

# BUILDING A TOP-NOTCH CREDIT REGISTRY TO FACILITATE ACCESS TO CREDIT IN THE WEST BANK AND GAZA

## THE CHALLENGE:

Building sustainable financial and monetary institutions and fortifying administrative capacity has been challenging in the West Bank and Gaza (WBG) given the tense political and economic environment. With no efficient credit registry system, it was particularly difficult for smaller companies and individuals to gain access to credit, and banks were unable to monitor credit risk effectively.

## THE APPROACH:

An IMF regional center based in Lebanon (METAC) worked with the Palestine Monetary Authority (PMA) to build a modern credit registry system that allows financial institutions to monitor credit more effectively. This included extensive on-the-job training on the use of the system, analyzing the reports, and troubleshooting.

## IMPACT:

With METAC's assistance, which started in 2008, the PMA implemented an automated, online 24/7 credit registry system that is now among the best credit registries in the Middle East and North Africa region. The PMA, Palestinian banks, and microfinance institutions now use the system to monitor credit risk efficiently. The new registry's implementation has contributed to the expansion of credit to households and small businesses and a significant decline in credit delinquencies and losses.

**"The credit registry has helped to expand credit in WBG, and the non-performing loan ratio went down as a result of the credit registry."**

Director, Palestine Monetary Authority

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European Commission



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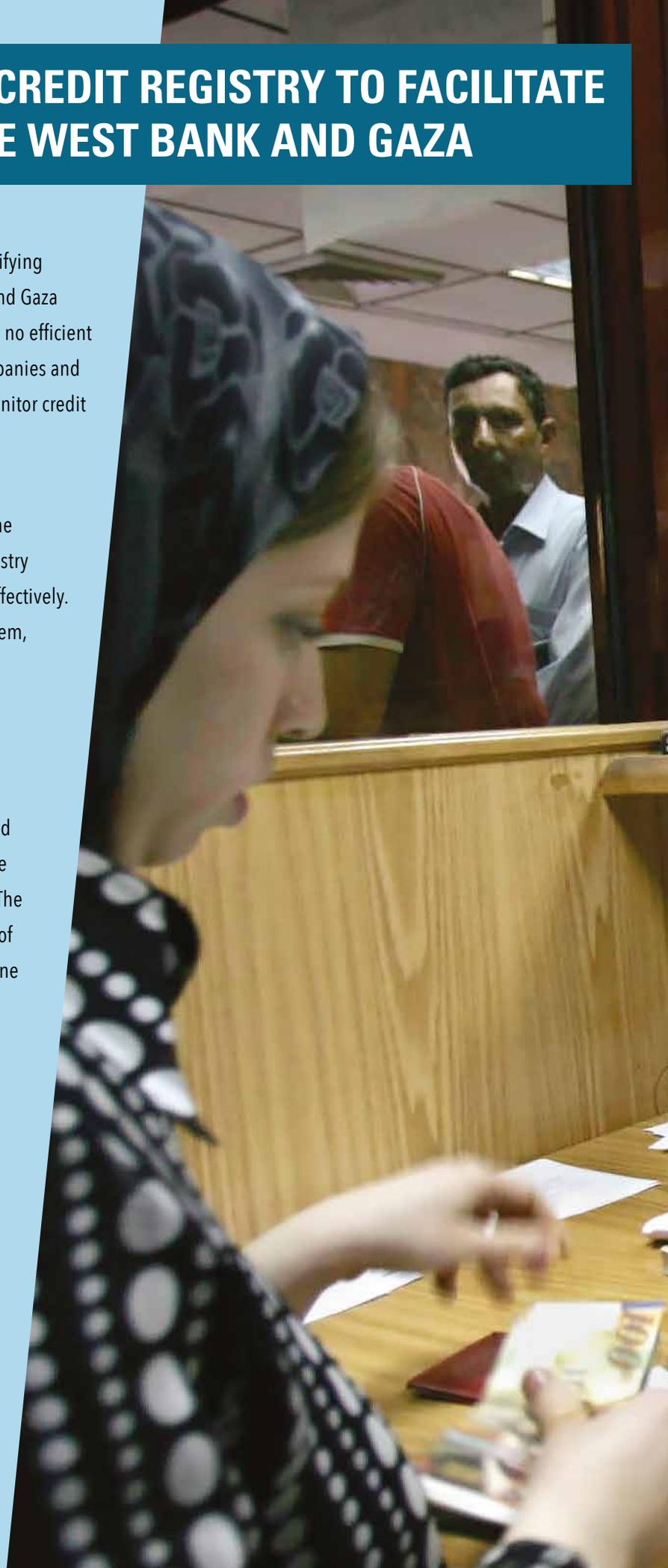
Germany



Oman



Kuwait



## The PMACR main features are:

| <i>Major characteristics of PMA Credit registry in Feb. '06</i>  | <i>Changes made to move to best practice</i>   | <i>Value added of changes</i>  |
|--|--|--|
| Only bank credits with balances greater than US\$10,000 value reported to credit registry.   | Eliminated reporting threshold so that all bank credits are reported   | Expands amount of available credit data to registry users in order to arrive at better informed credit decisions   |
| Credit information reported to the registry included only original amount of individual credits and outstanding balances of those credits. | Expanded information reported to include opening date, monthly payment, date of last payment, arrears, security etc...   | Empowers users with more detailed information to allow for determination of borrower capacity for handling payments of requested credits, frequency of borrowing and security pledged on borrowings.   |
| User requests for credit reports took from 3 to 4 days for response from registry.   | Users have access to registry automated system, 24/7, while response time to credit requests is immediate.   | Allows data users to provide substantially improved service in making credit decisions.  |
| Credit card and guarantor information not reported to registry.  | All credit card and guarantor information now being reported to the PMACR.   | Provides data users with complete picture of a credit applicant's (or guarantor's) debt obligations as they handle credit requests. Provides the PMA with confirmation of outstanding bank credits within the banking sector along with details of past due and write off credits. |
| MFI information not reported to registry.  | MFI information now being reported to the PMACR.   | Provides data users with complete picture of a credit applicant's debt obligations as they handle credit requests. Provides the PMA with confirmation of outstanding MFI credits within the MFI sector along with detail of past due and write off credits.                        |
| Paid credits not being included in database searching.   | Paid credits now being included in database search.  | Provides more information to banks and MFI as they complete their credit adjudication process.   |
| No reports, from database content, that could be used by various PMA departments.  | 42 supervisory reports developed for use by various departments – bank supervision, inspection, statistical, money laundering etc. Move to conform to Basel II and risk based supervision. | A best practice that allows the PMA to move to risk based supervision, as envisioned by Basel II, by providing timely and detailed information on bank and MFI credit portfolios and identifying potential or existing problem areas that should be addressed.                     |
| Delinquency levels extremely high due to lack of comprehensive credit information.   | Bank delinquencies and loss provisions have seen significant declines, while there has been major credit growth within the banking sector.   | Confirms international empirical evidence that the existence of a credit registry protects the health and safety of the banking credit sector.   |



Short-term expert, Jim Aziz (standing far left) and Mr. Ali Faroun (sitting), deputy director banking supervision department with the PMACR team.