

Employment and Sustainable Access to Resources

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

Background

Sustainable development in Palestine faces a unique set of challenges. The region is increasingly exposed to social and environmental risks, such as war and climate change. Water scarcity, rising temperatures, and environmental pressures impact agricultural productivity and broader economic resilience. Additionally, high energy costs place a significant burden on households and businesses alike, underscoring the need for more investment in renewable energy, in resource efficient technologies and adapting business practices. In response to these challenges, the Palestine Monetary Authority (PMA) has taken a proactive step with the creation of a Sustainable Finance Roadmap and Action Plan, aimed at guiding the financial sector towards a more sustainable and resilient future. This foresees to integrate sustainability into the Palestinian financial system, promoting economic growth that is both inclusive and environmentally sound.

Based on the measures of AFIN's first project phase, the regulatory framework offers initial incentives for financial service providers to develop inclusive and digital products such as comparison platforms for financial services for MSMEs.

These products have the potential to increase accessibility and efficiency, reduce transaction costs, and make it easier for individuals and businesses to save, invest, and insure against financial shocks and in times of movement restrictions. Financial services like pay-as-you-go solar, micro insurance or digital platforms can directly contribute to a better risk management of MSMEs. For example, payments via mobile money serving as a safety net can quickly channel money to those in need, especially after shocks like war or natural disasters.

However, the necessary expertise to fully utilise the newly established innovation structures for inclusive and sustainable financial services is lacking. The financial sector still takes the special

characteristics of the target groups too little into account and lacks effective incentives to develop and introduce MSME-appropriate financing approaches.

Objectives



Project name	Alternative Approaches to Financial Inclusion of SME (A-FIN) II
Commissioned by	German Federal Ministry for Economic Cooperation and Development (BMZ)
Project region	West Bank
Partners	Ministry of National Economy (MoNE), Palestine Capital Market Authority (PCMA), Palestine Monetary Authority (PMA)
Duration	June 2024 – May 2027

The A-FIN II project aims to improve the access of MSMEs to inclusive sustainable financing. Therefore, it works on addressing the necessary improvements at the regulatory level as well as directly with financial market players for improving the usage of these financial services in the Palestinian Territories.

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

- to strengthen their functions as promoters and regulators of inclusive sustainable financing
- to ensure proper evaluation and enabling regulation for new inclusive sustainable financial products and the development of this sector overall
- by facilitating regional and international dialogue formats



Awareness posts for instant payments & and national electronic bill presentment and payment system (e-sadad), whose launch and technical implementation was supported by AFIN

On the supply side AFIN II supports financial sector actors like banks, microfinance institutions or Fintechs:

- to develop and introduce MSME-specific risk analyses and the measurement, management and disclosure of sustainability-related risks in the financial sector
- to establish innovative partnerships as enablers for inclusive MSME financing
- to create and disseminate an improved, easy-to-understand range of information and educational content for MSMEs on inclusive sustainable financial services
- in enhancing their understanding on gender-specific dimensions of MSME financing
- in implementing women's network meetings and mentoring programmes for employees

Additionally, AFIN II supports MSMEs through:

- offering training measures to improve their understanding of inclusive sustainable financial services
- developing tools for determining their financial needs and investment potential, taking into account inclusive and sustainable elements

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