

# Digital Financial Services in the Middle East and North Africa

More than half the population living in the Middle East and North Africa (MENA) are “unbanked,” with no secure means of storing, saving, borrowing, or making payments.\* Fueled by the region’s explosive growth of mobile phones, digital financial services (DFS) offer new, more secure options for storing, transferring, and accumulating money.

DFS can be a channel to expand financial inclusion in the MENA region, which can improve financial protection against the costs of health care. By expanding financial inclusion, a country can spur economic growth and increase self-reliance. DFS can help address challenges in the MENA region, including high youth unemployment, undiversified economies, large income disparities, and limited access to finance for small and medium enterprises.

Financial inclusion can contribute to better health, and access to health care can contribute to financial well-being. The more mature the DFS market, the greater the opportunity for health applications. By making financial services more affordable and equitable, they can help expand access to health information, products, and services, and make progress toward universal health coverage. DFS can help expand private sector engagement through market-based applications.

**Digital financial services** refer to the provision of financial services through digital channels used to store, transfer, and track funds. Examples are debit cards, mobile phone accounts, internet, and point-of-sale terminals. These services can be implemented by banks, mobile phone companies, microfinance institutions, fintech companies, and others. Digital financial services encompass a variety of terms that describe transactions such as mobile money, mobile banking, m-wallets, e-wallets, e-payment, and e-banking.

**Financial inclusion** refers to making financial products and services accessible and affordable to all individuals and businesses. This term is synonymous with ownership of a financial account (traditional or digital).

## A regional landscape



The Sustaining Health Outcomes through the Private Sector (SHOPS) Plus project, USAID’s flagship initiative in private sector health, published a [landscape analysis](#) of the trends, enablers of, and barriers to DFS use in 11 countries in the MENA region that reflect a range of stable to fragile environments: Algeria, Egypt, Iraq, Jordan, Lebanon, Libya, Morocco, Syria, Tunisia, West Bank and Gaza, and Yemen. To our knowledge, the report is the first overview of DFS in the MENA region that concentrates on opportunities for the health sector.

The report describes how DFS can contribute to the financial protection of vulnerable populations through private sector

\* Demirgüç-Kunt, Asli, Leora Klapper, Dorothe Singer, Saniya Ansar, and Jake Hess. 2018. *The Global Findex Database 2017: Measuring Financial Inclusion and the Fintech Revolution*. Overview booklet. Washington, DC: World Bank.

engagement. It provides an overview of DFS regulation and use in each of the 11 focus countries and shares recommendations to advance these services through engagement with industry, governments, and development partners.

## Key findings

- **Technical assistance from donors has catalyzed DFS initiatives in the MENA region.** The Alliance for Financial Inclusion and other partners have provided support to the central banks of Egypt, Jordan, Lebanon, Morocco, and West Bank and Gaza to promote DFS market growth for the past several years, which has helped create a more enabling environment.
- **Regulatory reform is the critical enabler.** New policies mandating e-payments for government services should catalyze broader uptake of DFS. Of the 11 focus countries, Jordan, Egypt, and Morocco have the most advanced regulatory environment.
- **More distribution points are needed to expand access to low-income populations.** DFS supply is hampered by an insufficient number of distribution points accessible to low-income populations. People should be able to access services through a network of ATMs, agents, point-of-sale systems, or mobile phones. Distribution points such as participating merchants and electronic channels are found in every country, but they tend to be located in urban and peri-urban areas.
- **Humanitarian agencies have begun using DFS applications in Jordan, Syria, and Lebanon** to distribute funds to refugees and other displaced populations, but fears of surveillance and poorly implemented services limit use.
- **Although all 11 focus countries have authorized DFS such as e-payments, use in the health system is limited.** Many administrative and financial transactions for health in the region remain paper-based. DFS have the potential to make health insurance more accessible and affordable, but there has been limited investment.

**The COVID-19 pandemic is a barrier and an opportunity.** Digital financial services are powerful tools to help mitigate negative effects of the crisis. However, expansion of DFS could slow as economies retrench during protracted lockdowns.

## Recommendations for development partners

The following recommendations are intended to support private sector engagement with DFS stakeholders in support of national efforts toward self-reliance.

### Advance DFS and strengthen financial inclusion

- **Support regulatory reform through cross-border exchanges and technical assistance.** The central banks of Egypt, Jordan, and Morocco have updated their banking regulations to encourage innovative applications that reduce barriers to access. Development partners should promote peer learning for regulators grappling with similar reforms in countries such as Algeria, Tunisia, and Lebanon through study tours, regional working groups, or online communities of practice.

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- **Invest in financial literacy.** Support financial literacy campaigns and skill-building courses to improve knowledge about DFS and build demand for financial services across the region.
- **Engage DFS providers to target vulnerable populations.** Explore facilitating partnerships with DFS providers such as Morocco’s m-wallet or Egypt’s Fawry to incentivize the development of new products that meet the needs of the poorest. Research on market opportunities for underserved populations can persuade DFS providers to broaden their customer base and design services that better meet the needs of the poor.
- **Close the gender gap.** Identify, broker, and nurture DFS partners whose services specifically meet the needs of women. Egypt has prioritized financial inclusion for women in its national financial inclusion strategy and can serve as a test environment to develop gender-sensitive DFS. Country-level research can identify gaps and solutions such as bundling services with other high-demand products to increase account ownership.

## Expand DFS for health

- **Build awareness among health care stakeholders about financial inclusion.** DFS provide benefits and opportunities for patients, clinics, and program managers that are not well recognized within the health sector. This sector generates significant payment flows that can help normalize the use of digital payments. Examples include health workforce payments for stipends, salary, and incentives; loan products for clinic owners; fees for health products and services; and demand-side subsidies and savings accounts.
- **Promote inclusion of health system actors in DFS initiatives.** Collaborate with country stakeholders in DFS and health to implement initiatives. Central banks throughout the region want to advance the uptake of financial services and health system stakeholders want to improve the efficiency and responsiveness of health services.
- **Organize cross-regional learning on delivering health insurance through DFS.** Sub-Saharan African countries such as Ghana and Kenya, and Asian countries such as India are pioneering new DFS to serve previously excluded populations with simple low-cost mobile-enabled insurance products through public and private insurance providers. Development partners can convene MENA region stakeholders—insurance regulators, implementers, and innovators from other countries—to learn how they are using DFS to reach informal economy households.
- **Evaluate DFS use cases in health.** Generate evidence to make the case for DFS to promote universal health coverage and better understand how and under what conditions they affect health system quality, responsiveness, and efficiency. Formal research led by country partners is also needed to better understand how to make DFS for health—such as mobile-enabled health insurance, savings, and remittances—responsive to regional socioeconomic norms and national efforts to expand financial protection. Potential areas for more investigation range from promoting use by female patients, and engaging health care providers as DFS agents, to piloting health vouchers to increase access.

## Support the COVID-19 response

- **Support social behavior change campaigns to promote DFS in the health sector as a tool to reduce transmission of COVID-19 and encourage economic activity.** Remote transactions and contactless payments reinforce social distancing and reduce transmission risk of COVID-19. Campaigns should highlight the use of DFS to support local businesses during lockdowns or quarantines.
- **Assist central banks to incentivize merchants and consumers to increase use of DFS during the pandemic.** Options include temporary regulatory waivers of transaction fees on payments or transfers that might create a financial barrier for new users. Other waivers could raise the limits on transaction amounts to promote more use. Development partners could host technical advisors from the Alliance for Financial Inclusion and from outside the MENA region to share lessons learned from other countries and regions on expanding DFS as part of the COVID-19 response.

## Looking ahead

Political, humanitarian, and economic crises, the loss of infrastructure, the MENA region's conservative banking culture, and gender disparities present barriers for DFS to reach the most vulnerable and may exacerbate inequities in access to health services. Much work remains, and countries must establish or continue work to create an enabling regulatory environment, educate consumers, and design financial products for low-income populations.

Despite these challenges, the region is primed to move from a cash-based culture to one in which the region's residents have access to secure and useful financial accounts. The COVID-19 pandemic amplifies the benefits of DFS and should help accelerate financial inclusion across the region. Mobile phone use in the region is prevalent and provides new opportunities to deliver convenient, low-cost financial services for underserved populations. There is momentum among policy makers and providers of DFS to reduce barriers around consumer awareness and trust. Key enablers such as government e-payments for social welfare benefits may be the turning point for including the most vulnerable in the formal financial system at mass scale.

Within the health sector, growing ownership of financial accounts will create opportunities for improving financial protection from burdensome out-of-pocket costs. DFS can improve the resilience of the health system by streamlining financial processes, extending the reach of health financing schemes, and enhancing collection and use of service use statistics. These services have the potential to link public and private sector stakeholders to address regional priorities including job creation, gender equality, refugee support—and improved health.

