

# Enhancement of the Business Environment in the Southern Mediterranean (EBSEM)

“Improving Access to Finance for MSMEs in Palestine”

Ramallah, 8 February 2017



A project funded by the European Union



**Panel 5: What is needed from the financial sector and other actors to play a greater role in accompanying entrepreneurs and SME growth in Palestine?**



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# The Current Situation



« According to a report on SMEs dated 2016 of the European Bank, the European Investment Bank and the World Bank »:

- Banks account for only 3% of working capital needs of SMEs (MENA=+/-10%)
- 3/4 of firms did not apply for a loan(2nd highest in MENA)
- 30% of private sector firms do not have a checking or a saving account
- 6% only of firms indicate having a loan or a credit line (MENA=+/-28%)



## A/ Recommendations for Public Authorities :



- Establish a National Strategic Program for Palestine.
- Credit Guarantee Company: Improve, increase and develop further Credit Guarantee schemes.
- SMEs Guide: Disseminate and update annually an SMEs Guide in order to inform on existing instruments and programs.
- Single-window contact: Establish, within the Chamber of Commerce or any relevant entities, a one-stop-shop for SMEs, providing technical assistance, advice and training in the areas of legal, tax, management, financial advisory, etc.
- Support Fund: Create a fund to help viable SMEs, who encounter problems of temporary cash, because of problems beyond their control.
- Export Facility scheme





## B/ Recommendations for SMEs:



Credit applications: Improve the quality of the files presented to the banks and MFIs in terms of:

- Viability of the project;
- Capitalization level;
- Profitability;
- Indebtedness;
- Cash flow and capacity of repaying the debt;
- Reliable audited financial accounts;



## C/ Recommendations for Banks :



Strengthening within each bank the SMEs approach:

- Specialized departments
- Train bank staff ( customer relationship officers and credit officers)
- Develop Credit manual for SMEs' lending: covering risk analysis systems that's adjusted to the particularities of SMEs lending and to the economic sector in which they evolve
- Reorganize bank branches
- Allocate resources dedicated only to SMEs
- Produce toolkits for SMEs



## C/ Recommendations for Banks :



- Accelerate decision making: Long duration to get approval of a bank on loans:
  - SMEs applying for a loan must obtain, immediately and after discussion with the relationship customers officers, a refusal or an agreement, to continue studying the file, in order not to waste the time, both of SMEs and Banks
  - A complete credit application must be treated within a period of 15 days
- Syndication: Promote and increase risk sharing among banks
- High collateral requirements on bank loans: Change lending requirement's mentality of banks from real guarantee/ collaterals to cash flow assessment



## Reminders for SMEs :



Criteria's for the assessment of a file, from a bank point of view, are:

- The quality of the file presented with all documents required by the Bank
- The certified financial statements showing the financial situation of the company i.e. capitalization, profitability, reimbursement capacity, indebtedness, etc
- The proposed guarantee
- The Promoter's credibility (shareholders and executives)
- Commitments with other banks
- The commitment on the relevant sector and the policy of each bank.