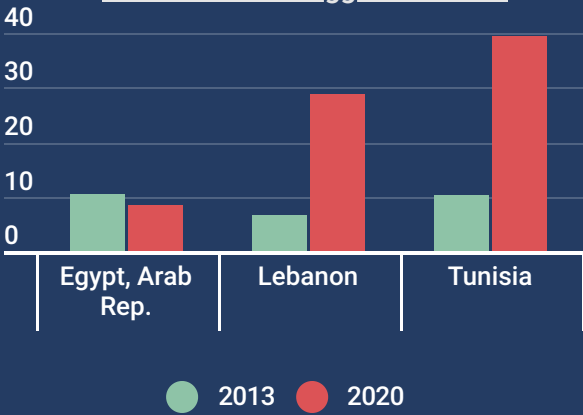


The Role of Guarantee Schemes in Promoting Financial Inclusion: The Impact of Digital Solutions

Assessment

Percent of firms choosing access to finance as their biggest obstacle



Under-financed MSMEs

MSMEs remain significantly underserved by financial institutions in the MENA region:

- the percentage of firms with a bank loan (24%) in the region is significantly lower than the world average
- the value of collateral (199%) is higher than the world average



Finance Gap

The MSME finance gap to potential demand stands at 94.3% in Egypt, 39.1% in Lebanon, and 53.4% in Tunisia

Challenges



In Lebanon

- The banking sector has collapsed turning the country into a cash based economy
- This in turn has suspended the CGS (Kafalat) operations except for grants from multinational institutions



In Egypt and Tunisia

- Low quality of loan applications
- Risk aversion or lack of interest from lending institutions
- Lack of awareness about the existence of credit guarantee schemes
- Limited products and services

Role of Credit Guarantee Schemes

- CGS has been a key policy intervention tool in facilitating access to finance for MSMEs
- By sharing the risks associated with MSMEs' lending and in a way that provides substitute collaterals



Recommendations



Direct digital products



Utilizing digital technologies



Scheme awareness programs



New products for green, blue, CCI



Capacity building



Regional counter guarantee scheme