



MED MSMEs

Policies for inclusive growth

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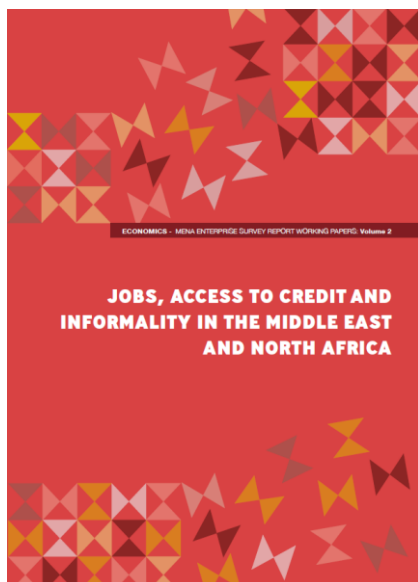
Support to an Enabling Business Environment for
MSMEs Development & Financial Inclusion

An overview of financial inclusion in the South Med region

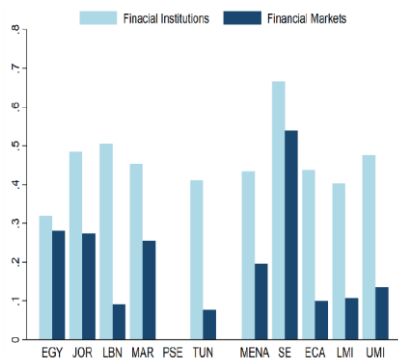
C. MALHERBE – KE1, TL

Brussels - December 1, 2022

GOPA
WORLDWIDE CONSULTANTS



Bank based economies



Bank based economies (as opposed to market ones).

Lower loan-to-deposit ratio: 72% vs. to an upper-middle-income country average of 89% (except Tunisia 114%).

Increase in needs compared to the 2013, BUT the share of firms that applied for a loan decreased (except Palestine).

Share of firms stating that they need a loan is highest in Tunisia (70%), followed by Morocco (61%) and Lebanon (55%).

High share of firms operates without external finance, and therefore classified as **financially autarkic (37%)** notably Egypt, Jordan and the West Bank and Gaza.

Informality: 29% of firms exposed to competition from informal firms (40% Lebanon & Tunisia) => fewer applications

MENA region is characterized by the disconnectedness of private firms from the banking sector.



To boost the **credit to the private sector** in % of GDP...

Authorities of the region have devised several reforms that seek to improve access to finance, with a particular focus on SMEs.

Egypt, Jordan, and Palestine, for instance, have revised their **collateral laws**, a longstanding weakness in the region. Several countries have further improved their **credit information systems**.

In some countries, these efforts have been complemented by central bank initiatives aimed at incentivizing banks to extend credit to SMEs, e.g. **25% “directive”** in Egypt.

How to measure that from a policy perspective?



76 countries have collectively made 1,023 Maya Declaration targets, registered into the AFI Data Portal (ADP)



AFI is a **policy leadership alliance** owned and led by 75 central banks and financial regulatory institutions with the common objective of advancing financial inclusion. It forms a CoP.

Measuring financial inclusion was AFI's original policy focus (Financial Inclusion Data (FID) Working Group) through a **common framework**.

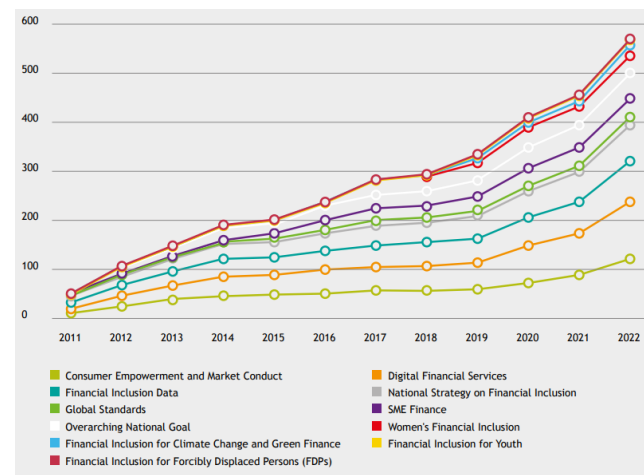
Out of 67 countries, three regional countries are particularly showcased:

Egypt: Development of the Financial Inclusion Measurement Framework, including a dedicated data unit (2015)

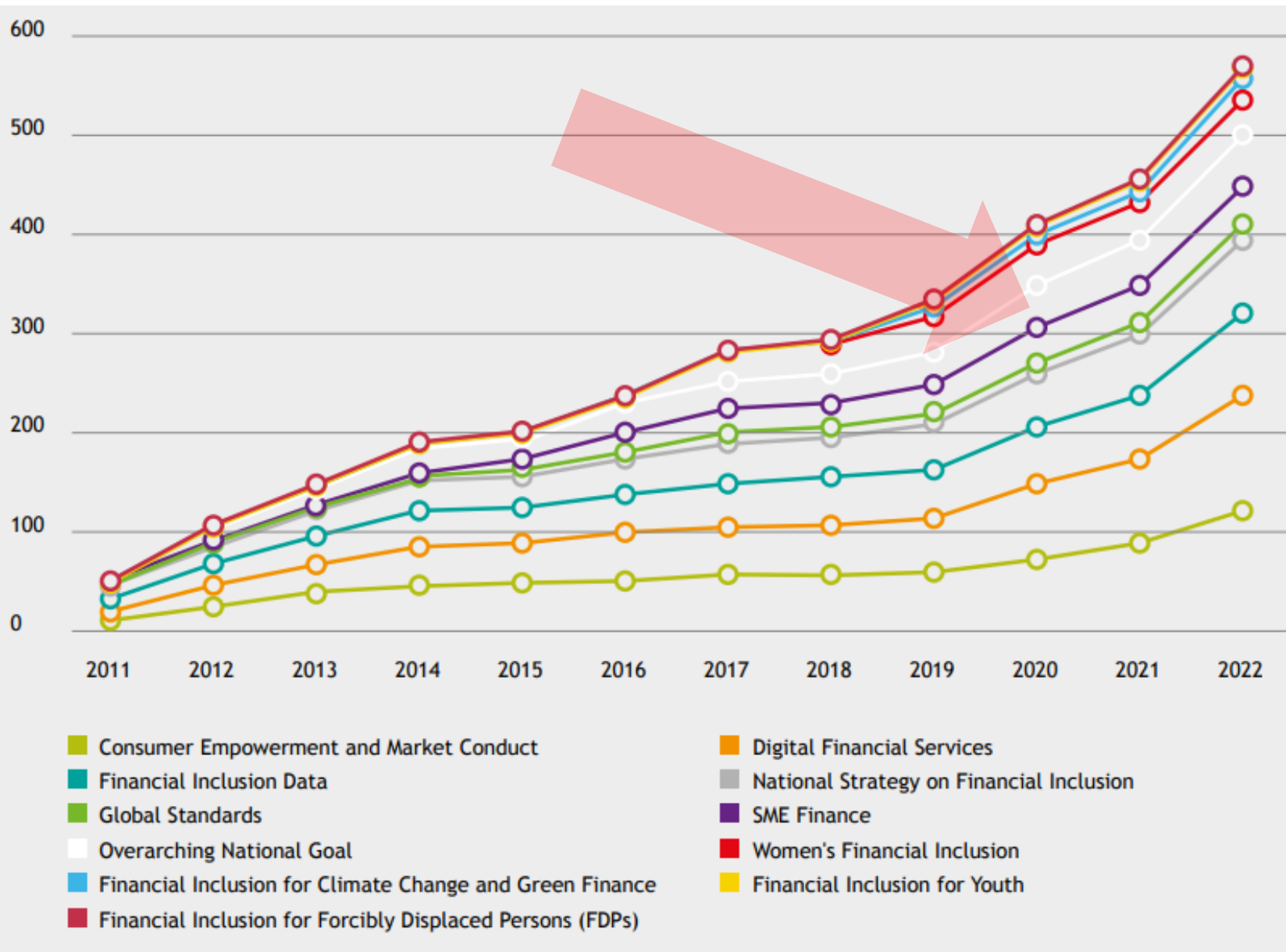
Jordan: Development of a financial inclusion data framework (AFI Core Set + specifics) and launching of the NFIS that includes a diagnostic tool (2017)

Tunisia: included the usage dimension of the AFI Core Set in a recent financial inclusion study (2018).















REGION	NO. OF TARGETS MADE	% OF COMPLETED TARGETS	% OF QUANTITATIVE TARGETS
East & Southeast Asia	72	46%	18%
Eastern Europe and Central Asia	66	36%	12%
Latin America and the Caribbean	181	50%	8%
Middle East and North Africa	152	43%	11%
Pacific	68	43%	19%
South Asia	122	48%	15%
Sub-Saharan Africa	362	37%	17%

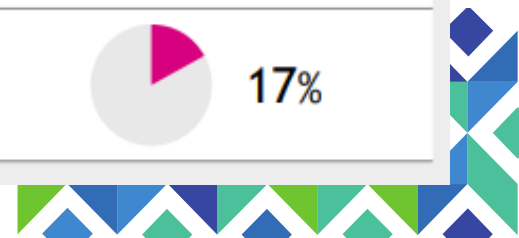


Access to finance through policy lens



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ARAB REGION

AT A GLANCE



6

Maya Declaration
Commitments



5

Commitments
with Quantitative
Targets



152

Concrete
Targets



18

Quantitative
Targets



65

Completed
Targets



48

Ongoing
Targets

INSTITUTIONS WITH UPDATED OR NEW TARGETS

- > Banque Centrale de Tunisie
- > Central Bank of Egypt
- > Central Bank of Iraq



Mainstreaming cross-cutting dimensions

Gender In Finance: 45 central banks and regulatory institutions are committed to at least one GIF target across seven thematic areas (consumer protection, market conduct, financial inclusion data, financial inclusion strategies, global standards proportionality SME finance...)



Inclusive Green Finance has been championed by adopting the Sharm El Sheikh Accord in 2017 pivotal to accelerate this emerging policy area. promote renewable energy, build environmental risks into credit decisions, promote climate risk insurance, and establish mechanisms for recovery and reconstruction post-disaster.



Financial Inclusion of Youth: exponential growth in the percentage of the young population creates an opportunity for a demographic dividend; therefore 45 indicators have been developed to track access to finance for this population.



High hopes placed in digitalization

*“Although traditional financial institutions have undergone technological upgrades in operations and money transfers, the **unique capabilities of FinTech** have the potential to:*

- *lower entry barriers,*
- *elevate the utility of sex and age-disaggregated data, and*
- *promote new business models that might expand access to finance”*



AFI's Director of Policy Programs and Implementation Eiki Boletawa

New financial technologies (FinTech) can help SME achieve a level playing field if regulations that ensure stability and consumer protection are promoted.

Especially true for women-owned businesses: challenges when raising capital for their businesses, often due to the lack of acceptable collateral, concentration in lower-growth sectors, unconscious biases of investors, among others.

But...



AND THE WINNER IS...



Financial Inclusion Innovation Award was taken home by the Central Bank of Egypt (CBE) for demonstrating commitment and leadership to *foster new technologies and innovations* to drive financial inclusion and for its innovative policies and use of structured approach through the adoption of a National Fintech & Innovation Strategy.



The Global Youth Financial Inclusion Award was won by the Palestine Monetary Authority (PMA) recognizing achievements in advancing the financial inclusion of youth by embedding it as a focus in its NFIS. PMA also introduced a set of initiatives covering awareness-raising activities, financial services measuring and benchmarking initiatives.





THANK YOU!

MERCI!

شكراً لكم