It is no secret that small and medium sized enterprises (SMEs) in the Middle East and North Africa (MENA) have limited access to capital, as commercial banks typically shy away from such businesses in favor of corporate loans, retail banking, and government lending. Yet many SMEs in the region have the potential for substantial growth, generating significant economic benefits through raised productivity, employment, and economic stability.

Banks in the region consistently report that the poor quality of loan applications (financial statements, business plans, etc.) is a serious impediment to effective credit due diligence. This weakness perpetuates risk aversion in the credit market, resulting in prohibitively high collateral requirements and effectively restricting SMEs from access to adequate credit. According to a study conducted by the World Bank and Union of Arab Banks, 

**lack of SME transparency is considered to be the number one obstacle to SME financing in MENA.**

The reasons for poor financial transparency and inadequate disclosure among SMEs are many, but close analysis indicates that the problem is primarily attributable to lack of capacity and knowledge on how to organize and present the information. Most SMEs (especially the small companies) have never been obliged to maintain accounting records, which in larger businesses would be required by banks, regulators and shareholders. Viable SME owners are keenly aware of the financial dynamics of their business; they know who owes him/her money, how much is owed to vendors, and whether or not the business is profitable. However, most SME owners suffer from a general inability to effectively communicate information in financial statements that are compliant with accounting standards. As a result, most SMEs are ill-equipped and insufficiently experienced to develop and manage relationship with external financing parties, and most of them, especially banks do not proactively seek out new SME clients. As a result, many SMEs continue to rely on family and friends to finance their business which significantly impedes their ability to grow and develop.

The **Financial Literacy and Matchmaking Program** (FLMP) is designed to address this communication gap by developing the accounting and financial literacy of SMEs. Working one-on-one with entrepreneurs, a team of MEII business advisors will deliver a tried and tested technical assistance program directly to entrepreneurs who want to better understand their businesses’ financial performance. Equipped with better financial understanding of their businesses, entrepreneurs can transparently present their financial needs on an innovative matchmaking platform to multiple financial intermediaries including banks, leasing companies, equity investors, and microfinance institutions.

The **Tamweeli** platform harnesses the security, speed and simplicity of the Internet to streamline the financing process for both financial intermediaries & SMEs – connecting businesses with funding for growth, and helping financial intermediaries to assess opportunities. The platform enables entrepreneurs to present financing requests anonymously and competently to multiple financial intermediaries, thereby saving time, expense, and travel problems. Financial intermediaries are able to respond to entrepreneurs via the platform, expressing their interest. An entrepreneur can then decide if he/she wishes to proceed by inviting the interested financial intermediaries to sign a confidentiality agreement via the platform, which will grant the financial intermediaries access to the details of the financing requirements, including the identity, business plan, and financial statements of the SME. Thus, Tamweeli provides the entrepreneur with a convenient, user-friendly platform that facilitates ready access to competing financing offers without the embarrassment and intimidation often associated with financing, which is often the case especially for female entrepreneurs.

In the case of banks, the largest source of external financing to SMEs, Tamweeli facilitates bank marketing to SMEs and relieves credit staff from “hand holding” with the loan application process. It provides lenders with expanded market access by facilitating standardized information from potential customers. Improving the level of information that banks receive will significantly reduce the time they take to analyze loans, and lead to better lending decisions as both parties start communicating in the language of finance.
**FLMP Objectives:**
- Improve financial literacy of SMEs, and transform a culture of financial non transparency;
- Narrow the communication gap between SME and financial intermediaries in order to make better credit decisions by overcoming information asymmetry;
- Allow SMEs in remote and/or marginalized areas to efficiently present their business plans to a large number of financial intermediaries;
- Encourage fair competition in the market, and offer SMEs multiple funding options to choose from;
- Transition to a more inclusive credit/equity market based on business viability rather than collateral;
- Provide financial intermediaries with a pipeline of new clients and business;
- Introduce a self-sustaining SME finance platform;
- Provide university students with practical work experience to improve their chances of finding a job.

**FLMP Services:**
An experienced Business Advisor will:
- Visit the SME to understand the entrepreneurs needs and capacity;
- Compile reasonable historical financial statements to be used as a baseline, and work with the SME to develop financial projections;
- Subsidize the cost of the first year license for off the shelf accounting software;
- Develop a chart of accounts and configure the accounting software to meet the needs of the SME;
- Provide bookkeeping services for up to one year;
- Develop a financial strategy, and key financial indicators;
- Ongoing review of financial performance (KMR);
- Assist the SME with the Matchmaking platform financing application process;
- Assist with a business plan, as appropriate.

**FLMP Target Audience:**
- Small and medium businesses that want to develop and/or improve their accounting and financial skills and capabilities;
- Existing businesses and/or startups;
- Businesses from all economic sectors, and areas;
- Preferably businesses that are registered with the chamber of commerce and/or municipality.

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**MEII’s Track Record in Palestine**
- More than 400 SMEs trained.
- 340 accounting software programs installed.
  - 73% were in marginalized areas.
  - 21% were for female enterprises.
  - 20% were start-up projects.
- 62 university interns trained, of which 50% were employed.
- 20 registered financial intermediaries.
- More than 350 registered SMEs on Tamweeli.
- 120 active loan applications posted.
- 43 SMEs financed through Tamweeli.

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The Middle East Investment Initiative (MEII) is a nonprofit organization that leverages public and private resources to deliver finance and technical assistance programs to stimulate sustainable economic activity and long lasting job creation in the Middle East and North Africa. www.meii.us