



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

Policies and Instruments supporting MSMEs Access to Finance in EU South Med Countries

A comparative analysis

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Disclaimer

This MED MSMEs Programme “Comparative Regional Paper on Policies and Instruments on MSMEs Innovative Access to Finance in EU Southern Neighbourhood Countries” is a project management report that has been prepared by the Technical Assistance Team to the best of their knowledge and information available. The content of this document does not reflect the official opinion of the European Union. Responsibility for the information and views expressed in the report herein lies entirely with the authors. Neither the European Union institutions and bodies nor any person acting on their behalf may be held responsible for the use which may be made of the information contained therein.

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ACRONYMS

ABB	Al-Barid Bank
CBE	Central Bank of Egypt
CBJ	Central Bank of Jordan
CCAF	Cambridge Centre for Alternative Finance
CMA	Capital Markets Authority
COVID	Corona Virus Disease
CNEA	National Business Environment Committee
MAD	Moroccan Dirham
BCT	Bank Central de Tunisia
EBRD	European Bank for Reconstruction and Development
EMGN	Euro-Mediterranean Guarantee Network
EU	European Union
EUR	Euro(s) - European Monetary Unit
FRA	Financial Regulatory Authority
GCI	Global Competitiveness Index
GDP	Gross Domestic Product
IFC	International Finance Corporation
IEPs	Informal Economic Projects
MDIC	Ministry of Development, Investment, and International Cooperation
MENA	Greater Middle East and North Africa region
MED	Mediterranean
MSMEs	Micro, Small and Medium Enterprises
OECD	Organisation for Economic Co-operation and Development
PPD	Public-Private Dialogue
PPP	Public-Private Partnership initiatives
PSD2	Second Payment Services Directive
SBA	Small Business Act
SME	Small and Medium Enterprise
SNIF	National Financial Inclusion Strategy
USD	United States Dollar

EXECUTIVE SUMMARY

MED MSMEs Programme carried out in 2020 a comparative analysis of policies and financing mechanisms of MSMEs in six EU Southern MED countries: Egypt, Jordan, Lebanon, Morocco, Palestine and Tunisia. The main aim of the study was to identify and promote areas for improvement aiming at facilitating and promoting innovative MSMEs access to financing, through supporting activities for innovative financing mechanisms, alternative finance, adaptation of policies and implementation of regulations, as well as coordination of political decision-makers, public and private dialogue. This comparative study is based on principle 6 of SBA.

The report was based on data collected through a participatory approach by MED MSMEs Programme with the support of SBA national coordinators and with the participation of local working group members representing various stakeholders. The study was divided into two phases, the first phase was to develop a brief country outlook report for each of the 6 countries to initiate and facilitate debate among working group members taken place during 2020 and early 2021. The second phase was to agree on each country identified initiatives to be supported by the MED MSMEs programme and compile the regional comparative report. The identified country initiatives through the participatory approach were prioritized according to five criteria, other than being aligned with national priorities and strategies: i) MSMEs focus; ii) Contribution to post-COVID-19 rebound; iii) Added value regionally - interventions that were identified in at least two countries; iv) Duration, max. 18 months – remaining MED MSMEs programme duration, and v) Complementarity with EU bilateral initiatives.

This report shows that there is a room for development of MSMEs innovative finance in Egypt, Jordan, Morocco, Lebanon, Palestine, and Tunisia, where. MSMEs have been playing an important role in their economic development. MSMEs amounting to almost 98% of total enterprises across sectors. MSMEs contribute to around 20-45% of their GDP. MSMEs have also been the primary source of employment creation, especially among youths, relatively low educated workers, and women.

The report comes at a crucial time where, over the last year, COVID-19 pandemic had led to the slow growth and increase in unemployment. The COVID-19 crisis has exacerbated the pre-existing situation, of financing shortage, as well as the medium-term investment gap. COVID-19 has supported the acceleration of several trends across the six countries related to the increase of MSMEs access to finance such as: the accelerated digitization, the desire to utilise the underused delivery channels, and the speeding up of gender integration. Furthermore, this study shows, there is a range of practices and experience among the study countries in terms of policy frameworks that facilitate access to MSMEs finance, that can be shared regionally among the partner countries (South-South cooperation) e.g., Morocco post Bank, Jordan regulatory Sandbox, Tunisia Crowdfunding law.

Based on the study findings the MED MSMEs Programme could contribute to work on the following proposed initiatives regionally:

- i) Support the Development of the FinTech Sector through drawing inspiration from the European regulation of electronic PSD2 as a step towards open banking/banking 4.0 in Jordan, Lebanon, Morocco, and Tunisia.
- ii) Support Increasing the Outreach of Existing Guarantee Players through support the establishment of a Regional Counter Guarantee Facility to initially serve Egypt, Jordan, Lebanon, and Morocco.
- iii) Support the development of regional policies and regulations for crowdfunding platforms in Egypt, Jordan, and Lebanon.
- iv) Support Exchange of Women Entrepreneurs Good Practices A2F Policies in Jordan, Lebanon, Tunisia, and Egypt.
- v) Support MFIs Upscaling - addressing the missing middle in Jordan, Lebanon, and Tunisia.
- vi) Support establishment of innovative financing observatory in Egypt, Lebanon, Morocco, and Tunisia.
- vii) Support the launch of the Regulatory Fintech Sandbox in Lebanon and Palestine.

1 Background

The MED MSMEs Programme aims to support EU Southern Neighbourhood countries in the implementation of the Small Business Act (SBA) for Europe, which constitutes the reference framework for the formulation of the SME development policies, frameworks, adapted laws and regulations. The programme accompanies the beneficiary countries in the implementation of principles 1,3,6 and 10 of SBA - for Europe, namely: in areas of access to finance (principle 6 of SBA) and internationalization of small businesses (principle 10 of SBA).

This comparative study is based on principle 6 of SBA: “facilitate SMEs’ access to finance and develop a legal and business environment supportive to timely payments in commercial transactions.” In this context, the MED MSMEs Programme carried out in 2020 a comparative analysis of policies and financing mechanisms of MSMEs in six countries in the region with a view to identify and promote areas for improvement aiming at facilitating MSMEs access to financing, through supporting activities for promoting innovative financing mechanisms, alternative finance, adaptation of policies and implementation of regulations, as well as coordination of political decision-makers, public and private dialogue.

The main objective of this comparative study is to provide a cross-regional comparative perspective to the partners and stakeholders aiming at responding to the challenge of meeting MSME finance needs and to support innovative finance initiatives that address the MSMEs financing gap. The comparative study focuses mainly on: i) The state of MSMEs innovative and alternative financing and availability of external sources of finance for MSMEs, ii) Policies and strategies supporting the development of MSMEs innovative financing and their effectiveness, and iii) Measures needed to promote financial innovations that exist and may benefit other partner countries and possible regional initiatives that may facilitate innovative financing mechanisms. Financial innovation has played an instrumental role in improving the financial services all over the world.

The report comes at a crucial time where, over the last year, COVID-19 pandemic had led to the slow growth and increase in unemployment. Furthermore, the report helps identify good measures taken by the different countries to reduce COVID-19 impact on MSMEs access to finance, as well as facilitating comparison across countries to share experiences, identify good practices, and understand common challenges.

1.1 Methodology

This report was prepared within the context of the MED MSMEs programme. It outlines the results of a comparative analysis of policies and regulations that support the initiation and advancement of regional cooperation with partner countries in innovative MSMEs access to finance through a participatory approach. The study was based on data collected by MED MSMEs Programme from the EU South MED countries: Egypt, Jordan, Lebanon, Morocco, Palestine, and Tunisia. Data collected with the support of SBA national coordinators and with the participation of local working group members representing various stakeholders. The assessment was conducted in 2020 guided by the methodology of the SME Policy Index, which allows international policy comparisons and the identification of good practices and areas where progress is needed.

The study was divided into two phases, the first phase was to develop a brief country outlook report for each of the 6 countries. The purpose of this country outlook report was to initiate and facilitate debate among key stakeholders/working group members to increase/facilitate MSMEs access to finance. The draft reports were discussed during the working group meetings of “Innovative and Alternative MSMEs Financing” which took place during 2020 and early 2021, Annex I: Working Group Meetings Schedule. Based on the conclusion of the discussions, and feedback, an updated draft with identified initiatives/country roadmap to facilitate MSMEs access to finance was circulated. The second phase was

to agree on each country activities to be supported by the MED MSMEs programme and compile the regional comparative report. The identified country initiatives through the participatory approach were prioritized according to the following five criteria, other than being aligned with national priorities and strategies: i) MSMEs focus; ii) Contribution to post-COVID-19 rebound; iii) Added value regionally (regional lens) - interventions that were identified in at a least two countries were considered and results of discussions during the programme review seminar on December 3rd, 2020; iv) Duration, max. 18 months, which is the remaining duration of the MED MSMEs programme; and v) Complementarity with EU bilateral initiatives - the proposed activities in the roadmap complement ongoing initiatives and programmes of EU donors and support them through regional interventions.

1.2 Overview of MSMEs Access to Finance Status

MSMEs have been playing an important role in the economic development in EU Southern Neighbourhood countries. MSMEs amounting to almost 98% of total enterprises across sectors in the study countries. They have always been the main drivers of domestic economic activities, contributing to around 20-45% of Gross Domestic Product (GDP). Table 1, below, provides a summary of the MSMEs Key statistics by country. MSMEs have also been the primary source of employment creation, which means that they have made a significant contribution to governments' efforts to reduce unemployment, especially among youths, relatively low educated workers, and women. The proportion of young people in the six countries' population is reaching unprecedented levels. Women-headed MSMEs are particularly underserved by financial institutions due to economic, regulatory, and socio-cultural factors.

Table 1. MSMEs Key Statistics by Country

	Egypt	Jordan	Lebanon	Palestine	Morocco	Tunisia
Population	100,880,000	10,203,134	7,433,249		37,413,378	11,935,764
MSMEs as % of private sector	98%	99%	95-97%	99%	93%	97.3%
MSMEs workers	77% of private sector	51.8%	50-51%	82%	73%	40.7% Private sector
Contribution to GDP	20%	40%	27%	45%	34%	40%
Informal sector (% of MSMEs)	53%	25%*	35%	49.7%	30%	44.8%
Unemployment rate (2020).	10.13%	14.61%	6.28%	27.4%	12.5%	17.4%
Financial Access Account at a financial institution (% age 15+), 2014 Global FINDEX	32.78%	42.49%	44.8%	44.3%#	28.64%	36.91%
Of which are women	27%	26.6%	32.9%	24.7%	10%	47.11%

*%of GDP

% age 18+ (2016 study)

Despite the existence of several initiatives that provide funding for the MSMEs sector, MSMEs face a financing gap compared to large firms. The financing need is even bigger when informal enterprises are considered. Informal MSMEs may especially be unserved or underserved by financial institutions. Moreover, financial sources are prone to dry up more quickly for small firms than for larger firms during crises. The scarcity of finance faced by MSMEs made the economic and social impacts of COVID-19 crisis more difficult, with a lot of MSMEs continuing to rely on cash for financial transactions. MSMEs suffered from liquidity problems due to the drop in household demand, the loss of income, the decrease in domestic and overall demand for certain services, such as tourism, transport, and entertainment. There

is an urgent need for innovative technological business models that replace cash. Figures 1 and 2 below reveal an estimated MSMEs gap by volume in USD and by percentage of GDP as of 2018, respectively.

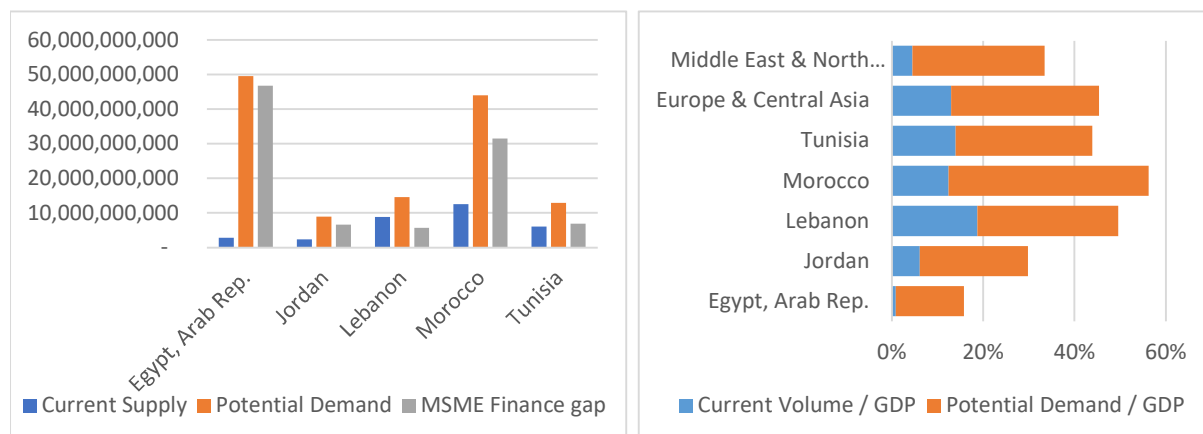


Figure 1. Projected MSME finance gap by country **Figure 2. Projected finance gap as % of GDP**

Source: IFC countries MSME finance GAP 2018-2019. <https://www.smeffinanceforum.org/data-sites/msme-finance-gap>

In Morocco, and according to a COVID-19 pandemic risks survey carried out by the Moroccan Confederation of MSMEs in March and April 2020, MSMEs experienced an increasing lack of liquidity and small businesses (including self-employed) which represent 90% of the respondents. While access of MSMEs to finance has always been problematic in Tunisia, this situation has worsened further since 2017, as liquidity has been affected by the situation in the money market, that led to a negative impact on bank loans to the most fragile borrowers. In addition, the cost of financing for Tunisian companies has increased, due to the hike in the key rate.

Global Competitiveness Index (GCI) which is an economic compass to measure the countries' productivity across 12 pillars revealed three major weaknesses in labor market, financial system (with exception of Jordan) and capacity for innovation index, as revealed by the low ranking shown in Table 2, below.

Table 2. GCI Productivity Pillars

	Egypt	Jordan	Lebanon	Morocco	Tunisia
GCI 4.0	93	70	88	75	87
8 th pillar: Labour market	126	84	100	119	133
9 th pillar: Financial system	92	33	53	49	94
12 th pillar: Innovation capability	61	64	66	81	92

Source: Global Competitiveness Report 2020/2019

Furthermore, access to bank credit remains limited in the EU Southern Neighbourhood countries. Tunisia is ranked 104th out of 190 after Jordan, Palestine, and Egypt due to weaknesses in law enforcement and depth of information on borrowers. Nevertheless, some regional countries have gone faster and further in the reforms especially Jordan (100 rows apart) and Palestine (79) as shown in Figure 3, to the right.

Although, alternative sources of finance (leasing, factoring, equity capital) have been growing over the last decade and are mostly used by large companies, funding for the MSMEs sector receive limited external funding compared to

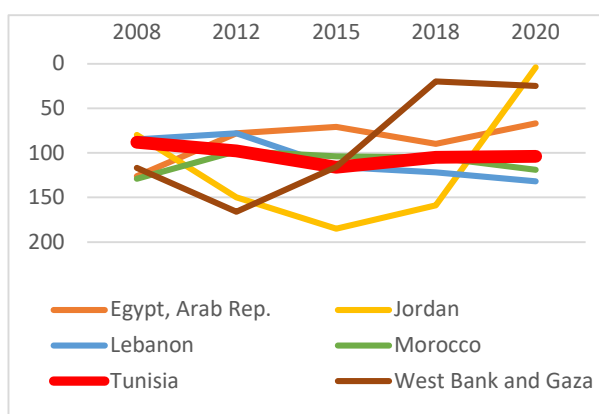


Figure 3. Evolution of the doing business access to credit ranking (2018 - 2020)

large firms. A World Bank 2020 Enterprise Survey¹ reveals internal financing as the main source of SME funding across the region, Table 3, below. Self-finance/internal funding has serious disadvantages as a method of financing enterprises. A main disadvantage is that an enterprise's resources may not match those required to harness an investment opportunity within a reasonable timeframe. As a result, an enterprise may not be able to take advantage of a high productivity investment opportunity. Self-finance limits adoption of better technology, growth in productivity, and thus inclusive economic growth and development.

Table 3. SMEs Sources of Investment Funds

Country	Enterprise size	Proportion of investment financed internally %	Proportion of investment financed by banks %
Egypt, Arab Rep.	Small (5-19)	92.5	7.3
	Medium (20-99)	88.1	7.1
	Large (100+)	87.1	2.3
Jordan	Small (5-19)	67.4	6.2
	Medium (20-99)	52.7	22.1
	Large (100+)	n.a.	n.a.
Lebanon	Small (5-19)	79.8	17.4
	Medium (20-99)	69.6	28.3
	Large (100+)	61	35.6
Morocco	Small (5-19)	62.5	11.3
	Medium (20-99)	40	3.2
	Large (100+)	48.7	7
Tunisia	Medium (20-99)	43.9	25.8
	Small (5-19)	49	12.9
	Large (100+)	45.6	26
West Bank and Gaza	Small (5-19)	88.9	6.4
	Medium (20-99)	92.1	2.5
	Large (100+)	79.7	11.5

Source: Enterprise Surveys, The World Bank, <http://www.enterprisesurveys.org>

There is a lack of precise MSMEs demand surveys data in most of the countries. This does not favor decision-making in terms of MSMEs financial needs (demand). There is also a lack of detailed data with regards to women-owned enterprises' demand of financial services. Egypt², Palestine, Lebanon, and Tunisia lack precise data concerning the financial needs of MSMEs. More particularly, a demand-driven approach, by directly questioning MSMEs is necessary to have precise data on access, usage, satisfaction, etc. from the users' point of view. Most of the recent data available on the subject focus on a supply-side approach. Furthermore, the data gathered from financial institutions is not classified according to MSMEs; a historical data properly classified is needed to be able to assess the trend for this sector. It is important to develop a comprehensive range of indicators to measure how different MSMEs may access and actively use different types of financial services, in terms of payments, savings, insurance, and loans.

There is no common definition of MSMEs, except for Egypt and Jordan. The parameters defining MSMEs differ across the study countries. What is immutable, however, is that MSMEs are often characterized based on their size of operations, value of assets, turnover, revenues, and employment generation. Apart from these quantitative criteria, a few qualitative parameters are also frequently used to signify MSMEs, such as the nature of management and ownership, the area of operations, and the sources of

¹ Although the results of this World Bank cross-country survey are not officially verified by several partner countries, it does allow us to have a regional perspective of SME funding; This survey use the number of employees to define the SME as the main criteria where the Egyptian banking sector from 2016 are using the Annual Sales/Revenues volume for existing enterprises in addition to the Paid-up Capital for new established enterprises.

² There is currently a national MSMEs access to finance demand study in process and results are expected by end of 2021.

capital. Egypt has a single official definition of MSMEs whereas Lebanon, and Palestine have a few definitions as provided by different agencies. This is one of the main challenges faced since it prevents the formulation of policies and incentives for the promotion of MSMEs. A unified definition for MSMEs will facilitate the collection and exchange of data among stakeholders (banking sector, statistical bureau, and various government entities).

1.3 Regulatory and Policy Frameworks for Innovative MSMEs Finance

Governments and related agencies have set up mechanisms and regulations to facilitate the flow of finance to the MSMEs sector. The result has been an increase in financial inclusion, but the extent to which the financing gap has been reduced is not well known. Tunisia has recorded, in recent years, a new dynamic in favour of the development of financing for SMEs. In Tunisia, early 2020, a law on "crowdfunding" has been passed by the government. Morocco, meanwhile, has started implementing several reforms since 2015 aimed at promoting access to alternative financing for SMEs. The "small business act", the National Financial Inclusion Strategy (SNIF), the law of "crowdfunding" and the "regulatory sandbox" all go in this direction. In 2018, Law No. 85-18 was passed, amending Law No. 18-97 on microcredit, which raises the maximum amount of microcredit to 150,000 MAD (EUR 14,000). Morocco can play the role of the market leader in terms of crowdfunding and electronic transactions to increase MSMEs access to finance; however, much remains to be done for the implementation of the law of crowdfunding; it is the same for Tunisia. On the other hand, Egypt does not have an official crowdfunding platform as regulations are still not in place yet. Egypt's CBE in 2016 mandated banks to increase their lending to MSMEs sector at subsidised rates. The mechanism to achieve this objective entailed banks to ensure that at least 20% of their loan portfolio comprises facilities for MSMEs. February 2021, the CBE mandated an additional increase in the financing directed to the MSMEs sector from 20 to 25 percent of banks' lending portfolios; a minimum of 10 percent of banks' portfolios to be allocated to small companies.

The Bank Central de Tunisia (BCT), Central Bank of Jordan (CBJ) and CBE have launched regulatory sandbox. These changes help MSMEs to grow by benefiting from innovative funding mechanisms. In April 2020, the Palestinian authority granted permission for the use of electronic and mobile payment services for the first time.

The Lebanese government is making concrete efforts to re-examine some laws and regulations related to the MSMEs ecosystem. Over the last decade, Lebanon has seen impressive progress in the introduction of new sources of access to finance, especially in initiatives aimed at equity investments and innovative start-ups. It amended the Code of Commerce S.A.R.L./ S.A.L. law, Preferred Shares and Sole Partnership Companies, on April 1st, 2019, and so has the law on Judicial Mediation on October 18th, 2018, and the E-Transactions Law in October 2018. In addition, the Prime Minister's Office has submitted a draft law on private investment companies; this law supports the introduction of a greater range of investment instruments including convertible notes and a general partner/limited partners' structure.

The relation between access to credit and the pace of adoption of reforms - notably Jordan, Egypt, and Palestine, have accelerated reforms as shown in Figure 4: Causal link between number of reforms and Doing Business ranking (2008 - 2018) with regards to Credit Access.

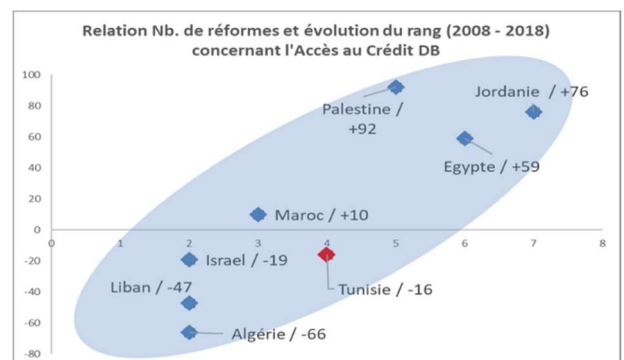


Figure 4. Causal link between number of reforms and Doing Business ranking (2008 - 2018) with regards to Credit Access

Digital finance shows promise in Egypt where the number of ATMs and POS terminals have grown over the last 5 years. According to CBE statistics available, there are more than 19 million debit cards, 22

million pre-paid cards, 3.9 million credit cards by the end of December 2020. Mobile money services also include cash-in/cash-out, person-to-person (P2P), person-to-merchant (P2M), merchant-to-merchant (M2M), ATM cash-in/cash-out, international money transfers (IMT), in addition to the bill

Box 1: Egypt Law No. 201 for year 2020 Regulating MSMEs

On 11 October 2020, a Law No. 201 for year 2020 amending Law No. 141 for year 2014 was issued. The Law deals with categorization, funding, and facilities of MSMEs business. This law has modified the definition for MSMEs and established a governmental body, the MSMEs Development Authority, to overview the financing and facilitation of any required procedures for MSMEs, Entrepreneurships, and Informal Economy Projects. The law increased the maximum amount of the fund granted to microfinance and small projects to be EGP 200,000 (Euro 11,000) in the informal sector; the board of directors of the FRA has the authority to increase the maximum amount for each fund granted to microfinance project or natural person up to 10% per year.

Among the law main features is the detailed guidance on the regularization of IEPs and integration with the formal economy. It addresses the facilities that are needed for IEPs to become regularized. For instance, the Law allows the MSMEs Authority to demand an allocated land from the government if this condition is a significant issue that prevents an IEP from being regularized.

One of the most essential features under the Law is the special tax rates that are levied for MSMEs only. Additionally, the Law stipulates that no taxes may be levied on a regularized IEP for the years before its regularization. Further, the Law provides for a simplified tax treatment during the period of the temporary license and permanently thereafter, to encourage more and more IEPs to apply for the regularization process.

payments and purchase services (QR Code Scan to pay or request to pay) and account value load (AVL) from bank to e-wallet accounts. Egypt had 19,753,046 active e-wallets by end of December 2020. Only a quarter (29%) of active e-wallets are held by women. Out of Egypt's 38 banks, 34 banks offer internet banking services. Furthermore, the Financial Regulatory Authority (FRA) issued its Board Decree No. 142 of 2019 on regulating the provision of nano finance by MFIs, with a maximum loan amount of EGP 3,000. The new banking CBE law devotes an entire chapter for governing financial technology, to lay out the legislative basis for digital transformation in the financial and banking sectors. FinTech vision for Egypt is to be "a regionally recognized FinTech hub in the Arab world and Africa, home to next generation financial services, talent and innovation development".

Informality is another obstacle that limits MSMEs access to finance in all the study countries. Egypt was among the leading countries attempting to address the informality obstacle of the MSMEs by introducing Law No. 201 in October 2020. Box 1, above, provides summary of MSME law main features. Informal Economic Projects (IEPs) were always a recurring issue for the process of integrating the Egyptian economy as they constitute almost 53% of the entirety of the Egyptian.

In summary, several regulations and policies have been introduced over the last decade in the six countries, summarised in table 4, below; nevertheless, full measures to promote the adoption of data sharing frameworks in banking with third parties is not yet in place. The restrictive granting of bank licenses by regulators has led to an ecosystem that is increasingly based on forming alliances. Regulators in Europe are increasingly pushing banks to open their architecture through introducing the Payment Service Directive 2 (PSD2) in the European Union and the Open Banking Initiative of the Competition

and Market Authority in the UK, where both regulations aim at banks allowing third parties to retrieve account information directly and initiate payments from banks.

Table 4: MSME A2F Key Regulations and Policies Status Summary:

Regulations & policies	Egypt	Jordan	Lebanon	Morocco	Palestine	Tunisia
MSME Development Agency	A	A	C	A	C	A
MSME & entrepreneurship strategy/law	A	A	A	A	C	A
Credit Bureau & other law	A	A	A	C	A	C
National council for payments/ FI	A	C	C	A	A	C
Observatory for innovative financing	C	A	C	C	C	C
Fintech & Innovation strategy	A	A	C	A	A	C
Fintech Regulatory Sand box	A	A	C	A	B	A
Regulations for cashless payment	A	A	C	C	C	C
Venture Capital law	A	A	B	C	C	A
National financial inclusion framework/Strategy	B	A	A	A	A	A
National E-commerce strategy	A	C	C	C	C	C
Green Economy Strategy (SD)	A	A	C	A	A	A
National digitalization strategy	A	A	A	A	A	A
Crowdfunding and fintech law	C	B	A	A	B	A
Collaboration across the ecosystem	A	A	C	A	A	C
COVID-19 measures	A	A	A	A	A	A

A: Introduced

B: Under Consideration/Drafted

C: Dose not exist yet

1.4 Interinstitutional Coordination and Public-Private Dialogue

Morocco has implemented a multitude of reforms over the past 10 years thanks to the National Business Environment Committee (CNEA), which was created in December 2009 with the mission of ensuring a clear and transparent framework, conducive to investment, for the benefit of national and international operators. This high-level body, chaired by the Prime Minister, is made up of representatives of the public and private sectors and is responsible for identifying and implementing the measures intended to strengthen the attractiveness of Morocco. CNEA is in fact a unique platform for Public-Private Dialogue in terms of improving the business climate and monitoring Morocco's image internationally. In addition to CNEA, as mentioned above, and the Strategic Committee of the National Council for Financial Inclusion plays a central role in the implementation of SNIF within the framework of a public-private partnership.

In Egypt, CBE has signed a Memorandum of Understanding with other regulators in the Egyptian market, namely FRA, Anti-Money Laundry Unit and National Telecom Regulatory Authority to join the efforts to support FinTech industry in Egypt and enable access to a unified FinTech license coordination, Sandbox cooperation and FinTech Hub as well as jointly developing the national financial inclusion framework, currently under development.

In Tunisia, the Ministry of Development, Investment, and International Cooperation (MDICI) has set up a Private Sector Support Unit to support Tunisian investors and support the coordination of government action. MDICI has also made available to players in the investment ecosystem a platform to collect their queries and requests for information and assistance, to enable them to measure the impact of COVID-19 on companies operating in Tunisia. To obtain better results, still more work on its internal policies and additional efforts is needed to better coordinate between the various public and private organizations. An interesting track will be establishing more Public-Private Partnership initiatives (PPP),

and to implement the PPP law adopted in 2015 which would help the Tunisian economy to move forward and have a positive impact on SMEs and regional development.

In Lebanon, a level of coordination exists between the private and public sectors, where the Ministry of Industry has a permanent office for the Association of the Lebanese Industrialists, where the private sector has daily presence at the ministry and is consulted in all decisions, decrees, and all steps to be taken on the policy and technical levels. Nevertheless, the OECD SME Policy Index assessment conducted in 2018 mentioned that the Public-Private Dialogue (PPD) main initiative promoting PPD is no longer operational and did not reach its goals of improving several aspects of the business environment. It is recommended to institutionalize this dialogue (having it in a periodical manner and in a more organizational structure).

Public-private consultations are a common practice in Jordan. The economic and social counsel has conducted 2 conferences to discuss the MSMEs' sector main concerns. During those conferences, the private and the public sectors provided their input.

Palestine has a good coordination mechanism in place between donors, public and private sectors. A Local Aid Coordination Structure (LACS) was established in 2005 to increase the effectiveness of the donor coordination in Palestine, with Aid Coordination Officers working extensively to coordinate with and amongst the donors. Several working groups are formed as part of this structure of which the Private Sector and Trade Sector Working Group (PSTSWG) is chaired by Ministry of National Economy (MoNE) deputy by World Bank. The main purpose of the PSTSWG is to act as a forum for information-sharing and coordination on issues related to the private sector between donors and the MoNE.

2 MSMEs A2F Comparative Perspectives and Trends

COVID-19 crisis has exacerbated the pre-existing situation, of financing shortage, as well as the medium-term investment gap; nevertheless, this crisis also acted as a leaven for the transformation of society and the economy with regards to MSMEs access to finance. Several trends were observed across the six countries such as: the accelerated digitization, the repositioning / shortening of value chains, the desire to utilise underused national resources, and the speeding up of gender integration. The following section summarise main MSMEs finance trends observed across the study countries.

2.1 MSME Finance Digitalization Trend

The six countries are fundamentally concerned about adopting regulatory and policy frameworks for supporting MSMEs digitization. The financial sector, which began its transformation almost few years ago in terms of digitization, has taken advantage of this transformation trend and position itself as a major actor of change to provide innovative and alternative solutions that are complementary to traditional financing. Another important contextual change is the improved penetration of digital services, a trend that has been accelerated by social distancing measures due to the COVID-19 crisis and created great opportunities noticeably in Egypt, Jordan, and Morocco – led by their Central Banks. This trend allows populations in rural areas to have access to public and private services that were previously out of reach, improve financial services and reduce costs on the supply-side. The main challenge remains at the level of demand to educate MSMEs to be able to adapt to the new reality and operate over the time of the COVID-19 by taking all the necessary measures, using several types of innovative and non-traditional financing, which require the use of new technology. Most MSMEs businesses are not equipped to cope with this change, they will be forced to adapt to the new situation. MSMEs must then adapt, educate themselves and change the way they operate to survive in the short and medium term. There are also other challenges for the implementation of new policies and laws is the partial accessibility of all populations to the Internet and advanced mobile phones that allows the accessing of financial applications in an appropriate manner.

Cambridge Centre for Alternative Finance (CCAF) has revealed that the online innovative finance industry in MENA has experienced substantial growth. This growth has accelerated rapidly in the last few years. Between 2013 and 2018, over USD 1.61 billion was raised through innovative channels, half of this figure was raised in 2018, as shown in figure 5, below. Nevertheless, it remains a small proportion of the massive amounts being invested globally.

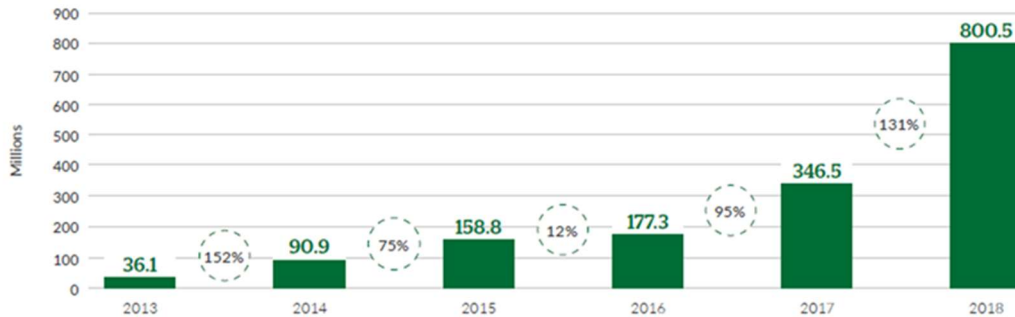


Figure 5: Total Online Alternative Finance Volume in the Middle East (2013-2018)

Source: <https://www.jbs.cam.ac.uk/wp-content/uploads/2020/08/2020-04-22-ccaf-global-alternative-finance-market-benchmarking-report.pdf>

Several new policy and regulation frameworks for promoting MSMEs digitization, as discussed in more details in Annex II: MSMEs A2F Country Profile Regulatory and Strategies Summary and Annex III: MSME financing policies catalogue, were introduced over the last few years. These new regulations not just improved the existing financial services by technology-enabled innovation, but also provides routes for unbanked MSMEs to access financial services. Sandboxes, tech incubators/accelerators, digital platforms/crowdfunding and electronic payments were among the main measures/tools used to facilitate innovative finance.

According to a university of Cambridge report published on innovative financing benchmarking in 2020³, Jordan was the market leader for Balance Sheet Business Lending for the Middle East in 2018, with a volume of USD 8.87 million. Additionally, Jordan had the third highest volume of Peer to Peer (P2P) Business Lending with a USD 2.25 million. When excluding Israel, which raised close to USD 140 million, Southern Med Countries exhibits some of the lowest regional volumes of innovative finance globally, and some of the largest unfulfilled potentials. Lebanon, Palestine, and Jordan were the only three other markets to raise over USD 1 million, with Lebanon accounting for USD 4.48 million, Palestine with USD 4.31 million and Jordan with USD 3.26 million for 2016⁴.

The financial sector in the study countries remains rather a traditional one, with banks continuing to rely heavily on their branch networks. The relative growth in innovative finance services is mainly in the payment services with limited digital lending services; hence, there is a room for improvement especially with innovative MSMEs finance. The COVID-19-driven transformation is generating opportunities for MSMEs if they take the turn of digitalization and e-payment. It is a huge growth market and there is an urgent need for innovative technological business mode.

³ Ziegler, Tania & Shneor, Rotem & Wenzlaff, Karsten & Wang, Britney & Kim, Jaesik & Odorovic, Ana & Paes, Felipe & Suresh, Krishnamurthy & Zhang, Bryan & Johanson, Daniel & López Closs, Cecilia & Mammadova, Leyla & Adams, Nicola & Luo, Dan. (2020). The Global Alternative Finance Market Benchmarking Report.

⁴ Ziegler, Tania and Suresh, Krishnamurthy and Garvey, Kieran and Rowan, Philip and Zhang, Bryan Zheng and Obijiaku, Akachi and Rui, Hao and alqahtani, fatimah, The 2nd Annual Middle East & Africa Alternative Finance Industry Report (June 7, 2020). Available at SSRN: <https://ssrn.com/abstract=3621284> or <http://dx.doi.org/10.2139/ssrn.3621284>

2.1.1 Regulatory Fintech Sandbox

To decrease and minimize the risks associated with the FinTech rapid development, different innovative regulatory tools and initiatives were put in place and adopted by different regulators to govern the industry depending on the market's sophistication and regulator's objectives, such as the Regulatory Sandbox Approach. The regulatory Sandbox is a regulatory framework that allows businesses and innovators to test their innovative Fintech products, services, or solutions in the market under a more relaxed regulatory environment, complemented by a well-defined space and duration arranged and agreed upon with the Regulator. Regulatory Sandboxes provide greater transparency and replicability and are most relevant to markets with good supervisory capacity and high level of active, potential non-licensed players. Furthermore, Regulatory Sandboxes showcase the willingness of regulators to engage with industry participants and consumers with the ultimate objective of creating a balance between financial inclusion, consumer protection and financial stability.

Morocco has set up innovation offices, while regulatory sandboxes are in place in Egypt, Jordan, and Tunisia. Box 2, below, provides a snapshot of Jordan's regulatory sandbox features that was the first sandbox established among the study countries. Palestine is currently exploring the potential of launching a regulatory sandbox with the technical support of a GIZ programme.

Box 2: CENTRAL BANK OF JORDAN REGULATORY SANDBOX

Jordan was one of the first countries in the region to launch a regulatory FinTech Sandbox in April 2018 by the Central Bank. CBJ applies a hybrid approach for its Regulatory Sandbox to harness innovation in the Fintech area, and provide a safe environment for testing and guidance for entrepreneurs and innovators with an in-house structure and technical capacity building which is not common among regulatory sandboxes. Most countries do not charge fees, however Jordan Regulatory Sandbox charges USD 70.52 (50 JD) non-refundable applications fees.

Jordan's Sandbox follow-up with the market trends; it has a Covid-19 specific cohort for their 2020 regulatory sandbox to address challenges related to Covid-19, an initiative titled: FinTech in COVID19 and Beyond.

Although the Fintech sector in Lebanon is promising thanks to young and highly educated population, high penetration of mobile phones, low financial inclusion rates, and diasporas remittances; Lebanon does not have a regulatory sandbox or tech incubators/accelerators yet that allow the protection of the financial system and consumers alike. Absence of a FinTech Sandbox limits opportunities for FinTech companies to design creative solutions and test them. Furthermore, FinTech's require a more relaxed regulatory framework to enable them to successfully implement and run their operations. The rapid pace of innovation in financial services resulted in an emergent need for the development of a regulatory framework that governs the operations of the Innovative Finance and FinTech with an ultimate objective of creating a balance between the potential benefits and possible risks of the new innovations as well as a pan countries linkage (at least regional linkages). Most of the existing sandboxes' regulations in the six countries do not cover the regional perspective of the FinTech development yet.

Most of the Fintech companies are only providing payment services (payment companies) with few companies that provides online consumer online lending not for SMEs. These payment companies provide deposits, bills payment and other expenses. Nevertheless, the increase/expansion use of digital payments creates a digital footprint of financial activity conducted by MSMEs business. Hence, the most valuable consequence of digitizing payments may be the massive amount of detailed transactional data that is generated. Fintechs and banks can use this digital transaction data, together with other sources of alternative data (utility bill payments, mobile phone call records, etc.), to develop new credit risk models and algorithms to better evaluate MSMEs ability to pay and develop and offer new financing products such as unsecured short-term loans.

2.1.2 Crowdfunding Platforms

The development of digital finance platforms offers a potential to reach MSMEs and other underserved populations quickly, transparently, and cost efficiently. Crowdfunding as an innovative financing method, dates to 2008, refers to an open call to the public to raise funds for a specific project. Crowdfunding platforms are mainly internet platforms that enable interaction between fundraisers and the crowd. Crowdfunding may help women entrepreneurs obtain investment funding from other women, in situations where women tend to find it difficult to secure financing for their entrepreneurial endeavours. There are many different crowdfunding business models; the primary types are: (i) equity-based crowdfunding, (ii) debt-based (also known as peer-to-peer (P2P) or marketplace lending), (iii) reward-based crowdfunding and (iv) donation-based crowdfunding. Some of the crowdfunding business models, especially debt-based and equity-based crowdfunding, represent certain risks and drawbacks. Supervisors in many countries see fraud, capital loss, money laundering and data loss as significant risks, which gave rise to a global trend for the need to regulate. Crowdfunding does not necessarily need to be a competing model to bank credit. Instead, it can be complementary to conventional banking, as banks develop their own platforms or cooperate with established platform operators by funding them, depending on the model. Crowdfunding has the potential to reduce the gap in MSME financing that cannot be fulfilled by traditional current banking practices.

Most of the six countries have upgraded or considering upgrading their current regulatory framework to support the development of digital initiatives and infrastructure for Crowdfunding business models. Crowdfunding is a regulated activity in Lebanon by Capital Markets Authority's (CMA) Decision 3/2013. Tunisia has passed the Crowdfunding law in July 2020. This law provides the regulatory framework to do the necessary financing for projects for MSMEs. Box 3, below, provides a summary of the Tunisian experience in launching the crowdfunding law. Also, the Moroccan Government approved the draft crowdfunding/collaborative financing bill in August 2020. The concept in Egypt is still new and only a few companies are engaged in crowdfunding— such as Shekra, Yomken and Shariqy—which do not rely on technology/online platforms facilitated by FinTech as there are no regulation in place yet. In Jordan there are no specific regulations for crowdfunding, however the platform requires a registration from the Ministry of Industry, Trade & Supply, under the Jordanian Companies law, for operating in the country. In Palestine crowdfunding regulation are under consideration and studies are conducted to issue a draft law for crowding platforms.

Box 3: Tunisia Crowdfunding Regulation

In July 2020, the Tunisian government issued the crowdfunding law which is considered innovative in the region. It is the first comprehensive law that allows the implementation and promotion of an alternative and innovative financing tool. This law came in response to a need long expressed by innovative SMEs and startups who are struggling to find adequate funding and are not able to meet their expectations in terms of speed of obtaining funding and strengthening their equity.

This law was born after 3 years of negotiation between public and private actors, where each actor was able to contribute and participate in a constructive dialogue aimed at the promulgation of this law under the best conditions.

The law on crowdfunding aims to organize this new funding mechanism to finance small businesses and startups, boost investment and promote private initiative and innovation through:

- Organizing Crowdfunding platforms according to the 3 funding methods: equity, loans, or donations.
- Specifying the legal and contractual conditions to set up a crowdfunding platform.
- Indicating the minimum capital to launch a crowdfunding platform.
- Specifying the activities and operation of crowdfunding platforms.
- Specifying the commitments of crowdfunding platforms and their managers vis-à-vis third parties.
- Specifying the conditions of practice of the crowdfunding activity and this by mode of financing.
- Specifying the terms of approval and controls of the platforms as well as penalties.

Although digital lending volumes have been growing at an exponential rate in the MENA region, growing from USD 17 million in 2014 to USD 214 million in 2017, it only represents 0.05 percent of the total volume from the G20 countries. Furthermore, only 17 percent for SMEs as of 2017⁵. As FinTech and other technology start-ups continue to emerge, the need for alternative sources of capital such as equity crowdfunding will gain more popularity and acceptance.

2.1.3 Electronic Payments - Banking 4.0

Digital banking transformation in the next few years will be governed by major adoptions in open technology platforms, and a new organizational mindset. Banks are globally readjusting their business strategies toward e-banking to achieve rapid growth, as the traditional business banking ecosystem did not to meet the full needs of the modern entrepreneur. E-banking represents an innovative process by which a customer performs banking transactions electronically without having to physically enter a bank or financial institution. Banking 4.0 means providing customers with personalized, integrated, and customized experiences that are transforming customer interactions with the bank. Central banks in Egypt, Jordan and Morocco have adopted specific initiatives to regulate digital payment services. Egypt, Lebanon, Morocco, and Tunisia have chosen to promote the open banking, the development of the fintech and digital payment. Tunisia is finalizing the licensing framework for non-bank payment service providers and is looking at achieving full interoperability of payment infrastructures and services across banks and payment institutions. The Central Bank of Egypt and Jordan are embedding fintech products into governmental services and the banking sector.

Although with all the above-mentioned measure that are in place or being considered in electronic payments regulation, none of the study countries do have full measures to promote the adoption of data sharing frameworks in banking yet. Banks generate a massive amount of data every day from different sources and need an effective solution to manage that data and extract more value from it. Such Data is the core foundation of fintech and digital transformation. Since 2016, a new trend is developing that considers these data as a property of the financial sector as a whole (provided that the clients accept their data to be shared). Therefore, there is a need to encourage banks to provide other qualified payment-service providers connectivity to access customer account data and to initiate payments.

The revised Payment Services Directive (PSD2) is part of a global trend in bank regulation emphasizing security, innovation, and market competition, by requiring banks to provide other qualified payment-service providers connectivity to access customer account data and to initiate payments. The introduction of PSD2 is designed to bring more competition to the payments sector, particularly among non-traditional banks in the region. PSD2 further aims to provide lower costs and higher security for consumers and to afford payment service providers greater flexibility to differentiate customer experiences. PSD2 is the regulation that allows projects such as Open Banking to take place.

The adoption of measures to promote data sharing frameworks in banking will in the coming year be a key driver for the development of the indigenous fintech sectors based on big data and artificial intelligence. These big data traditionally lie in the banks' books and are accounted for as intangible assets. They should therefore be shared, hence creating a huge amount of data that can be source of development of new services when processed with Artificial Intelligence.

2.2 Utilisation of Underused Delivery Channels to Increase Access to MSMEs Finance Trend

2.2.1 Post Up-Scale/Restructure

Postal networks in most of the Southern Neighbourhood countries represent an underused delivery

⁵ GPMI (2020), Promoting Digital and Innovative SME Financing; https://www.gpmi.org/sites/gpmi/files/saudi_digitalSME.pdf

channel for financial services except for Morocco. Morocco nearly doubled access to banking services in four years by creating a banking subsidiary of its national postal system. The Moroccan institution, Al-Barid Bank (ABB), has reached millions of people by using the post office's extensive rural infrastructure to provide loans, cash transfers, ATMs, and other credit facilities. Box 4, below, provides a summary of the Moroccan Post transformation experience. Egypt Post has a wide retail network of more than 4,000 branches offering mainly saving accounts and postal products. Egypt Post is currently undergoing a far-reaching digitization initiative with the objective of equipping all branches with digital devices such as POS terminals. Egypt Post can play a significant role in reaching the MSMEs sector by restructuring its operations to transform into a specialized institution catering for the needs of MSMEs. To fully reach the potential of the Egypt Post, a careful market study and regulatory reforms assessment would be needed to explore the full utilisation of its 4000 branches in underserved areas. The Tunisian government has undertaken several efforts to stimulate access to banking products through providing affordable basic savings services through the postal network.

Box 4: Moroccan Post Transformation Experience

The Moroccan Post has become a model for developing countries. Poste Maroc's banking subsidiary, Al-Barid Bank (ABB), was launched on June 8, 2010, today manages over 7.2 million customers, with a network that reaches more than 1,900 branches, 920 ATMs, 1.4 million Barid Bank Mobile and 3.8 million bank cards.

It started by offering cheques and savings accounts, and as of 2017 it offers the full range of retail banking services. Under its mission statement, ABB contributes to financial inclusion of the low-income and rural populations by relying on Poste Maroc's extensive network and by offering financial services at market-wide lowest costs. ABB has a far higher percentage of its outlets in rural areas than any other national bank (more than 66%), due to the pre-existing network established by Poste Maroc. Most branches are shared between post office and bank, although increasingly ABB is opening its own.

It tailored its product offerings to its target client base by focusing on remittances. It partnered with EuroGiro, giving it cheap access to overseas transfers, and developed its own payment systems. This enabled ABB to obtain 80% of the remittance market. ABB partnered with a leading financial institution in Morocco, SOFAC, to help set up credit facilities. This ensured the loan system created was effective and has enabled many Moroccans to obtain credit services for the first time. Morocco's financial inclusion rate jumped from 34% in 2010 to 62% in 2014 due to ABB's growth.

As Covid-19 has significantly restricted travel and made it more difficult to visit bank branches, Barid Cash took advantage of the situation and prompted government grant recipients to open mobile payment accounts and thus switch cash transfers to account-based government transfers. Barid Cash waived charges on mobile payment accounts and added services, such as water and electricity bill payments and mobile top-ups.

Over the last 10 years since establishment, Al-Barid Bank has enabled the country to make a big leap in its financial inclusion strategy, nearly doubled access to banking services in four years of its establishment, 1 in 4 banked people belong to ABB's customer portfolio. In terms of economic and financial performance, the bank has improved its revenues by 79% since its creation. Its profitability also increased by 172% over the same period.

The Jordan Post Company has a strong network of 310 branches nationwide and is particularly available in rural areas where banks and MFIs do not operate. The Jordan Post Company acts as a mobile money agent, an agent for eFAWATEERcom, offers savings and microlending products, money transfers, as well as other financial services (promoting several banks' products). The Jordan Post Company is an

independent Governmental Corporation, which is highly trusted amongst the Jordanian population. In Lebanon, LibanPost is a privately owned company with a growing network of 94 post offices provides postal service and collection and payments of social benefits as well as repayments of microfinance loans.

2.2.2 Increasing MSMEs Guarantee

The COVID-19 pandemic has increased the importance of Credit Guarantee Schemes. It is one of the most important policy measures used to support the financing needs of MSMEs. Credit guarantees have been extensively used as an intervention tool in the six countries to mitigate the economic impact on MSMEs. In Jordan and Palestine, schemes are mainly funded by public institutions, state banks or foreign donors. Egypt, Lebanon, Morocco, and Tunisia have schemes owned by public organisation and commercial banks. Furthermore, the European Investment Bank (EIB) has joined forces with the European Commission under the Neighbourhood Investment Platform to launched in 2019 a programme focusing on improving SMEs' access to finance in Egypt, Jordan, Morocco, and Tunisia. The programme aims to increase the financing available to SMEs through providing local banks with partial portfolio guarantees, long-term funding and capacity building. Partial portfolio guarantees are used to provide credit risk protection, on a portfolio basis, for the underlying debt financing (SMEs loans and/or leases) granted by financial intermediaries. These are capped first loss portfolio guarantees provided by the EIB to the financial intermediaries that will then extend further financing directly to SMEs. The guarantee could cover losses of up to 80% on each defaulted loan incurred by the financial intermediary.

The Euro-Mediterranean Guarantee Network (EMGN)⁶ seeks to alleviate the region's structural constraints for MSMEs access to finance by gathering guarantee schemes active in the countries of the Euro-Mediterranean Partnership. The counter guarantee schemes as a risk mitigator instrument that will promote additionality and if well designed and regulated will enhance MSMEs access to finance does not exist in the region yet. EMGN is taking the lead in lobbying for a regional counter guarantee through assessing the status of the ecosystem of the credit guarantee schemes in the South Mediterranean.

The possibility of creating a regional counter-guarantee facility would encourage the guarantee companies to offload the risks on their books related to impact finance and alternative financing transactions, facilitating the management of risks at a controlled cost. Such an instrument will serve as a catalyst at the level of the MSMEs and will help unifying certain practices while reducing the existing heterogeneity. It will promote the high-risk products while ensuring the increase of financing for new niches such as digitalization, the green economy, women, and youth entrepreneurship.

2.2.3 MFIs Up Scale

Microfinance institutions are present in all MED countries and have a reportedly good sub-national coverage. The microfinance sector is recognized today as a major player in the fight against poverty through financial inclusion and job creation. However, the sector is encountering a growth crisis due to the rise in the rate of delinquency and the insufficient rate of collection of bad debts and in the era of COVID-19. The overhaul of the microfinance sector is still one of the levers of financial inclusion. The rise of MFIs loan ceilings and extending maturities could be an alternative provided that the

⁶ The Euro-Mediterranean Guarantee Network (EMGN) is a network of Credit Guarantee Schemes (CGS) established in the Euro-Mediterranean region. The initiative is promoted by its Full Members – the 7 signatories of the Memorandum of Understanding (MoU) signed in 2012 representing Algeria, Egypt, Jordan, Lebanon, Morocco, Palestine, and Tunisia – and its Founding Promoters the Euro-Mediterranean Economists Association (EMEA), the European Institute of the Mediterranean (IEMed) and with the support of Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ).

consequences in terms of governance, risk management, human capital, organization, cost, and procedures be addressed.

Morocco provides the most advanced example of a regulatory framework conducive to microfinance institutions. Jordan reviewed and updated its national microfinance strategy and is currently reviewing the legal framework governing microfinance institutions. Jordan, Morocco, and Tunisia have commonly chosen to intervene on support for the formulation of policies and regulations allowing the overhaul of the microfinance sector so that it can emerge unharmed from the COVID-19 crisis and that it best meets the expectations of very small businesses in the region but also contributes to the financing of the "missing middle."

Lebanon has made a giant leap in the field of microfinance, which has a very significant impact on the financing of very small businesses and particularly those which are not banked. This type of impact financing would improve access to financing for a greater number of Very Small Enterprises if it raises the loan size granted and if it develops microinsurance. The Lebanese Microfinance sector is small in terms of assets but has a significant outreach with an estimated portfolio of USD 190 million and active borrowers approximately 150,000, as of end of 2019, which reflects a considerable market penetration. Furthermore, with the reluctance of Lebanese banks to increase SME lending, after the financial crisis, the Lebanese MFIs may have a strategic role to fill in this gap. Nevertheless, this sector is now under great pressure and is slowly vanishing, the profit earned in the last 20 years having been depleted in one year. It is important at this stage to keep the Microfinance sector progressing or alive, and to avoid total collapse in this sector. Currently it is the only source of finance in Lebanon since banks stopped lending. Morocco can be a good experience for conveying correction measures since the sector collapsed in 2010 and the sector managed to recover over the past years.

Cross borrowing and over indebtedness are a common issue among the study six counties which require more careful oversight; a recent study in Lebanon indicates that 30% of microfinance borrowers have cross borrowings with another financial institution.

2.3 Financing of Women Led MSMEs Trend.

Financing of women led MSMEs, and female entrepreneurship remains one of the weak links in financial inclusion around the world; the study countries are no exception to the rule. In addition to the sudden appearance of the COVID-19 pandemic in 2020, the outbreak had a greater impact on women, those who come from disadvantaged backgrounds and occupy worker positions. Women constitute almost 50% of the population and generate only a small part of the GDP and remain particularly discriminated in the economic and entrepreneurial sphere. The Global Gender Gap Index 2021 rankings⁷ has ranked Tunisia 126, Egypt 129, Jordan 131, Lebanon 132, and Morocco 144 of 156. The economic participation and opportunity index scores were Tunisia 97, Jordan 133, Lebanon 139, Egypt 146, and Morocco 148. Women are proportionally less likely than men to have their own activity, whether as a business manager or self-employed. Women still represents less than a quarter of business leaders.

Access to financing remains particularly difficult except for the case of microfinance institutions specifically targeting women. Women benefit very little from capital investment mechanisms, especially due to the small size of their projects. Egypt, Jordan, Morocco, and Tunisia have chosen to strengthen support for female entrepreneurship, by facilitating the access of women entrepreneurs to financing, and to innovative financing mechanisms.

2.4 Standardised, Reliable and Transparent Access to Data

The study revealed the lack of national standardised, reliable, and transparent data for innovative finance. Most of the data utilised by the study was from international sources and based on projections

⁷ http://www3.weforum.org/docs/WEF_GGGR_2021.pdf

and estimates. Establishing an innovative financing observatory could also make it possible to share a common vision among the various economic actors on issues of business financing, promote the exchange of information, experiences, and consultation between all the parties concerned (public authorities and administrations, banks, managers of means of payment, investors, and companies) around the issue of existing and future innovative financing mechanisms. Improve the availability and accuracy of SMEs information, expand credit information sharing, and enable responsible cross-border data exchanges.

2.4.1 Observatory for MSMEs Innovative Financing

An observatory for MSMEs financing to facilitate the development of policies and programmes for financing the MSMEs is recommended. While the production of this knowledge is ensured by central banks for traditional financing, it remains insufficient for innovative financing. The establishment of an observatory for innovative financing of the MSMEs could respond to this and facilitate the production of spatial and temporal analysis from the various stakeholders (namely: Ministry of Finance, Credit Registry/Iscore, Central banks, Commercial Registry, Ministry of Industry, Ministry of Economy and Trade, Chambers of Commerce, Business Development Support Providers, and micro-finance network).

Jordan has launched an SME Observatory run by a unit of the Jordan Enterprise Development Corporation (JEDCO), the SME agency. Its objective is to strengthen SME data collection, analysis, and dissemination. Morocco aims to set up an observatory for alternative financing of the SME.

3 Identified Regional Initiatives and Way Forward

Following the discussion about the regulatory, policy frameworks and MSMEs access to finance trends in the study countries, in the above section, this part of the report aims to summarise identified initiatives that can enhance MSMEs access to finance and support current governments and donors' initiatives. This section presents in brief the long list and the short list of the identified initiatives the MED MSMEs Programme will support regionally i.e., initiatives identified in at least two countries. Those identified activities aim at improving and facilitating access to finance for MSMEs.

3.1 Identified Initiatives

The proposed nominated intervention activities, long list, were proposed by the Programme because their content is aligned with the regional intervention approach, National Strategies, strengthening innovative financing mechanisms in favour of MSMEs, and facilitating digital technology. Digital technology now offers an unprecedented opportunity to mitigate the impact of the COVID-19 crisis on MSMEs financing, summarised in table 5, below.

Table 5: Identified Initiatives for Support (Long List).

	Initiatives	Egypt	Jordan	Lebanon	Morocco	Palestine	Tunisia	Total
1	Support the Development of the FinTech Sector- DSP2		*	*	*		*	4
2	Support Upscaling MFIs		*	*		*	*	4
3	Support increasing the Outreach of Existing Guarantee Players - regional counter guarantee facilities.		*	*	*			3
4	Support the establishment of observatory for MSMEs Innovative Financing	*			*		*	3
5	Support developing/updating Policies and regulations for crowdfunding platforms. Developing an online regional lending platform		*	*	*			3

6	Support Women Entrepreneurs Good Practices A2F Policies -Encourage equity participation in start-ups and businesses run by women.	*			*		*	3
7	Support the launch of the FinTech Regulatory Sandbox			*		*		2
8	Support exchange of Entrepreneurship Financing Good Practices e.g., Angel Investment	*		*				2
9	Support introducing Trade Finance Innovative Financing Tools	*	*					2
10	Support Formulation of Policies and Regulations enabling Post Up-Scale/Restructure			*				1
11	Development of insurance solutions and innovative guarantees for better risk management				*			1
12	Support Cybersecurity risk to the customer's level.					*		1
13	Support development of impact investment policies						*	1

3.2 Identified Regional Initiatives to be Supported

The MED MSME Programme, focusing on the development of alternative and innovative finance to facilitate the financing of MSMEs could contribute to work on supporting the following initiative through a regional approach:

3.2.1 Support the Development of the FinTech Sector – Banking 4.0

Updating the regulations for electronic payment services through drawing inspiration from the European regulation of electronic Payment Services Directive (PSD2) as a step towards open banking. This initiative is in line with the National Strategies goal of improving the legislative framework to enhance MSMEs access to finance and support developing new financial products. Furthermore, having measures to promote the adoption of data sharing frameworks can accelerate developing the FinTech sector which is a lever for financing entrepreneurs and MSMEs businesses. Introducing PSD2 may lead to a significant rise in the number of neo-banks and big tech firms seeking regulatory approval to operate banking and payment services. Therefore, there is a need to support development of the FinTech sector towards Banking 4.0, taking into consideration PSD2. The EU is considered the “cradle” of open banking and the United Kingdom’s Open Banking Standard pioneered the concept. There are now more than 50 countries around the world that have begun working on establishing, or have already established, open banking regulatory frameworks.

Furthermore, this sharing of customer-permissioned data by banks with third parties will support building applications and services that provide faster and easier payments, greater financial transparency options for account holders, new and improved account services, and marketing and cross-selling opportunities. Open banking can help MSMEs use open data and payment applications which can enable MSMEs to gain access to finance more easily and aid in their digital transformation. Account aggregation links financial accounts across banks and/or geographic borders and can provide a small business with a coherent picture of its consolidated financial position; when combined with other tools such as an online accounting or payroll package; account aggregation allows SMEs to easily make tax and salary payments in just a few clicks.

However, one of the main challenges for regulated open API frameworks is how to encourage adoption of business models that maintain a level playing field between banks, obliged to share their data, and the FinTechs accessing that data. Banks in Tunisia, Morocco, Egypt, Jordan, and Lebanon will have to be

encouraged to play a major role in facilitating PSD2. The Banks can also choose to use PSD2 as a steppingstone to a platform business model.

MED MSMEs programme will raise awareness and facilitate implementation, by offering benchmarks and facilitating the exchange of experiences between countries which have succeeded in convincing banks to disclose customer data to service providers, third-party services, Box 5, left provide proposed tasks. The programme will thus be able to support decision-makers in the region to develop new policies allowing secure digital payments and the use of fintech services. An exchange also at regional level to be considered to present the EU's experience in this area and to discuss the way forward to support the use of PSD2. Furthermore, the programme can support organization and implementation of support policies for the FinTech sector. By working on this subject, Lebanon, Morocco, Jordan, and Tunisia can continue to develop this sector which is a lever for financing entrepreneurs and MSMEs businesses.

Box 5: Proposed Support tasks under the MED MSMEs Program

- Develop a comparative study on policies allowing the disclosure of bank customer data to third-party service providers, a benchmark will help guide policy makers to develop new policies allowing secure digital payments and the use of fintech services.
- Organization of a regional event (physical or virtual) to raise awareness of PSD2 and present the conclusions of the policy study and the EU experience in the field.
- Support stakeholders in the development of FinTechs and the implementation of PSD2 if adopted by the government.

3.2.2 Support MFIs Upscaling: Addressing the Missing Middle.

The region today needs microloans and very small loans to develop their activities and create sources of income. An urgent need that has pushed civil society as well as government institutions to reflect on concrete and rapid means to restructure the microfinance sector, the latter could gain further ground if we raise the size of loans granted, thus being able to respond to a strong demand for very small and small enterprises which represents the Missing-Middle in most study countries and very evident in Lebanon and Palestine.

Lebanon, Jordan, Palestine, and Tunisia have commonly chosen to intervene on support for the formulation of policies and regulations allowing the overhaul of the microfinance sector so that it can emerge unscathed from the COVID-19 crisis and that it best meets the expectations of very small businesses. This type of impact financing would improve access to financing for a greater number of Very Small Enterprises (VSEs) if it raises the loan size granted and if it develops microinsurance. Support for the formulation of policies and regulations enabling MFIs to increase their loan size (up-scaling) to better meet the needs of the Small Sector, not properly served by the Banking sector is highly needed.

Box 6: Proposed Support tasks under the MED MSMEs Program

- Development of a self-assessment tool kit to improve the institutional requirements for international donors.
- Identifying of policies and regulation allowing or hindering the up scaling of NBFIs.
- Webinars to facilitate dialogue with international donors including finance intuitions in the EU Initiative for Financial Inclusion
- Organization of a national dialogue aimed at reforming and improving the legal framework of the microfinance sector.
- Organize a regional event promoting the exchange of experience in microfinance and micro-insurance and improving access to financing for VSEs.

The MED MSMEs programme will be able to support decision-makers to develop adequate policies aimed at improving the regulatory framework for Microfinance and Microinsurance in the region, especially since several successful experiences are recorded and the same need also exists in some partner countries; Box 6, above provides proposed support tasks.

3.2.3 Support Increasing the Outreach of Existing Guarantee Players

A Regional Counter Guarantee Facility can bring support for the ways to engage private sector money (e.g., family offices, established large businesses, DFIs), facilitating the development of statistics, which, in the medium term, would make it possible to refine and adapt its procedures to better meet the specific needs of the regional economy. The counter-guarantee facilities experiences in Europe have provided conclusive evidence of their effectiveness and positive effects on national and regional development. A North-South and South-South dialogue would help implement best practices through the sharing of experiences and procedures. The regional counter guarantee scheme can support increasing the outreach of the existing guarantee players.

Building on the Euro-Mediterranean Guarantee Network (EMGN) initiatives to promote counter guarantee schemes, the MED MSMEs Program can support a feasibility study of a regional counter-guarantee facility that would support national guarantee companies to intervene more and better in the field of risk management associated with alternative financing "impact financing"; Box 7, left, provides potential tasks. This proposed facility will mainly focus on start-ups, women-led businesses, recycling economy, social and green businesses. The proposed facility will aim to promote risk mitigation by the public sector to be translated into developmental impact; the aim is not just to strengthen the financial sector but increase development impact too. The financing of investments and working capital may also be counter guaranteed to assist the development of SMEs and/or to support them financially in times of crisis (COVID-19 and financial crisis). This activity is to be carried out in close coordination with the Euro Mediterranean Guarantee Network of which the Credit Guarantee Companies are a member. The involved parties will define the facility mission and actions. Mission and actions will be diversified and modelled on the measures actions already taken at the EU level, among others.

Box 7: Proposed Support tasks under the MED MSMEs Program

- A comprehensive study to be carried out, through surveys and dialogues, to identify a common denominator on which a regional platform could be established.
- An in-depth analysis of the transactions of each guarantee system which would include various information such as corporate government, systems, processes, professional team, analysis of default, portfolio, loss frequency, commission collection, etc.
- Identify the risk mitigation products (leasing, private equity, etc.) provided to MSMEs by the guarantee institutions for which a counter-guarantee could be obtained.
- Organization of a regional event (physical or virtual) to agree on the study analysis and share the EU experience in the field.

3.2.4 Support establishment of innovative financing observatory.

An observatory for MSMEs financing to facilitate the development of policies and programs for financing the MSMEs is recommended, as it make possible to assess needs with precision and to carry out ex-ante evaluations of the regulations considered. A dedicated observatory would be a strong assist in guiding policy makers and supporting informative decision makers in this field. This observatory of innovative financing of the MSMEs would facilitate the production of analysis, reports, recommendations, and solutions allowing the needs of the MSMEs to be assessed with precision and to carry out ex-ante assessments of regulations.

The Programme has met this need in many countries in the region, so a regional or multi-country approach will be used by MED MSME Program to facilitate the establishment of an observatory for MSME innovative financing with clear set of standardised indicators across the region mainly in Egypt, Morocco and Tunisa.

3.2.5 Support Regional integration, Policies, and Regulations for crowdfunding platforms.

There is a new generation of MSMEs entrepreneurs, who luckily ignore the failures of the business environment and rely on technologies and innovations, have been able to create innovative projects and jobs with high added value, but often volatile. These new entrepreneurs are radically changing the economic fabric by introducing innovation and digitalisation in everything they do. Traditional financial institutions have shown their limits when it comes to understanding these major issues, hindering the development and growth of companies and more particularly very small enterprises and start-ups which are under-capitalized and suffer from structural financial problems.

MED MSME could support establishing a legal and regulatory framework regulating regional crowdfunding activities for Jordan, Lebanon, and Morocco. Furthermore, also not explicitly requested, seizing the opportunity of Egypt's FRA draft Fintech law, the program can support preparing a concept paper recommending a way forward to the CBE/FRA in regulating regional crowdfunding activities, support drafting any necessary regulation for crowdfunding activities, and organising capacity building and/or outreach activities to present international best practice on crowdfunding, Box 8, above, provides proposed support tasks.

Box 8: Proposed Support tasks under the MED MSMEs Program

- Support preparing a concept paper recommending a way forward to the Central Banks/Regulatory Authorities in regulating crowdfunding activities.
- Support drafting any necessary regulation for regional crowdfunding activities (the "Crowdfunding Regulation").
- Organising capacity building and/or outreach activities to present international best practice on crowdfunding.
- Support regulators in the implementation of crowdfunding.
- Organize working group meetings to work on developing the legal framework for crowdfunding.
- Organize a regional event aimed at sharing knowledge among relevant stakeholders on the crowdfunding regulation.

support preparing a concept paper recommending a way forward to the CBE/FRA in regulating regional crowdfunding activities, support drafting any necessary regulation for crowdfunding activities, and organising capacity building and/or outreach activities to present international best practice on crowdfunding, Box 8, above, provides proposed support tasks.

3.2.6 Support Women Entrepreneurs Good Practices A2F Policies

Support for policies and initiatives improving access to finance for women entrepreneurs in Morocco and promoting female entrepreneurship in general. Support for policies and initiatives improving access to finance for women entrepreneurs in Tunisia. The EU is at the forefront on this subject and has developed tools in terms of policy, financing, advice, and awareness, especially in the field of alternative financing such as women business capital financing. It should be noted that supporting exchange of good practices in terms of policies for women entrepreneurs to access finance has a strong regional resonance. This activity supports achieving the study countries national strategies of promoting gender equality in terms of reducing the gender gap in finance which will help unleash the economic potential of women entrepreneurs and women-led enterprises as well as encourage equity participation in start-ups and businesses run by women. The MED MSME Programme could intervene to support the government's effort to put in place policies aimed at creating, promoting, and popularizing impact financing mechanisms in favour of women MSMEs and promote the exchange of good practices in this area at regional level; Box 9, above provides proposed support tasks.

Box 9: Proposed Support tasks under the MED MSMEs Program

- Organization of a regional event to promote the exchange of good practices and identify specific financing mechanisms for women entrepreneurs.
- Organization of working groups to develop gender action plans to be implemented by the Financial Institutions (IFs).
- Support and follow-up of IFs in communication campaigns on the financing of women entrepreneurs.

3.2.7 Support the launch of Regulatory Fintech Sandbox

Support the launch, by Banque Du Liban (BDL) and Palestinian Monetary Authority, of the Fintech Regulatory Sandbox (area in which the Programme has developed a guide). The sandbox is a first tool that foster the development of digitalization, FinTech and alternative finance. Palestine requested to benefit from Jordan Regulatory Sandbox experience, which will be accommodate by the programme as an obvious South-South and peer learning.

MED MSMEs programme will be able to help raise awareness and facilitate implementation of the Regulatory Fintech Sandbox that works on a regional level (in more than one country). The sandbox is a first tool that foster the development of digitalization, FinTech and alternative finance and it encourages innovators to further engage with regulators to facilitate market entry of new ideas which will offer more innovative and affordable financing tools to MSMEs. The programme will be able also to facilitate exchange of experiences within the region, with other countries who implemented the regulatory sandbox successfully; Box 10, left provides proposed support tasks.

Box 10: Proposed Support tasks under the MED MSMEs Program

- Organizing a webinar with partners and respective regulators to further elaborate and discuss the main features and requirements for the establishment of a Regulatory Sandbox and present the main finding of the Program's Guide.
- Facilitating an exchange of experience and knowledge sharing between Partner Countries and EU countries.
- Organizing a study tour to selected Reginal/EU Countries.
- On-demand facilitation of discussions for signing Collaboration Agreements.
- Technical support for drafting of founding document.

3.3 Conclusion and Way Forward

As this study shows, there is a range of practices and experience among the study countries in terms of policy frameworks that facilitate access to MSMEs finance, that can be shared regionally among the partner countries (South-South cooperation) e.g., Morocco post Bank, Jordan regulatory Sandbox, Tunisia Crowdfunding Law. The regional prism and the comparison between peers from the same regional block have proven to be decisive in Morocco, Jordan, and Egypt in particular. Most of the countries in this study take a tiered approach to the innovative finance policy frameworks mainly regarding e-payments. Differences among the frameworks also emerge, however, as some frameworks create a diverse range of institutional types and permitted activities while others narrowly define and limit the activities of MSMEs finance. Nevertheless, the impact of such regulations and policies on the increasing access to MSMEs yet to be seen.

The MED MSMEs programme, as a regional initiative, can support in the implementation of national strategies, and exercise a catalytic role by generating synergies with bilateral interventions, the programme can intervene through direct support on certain initiatives, with an emphasis on regional perspectives between the different countries, which would make it possible to create regional synergies and maximize the impact of the programme's interventions by supporting common activities across several countries. The digital transformation will increase the pressure on traditional finance with borders that will disappear, either for technical reasons or because some regulators are betting on fintech. Countries which are very active in innovative financing will gain in competitiveness through better financing of innovation, hence the importance of regional watch and exchanges between peers.

In general, the proposed intervention activities were considered by the MED MSMEs programme because their content is aligned with the regional intervention approach, strengthen innovative financing mechanisms in favour of local MSMEs, and facilitating digital technology. Digital technology now offers an unprecedented opportunity to mitigate the impact of the COVID-19 crisis on MSMEs

financing. The MED MSMEs Programme could contribute to work on the following proposed initiatives regionally:

	Initiatives	Egypt	Jordan	Lebanon	Morocco	Palestine	Tunisia
1	Support the Development of the FinTech Sector – Banking 4.0		X	X	X		X
2	Support Increasing the Outreach of Existing Guarantee Players		X	X	X		
3	Support the development of regional policies and regulations for crowdfunding platforms.	X	X	X			
4	Support MFIs Upscaling: addressing the missing middle.		X	X		X	X
5	Support launch of the Regulatory Fintech Sandbox			X		X	
6	Support Exchange of Women Entrepreneurs Good Practices A2F Policies.	X			X		X
7	Support establishment of innovative financing observatory.	X			X		X

Appendixes

Annex I: WG Meetings Schedule Table

Country	Date	Type of Event	Participants #
WG Webinar			
Egypt	8/6/2020	Online	38
Tunisia	6/30/2020	Online	8
Tunisia	8/27/2020	Presential	28
Jordan	10/1/2020	Online	22
Jordan	7/7/2020	Online	14
Tunisia	10/11/2020	Online	23
Lebanon	11/18/2020	Online	25
Tunisia	1/12/2021	Presential	30
Egypt	3/15/2021	Online	45
Lebanon	3/17/2021	Online	22
Morocco	9/18/2020	Online	21
Morocco	10/22/2020	Online	22
Morocco	3/25/2021	Online	24
Palestine	9/29/2020	Online	12
Palestine	12/14/2020	Online	15
Palestine	6/4/2021	Online	18
Jordan	4/7/2021	Online	10
TOTAL		11	412
Programme review seminar	3/12/2020	Online	35

European Delegation Webinar Meetings

	Date	Type of Event	Participants #
Egypt		Online	
Jordan		Online	
Palestine		Online	
Lebanon		Online	
Tunisia		Online	
Morocco		Online	
		6	

Annex II: MSMEs A2F Country Profile Regulatory and Strategies Summary

1. Egypt Country Profile Summary

Egypt	Exchange Rate EUR 1= 18.93
Regulatory and Supervisory bodies	<p>Central Bank of Egypt (CBE) is the supervisor of the banking sector in Egypt which consists of commercial and specialized banks. The new Central Bank and Banking Law added new financial institutions under the supervision of CBE such as payment service providers, payment service operators and credit guarantee companies. The non-banking financial institutions in Egypt are regulated by the Financial Regulatory Authority (FRA). Non-banking financial services in Egypt include stock exchange, leasing companies, insurance companies, mortgage finance, factoring companies, and microfinance institutions. The CBE is working on promoting MSMEs in Egypt and recognizes the sector as a national priority and crucial pillar for economic stability.</p>
Regulatory Reforms	<p>In 2017, the Prime Minister issued a decree to establish the Medium, Small and Micro Enterprises Development Agency (MSMEDA) as the entity responsible for the development of the MSME and Entrepreneurship in Egypt. MSMEDA agency has been facilitating access to finance with inclusive programs and activities through providing loans to MSMEs whether directly or indirectly. The agency has replaced the Social Fund for Development (SFD) established in 1991. The agency develops and creates the necessary climate to encourage entrepreneurship, and coordinates and unifies the efforts of all stakeholders, NGOs, and initiatives in the MSMEs field. It works through a network of 33 regional branches spread at the governorate level, that include one-stop-shop units.</p> <p>A credit bureau (I-Score), and registries of moveable assets have been established, and secured transactions laws have been passed.</p> <p>In February 2017 a republican decree, No. 89 of 2017, was issued to establish the National Council for Payments under the Egyptian President, Abdelfattah El Sisi, chairmanship. The National Council membership includes prime minister, CBE governor, ministers, and regulatory body representatives.</p> <p>In August 2018, CBE issued a definition of women-owned businesses. A business is considered a women-owned business if 51% of the capital of the company is owned by one or more women, or if 20% of the capital of the company is owned by one or more woman and a woman is holding the position of chief executive officer or vice president of the chief executive officer.</p> <p>In April 2019, a new law for cashless payment was issued; Law 18/2019. The law obliges all authorities, state institutions, and companies owned or partially owned by state to pay financial dues by means of non-cash payment, except for travel allowances. The law stipulates that the collection of taxes, customs, duties, fines, services, and amounts due to entities, cash financing premiums, insurance premiums, trade union subscriptions, private insurance fund contributions and the value of contribution or subscription to corporate capital or investment funds of all kinds, be through cashless payment methods.</p> <p>In June 2019 CBE established the FinTech regulatory sandbox, that launched its work with a pilot cohort tackling e-KYC to onboard mobile wallet customers. This cohort is in experimentation stage and currently a second (open themed) cohort is received.</p> <p>In 2020, a new MSMEs law has put into effect a stimulating mechanism that will enable enterprises operating in the informal sector to engage in the formal economy. In addition to providing incentives to encourage innovation, which include exempting entrepreneurship projects from patenting fees and utility models and designs, as well as providing technical and financial assistance for patent registration, the law gives a consolidated definition for MSMEs in line with CBE definition.</p> <p>The FRA adopted in September 2020, a draft FinTech law to regulate the use of financial technology in the non-banking financial services. It is expected to cover</p>

	<p>several mechanisms such as equity-based crowdfunding and InsurTech. The law would also ensure transparency, governance, secure data exchange and protection of market players, and facilitates the FRA regulatory role. CBE will overlook P2P lending, ROSCAs and Lending based crowdfunding.</p>
<p>MSMEs Access to Finance related strategies.</p>	<p>Egypt is currently developing a national financial inclusion framework; however, it is still in the early phase. The aim of this framework is to capture the status of financial inclusion in Egypt through establishing a baseline indicator for access, usage, and quality dimensions of financial inclusion. It will provide detailed information about access, usage, and quality of financial services in Egypt, for households and MSMEs. Furthermore, in line with the country's National Vision for 2030, the CBE has announced its Fintech and innovation strategy, in March 2019 with the vision of positioning Egypt as the Flagship for financial inclusion, MSMEs financing and cross border payments, with the vision to become a regionally recognized Fintech HUB in the Arab world and Africa.</p> <p>Egypt has developed a National e-commerce strategy which touched upon e-payment, financial services, financing, and the FinTech market. Moreover, Egypt's Strategy for Green Economy represents a key step forward in pursuing an economic development path that considers environmental conservation and ecological scarcities and supports the creation of an equitable and resilient society, in addition to paving the way for green MSMEs to access innovative finance that is specifically allocated to green business.</p> <p>MSMEDA has developed the MSME and Entrepreneurship National Strategy and its Operation Plan (to be finalized and launched soon), with six pillars addressing specific concerns facing MSMEs and entrepreneurs; Legal and regulatory environment, access to finance, Entrepreneurship promotion, Exports and integration into value chains, Business development services and Automation and use of technology. with specific attention given to Women, youth and disables- owned MSMEs, innovative and High-growth-oriented MSMEs.</p>
<p>Responses Mitigating impact of COVID-19 on MSMEs</p>	<p>1. CBE measures:</p> <ul style="list-style-type: none"> • Launching an initiative for non-performing companies with outstanding debt balance less than EGP 10 million (including small & medium companies). If the client pays a percentage of his outstanding debt, he will be removed from the NPLs list, will be waived of all current legal cases, and all guarantees that were held to secure the debt will be released. • Issuing regulation regarding amending some of the credit registry rules, including cancelling the blacklist for enterprises, the negative list for individuals, and lifting the ban on dealing with non-performing clients (within specific categories). • Launching several initiatives to support the companies operating in the Tourism sector (including medium companies), as follows: <ul style="list-style-type: none"> • Initiative to support renovation of hotels, through allocating EGP 50 billion at an 8% interest rate (decreasing) over a period of 15 years. • Allocating a tranche of EGP 3 billion under the initiative to support renovation of hotels at a 5% interest rate (decreasing) for the purpose of financing three months. • Initiative for non-performing companies operating in the tourism sector with outstanding credit facilities of starting EGP 10 million. • Extending the Initiative allowing banks to postpone all credit dues on tourism sector companies for a maximum period of 3 years, until the end of December 2020. • Extending the initiative allowing banks to postpone the retail loans dues and mortgage loans dues of individuals working in the tourism sector for an additional 6 months from the due date of payment, until the end of December 2020. • Cancelled all fees that private sector's MSMEs bear to activate the electronic collection services via the internet (E-Commerce) till the end of June 2021. <p>2) Measures by MSMEDA - adopted policies in response to COVID-19:</p>

- 3 months deferral of credit repayments and renewable according to project situation.
 - Simplifying lending and administrative procedures for new SMEs especially in food industry and health sector aiming to cover the market needs during the lockdown.
 - Introducing a new financial product to finance working capital (bridge finance) through direct lending (to support of mitigating the diversion of labour).
 - Providing online Entrepreneurship training. - supporting SMEs to find new markets and sales channels by establishing a marketplace on the SME platform.
- 3) Measures by FRA - adopted policies in response to COVID-19:
- FRA adopted several microfinance measures, to be agreed on a case-by-case basis by MFIs, such as providing free financial services for regular clients such as the postponing of 50% of payments with no penalty, reducing the administrative fees for current finances, life insurance premium, e-payment fees, and early repayment charges. MFI are to revisit lending interest rates considering the CBE interest rate cuts.
 - FRA issued insurance-related measures such as a six-month extension for MSME credit guarantee premium, extension of life insurance policies for 60 days, and a 30-day extension of property insurance.
 - The FRA requested mortgage lenders, factoring and leasing companies to grant six-month grace period upon request by clients.
- Furthermore, the government approved to transfer the support export exchange for small businesses without waiting for the receipt of the payment certificate of corporate taxes, and exempt financing clients from the commission accelerated repayment of the debts of existing.

2. Jordan Country Profile Summary

Jordan	Exchange Rate EUR 1= 0. 85 JOD
Regulatory and Supervisory bodies	<p>CBJ undertakes regulation and supervision of the banking and foreign exchange sectors and, since June 1, 2015, of MFIs. The Ministry of Industry, Trade and Supply (MoITS) and the Amman Stock Exchange (ASE) are responsible for regulating and supervising insurance companies and financial intermediation companies, respectively. MoITS oversees enterprise and SME policy development, with the support of JEDCO as the main national SME agency. The Ministry of Planning and International Co-operation (MOPIC) are responsible for implementing the broader country development strategy and mobilising donor support, while SME policy implementation is delegated to several specialised agencies. The Ministry of Digital Economy and Entrepreneurship (MoDEE) creates the policies to enable the transformation towards a digital economy and support the enabling pillars for this transformation including Digital Entrepreneurship, Digital Skills, Digital Financial Services, Digital Infrastructure and Digital Platforms.</p>
Regulatory Reforms	<p>In 2018, a new regulations operationalizing the 2018 Venture Capital (VC) Law was issued. These regulations allowed the establishment of VC funds and are in line with international best practice in governance, taxation, and a full range of support services.</p> <p>Jordan was one of the first countries in the region to launch a regulatory FinTech Sandbox in 2018.</p> <p>The Ministry of Digital Economy and Entrepreneurship, established in 2019, is responsible for activating the leadership role in the field of information technology, which in turn supports the digital economy.</p> <p>CBJ is currently working on drafting a Factoring law, as an alternative tool for SMEs financing.</p> <p>The Jordan Payments and Clearing Company (JoPACC) launched CliQ, Jordan’s newest payment system. CliQ holds the potential to revolutionize the local payments ecosystem.</p>
MSMEs Access to Finance related strategies.	<p>CBJ issued in 2017 the National Financial Inclusion Strategy 2018–20, which aimed to enhance financial inclusion, SMEs covered, through microfinance and digital financial services, as well as to promote financial literacy and strengthen financial consumer protection.</p> <p>In early 2019 the Jordanian government launched the Services Digital Transformation Strategy that focused on five strategic objectives: citizen needs, facilitating procedures, upgrading government services, and increasing demand for them, saving public expenditures, and improving the efficiency of government performance, in addition to raising the level of confidence in the government.</p> <p>The Ministry of Digital Economy and Entrepreneurship, established in 2019, is responsible for activating the leadership role in the field of information technology, which in turn supports the digital economy.</p>
Responses Mitigating impact of COVID-19 on MSMEs	<p>To mitigate the impact of COVID-19 on MSME businesses, CBJ and the government issued several instructions to mitigate COVID-19 impact. Major instructions are listed below:</p> <ul style="list-style-type: none"> • CBJ provided JOD 550 million (USD 705 million) of liquidity to banks by reducing the compulsory reserve ratio on deposits for banks to 5% from 7%. It also cut its benchmark interest rate by 150 basis points to drive down interest rates. • CBJ asked banks to postpone the loan repayments of customers affected by the outbreak of COVID-19 emphasizing that the move should not be considered as

	<p>loan restructuring and therefore should not negatively affect client credit scores.</p> <ul style="list-style-type: none">• JLG reduced its program commissions and raised the percentage of insurance coverage for local sales guarantee program.• CBJ launched a JOD 500 million Finance Facilitation Program for SMEs with the guarantee of JLG, to allow SMEs to obtain the needed funding to cope with the negative effects of COVID-19.• CBJ is to lend to banks at a zero percent interest rate, while re-lending interest rates from banks to clients were capped at two percent annually with the Jordanian government bearing the cost of any loans granted to pay employee salaries. The program provides loans for up to 42 months and a grace period of up to a year. Loans are guaranteed by JLG at 85% of their principal.• Jordan Enterprise Development Corporation recently launched a program that contributes to the shipping costs of SME products accessing non-traditional markets. The program provides financial grants of JOD10,000 and covers up to 70% of total expenses on a competitive basis, while targeting export opportunities among industrial SMEs from different governorates.• CBJ has also made key steps in facilitating the uptake of mobile wallets by using the country's advanced information and communications technology infrastructure, such as payments and regulatory frameworks. It has enabled access to financial services through self-registration online and encouraged the use of quick response codes for both individuals and enterprises to reduce the risk of spreading COVID-19 through potentially contaminated cash. Moreover, the Government of Jordan has adopted mobile wallets to disbursement of aid and salary payment.
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3. Lebanon Egypt Country Profile Summary

Lebanon	Exchange Rate EUR 1= 1 825 LL
Regulatory and Supervisory bodies	<p>Three main regulatory bodies responsible for enforcing the laws and regulations applicable to MSMEs alternative financing. Bank du Leban is the regulator responsible for granting licences to institutions that conduct banking, foreign exchange and/or financial activities, including lending institutions and electronic payment service providers. The Capital Markets Authority is the regulator responsible for regulating and supervising activities relating to crowdfunding, trading, and investments, as well as granting licences to financial intermediaries, financial rating agencies, collective investment schemes and any institution carrying out securities businesses, including dealing, advising, arranging, managing and custody services. The Insurance Control Commission (ICC) is the regulator responsible for studying and providing its opinion on insurance licensing requests of institutions intending to carry out insurance activities, amending and withdrawing insurance licences, and controlling and supervising the insurance sector.</p>
Regulatory Reforms	<p>Over the last five years, Lebanon has seen impressive progress in the introduction of new sources of access to finance, especially in initiatives aimed at equity investments and innovative start-ups. It amended the Code of Commerce S.A.R.L./ S.A.L. law, Preferred Shares and Sole Partnership Companies, on April 1st, 2019, and so has the law on Judicial Mediation on October 18th, 2018, and the E-Transactions Law in October 2018. In addition, the Prime Minister’s Office has submitted a draft law on private investment companies; this law supports the introduction of a greater range of investment instruments including convertible notes and a general partner/limited partners’ structure.</p> <p>Crowdfunding is a regulated activity in Lebanon by CMA’s Decision 3/2013. Subject to a prior license from CMA and approval to commence operations, the following entities only may carry out crowdfunding activities in Lebanon: Lebanese joint stock companies with the main objective of providing crowdfunding services and with share capital of at least LBP 1 billion; and foreign crowdfunding companies, through a branch opened in Lebanon and the allocation of LBP 1 billion for the branch’s activities in Lebanon.</p> <p>Electronic payment services are regulated by BDL’s Basic Circular 69/2000, and electronic banking and financial services are governed by the Electronic Transactions and Personal Data Law, which grants BDL extensive regulatory powers in this respect. Electronic banking and financial operations may be carried out only by banks, financial institutions and any other institution that obtains a prior license from BDL.</p> <p>Lebanon does not have a FinTech sandbox yet.</p>
MSMEs Access to Finance related strategies.	<p>The Ministry of Economy and Trade in Lebanon take the leading role in the MSMEs support and has developed an SME Strategy for the years 2016-2020. CMA offers a crowdfunding license to providers who meet the requirements for this, which include systems and controls. According to IIF (2016 report) Lebanon has made some progress in financial inclusion, largely due to the efforts of BDL, although there is no government plan.</p> <p>Lebanon has an SME Strategy 2016-2021, aiming to foster the Creation of Vibrant and Globally Competitive SMEs that Contribute to Employment Opportunities and High Value-Added Economy</p> <p>The strategy’s main objectives are four-fold:</p> <ul style="list-style-type: none"> - Small to Large: Grow SMEs through their next stages of development. - Sustainable: Ensure the long-term sustainability of businesses.

	<ul style="list-style-type: none"> - Innovative: Develop innovative and creative SMEs to transition to a high-value economy. - Competitive: Transform SMEs into more productive, competitive, and global players.
<p>Responses Mitigating impact of COVID-19 on MSMEs</p>	<p>BDL and the Government of Lebanon issued instructions to mitigate COVID-19 impact. Major instructions are listed below:</p> <ul style="list-style-type: none"> -BDL issued intermediate Circular 547 asking banks and financial institutions operating in the country to extend, exceptionally and on their own responsibility, loans in Lebanese pounds or US dollars to clients that already have credit facilities and that are unable to meet their obligations during March, April, and May 2020. These facilities will not be subject to any fee, commission or interest and they will only be extended to pay the monthly settlements of an existing loan, and/or to cover the salaries, operating expenditures, or production-related spending for enterprises, while the repayment period will be five years. -BDL issued intermediate Circular 557 informing banks operating in Lebanon that it would provide them with foreign currencies to finance the import of basic food items and raw materials necessary for the food industry in the country. -BDL issued intermediate Circular 556 informing banks that BDL would supply them with 90% of the value of raw materials imported in foreign currencies for the use of industries in Lebanon. -Deferred payment of utility bills. -The National social security fund issued a decision to defer the payments of social security contributions related to the first six months of the year 2020 for an additional period of six months from the original deadlines. -Ministry of industry and the Ministry of Economy and Trade in coordination with the BDL in this crisis, issued several support decisions to relieve the SMEs from the capital control when in need to import food security essentials (decisions 87/1 and 36/1), raw material for production (decisions 49/1 and 24/1) and industrial equipment and machinery (decision 69/1). <p>Further measures were taken because of the impact of the Beirut Port explosion of August 4, 2020, as on August 6, BDL issued Basic Circular 152 related to measures taken to support individuals and businesses affected by Beirut Port explosion. In this Circular, BDL asked banks and financial institutions operating in the country to extend exceptional loans in US dollars to individuals and businesses that have been affected by the explosion. The Circular stipulated that these exceptional loans are granted to individuals, SMEs, and corporations, except for real estate developers, to restore their homes and businesses. Those loans are not subject to any interest or commission, and they can be repaid over a period of five years starting October 31, 2020, or at the end of the month that follows the month of the loan's approval.</p>

4. Morocco Country Profile Summary

Morocco	Exchange Rate EUR 1= 10,577
<p>Regulatory and Supervisory bodies</p>	<p>The central bank of the Kingdom - Bank Al-Maghrib - decides and implements monetary policy instruments and intervenes in the money market using the appropriate instruments. It ensures the proper functioning of the money market and the application of laws and regulations relating to the exercise and control of the activity of credit institutions and similar organizations, including payment institutions.</p> <p>The regulatory authority for the capital market was established by law n ° 43-12 and its mission is to: ensure the protection of savings invested in financial instruments; ensure equal treatment of savers, transparency and integrity of the capital market and investor information; ensure the proper functioning of the capital market and ensure the application of legislative and regulatory provisions; ensure the control of the activity of the various bodies and persons subject to its control; ensure compliance with the laws and regulations in force relating to the fight against money laundering, by the persons and bodies placed under its control; contribute to the promotion of financial education for savers; and assist the government in regulating the capital market</p> <p>The Casablanca Stock Exchange oversees the organization and management of the stock market. It is placed under the supervision of the Ministry of Finance and Privatization and its role is: the organization of IPOs, the management of quotation sessions, the dissemination of prices and indices and the administration of a compensation and guarantee system.</p>
<p>Regulatory Reforms</p>	<p>Morocco has started implementing reforms since 2015 that promotes access to alternative finance for MSMEs in the post-Covid-19 era, the SNIF, the law of "crowdfunding" and the regulatory "sandbox" all go in this direction. The evolution of the internet network (4G, optical fiber, etc.) and mobile banking. The government and the BAM are working hand in hand to be able to properly monitor the results of all laws and new instruments put in place.</p> <p>In 2018, Law No. 85-18 was passed, amending Law No. 18-97 on microcredit, which raises the maximum amount of microcredit to 150,000 DHL.</p> <p>In February 2020, the law on crowdfunding is adopted, this law defines the legal framework for the exercise by collaborative financing companies (SFCs) and the different forms of collaborative financing. By approving this law, the government aims to strengthen financial inclusion, especially of young entrepreneurs, to support economic and social development and to direct savings to new financing opportunities.</p> <p>With the launch in January 2020 of the regulatory sandbox, the government will invest more in digital payment channels that offer a unique opportunity to advance digital financial inclusion. The objective of this project is to ensure inclusion and financial innovation and change the banking model by moving towards the restructuring and digitization of banks, to quickly change the ecosystem.</p> <p>Regulators, the Ministry of Finance and ADD, are considering the promotion and establishment of a framework for the development of emerging technologies (Blockchain, Big Data, Cloud Computing, Artificial Intelligence, crypto assets, etc.).</p>
<p>MSMEs Access to Finance related strategies.</p>	<p>Bank Al Maghrib and the Treasury and External Finance Department created a working group in 2015. Their work led to the creation of the National Financial Inclusion Council, whose initial objective was to facilitate access to financial services for different social categories in Morocco. The National Financial Inclusion Strategy (SNIF) was developed and adopted at the end of 2019. The</p>

	<p>main levers of the strategy adopted by the said Board relate to: The acceleration of the development of alternative models adapted to the specificities of the excluded population, in particular women, young people, rural people, and Very Small Enterprises; Strengthening the role of the "classic" model in promoting financial inclusion; Strengthening tools to better understand the risk of excluded populations; The creation of conditions for greater use of financial products.</p> <p>In 2020, Morocco launched an integrated Entrepreneurship Support and Financing Program. This program is based on two important components: on the one hand, funding and on the other hand support. Launched at the initiative of King Mohammed VI, this program has received support from all the commercial banks, it is based on the Entrepreneurship Support Fund created under the 2020 finance law and initially endowed with DH 6 billion over 3 years (DH 3 billion provided by the banks and as much by the State), before that the Hassan II Fund is not put to contribution with 2 billion DH additional, in favour of the rural world. In total, DH 8 billion will therefore be used to guarantee the credits that will be granted by the banks and to a lesser extent to co-finance the beneficiaries of the program. The leverage effect is 6 to 7, which means that the loans to be granted can reach 56 billion DH, or 14% of the current outstanding loans of companies. The target population is almost one million people. No personal guarantee will be required from borrowers, apart from guarantees related to the project to be financed (equipment, land, etc.).</p>
<p>Responses Mitigating impact of COVID-19 on MSMEs</p>	<ul style="list-style-type: none"> • Creation of the “Comité de veille économique”, • Postponement of the filing of tax returns, • Suspension of tax audits and ATDs until June 30, 2020, • Suspension of the payment of social charges until June 30, 2020, • Postponement of bank loans and leases deadlines until June 30 without payment of fees or penalties, as well as the activation of an additional operating line of credit granted by the banks and guaranteed by the CCG. • Employees affiliated to the CNSS (at the end of February) who have been terminated will benefit from an indemnity of 2,000 DH net per month, provided by the Special Fund for the management of the Coronavirus pandemic, family allowances and AMO. • Created the Special Fund for the management of the Covid-19 pandemic (DH 33.7 billion at the end of July 2020) to cover the expenses of upgrading the medical device, support the national economy to cope with the shocks induced by this pandemic, preserve jobs and mitigate the repercussions. social aspects of the pandemic. • Pact for recovery and employment, signed in August 2020, by the CGEM, the State and the GPBM which provides for the granting of DH 75 billion in loans by the banking sector, in the part of a larger plan consisting of injecting DH 120 billion into the Moroccan economy. The objective of the funds is the financing, guaranteed by the State, of all types of companies at preferential conditions for a period ranging from 5 to 10 years, depending on the sectors, the objective being to preserve the activity and employment. This guarantee system is managed by the Central Guarantee Fund, with DH 5 billion being provided by the Covid-19 Fund to cover the default risks of beneficiary companies.

5. Palestine Country Profile Summary

Palestine	Does not have its own currency
<p>Regulatory and Supervisory bodies</p>	<p>The Palestine Monetary Authority (PMA) was established in 1994 to oversee and regulate the banking system. PMA is also responsible for regulating MFIs and moneychangers. It is an independent public institution responsible for the formulation and implementation of monetary and banking policies to maintain price stability and low inflation, foster financial stability and safeguard the banking sector and promote sustainable growth of the national economy. Although PMA was provided with the traditional functions of a central bank, the political reality compromises its capacity to act as a full-fledged central bank. The Palestinian Authority (PA) lacks an official central bank and its own sovereign currency. The lack of a local currency brought to the use of 3 different currencies - Jordanian Dinars, Israeli Shekels and US dollars. Those currencies are traded at the market and bank accounts currencies could be open; PMA is unable to perform one of the central bank's core responsibilities, which is to provide liquidity in times of need. This leaves Palestine, both economically and politically under the mercy of external funding. Nevertheless, the PMA was able to provide liquidity during the COVID19 pandemic through its Sustainability Program. The Palestine Capital Market Authority (PCMA) was established as an autonomous agency in 2004 as a part of the formal financial system to oversee and regulate, control, and supervise the activities of non-banking financial institutions including securities trading, leasing, mortgage, Money Changers, and non-banking financial services.</p>
<p>Regulatory Reforms</p>	<p>PA enacted the Law of Secured Transactions in April 2016 and Ministry of National Economy launched the registry for movable assets in 2017. The Moveable Assets Registry, coupled with the Secured Transactions Law and the Commercial Leasing Law, led to a substantial improvement in the Getting Credit ranking (25 out of 190) in 2018.</p> <p>Palestine is considered one of the first Arab countries to develop and launch a National Strategy for Financial Inclusion (NSFI) in accordance with international standards and best practices. NSFI cover the period 2018 – 2025. A National Steering Committee (NSC) to oversee the formulation of the strategy was appointed by the Council of Ministries and jointly co-chaired by PCMA and PMA. NSFI stipulates the need to increase the level and the quality of financial inclusion among the low-income people including women and MSMEs. It aims to increase financial inclusion from the current level of 36.4% to at least 50% by the end of 2025. NSFI's emphasis is on the use of technology. NSFI's technical committee is currently working on developing a central database related to the financial inclusion indicators. The technical committee has formed and launched the work of six specialized groups: Gender Working Group, Financial Technology (FinTech) Working Group, Development of Services and Products Working Group, Financial capabilities Working Group, Economic Media Working Group and MSMEs Working Group.</p> <p>PMA has overseen the development of a Microfinance Strategic Framework (2019-2023) through a consultative process to support creating an enabling environment capable of absorbing the robust rate of growth of the Palestinian microfinance sector and addressing the challenges and opportunities that emerge as a result. The aim of this framework is to grow the number of borrowers to 150,000 from 83,000 active borrowers, and the active portfolio to USD 500 million from USD 270 million by end of 2023, as well as to increase female borrowers to at least 50% and to increase the share of small loans to at least 50% percent of total portfolio by end of 2023. The Framework support</p>

	<p>introducing tiered regulations and allowing different categories of MFIs to provide additional non-lending financial services.</p> <p>In April 2020, the authority granted permission for the use of electronic and mobile payment services for the first time.</p>
<p>MSMEs Access to Finance related strategies.</p>	<p>In February 2020, PMA adopted a strategy for promoting FinTech business models. As an accompanying measure, it established a new structure internally that aim to improve coordination with the private sector and other important stakeholders, to address technological challenges and promote innovation. This FinTech strategy is promoting innovative products and suppliers who wish to offer client-oriented, technology-based products. Nevertheless, neither a law on crowdfunding platforms nor a regulatory sandbox are yet in place but are under consideration by PMA.</p>
<p>Responses Mitigating impact of COVID-19 on MSMEs</p>	<ul style="list-style-type: none"> • Temporary overdraft. The possibility of obtaining a temporary overdraft limit equal to the value of the instalments from July 1, 2020, to January 1, 2021, to be used to pay the instalments in full or in part. The interest rate on the temporary limit is the value of the contractual interest with 1% deduction without payment of any fees or commissions. • Structuring facilities. The possibility of rearranging and structuring existing facilities without any commissions or fees, and with a limit on interest rates or contractual profit. • Scheduling facilities. The possibility of scheduling existing facilities without any commissions or fees, with borrowers exempted from the down payment. • Securitization. The possibility of obtaining a temporary securitization limit equal to the value of the instalments from July 1, 2020 to January 1, 2021. It is used to pay the instalments in full or in part and to be paid in a maximum of 24 months. The interest rate on the temporary limit is the contractual interest rate with a deduction of 1%, without any fees or commissions. • Structuring Ijara. The possibility of deferring the instalments granted in the form of Ijara muntahia bitamleek (lease and ownership) with an increase in the rental period and adjusting the Ijara on the subsequent rental periods and exempting it from profits for the completed period. • Continued credit grants. Urge banks to continue to grant credit to new and existing clients to mitigate the effects of the crisis, free up 1% of cash flow and USD100 million to help secure money. • Returned cheque commission. Reduce the value of a returned cheque commission to zero because of insufficient balance to twenty Shekels only. • PMA instructions also included suspending classification of affected individuals and SMEs on the bounced cheques system. • PMA launched the Sustainability Program (Istidama programme) to provide financing for SMEs and microprojects that had been economically affected by the Corona pandemic, with a size of USD 300 million, of which PMA would contribute USD 210 million and would be implemented through banks and specialized lending institutions. This program would allow affected enterprises, including women-run projects, to obtain low-cost funding to overcome the current crisis, maintain the sustainability of their operations and increase their capacity to maintain local employment. • The Palestine Investment Fund (PIF) launched an emergency lending program 'Esnad' to support non-bankable Micro- and Small enterprises through MFIs with a total budget of USD 25 million. The program aims at enabling eligible businesses access the needed liquidity for maintaining their operations and retain their workers and employees.

6. Tunisia Country Profile Summary

Tunisia	Exchange Rate EUR 1= 3.312
Regulatory and Supervisory bodies	<p>Central Bank of Tunisia (CBT) is the supervisor of the banking sector in Tunisia which consists of commercial and specialized banks, public and private banks. New financial institutions are also under the supervision of CBT such as payment service providers, payment service operators and credit guarantee companies.</p> <p>The Financial Market Council is regulating the non-banking financial institutions in Tunisia, non-banking financial services include stock Exchange (BVMT), stock market intermediaries and the Tunisia Clearing securities deposit, clearing and settlement company. It also ensures the supervision of collective investment undertakings in transferable securities UCITS.</p> <p>The Microfinance Control Authority is regulating the microfinance sector.</p>
Regulatory Reforms	<p>The Decree No. 2011-117 organise the activity of microfinance institutions; it allows, for the first time, limited companies to grant microcredit. These companies must have a minimum capital of 3 million dinars. Article 58 of Decree-Law No. 2011-117 on the organization of the activity of microfinance institutions amended by Law No. 2014-46 of July 24, 2014, allows microcredit associations (AMC) to continue to operate on condition to comply with the provisions of this decree-law including to constitute a minimum endowment of 50 thousand dinars. The new law gives the possibility for an MFI to diversify its products by offering microinsurance. It creates a supervisory authority whose main mission is the supervision of MFIs. In 2018, an order of the Minister of Finance of April 13, 2018, amended and supplemented the order of January 18, 2012, on setting the maximum amount of microcredit and the conditions for its granting by microfinance institutions.</p> <p>In 2012 the Decree No. 2012-890 of July 24, 2012, was published implementing the provisions of Article 22 of Law No. 88-92 of August 2, 1988, related to investment companies, as amended, and supplemented by subsequent texts and in particular Decree-Law No. 2011-99 of October 21, 2011, amending the legislation relating to risk capital investment companies and risky mutual funds and making the conditions of their interventions softer.</p> <p>In 2015, the law n° 2015-49 du 27 November 2015 related to the public private partnership contracts was approved.</p> <p>The Startup Act is a legal framework dedicated to support Startups in Tunisia, this legal framework incorporates 20 measures structured around a Label of Merit and Benefits to Entrepreneurs, Investors and Startups.</p> <p>It is mainly materialized by: (i) Law No. 2018-20 of April 17, 2018, relating to Startups; (ii) Decree No. 2018-840 of October 11, 2018, establishing the conditions, procedures, and deadlines for granting and withdrawing the startup label and benefiting from the incentives and advantages for Startups and the organization, the prerogatives, and operating procedures of the labeling committee; and (iii) Circulars of the Central Bank of Tunisia N ° 2019-01 and 2019-02.</p> <p>In 2020, and trying to respond to COVID Pandemic impact, the Tunisian parliament voted 3 new laws to facilitate access to finance and regulate the activities of MSMEs and Social Economy: The Law n° 2020-37 of 6/08/2020 related to Crowdfunding, the Law No. 2020-30 of June 30, 2020, relating to the social and solidarity economy and the Decree-Law of the Head of Tunisian Government n ° 2020-33 of June 10, 2020, relating to auto-entrepreneur scheme.</p>
MSMEs Access to Finance related strategies.	<p>The Tunisian Ministry of Finance has developed Tunisia's vision for the national financial inclusion strategy in 2016. The aim of the SNIF is to promote better economic and social inclusion for the Tunisian population and to create opportunities and jobs. The overall objectives of the SNIF are as follows: (i) Digital</p>

	<p>finance: Promote financial inclusion to improve the use of technologies and access to electronic payment accounts, (ii) Microinsurance: Responsible microinsurance to offer local services tailored to the needs of low-income populations and small businesses, to protect their economic capital against disasters and offer them additional economic opportunities, (iii) Refinancing: A diversified refinancing system is adapted to the needs of microfinance institutions, thus allowing access to a larger population at lower cost, (vi)The social and solidarity economy: The construction of a consensual culture based on the social and solidarity economy which promotes the concrete development of solutions allowing the financial inclusion of actors in the social and solidarity economy (companies, cooperative structures and mutuals, etc.), (v) Financial education: Individuals and households are financially stable, able to choose and decide with confidence and awareness about their financial needs.</p> <p>In 2017, Tunisia had established its national strategy for entrepreneurship which aimed at creating a climate conducive to the success of private initiatives from the idea of the project to the accompaniment following the execution, facilitating access to finance and access to market etc.</p> <p>In 2020, The Ministry of technology announced the launch of the new national digital transformation strategy in 7 axes for the period 2021-2025 which aims to the strengthen Tunisia's position as a field of digitization and innovation, and as a destination for investment in the field of ICT and the consolidation of the system of innovation and incentive to private initiative.</p> <p>The Central Bank of Tunisia (BCT) launched the regulatory Sandbox in early 2020, defined as a test environment that monitors the experimentation of innovative solutions offered by small-scale Fintechs and with voluntary clients. It is a synergy between the world of innovation and regulation, the objective being to guarantee inclusion and financial innovation and change the banking model by moving towards the restructuring and digitization of banks, to change quickly, the ecosystem.</p>
<p>Responses Mitigating impact of COVID-19 on MSMEs</p>	<ul style="list-style-type: none"> • Postponement of the payment of corporate taxes • Reduction of deadlines for refunding tax credits and taxes to a maximum of one month. • Rescheduling of tax debts • Suspension of the application of late payment penalties for a period of 3 months. • Restitution of the VAT credit, without the application of the 6-month condition, within a maximum period of one month • For tourism-related activities: exceptional management credit procedures with the possibility of repayment over 7 years, including 2 years of grace. • Launch of SME support fund. • reduction of up to 3% of part of the interest rate on investment loans • For exporting companies (food and health): possibility of deriving 100% of production on the local market during the year 2020 instead of 30% previously. • Launch of a cultural sector support fund. • Exemption from public procurement from penalties for delays over a period of 6 months for companies impacted by the coronavirus pandemic. • Decision of the BCT (Central Bank of Tunisia) to lower the key rate by 100 basis points to 6.75%. This will: • Reducing the financial costs of people having loans from banks, • Reducing financial burdens on businesses, especially SMEs, thus preserving their sustainability and their jobs.

Annex III: MSMEs Financing Policies Catalogue

Background information					Policy design & tools					
Country	Name of the policy	Policy issuing authority	Development partner involvement	Implementing actor(s)	Type of policy	Financing vehicle(s)	Enabling infrastructure tools	Target group(s)	Target sector(s)	COVID-19 policy
Algeria	SME Credit Guarantee Fund (FGAR)	Ministry of Industry and Mines	No	Ministry of Industry and Mines	Intervention	Credit guarantee	No enabling infrastructure elements	No specific target group	Manufacturing, Trade	No
Egypt	Promoting Innovation for Inclusive Financial Access Project	World Bank	Yes	MSME Development Agency	Intervention	Direct Lending, Enabling infrastructure	Capacity building MSMEs, Regulatory environment	Youth, Women	No specific target sector	No
Egypt	MSME Development Agency Covid-19 support to MSME's	MSME Development Agency	No	MSME Development Agency	Intervention	Direct lending	No enabling infrastructure elements	Adversely affected businesses by the COVID-19 crisis	No specific target sector	Yes
Egypt	SME unit of the Egyptian Banking Institute (EBI)	Egyptian Banking institution	No	Egyptian Banking Institution	Implementing agency	Enabling infrastructure	Capacity building financial institutions, Capacity building MSMEs	No specific target group	No specific target sector	No
Egypt	SME 2020 initiative	Central Bank of Egypt	No	Central Bank of Egypt	Intervention	Credit guarantee, Enabling infrastructure	Incentives to financial institutions	No specific target group	No specific target sector	No
Egypt	OPEC credit line to SMEs in Egypt	OPEC	Yes	MSME Development Fund)	Intervention	Direct lending	No enabling infrastructure elements	Women, Micro enterprises	No specific target sector	No
Egypt	Nile Stock Exchange	No information found	No	Nile stock exchange	Implementing agency	Enabling infrastructure	Stock market development	No specific target group	No specific target sector	No
Egypt	MSME Development Agency	Prime Minister	No	Ministry of trade and Industry	Implementing agency	Direct lending, Credit guarantee, Enabling infrastructure	Capacity building MSMEs, Regulatory environment	No specific target group	No specific target sector	No
Egypt	Catalysing Entrepreneurship for Job Creation Project	World Bank,	Yes	Micro, Small, Medium Enterprise Development Agency	Intervention	Credit guarantee, Equity investment or incentives	No enabling infrastructure elements	Women, Youth	No specific target sector	No

Egypt	I-Score Credit Bureau	No information found	Yes	Banks, Social fund for Development, Dun & Bradstreet International, IFC	Implementing agency	Enabling infrastructure	Credit information system	No specific target group	No specific target sector	No
Egypt	Central Bank of Egypt lifts negative listings on credit bureau clients	Central Bank of Egypt	No	I-score	Intervention	Enabling infrastructure	Credit information system	No specific target group	No specific target sector	Yes
Morocco	Second Capital Market Development and Small and Medium size Enterprise Finance Development Policy Loan	Government of Morocco	Yes	Ministry of Economy and Finance, Bank Al-Maghrib (central bank)	Intervention	Credit guarantee, Direct lending, Enabling infrastructure	Capacity building financial institutions, Credit information system, Payment system infrastructure, Collateral registry	Micro enterprises, Women, Youth	Financial sector, Manufacturing, Trade	No
Morocco	National Financial Inclusion and Digital Economy Development Policy Financing	Government of Morocco	Yes	Ministry of Economy and Finance	Roadmap	Direct lending, Enabling infrastructure, Grants, and subsidies	Credit information system, Payment system infrastructure, Regulatory environment	Micro enterprises, Urban livelihoods, Rural livelihoods, Women, Start-ups	Agriculture, Digital economy, Health care	No
Morocco	The COVID-19 Crisis in Morocco	Ministry of Health	No	Ministry of Health, Ministry of the Economy, Finance and Public Administration Reform	Roadmap	Credit guarantee, Enabling infrastructure, Grants, and subsidies	Payment system infrastructure	Adversely affected businesses by the COVID-19 crisis, Women	Agriculture, Health care, Tourism, Financial sector	Yes
Morocco	Financing Innovative Start-ups and Small and Medium Enterprises Project	Government of Morocco, World Bank	Yes	Ministry of Economy and Finance, Ministry of Industry, Trade, Investment, and Digital Economy	Intervention	Early-stage finance, enabling infrastructure; Equity investment or incentives; Enabling infrastructure	Capacity building MSMEs	Micro enterprises, Start ups	No specific target sector	No
Morocco	Micro, Small and Medium Enterprise Development Project	Central Bank of Morocco	Yes	Ministry of Economy and Finance	Intervention	Credit guarantee, Enabling infrastructure	Capacity building MSMEs, Capacity building financial institutions	Micro enterprises, Women	No specific target sector	No
Morocco	Improving the credit information system	No information found	Yes	Central Bank of Morocco, Private Credit Bureaus, IFC, banks	Intervention	Enabling infrastructure	Credit information system	No specific target group	No specific target sector	No

Morocco	Caisse Centrale de Grantie	No information found	Yes	Moroccan government, World bank	Implementing agency	Credit guarantee	No enabling infrastructure elements	No specific target group	No specific target sector	No
Morocco	National Agency for the Promotion of SME's	Ministry of Industry, Trade and New Technologies	Yes	National Agency for the Promotion of SME's	Implementing agency	Grants and subsidies	Capacity Building MSME	Start-ups, Micro-enterprise	No specific target sector	No
Tunisia	Tunisia Innovative Start-ups and SMEs Project	The World Bank, Government of Tunisia	Yes	Caisse de Depots et de Consignations	Intervention	Equity investment or incentives, Enabling infrastructure	Capacity building MSMEs	Start ups	Agriculture	No
Tunisia	Garantie des crédits accordés aux PME	Ministry of Finance	No	The Tunisian Guarantee Company (Sotugar)	Intervention	Credit guarantee	No enabling infrastructure elements	No specific target group	Manufacturing, Services	No
Tunisia	Fonds de Garantie des Jeunes Créateurs (FGJC)	French Development Agency (AFD)	Yes	The Tunisian Guarantee Company (Sotugar)	Intervention	Credit guarantee	No enabling infrastructure elements	Youth	Manufacturing, Services	No
Tunisia	Strengthening the capacity of Tunisian SMEs	No information found	No	Tunisian Ministry of Finance, Central Bank of Tunisia, Local banks, Agence Francaise de Developpement	Intervention	Direct lending	No enabling infrastructure elements	No specific target group	Manufacturing, Agriculture	No
Tunisia	Pre-Shipment Export Finance Guarantee Facility	No information found	Yes	Pre-Shipment Export Finance Guarantee Unit	Implementing agency	Credit guarantee	No enabling infrastructure elements	No specific target group	Trade	No