

Sustainable economic development, employment and labour market

Alternative approaches to financial inclusion of SME

Background and Objective

Small and medium-sized enterprises (SMEs) and start-ups create jobs and allow many people to earn their own income. However, these types of businesses in the Palestinian Territories have insufficient access to financing. As a result, they cannot implement their ideas, create new products and services, successfully access new markets, or realise their full potential.

It is estimated that there is demand for finance of between USD 630 and 900 million which cannot be met every year. On the demand side, the reasons for this include a lack of knowledge about and confidence in financial products and their providers; on the supply side, there are hardly any innovative alternatives to bank loans, as the relevant regulatory framework conditions are not in place.

Leasing, factoring (the transferring of a company's accounts receivable to a finance institute) and insurance are among the main alternative financing options. Innovative products and suppliers who wish to offer client-oriented, technology-based products, are looking to enter the Palestinian market. These 'fintechs' offer enormous potential for improving the

financial inclusion of broad sections of the population. With this in mind, the government, regulators and private stakeholders agreed upon a national strategy for financial inclusion in 2018: the emphasis of this strategy is on using technology and on educating and protecting the population.

As a result of the 2020 coronavirus pandemic, the need for innovative technological business models that replace cash and mobility has become particularly urgent.

„The vision of the NFIS is to achieve “a developed financial sector that fully meets the financial needs of all segments of the Palestinian society to improve their welfare”

National Financial Inclusion Strategy (NFIS), 2018

Project name	Alternative Approaches to Financial Inclusion of SME
Commissioned by	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (BMZ)
Project region	Palestinian territories (West Bank, Gaza Strip)
Partners	Ministry of National Economy, Palestine Capital Market Authority, Palestine Monetary Authority
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A-FIN provides the authorities with technical assistance to support:

- The Palestinian financial market regulators in their work to develop and communicate an improved, easy-to-understand range of information for SMEs and start-ups on the use of innovative financial services.
- The Palestinian financial market regulators in ensuring proper evaluation and enabling regulation for new fintech providers and business models to facilitate controlled market entries.

- A targeted facilitation of Fintech solutions with the aim of supporting their market entry or piloting, including public-private dialogue, legal advice, studies and business development measures.

Achievements

In February 2020, the Palestine Monetary Authority adopted a strategy for promoting fintech business models. As an accompanying measure, the authority established new structures internally that aim to improve coordination with the private sector and other important stakeholders, to address technological challenges and promote innovation.

In April 2020, the authority granted permission for the use of electronic and mobile payment services for the first time.

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