

Sustainable Economic Development, Employment and Labour Market

Alternative Approaches to Financial Inclusion of SME (A-FIN)

Background

Small and medium-sized enterprises (SMEs) and start-ups create jobs and allow many people to earn their own income. However, these types of businesses in the Palestinian Territories have insufficient access to financing. As a result, they cannot implement their ideas, create new products and services, successfully access new markets, or realise their full potential.

On the demand side, the reasons for this include a lack of knowledge about and confidence in financial products and their providers; on the supply side, there are hardly any alternatives to bank loans, such as insurance products as alternative financing options as the relevant regulatory framework conditions are not in place. It is estimated that there is an unserved demand for access to financing of up to USD 900 million.

Innovative products and suppliers who wish to offer client-oriented, technology-based products, are looking to enter the Palestinian market. These 'fintechs' offer enormous potential for improving the financial inclusion of broad sections of the population. With this in mind, the Palestinian government, regulators and private stakeholders agreed upon a national strategy for financial inclusion: the emphasis of this strategy is on using technology and on educating and protecting the population.

In the light of regularly occurring mobility restrictions, the need for innovative technological business models that replace cash and physical presence are particularly urgent.

Objectives

The A-FIN project aims to improve the access of SMEs and start-ups to innovative and alternative financial services. Therefore, it works on improving the framework conditions for the supply side and usage of these financial services in the Palestinian territories.



Project name	Alternative Approaches to Financial Inclusion of SME (A-FIN)
Commissioned by	German Federal Ministry for Economic Cooperation and Development (BMZ)
Project region	West Bank, Gaza Strip
Partner	Ministry of National Economy, Palestine Capital Market Authority (PCMA), Palestine Monetary Authority (PMA)
Duration	12.2019 – 04.2024

A-FIN provides the financial market regulatory authorities with technical assistance to enhance their capacities:

- to develop and communicate an improved, easy-to-understand range of information and educational content for SMEs and start-ups on the availability and use of innovative and alternative financial services.
- to strengthen their functions as promoters and regulators of fintech.



L. to r.: Deer Malak Campaign



© GIZ: Participants of fintech training courses received awards for their successful participation

- to ensure proper evaluation and enabling regulation for new fintech providers and business models to facilitate controlled market entries.

Moreover, the project works on creating financial awareness cooperating with multipliers including social media influencers, incubators, accelerators, NGOs and academia, i.e., institutions and individuals with strong outreach to entrepreneurs and overall the Palestinian society. By raising awareness, building financial capabilities, or advising their outreach groups, multipliers build trust in and increase demand for innovative financial services.

With the objective to facilitate targeted market entries or piloting of new fintech solutions in the Palestinian Territories, the project also provides necessary platforms and mentorships, legal advice, studies and other business development measures to fintechs.

To improve the access to finance for women the project's "Female Finance" work stream implements activities targeting female entrepreneurs, start-up founders and freelancers as well as women led MSMEs.

The insurance work stream aims at strengthening the regulatory framework and business development measures to enable inclusive insurance as well as innovative insurance products.

Since 2021, the project collaborates with the World Bank to strengthen the PMA in the development of the Palestinian digital payments' ecosystem.

Achievements

Both financial regulators, PMA and PCMA, established new structures internally that aim to improve coordination and communication with the private sector and other important stakeholders, to address technological challenges and promote innovation. Subsequently, PMA granted permission for the use of electronic and mobile payment services for the first time, leading to the licensing of fintech companies offering e-wallets under PMA's

supervision. Additionally, PCMA launched its regulatory innovation office "Ebtaker" in March 2021, which has issued four "no-objection-letters" so far, allowing innovators to further develop their non-banking Fintech solutions.

In March 2022 the PMA launched a regulatory sandbox, a platform allowing innovators to test their banking and payments fintech solutions in an experimental environment under their supervision. The first application to enter the sandbox and test their solution was accepted by the PMA in February 2023.

A core group of 18 professionals and managers graduated successfully from a 2-year capacity building programme called "Fintech Academy", which covered a wide range of theoretical and practical knowledge on fintech and concepts of innovative approaches to financial inclusion.

The financial awareness campaign called "Deer Malak" (Arabic: "Pay attention to/ Manage your money") has reached more than 34,000 likes and 16,000 followers on social media, 73% of them are women and 30% live in disadvantaged areas, e.g. through 32 educational online tutorials as well as live sessions. "Deer Malak"'s face is the first Palestinian "finfluencer", a social media influencer with a financial focus, who is advised and promoted by the project.

In a cross-border Fintech acceleration programme 16 Palestinian and Jordanian Fintech start-ups enhanced their Fintech capacities over three months ending with a Fintech Demo Day in front of investors and ecosystem players.

In collaboration with another GIZ project the integration of a mobile wallet into an internship programme was facilitated. This allowed 400 financially excluded Palestinian interns to get paid via mobile wallets.

The A-FIN project and another GIZ Project jointly support an application digitising Village Savings and Loan Associations (VSLAs). The app is getting tested with 2 VSLAs so far and aims to include saving groups in three governorates in the future.

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