



Enhancement of the Business Environment in the Southern Mediterranean

For: Palestine



A project funded by the European Union



Working Meeting of MED SBA Coordinators and Access to Finance Advisors

Preliminary Findings of the Mapping Exercise Brussels – 24 November 2015



A project funded by the European Union



1. Progress of the Mapping Exercise



1) Loans

- No. of Outstanding Loans for SMEs - end of 3rd quarter 2015: 38,705.
- Total Amounts Committed/Allocated – end of 3rd quarter 2015: EUR 614 Million.
- Origin of funds: Grants from European Union, contribution from international organizations such as IFC, and loans from the banks in Palestine.
- Targets: SMEs
- Sectors: Commercial, Services, and Industrial
- Terms of the loan: Average loan amount EUR 80,967, average interest rate 3.29%, average duration 3.04 years



1. Progress of the Mapping Exercise



2) Guarantees

Programme	Characteristics
The European Palestinian Credit Guarantee Foundation (EPCGF)	The Credit Guarantee Fund currently stands at EUR 31.5 million Loan ceiling per individual business is EUR 186 thousand.
Loan Guarantee Facility (LGF) designed and managed by Middle East Investment Initiative (MEII).	Operational funding from Norway and other public and private donors has leveraged EUR 149 million in loan guarantee authority from the US Overseas Private Investment Corporation (OPIC) and the Palestine Investment Fund (PIF).
Sida Guarantee Facility (SGF) designed and managed by Middle East Investment Initiative (MEII).	SGF is a EUR 18.6 million facility for SME and housing loans in East Jerusalem, Gaza Strip and Area C of West Bank. It includes a commercial risk guarantee and a political risk guarantee.
The West Bank and Gaza Investment Guarantee Trust Fund (MIGA)	The fund seeks to insure against political risks such as transfer restrictions, expropriation, war and civil disturbance, and government breach of contract. The Trust Fund had committed around EUR 22.3 million as of October 30, 2015.



1. Progress of the Mapping Exercise



3) Equity and Venture Capital (including business angels' network)

Programme	Characteristics
Arabreneur	Engage young entrepreneurs in their development and provide them with facilities to use their creativity and time to develop start-up companies. Invested over EUR 0.93 M in 14 technology start-ups since its establishment in mid 2013.
Ibtikar Fund	Invests in tech start-ups at the earliest stages, seed stage in partnership with accelerators. Take equity investments, can offer convertible notes. EUR 9.3 million, 5 year investment period, 10 year fund
FastForward Accelerator/ Leaders Organization	Palestine's first startup accelerator, providing aspiring Palestinian entrepreneurs with the resources they need to succeed in the global market.
Sharakat	Targets a number of vital economic sectors that are crucial to the development of the Palestinian economy, such as Agriculture, Industry, IT, Health, Education, and Renewable Energy.
Siraj Fund Management Company	Intended to unleash the potential of these Palestinian businesses, while promoting technological advancements and development in the country,.
The Palestine ICT Incubator (PICTI)	Aims to assist technology entrepreneurs to commercialize their ideas by designing, developing, implementing and promoting those initiatives.



1. Progress of the Mapping Exercise



4) Micro-finance

Key Microfinance Programs:

1. FATEN
2. REEF
3. VITAS
4. Asala
5. ACAD
6. UNRWA

of Active Borrowers: 29,591
Average Granted per Borrowers (EUR) 3,118
Average Duration: 2.04
Average Interest Rate (USD): 13.28%



1. Progress of the Mapping Exercise



5) Innovative finance (e.g. crowd funding, group lending, suppliers finance)

N/A



2. Good practices Identified



Regulatory	Objectives	Efficiency
PMA adoption of a unified definition for SMEs	Helping stakeholders analyze data, assess risks, monitor development and put forward strategic plans for the development of SMEs	The definition set forth by MONE pursuant to the Cabinet decision dated 4/10/2011 does not reflect the reality of SMEs in Palestine
PMA adoption of the Financial Inclusion Strategy	Facilitating access to such services across a wide segment of enterprises	Promoting financial inclusion principles
Demand	Objectives	Efficiency
Creation of a database for facilities extended to SMEs	Monitoring different risks to the various economic sectors and enhancing the abilities and capacities of the SMEs sector	Building development of managerial and entrepreneurial capacities of SMEs owners.
Supply	Objectives	Efficiency
The PMA established the SMEs Technical Committee.	Revise strategies for SMEs and formulate necessary recommendations for stakeholders for the development of the sector	The facilitation of access to financing sources.
Motivation and creation of the proper environment for the banking sector to grant facilities to SMEs	The PMA issued circular (53/2013) to motivate banking institutions and create the proper environment for them to expand facilities for SMEs and promote investment in that sector	This will contribute to limit delay fines which burden SMEs
	Motivating banking institutions to grant facilities to SMEs by offering an exemption from allocating 2% to general risk reserves	Promote competition amongst various lending sources, thereby reducing interest rates for the benefit of SMEs.



3. Impediments and Challenges



Demand side [Selective]	Supply side [Selective]
<ol style="list-style-type: none">1. Inability to prove / estimate sales and assess performance due to poor bank account activity or total absence of such activity2. Poor SMEs sales due to sales stagnation and lack of growth opportunities3. The lack of registration certificates for SMEs in many jurisdictions and in rural areas4. Deficiency in SME administrative, marketing, strategic and other skills5. Lack of banking awareness of many individuals and SMEs and poor knowledge of the feasibility study, its meaning and purpose6. Reluctance to establish new projects due to lack of expertise7. Lack of academic interest in SMEs8. Lack of training and qualification centers that prepare individuals manage such enterprises9. Culture supporting employment security, instead of taking risks associated with the project/enterprise10. Lack of media interest / promotion of SMEs	<ol style="list-style-type: none">1. Collateral occasionally valued at multiple-times the value of the loan2. Absence of a unified list of the basic bank requirements that elaborate borrower document requirements, which exhausts the borrower3. Poor SME financing contributions by banks due to the absence of specialized relevant administrative divisions4. Lack of qualified SME-credit officers at banks to meet the needs and requirements of SMEs5. Absence of Movable Assets Registry.



4. Recommendations



1. Facilitates banks and MFIs access data on SMEs from the Ministry of National Economy.
2. Expedite the bank's ability to inquire about cheques deposited in their SMEs customer's account.
3. Ongoing work for the Blended Score Card for SMEs.
4. Promote a Unified Financial Records for a bank to assess business viability, risk and proper loan product/structure.
5. Enacting Moveable Assets Registry Law that gives banks more comfort and flexibility to finance fixed assets.
6. Publish toolkits in the market.
7. Ease the registrations process for SMEs.



Thank you for your attention
Name: Mr. Ali Faroun
Email: afaroun@pma.ps

Project implemented by:

giz Deutsche Gesellschaft
für Internationale
Zusammenarbeit (GIZ) GmbH

