

TERMS OF REFERENCE

Microfinance Islamic Products Study Consultancy Assignments December, 2012

1.0 Introduction:

The Yemen Microfinance Network (YMN) was established in August 2009 as a National Microfinance Network Project initiated by Social Fund for Development (SFD) and United Nations Development Program (UNDP), to support a more “inclusive financial sector” in Republic of Yemen. YMN is currently made up of and supporting Eleven Microfinance Institution, all around the country. Current Microfinance outreach is 80.000 active borrowers.

In supporting the MFIs and sector as a whole, one of YMN’s main activities for the Year is to conduct the necessary studies and researches for the microfinance institutions in order to be able to know the market better and therefore provide its services to targeted clients in a very efficient and effective ways. The research and studies will also facilitate and ease the outreach of microfinance delivery in Yemen as a whole.

Microfinance History in Yemen

Despite the late emergence of Islamic finance in Yemen ,it has spread very quickly and achieved an excellent outreach and therefore has become one of the very important tools of the Yemeni economy. Islamic Finance and the microfinance in Yemen are both being criticized for offering one product of Islamic products namely Murabahah. This fact is emphasized by the Central Bank of Yemen Ex-governor Mr.Ahmed Alsamawi who commented” despite the success achieved by the Islamic banks in Yemen, they have only introduced Murabaha Product and did not introduce the other Islamic products as Musharakah, Mudharabah and Istisna’a.etc.

The microfinance started in Yemen in the year 1997 by the Social Fund for Development SFD and since that time and despite the huge efforts done by SFD. The Microfinance outreach is still very limited reaching less than the 8% of the actual demand for the microfinance in Yemen. The reasons why the microfinance in Yemen is limited are as follows:

- The Yemeni community is religious in nature and always try to stay away from the Usury (interest based loans) and usury misconceptions.
- The high interest/Murabahah rates for the current products offered by the current microfinance providers in Yemen.
- The collaterals requested by the current microfinance providers in Yemen.
- The very traditional products offered and the lack of innovation.

2.0 Objectives of the study:

The microfinance Islamic products study aims to introduce the Islamic microfinance products that can be offered in the Yemeni potential MF market in order to reach the maximum number of MF clients. The current MF active clients are approximately 80,000 while the actual estimation for the demand for MF services and products is around one million potential clients.

The study also aims to evaluate the current Islamic MF products, its effectiveness and how to develop these products and services.

As mentioned earlier, most of the Yemeni MF potential candidates do not access the Microfinance services for two main reasons:

- Usury(interest based loans).
- The high Interest/Murabaha rate.

Since the Islamic finance in general and the Islamic microfinance is still limited to offering Murabaha products, this study is being conducted to identify the most applicable Islamic products to be offered order to reach more clients in Yemen.

The YMN expectations of this study are as follows:

- Look into the current products and refine them to meet the MF clients' needs
- Look into the Islamic MF products not currently offered by the MF providers in Yemen
- How the current Islamic products are in line with the Islamic sharia'a rules and regulations
- The suitability of each Islamic product with different MF clients age and gender
- To measure the level of satisfaction towards the Islamic MF products currently offered by MF providers in Yemen
- Upon finalizing the final draft of the study, and under the supervision of an authorized Islamic committee in Yemen, the consultant is required to develop a complete guide for the disbursement of Islamic MF products to ensure their compliance with Sharia'a rules.

5.0 Responsibilities and Tasks:

In order to achieve the study objectives, although not limited, the consultant's tasks are:

- Meet key stakeholders, reviewing and collecting relevant secondary information.
- Developing research instruments that will meet the study objectives

- Design a representing sample.
- Collecting all the necessary information for the analysis.
- Outcomes testing verification.
- Prepare and present the final report to the network and its members.
- Develop a complete guide for the disbursements of the Islamic microfinance products.

6.0 Deliverables:

All the deliverables shall be submitted within the time frame shown in the table below:

Reports	TimeLine
All the study papers and surveys and related tools are to be submitted to the network.	Study is total of 5 weeks ,specific submission dates to be determined.
Pre testing report (before initiation of field work)	
Data cleaning/Validation Report	
Draft report	
Final report	
A complete guide for the disbursement of Islamic Microfinance Products according to Sharia’a Rules and regulations.	

7.0 Duration:

The duration of the study in total is 5 weeks. This includes tool preparation, testing, refining, and data collection, field visits to the targeted areas, drafting and finalization of findings. The study will focus more on Sana’a since majority of Islamic finance and microfinance institutions are located in Sana’a in addition to three other cities, Aden, Taiz , Almukalla.

8.0 YMN Contributions:

YMN is committed to be responsive to the consulting company/individual which includes:

- Provide all literatures and studies that have been done in the microfinance sector.
- Arrange and pay for all logistics for the study which includes visa fees, flight tickets, transportations and food.
- Provide translation when necessary.
- Provide Office space.

10. Submission

YMN calls on organizations, consultancy companies, individual or group consultant(s) and agencies to submit their CV and proposals including the financial proposal to Khalil.almikhlaifi@yemennetwork.org by no later than **20th January, 2013**.