



Yemen Loan Guarantee

Program Profile





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Who we are



Program Overview

The Microfinance industry in Yemen is an important tool in the overall expansion of the Yemeni economy. For the past two decades, the microfinance industry was able to issue loans with the cumulative value of approximately **USD 50 millions (i.e. around 800,000 loans given to a total of 100,000 micro and small enterprises)**. The medium, small and micro enterprises have played a significant role in **income generation, poverty eradication, job creation (i.e. creating over 9,895 jobs)**, as well as the **overall expansion of the economy**.

However, recent studies stated that:

1. The potential market for MSMEs finance in Yemen has a size of around 1.78 million microenterprises and 85,000 small enterprises.
2. The current microfinance industry in Yemen serves approximately 9% of the actual market size .
3. Over 61% of the rejected loans applicants were rejected due to the lack of sufficient collaterals.

Unfortunately, a large percentage of entrepreneurs cannot provide required guarantees, in whole or in part, though they are capable of paying installments and performing subsequent obligations in order to secure the service. **Hence, the need for a service that provides a conducive business environment that allows micro and small enterprises to take advantage of opportunities in the economy has become urgent and essential.**

In July 2017, the Social Fund for Development, establish the Yemen Loan Guarantee Program (YLG), as a not-for-profit guarantee provider, aiming to increase the facilitation of credit to enterprise owners for growth and expansion. The YLG provides guarantee products and services to Micro, small and medium enterprise borrower on loans made by a lender (banks and microfinance institutions MFIs). The expectation is that the banking community will be able to serve a larger number of Micro, small and medium enterprises, which will create jobs and expand the local economy.







Vision

Improve 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

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

Our Values

Trust

YLG operates under a solid trust foundation established between YLG and its partners. YLG owns its liabilities and work closely on meeting its obligations.



Transparency

YLG is profound about operating and communicating with all stakeholders under high level of transparency and knowledge sharing.



Innovation

YLG embraces creativity and innovation in designing its products and services. It encourages innovation among its work environment and when dealing with stakeholders.



Quality

YLG follows quality control measures in delivering guarantee products and services.



Our Principals

YLG demonstrates commitment to the following principles in the development and implementation of all its work strategies, budgets, policies and procedures, operations, etc.

Client-Based Approach

YLG will remain focused and committed to the development of end borrowers (i.e. poverty clients of products and services). YLG will deliver products and services designed to add value to the end clients' livelihoods (business, projects, etc.) at affordable prices. YLG commits to soliciting, processing and acting on client feedback. YLG remains committed to using 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.

Risk Management

YLG will practice diligent risk management including: well developed policies and procedures, adequate controls in place and timely review of controls. YLG will act immediately on all red flags to insure (1) preservation of YLG assets, (2) fraud prevention and (3) sustainability.

Knowledge Sharing

YLG will practice transparency and generosity with ideas and information. YLG will make public, whenever possible, reports, studies and other relevant market information to shareholders and market participants.

Our Partners

YLG operational model is designed to support and achieve results through partner institutions. YLG partner institutions are classified as (1) partners providing inputs and funding, (2) partners, supported by YLG, providing direct products and services to poverty clients and (3) partners with common interests as YLG.

Microfinance Providers

Microfinance Institutions, program and banks are in the earliest group of partners and can be classified as category of main direct partners for the program. During the initial operating stage (years 1-3), the program prioritizes larger and well-established microfinance providers that have wide geographic reach. This is to build the guarantee portfolio and maximize outreach. YLG signs single year partnership agreements with partners to be renewed every year depending on partnership performance. Institutional health/quality benchmarks are agreed upon between parties to assure the continuity of the partnership. As of July 2019, YLG has nine active partnerships agreements including; Al-Kurimi Islamic Microfinance Bank, Al-Amal Microfinance Bank, Thadamon Microfinance Program, National Microfinance Institution, AZAL Microfinance Program, Union Microfinance, Nama Microfinance Foundation, Hadhramout Microfinance program and Yemen Kuwait Bank.

Commercial Banks

YLG does not work with commercial banks in the initial operational stage. However, acknowledges banks as potential future partners because it would increase portfolio and outreach to benefit more clients/beneficiaries. Commercial banks deal with larger clients who are instrumental in job creation. YLG plans to begin working with commercial banks by 2021.

International Donors and Capital Contributors

YLG has a value proposition to donors as the only guarantee facility operating in Yemen. The current YLG business model depends on donations to cover its operating expenses and to increase capital. The program plans to manage donor expectations to maintain its vision, strategy and focus. It will fulfill all donor obligations while remaining market oriented and true to the vision of having a positive impact on the Yemeni community.

Other Partners

YLG partner with NGOs and other organizations who are providing direct products and services to YLG target segment. Such partners find and train potential clients to refer them for YLG products and services including: client capacity building, women empowerment, youth empowerment, entrepreneur skill building, among other areas. In the near future, YLG will explore the possibility of partnering with micro-insurance companies to provide insurance services to YLG clients in the future.



What We Do

What We Do

YLG aims to facilitate accessibility for financial services to target segments with insufficient collateral through the provision of guarantees products and services. It provides partial guarantees on loans made by lenders (banks and microfinance institutions MFIs) to Micro, Small and Medium enterprise borrowers located in the region. Micro, Small and Medium enterprise owners apply to Banks/MFIs for a loan. If the Bank/MFI is not able to approve the application using its credit standards, it may decide to request a guarantee. YLG staff conduct a credit evaluation to determine if a guarantee is appropriate. The Bank/MFI is responsible to collect payments directly from the borrower and will submit a request for a guarantee payment when a borrower has been in uncured default for 120 consecutive calendar days. Toward this end, YLG will leverage its resources to maximize, impact and achieve its mission, vision, and strategic goals. These focus areas (client segments and sectors) have been determined using knowledge of local market conditions and international standards.





Client Segments

During the first 5 years of operations, YLG will develop and implement tailored guarantee products and services to serve the following client segments:

Youth Empowerment

YLG is committed to youth empowerment and their role in economic development. YLG defines youth as young Yemeni men and women between the ages of 18–35 for all geographic locations and ethnic groups.

Overall objective: Facilitate youth access to finance through design and provision of guarantee products and services; raise awareness of financial services available, to support youth empowerment and entrepreneurship in accordance with the Yemeni national strategy.

Women Entrepreneurship and Empowerment

YLG is committed to women social and economic empowerment and the potential role women entrepreneurs play in job creation and poverty eradication. YLG defines women as Yemeni females of all ages, geographic locations, and ethnic groups.

Overall objective: Facilitate women access to finance through design and provision of guarantee products and services; advocate women financial literacy and raise awareness to financial services available, to support women empowerment, entrepreneurship and business ownership.

Focus Geographic Areas

Overall objective:

Stage 1. YLG works in all geographic areas reached by microfinance industry (PFIs).

Stage 2. YLG encourages PFIs to expand geographically to reach unserved microfinance market demand.

Business owners and entrepreneurs (MSMEs)

Overall objective: Facilitate MSME access to finance to those with insufficient collateral through design and provision of guarantee products and services.

Sectors

Agriculture

Overall objective: Facilitate access to finance for agriculture enterprises with insufficient collateral through design and provision of guarantee products and services; raise awareness of financial services available.

Manufacturing and Industry

Overall objective: Facilitate manufacturing and industrial enterprises with insufficient collateral access to finance through design and provision of guarantee products and services; raise awareness of financial services available and support entrepreneurs' empowerment and development.

Technology and Innovation

Overall objective: Facilitate enterprises based on technology and innovation with insufficient collateral access to finance through design and provision of guarantee products and services; raise awareness of financial services available and support entrepreneurs' empowerment and development.

Future areas of Interest

YLG will develop strategies to meet market opportunities as needed. Attention will be given to ensure new activates correspond with YLG mission, vision and strategic goals.





Long-Term Projects

YLG will undertake long-term projects to (1) establish an operationally sustainable revenue stream for YLG, (2) diversify range of products and services to support the mission, vision and strategic goals, (3) provide clients with added-value and services, (4) support client retention and grow with client needs. This includes the following areas:

Micro-Insurance

Product description/parameters: YLG acts as a broker generating applications for target clients and segments for insurance products from existing insurance companies. Types of insurance to include:

1. capital/asset insurance.
2. crop insurance.
3. theft insurance.

Overall objective: Provide guarantee end clients stability and security against unforeseen hardships. Reduce impact of outside forces on borrower ability to continue doing business and to repay their loan.

Client Capacity Building (Direct Clients – PFIs)

Product description/parameters: YLG provide capacity building to PFIs. Types of capacity building include:

1. knowledge sharing.
2. credit analysis coaching.
3. risk management.

Overall objective: Enhance PFI cash flow credit analysis capacity to develop a healthier microfinance sector reflecting international best practices.

Client Capacity Building (Indirect Clients – End Borrowers)

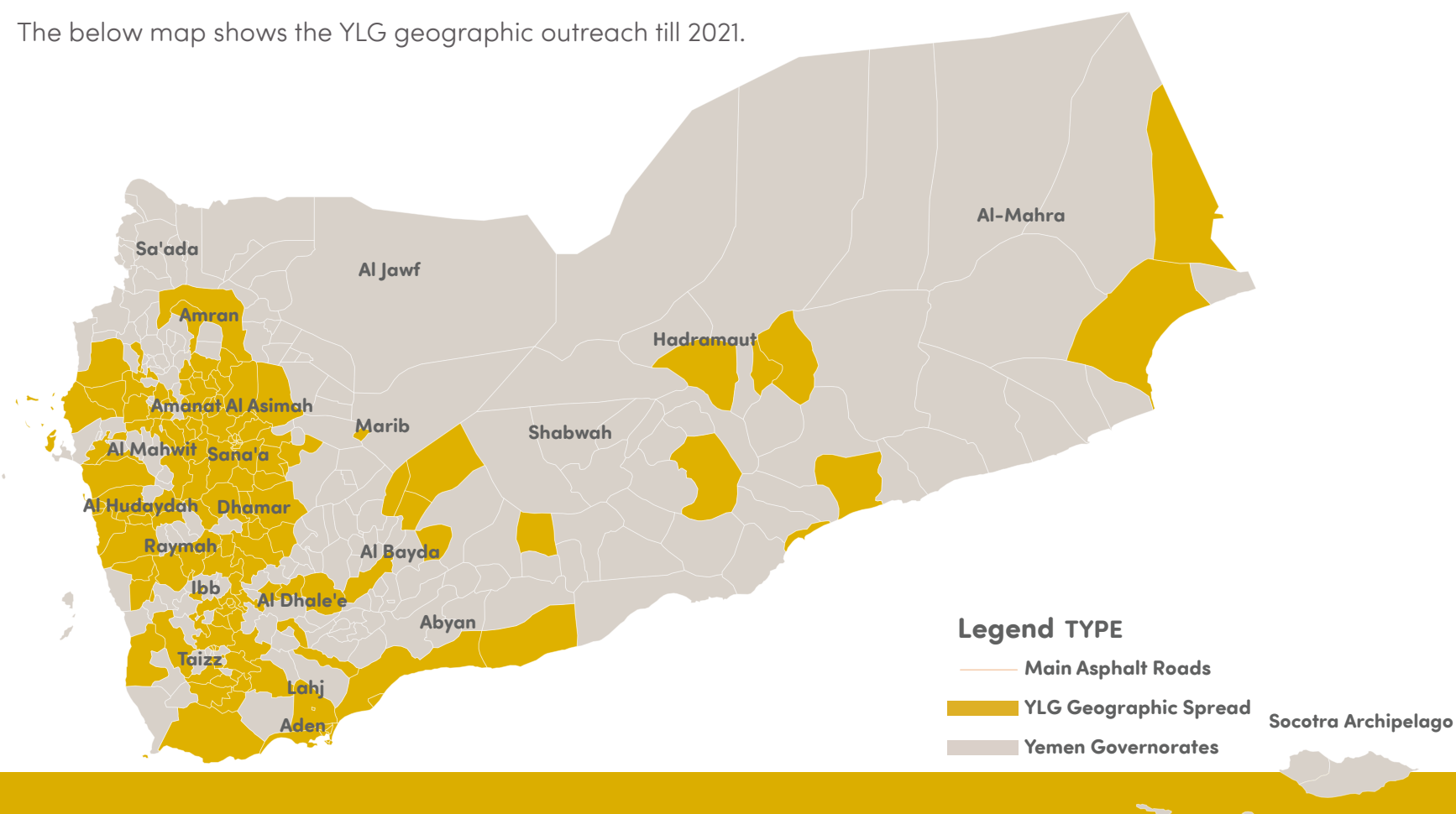
Product description/parameters: YLG provide capacity building to end clients. Types of capacity building include:

1. training.
2. business coaching.
3. mentoring.

Overall objective: Increase business and entrepreneurial skills.

Where We Are

The below map shows the YLG geographic outreach till 2021.



Our Donors



Our Partners





Yemen Loan Guarantee
Nouakchott Street
Sana'a, Yemen

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