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and the Empowerment of Women



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# Women's Financial Inclusion

## in Conflict and Post-Conflict Arab Countries Report

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## Acronyms and Abbreviations

<b>AFI</b>	Alliance for Financial Inclusion
<b>ATM</b>	Automated Teller Machine
<b>BCC</b>	Banking Control Commission
<b>BDL</b>	Bank of Lebanon
<b>CBI</b>	Central Bank of Iraq
<b>CEDAW</b>	Convention on the Elimination of All Forms of Discrimination against Women
<b>CMA</b>	Capital Markets Authority
<b>ESCWA</b>	United Nations Economic and Social Commission for West Asia
<b>FAO</b>	Food and Agriculture Organization
<b>FC</b>	Foreign Currency
<b>G-20</b>	Group of Twenty Major Economies
<b>GDP</b>	Gross Domestic Product
<b>GIZ</b>	Deutsche Gesellschaft für Internationale Zusammenarbeit (German Agency for International Cooperation)
<b>Global Index</b>	The Global Financial Inclusion Database
<b>GNC</b>	General National Congress
<b>GRID</b>	Global Report on Internal Displacement
<b>ibid</b>	In the same place (ibidem)
<b>ICC</b>	Insurance Control Commission
<b>ICT</b>	Information and Communications Technologies
<b>IDP</b>	Internally Displaced People
<b>INFE</b>	OECD International Network for Financial Education
<b>ISIS</b>	Islamic State of Iraq and Syria
<b>LBP</b>	Lebanese Pound
<b>LYD</b>	Libyan Dinar
<b>MDEs</b>	More Diversified Economies
<b>MENA</b>	Middle East and North Africa
<b>MFI</b>	Microfinance Institutions
<b>NGO</b>	Non-Governmental Organization
<b>NPLs</b>	Non-Performing Loans
<b>OECD</b>	Organization for Economic Cooperation and Development
<b>PA</b>	Palestinian Authority
<b>PAYG</b>	Pay-as-you-go
<b>PCBS</b>	Palestinian Central Bureau of Statistics
<b>PCMA</b>	Palestine Capital Market Authority
<b>PKI</b>	Public Key Infrastructure
<b>PMA</b>	Palestine Monetary Authority
<b>PSE</b>	Palestine Securities Exchange
<b>ROE</b>	Return on Equity
<b>SMEs</b>	Small and Medium-sized Enterprises
<b>SYP</b>	Syrian Pound
<b>TBI</b>	Trade Bank of Iraq
<b>TEA</b>	Total Entrepreneurial Activity

<b>USA</b>	United States of America
<b>UK</b>	United Kingdom
<b>UN Women</b>	United Nations Entity for Gender Equality and the Empowerment of Women
<b>UNHCR</b>	United Nations High Commissioner for Refugees
<b>UNRWA</b>	United Nations Relief and Works Agency for Palestine Refugees in the Near East
<b>USAID</b>	United States Agency for International Development
<b>WEE</b>	Women's Economic Empowerment
<b>WFP</b>	World Food Programme
<b>YER</b>	Yemeni Rial

# Introduction

## 1.1. Women's financial inclusion

Financial services play a critical role in enabling poor women and men to sustain livelihoods and improve living conditions by helping to stretch small, irregular and uncertain incomes to pay for expenses and secure investment opportunities.<sup>1</sup> Studies show that when people participate in the financial system, they are better able to start and expand businesses, invest in education, manage risk and absorb financial shocks. Access to accounts, savings and payment mechanisms increases savings, empowers people, and boosts productive investment and consumption. Access to credit also has positive effects on consumption—as well as on employment status and income— and on some aspects of mental health and outlook. Improved access to finance for both individuals and firms may help reduce income inequality and is regarded as pro-growth and critical to achieving inclusive economic growth.

Women need financial services for the same reasons as men: to securely save money, and to invest in their home or business. They need investment and working capital to start or expand their business activity, insuring against risks and transferring money. Financial inclusion can increase the empowerment of women in a number of ways. Firstly, having access to resources on their own account and to the tools that help them to earn a living can increase women's bargaining power within households and their influence over how money and other resources are used. Secondly, financial inclusion can help increase women's opportunities to earn an income or control assets outside the household. Thirdly, it can reduce women's vulnerability by, for example, allowing them to insure against risk or borrow to meet unexpected expenses, such as medical treatments. These are all key factors for economic empowerment and they can also help to empower women more broadly and particularly those living in fragile situations.<sup>2</sup>

Access to financial services is, however, highly unequal. Reasons for exclusion vary from country to country and within countries across individual characteristics such as income and gender. In recent years, the global development sphere has become concerned with financial inclusion. International organizations, including the G-20<sup>3</sup> and the World Bank, are also beginning to formulate strategies to promote financial inclusion. The focus has been on combining microfinance, financial literacy, and product innovation to provide individuals in undeveloped and underdeveloped economies an opportunity to utilize financial institutions. Central to these discussions is women's financial inclusion. Understanding women's financial inclusion is key to identifying opportunities to remove the barriers that may be preventing women from using financial services. In the framework of the EU and UN Women joint regional programme, "The Spring Forward for Women", a programme implemented with funding from the European Union, this study seeks to generate a sound understanding of women's financial inclusion, and more specifically in conflict and post-conflict situations in selected Arab States (i.e. Iraq, Lebanon, Libya, Palestine, Tunisia, Syria and Yemen). As such, this study assesses prospects for and challenges to the achieve-

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1. USAID. Building Resilience to Recurrent Crisis. (Washington D.C.: USAID, 2012).

2. Paradiso, G., "Gender equality and financial inclusion key to ending poverty", Huffington Post, 2015. Available from [http://www.huffingtonpost.in/gaia-paradiso/spinning-the-indian-wheel\\_b\\_6615844.html](http://www.huffingtonpost.in/gaia-paradiso/spinning-the-indian-wheel_b_6615844.html).

3. Group of Twenty is an international forum for the governments and central bank governors from 20 major economies.

ment of women’s financial inclusion and documents good practices and lessons learned to inform UN Women’s future interventions in this area.

## 1.2. Women in conflict and post-conflict contexts in the Arab States region

The Arab countries are caught up in an interlocking pattern of crises that has become steadily more serious over time, and that now seems almost certain to play out over at least the next decade. This overall pattern is only partly driven by the type of prevailing conflict. Each state in the region has a different mix of civil problems and successes, but the overall pattern of events is driven by a combination of broad and enduring challenges in governance, demographics, economics, religion, and social change.<sup>4</sup> Economic injustice played a central role in the uprisings and continues to stir unrest in the region. In the Arab Spring, protestors called for justice, dignity and freedom within the broader demand for democratic rule. Despite the significant presence of women on the front line of the Arab Spring, in countries that have entered a transition phase, such as Tunisia and Egypt, women have found themselves largely sidelined in the decision-making process. The current transitions taking place across the Arab region carry with them significant uncertainty, particularly on the status of women. At the core of those transitions is the question of participation, in its interrelated civil, political, economic, social and cultural dimensions. New priorities are emerging and old priorities are being revisited as realities change. One long-standing priority, regardless of political circumstances, is women’s economic participation. The Arab States have the lowest rate of women’s economic participation in the world, with roughly one economically active woman in every five women of working age,<sup>5</sup> especially in fragile and conflict-affected countries.

Most of the post-conflict Arab States can be considered as fragile states that face severe and entrenched obstacles to economic and human development.<sup>6</sup> As a result, these countries typically display an elevated risk of political instability, civil conflict, and economic instability. While state-society relations are weak in most fragile states, this is particularly pronounced for female citizens who have very limited access to state institutions.

According to the Global Report on Internal Displacement (GRID 2016),<sup>7</sup> **displacement in the Arab region has snowballed** since the Arab Spring uprisings in 2010 and the rise of the Islamic State (also known as ISIS). There were nearly 4.8 million new displacements in 2015, significantly more than in all other regions of the world combined, the majority of which are women and children. **Yemen, Syria and Iraq accounted for over half of the global total.**

**Table 1: The total number of people internally displaced by conflict by the end of 2015 (selected countries)**

Country	Iraq	Lebanon	Libya	Palestine	Syria	Tunisia	Yemen
<b>Total</b>	3,290,000	12,000	500,000	221,000	6,600,000	0	2,509,000
<b>New</b>	1,114,000	3,000	100,000	700	1,300,000	0	2,175,000

4. Anthony H. Cordesman, Centre for Strategic and International Studies, “The [new-old] crises and instability in the Middle East and North Africa in 2016”. Available from <https://www.csis.org/analysis/new-old-crises-and-instability-middle-east-and-north-africa-2016>.

5. World Bank, Gender and Development in the Middle East and North Africa Women in the Public Sphere. 2004. The International Bank for Reconstruction and Development. ISBN 0-8213-5676-3.

6. Valente R. and Lasker R., Multi-year Planning to Meet and Reduce Humanitarian Needs in Protracted Crises. (OCHA, PDSB, 2015).

7. Internal Displacement Centre. <http://www.internal-displacement.org/publications/2016/2016-global-report-on-internal-displacement-grid-2016>.

In the Arab region, roughly 5.2 per cent of the total regional population are refugees or Internally Displaced Persons<sup>8</sup> and many more are living in the context of protracted conflicts. The number of Palestine refugees registered with UNRWA is now more than 5.59 million. The United Nations estimates that roughly 40 per cent of Iraq's remaining and formerly strong middleclass have fled the country following the US invasion in 2003, resulting in more than 1.3 million Iraqis being killed, and indefinite injuries.

The large refugee influx changes the demographic balance within the countries hosting them, with many approaching their saturation point. Lebanon has seen its population increase by 20 per cent as a result of hosting over 1.1 million refugees.<sup>9</sup> The enormous influx of refugees in host communities has not been met by an equal expansion of municipal and social services, such as health, education, sanitation, housing, and socioeconomic infrastructure. Syria's neighbours have incurred tremendous costs to their own national development in order to provide safe havens for refugees and those affected by the conflict. The influx of refugees and displaced persons puts national budgets under stress due to growth in the volume of untargeted subsidies to basic goods and services, and mounting security costs. Jordan and Lebanon face higher public debts than their GDPs.<sup>10</sup>

Conflict generally reduces the prospects for economic growth considerably, which in turn causes poverty rates to rise. Household income often declines in conflict situations, which in turn can lead to households adjusting their consumption and savings behavior.<sup>11</sup> Various reports have emphasized the particular vulnerability of women and girls in conflict and post-conflict settings, particularly from minority groups in the region. In a context of conflict and increased economic hardship, school may be viewed as an economic luxury. Even when economic need is not acute, a lack of infrastructure, including availability of schools themselves, as well as of roads and methods of transport, may reduce the possibility of girls going to school. Families may see marrying daughters off as an opportunity to secure their daughters' economic well-being, as well as a way to reduce household size and therefore the number of mouths to feed.<sup>12</sup> According to ESCWA 2015,<sup>13</sup> in Iraq, Libya, Palestine and Syria, child marriage rates have increased as a result of conflict and remain high in Yemen. Women and girls face particular risks in displacement, including sexual violence, exploitation, trafficking, and early and forced marriage. Data suggests that child marriage among Syrian refugees in Jordan has risen from 12 per cent of all registered marriages in 2011 to 25 per cent in 2015.<sup>14</sup> As extremist groups have increased in influence, their territorial advance has been coupled with targeted, strategic attacks on women's rights and freedoms, including a pattern of sexual slavery, abduction and human trafficking. In addition to gross human rights violations, Iraqi women in ISIL-occupied territories suffer from limited mobility and engagement in public life, and a lack of or minimal access to education, employment, and health services. Furthermore, women are reporting increasing domestic

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8. Refugee and IDP figures were compiled from UNHCR country-level data ([unhcr.org/pages/49e45ade6.html](http://unhcr.org/pages/49e45ade6.html)). Population data refer to all Arab States encompassed by UNFPA, using UNFPA country-level data ([arabstates.unfpa.org/public/pid/11011](http://arabstates.unfpa.org/public/pid/11011)).

9. UNHCR official data, November 2015.

10. World Bank, Middle East and North Africa, Global Economic Prospects. June 2015.

11. Olmsted, J., "Globalization denied: gender and poverty in Iraq and Palestine", in *The Wages of Empire: Neoliberal Policies, Armed Repression, and Women's Poverty*, Amalia Cabezas, Ellen Reese, and Marguerite Waller, eds. (Boulder, Colorado, Paradigm, 2007).

12. Al-Ali and Pratt, *What kind of Liberation? Women and the Occupation in Iraq*. (Berkeley, University of California Press, 2009).

13. ESCWA, *Child Marriage in Humanitarian Settings in the Arab Region Dynamics, Challenges and Policy Options*. (2015).

14. Save the Children UK, *Too Young To Wed*. (2013).



violence within their homes, due to “decreasing economic and household security.”<sup>15</sup> Both inside and outside camp structures, women and girls are hesitant to move freely, fearing deportation, police harassment, sexual harassment and violence.<sup>16</sup> All of these factors limit women’s economic participation, and their access to and ability to benefit from the limited economic opportunities.

## 1. Methodology

### 2.1. Conceptual framework

While financial exclusion is commonly defined as being excluded from financial goods and services, financial inclusion can be defined in different ways. Financial inclusion inevitably embraces financial access, yet access to finance is not the same as use of financial services. Conceiving the financial products and services as inclusive is possible when it contributes to the users’, both men and women, and society’s well-being. As such, and drawing on the UK national forum for financial inclusion (Transact 2007)<sup>17</sup> and GIZ’s understanding of women’s financial inclusion,<sup>18</sup> women’s financial inclusion as defined in this study is **“the state in which all women have access to formally available, appropriate and desired financial products and services in order to effectively manage their social and economic well-being”**. This definition has four main dimensions: availability, accessibility, appropriateness, and usage vis-à-vis desired outcomes.

- **Availability means the sufficient supply of viable financial services (such as credit/savings, payment services, remittances and insurance, just to name a few) which meet the regulatory requirements and are financially viable to the supplier. Formal financial intermediaries, such as commercial banks, usually refuse to serve poor women and their microenterprises because of the high cost of small transactions, lack of traditional collateral, lack of basic requirements for financing, and geographic isolation.<sup>19</sup> Such services must be provided responsibly and sustainably, in a well-regulated environment.<sup>20</sup> To that effect, any initiative to address women’s financial exclusion and develop financial markets should address the underlying barriers to financial access for underserved groups in sustainable manner rather than distort the market, i.e. remove the barriers of financial intermediaries to meet women’s financial needs profitably.**
- **Financial services should be accessible to all. This entails overcoming barriers to financial access including physical, time, and informational ones, i.e. means by which financial services reach women and women reach them. Physical barriers could be geographic in terms of distance and location or accessibility of facility to all including women**

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15. UN Women, *Beyond the Camps: a Perception Study*. (2014).

16. International Rescue Committee, *Are We Listening*. (2014).

17. “Financial inclusion is a state in which all people have access to appropriate, desired financial products and services in order to manage their money effectively. It is achieved by financial literacy and financial capability on the part of the consumer and financial access on the part of product, services and advice suppliers”. HENRY, I., “A Comparative Analysis of Financial Inclusion: A Study of Nigeria and the UK”. (Leeds Metropolitan University, Faculty of Business & Law, MA International Business, 2010).

18. Women’s financial inclusion occurs when women have effective access to a range of financial products and services that cater to their multiple business and household needs and that are responsive to the socioeconomic and cultural factors that cause financial exclusion of women and men to have different characteristics. GIZ, *Promoting women’s financial inclusion*. (2013).

19. Rabobank, *Access to financial services in developing countries*. Available from [https://economie.rabobank.com/Page-Files/3584/access\\_tcm64-75165.pdf](https://economie.rabobank.com/Page-Files/3584/access_tcm64-75165.pdf).

20. <http://www.cgap.org/>.

with disabilities. Information failure is significant market failure and occurs when one party of economic transactions has more or better information than the other when making decisions and transactions. The imperfect information causes an imbalance of power. A lack of equal information causes economic imbalances that result in adverse selection<sup>21</sup> and moral hazards.<sup>22</sup> In both cases, there is likely to be a misallocation of resources, with women as consumers paying too much or too little. In financial services, women have better information about themselves than lenders or insurers. This asymmetry of information may lead to a higher risk of default or make the service provider hesitant to offer credit or insurance. On the other hand, women customers must have confidence in the advice and information they are receiving. They need to be aware about the financial products and able to find out about their attributes. Also the lack of awareness of financial services can cause women not to use them. Access to information lies in both the willingness of the supplier to be transparent, as well as the ability of women to demand and use information – both of which may be constrained in low capacity settings.

- **Appropriateness of financial products and services entails affordability and acceptability, i.e. suits customer needs. The services should be suited to the needs of women, and provided at a reasonable cost, so that costs would not be a barrier to usage. Furthermore, it is not only the services provided and the costs that matter; the quality of financial services and the quality of the service providers themselves are just as important in furthering the goal of financial inclusion, i.e. waiting time; charges on services provided; employees' understanding, attitude and practices, and so forth. Also, financial services may not be used due to religious reasons. This exclusion might be described as a deliberate decision; however, it might also be the result of a missing offer of appropriate, culturally adapted services.<sup>23</sup> Therefore, socioeconomic and cultural factors that cause financial exclusion of women might differ from those of men, e.g. women and mobility. However, to make sure women benefit from financial services, it is important to understand women's financial needs. In this context we need to re-emphasize women's practical and strategic needs<sup>24</sup> and how they are changeable in terms of priorities during conflict and post-conflict, and according to women's socioeconomic status. Through gender lenses there are differences between women and men regarding their specific activities, conditions, needs, access and control over resources, and access to development benefits and decision-making.**

- **The desired outcomes of women's financial inclusion should be the central concern while improving or analysing factors influencing women's financial inclusion, i.e. their economic and social well-being. There is substantial and growing evidence that developing capabilities supports the achievement of desired outcomes. Accordingly, financial capacities of women could be a pivotal factor for better financial inclusion.**

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21. Adverse selection is a term used in economics that refers to a process in which undesired results occur when buyers and sellers have access to different/imperfect information. A moral hazard is a situation where a party will take risks because the cost that could incur will not be felt by the party taking the risk. A moral hazard can occur when the actions of one party may change to the detriment of another after a financial transaction.

22. Boundless, "Asymmetric information: adverse selection and moral hazard", (2016). Available from <https://www.boundless.com/economics/textbooks/boundless-economics-textbook/challenges-to-efficient-outcomes-15/sources-of-inefficiency-83/asymmetric-information-adverse-selection-and-moral-hazard-318-12415/>.

23. Ströh de Martínez, Christiane, "How to Assess Pro-poor Financial Sector Development: A Comprehensive Framework Applied to the Case of Peruvian Microfinance", Study. (Freie Universität Berlin, Berlin, 2010).

24. Practical needs refer to the basic physical requirements of food, shelter, primary health care, etc.

**Financial capability consists of the skills, knowledge and confidence to manage money and use financial products effectively. Basic literacy and numeracy skills can impact financial capability.**

## **2.2. Methodological approach**

The study aims to realize the following objectives:

- i. **To examine the factors affecting women’s financial inclusion in conflict and post-conflict situations;**
- ii. **To assess existing institutional, policy and legal frameworks, and cultural norms that support/hinder the financial inclusion of women in conflict and post-conflict situations and recommend key areas for strategic actions;**
- iii. **To document the success stories and the financial inclusion approaches/types that are more suitable in conflict and post-conflict situations;**
- iv. **To provide recommendations for building and consolidating the advancement of women’s financial inclusion in conflict and post-conflict contexts.**

Based on these objectives, Williamson’s<sup>25</sup> four levels of institutional analysis were utilized to assess prospects and challenges to the achievement of women’s financial inclusion in conflict and post-conflict contexts. Williamson’s four levels of institutional analysis facilitate systemic understanding of such potential and factors that might hinder or enable financial inclusion: i) the **Macro-subjective** level assesses *informal institutions; culture, religious beliefs, norms, etc.* ii) the **Macro-objective** level assesses *institutional environment—formal rules of the game*; in addition to capacities and resources in different endeavours. iii) the **Micro-subjective** level assesses *women’s economic opportunities, women’s access to productive resources, the level of women’s entrepreneurship development, support functions, etc.* iv) the **Micro-objective** level assesses *the status of governance of banking systems* as illustrated below:

The study relied primarily on qualitative data from primary and secondary sources, such as research and reports. Interviews with key stakeholders (47 informants: 6 men, 41 women) were carried out in the period between August and September 2016 to complement and clarify existing data. As such, the research applied a mixture of qualitative methodologies including: desk review, semi-structured interviews, and focus group discussions. Accordingly, purposeful sampling was applied to focus on informants who are able to answer research questions. Informants were selected based on the nature of involvement in the financial system, those with a higher level of engagement and more knowledge about the financial services, regulations and processes as well as those affected by these regulations and practices, i.e. women. The key stakeholders were selected in two countries; one in a conflict and the other in a post-conflict situation (Palestine and Lebanon) including: national women’s machineries, commercial banks, Microfinance Institutions (MFIs), insurance companies, Central Bank/monetary authorities, ministry of finance, civil society organizations active in Women’s Economic Empowerment (WEE), and women’s groups. Moreover, the study utilized non-statistical (in-depth) methods and techniques for data analysis.

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25. Oliver Eaton Williamson is an American economist prominent in New Institutional Economics (NIE) and Economic Sociology, a professor at the University of California, Berkeley, and recipient of the 2009 Nobel Memorial Prize in Economic Sciences.

**Limitations:** The nature of the study, it being on selected countries in conflict and post-conflict situations, poses several challenges and limitations. One of the main limitations is the availability of secondary resources on the issue of financial inclusion, and especially on women's financial inclusion in Arab countries at large and in the selected countries—it highlights the fact that this has not been evidently tackled in the past. Also, four out of the seven selected countries are considered to be civil war settings, which poses a major challenge and limitation in terms of accessing informants and secondary up-to-date information. Some of the selected countries are still in a transition period, and the legal and legislative framework is fluid and not settled yet, i.e. the available laws and regulations that will be studied are subject to change. Lastly, the limited availability of sex-disaggregated data on women's financial inclusion in the region was a major limitation.

### 3. Macro-objective level: Institutional framework

Institutions are the humanly devised constraints that structure political, economic and social interaction. They are the basic institutional environment or what Williamson calls “the formal rules of the game”.<sup>26</sup> Institutional constraints to women's financial inclusion may be found at either or both: informal constraints (sanctions, taboos, customs, traditions and codes of conduct), and formal rules (constitutions, laws, property rights).<sup>27</sup> To examine the role of institutional environment on women's financial inclusion, we will try to discuss the relevant institutions and the relationships between them.

The “rules of the game” of a society are one of the most important ingredients of the enabling environment.<sup>28</sup> Economic rules are embedded in contract, partnership and corporate laws, the financial order, and other regular and adhoc rules promulgated by bodies such as central banks to control interest rates, imports, exports and local and foreign investments.<sup>29</sup> When the public mechanisms that officially enforce rights in society are inefficient or unreliable, organizations and individuals must privately institute internal controls to preserve their rights over the resources in question, raising their transaction costs. In such situations, informal rules and enforcement devices often evolve and operate outside the purview of the official or formal institutional structure.<sup>30</sup> As noted in “women in conflict...”, section 1.2 of this report, all selected Arab States could be considered as fragile states, which generally have a combination of weak and non-inclusive institutions, poor governance, low capacity, and constraints in pursuing a common national interest. These characteristics can be expected to worsen as the intensity of conflict rises. As a result, **transaction costs will increase and informal rules overrule. Therefore, women in conflict situations will be excluded more and more, particularly from the formal financial system**

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26. It is defined constitutions, political systems and basic human rights; property rights and their allocation; laws, courts and related institutions to enforce political, human rights and property rights, money, basic financial institutions, and the government's power to tax; laws and institutions governing migration, trade and foreign investment rules; and the political, legal and economic mechanisms that facilitate changes in the basic institutional environment.

27. North, D., “Institutions” in *The Journal of Economic Perspectives*, vol. 5, No. 1 (1991), pp. 97-112.

28. Datta, S. K., and Nugent, J.B., “Transaction costs economics and contractual choice: theory and evidence” in *The Institutional Economics and Development*, M. Nabli and J. B. Nugent, eds., (Amsterdam, Elsevier Science Publishers, 1998).

29. Clague, C., Keefer, P., Knack, S., and Olson, M., “Institutions and economic performance: property rights and contract enforcement” in Clague, C., ed., *Institutions and Economic Development: Growth and Governance in Less-Developed and Post-Socialist Countries*. (1997).

30. Eriksson, J., “An institutional framework for learning from failed states” in R. Picciotto and E. Weisner, eds., *Evaluation and Development: The Institutional Dimension*, (Washington, D.C., World Bank, 1998).

which becomes more and more conservative and dysfunctional in certain circumstances.

Financial rules and their enforcement actually play a significant role in determining the structure of the sector in an economy as a whole and the level of women's financial inclusion. The enforcement of rules or institutions is at least as important as the rules themselves.<sup>31</sup> Nowhere is this more apparent than in the financial sector, where banks must be reasonably sure that loan contracts can and will be enforced in the event that clients default.<sup>32</sup> **Unsound rules and enforcement** systems in the financial sector can have **negative** ripple effects on the **willingness of banks to lend, on women and their enterprises' ability to borrow and invest**, and hence on the performance of the entire economy. Also, if rules are not seen as fair or fairly enforced, individual women and organizations have greater incentive to evade them, **increasing the difficulty and cost of their enforcement**. Therefore, among other attributes, good rules should be credible, fairly and evenly enforced, predictable and flexible.<sup>33</sup> Unnecessary regulation benefits no one, as it adds to costs for industry which are passed onto women consumers so creating even further exclusion. This applies to conduct of business regulation and prudential regulation. So, just as weak regulation encourages reckless lending, lack of regulation prohibits the introduction of and women benefiting from a range of products and services. **Rule of law could be a bottleneck** of women's financial inclusion and empowerment when other factors such as social norms and regulatory frameworks hold constant. A prominent example is the women's status in **Yemen** compared with other studied countries in terms of financial inclusion and access to opportunities, and in **Iraq** before and after the American invasion (2003). As it will be clarified later, there is little difference in terms of laws and social norms between Arab countries, but when informal rules take precedence as a result of poor governance, different facets of women's social exclusion will intensify, including from financial services.

### 3.1. Financial architecture

In the Arab States, like other developing countries, the financial sector consists of three sub-sectors: the formal, semi-formal and informal sectors.<sup>34</sup> In many countries, the formal financial sector serves less than half of the population and the number of institutions is very limited. The financial industry today is globally linked through vast information and communication technologies (ICT) networks. Financial market functions are performed by financial intermediaries such as banks and insurance companies that provide customized products and services.

The operation of an efficient financial sector is dependent, however, on efficient financial regulations. Financial regulations can be split into three categories: economic regulations, information regulations, and prudential regulations.<sup>35</sup> In general, monetary policy, particularly the economic and prudential parts of it, might strongly improve or hinder women's financial inclusion on the **supply side**. **The higher cost of financial products vis-à-vis**

31. Kaji, G., "Institutions in development: the country, research, and operational challenges" in R. Picciotto and E. Weisner, eds., *Evaluation and Development: The Institutional Dimension*, (Washington, D.C., World Bank, 1998).

32. Nugent, J. B., "Institutions, markets and outcomes", in R. Picciotto and E. Weisner, eds., *Evaluation and Development: The Institutional Dimension*, (Washington, D.C., World Bank, 1998).

33. Burki, S., and Perry, G.E., "Beyond the Washington consensus: institutions matter", World Bank Report no. 18428 (Washington, D.C., World Bank, 1998).

34. Gallardo, J., Outra, K., Randhawa, B. and Steel, F., "Comparative review of microfinance regulatory framework issues in Benin, Ghana, and Tanzania", Policy Research Working Paper, No. 3585, (World Bank, 2003).

35. Lawrence J. White, *The Role of Financial Regulation in a World of Deregulation and Market Forces* (IMF, 1999). Available from <https://www.imf.org/external/pubs/ft/seminar/1999/reforms/white.htm>.

**interest rates and other fees will limit women's access to finance.** Lowering the **reserve requirements** for women's financial products could serve as an incentive for banks to offer more appropriate products for women. However, conflict just exacerbates hindering factors in different ways. In Palestine, as a result of lacking sovereignty and national currency as well, Palestinian Authority (PA) cannot control the money supply, interest rates, or inflation. Additionally, conflict increases risk premiums and decreases the credit worthiness (credit rating) of the country. Consequently, the **cost** of financial services **is higher** in Palestine and other countries **in conflict**. Restricted access of goods and people might increase the **transaction cost and therefore the cost and quality of any financial service**.

### 3.2. Laws that affect women's financial inclusion in Arab States

The fiscal policy and other regulatory codes are more influential on the **demand side**, i.e. fiscal policy in terms of **its gender responsiveness and that of the governmental spending and taxation** as well as the other laws and regulations vis-à-vis labour, criminal, and personal codes. On the demand side and in terms of eligibility, policies and regulations, women could be prohibited from enjoying access to financial services as it hinders economic and gender equality. Most Arab States prohibit discrimination on the grounds of sex, and mention equality in their constitutions. However, these principles are typically lost in translation when moving from constitutions to national laws. With the exception of Morocco and Tunisia, **women of the Arab States region do not enjoy equal rights in marriage, custody and guardianship, employment and access to finance**. As has been noted, these forms of inequalities "severely marginalize women and girls, curtail their equal opportunities to education and employment, restrict their access to health-care and make it difficult for women to seek judicial remedies when their rights are violated".

Generally, the provisions of personal status codes in the region stem from religious principles and are linked to religious courts. The lack of a unified civil personal status code is one of the major factors contributing to discrimination and inequality. Most of the region's **personal status laws discriminate against women** by the mere fact of recognizing men as heads of households, thereby institutionalizing "the inferior status of women in the family". Women are expected to obey their husbands in return for the provision of financial support. With the exception of the personal status codes of Libya, Morocco and Tunisia, the obedience rule is explicitly mentioned in national laws. A woman's prescribed duty to be "obedient" could allow husbands to deny their wives the right to work and thereby **deny them the right to financial equality**. In some Arab countries, women still need the permission of their children's father in order to travel with their children or to open a bank account for them.<sup>36</sup>

A general overview of legislation on women's employment in the region reveals that all labour laws in Arab countries have made provisions for employed women. There are, however, two major concerns with existing legislation. Firstly, some of the provisions regarding women's employment are discriminatory and more importantly, other legal measures fall short of addressing important needs and concerns of women in the world of work, hence discouraging women from joining and remaining in the labour force. While legislation in the Arab region upholds the principle of equality between men and women on the one hand,

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36. ESCWA, Access to Justice for Women and Girls in the Arab Region: From Ratification to Implementation of International Instruments, Status of Arab Women Report.(2015).

it regards employed women as meriting “special protection” on the other hand, to prevent their work from conflicting with cultural practices and social expectations. Such “special protection” can amount to discriminatory measures, particularly in connection with the following three issues: hazardous and dangerous working conditions, night work and retirement age.<sup>37</sup> Another protection measure that could advance or hinder the participation of women in the labour force are policies related to parental leave, especially maternity leave. A good number of Arab countries provide very short periods of paid maternity leave, such as Bahrain, Jordan, Kuwait, Lebanon, Libya, Qatar, Saudi Arabia, the Sudan, Tunisia, the United Arab Emirates and Yemen. The only countries that provide adequate paid maternity leave are Egypt (three months), Morocco (14 weeks), and the Syrian Arab Republic (120 days).<sup>ibid 37</sup> Given that firms are driven by making profits, employers are, therefore, discouraged from employing women as they do not want to incur extra costs. The lack of adequate social policies and maternity insurance puts high costs on employers and restricts women’s employability. Only Egypt (liability shared equally between state and employer), Iraq, Morocco and Tunisia have social security provisions for paid maternity leave.<sup>38</sup>

Many laws may demotivate women from benefiting from different market opportunities and participating in the labour market; thus **retract women’s eligibility for financial services as well as dissolve women’s economic empowerment efforts**. In most Arab States, **social security policies and taxation laws are unfavourable to women**. In Palestine, in the case of remarriage a woman does not receive her deceased husband’s indemnities, but this rule does not apply to the husband of a deceased woman. In Lebanon, by contrast, a number of court decisions have invoked gender equality, requiring the social security fund to pay family indemnities to the mother, thereby allowing her to receive health benefits for her children, as long as they are proven to be in her custody and her husband does not receive such benefits. **Discriminatory tax laws** are recognized as an obstacle to the economic participation of women in Arab States. While they view spouses as two separate taxpayers, only the husband is entitled to tax relief. Some reform initiatives have been undertaken, for example in Lebanon, aimed at ensuring equal benefits for tax reduction for men and women. Moreover, with the exception of Bahrain, Egypt, Kuwait, Lebanon, Morocco, the Sudan and Tunisia, which have similar retirement ages for men and women, women’s age of retirement in the rest of the region is still lower by five years than for men. This adversely impacts women’s benefits and allowances at the time of retirement.<sup>ibid 36</sup> It should be noted that **citizen and non-citizen domestic workers, the majority of whom are women, are not included in the majority of the region’s codes**. This creates a **legal vacuum** regarding the availability of protection for this group. Informal economies have not yet been regularized by law in most Arab States. As such, women fall outside the protection of law, and continue to be marginalized and have their right to access to justice undermined. Studies have identified **chronic violations of the rights of domestic workers** and the inability of these workers to seek justice and remedies.<sup>ibid 36</sup>

The majority of Arab States have ratified human rights treaties obliging signatories to respect, protect and fulfil the human rights of girls, including by prohibiting child marriage. However, most countries have made reservations to treaty provisions that they consider incompatible with Islamic Sharia law. Currently, the Arab region suffers from civil unrest,

37. ESCWA, Addressing Barriers to Women’s Economic Participation in the Arab Region. (Economic and Social Commission for Western Asia, 2012).

38. ESCWA Annual Report (2011).

armed conflicts and occupation. Men and women of the region are subjected to severe violations and human rights abuses, however the impact is different for women and men. The lack of security and of the rule of law in situations of conflict and civil unrest **impedes women's access to justice**. Additionally, **in times of war, the economic and social rights** of women are frequently **violated**. Among other challenges, women's existing poverty is exacerbated in the context of ongoing security situations by the inaccessibility of social services provided by governments and the inability to secure income and ensure family needs are met. Women suffer from the repercussions of armed conflicts both when they stay in their respective countries and when they flee, seeking refuge in neighbouring countries. Female refugees, women and girls, suffer from discrimination and violence inflicted on them by their family members, by refugee camp administrators and by host communities. Moreover, given that non-citizens are not always guaranteed the legal rights of citizens in host countries, **refugees fall within the grey areas of legal protection.**<sup>ibid 36</sup>

While it is then clear how the regulatory framework affects women's eligibility for existing financial services, it **also reduces their risk tolerance and financial position as well as their financial objective**. To that effect, we should recognize the difference in financial needs of women compared to men, i.e. women live longer than men (particularly in conflict situations where men and boys account for the majority of those killed), but earn less so they have to live longer on less money and less savings. This means women have to finance a longer life, which makes financial and retirement planning crucial. Moreover, women have lower labour force participation rates than men, hence a lack of health insurance, retirement benefits and pensions while they are more vulnerable to unexpected economic obstacles such as divorce or becoming widowed, especially during conflicts. Thus, women have different insurance needs particularly if they are caring for underage children. Women also tend to approach financial planning advice differently. Since women are more insecure about financial matters, they tend to be more receptive to professional advice, especially in view of the fact that they tend to be less likely to invest than men and much more risk-averse in their investment choices.

## 4. Macro-Subjective level: social norms and cultural practices

The traditional family in the Arab States mirrors the structure and dynamics of the society. Like the society, the family is authoritarian, hierarchical, dominated by males and oriented to the group. Society in Arab States, as most other societies, is a patriarchal society; the father is the head of the family, the dominant figure and the charismatic person.<sup>39</sup> The person's social position/status is defined by what he/she has in terms of power resources (wealth, knowledge, political authority, and force) and honour. Consequently, the family and community elders keep for themselves the authority and the power by means of the control of the material resources, i.e. land, livestock, weapons, money, etc.<sup>40</sup> In such societies, social order limits the youngsters and the women to various fields of life, according to the rules which every culture dictates.<sup>41</sup> Family roles and relationships are governed by gender and age, with males taking precedence over females.<sup>42</sup> As such, the man "needs" to be the owner to maintain his headship of the family, a position supported by bureaucratic

39. Al-Krenawi, A., *Ethno psychiatry in Bedouin Arab society in the Negev*. (Hakibbutz Hameuhad Publications, 2000).

40. Ibrahim, I., "Particularities of Bedouins' social life" in HSSRP, vol. I, No. 1, (2012), pp. 73–101.

41. Abu Sakhnah, S., *Bedouin Religious Practices in Sinai and Negev*. (Anthropos Institute, 1980).

42. Al-Krenawi, A., "Reconciling western treatment and traditional healing: a social worker walks with the wind" in *Reflections: Narratives of Professional Helping* (3rd ed.) (1998a), pp. 6-21.



practices and legal frameworks that presuppose that the male is the household “head”.<sup>43</sup> Women’s work tends to be invisible, considered simply as “help” to the husband or as secondary to women’s role in the provision of domestic labour.<sup>44</sup>

The identity and self-concept of the individuals in the family are inextricably linked with the collective identity of the family. Conversely, the honour and reputation of the family are reflected in the behaviour of its members. Thus, if a family member is successful, the entire family enjoys the credit. If the family member violates social norms, the entire family loses honour and feels shame.

<sup>ibid</sup> <sup>39</sup> This interdependency at these basic psychological and social levels necessitates considerable self-sacrifice on the part of all family members and results in a strong system of family control over all aspects of the members’ lives. Major life decisions, such as who to marry, where to live, what occupation to pursue, and so forth, are determined with strong reference to, and often by, the nuclear and extended family.<sup>ibid</sup> <sup>39</sup> As an example, a woman who inherits property may be pressured by male relatives to relinquish her interest and right citing the preservation of family wealth as a pretext. Women are being abused and forced to give up their rights to inheritance in many ways, and the reconciliation is one of these ways used to **deprive women of their rights to inheritance**; whether through settling it, or through giving women part of the money or portions from what their rights stipulate for them, or through totally denying them any. Nevertheless, a number of studies related to women’s economic rights found the percentage of women who demanded their rights to inheritance to be relatively limited, and those who reverted to legal recourse and/or took legal action to demand them were even lower.<sup>45</sup> The **fear of reprisal or social ostracism** is detrimental to **women’s right to access to justice in the region**. Women sometimes face social disapproval in pursuing justice, particularly in cases related to family matters and gender-based violence. Women are often reluctant to seek justice in cases related to sexual harassment in the workplace, fearing scandal or the loss of their jobs. If a woman decides to pursue a case, she may be pressured by family members to withdraw her complaint.<sup>46</sup>

Because people in Arab States mostly view women as “temptresses”, **women are closely supervised** in order to preserve the family’s honour.<sup>47</sup> Their social contacts are traditionally confined to the family circle and, within the family, they are subjected to various degrees of segregation.<sup>48</sup> While women are legally allowed to work in all countries in the region, many **women are subject to social controls**, and may not attempt to seek employment if their fathers, brothers, husbands or even mothers-in-law do not consent informally to the idea. To that effect, **during conflict girls and women often face increased risks from displacement and gender-based violence** through the use of rape as a weapon of war, forced marriage by cultural pressures and the lack of livelihood opportunities. Moreover, women and girls are sometimes forced to engage in sex in exchange for money, resources or access to services and assets.<sup>49</sup>

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43. Varley, A., “Gender and property formalization: conventional and alternative approaches” in *World Development*, vol. 35, issue 10, 1739-1753 (2007).

44. Deere, C.D., Leon, M., “The gender asset gap: land in Latin America” in *World Development*, vol. 31, issue 6, (2003).

45. Sandouka, M., *Legislations Pertaining to Women’s Rights to Inheritance in Algeria, Egypt, Jordan, Lebanon, Morocco, Palestine, Tunisia and the UAE – A Desk Review*, (The Palestinian Businesswomen Association (ASALA) and the Regional Economic Empowerment of Women Project (REEWP), OXFAM, Québec, December 2012).

46. ESCWA, *Access to Justice for Women and Girls in the Arab Region: From Ratification to Implementation of International Instruments, Status of Arab Women Report*. (2015).

47. Al-Krenawi, A., Mases, M., “When a man meets a woman – also the Devil is present” in *Society and Welfare*, 14(2), (1994), pp. 181-196.

48. Abu-Lughod, L., *Veiled Sentiments: Honour and Poetry in a Bedouin Society*. (Cairo: The American University in Cairo Press, 1986).

49. Amani El Jack, *Gender and Armed Conflict—Overview Report*. (BRIDGE Institute of Development Studies. University of Sussex, August 2003).

Religion and religious belief are increasingly recognized as factors influencing peoples' priorities and shaping their concepts of life with dignity. Religion is a social/cultural phenomenon that is embedded in human political, social and cultural life. Anthropologists and scholars presume that religion shapes – and is shaped by – the social/historical contexts out of which particular religious expressions and influences emerge.<sup>50</sup> Not surprisingly, faith is embedded in whole social facets of life in Arab regions. **At the heart of the financial industry is “interest” and “time value of money”, which are considered by Islam as prohibited usury (Riba) and Muslims in general abstain from giving or taking it.** While Shari'a affords women the right to own and dispose of property independently, in most countries of the Arab region women are often obstructed from enjoying such rights because of **cultural and societal barriers**. The Palestine Monetary Authority (PMA) 2016 study about financial inclusion in Palestine revealed that 13.9 per cent of adults do not have a bank account and 34 per cent do not apply for loans for religious reasons. The study also finds that around 12 per cent of those who do not have health insurance cite the reason for this as being religious belief.

Women are socialized differently, which may affect their behaviour and motives for financial services hence their needs for financial services. In describing the situation of women in the Arab region, Dr. Hijazi stated<sup>51</sup> that the degree of oppression imposed on women in the Arab world is directly proportional to that imposed on the man in the society. Women are not a homogenous group: they are differentiated by class, caste, religion, race and ethnicity, facing dissimilar barriers and unequal access to opportunities. A number of scholars summarize facets of oppression imposed on women **by three “alienations” that women expose differently** according to the context and to their socioeconomic status. These alienations are institutionalized and systematic in that they serve to make domination easier through a number of mystification mythologies to justify their exploitation; especially the myth of women having lower mental abilities than men, which was of course superseded by scientific studies. This allows the beneficiaries of the established order to maintain their elevated status with a facade of legitimacy without resorting to physical violence.

As such, social aspects of communities in Arab States show a high tendency toward allocentrism (vertical collectivism),<sup>52</sup> witnessed **by the proliferation of family-based business in Arab countries**. The central characteristic of family-led economics is the lack of societal division of labour among asset owners and holders, entrepreneurs and labour; the economic decisions made depend strongly on the respective social and cultural context and are based on a mix of economic and social motives.<sup>53</sup> This **phenomenon is expected to be exacerbated during and after conflicts**. A prominent example of this is the average percentage of family business in Arab regions that constitutes around 75 per cent of private sector and economic activity; in Palestine and as a result of conflict the percentage exceeds 91 per cent. It is also widening the persistent **gender asset gap** as result of less expected women's ownership of property, and in

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50. Sandouka M., Palestinian FBO-Role and Responsibility in Promoting Women's Right to Protection and Participation. (Norwegian Church Aid act-alliance, 2012).

51. Hijazi, M., Social Backwardness: Point of Entry to the Psychology of the Oppressed Person. (Arab Cultural Centre, Morocco, 2001).

52. John J. Sosika & Dong I. Jungb, "Work-group characteristics and performance in collectivistic and individualistic cultures", DOI: 10.1080/00224540209603881 (2010). Sumumu Yamaguchi, "Personality Correlates of Allocentric Tendencies in Individualist and Collectivist Cultures", doi: 10.1177/002202219502600609.

53. Christiane Ströh, "How to Assess Pro-Poor Financial Sector Development. Doctoral thesis at the School for Business & Economics". (Free University of Berlin, Germany, 2010).

smaller amounts than men,<sup>54</sup> that could be attributed to male preference in inheritance; and gender bias in the market, community and state. Women generally have fewer opportunities to transform work into income, still have limited decision-making authority, and when women actually do make decisions, they tend to act for the benefit of others first.<sup>55</sup> Thus, any improvement in access to finance should not be expected to translate into **desired outcomes vis-à-vis women's empowerment unless it is mirrored by social change.**

To that effect, the **social exclusion vis-a-vis social norms and cultural practices restricts women's access to financial services in conflict and post-conflict** through: disparities in land and capital as qualifier in terms of collateral; access to education and training as marketable skills as well as access to information; utilization of resources such as time and income; and relative immobility. These practices vary in intensity and impact among countries and conflict circumstances as well as women's socioeconomic status in relation to the political situation. In focus group discussions with women entrepreneurs in Palestine, the majority of women interviewed indicated that the motive to start a business was the need due to loss of the husband's income either due to being executed, detained or exiled by Israeli occupation. Despite having their own projects, the majority do not have any expansion plans which they explain as being due to fear of the future amidst destructive Israeli practices that can reach them any time and an inability to afford loss while lacking the confidence in their ability to handle expansion alone. At the same time, the majority were reluctant to accept the idea of partnership if they want to consider expansion and the explanation given was that their families won't agree as the "partner could steal their efforts", which clearly reflects the alienation issue discussed above.

## 5. Micro-objective level: governance of financial system

Like many other countries across the region, **banks** in the selected countries **dominate** the financial system. Competition among banks is limited while **state ownership** of banks is significant in many cases. Bank credit is highly concentrated in a few large and well-connected borrowers. In some conflict-affected countries, non-performing loans (NPLs) are at elevated levels. In addition, the non-bank financial sector remains underdeveloped and access to finance for most people and firms remains very limited.<sup>56</sup> Formal financial intermediaries, such as commercial banks, usually refuse to serve poor women and microenterprises because of the **high cost** of small transactions, **lack of traditional collateral**, lack of basic **requirements** for financing and **geographic** isolation.<sup>57</sup>

For the 2014 Global Findex Database,<sup>58</sup> having an account is a marker of financial inclusion. In the Arab region, account penetration of adults was as low as 14 per cent (women, 9.2 per cent). The account ownership among adults in the poorest 40 percent of households is particularly low (7 per cent). Among developing regions, the Arab region continues to have a particularly large gender gap in relative terms, with **women half as likely as men to have an**

54. Deere, C.D., Doss, C.R., "The gender asset gap: what do we know and why does it matter?" in *Feminist Economics*, vol. 12, No. 1-2, January / April 2006, pp. 1-50.

55. Chant, S., "Female household headship and the feminization of poverty: facts, fictions and forward strategies", New Working Paper Series 9, (Gender Institute, London School of Economics, May 2003).

56. "Bolstering financial stability and development in Arab transition countries", 1 October 2014. Blog originally posted in Arabic on the Economic Window. Arabic and English versions available from: <http://blog-montada.imf.org/?p=3221>.

57. Rabobank, "Access to financial services in developing countries". Available from [https://economie.rabobank.com/Page-Files/3584/access\\_tcm64-75165.pdf](https://economie.rabobank.com/Page-Files/3584/access_tcm64-75165.pdf).

58. Asli Demirguc-Kunt et al., "The Global Findex Database 2014: Measuring financial inclusion around the world." Policy Working Research Paper, No. 7255 (WPS7255, World Bank Group, 2015).

**account** (male, 23 per cent; female, 13 per cent). The relative gap in **account penetration between two age groups (below and above age 25) is the largest in the Arab States**, where young adults are less than half as likely as older ones to have an account.

Financial inclusion, at its most basic level, starts with having a bank account. But it doesn't stop there. Only with regular use do women fully benefit from having an account. In Findex 2014, 70 per cent of adults with an account at a financial institution reported making at least one deposit or at least one withdrawal. Less than 5 per cent made three or more deposits per month while above 40 per cent made one to two deposits per month. In the same time, less than 10 per cent made three or more withdrawals and above 50 per cent made one to two withdrawals per month. Withdrawals are made mainly through bank tellers (>90 per cent) followed by automated teller machines (>40 per cent). *(See Annex 3 for disaggregated data by sex and country).*

As illustrated in Annex 3, the Findex 2014 data reflect the gender perspective in terms of **financial behaviour of both males and females** in the selected countries and the relative differences among countries. In general, males and females rely more on informal sources to borrow or save money. Apparently, women utilize informal sources more than men, particularly when borrowing money. Borrowing or saving for investment purposes are not the first priorities for men and women in the Arab region. It seems that the percentage of women who save in Palestine, Syria, and Yemen exceeds that of men. Women are more concerned by health insurance and emergencies as reflected in Palestine, Lebanon and Syria.

**Moving from cash-based to digital payments** has many potential benefits, for both senders and receivers. It can improve the **efficiency of making payments** by increasing the speed of payments and by **lowering the cost of disbursing and receiving them**. Digitizing payments allows women who already have an account to benefit more from financial inclusion—by enabling them to make the payments in a way that is easier, more affordable and more secure. In the region, 8.5 per cent of adult men and women have a debit card, 2 per cent have a credit card, and less than half of them use it. Online payments are made by around 3 per cent of adult men and women. Less than 25 per cent of adult men and women reported receiving their wage payments into an account. Also in the region, adult men and women receiving wages were four times as likely as those not receiving them to report having an account. However, digitalizing and benefiting from online services assumes that clients and, in our case, **women have the accessibility and capability to use technology**, i.e. have a computer or smartphone, are connected to the Internet, are aware of and can use IT, and are able to read and write.

Like wage employment, however, government transfers can be an important reason why women open accounts. In the Arab region, around 3 per cent of adult men and women reported receiving government transfer payments. A larger share of account holders in the region reported saving only semi-formally or in some other way than reported saving at a financial institution. The region had the largest increase among the regions, though from a very low base; the share of adults who reported saving semi-formally quadrupled, rising from 3 per cent in 2011 to 12 per cent in 2014. While a smaller share of adults **saved for education** than in most other regions, in the Arab region more was saved for this reason than for aging, or for a business. As in all other regions, family and friends were the most common source of new loans in the Arab region and almost above 30 per cent. Also in this region, 19 per cent of adult men and women reported borrowing from a store, making this the sec-

and most frequently cited source of new loans. Such trends are consistent with feedback received from women interviewed in Palestine and Lebanon. (*See Annex3 for selected sex-disaggregated indicators on women's financial inclusion by country*).

The Little Data Book<sup>59</sup> on Financial Inclusion 2015 provides nationally representative, demand-side data on access to and use of accounts, credit, payments, and savings by adults age 15 and above in the selected countries. The following table presents data for selected indicators by country, region, and income group. As the data reveals, there is a variation in level of financial inclusion in terms of **outreach depth and breadth among countries**. The highest access to finance in the region is in Lebanon and the lowest in Yemen. In Syria and Palestine, the access (breadth) is less than Lebanon and Tunisia yet the variance between women accessing finance and both males and females combined is less than that of Lebanon, Iraq and Tunisia. In Palestine, the highest variance (depth) was in the young adults (66 per cent less than mainstream), followed by rural areas (37 per cent less), the poorest, 40 per cent, (34 per cent less), and women (12 per cent less). While in Iraq there is no difference between rural and urban in terms of access, in Yemen the rural is 8 per cent less than urban, in Lebanon 10 per cent, and in Tunisia it is 18 per cent. Women are less likely to access financial services by 73 per cent in Yemen, 33 per cent in Iraq, 30 per cent in Lebanon, 24 per cent in Tunisia, and 12 per cent in Palestine.

**Table 2: Account penetration by country**

Account penetration (per cent age 15+)	All adults	Women	Adults belonging to the poorest 40 per cent	Young adults (per cent ages 15-24)	Adults living in rural areas
Iraq	11	7.4	8	8.6	11
Lebanon	46.9	32.9	27.2	29.8	42.3
Palestine*	24.2	21.2	16	10.6	15.2
Syria	23.3	19.6	24	..	..
Tunisia	27.4	20.7	17.2	18.8	22.4
Yemen*	6.4	1.7	4	1.7	5.9
MENA	14.2	9.2	7.3	7.6	10.7
Upper middle income	70.5	67.3	62.7	58.1	68.8
Lower middle income*	42.7	36.3	33.2	34.7	40
.. indicates that data are not available or that aggregates cannot be calculated because of missing data.					
* indicates that country is part of the lower middle income category.					
0/0.0 indicates zero or a value small enough that it would round to zero at the number of decimal places displayed.					
Available data on Syria from 2011 survey. No data available on Libya.					

Source: Global Findex 2014

59. World Bank, The Little Data Book on Financial Inclusion 2015. (Washington, DC; World Bank; 2015) doi:10.1596/978-1-4648-0552-3. License: Creative Commons Attribution CC BY 3.0 IGO.

While the region's averages are lower than those of most other regions, five of the seven selected countries' indicators are better than the Arab region averages. However, **Yemen and Iraq were below** the region's averages, particularly **in terms of women's access** (account penetration). This low access to finance, largely for women, in the region has been the result of a variety of factors, including poor financial infrastructure, weak banking competition, connected lending and underdevelopment of the non-bank financial sector, as explained in Annex 5.

## 6. Micro-subjective level: women's economic opportunities

### 6.1. Women's entrepreneurship

Women in the Arab region have the lowest rates of Total Entrepreneurial Activity (TEA) at merely 4 per cent of the population.<sup>60</sup> On a global scale, according to the Global Entrepreneurship Monitor (GEM) data, the gender gap does not seem to be that alarming. However, when studied more closely at country level, the gender gap varies greatly in size across the world. The gender gap becomes more apparent though when women's motives to start or run a business are compared to men's. Worldwide, women are much more likely to be driven by necessity than men when starting a business. In developing countries, and as was evident in focus group discussions in **Palestine and Lebanon**, for example, the vast majority of women are engaged in entrepreneurial activity **driven by pure survival – out of necessity** rather than opportunity – because there are no jobs or any other options for income generation. This partly explains why globally women are overrepresented in the informal economy and own no more than 25 per cent of formal sector businesses, and stands in contrast to the vast majority of women in high-income countries, where two thirds of women start a business because they see opportunities or want to be independent.<sup>61</sup>

Generally, countries in the Arab region have the fewest women entrepreneurs, presumed even fewer in conflict and post-conflict countries. A significant percentage of women entrepreneurs of the region engage in business as a traditional activity and not as a serious money-making venture.<sup>62</sup> The extent to which women will invest and innovate depends critically upon several factors, including the inclusion of markets, adequate infrastructure, a stable macroeconomic context, and equitable access to land and financial resources. Where economies are inclusive; women are encouraged to invest and innovate, they will be confident that they can access the needed inputs, secure any necessary credit, have the required insurances, get their product to market and have a fair idea of the final price they will receive. Conversely, **Arab countries' economies are not inclusive, especially in conflict and post-conflict situations**: women in these situations are less certain of supplies, credit, insurance, access to markets, final price and so on, and are consequently generally **less willing to invest and innovate**. This is particularly true for poor women for whom the cost of failure is high. Apparently, the gender gap is represented in industry choice and entrepreneurial orientation as women seem to pursue certain businesses at

60. Hind Salama, "Women entrepreneurship in MENA: an analysis", 2 July 2016. Available from <http://www.ecomena.org/women-entrepreneurship-in-mena/>.

61. Saskia Vossenbergh, "Women entrepreneurship promotion in developing countries: what explains the gender gap in entrepreneurship and how to close it?", Working Paper No. 2013/08 (Maastricht School of Management, 2013). Available from <https://www.msm.nl/resources/uploads/2014/02/MSM-WP2013-08.pdf>.

62. Hagan, O. Rivchun, C. & Sexton, D., Women-Owned Businesses. (Praeger Publishers). Women Resources in Business Start-up: A Study of Black and White Women Entrepreneur. (New York, 1990).

the expense of other choices. The gender gap is also visible in business performance as women are not only less likely than men to start a business, their businesses also tend to be smaller, have fewer staff and less growth expectations. Furthermore, women generate relatively lower revenues than men, and earn less income from entrepreneurial activity. Also, maintaining and growing the business beyond start-up is a serious challenge for all women entrepreneurs, especially in conflict-affected countries. Even though the exit rate of new businesses is high everywhere (40-50 per cent), exit rates of women-owned businesses are even higher, especially in conflict and post-conflict situations. Some reasons mentioned for high exit rates among women entrepreneurs are **lack of financing, insufficient profitability, and family responsibilities.**<sup>ibid 59</sup>

These observable differences in the characteristics of male and female entrepreneurs reflect what is traditionally thought to be underlying differences in their motivations and goals, preparation, organization, strategic orientation, and access to resources. Such comparisons focus on the individual entrepreneur and her motives, behaviour, challenges or the business activities and performance of male and female owners, all while ignoring the context and socioeconomic and political variables. Also, it makes the future of the business depend solely on the individual, and when more structural barriers are considered, solutions proposed focus on the individuals, whereas the context is left intact and unaffected.<sup>63</sup> At best, the gender gap in entrepreneurship is rendered a matter of “unequal opportunity” due to discriminatory barriers facing women entrepreneurs and their businesses. Once these barriers are removed, men and women are on equal grounds and entrepreneurship can flourish.<sup>64</sup> In contrast, recent research suggests that women are socialized differently and therefore will perceive opportunities in a different way, that social roles/the place of women might exclude them from social networks, therefore creating information asymmetries, and that institutional aspects of entrepreneurship affect women differentially.<sup>65</sup> The societal patriarchy causes a deficit in relevant human capital of women (such as inferiority because of motherhood) and they are disadvantaged in a segmented labour market that is not competitive but rather politically and structurally segmented. Disadvantaged positions in the social structure have a profound effect on how entrepreneurs identify, shape and pursue their entrepreneurial undertaking.<sup>66</sup> Many obstacles to **women entrepreneurship** could be enhanced by conflict; **widened gender gaps in education and skills** as a result of the breakdown of the education system during the conflict and the subsequent brain drain; a **less conducive investment climate** that is characterized by uncertainty and risk which makes financing unavailable and conditions more punitive, with serious *infrastructure constraints* limiting access to markets and *weak regulatory frameworks* that do not facilitate investment; and **less access to business information** as result of disrupted social networks and depleted physical infrastructure that make it harder for businesswomen in conflict to access essential business information and intelligence.<sup>67</sup>

There is general agreement that entrepreneurial resources and the mode of incorporation

63. Ahl, H., “Why research on women entrepreneurs needs new directions” in *Entrepreneurship Theory and Practice*, (2006).

64. International Monetary Fund, *The Republic of Yemen: 2013 Article IV Consultation*, (Middle East and Central Asia Dept.).

65. Brush, Candida G.; de Bruin, Anne; Welter, Friederike; and Allen, Elaine, “Gender embeddedness of women entrepreneurs: an empirical test of the 5 “M” framework” in *Frontiers of Entrepreneurship Research*, vol. 30, Iss. 8, Article 2 (2010).

66. Robinson, J., Blockson, L. and Robinson, S., “Exploring stratification and entrepreneurship: African American women entrepreneurs redefine success in growth ventures” in *The ANNALS of the American Academy of Political and Social Sciences*, vol. 613 (2010), pp. 131-154.

67. [www.ifc.org/gender](http://www.ifc.org/gender)

into the labour market depends upon a mix of three forms of capital: social, human and financial.<sup>68</sup> Women entrepreneurs need to have access to markets, money and management (in the form of human and organizational capital) in order to launch a venture. These encompass the three fundamental building blocks of business viability. Provided that all entrepreneurship is socially embedded, Brush, de Bruin and Welter then expanded to include “motherhood” and the “mezzo” and “macro” environment under their “5 M” framework. Such intersectionality provides a more comprehensive explanation of why and how female entrepreneurs and their businesses are different, and how these intersections contribute to unique experiences of oppression and privilege. Embeddedness may lead to different access to money, markets, human and organizational capital. Women entrepreneurs tend to operate in smaller businesses, tend to concentrate on sectors that are considered by financiers to be less profitable and to have lower growth and turnover compared to male-owned businesses. They are mostly crowded, low order services or manufacturing. In Palestine for example, according to the Palestinian Central Bureau of Statistics (PCBS),<sup>69</sup> 60 per cent of working women are in the informal sector and mainly concentrated in agriculture (42 per cent), services (34 per cent), commerce and hotels (10 per cent) among other sectors. Perceived shortcomings encourage women to pursue lower but, arguably, realistic expectations of loans from formal institutions and venture capitalists.<sup>70</sup> Female entrepreneurs are more likely to rely on family members for finance. In the literature, it has long been found that firms that rely on family finance are less likely to grow than those whose funding is obtained from formal finance. To summarize, due to women’s position in the social and institutional systems in terms of immobility and limited access to productive resources especially during conflicts, women entrepreneurs tend to start off with less capital, borrow less and use family rather than debt or equity finance.<sup>ibid 59</sup>

## 6.2. Women’s economic opportunities

Current statistics and data in the region remain primarily concerned with labour force participation, which often captures a limited portion of workers in the informal economy, particularly women. The participation rate in the **labour force** is particularly **low** among females aged 15+ in the following countries: Syrian Arab Republic (12.9 per cent), Iraq (14.3 per cent), Palestine (14.7 per cent), Lebanon (22.5 per cent), Yemen (24.8 per cent) and Tunisia (25 per cent). Young women aged 15-24 have an even lower rate of labour force participation in every country of the region without exception. The following countries have the lowest participation rates for female youth: Palestine and Iraq (8.1 per cent each), and the Syrian Arab Republic (9.0 per cent).<sup>ibid 37</sup> Women’s employment policies have often focused on tackling the situation of national women in formal employment. However, such approaches should also deal with the expanding informal economy and aim to formalize informal employment. The issue of women’s unpaid and undervalued work is very relevant to the Arab region and becomes more pronounced in conflict and post-conflict situations, not only because of the extensive time and resources that household and care work represents, but also because informal employment constitutes a major challenge. In conflict and

68. Nee, V. and Sanders, J. (2001), “Understanding the diversity of immigrant incorporation: a forms of capital model” in *Ethnic and Racial Studies*, vol. 24, No. 3, pp. 386-411.

69. Palestinian Central Bureau of Statistics, *Informal Sector and Informal Employment Survey October-December 2008: Main Findings (Ramallah-Palestine, 2014)*.

70. Marlow, S.; McAdam, M., “Gender and entrepreneurship: advancing debate and challenging myths; exploring the mystery of the under-performing female entrepreneur” in *International Journal of Entrepreneurial Behavior and Research*. 2013.



post-conflict, more and more vulnerable women are drawn into such labour without knowing the extent of the threats it poses amidst increasing protection concerns. Poverty and low levels of education comprise major factors that prevent vulnerable groups of women from accessing decent work. Many women are also engaged in various economic activities in the agricultural sector. Agriculture remains a major sector in the economies of many Arab countries such as Yemen (87.8 per cent), Iraq (50.7 per cent), Palestine (27.5 per cent) and the Syrian Arab Republic (23.8 per cent); and far more women than men are engaged in related activities that are either unpaid or underpaid.<sup>ibid 37</sup> The Arab region has also made significant progress towards gender parity in primary and secondary education. Despite that, the percentage of female literacy remains low in some countries and drops even lower in conflict. Working women in Arab countries often prefer to be employed in the public sector. The public sector often provides employment terms that are “friendlier” for women with family care responsibilities. As for women working in the private sector, they are often concentrated in certain specific sectors that are generally care services sectors.

Women’s ability to acquire, access, manage and control property indicates their ability to use property. Access to property, vis-à-vis inheritance and marital property regimes, not only increases women’s financial security, but is also associated with their increased bargaining power within the household. Access to assets has also been linked to gains in family welfare, such as children’s health. Different marital property regimes have different consequences for the allocation of property within households. Each economy sets its default regime in the family or personal status law. Full and partial default community property (joint property) regimes offer equal access to property, including land, for both spouses during and after marriage.<sup>ibid31</sup> Building credit identifies the minimum value of loans tracked by private credit bureaus and public credit registries and assesses bureaus and registries that collect information from microfinance institutions, retailers and utility companies. Recent initiatives to improve the collection of data on women’s access to credit highlight the reality that women receive less credit than men. The reasons for women’s credit constraints are often different from those of men. Annex 4 summarizes data on seven indicators used in Women, Business and the Law 2016. Of key significance is data on: accessing institutions, using property, getting a job, providing incentives to work, building credit and protecting women from violence, and non-discrimination in access to credit.

Presumably, opportunities are not equally distributed amongst women, predominantly **women refugees**. The status of Palestinian and Syrian refugees displaced from Syria to Lebanon exemplify this discrimination. Most of them are not registered with the Lebanese authorities and, even worse, the Lebanese authorities do not treat them as refugees but as transit passengers. This excludes them from their basic rights and exacerbates their vulnerability. According to women activists, women are the most hurt from such circumstances, in light of their difficult conditions: the rate of early marriage increased, domestic violence increased, and Lebanese employers take advantage of them vis-à-vis paying them a quarter of the Lebanese worker’s wage. During focus group discussion, Lebanese women indicated that the refugees’ situation badly affected them in different forms; whether in terms of losing their jobs or cutting their wages, or socially given that Lebanese fathers are now more keen to get their daughters married earlier in age like refugees, as well as prohibit them from working due to security reasons or unfeasibility of work. Another example of the ramifications of conflict on women is the Palestinian refugees who live in camps in West

Bank and Gaza. They are more excluded by financial institutions including MFIs in comparison with rural and urban women. This could partially be explained by the fact that being a refugee means one is less likely to own assets/property.

### 6.3. Women's financial inclusion approaches

Different projects and programmes have been conducted in the region, aimed at empowering women economically; almost all projects aimed at improving women's access to capital and finance are run by civil society. The efficiency and effectiveness of these projects are debatable yet **none of these projects address the issue of women's financial inclusion explicitly or in a systemic manner.** In general, these initiatives have tried to address women's access to financial services in different ways, at the levels of both supply and demand. Hereafter, we will shed some light on certain initiatives according to the four dimensions of our definition of women's financial inclusion, i.e. availability, accessibility, appropriateness and usage.

#### Availability and accessibility

Removal of the barriers of financial intermediaries to meet women's financial needs profitably is essential to improve the availability of financial services to women.

In 2010, the Palestine Monetary Authority (PMA) joined the Alliance for Financial Inclusion (AFI) and recognized the Maya Declaration in 2012. In order to improve financial inclusion in Palestine without undermining financial stability, the PMA, jointly with the Palestine Capital Market Authority (PCMA), worked on developing regulations and programmes including consumer protection, a financial capabilities campaign, a credit registry,<sup>71</sup> national financial switch,<sup>72</sup> an automated clearing system, and public key infrastructure (PKI), among others. In 2014, the PMA and PCMA decided to go a step further and develop a national strategy for financial inclusion with AFI support. According to PMA, these initiatives promoted financial inclusion vis-à-vis opening 80,000 new bank accounts between 2012 and 2016. In general, this many improves the accessibility of financial services for women. However, a lack of regulation congruence and comprehensiveness devitalizes these efforts. For example, a lack of agricultural insurance hampers creditors from expanding lending<sup>73</sup> services in this sector where women's labour is concentrated. Determining the interest ceiling of MFIs without allowing microsaving<sup>74</sup> and microinsurance might exclude mostly marginalized women and limit the offering of non-financial services in order for MFIs to reduce costs and minimize risks. Also, depriving MFIs from benefiting from credit guarantee<sup>75</sup> services like banks also limits MFIs expansion and their products basket. Recently, the PMA launched an "account for each citizen" campaign. However, the quality of service provided to banks' clients was not supervised whereas banks were permitted to charge high charges and fees including

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71. A credit bureau collects information from a wide variety of financial and non-financial entities and provides comprehensive consumer credit information.

72. Network of shared ATMs in Palestine that allows cardholders to withdraw cash from any bank ATM in the network, for a fee if they did not have an account with the bank that owned the ATM.

73. Banks' lending in the agriculture sector fell short of 1 per cent of the total banks' portfolio in terms of credit facilities to all sectors.

74. Currently the only available sources of financing MFIs activities are debt (from commercial banks at 5 per cent + LIBOR) and equity and they are not allowed to mobilize deposits.

75. There are two funds in Palestine's European Palestinian Credit Guarantee Fund (EPCGF) and a loan guarantee facility for SMEs, the Middle East Investment Initiative (MEII).

the “VIP Service” (for VIP clients to be served by a teller in under an hour for a charge of USD 3 month, besides other fees). Such practice, by default, may however exclude a big segment of women who cannot afford the costs of these services.

A number of studies have indicated that people, particularly women, in the Arab region are **less aware about the financial services**, which becomes more pronounced in conflict settings. In Lebanon and Palestine, according to discussions conducted with women, the most common source of information about financial services is relatives and friends, followed by financial institution employees, then advertisements. However, these sources provide information about products and not necessarily financial literacy. According to the national survey, “Lebanese & Money”, 54 per cent of women are aware of financial issues (69 per cent of men). In Palestine, only 27 per cent and 8 per cent of Palestinian women indicated that they are partially and totally aware about their financial rights respectively. According to informants, bank employees are not trained enough to provide financial information to the public while usually talking “financial and accounting language” which is not clear for the public.

A National Conference on Financial Capabilities was organized in 2015 by the Association of Banks in Lebanon, in partnership with the Institut des Finances Basil Fuleihan – Ministry of Finance, the Ministry of Education and Higher Education, and the OECD International Network for Financial Education (INFE) in an attempt to identify the needs for raising the level of economic and financial literacy in Lebanon. In this respect, five roundtables laid the foundation for key recommendations tackling financial education in schools; banking and consumer protection; retirement and long-term saving strategies; citizenship, accountability and good governance; and financial inclusion. As a result, the Institut des Finances Basil Fuleihan published a number of financial awareness guides tackling different subjects such as the Income Tax Guide for Self-employed Professionals, the Citizen’s Guide for Completing Inheritance Procedures, the Employee’s End of Service Guide, the Your Right to Object Guide, and so forth. These manuals can help improve women’s access to information and financial literacy, yet as a result of differences in women’s financial needs and those of men, there remains the need to explore the informational needs accordingly and develop the proper instruments and channels to improve women’s financial inclusion vis-à-vis literacy. Improving capacities of banks in order to reduce their transaction costs and improve their knowledge about SME businesses, particularly the informal ones, could facilitate women’s financial inclusion. To promote economic growth, the Bank of Lebanon (BDL) issued the Intermediary Circular #331 that grants long-term highly subsidized sources of funding to banks, for “granting specialized subsidized loans” and “participating in the capital” of start-ups, incubators and accelerators, and venture capital, to boost the “knowledge economy” and encourage “intellectual capital”. BDL also lowers the reserve requirements from banks against loans destined for productive sectors. Competitively priced loans constituted around 13 per cent of total loans granted to the private sector. To galvanize the consumer protection policy, BDL supervises the status of overindebtedness for credit portfolios on a monthly basis. Last August, BDL tightened the requirements for retail loans as households’ overindebtedness increased to levels that mean an average of 50 per cent of household income is going towards servicing debt. Despite the numerous initiatives that the BDL carried out to improve the access to financial service principally for SMEs, the concept of financial inclusion is not that developed there. These initiatives are gender-blind,

but they might improve women's access to finance especially when other factors are held constant.

In terms of accessibility, Lebanon reported the ratio of 28 bank branches per 100,000 adults in 2014, which ranks Lebanon as one of the highest 5 percent in the world in terms of percapita operating bank branches. At the end of 2014, the number of banks operating in Lebanon reached 71 distributed among 1,041 branches and according to the relative geographic distribution of economic activities: South Lebanon, 11 per cent; Bekaa, 7 per cent; North Lebanon, 10 per cent; Mount Lebanon, 19 per cent; Beirut and suburbs, 54 per cent. The number of ATM machines placed at the service of customers amounted to 1,597 at the end of 2014. They were geographically distributed as follows: Beirut and suburbs, 670; Mount Lebanon, 497; North Lebanon, 157; South Lebanon, 153; and Bekaa, 120. In Palestine, there are 17 banks working through 272 branches (11 per 100,000 capita aged 18+) and 548 ATMs (22 per 100,000 capita aged 18+). Five registered MFIs operate in Palestine through 85 branches (3.4 branches per 100,000 capita aged 18+). By the end of 2014, the outstanding portfolio of the registered MFIs was USD 97 million serving 45,152 borrowers **(48 per cent women)**.

Still, banking is one instrument and financial inclusion should not be limited to it. Besides insurance services and microfinance, other options should be explored, such as credit guarantee for micro and small enterprises, technology leasing, project finance (comprised of a mix of equity and debt), private equity and social venture capital, subsidized loans for women's businesses or lowering the reserve requirements from banks against loans destined for women's projects, among other creative and sustainable funding instruments. It is important to improve the financial capabilities of women and raise awareness of women and the general public about financial inclusion, and, not least, enhance the capacity of financial institutions' frontline officers when providing information to the public.

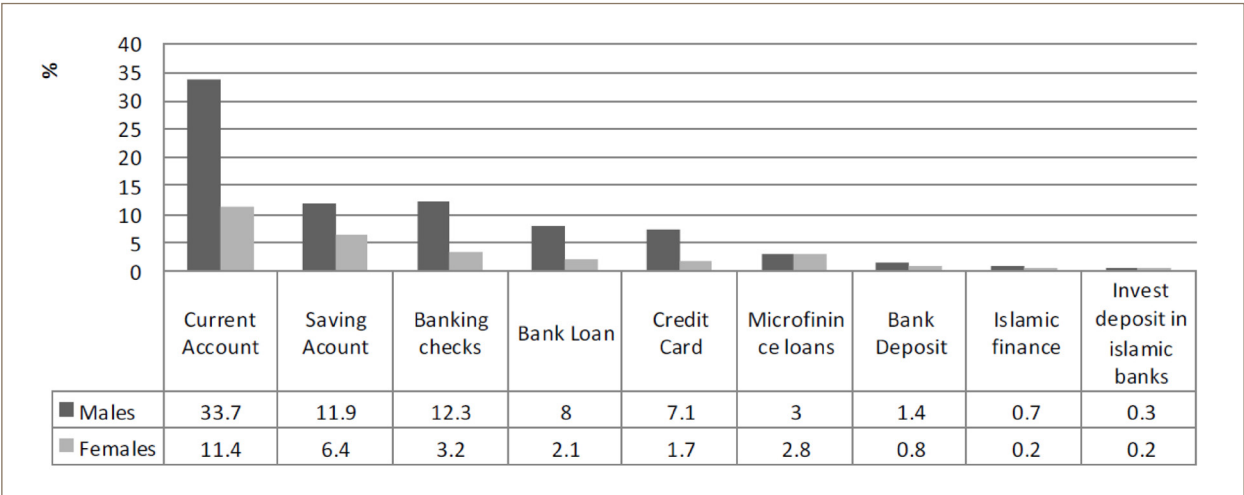
Al Majmoua – the Lebanese Association for Development – emerged as a non-profit Lebanese microfinance institution. Al Majmoua was initially created in 1994 as a micro-finance programme by Save the Children to provide group loans to low-income women entrepreneurs. In 1997, it spun off into a fully autonomous NGO, registered as an association with the Lebanese Ministry of Interior. Currently, Al Majmoua offers group and individual loans, and free non-financial services to its borrowers and non-borrowers through its network of 22 branches all over Lebanon. Al Majmoua's clients range from self-employed micro-entrepreneurs to women with home-based businesses, low-income workers, and small or medium-sized businesses. The main focus of Al Majmoua is women and their micro-entrepreneurs, representing 55 per cent and 58 per cent of our active clients respectively. Al Majmoua serves individuals from any nationality whether located in rural or urban regions; they serve refugees and reach out to those living in remote areas and Palestinian camps all over Lebanon.

### **Appropriateness and usage**

According to PMA, the utilization of almost all financial services is positively correlated with the level of income and level of education. However, a lack of need for loans was the first reason for not borrowing in Palestine (39.2 per cent), followed by religious beliefs (30.8 per

cent), lack of financial capacity to fulfil the obligation (21.6 per cent), borrowing requirements (3.4 per cent), and borrowing cost (3.3 per cent). Moreover, the determinate factors in people’s choice of financial products were religious beliefs (30.3 per cent), fitness of services for their needs (25.3 per cent), cost of product (18.8 per cent), cost-benefit weighting of services (13 per cent), and service requirements and procedures (11.4 per cent).

**Figure 1:** Usage of banking sector products in Palestine by gender (PMA 2015)



Provided that religious belief is a major determinate factor in people’s choice of financial products, it is important then to offer an appropriate and culturally adapted product. For example, the Deprived Families Economic Empowerment Programme (DEEP) aims to significantly expand the opportunities for members of deprived families (the majority of whom are female-headed households) to become entrepreneurs through facilitating access to financial and business development services. A comprehensive awareness campaign was launched in all areas of the West Bank and Gaza to promote pro-poor financing based on Islamic financing products, and to attract clients who could never access microloans through traditional MFIs and commercial banking. DEEP’s involvement in the microfinance industry falls under the objective of contributing to an inclusive financial sector for the poor, focusing on expanding the outreach of microfinance and contributing to MFI’s efforts to achieve sustainability. The use of Islamic microfinance offers diverse financial products that meet the demands of some poor Palestinian families. A total of 5,581 small and micro-enterprises have received financing to expand through implementing partner MFIs (43 per cent of the projects are owned by women entrepreneurs). In addition to that, a total of 8,332 households received start-up grants (47 per cent headed by women). The success rate for enterprises that are operating and providing the households with sufficient income is over 80 per cent according to the project.

Often, vulnerability<sup>76,77</sup> and exposure vary by women’s socioeconomic status and a number of other conditions that exist within local communities. The effect of conflict and crisis on women to a greater or lesser degree depends on their exposure. Women’s exposure is determined by the combination of her individual conditions and external environment. To

76. Blaikie, P., Cannon, T., Davis, I. & Wisner, B., *At Risk: Natural Hazards, People’s Vulnerability and Disasters* (London, Routledge, 1994).  
 77. Smit, B. and Wandel, J., “Adaptation, adaptive capacity and vulnerability” in *Global Environmental Change*, vol. 16, (2006) pp. 282-292.

that effect, and given that women are not a homogenous group in terms of characteristics and needs, projects that target women's financial inclusion should be tailored according to their vulnerability level and level of exposure. For example, the Palestinian Ministry of Women's Affairs with the Islamic Development Bank initiated a campaign to release graduates' certificates through the reimbursement of the overdue tuition fees to universities. Through this initiative, almost 800 women were able to participate in the labour market and/or able to get a loan or other financial services.

Many assessments of the business climate for women overlook the areas of the law that determine who has control over assets, restricting their legal ability to make decisions, thereby influencing the types of economic opportunities that are available for women, such as marriage, divorce, inheritance, land rights, labour, etc. To improve the regulatory framework, a number of initiatives were carried out in the region. In Lebanon, the Collective for Research and Training on Development-Action (CRTD.A) was registered in 2003. CRTD.A provides ongoing and context-specific training and capacity-building to local women's groups, community organizations and other stakeholders in themes and topics related to CRTD.A's four key areas of involvement, namely gender and inclusive citizenship, gender and economic rights, gender and socioeconomic empowerment, leadership and public participation. Its Women's Economic Empowerment Programme (WEEP) works essentially at the grassroots level and implements initiatives that reach out to more than 40 rural women's cooperatives and women's groups all over Lebanon. The WEEP assesses the situation and needs of local and rural women's groups, works jointly with women to identify priorities, provides hands on and capacity-building training in addition to facilitating market access through the establishment of "Namlyeh", a market access point in Beirut. Its work also includes policy dialogue with various stakeholders, research and dissemination of knowledge. In general, CRTD.A's advocacy campaign stake place locally, regionally and internationally while lobbying and campaigning for the reform of nationality laws in Arab countries.

A similar example to "Namlyeh" was started in Palestine by a joint programme (JP)<sup>78</sup> between UN Women, the Food and Agriculture Organization of the United Nations (FAO) and ITC that pools efforts in support the development of women-owned/run Palestinian Micro, Small and Medium Enterprises (MSMEs) including cooperatives, with preserving cultural and agricultural products, turning them into marketable and exportable products along with the creation of a regulatory environment for the protection of local production and the establishment of incentives for women cooperatives as some of the main goals of this programme. This should be supported by enhancing one main **one-stopshop**/business development hub, that would provide all the technical, vocational and marketing services and by strengthening two business shops in the North and South of the West Bank for assembling, testing, packaging and selling. Additionally, the JP will focus on the creation of local, regional and international marketing channels for these businesses to become self-sufficient and able to sustain themselves and gain profit. The direct beneficiaries of the JP are 245 women with very diverse socioeconomic backgrounds and ages (ranging from 25 to 65 years old) both from rural and urban areas and from multiple locations in the West Bank (Bethlehem, Hebron, Jenin, Jericho, Nablus and

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78. The Spring Forward for Women Programme funded part of this endeavor.

Ramallah, among others).

A prominent example of a women's organization tackling women's financial inclusion explicitly is the Palestinian Businesswomen's Association (ASALA) which started as an MFI working exclusively with women. ASALA was founded in 1997 under the name Centre for Women's Economic Projects (CWEP)<sup>79</sup> and registered as a non-profit organization. Under the current name, in 2001 ASALA began providing microloans to marginalized Palestinian women. Since then, it has provided over 30,000 loans totalling more than USD35 million to Palestinian women entrepreneurs. In 2008, ASALA expanded its scope with a comprehensive needs-based package of non-financial services and tools, which reached tens of thousands of marginalized Palestinian women entrepreneurs. ASALA leads nationwide advocacy campaigns to ensure the inclusion of women in national institutions, the recognition of their contributions to economic development, and access to resources. Recent successful campaigns include a campaign to facilitate the transition of female micro and small entrepreneurs to the formal sector and increase their roles within private sector bodies, as well as a campaign for women's rights to inheritance and ownership, which sought to change existing practices to counter the phenomena of inheritance deception. ASALA has established "Business Clubs" to enable women entrepreneurs to increase their efficiency by growing a business together, and hosts frequent exhibitions to link women producers with clients and wholesalers.

## 7. Key Conclusions, takeaways and Recommendations

### 7.1. Key conclusions and takeaways

- **When women participate in the financial system, they are better able to start and expand businesses, invest in education, manage risk, and absorb financial shocks. Despite the importance of women's financial inclusion as pro-growth and necessary for achieving inclusive economic growth in society, this concept is not well-recognized in the Arab region. There is a lack of information and studies about women's financial needs and level of inclusion, particularly in conflict situations. It is highly recommended that women machineries and women's economic empowerment organizations consider ethnographic and comparative studies on women's financial inclusion in conflict and post-conflict situations. It is also recommended to promote a common understanding of women's financial inclusion, embarking on the definition adopted in this study and its four dimensions, i.e. availability, accessibility, appropriateness and usage.**
- **Women's financial exclusion is a result of the interaction of combined social, economic and political factors at micro, mezzo and macro levels that hinder women's access to the proper financial services in a given context and time. Women are not a homogenous group and the degree of their oppression varies according to their status (race, class, ethnicity, religion, level of education, etc.) and role according to their contexts. As such, a congruent holistic approach should be followed when tackling women's financial inclusion at micro, mezzo and macro levels. Looking at women's financial inclusion**

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79. It was initially a project under Oxfam-Québec and funded by the Netherlands.

should also be through the lens of women's economic empowerment and not as a stand-alone subject or end.

- All studied Arab States could be considered as fragile states, generally characterized by having a combination of weak and non-inclusive institutions, poor governance, low capacity, and constraints in pursuing a common national interest. As a result, transaction costs will increase and informal rules overrule. Women in conflict situations will be excluded more and more, particularly from the formal financial system which becomes more and more conservative and dysfunctional under these circumstances. At the same time, women are expected to lack alternative income sources, savings or assets that they can fall back on if their main source of income is reduced or eliminated. It is highly recommended that governments and financial intermediaries in the studied countries consider financial instruments and insurance options that could help women mitigate some of their risks to economic shocks.

- The financial sector in the selected countries consists of three subsectors: the formal, semi-formal and informal sector. Banks dominate the financial system and competition among banks is limited while state ownership is significant in many cases. Bank credit is highly concentrated in a few large and well-connected borrowers, the non-bank financial sector remains underdeveloped, and access to finance for most people and firms remains very limited. Formal financial intermediaries, such as commercial banks, usually refuse to serve poor women and microenterprises because of the high cost of small transactions, lack of traditional collateral, lack of basic requirements for financing and geographic isolation. Removal of the barriers of financial intermediaries to meet women's financial needs profitably is essential to improve the availability of financial services to them. As such, improving capacities of banks in order to reduce their transaction costs and improve their knowledge about SME businesses, particularly the informal ones, could facilitate women's financial inclusion. Still, banking is one instrument and the financial sector should not be limited to it. Besides insurance services and microfinance, other options should be explored such as credit guarantee for micro and small enterprises, technology leasing, project finance (comprised of a mix of equity and debt), private equity and social venture capital, subsidized loans for women's businesses or lowering the reserve requirements from banks against loans destined for women's projects, among other creative and sustainable funding instruments. Profitability of financial institutions is essential for the sustainability of any systemic improvement of women's financial inclusion.

- The current regulatory framework excludes women from financial services on both supply and demand sides. On the supply side, the monetary policy, particularly the economic and prudential parts of it, affects women's financial inclusion vis-à-vis the types of products approved, cost of interest and bank charges, quality of service and availability of information provided by financial intermediaries. It is recommended that monetary policies consider women's financial inclusion and not being gender-blind.

- On the demand side, the fiscal policy, as well as labour, criminal, and personal codes, are more influential on women's inclusion in the financial system. How gender-sensitive governmental spending and taxation are can directly include or exclude women from some financial services such as social security, health insurance, and so forth. Many



laws within labour, criminal, and personal codes may demotivate women from benefiting from different market opportunities and participating in the labour market, thus retracting women's eligibility for financial services as well as undermining WEE efforts. Lower labour force participation of women causes them to lack health insurance, retirement benefits and pensions. Less earning also means less saving. Moreover, the utilization of almost all financial services is positively correlated with the level of income and level of education. Therefore, gender-responsive fiscal policy as well as labour, criminal, and personal laws are not only essential for women's financial inclusion but for all aspects of social equality and development. It is highly recommended that the current policies and laws in the studied countries are revisited. It is also recommended that the differences in the financial needs of women compared to men are recognized.

- Social norms are also determinants of women's financial inclusion and exclusion on the demand side through depriving women of their rights to inheritance and women's right to access to justice, as well as the guardianship system that restricts women's mobility and limits their decision-making authority. Thus, any improvement in access to finance should not be expected to translate into desired outcomes vis-à-vis women's empowerment unless it is mirrored by social change.
- Religion is a social/cultural phenomenon that is embedded in human political, social and cultural life. At the heart of the financial industry is "interest" and "time value of money", which are considered by Islam as prohibited usury (Riba) and Muslims in general abstain from giving or taking it. Given that religious belief is a major determinate factor in people's choice of financial product, it is important for financial intermediaries to offer appropriate and culturally adapted products.
- Women are socialized differently which may affect their behaviour and motives for accessing financial services hence their needs for financial services. Therefore, the appropriateness of financial products that suit women's needs in terms of affordability and acceptability should be considered by financial intermediaries.
- More favourable macroeconomic and political conditions are expected to increase the financial inclusion of women. The lack of security and of the rule of law in situations of conflict and civil unrest impedes women's access to finance. Additionally, in times of war, the economic and social rights of women are frequently violated. Among other challenges, women's existing poverty is exacerbated in the context of ongoing security situations by the inaccessibility of social services provided by governments and the inability to secure income and ensure family needs are met. Drawing on Maslow's hierarchy of needs,<sup>80</sup> the most vivid needs of vulnerable women at the individual level are the basic ones. This partially explains why the vast majority of women in selected countries, are engaged in entrepreneurial activity driven by pure survival out of necessity rather than opportunity. According to Maslow, the safety needs are powerful needs whose satisfaction is crucial for effective performance and personal development. Safety needs include needs for order, regularity, protection against danger, law, structure and predictability. So, at the societal (collective) level, the most vivid demands are the institutional and

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80. Physiological, security, social and esteem needs: "psychological".

social infrastructure. Programmes and policies targeting marginalized women should then be tailored according to the vulnerability level and intended level of resilience of women to be reached by the programme whether in conflict-affected or post-conflict situations.

## 7.2. Recommendations

The study recommends the following in promoting women's financial inclusion in conflict and post-conflict settings. These may vary and depend on the intensity of the conflict and security situations.

**Policies and regulations/financial institutions:** In order to build up a sustainable model that promotes women's financial inclusion at different levels, a strong interplay between governmental bodies (monetary authority, capital market, ministry of finance, and legislator) and non-governmental actors (women's economic empowerment (WEE) and the financial sector intermediaries) is needed. While it is understandably more difficult to develop national programmes or action plans for women's financial inclusion in conflict situations as compared to post-conflict, focus on it should never waver and women's financial inclusion should form an integral part of the country's women's (economic) empowerment plans. Congruence in laws and regulations should form an integral part of this focus as it is not enough to change policy or law here and there without addressing the other hindering factors. Moreover, governmental bodies can promote women's financial inclusion through improving the efficiency of financial intermediaries, including women's financial inclusion as part of their monitoring markers, and providing the proper incentives for that purpose as earlier mentioned.

**Expanding scale and scope/financial intermediaries:** Improving the efficiency of banks' operations vis-à-vis reducing their transaction costs and improving their knowledge about SME businesses— particularly the informal ones – could facilitate the profitable expansion of their business and women's financial inclusion as well. As such, the financial intermediaries need to expand their markets by better exploring different clients' needs and wants especially those of women as business prospects, particularly the marginalized ones. An example of this is Palestine's National Bank Hayati savings account that is dedicated wholly to women. The account aims to encourage Palestinian women to save and become financially secure. Credit interest is not offered for the Hayati savings account. The National Bank encourages customers, including minors, either individually or collectively, to open a Hayati account. For each savings account opened, the National Bank donates USD 1 to the Dunya Women Cancer Centre. When feasible, during post-conflict, financial intermediaries can utilize technology and knowledge more efficiently to profitably reach more market segments. Equally important as improving the financial capabilities and awareness of women and the public as a whole about financial inclusion, is enhancing the capacity of financial institutions' frontline officers when providing information to the public.

**Rethinking traditional WEE strategies/donors and organizations:** Many WEE promoters (donors and civil society organizations) support women's access to assets and finance by project funding. But this conventional strategy has traditionally focused on the micro level, leaving context largely intact and unaffected. Disbursement of grants, in the absence of a more holistic approach, can distort the financial market, undermine its viability in recovery

and create undesired dependency at the beneficiary level. Therefore, actors in WEE should consider a more holistic approach through the women's economic empowerment lens and provide a proper cushion and supportive buffer/environment for women according to their vulnerability. That is to say, illiterate married women, with a number of young children, who also lack of any source of income, such as women IDP and refugees, should be treated and approached differently than women who are educated, urban descendants from wealthy families when it comes to economic empowerment. In the first case, social protection/security, cash transfers and cash-for-work approaches are more appropriate. They can consider other financial instruments and services such as credit guarantee for micro and small enterprises, technology leasing, project finance (comprised of a mix of equity and debt), private equity and social venture capital, and subsidized loans for women's businesses among other creative and sustainable funding instruments.

## Annexes

### Annex 1: Terms of reference

#### Consultant –women’s financial inclusion in conflict and post-conflict situations

UN Women, grounded in the vision of equality enshrined in the Charter of the United Nations, works for the elimination of discrimination against women and girls; the empowerment of women; and the achievement of equality between women and men as partners and beneficiaries of development, human rights, humanitarian action, and peace and security. Placing women’s rights at the centre of all its efforts, UN Women leads and coordinates United Nations system efforts to ensure that commitments on gender equality and gender mainstreaming translate into action throughout the world. It provides strong and coherent leadership in support of Member States’ priorities and efforts, building effective partnerships with civil society and other relevant actors.

The UN Women Regional Office for Arab States (ROAS) is currently implementing regional programmes to advance the economic empowerment of women in the Southern Mediterranean region and to assist them in repositioning themselves in the political and decision-making spaces in their respective countries. In addition to country-level interventions, the programmes work at the regional level through several initiatives including the establishment of a knowledge hub on women’s economic empowerment and political participation, which generates knowledge products, facilitates experiencesharing, and provides technical assistance to the region.

There is no single accepted definition or indicator for levels of financial inclusion. But we can agree that women’s financial inclusion occurs when women have effective access to a range of financial products and services that cater to their multiple business and household needs and that are responsive to the socioeconomic and cultural factors that cause financial exclusion in women and men to have different characteristics [1]. Financial inclusion benefits individuals and households, and well-functioning financial systems benefit whole countries. However, access to financial services is highly unequal, with poor people – and particularly poor women – frequently the least served by existing institutions and systems. Recently, the G-20 has acknowledged the important role that financial inclusion can play in development. Under the Korean presidency, at the Seoul Summit in November 2010, G-20 leaders formally recognized financial inclusion as one of nine key pillars of development and also committed to the launch of the Global Partnership for Financial Inclusion (GPFI). One area of the GPFI’s work has been to establish the Global SME Finance Initiative, which aims to provide at least £5 billion of additional finance to over 200,000 SMEs, with at least 25 per cent of loans reaching women-headed SMEs.

Financial inclusion can increase the empowerment of women in a number of ways. Firstly, having access to resources on their own account and to the tools that help them to earn a living can increase women’s bargaining power within households and their influence over how money and other resources are used. Secondly, financial inclusion can help increase women’s opportunities to earn an income or control assets outside the household. Thirdly, it can reduce women’s vulnerability by, for example, allowing them to insure against risk or

borrow to meet unexpected expenses, such as medical treatments. These are all key factors for economic empowerment and they can also help to empower women more broadly and particularly those in fragile situations.

Conflict negatively affects men and women in different ways, resulting in gender-specific disadvantages often not addressed in recovery and reconstruction programming. The gender dimensions of conflict range from gender-based violence such as rape and sexual exploitation, exclusion from reconstruction and peace processes, unequal market opportunities, discriminatory legal frameworks and limited access to financial services.

Women's financial inclusion is an underused source of growth that could be harnessed to achieve sustainable and inclusive development. Women are at a particular disadvantage in accessing financial services. They have less access to safe savings vehicles and are more likely to use informal, and therefore probably riskier and more expensive, mechanisms. [3] Globally, 58 percent of women have an account, and 65 percent of men do. The Arab countries are no exception. The region continues to have a particularly large gender gap in relative terms, with women half as likely as men to have an account. Only 14 per cent of the women in the region have access to their own account, impeding their ability to start their own businesses.

It is in this context that the following terms of reference have been developed to solicit sound understanding of women's financial inclusion in conflict and post-conflict situations; assess prospects and challenges to the achievement of women's financial inclusion; and document good practices and lessons learned to inform UN Women's future interventions in this area. Specifically, the proposed study seeks to answer the following key questions: "What are the opportunities available for women's financial inclusion in conflict and post-conflict contexts? How do the legal, regulatory and institutional frameworks affect women's financial inclusion in conflict and post-conflict contexts? What cultural norms are there that affect women's participation in the economy? How does gender constrain access to finance and other productive resources? How exactly would improved financial inclusion for women result in women being more empowered in this particular context? What can be done at different levels to make financial inclusion for women a vehicle for building resilience?"

The **specific objectives** of the assignment are:

- i. To examine the factors affecting women's financial inclusion in conflict and post-conflict situations;**
- ii. To assess existing institutional, policy and legal frameworks, and cultural norms that support/hinder the financial inclusion of women in conflict and post-conflict situations, and recommend key areas for strategic actions;**
- iii. To document the success stories and the financial inclusion approaches/types that are more suitable in conflict and post-conflict situations;**
- iv. To provide recommendations for building and consolidating the advancement of women's financial inclusion in conflict and post-conflict contexts.**

### **Scope of work**

The consultant will collect data, conduct the following analyses and assessments, and rec

ommend strategic actions in selected Arab countries in conflict or post-conflict situations.

### ***Governance, institutional and legal framework for financial inclusion***

- i. Provide an overview of national legislations enacted to promote women's economic opportunities and financial inclusion in the selected countries;
- ii. Review laws, institutional frameworks, norms, and other societal practices in relation to women's economic empowerment and access to finance;
- iii. Examine the institutional and informal mechanisms for promoting women's financial inclusion;
- iv. Examine how the current banking system could hinder women's inclusion, especially in rural areas, what type of system can promote women's financial inclusion, and what types of reforms must be carried out;
- v. Recommend actions to accelerate the promotion of financial inclusion of women within; Social norms, cultural practices and women's financial inclusion
- vi. Examine widelyheld social norms and cultural practices that impact (positively or negatively) on women's access to financial resources;
- vii. Assess how the experience of conflict has impacted on gender disparities and the vulnerability of women and girls;
- viii. Examine the gender roles and responsibilities and traditional norms and expectations that position women and men differently with regards to their access to and control over resources and assets;

### ***Women's economic opportunities***

- ix. Examine women's participation in economic activities and identify constraints;
- x. Assess the level of women's entrepreneurship development, outlining key sectors or activities where women are engaged;
- xi. Assess women's access to productive resources (credit) from both formal and informal sectors, and outline best practices, challenges and opportunities for improvement;
- xii. Assess the status of women's property rights and land rights in post-conflict contexts and how it affects their access to finance and economic opportunities;
- xiii. Document the different approaches/types of financial inclusion programmes that are more suitable for women in conflict and post-conflict situations.

### **Methodology**

The study will involve field work and desk review. The consultant is expected to use both primary and secondary data to inform his/her analysis. S/he shall conduct a review of existing documentation in selected Arab States countries in conflict or post-conflict situations (i.e. **Iraq, Lebanon, Libya, Palestine, Tunisia, Syria and Yemen**), examining policy and strategic documents, reports and related reviews/assessments conducted by government agencies, donors, and academic and civil society groups. The consultant shall also visit some projects to document good practices and lessons learned.

### **Duties and responsibilities**

**The consultant will have the following duties and responsibilities. The consultant will:**

- Collect data, and conduct the following analyses and assessments.
- Conduct field visits in two out of the seven selected countries for not more than 15 days.
- Draft report on findings, including recommendations on strategic actions in selected Arab countries in conflict or post-conflict situations.
- Prepare and submit final report and summary of not more than 20 pages of the study.

**Expected places of travel:** Field visit in two of the seven countries.

## **Deliverables**

### **Timelines**

Proposed methodology and detailed work plan with associated milestones:

*One week after signature of the contract.*

Draft detailed study report containing analysis of the existing situation, challenges, opportunities, selective case studies, recommended actions, relevant stakeholders and roles identified:

*6 weeks after approval of proposed methodology and detailed work plan.*

Final detailed study report integrating UN Women comments and feedback:

*One week after approval of draft detailed study report.*

Summary of not more than 20 pages of the study.

### **Monitoring and reporting requirements**

The progress of the work will be delineated and supervised by the Women's Economic Empowerment Adviser and the Programme Manager.

## Annex 2: List of informants

Name	Position	Organization	Country
Bassam All Khateem	Deputy Minister	Ministry of Women	Palestine
Reem Aboushi	Managing Director	Asala for Credit & Development	Palestine
Nahed Freij	Board Member	Palestinian Businesswomen's Association (ASALA)	Palestine
Jihad Jarayseh	Gender Unit Manager	Ministry of National Economy	Palestine
Ali Faroun	Director of Market Conduct	Palestinian Monetary Authority	Palestine
Firas Najab	Deputy Regional Manager	Cairo Amman Bank	Palestine
Sami Suhwail	Director	Ministry of Women	Palestine
Mannar Sharaqa	Beneficiary of Financial Services	Start-up	Palestine
Buthaina Najji	Beneficiary of Financial Services	Start-up	Palestine
Reham Abbassy	Beneficiary of Financial Services	Start-up	Palestine
Hasnah Hassan	Beneficiary of Financial Services	Start-up	Palestine
Safia Rumaneh	Beneficiary of Financial Services	Start-up	Palestine
Anwar Shafeir	Beneficiary of Financial Services	Start-up	Palestine
Ilham Faqeeh	Beneficiary of Financial Services	Start-up	Palestine
Maleha Nassar	Beneficiary of Financial Services	Start-up	Palestine
Falestine Thalji	Beneficiary of Financial Services	Start-up	Palestine
Ibtesam Hamid	Beneficiary of Financial Services	Start-up	Palestine
Intesar Mabrouk	Non-beneficiary of Financial Services	Community Member	Palestine
Rehab Foqah	Non-beneficiary of Financial Services	Community Member	Palestine
Mais Faqeeh	Non-beneficiary of Financial Services	Community Member	Palestine
Nida Shafee	Non-beneficiary of Financial Services	Community Member	Palestine
Areefa Asmar	Non-beneficiary of Financial Services	Community Member	Palestine
Coralie Zaccar	Head of Microinsurance Department	Commercial Insurance Co.	Lebanon
Alia Farhat	Non-financial Services Manager	The Lebanese Association For Development "Al Majmoua"	Lebanon
Najib Choucair	Executive Director – Banking Department	Banque Du Liban	Lebanon
Emilia Abilmona	Programme Coordinator	CRTD.A	Lebanon
Lamia Moubayed Bissat	Director of Institute Basile Fulleihan	Ministry of Finance	Lebanon
Chantal Bou Akl	Projects Coordinator	National Commission for Lebanese Woman	Lebanon



Name	Position	Organization	Country
Nahoun Shabow	Non-beneficiary of Financial Services	Community Member	Lebanon
Reita Barraaj	Non-beneficiary of Financial Services	Community Member	Lebanon
Feda Barraaj	Non-beneficiary of Financial Services	Community Member	Lebanon
Noura Hazoani	Non-beneficiary of Financial Services	Community Member	Lebanon
Zaina Baradee	Non-beneficiary of Financial Services	Community Member	Lebanon
Layal Haj	Non-beneficiary of Financial Services	Community Member	Lebanon
Rasheida Khateeb	Non-beneficiary of Financial Services	Community Member	Lebanon
Suhaila Abu Khana	Non-beneficiary of Financial Services	Community Member	Lebanon
Sulaima Zairt	Non-beneficiary of Financial Services	Community Member	Lebanon
Amana Nour Elden	Non-beneficiary of Financial Services	Community Member	Lebanon
Zainab Seifan	Beneficiary of Financial Services	Community Member	Lebanon
Amal Haswani	Beneficiary of Financial Services	Community Member	Lebanon
Nouha Shami	Beneficiary of Financial Services	Community Member	Lebanon
Rouqia Maki	Beneficiary of Financial Services	Community Member	Lebanon
Najat Khaleel	Beneficiary of Financial Services	Community Member	Lebanon
Karema Badran	Beneficiary of Financial Services	Community Member	Lebanon
Alia Ghanoum	Beneficiary of Financial Services	Community Member	Lebanon
Haifa Hamoud	Beneficiary of Financial Services	Community Member	Lebanon
Yousra Hout	Beneficiary of Financial Services	Community Member	Lebanon

### Annex 3: Selected sex-disaggregated indicators on women's financial inclusion by country

Table 3: Selected sex-disaggregated indicators of financial inclusion by country	Iraq		Lebanon		Palestine		Syria		Tunisia		Yemen	
	M	F	M	F	M	F	M	F	M	F	M	F
Borrowed any money in the past year (per cent, age 15+)	72.85	66.06	37.45	32.44	41.42	36.41	..	..	38.35	29.81	66.23	65.68
Borrowed from family or friends (per cent, age 15+)	47.54	48.75	12.13	13.54	28.35	23.09	21.69	18.41	17.86	14.41	48.39	54.85
Borrowed from a store by buying on credit (per cent, age 15+)	34.72	32.05	11.96	17.62	26.08	24.02	25.04	29.27	11.92	10.52	44.19	29.14
Borrowed from a private informal lender (per cent, age 15+)	23.31	16.33	4.80	4.06	9.95	7.01	16.63	17.15	3.54	3.06	16.36	13.68
Borrowed from a financial institution (per cent, age 15+)	6.11	2.31	20.77	10.86	5.71	2.76	14.71	11.50	9.85	6.16	0.42	0.42
Borrowed for health or medical purposes (per cent, age 15+)	27.57	26.05	5.34	6.46	7.92	10.17	..	..	8.42	7.97	25.57	33.02
Borrowed to start, operate or expand a farm or business (per cent, age 15+)	16.52	3.35	7.99	4.10	3.23	1.50	..	..	5.92	3.30	3.70	4.11
Used an account at a financial institution for business purposes (per cent, age 15+)	3.65	0.62	19.59	3.71	8.28	1.29	13.68	5.76	..	..	1.45	0.58
Used an account at a financial institution to receive wages (per cent, age 15+)	4.85	1.68	28.23	6.74	12.65	1.45	5.06	0.29	..	..	1.13	0.63
Used an account at a financial institution to receive remittances (per cent, age 15+)	1.92	1.26	4.77	6.85	3.11	1.88	1.13	1.56	..	..	1.44	0.16
Used an account at a financial institution to receive government transfers (per cent, age 15+)	4.78	3.90	3.38	0.61	9.81	2.99	0.42	0	..	..	3.26	0.21
Used an account at a financial institution to pay utility bills (per cent, age 15+)	0.72	0.06	0.59	0.69	0.48	0.16	..	..	2.08	2.16	..	..
Used an account at a financial institution to send remittances (per cent, age 15+)	1.69	0.36	3.77	0.93	2.14	0.65	1.98	0	..	..	1.79	0.16
Received wages in the past year (per cent, age 15+)	10.01	2.48	40.01	25.21	29.86	5.45	..	..	20.23	5.76	16.47	1.44

Table 3: Selected sex-disaggregated indicators of financial inclusion by country	Iraq		Lebanon		Palestine		Syria		Tunisia		Yemen	
Received payments for agricultural products in the past year (per cent, age 15+)	10.31	3.92	7.72	6.53	6.25	1.75	..	..	10.29	7.24	25.52	16.65
Personally paid for health insurance (per cent, age 15+)	0.311	0.082	10.71	5.41	3.98	6.22	8.31	10.77	..	..	0.06	0.00
Used the Internet to pay bills or buy things (per cent, age 15+)	6.93	3.05	5.16	3.80	1.88	1.31	..	..	4.53	4.29	0.63	0.70
Used electronic payments to make payments (per cent, age 15+)	1.38	0.64	2.54	1.45	2.90	0.49	3.46	2.80	..	..	0.71	0.53
Used cheques to make payments (per cent, age 15+)	6.33	2.44	11.67	1.79	12.73	0.90	9.96	6.94	..	..	1.49	0.11
Sent domestic remittances in the past year (per cent, age 15+)	27.75	13.79	17.83	10.88	4.76	4.43	..	..	10.04	5.65	11.95	4.43
Saved any money in the past year (per cent, age 15+)	53.01	44.30	51.41	43.29	20.52	25.30	47.19	49.40	39.27	36.77	15.65	25.46
Saved using a savings club or a person outside the family (per cent, age 15+)	21.20	12.72	3.79	3.40	5.55	8.82	1.32	0.08	1.37	1.25	3.09	5.85
Saved at a financial institution (per cent, age 15+)	5.23	1.85	23.47	12.05	5.22	4.97	5.37	4.75	12.09	8.56	1.66	0.09
Saved to start, operate or expand a farm or business (per cent, age 15+)	19.19	6.84	12.55	4.64	4.09	2.36	..	..	8.55	4.47	3.78	3.44
Saved for old age (per cent, age 15+)	19.78	12.46	7.14	5.83	3.06	4.58	..	..	9.76	7.25	1.38	1.36
Saved for future expenses (per cent, age 15+)	26.58	13.01	27.35	12.59	13.34	8.36	47.19	49.40	..	..	9.81	6.58
Saved for emergencies (per cent, age 15+)	28.85	15.50	31.97	18.71	15.26	11.56	47.19	49.40	..	..	12.30	7.59
Saved for education or school fees (per cent, age 15+)	21.87	12.40	10.85	9.28	9.11	5.69	..	..	6.44	8.00	2.43	4.99
Outstanding mortgage (per cent, age 15+)	8.59	3.86	24.42	12.26	5.71	3.62	..	..	12.62	8.76	1.11	0.20
Outstanding loan for health or emergencies (per cent, age 15+)	27.70	25.58	6.43	9.18	17.98	22.34	2.87	2.18	..	..	37.99	27.13
Outstanding loan for funerals or weddings (per cent, age 15+)	15.07	10.09	0.94	1.63	12.60	9.97	8.19	7.46	..	..	6.16	4.14
Loan in the past year (per cent, age 15+)	57.55	51.67	28.03	26.35	55.89	51.57	64.68	60.09	..	..	68.28	46.54

Source: The Little Data Book on Financial Inclusion 2015

## Annex 4: Summary of women, business and the law indicators

Summary of Women, Business & Law 2016						
Indicator	Iraq	Lebanon	Palestine	Syria	Tunisia	Yemen
<b>ACCESSING INSTITUTIONS</b>						
Constitutional rights						
1. Is customary law recognized / invalid if it violates provisions on non-discrimination or equality?	No, N/A	No, N/A	No, N/A	No, N/A	No, N/A	No, N/A
2. Is personal law recognized / invalid if it violates provisions on nondiscrimination or equality?	Yes, Yes	Yes, No	Yes, Yes	Yes, No	No, N/A	Yes, No
Rights of married and unmarried women						
16. Can a woman sign a contract in the same way as a man?	Yes, Yes	Yes, Yes	Yes, Yes	Yes, Yes	Yes, Yes	Yes, Yes
17. Can a woman register a business in the same way as a man?	Yes, Yes	Yes, Yes	Yes, Yes	Yes, Yes	Yes, Yes	Yes, Yes
18. Can a woman open a bank account in the same way as a man?	Yes, Yes	Yes, Yes	Yes, Yes	Yes, Yes	Yes, Yes	Yes, Yes
21. Can a woman be "head of household" in the same way as a man?	No, Yes	N/A, N/A	N/A, N/A	Yes, Yes	No, Yes	No, Yes
Division of responsibility within marriage						
22. Do spouses have equal rights to convey citizenship?	No	No	No	No	No	No
23. Are wives required to obey their husbands?	Yes	No	Yes	No	No	Yes
24. Must spouses jointly financially maintain the family?	No	Yes	No	No	Yes	No
<b>USING PROPERTY</b>						
Marital property regime						
25. What is the default marital property regime?	Separation of property	Other	Separation of property	Separation of property	Separation of property	Separation of property
26. Who administers marital property?	Original owner	Both must agree	Original owner	Original owner	Original owner	Original owner
Protecting a wife's interests						
27. If the husband administers property, is spousal consent required for major transactions?	N/A	N/A	N/A	N/A	N/A	N/A
Property rights Married/ Unmarried						
30. Do men and women have equal ownership rights to property?	Yes, Yes	Yes, Yes	Yes, Yes	Yes, Yes	Yes, Yes	Yes, Yes
Inheritance rights						
31. Do sons and daughters have equal inheritance rights?	No	No	No	No	No	No
32. Do female and male surviving spouses have equal inheritance rights?	No	No	No	No	No	No
<b>GOING TO COURT</b>						
Equality of access						
33. Are customary law courts recognized?	No	No	No	No	No	No

### Summary of Women, Business & Law 2016

Indicator	Iraq	Lebanon	Palestine	Syria	Tunisia	Yemen
34. Are personal law courts recognized?	Yes	Yes	Yes	Yes	No	Yes
35. Is a woman's testimony afforded equal weight to that of a man?	Yes	Yes	No	No	Yes	No
PROVIDING INCENTIVES TO WORK	Yes, Yes	Yes, Yes	Yes, Yes	Yes, Yes	Yes, Yes	Yes, Yes
Personal income tax	Yes, Yes	Yes, Yes	Yes, Yes	Yes, Yes	Yes, Yes	Yes, Yes
41. Are childcare payments tax deductible?	No	No	No	No	No	No
42. Are there tax deductions or credits specific to men/women?	Yes/ No	No/ No	No/ No	No/ No	Yes/ No	No/ No
BUILDING CREDIT						
Credit agencies	No	No	No	No	No	No
47. Minimum loan amount covered by credit agencies (per centGNI/capita)?	NA	0 per cent	0 per cent	0 per cent	100 per cent	NA
48. Do the following provide information to credit agencies: Retailers/ Utilities/ Microfinance institutions	NA/ NA/ NA	No/ No/ Yes	Yes/ Yes/ Yes	No/ No/ Yes	No/ No/ No	N/A, N/A, N/A
Discrimination						
49. Is discrimination in access to credit prohibited based on: Marital/ Status Gender	No, No	No, No	No, No	No, No	No, No	No, No
GETTING A JOB	Separation of property	Other	Separation of property	Separation of property	Separation of property	Separation of property
Parental benefits	Maternity/ Paternity/ Parental	Both must agree	Original owner	Original owner	Original owner	Original owner
50. Does the law mandate the following types of leave:	Yes/ No/ No	Yes/ No/ No	Yes/ No/ No	Yes/ No/ No	Yes/ Yes/ No	Yes/ No/ No
51. How much of such leave is paid (days)?	72, N/A, N/A	70, N/A, N/A	70, N/A, N/A	120, N/A, N/A	30,1, N/A	70, N/A, N/A
52. Who pays for such leave?		Emp., N/A, N/A	Emp., N/A, N/A	Emp., N/A, N/A	Gov., Gov., N/A	Emp., N/A, N/A
53. What percent of wages are paid?	100 per cent, N/A, N/A	100 per cent, N/A, N/A	100 per cent, N/A, N/A	100 per cent, N/A, N/A	67 per cent, 100 per cent, N/A	100 per cent, N/A, N/A
54. How much of such leave is unpaid (days)?	0, N/A, N/A	0, N/A, N/A	0, N/A, N/A	30, N/A, N/A	0, 0, N/A	0, N/A, N/A
55. In unpaid parental leave is there a portion that must be taken by the: Mother Father	N/A, N/A	N/A, N/A	N/A, N/A	N/A, N/A	N/A, N/A	N/A, N/A
56. In paid parental leave is there a portion that must be taken by the: Mother Father	N/A, N/A	N/A, N/A	N/A, N/A	N/A, N/A	N/A, N/A	N/A, N/A
Workplace protections						
57. Does the law mandate equal remuneration for work of equal value?	No	No	No	No	No	No
58. Does the law mandate nondiscrimination based on gender in hiring?	No	No	No	No	No	No

## Summary of Women, Business & Law 2016

Indicator	Iraq	Lebanon	Palestine	Syria	Tunisia	Yemen
59. Is it prohibited for prospective employers to ask about family status?	No	No	No	No	No	No
60. Is dismissal of pregnant workers prohibited?	No	Yes	Yes	No	Yes	No
61. Are mothers guaranteed an equivalent position after maternity leave?	No	No	No	No	No	No
62. Are nursing mothers entitled to nursing breaks?	Yes	No	Yes	Yes	Yes	Yes
63. Are parents entitled to flexible/part-time schedules?	No	No	No	No	No	No
<b>Retirement &amp; pensions</b>						
64. When can one retire and get full benefits? Women Men	50, 55	64, 64	N/A, N/A	60, 60	60, 60	55, 60
65. When can one retire and get partial benefits? Women Men	50, 56	60, 60	N/A, N/A	60, 60	60, 60	46, 50
66. What is the mandatory retirement age?	N/A, N/A	64, 64	N/A, N/A	65, 65	NA, NA	60, 60
<b>Working hours and industry restrictions</b>						
67. Can women and men work the same night hours?	No	Yes	No	No	No	No
68. Can women and men do the same jobs?	No	No	No	No	No	No
69. Can women work in these types of jobs in the same way as men:	No, Yes, No	Yes, Yes, Yes	Yes, Yes, Yes	No, No, No	Yes, Yes, Yes	No, No, No
Hazardous/Morally inappropriate/Arduous	No, Yes, No	Yes, Yes, Yes	Yes, Yes, Yes	No, No, No	Yes, Yes, Yes	No, No, No
70. Can women work in these occupations in the same way as men: Mining, Factories, Construction, Other	Yes, Yes, Yes, Yes	No, Yes, Yes, No	Yes, Yes, No	No, No, No, No	No, Yes, Yes, Yes	Yes, Yes, Yes, Yes
71. Can women work on these tasks in the same way as men: Metalwork, Heavy lifting, Other	Yes, No, Yes	No, Yes, No	No, Yes, No	No, No, No	No, Yes, Yes	Yes, Yes, Yes
<b>PROTECTING WOMEN FROM VIOLENCE</b>						
<b>Sexual harassment</b>						
86. Is there legislation on sexual harassment in public places?	No	No	No	No	No	No
<b>Child and early marriage</b>						
87. What is the legal age of marriage for: Boys/Girls	18/ 18	..	16/ 15	18/ 17	18/ 18	15/ 15
88. Are there exceptions?	Yes	..	No	Yes	Yes	No
89. Is child marriage void or prohibited?	Yes	..	Yes	Yes	Yes	Yes
90. Is child marriage penalized?	No	..	No	No	No	No

Source: Women, Business and the Law 2016: Getting to Equal. Washington, DC: World Bank. doi:10.1596/978-1-4648-0677-3. License: Creative Commons Attribution CC BY 3.0 IGO

## Annex 5: Financial sectors in the selected countries

Overall, the financial sector in **Iraq** is underdeveloped, and is playing a limited role in financial intermediation. The banking system is still by far the most important part of the Iraqi financial system, accounting for more than 75 percent of the assets and dominated by state ownership. Seven state banks dominate the banking system (in particular, Rafidain Bank, Trade Bank of Iraq (TBI), and Rasheed Bank). Private banks are generally quite small and many have been established relatively recently. The banking system is small, with an adjusted asset to GDP ratio of 73 percent compared to 130 percent for the MENA region. Though growing rapidly, bank credit remains low in Iraq. In 2010, credits to the economy only amounted to 10 percent of GDP compared to 55 percent for the MENA region. As a corollary, banks are very liquid; foreign assets and deposits at the Central Bank of Iraq (CBI) amount to 63 percent of assets. Non-bank financial institutions and markets are small and underdeveloped but have the potential to provide access to sources of finance. Women's access to finance is impeded by weak financial infrastructure, which needs to be strengthened over time in all areas, including credit registry, the collateral framework, judicial systems, and accounting and auditing skills. A USAID project team has estimated that less than 5 percent of SMEs in the formal sector have ever received a bank loan.<sup>81</sup>

The **Lebanese banking industry** is financially sound and stable. It plays a key role in the Lebanese economy, where banks continue to dominate the financial system of the country and are major providers of credit to individuals and businesses. Banks and other financial institutions in Lebanon fall under the jurisdiction of the Bank of Lebanon (BDL), the country's central bank, which is the bank regulatory authority. The Banking Control Commission (BCC), established in 1967, is the bank supervisory authority. It is responsible for supervising banking activities and ensuring compliance with the various financial and banking rules and regulations. Overall, banking activities are also subject to both the Code of Commerce (1942) and the Code of Money and Credit (1963).<sup>82</sup>Banks dominate financial intermediation in Lebanon. Total assets of the banking sector are equivalent to approximately 350 per cent of GDP. Wealth is heavily invested in bank deposits which were historically used by banks to finance government borrowing. Lebanon has a highly dollarized banking sector (64 per cent dollarization rate); savings are not mobilized into private investments due to the high return offered by banks (particularly in dollar terms). The predominant banking sector model involves relationship banking and collateralized credit, which impedes the growth of SMEs and new business ventures. Approximately only onesixth of bank credits are channelled to SMEs. In addition, long-term projects do not have viable funding alternatives given the short-term bank funding and limited institutional saving. Life insurance products are mainly invested in FC denominated government securities, while the assets of the pay-as-you-go (PAYG) "pension fund" are by law invested in LBP government securities. The PAYG fund pools salary-based premia into an end-of-work life indemnity.

Lebanon's very large banking system has inhibited the emergence of capital markets. The country's licensing regime grants banks ipso facto authorization to engage in the full range of capital market activities. The authorities have embarked on developing new capital market channels for intermediating saving and investment to complement and compete with banking. The aim is to enrich financing choices, particularly long-term risk capital, to support private sector initiatives and jobs that come with sustainably higher growth. Law 161, enacted in 2011, created

81. World Bank, "Republic of Iraq financial sector review: Middle East and North African region", a study led by Sahar Nasr.

82. Association of Banks in Lebanon. <http://www.abl.org.lb/subPage.aspx?pageid=360>.

the Capital Markets Authority (CMA) which is soon to launch operations. This law provides the CMA with broad authority and a sound foundation on which to build an effective regulator. The CMA still needs to identify a stable and sufficient source of funding for its operations. It must also expeditiously hire and train a workforce that is adequate in both size and skills to enable the CMA to perform its regulatory duties. Size and skills have obvious implications for its budget. The CMA must quickly develop sound and comprehensive internal operating policies and procedures to achieve an appropriate level of governance, coordination with other regulatory bodies both domestically and internationally, internal controls, and appropriate accountability to a higher state authority. Law 161 needs to be amended to ensure that CMA Board members and employees have protection from personal liability in the performance of official duties. Finally, the CMA must be granted authority under the Bank Secrecy Act to obtain financial records to investigate suspected violations, especially where timely regulatory intervention is crucial, including market manipulation, insider dealing and other serious types of misconduct.

The insurance sector in Lebanon is material compared to other markets in the region but small by international standards. Insurers generally have sufficient expertise to operate current business models but weaknesses should be addressed in risk identification and management. Despite severe legal limitations, the Insurance Control Commission (ICC) has grown in stature and respect, and has taken full advantage of areas where improvements can be made through regulation. The sector's further development hinges on passing the new draft law pending in Parliament.<sup>83</sup> Despite the fact that the banking system in Lebanon is the most developed (i.e. account penetration rate in Lebanon compared with other studied countries), women were not deliberately targeted in any financial program; as indicated in Table 2, the underdeveloped insurance sector denies women a number of needed financial products, which is reflected in the higher gap between men and women in terms of financial access when compared with other studied countries, and higher reliance on informal credit and saving modes as indicated in Table 2.

On 6 January 2013, the GNC<sup>84</sup> of **Libya** passed a law banning interest in financial transactions. The law was gazetted on 21 March 2013, and banks are no longer allowed to pay interest to or receive interest from individuals. Companies and state entities will be prohibited from receiving and paying interest from the beginning of 2015. The prohibition of interest-based transactions, without the foundations of Islamic finance in place, will stop private banks from lending, thereby constraining private sector efforts to invest and create employment. Meanwhile, although the banking sector appears well capitalized, it may be vulnerable to asset quality deterioration.<sup>85</sup> The Central Bank of Libya is the monetary authority and has the official status of an independent and autonomous body. The bank has branches in Benghazi, Sabha and Sirte where it delivers cash, which in turn is distributed to the wider commercial banking network. The government appoints the governor. The bank has broad control over the banking sector with an ownership stake in a large number of the state-owned banks, which make up to 85 per cent of Libya's banking assets. That the Central Bank owns or has ownership stakes in a number of state-owned banks is not appropriate and does not reassure the private sector that their interests will be fairly represented. The Central Bank oversees Libya's financial system, which is composed of a network of 15 commercial banks, the majority of

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83. World Bank, Lebanon Financial Sector Assessment. Financial and Private Sector Development Vice Presidency, MENA Regional Vice Presidency. (2013).

84. The General National Congress (GNC), Libya's interim legislature, was elected in July 2012 and given an 18-month mandate to ensure that a constitution was drafted and to guide the country towards general elections. However, the GNC's term expires in February 2014 and protracted political tensions and militia violence have delayed efforts to organize elections for a constitutional assembly, meaning that a new constitution is not in place in the meantime.

85. IMF, Libya – Staff Report for the 2013 Article IV Consultation. (Washington, DC., May 2013).



which are state-owned or partially state-owned; four specialized credit institutions; five insurance companies; and a recently established stock market. There are five privately owned banks in Libya and they possess approximately 15 per cent of the banking assets. However, the Central Bank lacks the tools to influence monetary policy. Instead, efforts are focused on non-core activities such as banking supervision and provision of information technology services to state-owned banks. The extent and diversity of financial services provided are limited. Worse, these state-owned banks, though heavily capitalized, are not lending. Yet the issue for Libya is not one of limited funds or a lack of incentives. Data collected by the IMF reveals that assets held at Libya's commercial banks grew from 14.5 billion Libyan Dinar (LYD) (USD 11.6) to 65.4 billion LYD (USD 52.5) between 2003 and 2010—an increase in excess of 350 per cent—and only 13.5 per cent of bank assets were loans to the private sector. Considering the overall banking environment in Libya, investment advisory firm Arqaam Capital notes that, among other things, “Banks have extremely robust liquidity positions”. Banks have been unwilling to lend due to high NPLs (non-performing loans) in their existing loan books (on average 20 per cent). Insecurity alone does not explain why Libyan banks are not lending. Far more important are the government's (and society's) suspicion of the private sector, which has resulted in the absence of a land registry system and a credit bureau. The prejudice against the private sector is a relic of the Gaddafi era: at the moment, 85 per cent of the Libyan working population are public sector employees. In the 1970s, Gaddafi imposed a redistribution of property,<sup>86</sup> which was intended to ensure that each Libyan household had sufficient access to residential and agricultural property for their own subsistence needs. Until the question surrounding property rights is resolved, the banks will not allow property as collateral when ownership of a property is under dispute. The ambiguity over property rights stops banks that have surplus liquidity from lending to the public at large and to small and medium-sized enterprises (SMEs) in particular. In addition to the lack of legal clarification around property rights, the lack of a credit bureau restricts banks from having the data to make risk management decisions on potential borrowers.

The Libyan banking sector suffers from structural imbalances. Libyan banks have a very low loan-to-deposit ratio of approximately 23.4 per cent (as of March 2013) compared to an average of 80 per cent for the region. This ratio may make banks look healthy when they are highly leveraged with deposits at nearly 20 times the equity (compared to 10 times regionally and globally). The only monetary policy tool that the Central Bank is currently exercising is the rate on time deposits held with Central Bank. While the one per cent rate is low and ought to be an incentive to profit-seeking banks to loan—rather than keep—cash with the Central Bank, the highly leveraged position of these banks means banks can deposit up to twenty times their equity<sup>87</sup> with the Central Bank. With such limited functionality of the financial system, the 2013 IFES survey indicates that 59 per cent of women do not personally have financial savings versus 34 per cent who do, although women who work have proportionally more access to (or own) financial savings than those who do not (46 per cent versus 24 per cent respectively). Employment also increases women's perceived ability to obtain bank loans and credit; while only 25 per cent of women who do not work for pay said they would be comfortable obtaining a bank loan or credit, 45 per cent of women who work for pay said the same. In 2007, the Rural Bank granted 19,558 loans, of which 4,502 went to women.<sup>88</sup>

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86. Relatively few women actually own land (12 per cent). The government regularly confiscated private land, some of which was redistributed to the landless or political favourites. Private property ownership was abolished in 1986, leaving Libyans with transferable user rights only to land and inheritance rules are largely unfavourable towards women according to the Family Code. Social tensions over property legislation remain high during the current transitional government and the drafting of Libya's new constitution.

87. Dempsey M., “Libya in transition: reforming the financial sector to spur economic growth”, (Legatum Institute, 2014).

88. [http://www.genderindex.org/country/libya#\\_ftnref69](http://www.genderindex.org/country/libya#_ftnref69).

The formal financial sector in **Palestine** emerged after 1993-1994 with the signing of the Oslo Accord in 1993 and the Paris Protocol in 1994. The latter provided Palestinians the authority to administer monetary and financial affairs in order to support the expected economic growth. Those expectations were never fully realized because of ongoing restrictions on mobility of persons and goods and on access to natural and financial resources imposed by Israel. The Palestinian Authority (PA) has established two main institutions to regulate and supervise the financial sector: the Palestinian Monetary Authority (PMA) for the banking sector (as well as payments system, microfinance institutions and money changers), and the Capital Market Authority for the non-banking sector (securities market, financial leasing, mortgage finance companies, pension funds, and insurance companies). The development of those subsectors, as well as the regulatory bodies, is uneven and the PA's monetary powers and sovereignty remains limited since it has no national currency, which therefore narrows the scope for influencing monetary and economic conditions.

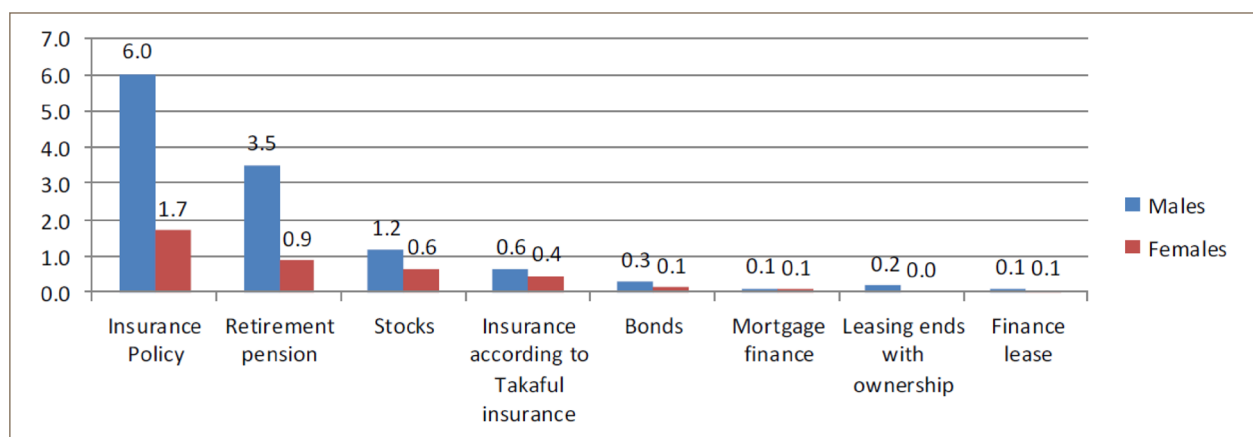
As in most developing countries, the banking sector dominates the financial sector in Palestine. Banks are generally in sound financial condition and products are well developed as is the regulatory infrastructure. However, the sector remains vulnerable due to its dependence on the Jordanian banking system and, from an operational point of view, on the Israeli one. Due, to a large extent, to the current political instability and to the depressed economic activity, banks play a very limited role in the financing of the Palestine economy. The cautiousness of the banks reflects various structural problems such as the lack of suitable collateral and the uncertainty of the outcome in debt collection. Important steps have been taken by the PMA to develop the banking system and improve its stability (credit bureau, payments system, capital requirements and regulations on secured credit). Additionally, two bank loan guarantee programmes to largely substitute for the lack of acceptable collateral for small and medium-sized enterprises (SMEs) were successfully launched. Despite the current economic situation, those programmes should continue to expand. The payments system has a number of weaknesses and vulnerabilities which are magnified by the multi-currency status of Palestine as well as the movement and access restrictions resulting from the closure regime. While some banks have electronic payment instruments for their customers, Palestine remains mainly a paper-based financial transaction economy with cash being the dominant payment medium for the general public.

With regard to non-banking sectors, insurance and microfinance are fairly developed while financial leasing and housing finance have emerged only recently. Private pension funds have yet to be established and the regulation and supervision of this sector recently began. With 2.5 percent of the financial sector's assets, insurance companies do not play the same role as those in other countries as important institutional investors. The contribution of insurance premia to GDP was only 1.6 percent in 2006 while the spending on insurance per capita was about USD 18 compared to the average of 2.7 percent and USD 60 in developing countries. This situation mainly reflects depressed economic activity, transit restrictions and limited public awareness of insurance products.

The capital market consists of underwriting of share issues and trading of shares on the Palestinian Stock Exchange (PSE). The activity is regulated by the CMA and the PSE, according to an allocation of responsibilities which should be clarified. Given the predominance of SMEs and family-owned enterprises in the Palestinian economy, there are only 42 listed companies thus far and the potential for new applicants appears limited. The PSE is thinly traded and the index

is relatively high and very volatile, which could potentially amplify economic shocks. This situation reflects the fact that rumours rather than economic fundamentals move prices and also that numerous individual investors with limited financial knowledge buy shares directly on the stock exchange.<sup>89</sup> To that effect, the offering in terms of financial products is limited hence limiting women's financial inclusion vis-à-vis the availability of financial services. Moreover, the gender gap extends to the existing services particularly the non-banking ones as illustrated in Figure 2:

**Figure 2:** Usage of non-banking products in Palestine by gender (PMA 2015)



As in many developing countries, **Syria's** financial sector was not channelling enough of the country's transactions, savings, and investments, thus keeping its role relatively small and overall penetration of the bankable population quite low. The share of currency in circulation as a component of the money supply gradually decreased to reach 26.5 percent in 2010, although the current situation has probably caused this figure to go back up, because cash is the preferred transactional medium in times of war. Financial awareness among the general population remains very low, and not enough has been done by the various stakeholders to educate the population about the benefits of institutions like banks and insurers or the use of their products and services, which has been very limited; not coincidentally. Following more than forty years of the monopoly of the public sector by six state-owned banks, the first private sector bank began activities in early 2004. By the advent of the crisis in 2011, there were fourteen operational private banks, including three Islamic banks. The sector as a whole was experiencing solid growth and was on its way to becoming a key contributor to Syria's GDP. For the 2006-2010 period, assets at all Syrian banks grew at a compounded annual growth rate of 10.9 percent to reach 2.14 trillion Syrian pounds (USD 45.5 billion at the time), while customer deposits and loans grew at 16.3 percent and 25.9 percent to reach SYP1.07 trillion (USD 22.7 billion) and SYP638 billion (USD 13.7 billion), respectively. Private banks were naturally growing at a much faster pace than their more established public counterparts, and their share of total sector assets increased from 13.0 percent at the end of 2006 to 30.4 percent at the end of 2010. The Commercial Bank of Syria, a state-owned entity and the largest bank in the country, had close to 37 percent of the total assets in the banking sector and 52 percent of all assets at the six public banks. Despite the Central Bank of Syria's move to raise interest rates, banks faced small runs in the early days of the crisis for many reasons (for example, fear of the devaluation of the currency, desire to transfer funds abroad, fear and ignorance about the health of the banking sector, and a need to dip into savings for those with limited or no income), which put high pressure on the banks' liquidity levels. Borrower defaults gradually

89. World Bank, West Bank and Gaza Financial Sector Review: Finance and Private Sector Group; Social and Economic Development Department; Middle East and North Africa Region. (2008).

rose as the conflict escalated and caused massive write-offs by the banks, severely impacting their bottom lines. Banks attempted to overcome delinquencies by working with borrowers to restructure loans and, in the more extreme cases, they were forced into an inefficient judicial process to recover their loans by going after the collateral, which in some cases was found to be damaged or overvalued. Many retail loans were unsecured or too small to pursue in court. New lending opportunities with acceptable risk levels were becoming scarcer by the day, and as lending rates reached the mid-teens, the few remaining good prospects were reluctant to borrow, which increased the pressure on bank revenues. Weaker trade activity in turn impacted fee and commission revenues, while an inflationary environment and higher costs of doing business (cash movement, for example) caused an increase in operating expenditures. Staff and branch security have become a concern and a liability for the banks. Interbranch connectivity has been an issue when lines of communication are down, some employees have not always been able to get to work at all or at least on time, branches have faced numerous armed robberies, and banks have been forced to shut down branches in conflict areas. It is estimated that around 70 to 80 of the 243 officially registered private sector branches (as of December 2013) are no longer fully operational. It is safe to assume that the same proportion of branches (approximately 30 percent) is inactive among the 296 public sector bank locations. In terms of specific banking reforms, in addition to liberating foreign currency lending, changes to the interest rate-setting methodology and minimum capital requirements would benefit the sector a great deal. Interest rates on deposits are set by the Central Bank, limiting competition and operational flexibility among banks.

The establishment of the Syrian Insurance Supervisory Commission in 2005 was the initial step in the introduction of private sector insurance companies, the first of which began operations in mid-2006. Up until that point, the state-owned Syrian Insurance Company had a monopoly on the sector, with the exception of a small pool of customers (high net worth individuals and large corporations) that were dealing with regional and international insurance players either directly or through brokers (mostly based in Lebanon). Twelve private insurers began operations in the three years that followed (up until 2008). The vast majority of premiums came from compulsory and comprehensive car insurance (41.2 percent of 2012 premiums), medical insurance (34.6 percent), and fire insurance (12.4 percent), with minimal focus on and penetration in more profitable lines such as life insurance (1.3 percent). Other business lines include marine, engineering, general accident, and liability insurance. Insurance was still to some extent regarded as a luxury product in Syria prior to the crisis, and thus for many it was among the first cuts in non-essential spending. The country's premiums-to-GDP ratio, estimated at 0.62 percent in 2011, was less than half the Middle East and Central Asia average of 1.48 percent and onetenth of the international average of 6.6 percent, demonstrating the large potential of this sector in Syria. At only 3 percent of pre-crisis 2010 GDP, total premiums could reach USD 1.8 billion, compared to the 2011 total of USD 370 million. Syria is still behind in terms of standards and practices, and the regulatory framework does not provide the insurance sector with a boost outside of car and medical business lines.

Following the introduction of banking and insurance laws, the government announced the establishment of the Syrian Commission on Financial Markets and Securities in 2005, and the following year it introduced a capital markets law eventually allowing for the establishment of a securities exchange as well as financial services companies. Seventeen such companies were licensed between 2008 and 2011, with capital bases varying from SYP20 million (USD

425,000 at the time) to SYP300 million (USD 6.5 million) and focusing on activities such as brokerage, research, financial advising, and capital raising (without underwriting).<sup>90</sup>

In 2011, the **Tunisian** financial sector was small and dominated by banks, with assets equal to about 115 percent of GDP. This figure is somewhat lower than its regional peers such as Egypt, Jordan, Lebanon, and Morocco. As of April 2012, there were 21 onshore banks, including three large state-owned banks with 37 percent of banking sector assets; three large private domestic banks with 28 percent of total assets; and six foreign-owned private banks with a 28 percent share. Of these, four were large foreign banks. More than half of total bank credit is provided to the industrial, trade, and tourism sectors. A large part of the remaining credit appears to be provided to the public sector. Banks' financial positions have not deteriorated, despite recent political turmoil and a weak domestic economy (Table 6). At the end of 2011, the official level of NPLs was 13 percent, down from over 19 percent in 2006. Regulatory capital remained almost unchanged at 11.5 percent of risk-weighted assets, and bank profitability remained relatively high—the average return on equity (RoE) was 7.9 percent. Nonetheless, bank supervision and regulation fall well short of international best practice and need significant further strengthening.<sup>91</sup>

The non-bank financial sector is relatively small. It accounts for about 20 percent of all financial system assets in 2011. Tunisia has a small insurance sector, with 19 companies primarily focused on non-life activities (85 percent of premiums) and annual premiums to GDP of about 2 percent. The equity and fixed-income markets are still small, with a market capitalization equal to 24 percent of GDP, lower than in regional peer countries such as Jordan (112 percent) and Morocco (76 percent). Private equity remains small and the leasing sector, with nine institutions, accounted for 15.5 percent of private gross fixed capital formation in 2010.

The financial system in **Yemen** is dominated by the banking system, which accounts for 72 percent of the financial system assets, distantly followed by pensions with 26 percent. Other sectors (insurance, foreign exchange bureaus, and microfinance) are miniscule, there are no equity markets and the debt market consists mainly of government treasury bills and bonds. The banking system is highly concentrated; by the end of 2012 there were 17 banks (12 conventional and 5 Islamic) and two MFI licensed to operate in the country. The four largest banks account for over half of the banking system assets while the eight smallest ones have less than 20 percent of the assets. The government controls three conventional banks and one Islamic bank, four conventional and four Islamic banks are private and domestically owned while the remaining five are branches of foreign-owned banks. Islamic banks have 31 percent and MFIs have 14 percent share of the market. The state-owned banks account for around 29 percent, followed by domestic private banks with around 22 percent, and foreign banks account for 16 percent of the market.<sup>92</sup> In general, the Yemeni banking industry was on a declining efficiency trend. With the onset of armed conflict in March 2015, financial system efficiency worsened and the fiscal deficit surged. The crisis aggravated the already existing exclusion of Yemeni women and the ongoing crisis has severely affected businesswomen as compared with their male counterparts, with almost half of women-owned enterprises having closed since March 2015.<sup>93</sup>

90. Badra, J., "The Syrian financial sector", (Carnegie Endowment for International Peace, 2015).

91. International Monetary Fund, Tunisia Financial System Stability Assessment. IMF Country Report No. 12/241 (2012).

92. International Monetary Fund, The Republic of Yemen: 2013 Article IV Consultation, (Middle East and Central Asia Dept.).

93. <http://www.ye.undp.org/content/yemen/en/home/presscenter/pressreleases/2015/11/15/yemen-conflict-paralyzes-economic-activity-puts-women-businesses-at-risk-.html>

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United Nations Entity for Gender Equality  
and the Empowerment of Women



## **Spring Forward for Women Programme**

*European Commission and UN Women joint regional programme for the Southern Mediterranean region  
"The Spring Forward for Women", programme implemented with funding by the European Union*