



MED MSMEs

Policies for inclusive growth

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



Financial Inclusion Policies and Innovative MSME Financing in the South Med

The case of the microfinance sector: findings and recommendations

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An overview of the MF sector in the South Med

Some key figures on access to finance^(*)

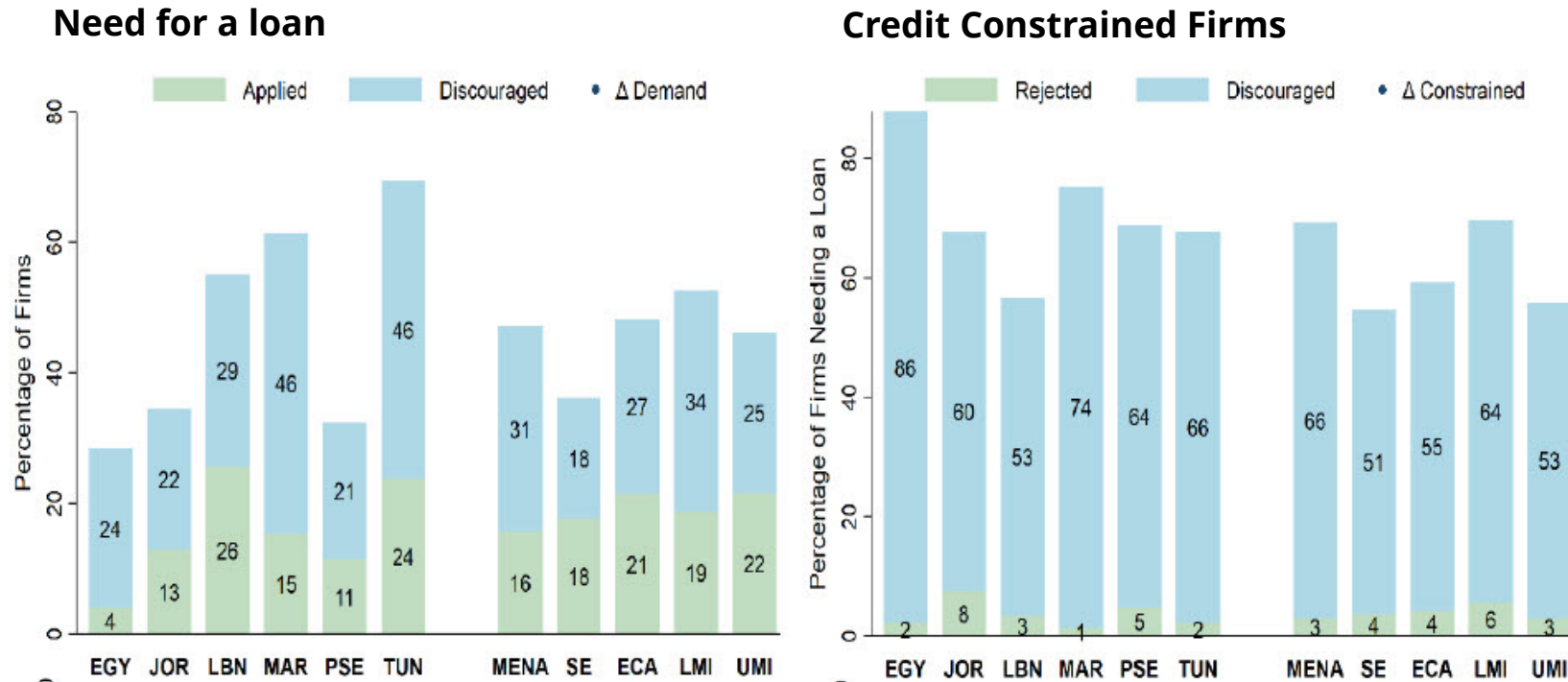
Region/Country	Account (%)	Mobile money account (%)	Made or received a digital payment (%)	Borrowed any money (%)	Borrowed any money from a financial institution or using a mobile money account (%)
World	76%	10%	64%	53%	29%
Middle East & North Africa (excluding high income)	48%	6%	40%	51%	11%
Sub-Saharan Africa (excluding high income)	55%	33%	50%	56%	14%
Europe & Central Asia	90%	n.a.	87%	54%	40%
Algeria	44%	n.a.	34%	38%	4%
Egypt, Arab Rep.	27%	3%	20%	46%	8%
Israel	93%	n.a.	91%	83%	80%
Jordan	47%	11%	36%	54%	10%
Lebanon	21%	n.a.	14%	31%	3%
Morocco	44%	6%	30%	57%	5%
Tunisia	37%	4%	28%	51%	10%
West Bank and Gaza	34%	2%	21%	42%	5%

Source: World Bank – Global Findex Database (2021)

(*) All percentages for age 15+



An overview of the MF sector in the South Med



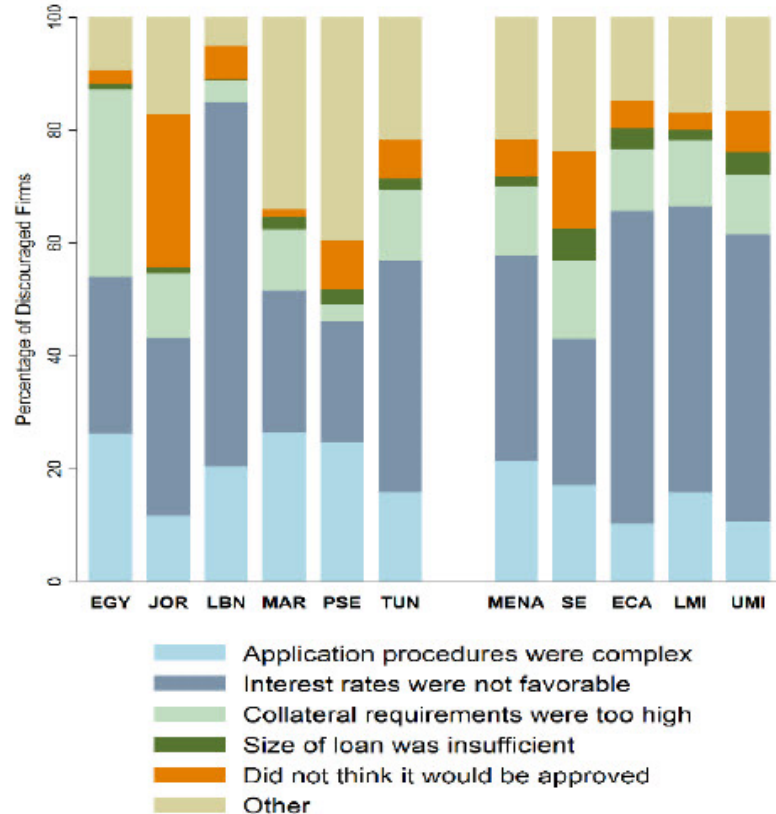
Source: Access to finance in the Middle East and North Africa - Evidence from the 2019 Enterprise Survey

- For many firms, bank credit is the most important source of formal external finance.
- A large share of firms in need of a loan is unable to obtain one, and thus credit constrained.



An overview of the MF sector in the South Med

Factors discouraging firms from applying from a loan



Stringent collateral requirements, complex application procedures, and high interest rates discourage firms from applying for a loan.

The case of the NBFi sector



European Commission

EFSD+ and Blending



Debt
Guarantees
Equity

TA
Grants

Risks & ticket sizes

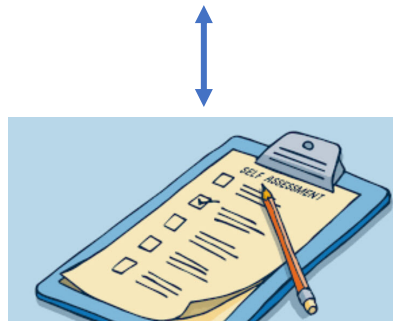


- Reduce risks
- Create markets
- Reduce transaction costs



Reduce investment, information, and expectations gaps

- Scaling up their interventions
- Capitalize on their agility and client proximity
- Take advantage of digitalization
- Further diversify their portfolios



TIER 1 TIER 2 & 3

TIER 1 TIER 2 & 3



Findings and recommendations

Area	Main Findings	Recommendations
Licencing	Tiered licenses enabling MFI's upscale are lacking	Transparent and simplified tiered licencing
Taxation	Taxation regimes are complex and often discriminatory	Taxation regimes should be more fair, transparent, and applied uniformly among Banks and MFIs.
Loan sizes caps	Some countries apply loan sizes caps	Loan size caps not related to capital requirements should be eliminated
Interest rates caps	Some countries apply interest rates caps	Remove interest rate caps (unless proven cases of usuary)
Provisioning	Provisioning regulations not applied equally among all types of financial institutions	Provisioning regulations should be applied equally among all types of financial institutions Fully align provisioning with good practices (e.g., Basel III)

Area	Main Findings	Recommendations
Funding	Lack of sufficient funding, especially long term local currency credit lines and equity	<p>Facilitate access to long term local currency credit lines and equity</p> <p>Development of a “self-assessment” toolkit for MFIs to evaluate their readiness for acquiring funding from EU DFIs or investment vehicles</p> <p>Reduce the expectations and information gaps</p>
Guarantees	NBFI access to Credit Guarantee Facilities (CGF) could be improved	<p>Increase Credit Guarantee Facilities (CGF) offering and focus on vulnerable groups (e.g., higher coverage and/or better pricing conditions)</p> <p>Target policies to increase coverage of alternative securities (e.g., invoices)</p>
Credit Bureaus	Access to and coverage of credit bureaus could still be improved	<p>Increase coverage of Credit Bureaus to include MFIs, retail, and utilities.</p> <p>Positive credit history information should be also reported</p>



Selected potential interventions at regional level

Funding	<ul style="list-style-type: none">▪ Regional and/or country platforms / workshops could be used to discuss funding issues among the EC, DFIs, and MFIs, and banks. Additional ones.▪ Providing financial instruments, TA and grants for transforming from MFI to Banks / Fintechs / Support financial vehicles▪ Supporting Central Banks to develop “light” banking licenses approaches for MFIs▪ Development of a “self-assessment” toolkit and training in its use
Licencing	<ul style="list-style-type: none">▪ Establish a working group to look for different alternatives of tiered licencing systems that could be presented to national legislators.
Taxation	<ul style="list-style-type: none">▪ National legislators could be encouraged to remove any discriminatory taxation practices▪ Regional associations of MFIs could become knowledge centres for taxation issues
Loan and interesting rates caps	<ul style="list-style-type: none">▪ National legislators & regulators could be encouraged to remove any “unreasonable” loan size and interest rates caps
Provisioning	<ul style="list-style-type: none">▪ National legislators & regulators could be encouraged to apply provisioning regulations equally among all types of financial institutions
Guarantees	<ul style="list-style-type: none">▪ The MED MSMEs Programme intervention on assessment of the relevance and features of a Regional Risk Sharing Mechanisms (RRSM) is taking the lead on this issue.▪ The new EFSD+ Financial Instrument could be used to provide counter guarantees (indirectly)
Credit Bureaus	<ul style="list-style-type: none">▪ An intervention could focused on study this issue in coordination with other actors, including the IFC





THANK YOU
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