

PROJECT FACTSHEET

Title of project	SCBF 2013-02: Bank Downscaling in Palestine
Country/ region	Occupied Palestinian Territories
Financial Intermediary	Cairo Amman Bank (CAB), Commercial Bank (Foreign public shareholding company)
Competence Centre mandated for execution	GFA Consulting Group GmbH, Eulenkrugstr. 82, 22089 Hamburg, Germany referred by SDC
Overall project budget	CHF 167'000 (22% self-contribution by partner)
SCBF contribution	CHF 129'900 (78% SCBF funding share)
Date of project approval	29.01.2013
Project period	02.2013 until 08.2014
Context	In spite of their difficult environment, the Palestinians have established a working financial sector. The number of banks has increased consistently, and now totals 17 banks with more than 200 branches and offices in the West Bank and Gaza. The small loan and microfinance market has also made notable developments. There are now about 12 microfinance institutions (MFIs) in operation. However, access to finance is still a major constraint to the economic development of small businesses. In addition to the difficult conditions, many financial service providers are conservative in their lending practices. There are currently several international donors providing funds and technical assistance to financial institutions. Most of the existing programs support either MFIs in the field of microfinance or banks in SME finance, but leave out Micro and Small Enterprises (MSEs), creating a "finance gap". MSEs in remote areas, that are currently served by neither banks nor MFIs, will benefit from increased access to finance thanks to CAB's downscaling of its lending activities.
Current status	CAB has the 3 rd largest branch network in Palestine, providing financial services to 166'000 active clients. The Bank offers a variety of financial services including personal loans, SME loans for privately owned businesses, short-term commercial loans for working capital finance, and long-term loans for investment requirements. Through its 19 branches and two offices, the bank strives to reach every corner of Palestine. CAB is committed to providing comprehensive financial services to a growing client base in the West Bank and the Gaza Strip, to simplify banking and make it more accessible to clients, and thereby to improve the standards of living among the Palestinian people. To date, CAB has received only very limited technical assistance on MSE lending. Therefore, tailored assistance is needed to support CAB with "downscaling" its lending activities in order to contribute to the reduction of the finance gap.
Objective and main activities	<p>The aim of the project is to support CAB in its effort to start MSE lending in Palestine. CAB will be assisted in the provision of financial services that meet the diversified needs of micro and small entrepreneurs while coping with the high risks and costs associated with servicing them. MSE clients will thus obtain better access to finance, allowing them to expand their income generating activities on a sustainable basis and increase the welfare of their households. CAB's objective is to provide inclusive MSE lending services all over the occupied Palestinian territories including the Gaza Strip, thus maximizing outreach to MSEs in remote areas. After a successful implementation of pilot projects in two branches, MSE lending will be rolled out in other regions. In the medium term, the project will enable CAB to serve more than 4'000 MSE clients. Currently, 20% of CAB's SME borrowers are female. Since women are primarily responsible for family consumption in rural areas, it will be ensured that at least 30% of the trained employees are women.</p> <p>The main activities of the project are the following:</p> <ul style="list-style-type: none"> • Develop and implement MSE lending products and related policies and procedures based on the results of the a needs assessment and a market study. • Anchor solid MSE finance knowledge in the Bank through extensive on-the-job and classroom training. • Test the newly developed products in two pilot branches, develop and implement a marketing concept and support the bank during the roll-out to selected branches. <p>Furthermore, CAB will design an insurance package – including life, disability and some health insurance elements – which will be part of all loan packages and thereby offered to all borrowers through a conventional insurer and an Islamic Insurance package. This provides safety and good source of income for CAB clients and encourages the Bank to lessen collateral requirements. Thereby it helps to reach out to more micro-businesses without jeopardizing the quality of lending or invest in riskier loans.</p> <p>Upon completion of the project, CAB will be able to reach MSEs in urban and rural areas with a variety of products for a segment which cannot be served by the Bank to date.</p>



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