

The Institute of Economic Analysis and Prospective Studies (IEAPS)

***The Role of Moroccan Small Microcredit
Institutions in Rural Development***

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Introduction

The experience has proven that microfinance is an efficient tool to help deprived populations increase their revenues, undertake a sustainable activity, and reduce their vulnerability to external and unpredictable shocks. Microfinance can also be a simulator to empower women and give them the possibility to be important actors in the economic and social life. Providing the poor with access to different financial services, microfinance plays a preponderant role to fight different factors causing poverty. For example, revenues generated by an economic activity do not contribute only to the development of this activity, but contribute also to improve the living standard of the household, the access to health services, and the access to education for children. Several studies have shown that the poor can be very vulnerable to external factors like diseases, death of the family head or the principal revenue generator, natural catastrophes, robbery and others. These risks weaken the limited financial resources of the household and only adequate financial services provided by microfinance can help attenuate them (FNAM, February 2005).

The magnitude of the rural sector in Morocco is very large. The rural population represents almost half of the total population of the country. In addition, poverty is more severe in rural areas and people living in rural zones have limited access to education, health, employment, and other basic services (water, electricity, and sanitation). Micro finance institutions, which are very active in rural and local areas, seem to be very important actors to attenuate the disparities between the urban and rural areas and improve access to basic services. Even though 3 large microfinance institutions (Al Amana Association, Zakoura Foundation, and Fondation Banque Populaire pour le Micro Cr dit) share 85 % of the Moroccan market (in terms of the number of clients, degree of coverage, and loan portfolio), the other 8 small micro finance institutions seem to be very active at the local and rural levels. With only a market share of 15 %, the Moroccan small micro finance institutions seem to serve the most deprived segments in rural areas in Morocco and reduce their exclusion and vulnerability.

The ultimate objective of this case study is to characterize the active role that small microfinance institutions play in local and rural development in Morocco. The first part gives an overview of the scale of poverty and the informal sector in Morocco and the disparities that exist between urban and rural areas in terms of activities and access to services. The largest part discusses the fields of activities and the sectors in which the 8 small microfinance institutions are operating. At the same time, the degree of outreach, the financial and operational sustainability, and the impact on clients of the small associations are highlighted.

I- State of poverty, informal sector, and disparities in access to services between urban and rural areas in Morocco

Given the magnitude of the rural sector in Morocco, much attention has to be devoted to this sector in order to pave the way for economic development and growth. During the last decade, many efforts have been made to reduce the disparities between the rural and urban areas in terms of access to social

services like health, education, insurance, water, electricity and other basic infrastructure facilities. Still, social indicators related to these services show high levels of inequality and imbalance between rural and urban areas. Poverty studies undertaken by the World Bank justify this inequality in access to social services in Morocco by the insufficiency and inefficiency of sectoral public spending and the failure of social programs to reach the targeted people (World Bank Poverty Report 2004).

a- Poverty and Rural Population

The rural population in Morocco constitutes almost half of the total population in the country during the 1990s. The share of the rural population is measured to be in the range of 45-50 percent of the total population between 1990 and 2004. In terms of absolute numbers, the rural population is estimated to be 13.428 millions in 2004. The share of the rural population was higher before 1990. It was even at the level of 70 percent during the 1960s. The numbers and shares of the rural population in Morocco are summarized in table 1. This table shows an increasing trend in the absolute numbers of rural population and a decreasing trend in the share of this population in the total population over the period 1965-2004. This means that people are moving out from rural areas to settle down in urban areas. Population studies join this decreasing trend to the migrating flows towards urban areas and the income differential between agricultural and non-agricultural activities.

Table 1: Rural Population in Morocco

	1965	1975	1980	1985	1990	1995	2000	2004
Rural Population (in Millions)	9.07	10.78	11.42	11.99	12.45	12.64	12.60	13.43
% Total population	68.10	62.30	58.90	55.40	51.80	47.90	43.90	44.9

Source: Moroccan Statistical Office

When looking at the living conditions of rural people in Morocco, income levels as well as social conditions are low. The degree of poverty in Morocco is very severe since almost 20 percent of the total population lives under the national poverty line (3337 DH per year). But if only the rural population is considered, the situation is even worse. According to the households survey conducted by the Moroccan Statistical Office, the total number of poor even jumped up from 13.1 percent in 1990/91 to 19 percent in 1998/99 (World Bank Poverty Report 2001). In terms of numbers, the number of poor has increased from 3.4 millions in 1990/91 to 5.3 millions in 1998/99. When considering only rural households, poor households occupy 66 percent according to the Living Standards Measurement Survey (LSMS) conducted by the World Bank in 1998/99.

Table 2: Poverty incidence and severity in Morocco

	1990-91			1998-99			Growth (%) 1990-98		
	Urban	Rural	National	Urban	Rural	National	Urban	Rural	National
Poverty line (DH per year)	2674	2384	2495	3922	3037	3337	47	27	34
Incidence of poverty (%)	7.6	18.0	13.1	12.0	27.2	19.0	58	51	45
Number of poor (1000)	912	2448	3360	1811	3496	5307	98	43	58
# Of economically Vulnerable (1000) (*)	2312	6640	8952	5034	7122	12156	118	7.3	35

Source: Statistical Office (1990-91 and 1998-99 LSMS)

(*): Those who are at or below 50 percent above poverty line

According to the national survey on household living standards undertaken in 1998-99, the poverty line in Morocco is 3.922 MAD per year in urban areas and 3.037 MAD per year in rural zones. For every 100 women in urban areas, 13 are below the poverty line. The educational level seems to be an important factor driving the distribution of poverty among these women. For example, only 1.4 women over 100 with a university degree are below the poverty line. These rates are the double in rural areas. The medical consultations for the rich are two times more important than for the poor. For housing, the disparities among the rich and the poor are worsened by the disparities between the urban and the rural. Hence, 20 % of the rich have access to water and electricity in rural areas against only 10 % for the poor. In urban areas, almost 100 % of the rich and 70 % of the poor are having access to these services.

b- Health and life expectancy

To have a detailed idea about the magnitude of poverty in rural areas in Morocco, access to basic facilities and services for the poor is presented in table 3. The numbers show that the health status of the Moroccan population has improved for the past 20 years. But discrepancies between rural and urban still exist. The life expectancy at birth, a measure of how long people live, has increased from 59.5 years in 1982 to 69.7 years in 2000. The birth rate has decreased from 37.2 per 1000 population in 1982 to 21.9 per 1000 population in 2000. This decline in the gross birth rate is explained by the increase in the education level of women. It also contributes as a relief from cost burden to raise many children for limited income families. But still, women in rural areas give birth to more children than in urban areas. As for the mortality rate, it has largely decreased from 8.2 per 1000 population in 1986 to 5.9 per 1000 population in 2000. But the mortality rate in rural areas is still high and is almost twice as high as the level of the mortality rate in urban areas.

Table 3: Health and life expectancy variables

	1982	1986	1990	1994	1998	2000
Life expectancy at birth (years)	59.5	62.0 (*)	63.5	67.9	69.2	69.7
Gross birth rate (per 1000 inhabitants)	37.2	31.6	29	24.2	22.8	21.9
Urban	32	22.8	21.8	20.9	20.3	19.8
Rural	41	39.3	35.8	27.8	25.8	24.6
Gross mortality rate (per 1000 inhabitants)	-	8.2 (*)	7.5	6.7	6.2	5.9
Urban	-	5.4 (*)	5.0	4.9	5.0	4.9
Rural	-	10.6 (*)	9.8	8.6	7.6	7.2

Source: Ministry of Health, Morocco

(*) 1987 data

c- Education and literacy

Reducing illiteracy and promoting schooling are the two objectives that have preoccupied the Moroccan Government since the country's independence. Major efforts have been undertaken to enlarge access to education especially among rural males and females. The results of these efforts for the 1990s can be observed when looking at education indicators (see table 4). But the disparity between the urban and the rural is still large. This implies the necessity to make huge efforts in order to generalize education in the country. The net enrollment rate to primary education in Morocco has increased from 58.6 percent in 1992 to 84.6 percent in 2000. But this rate remains 17 % below the average enrollment rate in Low and Middle Income (LMI) countries. Even though net enrollment rate to primary education has increased from 41.5 percent in 1992 to 76.6 percent in 2000 in rural areas, this means that 24.4 percent of rural school age children do not attend fundamental education. The gross enrollment rate to secondary education has increased from 36.2 percent in 1992 to 39.9 percent in 2000. The difference between the enrollment ratios in the primary and secondary education gives an idea about the performance of the educational system in Morocco. High failure rates have still been experienced at the transition from the primary to secondary education. The gross enrollment rate to tertiary education in Morocco is around 10 percent. This implies that 90 percent of the tertiary age students leave the educational system at the end of the secondary education or after starting higher education.

Table 4: Primary, secondary, and tertiary enrollment ratios

	1992	1994	1996	1998	2000
Gross enrollment ratio, primary (%) (2)	73.1	80.8	85.9	97.1	109.10
Net enrollment ratio, primary (%) (1)	58.6	64.5	67.5	73.7	84.6
Urban (1)	79.2	81.5	81.7	86.6	93.2
Rural (1)	41.5	50.3	55.3	62.5	76.6
Gross enrollment ratio, secondary (%) (2)	36.2	37.9	39.1	39.5	39.9
Gross enrollment ratio, tertiary (%) (2)	10.8	11.1	11.2	9.3	9.0

Source (1): Statistical Office

Source (2): WDI 2002

The same improvement trends can be observed in the illiteracy rates for Morocco. The Moroccan Government has tried to establish policies aiming to reduce illiteracy especially in rural zones. The two dominant educational programs adopted are maximizing access to education for rural girls and adult alphabetization. These policies oriented toward reducing the levels of illiteracy have contributed to decrease the illiteracy rate from 87 percent in 1960 to 48.3 percent in 2000. The magnitude of illiteracy is still severe in rural areas where the illiteracy rate is 66.9 percent in 2000.

Table 5: Illiteracy rates of population aged 10 years and above

	1960	1971	1984	1992	1998
National	87.0	75.0	65.0	54.9	48.3
Urban	73.0	54.0	44.0	36.9	33.7
Rural	92.0	87.0	81.7	75.4	66.9

Source: Ministry of National Education, Morocco

d- Employment

Employment is another issue to focus on in order to pave the way to rural development in Morocco. Table 6 demonstrates that the national unemployment rate in Morocco has witnessed fluctuations during 1982 – 2000. It has realized a minimum value of 8.4 percent in 1987 and a maximum value of 16.0 percent in 1995. When the urban and rural unemployment rates are compared, urban rates are higher than rural ones although almost the same fluctuation trend has been observed.

Table 6: Unemployment rates, urban and rural

	1982	1987	1991	1995	2000
Unemployment rate (%)	11.5	8.4	12.1	16.0	13.6
Urban	12.7	14.7	17.3	22.9	21.4
Rural	10.5	4.8	5.6	8.5	5.0

Source: Statistical Office

e- Access to basic infrastructure and social services

After looking at the data collected by the World Bank during the Living Standard Measurement Survey conducted in 1990/91 and 1998/99, access to social services among rural people has improved over the period 1990-98. In 1998/99, about 90.9 percent of the urban population and 12 percent of the rural population had access to piped water (compared to 76 and 6.3 percent in 1990/91). About 85.8 percent of the urban population and 15.9 percent of the rural population had access to electricity (compared to 90.4 and 12.7 percent in 1990/91).

Table 7: Access to social infrastructure and facilities

	1990-91		1998-99	
	Urban	Rural	Urban	Rural
Population with piped water system (%)	76.0	6.3	90.9	12.0
Population with electricity (%)	90.4	12.7	85.8	15.9
Population with garbage pickup (%)	84.8	2.0	85.1	2.4
Population living in shacks (%)	10.9	71.6	10.4	71.4

Source: Statistical Office (1990-91 and 1998-99 LSMS)

In this environment where the state of poverty shows gaps that do not cease to increase over the last 20 years, the informal sector appears to be an efficient tool to create jobs and fight poverty. According to a study undertaken by the Statistics Division, between April 2003 and April 2004, the number of micro enterprises in Morocco was 1.233.240 units employing almost 2 million persons, where 71.6 % of these enterprises are in urban areas. The informal production units are oriented mainly to commercial and repairing activities with a proportion of 53 %. The other sectors are relatively less penetrated with 21 % for industry (crafts industry included), 20.1 % for services and 6.2 % for construction. 70.5 % of the micro enterprises belong to only one person. 48 % are ambulant vendors, 11% undertake their activities at home, and 41 % only do have a professional locality. 40 % of the workers in the informal sector are illiterate and 54.9 % are women.

I- Small Micro Finance Institutions in Morocco and their Role in Rural Development:

1- FONDEP

The Foundation for Local Development and Partnership (FONDEP), created in 1996, is a Moroccan non profit organization that aims at making credit available to poor people specifically women. The main goal of this foundation is to use micro credits programs in order to help poor women create their own micro-enterprises in order to increase their income. Its products include loans to solidarity groups and individuals. From 15000 clients in 2003, FONDEP succeeded to reach over 20,000 clients in September 2004. This means that during nine months this organization managed to increase its clients outreach by more than a third. The most important challenges faced by FONDEP are providing credits for the poorest people in rural areas while also maintaining the quality of its portfolio. Developing financial products to meet the needs of rural clients and mobilizing more funds to satisfy this demand constitute other challenges.

FONDEP Association, through the micro credit system, contributes to finance small scale projects for women in rural areas (82 % of loans granted) and for young people excluded from the job market, having no source of revenue, and willing to be integrated into the economic life of the country. The association also takes an important part in the installation of basic socio-economic infrastructures and in the alphabetization of women in rural areas.

The status snapshot, as of September 2004, shows that the number of branches of FONDEP Association is 25 covering 20.863 clients all over the country. Women represent 67 % of the total number of clients. FONDEP operates with a loan portfolio of \$ 1.800.000. The value of the portfolio at risk more than 30 days or the value of all loans outstanding that have one or more installments past due more than 30 days is 2 %.

a- Characteristics of loans granted by FONDEP

FONDEP offers two types of loans: solidarity loans and loans for the very poorest people (micro crédit facile). These loans have characteristics summarized in the following points:

**** Solidarity Loans:***

- Given to groups between 4 and 25 (average 5 people).
- Refunded monthly or semi-monthly.
- Interest rate is equal to 30%.
- Reimbursement period is between 4 to 6 months.

* “*Micro Crédit Facile*”:

- The amount of these loans do not exceed 1 000 DH.
- Reserved exclusively for the poorest class with a daily income less than 25 DH.
- Reimbursed weekly.
- Interest rate is 38.3% for a reimbursement period of 19 weeks and 33.9% for a reimbursement period of 23 weeks.

Table 8 gives the characteristics of loans granted by FONDEP:

Table 8: Characteristics of loans granted by FONDEP

<i>In MAD</i>	<i>Solidarity Loans</i>	<i>“Micro Crédit Facile”</i>
<i>Amount (minimum / maximum)</i>	500 (cycle 1) / 5100 (cycle 15)	1000
<i>Nominal interest rate</i>	30 %	19 weeks: 38.3% 23 weeks: 33.9 %
<i>Fees</i>	10 MAD application fee per loan 50 MAD membership card	10 MAD application fee per loan
<i>Period</i>	4 or 6 months	19 or 23 weeks
<i>Frequency of reimbursement</i>	Bimonthly or monthly	Weekly
<i>Guaranties</i>	Solidarity of the group	Solidarity of the group
<i>Global effective rate(*)</i>	Minimum loan 6 months: 56.7 % Average loan 6 months: 52.9 % Maximum loan 6 months: 50.5%	19 weeks: 75.5 % 23 weeks: 66.9 %
(*) the global effective rate is increased after the first renewal (cycle 2) because the client has then to buy a membership card. For an average solidarity loan 6 months, the percentage is 69%.		

Source: FONDEP Report, 2004

b- Objectives

In an effort to craft its strategy and establish future perspectives, FONDEP has set up the following objectives for 2006:

- A portfolio growth of 400%,
- Increase the number of effective customers to reach 42 000 customers,
- Diversification of the services suggested for better meeting the needs for the targeted population.

To fill these objectives, FONDEP predict a moderate growth of its activity in zones already covered (not the opening of new agencies) with a potential of development, while remaining faithful to its rural target. The main objective of this strategy is to reach financial independence from credit institutions that restrict the geographical expansion of the foundation’s activities.

To insure the loyalty of its customers, FONDEP has many advantages over its competitors:

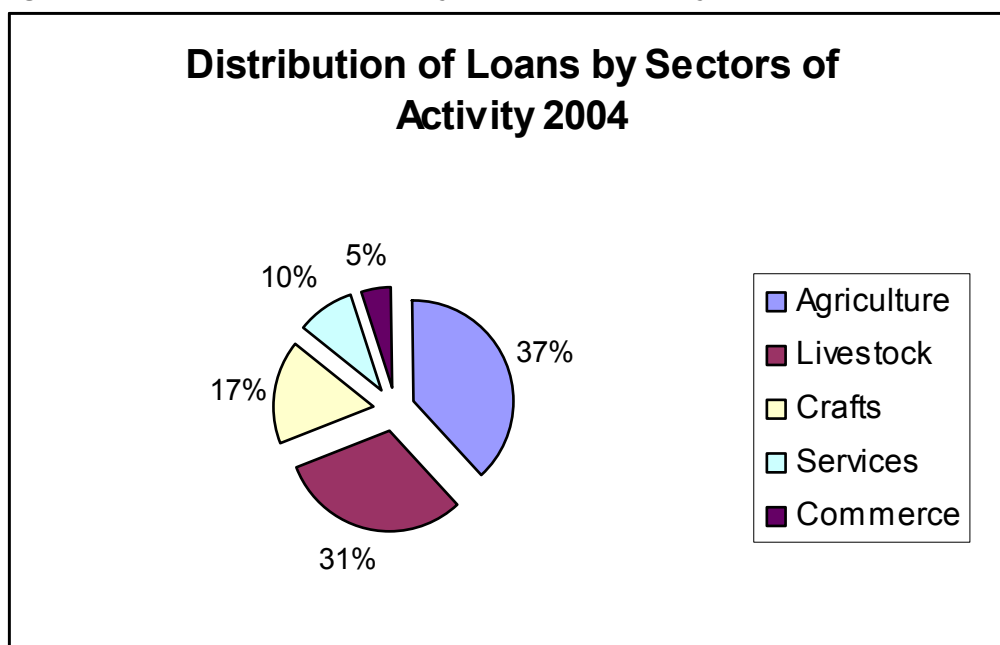
- More flexibility on the delay of payment,
- The ability to refund the monthly payment by only one member of the solidarity group,
- Fast renewal of the loan.

However, the need for renewing its loan several times before reaching important amounts represents the main disadvantage of this foundation compared to its direct competitors.

c- Outreach

The 2004 data show that the clients of FONDEP are composed of 82 % of women and 18 % of men. The distribution of loans by sectors of activities confirms the proximity and the philosophy of FONDEP to finance predominant activities in rural areas (agriculture, crafts, and livestock) as it is illustrated in figure 1.

Figure 1: Distribution of loans by sectors of activity 2004



d- Financial Sustainability

The increase in FONDEP portfolio is equal to 46% in less than 2 years. This increase is explained essentially by the raise of the loans amount and the quality of portfolio management. This conclusion is demonstrated throughout the following table.

Table 9: Quality of Portfolio

	2001	2002	2003
Amount bad debts (31-365 days)	0.38%	0.72%	0.71% (*)
Loss rate on loans	0.0%	0.1%	0.0%

(*) This percentage underestimates the bad debt amount because of the injection 1.15 million MAD in the portfolio in May 2003.

Source: www.microfinanceaumaroc.com

The above table shows that the rate of uncovered loans does not exceed 0.1% during three years. This performance can be explained by the strategy adopted by FONDEP which consists of allowing to the local manager to decide about giving or not a loan to a specific group (decentralized decision making).

The majority of the financial resources of this foundation come from owner's equity. This situation results on a dependence of this foundation on those equity owners who generally impose their strategies on the managers of FONDEP. Therefore, FONDEP has to look for new financial sources to insure its independence and its ability to face the increasing competition from other micro credits associations. The Major financial institutions that help FONDEP are Hassan II Fund, Fondation Conseil Espagnol d'Appui aux Réfugiés, Association Marocaine de Solidarité et Développement, and Fonds International pour le Développement Agricole.

The financial achievements of FONDEP in June 2004 are summarized in the following table:

Table 10: Financial achievements

	June 30, 2004
Total loan portfolio (DH)	12 491 738. 87
Number of active loans	13559
Total number of loans granted	104613
Total amount distributed	123 528 170
Portfolio at risk	0

Source: www.microfinanceaumaroc.com

2- AIMC Association

The Association Ismailia pour le Micro Cr dit (AIMC) is a non profit organization that was created in 1998. Its mission consists in serving the most deprived segments, mainly women, in the region of M kn s. AIMC is a regional association that counts 20 persons in its staff. The total number of active clients in December 2003 is 2271 and the average amount of loans granted is 5406.13 MAD. The total loan portfolio is amounted to be 5.406. 131MAD.

The role of the Association AIMC (Association Ismailia pour le Micro Cr dit) is to contribute to the economic and social development of the city and the region of M kn s. The AIMC is considered as the partner of women (100 % of its loans are granted to women). The reasons concern the facts that women are deprived in its community, excluded from the banking system, and are looking for a small loan to develop their economic activities. The association is active mainly in urban areas; but it is willing to actively develop its activities in rural zones.

a- Outreach

The degree of outreach of AIMC shows that the association targets women (100% of its loans are granted to women), poor people (80% of loans), and illiterate people (80 % of loans). AIMC adopts a sampling method with prospective visits to the field to target the most poor and illiterate people.

Table 11: Degree of outreach

	December 2003
% of clients below poverty line	80 %
% of female borrowers	100%
% of illiterate borrowers	80 %
% of clients in rural areas	15 %
% of clients creating their enterprises for the first time	10 %
Absolute number of households in the target population covered by the institution	2271
Number of micro enterprises in the target population covered by the institution	20 491

Source: AIMC survey answers, 2004

b- Financial sustainability

The 2004 financial data show that the total number of loans that AIMC has granted since its creation is 21896 and the number of active loans is 2449. The total loan portfolio is 5 905 608 MAD and the total amount distributed since the creation is 7 249 000.

The following table shows some other indicators that illustrate the financial sustainability of AIMC in December 2003.

Table 12: Financial sustainability

In MAD	December 2003
Total amount of revenues	2 221 890
Total amount of subsidies	3 500 000
Operational costs	54 250 000
Financial costs	5 406 131
Total amount of provisions	3 270 047
Portfolio volume of loans not reimbursed	30 000
Portfolio at risk (more than 30 days)	30 000
Bad debts	30 000
Interest rate (nominal, membership, and other charges)	2 % + 10 MAD application fee
Total deposits	3 270 047
Depreciated capital	3 500 000
Staff expenses	938 300.34
Assets	2 221 890
Liabilities	2 221 890
Operating expenses	21 459.31
Average number of active borrowers	107

Source: AIMC survey answers, 2004

3- AMSSF - MC

The AMSSF-MC grants loans to deprived populations of Fès and the region of Moyen Atlas (Azrou, Mrirt, and Ifrane). In total, the AMSSF-MC has granted more than 24.489 loans since 1996. The association targets micro entrepreneurs having already started an activity (95 % of whom are women) in rural or semi-urban areas. The main activities financed are commerce, production, handicraft, agriculture, which are preponderant in rural areas. This association wishes to extend its activities in the Haut Atlas.

The AMSSF association, whose reason of being is to help deprived women, has started its micro crédit activities in 1996 in the region of Fès with a financial support from the Association Marocaine pour la Solidarité Et le Développement. This financial support is fostered by the UNDP, Hassan II Fund, and AGFUND. Today, AMSSF/MC is a sustainable microfinance institution with 6000 clients and a loan portfolio of 580.000 Euro is December 2003. The association loans, granted under a group loan method, are devoted to finance the working capital of clients in urban and semi-urban areas as well as some clients is rural zones in the region of Fès and Moyen Atlas.

a- Products and services

The AMSSF grants two main types of loans: group loans for rural tourism and classical group loans. The association loan portfolio shows an exceptional quality with a portfolio at risk (more than 31 days) less than 0.5 % and a ratio of losses/loans less than 1 %. The portfolio management is very efficient and is based on a rigorous selection system. This selection system is built on group guarantees and a gradual progression of loan amounts (cycles of credit).

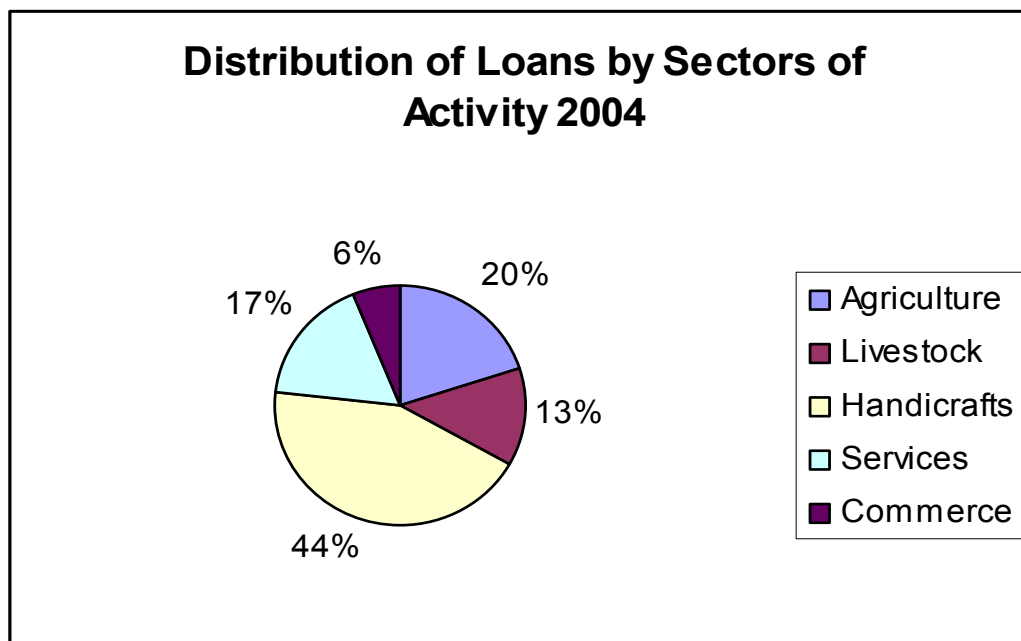
b- Financing and liquidity

Even if AMSSF/MC was launched in 1996, the association did not start to receive important external funds till 1998 through the MicroStart Program of the UNDP; then in 2000 through Hassan II Fund. The financing comes mainly from subsidies and retained earnings from previous years. AMSSF/MC does not collect savings (it collects just solidarity deposits of 2 % of the amount granted. These deposits are reserved for clients if the annuities are respected and represent 3 % of the equity in December 2003). The association has never contracted a loan from a bank and is not authorized to go below its bank funds. Hence the equity part is composed of initial launching funds provided by AMSED, subsidies from the UNDP and Hassan II Fund. The owners' equity is amounted to be 7.2 million MAD in December 2003 where 75 % come from subsidies (96 % in 2002).

d- Outreach

The share of women in the clients of AMSSF/MC is 95 % leaving only a small part for males. The division by sector of activity illustrates the dominance of Handicrafts (46 %) followed by agriculture (20 %) and services (16%). The following figure shows the distribution of loans by sectors of activity in 2004.

Figure 2: Distribution of loans by sector of activity 2004



d- Operational and Financial sustainability

The operational self-sufficiency of AMSSF/MC is very high relative to the sector. It reached 168.5 % in December 2003 while the average for the sector is 91%. The sustainability of the group is therefore ensured. After adjustments (financial self-sufficiency), AMSSF/MC continue to show a high level of autonomy; which is remarkable taking into account the adjustments for funds' costs and donations by Planet Rating.

The summary of financial information of AMSSF/MC in June 2004 is provided in table 13:

Table 13: Financial achievements

	June 30, 2004
Total loan portfolio (DH)	11 012 990.9
Number of active loans	8 388
Total number of loans granted	56 844
Total amount distributed	91 190 560
Portfolio at risk	0

Source: www.microfinanceumaroc.com

4- Fondation Crédit Agricole pour le Micro Crédit

The Fondation Crédit Agricole pour le Micro Crédit (FCAMC) is a non profit organization created in 2001. It has 5 local branches in Morocco and a staff of 20 persons. The multiple constraints which are faced by the milieu rural have pushed the association to choose a pilot zone in Errachidia to launch its operations in 2002. During the current year, 3 new local branches have been implemented at the level of the localities of Rich and Erfoud in the province of Errachidia and one in Amez Miz in the province of El Haouz. The planning of the network set up of the foundation forecasts the opening of 8 new local branches per year. In 2003, the number of active borrowers is 4163 and the value of the total loan portfolio is 4 276 003 MAD.

a- Outreach

The degree of outreach of FCAMC shows that women represent 40 % of total clients. The number of clients living below the poverty line and undertaking their activities in rural areas represents 99 % of the clients of FCAMC. This shows the active role that FCAMC plays in alleviating poverty in rural zones and contributing to local development of the country.

Table 14: Degree of outreach

	December 2003
% of clients below poverty line	99 %
% of female borrowers	40 %
% of clients in rural areas	99 %

Source: FCAMC survey answers, 2004

b- Financial sustainability:

The 2004 financial data show that the total number of loans that FCAMC has granted since its creation is 5 249 and the number of active loans is 4 163. The total loan portfolio is 4 412 980 MAD and the total amount distributed since the creation is 8 954 000.

The following table shows some other indicators that illustrate the financial sustainability of AIMC in December 2003.

Table 15: Financial sustainability

In MAD	December 2003
Total amount of revenues	3 410 476.41
Operational costs	1 796 361.22
Financial costs	28 557.61
Total amount of provisions	0
Portfolio volume of loans not reimbursed	0
Portfolio at risk (more than 30 days)	0
Bad debts	0
Interest rate (nominal, membership, and other)	2 % per month

charges)	
Total deposits	0
Staff expenses	1 396 748.96
Assets	5 173 169.45
Liabilities	5 173 169.45
Operating expenses	1 253 994.15

Source: FCAMC survey answers, 2004

5- AMOS

AMOS is the Micro Credit Association of Oued Srou that was created on February 25th, 2000 with a non profit goal and with a legal status of Non Governmental Organization (NGO). This association is based in the region of Khénifra, in the central middle Atlas.

Khénifra covers an area of 320 000 hectares which represents 15.6% of Méknès-Tafilalet region's territory. This zone includes 3 urban municipalities, 35 rural districts including El Kbab zone, 13 annexes and 655 small rural villages. According to the last population census of 2004, the population of Khénifra municipality consists of 511 538 inhabitants, half of which live in rural areas. Traditional agriculture, livestock keeping, forest exploitation and craftwork are the basic economic activities of the region. Khénifra's population suffers from low income, isolation, growing demography, overexploitation of resources and high rate of illiteracy (Monographie de la région Méknès-Tafilalet, 2004).

AMOS seems to target the rural zones in opposition to other Moroccan associations that have a majority of active clients coming from urban areas. According to Planet Finance data, the Association of Micro Credit of Oued Srou intervenes in two major zones:

- Rural zone with 57.19% coverage, and
- Peripheral zone (semi-rural area) with 42.81% interventions

Women are the predominant clientele of this association representing 98.01% against 1.99% male clients (Planet Finance, 2004).

Active in the region of Khénifra and Midelt, the Association AMOS use methods of individual and joint or group loans. A new product is currently being developed for solidarity groups with a guarantee amount of 1.5 % of the loan amount repaid back at the end of the period. The association grants loans to clients in rural and semi-urban areas with women representing 98 % of total clients.

a- Outreach

In order to evaluate the degree to which AMOS reaches the minority population (women, poor, illiterate and rural), a survey was conducted in the rural areas of Khénifra (April 29th - May 7th 2005). This choice of region was motivated by the fact that the crashing majority of women suffers from a high rate of illiteracy and low income. The fieldwork was conducted with 75 women who live in the peripheral districts of Khénifra (such as Lassiri, Taabite, Lahri, Elmassira El Olya, Ait Khassa, Thazaret Iaraden, Boudraa, and Adakhsal) because of their isolation from the center and the facilities. This choice of districts was done on purpose so

as to verify if micro credit has allowed these destitute women to improve their conditions of life and that of their families by extension.

Clients below poverty line are people living on less than US\$ 2 / day, meaning less than 20 MAD / day. From the sample of women surveyed, 46.67% of the families live below the poverty line. This sample represents 100 % of women borrowers since the survey was directed only on women. However, AMOS gives loans to both men and women with a concentration on these latter (98.01%) since they observed the seriousness of women in the reimbursement part of the process. Illiterate Clients in the sample represent 61.33% while 10.67% of women took literacy courses, 24% stopped at primary school and 4% left at secondary school. The sample is composed of clients from rural areas and peripheral districts only: 100% rural clients. Clients starting their micro enterprise for the first time represent the number of clients who started an activity after contracting micro credit from AMOS. In this case, the clients represent 12% of the total sample.

Khénifra municipality is composed of 511 538 inhabitants (according to the last 2004 population census), 50% of which live in the rural areas. The rural population (241 608 inhabitants) is made up of 43 299 families or houses. As to the urban population, it is made up of 269 823 inhabitants and 62 008 families. The *extent of outreach* is then 43 299 households.

Table 16: AMOS and Morocco's Outreach Averages for each Minority Category

	AMOS (Sample of 75 households)*	AMOS**	Country Average
Percentage Women	1	0.98	0.503
Percentage Rural	1	0.90	0.45
Percentage Illiterate	0.61	0.76	0.55
Percentage Poor	0.47	-	0.19

* Data gathered from fieldwork

** Data gathered from AMOS

Depth of Outreach Indicator (DOI Index) related to the sample of 75 beneficiaries served by AMOS is 1.39 meaning that the clientele sample served by AMOS is more rural, poor, female and illiterate than the average of the country.

b- Financial Sustainability

To measure the financial sustainability of AMOS, a ratio analysis has been done on the available financial data (of 2003) gathered from the association.

AMOS should rely on itself, not only on donors, to be financially viable and subsidize its operations:

Operational Self-Sufficiency:

AMOS had a performance of 106.59% in 2003 which implies that the association has long term provisions and that its costs are not high compared to the income generated.

Financial Self-Sufficiency:

In 2003, the association's financial self-sufficiency reached 106.17% which corresponds to the operational self-sufficiency, with the financial costs being low.

Table 17: Financial Sustainability (2003 Data)

	2003
Total Income (Dhs)	1 744 254,50
Subsidies (Dhs)	196 500,00
Operational Costs (Dhs)	1 446 729,49
Total Provisions (Dhs)	5 300,00
Financial costs (Dhs)	5 800,00
Gross Portfolio Outstanding (Dhs)	584 657,00
Volume Savings	-
Total Outstanding Loan Balance with at least an instalment past due (> 90 days) Dhs	475 446,00
Loan Loss Reserve	-
Portfolio at Risk > 30 days	-
Total Loan Instalments Past Due (Dhs)	584 657,00
Total Deposits	-
Reserve Funds	-
Undistributed Profits (Dhs)	424 000,00
Paid-up Capital	-
Personnel Expenses (Salary, CNSS) Dhs	868 676,90
Total Assets (Dhs)	8 310 904,00
All Liabilities with "Market" Price (Dhs)	7 550 416,00
Operating Expenses (Dhs)	1 446 729,49
Average Number of Active Borrowers	4 693

Source: AMOS survey answers, 2004

6- INMAA

INMMA is a non-profit organization that aims to enhance the micro-credit activities in morocco. This association has been created within AMSED (Association Marocaine de Solidarité Et de Développement), which allowed INMAA to benefit from the technical and financial support of the AMSED.

INMAA gives priority to women and rural zones. 52 % of its loans are granted to women and 89 % are granted to people in rural areas. In addition to its classical product, the institution counts developing new micro credit products adapted to the needs of certain well-defined economic sectors. Raising livestock, textile, traditional fishing and other promising economic sectors are areas where INMAA wants to develop new adapted products.

INMMA focuses mainly on what we call "Classical Product of the Microfinance Program". This program can be defined throughout the following points:

- Interdependent warranty.
- The increasing amount of the loans.

- Refunding for a short period.
- AQ flexible administration.
- Saving.

Beginner entrepreneurs are the main clients of this association. Each one of them has to come up with a project with a reasonable probability of success and an ability to generate income to repay the loan. Those entrepreneurs must form a group of solidarity of at least 5 members, *but each member of the group receives his loan in an individual way*. In addition, if the group pays on a regular basis they may have the ability to access to credits with higher amount (Progressive Principle).

Since the groups of borrowers are not supposed to present tangible collateral, they are obliged to pay some annuities on a regular base throughout the life of the loan that is in general between 4 & 8 months. In addition to that, all the borrowers are obliged to put a small amount of money on a regular basis in “*Caisse Nationale d’Epargne*” in order to face the daily needs of their family.

a- Parameters of the loans

The solidarity loans granted by INMAA aim to promote goat raising at the northern part of Morocco. This activity requires amounts of 5000 to 20.000 MAD granted individually to goat raisers who have proven willingness to modernize their activity.

INMAA grants loans that have duration of 4 to 8 months with reimbursements issuance of 1 month. The interest rate that is charged by INMAA is 2 % per month. All the loans granted are solidarity loans with groups of 5 to 8 persons. The association requires a saving of at least 1 % per month. The progressive amounts of loans are presented in the following table:

Table 18: Parameters of loans granted by INMAA

	Cycle 1	Cycle 2	Cycle 3	Cycle 4	Cycle 5
Amount in Dirhams	500 -1000	1000-2000	2000-3000	3000-4000	4000-5000

Source: INMAA Report, 2003

b- Outreach

Women receive a share of 55 % of the loans granted by INMAA while men share the remaining 45 %. The distribution of loans by activity is dominated by commercial activities with a share of 33 %, livestock raising with a share of 28 %, handicrafts with a share of 25%, and finally services receiving 14 % of the loans. The majority of INMAA clients are aged between 25 and 40 years (45 %) while clients aged less than 25 and more than 40 represent 25 % and 30 % respectively.

c- Financial achievements

From the following table, we can notice that the majority of the INMAA clients are illiterate (45%) and from rural area (89%). This fact shows us the importance of such association that may help the most vulnerable part of the society to create their own business and participate in the development of the country.

Table 19: Financial achievements

	March 30, 2003
Number of active clients	1354
Total loan portfolio (Dirhams)	1 303 733.25
Women percentage	55 %
Clients by sectors of activity	Commerce: 33 % Livestock: 28 % Handicrafts: 25 % Services: 14 %
Clients by level of education	Illiterates: 45 % Primary education: 33 % Secondary education: 21 % Tertiary education: 1 %
Clients by age groups	Less than 25 years: 25 % 25 – 40 years: 45 % More than 45 years: 30 %
Clients by intervention zones	Rural: 89 % Urban: 11 %
Use of loans	Reinforcement of activities: 80 % Creation of an activity: 20 %

Source: INMAA Report, 2003

7- AL KARAMA-MC

AL KARAMA-MC is a non governmental organization which supports the social and economic development of the country. It is specialized in the micro credit sector and is a non profit institution. Issued from the Moroccan Association for Support to Local Development, AL KARAMA-MC was created in July 1999. The mission of AL KARAMA-MC is to follow up the progressive growth of each beneficiary micro enterprise by providing financial and technical support. The main partners of AL KARAMA-MC are UNDP in the framework of the MicroStart Project and the Moroccan Government through Hassan II Fund for Social and Economic Development in the framework of the project Oriental I. Other partners are the GOLF program for United Nations Organizations support (AGFUND), Planet Finance, and Switzerland embassy in Morocco.

The clients of AL KARAMA are poor women undertaking a revenue-generating activity and excluded from the traditional banking system because of the lack of material guaranties. The association operates and ensures technical and financial support in two big zones in the oriental part of Morocco: Oujda and Figuig. The association also wishes to develop its activities to cover the whole oriental part of Morocco.

a- Characteristics of loans

AL KARAMA-MC offers 4 types of loans: classical joint loans, loans for rural tourism, individual loans, and handicraft loans.

Table 20: Characteristics of loans

Loan	Characteristics
Classical joint loans	<ul style="list-style-type: none">• With an amount varying between 500 ad 5000 MAD, this loans are granted to groups of 5 to 9 persons who provide a mutual guarantee to each other,• Paid back with fixed annuities bi-weekly,• The duration of the loan is 4 to 8 months.
Loans for rural tourism	<ul style="list-style-type: none">• These loans are reserved to micro entrepreneurs engaged in rural tourism activities generating revenues,• The amounts of these loans vary between 500 and 7000 MAD,• Paid back with fixed annuities bi-weekly.
Individual loans	<ul style="list-style-type: none">• Only micro entrepreneurs who have benefited from solidarity loans can contract these loans to promote their activities,• The amounts vary between 3000 and 10 000 MAD,• Paid back with fixed annuities bi-weekly.
Handicraft loans	<ul style="list-style-type: none">• Reserved for micro entrepreneurs undertaking handicraft activities and willing to provide mutual guarantees,• Paid back with fixed annuities bi-weekly,• The duration of the loan is 4 to 8 months.

Source: www.microfinanceaumaroc.com

b- Outreach

It seems from the profiles of beneficiaries that AL KARAMA-MC grants the majority of loans to women (97%), to micro entrepreneurs in the handicraft sector in rural areas. These facts are summarized in the next two figures.

Figure 3: Profile of beneficiaries from AL KARAMA loans in 2003

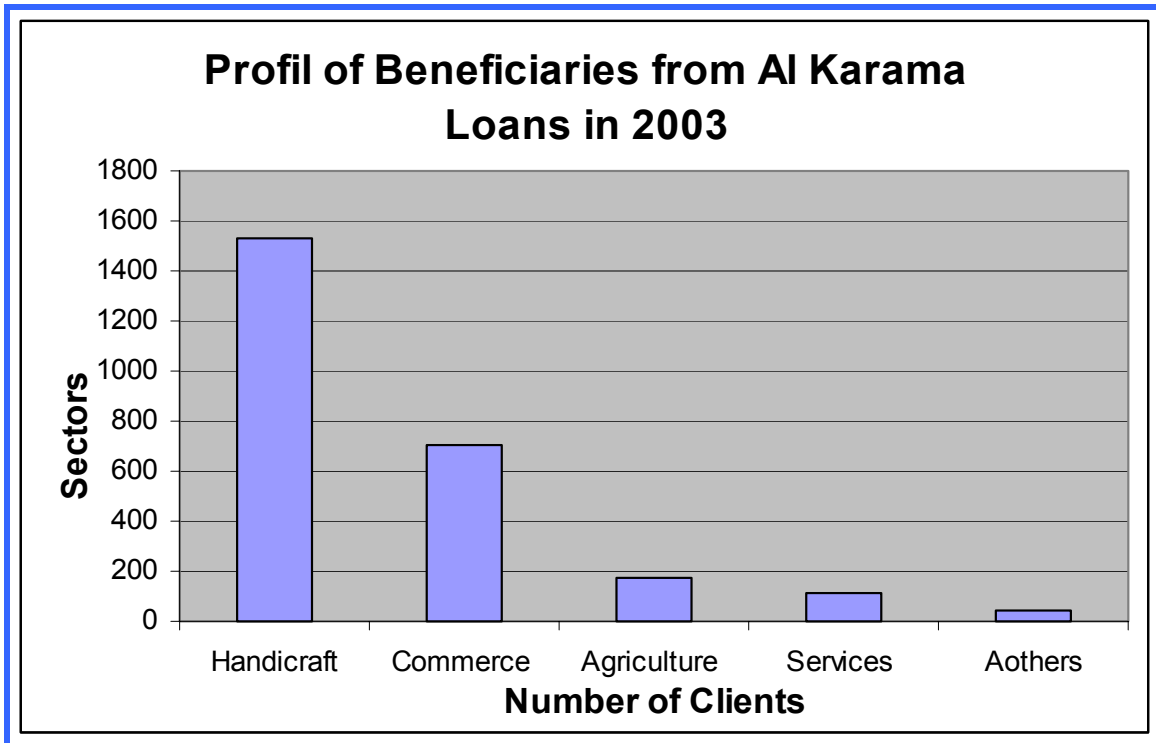
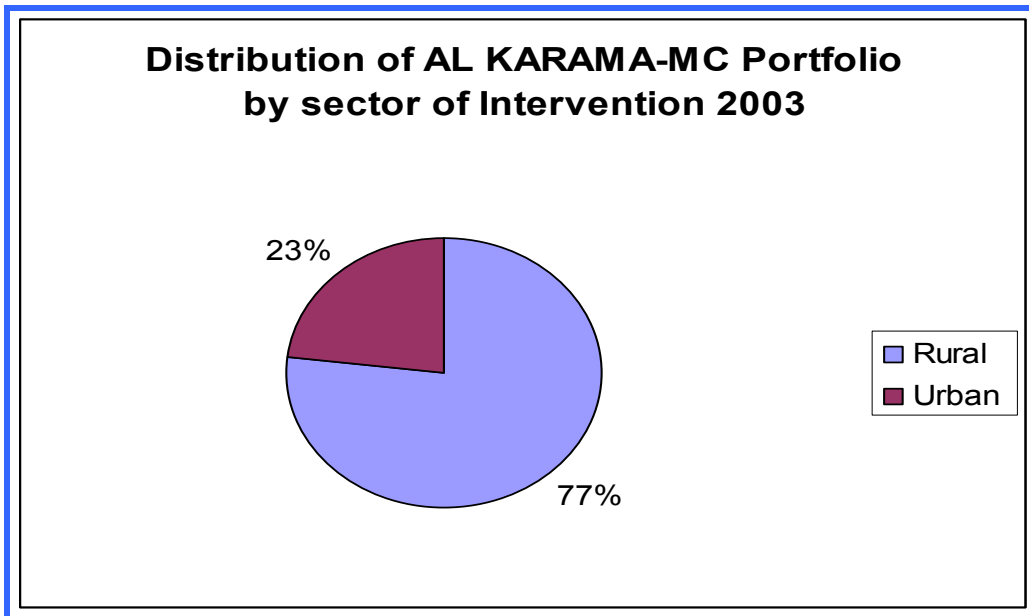


Figure 4: Distribution of AL KARAMA Portfolio by sector of intervention 2003

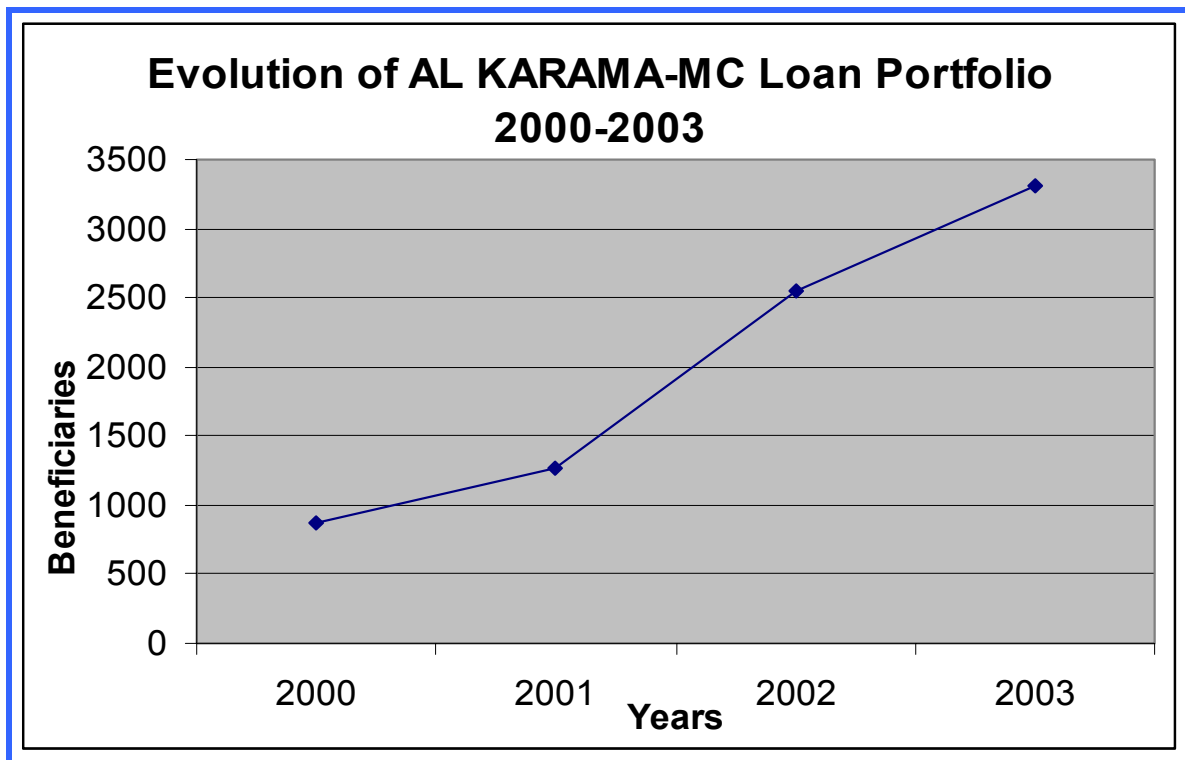


c- Financial Achievements

AL KARAMA-MC has reached 3315 beneficiaries in December 2003 after it was only 2556 in 2002 and 874 in 2000. The total loans portfolio is 4 124 948 MAD and the total number of loans granted since its creation is 17 071 in 2003. The reimbursement rate is 100 % meaning a portfolio at risk of 0 % and the retention rate is 91 % in 2003. AL KARAMA-MC was able to verify that its loans really

contributed to enhance the standard of living of its beneficiaries and promote their development activities. The evolution of the loan portfolio of AL KARAMA-MC from 2000 to 2003 is illustrated in the following figure.

Figure 5: Evolution of AL KARAMA loan portfolio 2000-2003



8- ATIL- MC

ATIL-MC is an active micro credit association that is active in the northern part of Morocco. It offers credits to promote micro enterprises in this region of the country. By this, ATIL-MC contributes to the local development of the northern part and therefore to the economic and social development of Morocco as a whole.

ATIL has started its activities in May 2001 in collaboration with an Italian NGO APS and the Italian ministry of foreign affairs. It aims to promote a viable model for local economic development in the Wilaya of Tetouan. The association supports the reinforcement but mainly the creation of micro enterprises by providing financial and support services (training, commercial and technical assistance). ATIL aims also to integrate the deprived populations mainly the young and women into the economic and social life of the country.

a- Financial Achievements

The 2004 financial data show that the total number of loans that ATIL-MC has granted since its creation is 4 929 and the number of active loans is 1 751. The total loan portfolio is 5 154 338 MAD and the total amount distributed since the

creation is 15 375 359 MAD. The portfolio at risk is 0 % meaning that clients of ATIL-MC reimburse their loans on time. The financial achievements of ATIL-MC in June 2004 are summarized in the following table:

Table 21: Financial achievements

MAD	June 30, 2004
Total loan portfolio	5 154 338
Number of active loans	1 751
Total number of loans granted	4 929
Total amount distributed	15 375 359
Portfolio at risk	0

Source: www.microfinanceaumaroc.com

Conclusion

It clearly appears that small micro finance institutions in Morocco play a primordial role in helping people create or reinforce their enterprises in rural areas. The first conclusion is related to the share of women in the clients of these associations (women represent more than 90 % of the clients of these associations). In Morocco, women are excluded from the economic and social life and this initiative of small micro credit institutions seems to reintegrate them. Another aspect is the activities financed. The majority of the mentioned institutions grant loans to people to finance agricultural, livestock, and handicraft activities. These are the pre-dominant activities in rural areas. The third conclusion is the proximity of these small microfinance institutions reflected in their prospective field visits to follow up the evolution of the financed activities. The last point is related to the fact that these small microfinance institutions prioritize poor people in granting the loans and providing technical assistance. The percentage of clients living below the poverty line represents more than 80 % for almost all the associations.

Table 22: Comparison of the loan portfolio, number of active clients, and the average amount of loans of the 8 small microfinance institutions:

Association	Loan Portfolio	Clients	Loan Amount	Date
FONDEP	123 528 170	13 559	9 110.42	30/06/2004
AIMC	7 249 000	2 449	2 959.98	30/06/2004
AMSSF-MC	91 190 560	8 388	10 871.55	30/06/2004
AMOS	5 654 861	5 154	-	30/06/2004
FCAMC	8 954 000	4 163	2 150. 85	31/12/2003
INMAA	13 745 000	3 196	4 300.69	30/06/2004
AL KARAMA-MC	29 584 500	3 315	8 924.43	31/12/2003
ATIL-MC	15 375 359	1 751	8 780.90	30/06/2004

Source: www.microfinanceaumaroc.com

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