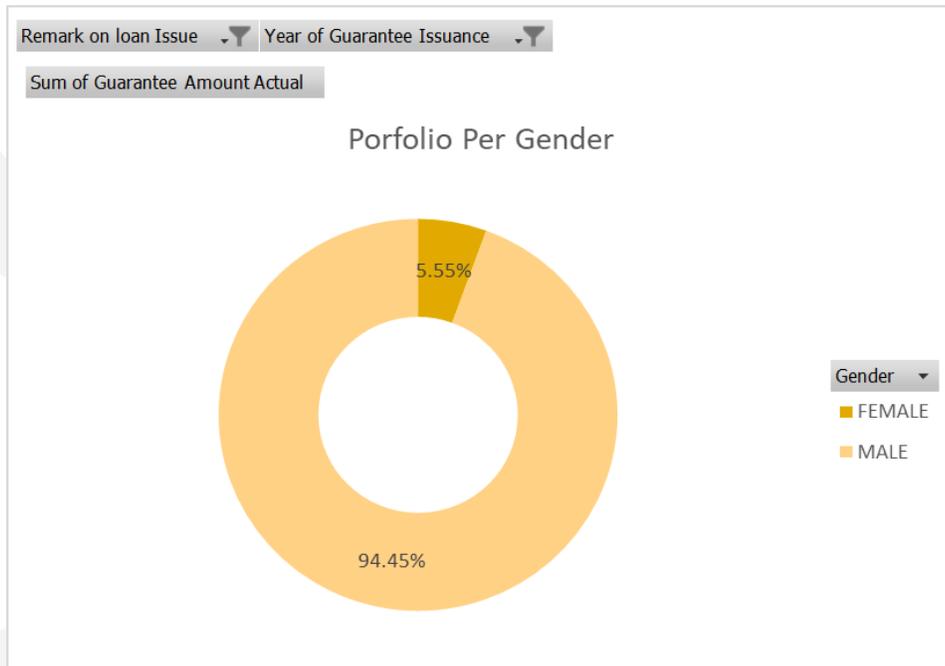


Figure 2 --- Gender Spread

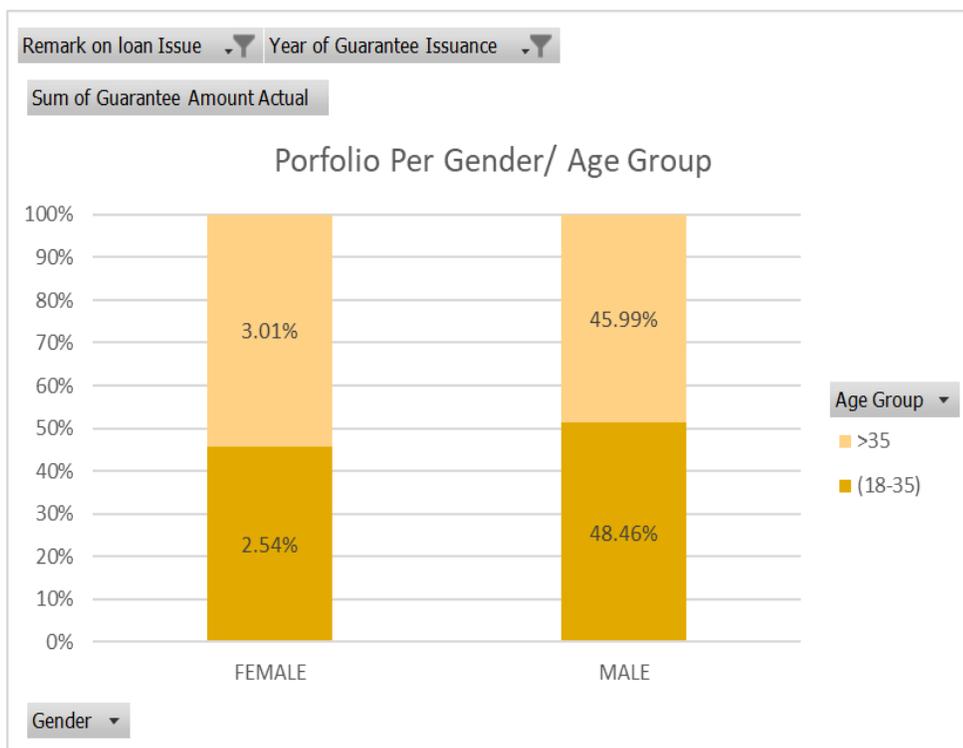


Figure 3 --- Gender Vs. Age Group

In 2020, YLG was determined to issue guarantees on a set of diverse sectors. This is to build a concrete base for the program for a better understanding of the market and further expansion towards the development of new and tailored guarantee products and services. Figure (4) below gives more details on YLG cumulative portfolio spread per sector.

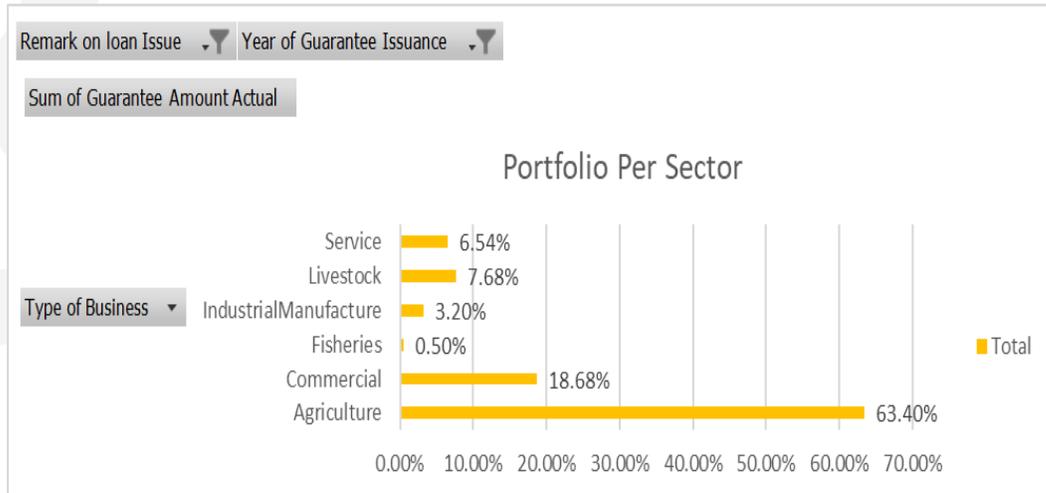


Figure 4—FY 2020 Portfolio Sector Spread

YLG's cumulative guarantee portfolio issued within the above sectors solely targeted micro and small enterprises to finance business related activities. This included; buying assets used within the business facility (18.86%), buying stocks and inventory necessary for running the business (16.98%), buying and implementing solar energy used as a source of energy to run the business facility and minimize operational costs (24.54%), buying raw material used during manufacturing (12.30%). Figure (5) below shows different purposes for loans that YLG guaranteed during 2020.

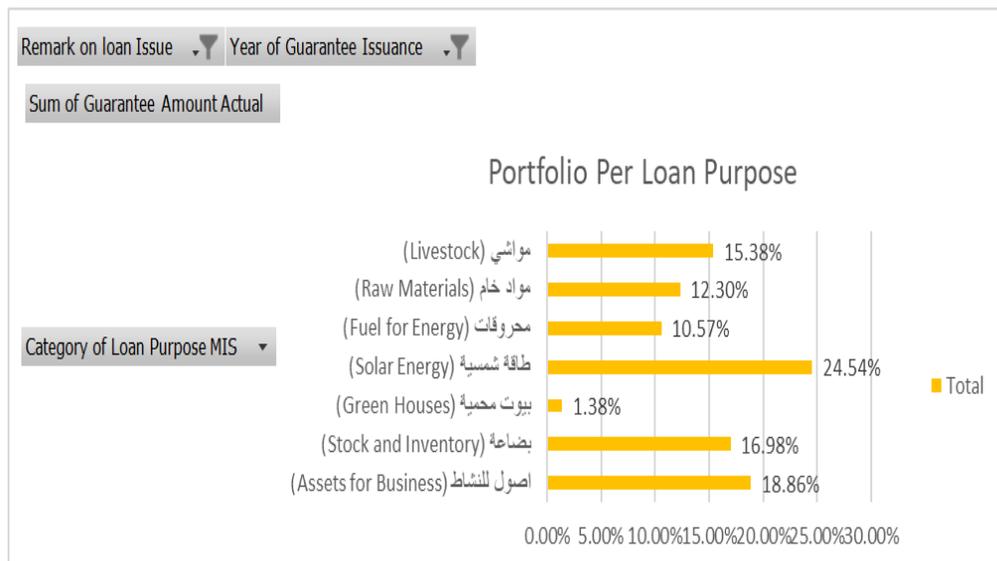


Figure 5 – FY 2020 loan purpose

Challenges faced During 2020

1. Internet Outage during the first quarter of 2020 which led to difficulties in facilitating guarantee procedures.
2. COVID-19 impact on the workflow, staff, the effective implementation of the annual action plan and the increased risk of loans defaults.
3. Heavy rains resulting in floods that impacted both YLG clients and our partner institutions’.
4. The inability to get permits to implement filed visits and success stories in Hodeida.

Solutions

1. During that period, paper transactions were used to ensure business continuity.
2. YLG created and implement a COVID-19 workplan that addressed all possible issues, outcomes, and solutions; ensuring the safety of its staff and continuity of work utilizing all online measures. YLG also conducted online meetings with PFIs to discuss their plans and suggestions.
3. Continues responded with PFIs regarding affected clients and communicated needed protective measure for future clients.
4. YLG conducted field visits in other areas and contacted clients in Hodeida via phone calls.

FY 2021 Milestones

Portfolio Model

Towards increasing the utilization rate of the guarantee scheme among PFIs and to increase the clients’ accessibility to financial services on a much wider scale, in 2021, YLG is planning on implementing the portfolio guarantee model (*if fund is available*) within YLG currently operating guarantee scheme.

Portfolio Model	
Guarantee Coverage by YLG	Coverage of a 15% PAR
Sectors/target segments	Agriculture – commercial – industrial – manufacturing – services
# of PFIs	3 PFIs in 2020

Table 6

New Partnerships

Towards building a long-term partnership with major players in the banking sector and microfinance sector, YLG will be discussing potential partnerships with number of commercial banks and more PFIs across the region.

Additional Partnership Agreements forecasted to be signed in 2021
Shamil Bank of Yemen & Bahrain
Saba Islamic Bank
Tawasul Microfinance Program

Table 7

Fees Tool implementation

YLG was granted the permission from the steering committee to determine the fees to be charged to the partner financial institution based on specific criteria. During the end of 2019 a tool was created by the guarantee and risk teams specifies that amount of fees that should be charged to the PFI based the following:

- Default rate >120
- Pay-offs % from PFIs outstanding portfolio.
- % of portfolio outstanding of PFI from total portfolio.
- Field visit verification results.
- This tool will be implemented during the first quarter of 2021.

ANNEXES

Annex I: YLG Infographics 2020

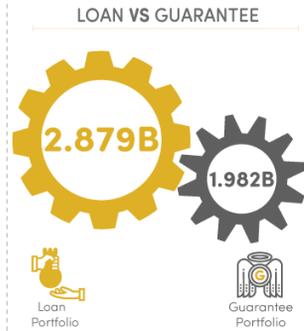
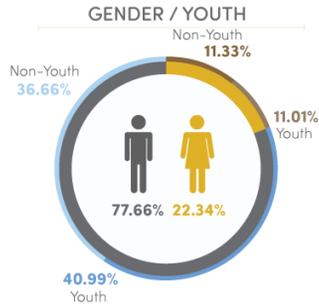


Yemen Loan Guarantee

(Jan- Dec2020)



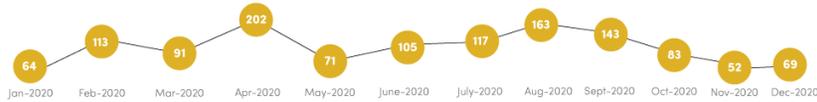
PARTNERSHIPS BY TYPE



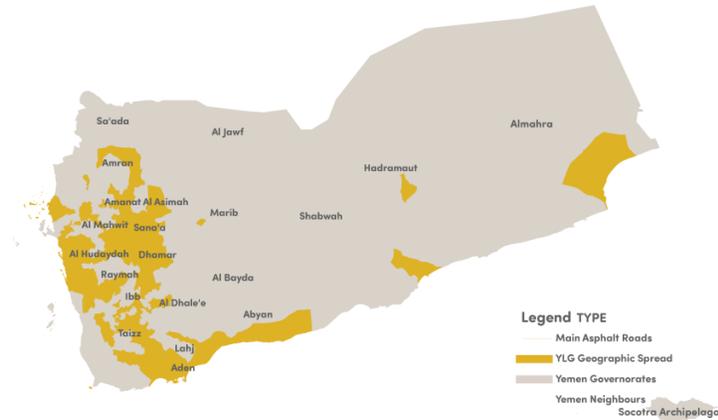
SECTORS SUPPORTED



TREND PER QUARTER



PURPOSE OF LOANS GUARANTEED



Annex II: YLG Infographics 2017 – 2020



Yemen Loan Guarantee

(Dec 2017 - Dec 2020)

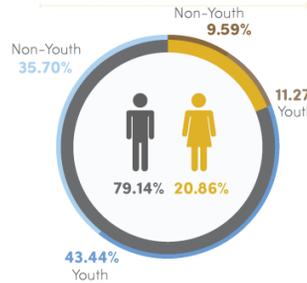
2263
NUMBER OF
GUARANTEES ISSUED

19
Governorates
136
Districts

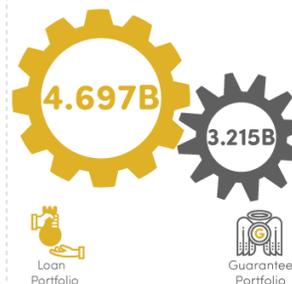
PARTNERSHIPS BY TYPE



GENDER / YOUTH



LOAN VS GUARANTEE



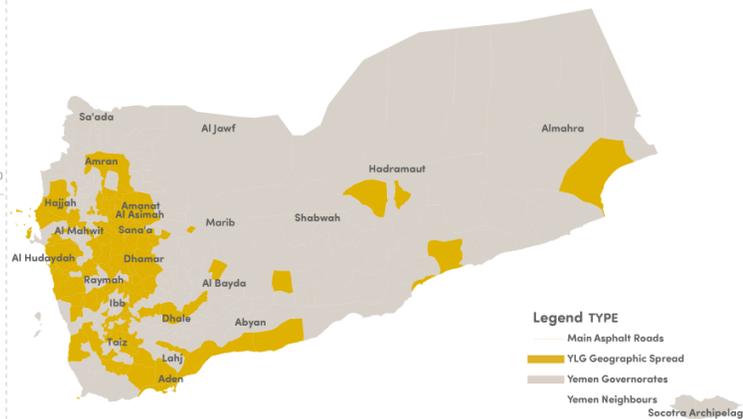
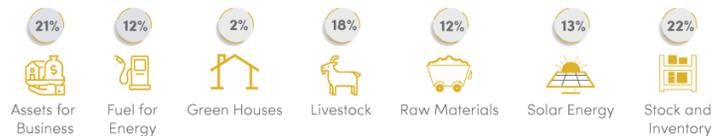
SECTORS SUPPORTED



TREND PER QUARTER



PURPOSE OF LOANS GUARANTEED



Annex III: FY 2020 Partners and Contributors
Donors & Contributors FY 2017 - 2020



Partner Financial Institution FY 2020





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