



One Bank's Journey in Supporting SMEs

Courtesy of Bank of Palestine

The competitive and productive capacity of the Palestinian economy was affected by several factors during the last decade, including most notably, shrinking economic activities and low economic performance. The dependence of the Palestinian economy on Israel has further impeded economic development and limited economic productivity. Israel provides the Palestinian economic sector with raw material and machinery, and facilitates marketing Palestinian products, thus deepening Palestinian economic dependence on Israel, without which the Palestinian economy would remain dysfunctional and inoperative.

Bank of Palestine acknowledges that small and medium enterprises (SMEs) are the backbone of the Palestinian economy. According to the Palestinian Central Bureau of Statistics (PCBS), there were 135,401 micro and small enterprises at the end of 2013. In addition,



graduates combined with accelerated technological developments have promoted the establishment of small enterprises, especially for young graduates who could not get jobs in the government and/or private sectors. Many of the enterprises focused on creating technological solutions for social needs that necessitated the search for extra support and funding. Between 2010 and 2014, the number of small enterprises increased by more than 41 percent and the value of credit facilities to this segment grew by 90 percent. Though indicators confirm that small enterprises have achieved tangible development, more effort needs to be exerted so that they can become a primary symbol for economic and social development.

The Palestinian Monetary Authority (PMA) has recently created an advanced information centre to strengthen the small- and medium-enterprise sector, and serve lending parties by providing comprehensive and updated information about the projects. The centre also serves the new loan projects by facilitating the loan processes and expanding credit facilities provided to small and medium enterprises and enabling them to expand their activities and products. Such entities are defined as companies or enterprises with annual turnover of less than US\$ 7 million and 25 employees or less.

Bank of Palestine supports small enterprises, and to this end it has prepared a comprehensive strategy to reduce poverty and unemployment and increase productivity. By the end of November 2014, Bank of Palestine's portfolio of credit facilities to SMEs reached US\$ 203 million. Available

other enterprises not registered in the Chambers of Commerce and official institutions constitute 90 percent of the total number of enterprises operating in Palestine. Accordingly, the Palestinian economy can achieve progress through focusing on productive sectors in particular. Furthermore, a strategic vision needs to be in place in order to strengthen the role of SMEs as well as contribute to multi-dimensional development within the entire structure of Palestinian society. The furtherance of small and medium enterprises will eventually increase the Palestinian economy's pace of development and enable it to rely on its own limited financial and human resources. As a result, dependency on Israel will be reduced and the production of goods and the operating needs of the local market will be more or less met.

Notwithstanding the obstacles faced by the Palestinian economic sector, Bank of Palestine as a chief contributor to the development of the Palestinian economy has drawn up policies and laid foundations to support SMEs on different levels. The past few years have witnessed a considerable increase in the demand for banking products and services. The rising number of university

statistics pointed out that the grand total of credit facilities of the Palestinian banking sector to SMEs amounted to around US\$ 490 million by the end of 2013, an indication that Bank of Palestine's contributions to support small and micro enterprises represent a high percentage of the banking sector's contribution to economic development. Moreover, studies have shown that a lack of adequate funding and the complicated procedures of registration and licensing are the main obstacles that hamper the growth and development of small and medium enterprises.

Bank of Palestine has also organised special programmes to empower Palestinian women so that they can actively engage in economic life and improve the living conditions of their communities. Now, through independent and productive small enterprises, Palestinian women are contributing to the gradual development of the Palestinian economy, enabling it to cope with the changing political, economic, and social conditions.

Bank of Palestine has launched development programmes to support Palestinian women. The bank held a series of workshops for groups of women in major Palestinian cities to develop their banking and financial knowledge, and introduce them to the procedures required for growing their business through access to banking products and services. The programmes also aim to raise women's awareness on the selection of products and programmes suitable for them, and on how to collect sufficient information to avoid risks and help in economic and social growth. The bank has also made significant contributions to support women's participation in commercial exhibitions to promote and market their products. Palestinian women own only 2 percent of enterprises, but women have administrative or partnership roles in 7 percent of enterprises. On the other hand, women's contributions to

some small enterprises in partnership with men are not counted as part of the production output, which in fact diminishes the economic rights of women. But Bank of Palestine continuously seeks to highlight the economic rights of Palestinian women.

The bank has continuously sought to support small enterprises, ensure their continuity, and provide them with required needs so that they can have a positive impact on the economy. The bank has always been keen on developing the expertise of project owners and providing them with consultations, and advisory services, and technical skills. The bank provides project owners with non-financial advisory services to enable them to work more easily and professionally. The more a project becomes successful and productive, the more it contributes to economic development as a whole.

With regard to supporting ambitious youth with innovative ideas, Bank of Palestine cofounded the Innovation Fund - Palestine, which is a US\$ 10 million for-profit, venture capital fund modeled and based on the accumulated experience in the developing and developed world in creating and nurturing the ecosystem for entrepreneurship and innovation. The bank has invested US\$1 million in the fund. Other investors include Palestinian institutions and Palestinian individuals in Palestine and in the diaspora. The objective of the Innovation Fund - Palestine is to invest in Palestinian early-stage innovative ventures (focusing on high-tech and ICT sectors) that, through active participation of the fund managers and a network of experienced mentors, lead to successful results and enable companies to grow and create returns to investors. The effects of this fund will go beyond the hoped-for returns to investors and will positively impact the Palestinian economy and create hundreds of employment opportunities for young Palestinian university graduates.