

Digital Financial Services in the MENA Region

More than half the population living in the Middle East & North Africa (MENA) region are “unbanked,” with no secure means of storing, saving, borrowing, or making payments (Demirgüç-Kunt et al. 2018). Fueled by the explosive growth of mobile phones, digital financial services (DFS) use technology to offer new forms of financial accounts that provide secure options for storing, transferring, and accumulating money. DFS thus have the potential to expand financial inclusion in the region. In so doing, DFS can spur economic growth and self-reliance. They can help address challenges in the region including high youth unemployment, undiversified economies, large income disparities, and limited access to finance for small and medium enterprises.

Digital financial services (DFS) refers 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. DFS can be implemented by banks, mobile phone companies, MFIs, fintech companies, and others. DFS encompass a variety of terms that describe types of 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. Financial inclusion is synonymous with ownership of a financial account (traditional or digital).

Financial inclusion can contribute to better health, and access to health can contribute to financial well-being. By making financial services more affordable and equitable, DFS can help expand access to health information, products, and services, and make progress toward universal health coverage (UHC). DFS help expand private sector engagement through market-based applications.

A regional landscape



The Sustaining Health Outcomes through the Private Sector (SHOPS) Plus project, USAID’s flagship private health sector initiative, published a [landscape analysis](#) of the status, trends, enablers of, and barriers to DFS use in 11 focus 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 & Gaza, and Yemen.¹ 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 financial inclusion and financial protection of vulnerable populations through private sector engagement. Additionally, the report provides the status of DFS regulation and DFS use in the 11

¹ Link to full report: [Digital Financial Services in the MENA Region](#).

focus countries and shares recommendations to advance DFS in the region through engagement with industry, governments, and development partners.

Key Findings

- **A majority of the population in the MENA region do not own a financial account** and thus are unable to access formal financial services. Barriers include gender disparities, low consumer trust in financial institutions, and lack of awareness of the benefits of financial services.
- On average, **more than two-thirds of the population have a mobile phone subscription**, which paves the way for DFS.
- **Regulatory reform is the critical enabler of DFS.** New policies mandating e-payments for government services should catalyze broader uptake of DFS. Of the 11 focus countries, Jordan, Egypt, and Morocco have achieved the most advanced enabling regulatory environment.
- **To expand, DFS need more distribution points accessible to low-income populations.** People should be able to access DFS through a network of ATMs, DFS agents, point-of-sale systems, or mobile phones. DFS 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, the use of DFS in the health system is very 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 to and an opportunity for DFS. DFS are a potentially powerful tool to help mitigate negative effects of the crisis. At the same time, expansion of DFS could slow as economies retrench during the protracted lockdown.

Recommendations for development partners

Technical assistance from donors has catalyzed DFS initiatives in the region. For example, the Alliance for Financial Inclusion (AFI) and other partners have provided support to the Central Banks of Egypt, Jordan, Lebanon, Morocco, and West Bank & Gaza to promote DFS. USAID and other development partners can support private sector engagement through investments in DFS within MENA countries. We recommend potential support to aid country efforts to become self-reliant across three levels of DFS: 1) broader-level DFS that promote financial inclusion, 2) DFS for the health sector that support financial protection, and 3) DFS for the COVID-19 response.

Advance DFS and strengthen financial inclusion

- **Support DFS 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 to reduce barriers to access. Development partners should promote peer learning for regulators grappling with similar reforms in countries such as Tunisia, Algeria, and Lebanon through study tours, regional working groups, or online communities of practice.
- **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:** Partner with DFS providers such as Morocco's m-wallet or Egypt's Fawry to incentivize introduction of 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 bed to develop gender-sensitive DFS. Country-level research can identify gaps and solutions such as bundling DFS with other high-demand products to increase account ownership

Expand DFS for health

- **Build awareness among health sector stakeholders about financial inclusion:** DFS provide benefits and opportunities for patients, clinics, and program managers that are not well recognized within the health sector. The health 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 DFS initiatives for health. Central banks throughout the region want to advance the uptake of DFS 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 and Asian countries such as Kenya, Ghana and 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 including insurance regulators, implementers, and innovators 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 UHC 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 socio-economic norms and national efforts to expand financial protection. Potential areas for more investigation range from promoting use of DFS by female patients, engaging healthcare providers as DFS agents, or piloting health vouchers to increase access.

Support the COVID-19 response

- **Support 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 and ensuring negative health, economic, and social effects. Campaigns should highlight the use of DFS to support local businesses during lockdown 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

Geo-political conflicts, mass migrations, and loss of infrastructure present barriers for DFS to reach the most vulnerable and may exacerbate inequities in access to health services. Much work remains, and countries need to establish or continue work to create an enabling regulatory environment, educate consumers, and design financial products for low income populations.

Despite these challenges, the MENA region is primed to move from a cash-based culture to one in which all adults 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 is prevalent and growing, providing 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 into 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 utilization statistics. DFS have the potential to link public and private sector stakeholders to address regional priorities including job creation, gender equality, refugee support – and health.

