



MED MSMEs

Policies for inclusive growth

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Support to an Enabling Business Environment for MSMEs Development & Financial Inclusion



"Facilitating Small Enterprise access to finance by scaling up innovative MFIs"

Key Preliminary Findings

28th October, 2021



The background of the slide is an abstract composition of various geometric shapes, primarily triangles and squares, in shades of blue, teal, and light green. These shapes are arranged in a way that creates a sense of depth and movement, with some elements appearing to recede into the distance while others are in the foreground. The overall effect is a dynamic and modern visual texture.

Assignment Objectives and Status

The overall objective

To enhance A2F to MSMEs through MFIs through dialogue and the exchange of policies in the South Med region.

The specific objectives:

To conduct a mapping on available policies that regulates the MF sector and identify the advantages and opportunities that can enhance the role of MFIs by, e.g.:

- I. Increasing the lending cap
- II. Adopting tools allowing to enhance lending to women entrepreneurs
- III. Fostering fintech services and digitalisation in the MF sector.

Mapping policies & regulations

Best practices

- We are categorizing, and discussing best regulatory/policies practices for the MFI sector, especially from the EU and NEAR region
- We are identifying key documents and organizations related to these European “best practices”

Comparison

- “Best practices” are being compared with current practices of the countries subject of this study
- More than 150 policy and regulations related documents have been reviewed in this regard
- Magnitudes of the gaps are being assessed and recommendations issued

COLOR MAPPING

IMPORTANT



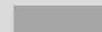
MEDIUM



LOW



N/A



Summary of preliminary findings

Lending and upscaling

- Tiered licenses enabling MFI's upscale are lacking
- Product offering is limited due to regulations and / or lack of capacity of MFIs
- Taxation regimes are complex and often discriminatory
- Some countries still applied loan and interest rates caps, which hinder MFIs
- Funding challenges are still impediments to growth
- Coverage of credit bureaus is still limited
- Alternative securities & Credit Guarantee Facilities (CGF) are still limited

Proposals and recommendations

Lending and upscaling

- Transparent and simplified tiered licencing
- Legislation in place for innovative products (leading, factoring, digital, etc). Capacity building for MFIs.
- Taxation regimes should be more fair, transparent, and applied uniformly among Banks and MFIs.
- Remove loan and interest rate caps (exception for usury)
- Facilitate access to long term local currency credit lines and equity
- Increase coverage of Credit Bureaus to include MFIs, retail, and utilities.
- Registers not only to cover “hard” collateral. Increase Credit Guarantee Facilities (CGF) offering.

Summary of preliminary findings

Gender

- Women are still being systematically underserved in their access to financial services
- Regulations for female representation on MFIs' supervisory and management boards are lacking
- Gender strategies are still sparse among MFIs
- MSMEs owned and managed by women are rare in the region, even more severe in the case of Fintechs

Proposals and recommendations

Gender

- Implementation of a Regional Gender Equality Index on Financial Institutions could facilitate comparisons among countries both in terms of clients and staffing (e.g. board representation and senior positions)
- Propose regional regulators to consider the guidelines of the ECB for promotion of diversity within the management bodies of supervised entities.
- Increase the use of guarantees to support MFIs, especially when lending to vulnerable groups including women and start-ups

Summary of preliminary findings

Facilitating digitalization in the Microfinance Sector

- Obtaining fintech licences is complex in many countries or legislation is insufficient and/or lacking
- In some countries there is a lack of Single Supervisory Mechanism and insufficient or not existent legislation on Sandboxes
- Cashless payments and e-signature use are still underdeveloped for various reasons, although legislation is existent in most countries

Proposals and recommendations

Facilitating digitalization in the Microfinance Sector

- Use the EU Fintech Plan as a guidance
- Consider adopting the approach of ECB's Guide to assessments of fintech credit institution licence applications and a Single Supervisory Mechanism
- Consider adopting the EU Council Conclusions and future legislation on Regulatory Sandboxes and Experimentation Clauses
- Consider aligning legislations with
 - EU's eIDAS Regulation (E-signature)
 - Regulation on European Crowdfunding Service Providers for business
 - The EU Revised Payment Services Directive (PSD2)

The background features a complex, abstract geometric pattern. It consists of numerous overlapping triangles and squares in various shades of blue, teal, and green. The shapes are arranged in a way that creates a sense of depth and movement, with some elements appearing to recede into the distance while others are in sharp focus. The overall effect is a vibrant, multi-colored mosaic.

THANK YOU