



# MED MSMEs

Policies for inclusive growth

THIS PROGRAMME IS FUNDED BY THE EUROPEAN UNION



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



**SBAC Coordination Meeting**

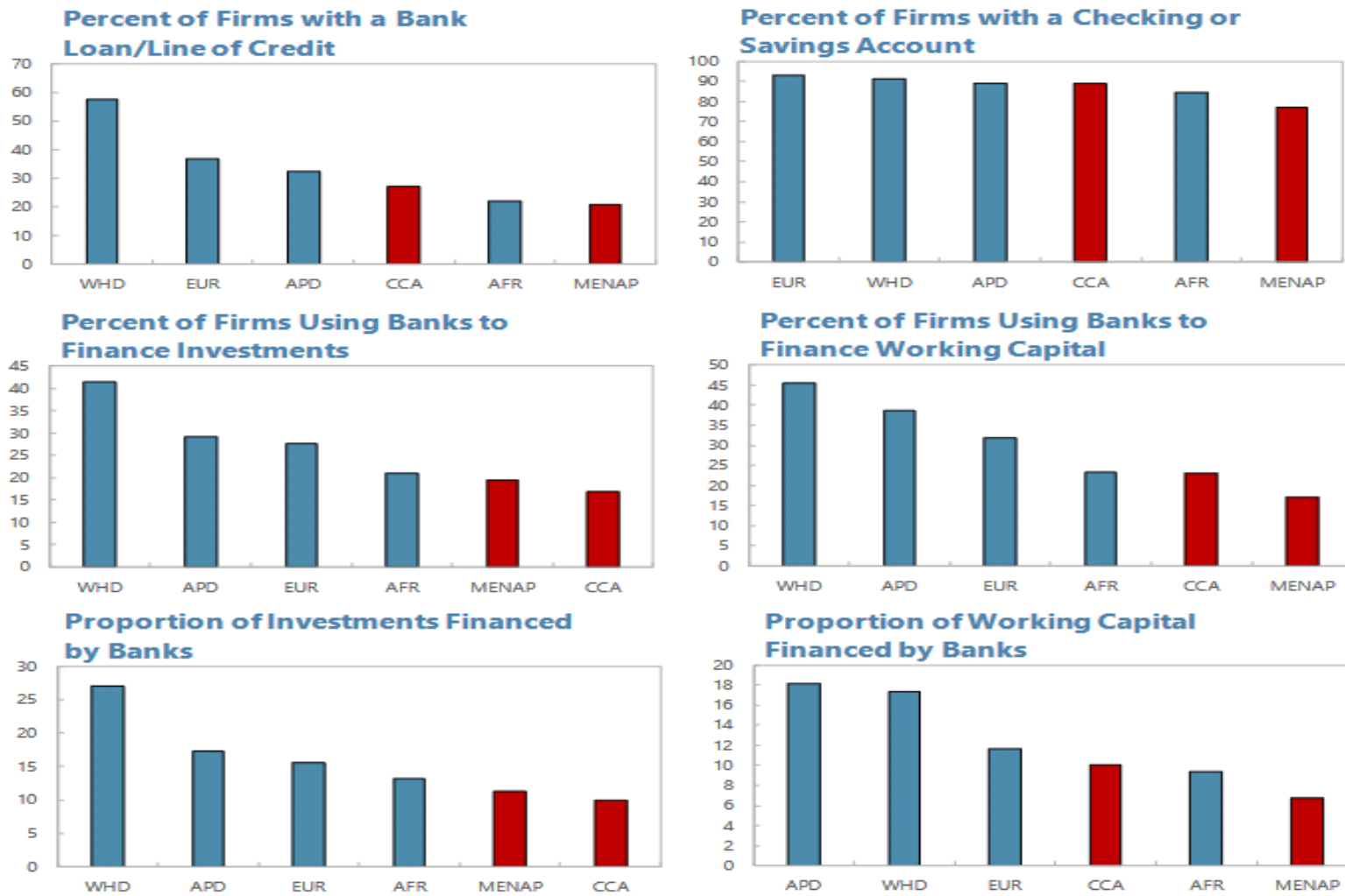
**23<sup>rd</sup> and 24<sup>th</sup> June, 2022**

**Overview of  
the MSME Access to Finance  
Component**



# Status of MSMEs financing in MENA

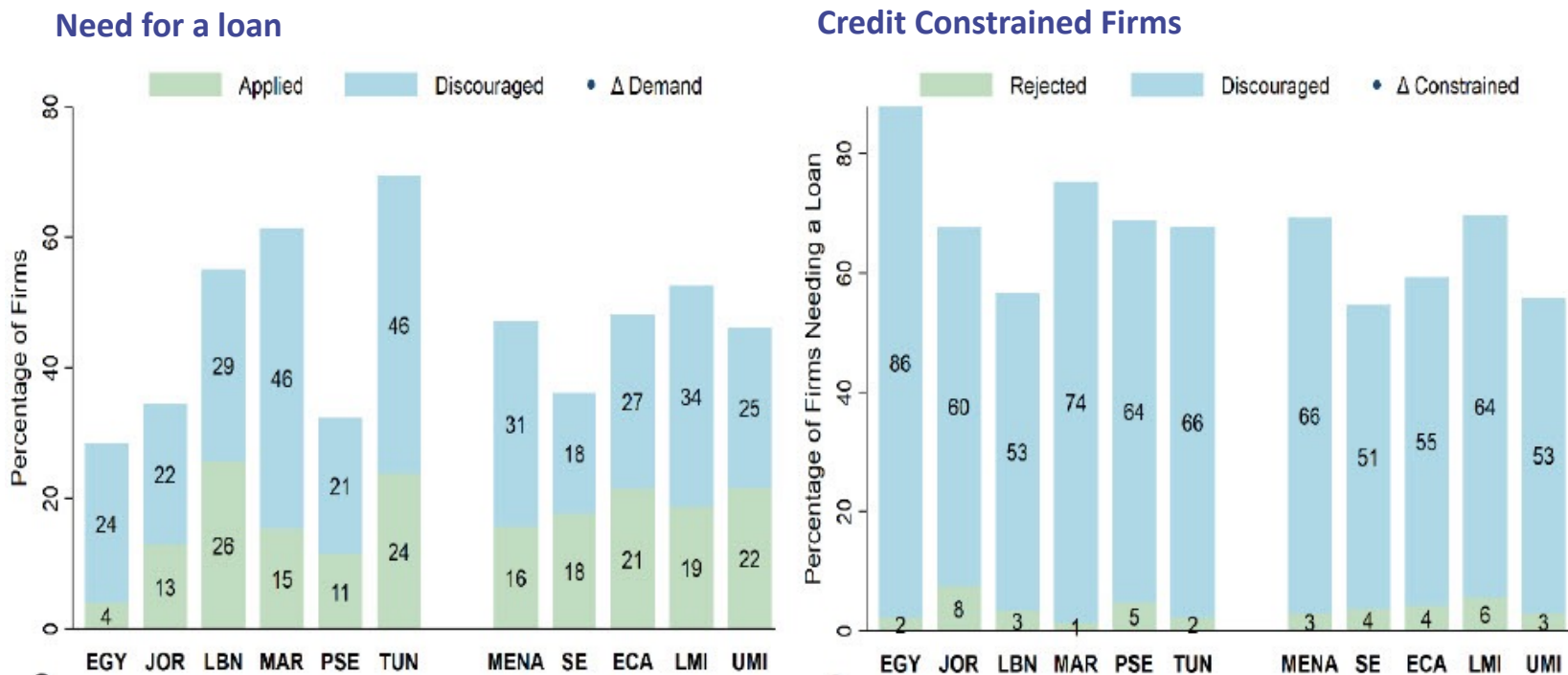
**Figure 1. Access and Usage of Financial Services by firms**



Source: World Bank Enterprise Surveys, 2018 or latest available data.

Note: Regional averages are calculated for all firms in the region (not average of country averages).

# On the demand side: **autarky on the rise**

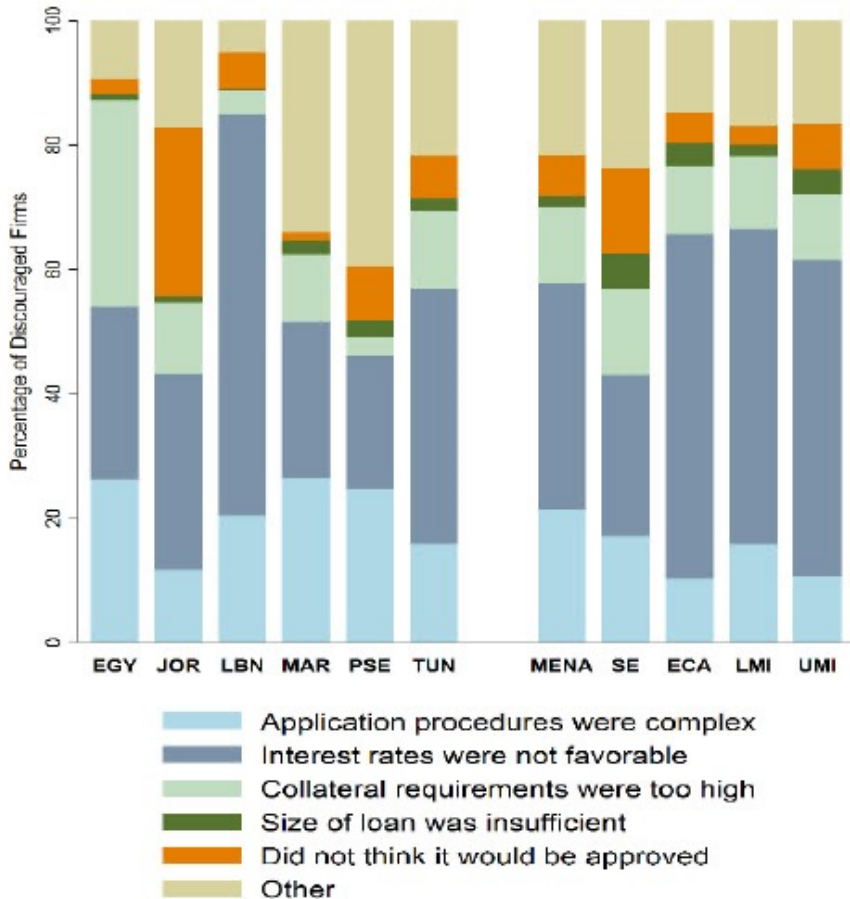


**Source:** EIB- Access to finance in the Middle East and North Africa - Evidence from the 2019 Enterprise Survey

- In MENA, only 16% of MSMEs applied for a loan compared to 43% in Europe, 45% in the UK and 42% in the United States.
- Discouragement has become a cultural pattern among MSMEs (2/3<sup>rd</sup>)

# On the supply side: a never ending story

## Factors discouraging firms from applying from a loan



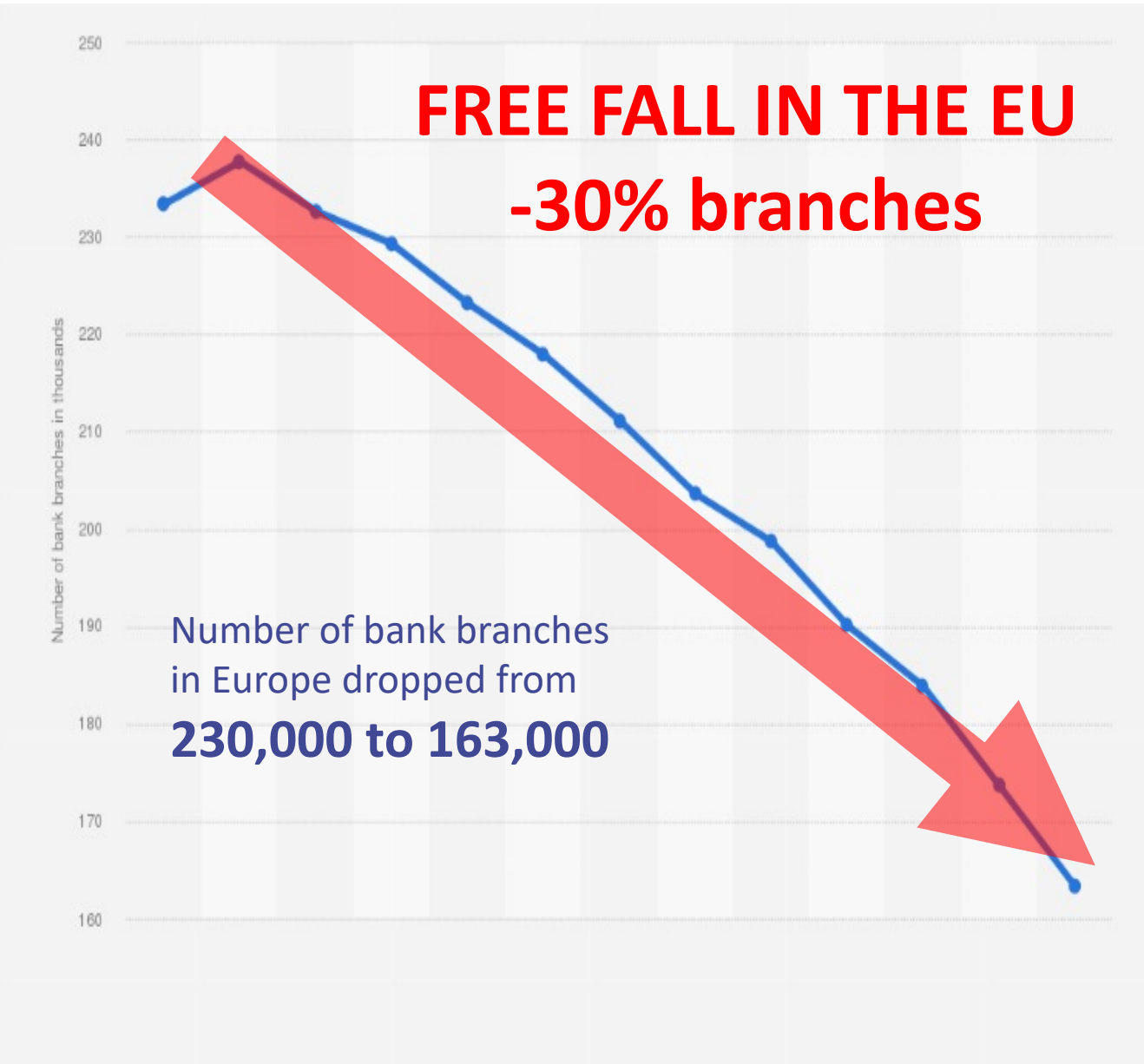
- Stringent collateral requirements
- Complex application procedures
- High interest rates discourage firms from applying for a loan
- Limited products that can meet the MSMEs needs
- Still underserved pockets

**Is there hope that things will change?**

Source: EIB Access to finance in the Middle East and North Africa - Evidence from the 2019 Enterprise Survey



# Disruptive factors at play: **digitalization**



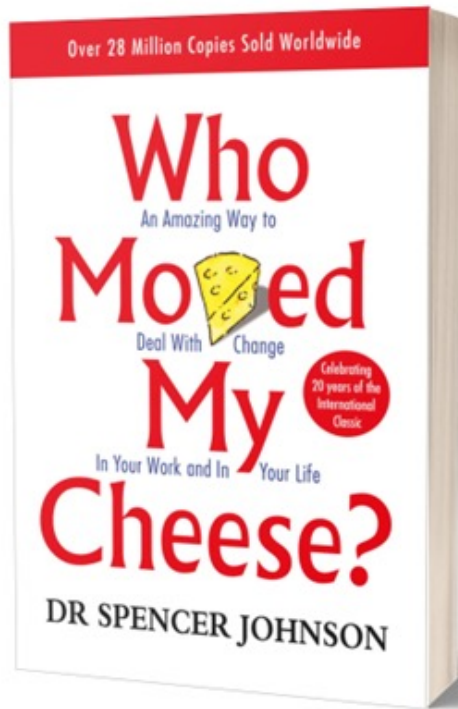
**1mm+ job loss or conversion**

EY forecasts:  
another **40,000 branches closing** over next 3 years

This is a **structural change**: no countercyclical measures

Need for **policies and regulations** enabling the transformation

# Disruptive factors at play: **COVID**



**53%** of European clients buy their financial services online in 2021

**COVID 19** has expedited the transition

**Generation Y**: digital is a second nature

No **turning back**



**To facilitate alternative / innovative financing to MSMEs in the South Med region, MED MSMEs Programme performed the following activities:**

## **2020/2021**

- Mapping of available instruments for alternative financing
- Developing regional survey for acquiring input from partner countries
- Developing 6 country roadmaps and recommendation to select activities that can create immediate impact on MSME financing

# What were the regional priorities?

Policy Level							
Country	Egypt	Jordan	Lebanon	Morocco	Palestine	Tunisia	Score
Support the Development of the FinTech Sector- DSP2		*	*	*		*	4
Developing an online regional lending platform		*	*	*			3
Support the launch of the FinTech Regulatory Sandbox			*		*		2
Regulatory framework/business environment							
Country	Egypt	Jordan	Lebanon	Morocco	Palestine	Tunisia	Score
Scaling up MFIs		*	*		*	*	4
Support Women Entrepreneurs Good Practices A2F Policies	*			*		*	3
Adaptation of support programmes and services							
Country	Egypt	Jordan	Lebanon	Morocco	Palestine	Tunisia	Score
Support the establishment of observatory for MSMEs Innovative Financing	*			*		*	3
Support increasing the Outreach of Existing Guarantee Players - regional counter guarantee facilities.		*	*	*			3



# Selection of Activities for 2021/2022

A. Microfinance impact upscaling

B. Raising awareness on the EU PSD2 (Open Banking – Banking 4.0) concept

C. Creating a regional counter guarantee mechanism



# MED MSMEs Programme Planned Activities for 2022/2023

## Other Proposed activities Under the A2F Component

- A. Peer-to-peer capacity building on the regulatory “sandbox”
- B. On demand TA for regulatory fintech sandbox implementation
- C. Support selected Partner countries in adopting and implementing PSD2





**THANK YOU**

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