



Use of complementary currencies (CM), including a focus on the use of the legal figure of electronic money (EM), for co-production in public-private partnerships with agents of the social and solidarity economy, Palestine

## MedTOWN Project

Co-production of social policies with social and solidarity economy actors to fight poverty, inequality and social exclusion.



Community of Practice:



**Co-production, a model for fair and sustainable**



**societies**

**QUESTIONNAIRE PROJECTS PHASES AND LOCAL PARTNERS. MEDTOWN PROJECT. 3rd LOT.**

**DEMOSTRATIVE ACTION. Name:** Citizen and SSE waste processing. A circular economy model

**MUNICIPALITY, REGION AND COUNTRY ACTION:** Beitillu village, Palestine

**BRIEF DESCRIPTION OF CONTEXT:**

There is no consideration for and there is no legal framework that applies to complementary currency in Palestine.

The PA has laid the key building blocks for the development of digital financial services in WB&G. Several strategies and regulations have recently been adopted to encourage the development of the market, including a Comprehensive National Payment Development Strategy (2018–2023), National Strategy for Financial Inclusion (2018–2025), regulations on licensing of payment service providers (2018) (which have facilitated opening the market to nonbanks and strengthened competition), and regulations in support of specific stored value products (e-money), with an initial focus on e-wallets and prepaid cards. Based on Findex 2017 data, 25 percent of adults in the West Bank and Gaza have a transaction account, but only 14 percent have debit cards. Card ownership is growing.

E-wallets and prepaid payment cards issued by nonbanks, were first introduced in the West Bank and Gaza in 2020, facilitated through changes to the legal and regulatory framework. The use of e-wallets is currently limited to transfers and payments between other e-wallets issued in Palestine. The number of prepaid cards issued by the new payment service providers remains very low compared with the number of e-wallets.

Wider adoption of digital financial services is hampered by several factors. Deficiencies in the legal framework reduce competition and hinder the development of digital financial services. Most important among these are (1) the lack of a broad regulatory framework for payment services to facilitate competition in the market through the entry of new providers and to create common standards on transparency and user protection; (2) different financial services (for example, e-wallets and prepaid payment cards) are subject to separate regulations, which adds complexity and makes compliance more difficult; (3) the existing regulation does not provide a level playing field between new payment providers (such as mobile wallet providers) and banks. Furthermore, interoperability between the new types of payment services is not mandated and faster payment capabilities (for real-time payments) are not supported by the current payment infrastructure. Lastly, government payments are done primarily by checks, which does not incentivize the development of digital financial services.

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**ARRAY TO BE FILLED IN:**

N°	ASPECTS TO BE REPORTED	ACTIONS	OTHER ACTIONS/ DISCLAIMERS	OTHER DISCLAIMERS
1 <sup>1</sup>	<p><b>Existing applicable legislation governing CM and EM</b></p>	<p>The National Payments Law (approved in November 2012).</p> <p>Electronic Transactions Law (2017)</p>	<p>The PMA is the sole regulator of banks and the different types of payment service providers in operation in Palestine. Banks operating in WB&amp;G are regulated under Presidential Decree No 9 of 2010 on Banking Law. The PMA also has the exclusive powers to supervise and oversee payment systems in Palestine.</p> <p>The National Payments Law of 2012 provides the PMA exclusive powers to supervise and oversee payment and settlement systems. The law provides the PMA powers to supervise payment systems and provide approvals to existing and new providers of payment services and providers of clearing and settlement facilities. The law also includes general provisions such as on the irrevocability and finality of payments. The law provides the PMA broad powers to make necessary decisions and instructions in relation to fulfilling its different roles under the law, and <b>a broad regulatory framework</b> is in place in relation to banks and money exchanges.</p> <p>An oversight policy framework based on international standards and best practices is in place and this forms the basis for the oversight activities of the PMA. The PMA has established a separate and dedicated oversight unit, which is responsible for applying the oversight policy framework.</p> <p>A somewhat general legal and regulatory framework is in place in support of conducting electronic transactions through the use of electronic documents and electronic signatures. A basic recognition of</p>	<p>Given the existence of a good telecommunication infrastructure, an established banking system, and advanced IT applications that guarantee internet security, the eCommerce market in the West Bank and Gaza has significant growth potential. However, Digital financial services are still in their infancy in Palestine, and this is in no small part due to weaknesses in the legal and regulatory environment. Backed by the necessary legal and regulatory advances, such services could become an important tool to increase the level and depth of Access to financial services for Palestinians. The COVID-19 pandemic has highlighted the important role digital financial services –including e-payments and e-commerce– can play in reducing disruptions to the economy and service provision, maintaining economic activity, supporting social transfers, and ensuring safe transactions in times of crises.</p>

<sup>1</sup> Especially related to the Social Solidarity Economy (SSE).



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			<p>electronic signatures and electronic record keeping is contained in the NPS law, and A general framework recognizing the validity and authenticity of electronic signatures is in place. This Ministry of Telecommunications and Information Technology is legally mandated with regulating and licensing electronic signatures as set out in the Electronic Transactions Law No. 15 of 2017. This wider framework is also of importance for digital financial services and e-commerce in Palestine.</p> <p>A more comprehensive legal and regulatory framework is being put in place in support of developing the market for payment services. A significant step in this regard was taken in 2018 with the adoption of regulations on the licensing of payment service providers, which has facilitated the opening up of the market for payment services to nonbanks, thereby increasing competition and establishing a level playing field in the provision of payment services.</p> <p>These general regulations have been supplemented with further regulations in support of specific stored value products (e-money). The stored value products can be offered by the new types of payment service providers licensed under the new licensing regime, initially by focusing on e-wallets and prepaid cards. The aim of the new regulatory framework is to facilitate a more differentiated and innovative offering of payment services and especially digital payment services. Five companies have so far been granted a license to operate under the new regulations as payment service providers and have commenced their operations in Palestine.</p>	<p>Financial sector actors in the West Bank and Gaza would benefit from the creation of a robust digital financial services ecosystem to serve all Palestinians.</p> <p>Fff</p>
2	<b>Purpose of the regulation</b>	The Payment System Law of i2012 aims to	The Electronic Transactions Law regulates the	

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		<p>facilitate electronic transactions and establish measures to combat money laundering and fraud.</p> <p>The Electronic Transactions Law on the other hand aims to:</p> <ol style="list-style-type: none"> <li>1- To facilitate and regulate electronic transactions by reliable electronic communications or records;</li> <li>2- To eliminate barriers or challenges to electronic transactions arising from uncertainties over writing and signature requirements, and promote the development of the legal infrastructure necessary to implement secure electronic transactions and subsequent amendments;</li> <li>3- Minimize the likelihood of forged electronic communications, alteration of communications and fraud in electronic transactions;</li> <li>4- Establish uniform legal rules, regulations and standards for the authentication and validity of electronic communications and records;</li> <li>5- Promote the growth of electronic commerce and other transactions on the national and international levels through the use of electronic signatures.</li> </ol>	<p>provision of electronic payment services in Palestine, including the electronic wallet and payment cards services.</p>	
3 <sup>2</sup>	<p><b>Consideration-Theoretical Definition CM and EM (According to regulation)</b></p>	<p>Electronic Transactions: transactions concluded or performed, in whole or in part, through electronic means.</p> <p>There is no specific definition of CM or EM.</p>	<p>Payment service companies, licensed by Palestine Monetary Authority, provide electronic payment service tools that enable subscribers to complete their financial transactions, such as depositing and withdrawing money at any time, transferring money to anyone in Palestine, shopping, paying for purchases, and paying bills. This is done through</p>	

<sup>2</sup> Necessary for making comparative terms of equivalent concepts

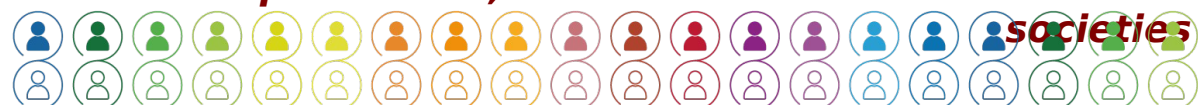
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			<p>authorized agents of these companies spread across the governorates, cities and villages of the country. Any citizen can benefit from the services provided by payment services companies without requiring a bank account, with easy and quick procedures where the citizen can subscribe electronically to the service and then visit one of the company's agents only once to complete the registration and data verification process.</p> <p>They include electronic payment tools provided by companies on point of sale, mobile financial services, prepaid cards, as well as an electronic wallet that is loaded onto smart devices and enables subscribers to complete their financial transactions without using cash within specified ceilings.</p>	
4	<b>Scope of application of CM and EM legislation</b>	<p>The National Payment Law applies to the following: 1) all payment orders conducted by public and private entities through banks, financial institutions, or any other entity that may be granted the right by the Payment Law to provide payment services using any of the legally permitted currencies, and 2) all and any electronic money transfers, electronic payment records and electronic signatures linked to payment services.</p> <p>The Electronic Transactions Law applies to the following: 1- Electronic transactions, records and signatures as well any electronic Data Message; 2- Electronic transactions used by any government department, official institution or private entities, in whole or in part.</p>	Both laws apply to public and private entities, and cover the West Bank and Gaza.	
5	<b>Stakeholders Involved in CM and EM</b>	<p>Palestine Monetary Authority (PMA)</p> <p>Palestinian Capital Market Authority</p>		

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		<p>(PCMA).</p> <p>Ministry of Telecommunications and Information Technology (MoTIT)</p> <p>Commercial Banks</p> <p>Payment Services Providers</p> <p>Telecommunications Companies (JAWWAL and ALWATANEYA)</p> <p>IT Companies providing internet solutions (including e-commerce, security)</p>		
6	<b>Administration - competent legislative body CM and EM</b>	- Palestine Monetary Authority		
7	<b>Administration - competent executive body CM and EM</b>	<p>The PMA is an independent public institution responsible for the formulation and implementation of monetary and banking policies to maintain price stability and low inflation, foster financial stability and safeguard the banking sector and promote sustainable growth of the national economy. The legal mandate of the PMA covers: developing and executing monetary policy; effective and transparent regulation and supervision of banks, specialized lending institutions and money changers; and, overseeing the development, implementation and operation of modern, efficient payment systems.</p>	<p>The PMA is the sole regulator of banks and the different types of payment service providers in operation in Palestine. Banks are regulated under Presidential Decree No 9 of 2010 on Banking Law. The PMA also has the exclusive powers to supervise and oversee payment systems. The law provides the PMA powers to supervise payment systems and provide approvals to existing and new providers of payment services and providers of clearing and settlement facilities. The law also provides the PMA broad powers to make necessary decisions and instructions in relation to fulfilling its different roles under the law, and a broad regulatory framework is in place in relation to banks and money exchanges.</p>	<p>The PMA is unable to perform one of the central bank's very core responsibilities- to provide liquidity in times of need. This leaves Palestine, both economically and politically under the mercy of outside finance to cover its needs</p>
8	<b>Measures promoting or encouraging CM and EM</b>	Yes.	<p>One of the cornerstones of the legal and regulatory framework is to open the market for payment services to non-banks. The PMA adopted instructions on the licensing of payment service</p>	<p>The licensing of payment services companies came within the framework of Palestine Monetary</p>

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			<p>providers in 2018, which was complemented with a number of additional Instructions regarding stored value products covering the issuing of pre-paid cards and e-wallets in April 2020. These Instructions facilitate more competition in the market regarding payment services and assist in increasing the use of digital payments. Five payment service providers have already commenced operations. The Instructions already in place will benefit from further clarification in relation to their particular scope and application to ensure legal clarity and legal certainty and should also be further complemented by a general legal framework regarding payment services.</p> <p>The PMA has adopted a comprehensive National Payment Development Strategy. The strategy covers 2018 to 2023 with the overall vision to build Palestine into a leading user at the forefront of electronic payment methods in the manner that supports the national economy and enhances risk mitigation. The strategy employs a broad approach of promotion of the use of electronic payments through the involvement of all relevant actors and with particular focus on the enabling infrastructure. The adopted strategy primarily focuses on promoting digital payments; it will assist in providing the foundation for the wider use of digital financial services in WB&amp;G.</p> <p>The National Payment Development Strategy is focused on several key areas, including (1) developing the legal environment in support of payments and e-commerce; (2) developing the infrastructure supporting payments; (3) increasing access to electronic payments, in particular across the different demographics; and (4) raising public</p>	<p>Authority's strategic interest in the shift towards electronic payment methods and financial technology as they are the most effective solutions in the face of political and financial obstacles, or health like the one we are experiencing these days, and we have to reduce the dealing of cash and move to promote the use of electronic means to carry out financial transactions.</p> <p>The provision of electronic payment services would contribute effectively to the achievement of financial inclusion, and the delivery of financial services to all segments of society, as well as would provide payment services to groups that do not have bank accounts, entrepreneurs and small businesses, as well as activating the idea of e-government by providing the ingredients for its success and development in order to serve the Palestinian society in all its categories and promote the national economy.</p>

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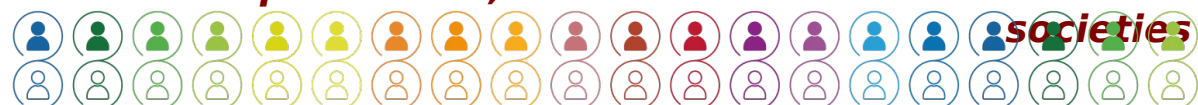
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			<p>awareness in relation to electronic payments and using the public sector as a catalyst for increasing the use of electronic payments.</p> <p>The PMA has also adopted a National Strategy for Financial Inclusion for 2018 2025 with the vision of achieving a developed financial sector that fully meets the financial needs of all segments of the Palestinian society to improve their welfare. The strategy defines financial inclusion as enhancing access to, and use of, financial products and services by all segments of society via formal channels, while meeting their needs in a timely and affordable manner, protecting their rights, and promoting their financial knowledge to enable them to make well informed financial decisions. Only 36.4 percent of the adult population was financially included in 2016. The strategy is based on the overarching goal of increasing financial inclusion of the adult population to at least 50 percent by 2025. This is to be achieved by a targeted focus on particular segments of the population, in particular women and young people.</p>	
9	<b>Other CM and EM related legislation</b>	N/A	Relationship-Influence with ESS: N.A.	
10	<b>Possibility of creating new CM and EM legislation</b>	<p>Yes. Possibility is quite high since the Financial Inclusion Strategy and the FinTech Strategy include several recommendations/proposed actions for reviewing and updating the legal and regulatory framework, including that affecting EM and PSPs.</p> <p>As per the Palestine's Basic Law of 2003 with Amendments through 2005</p>	Palestine Monitory Authority, Prime Minister, Council of Ministers, legislative Council	

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		<p><b>Article 68:</b> The Prime Minister shall exercise the following powers: # 7. To sign and issue regulations approved by the Council of Ministers.</p> <p><b>Article 70:</b> The Council of Ministers shall have the right to transmit draft laws to the Legislative Council, to issue regulations and to take necessary actions to implement laws.</p>		
11	<b>Possibility to amend existing legislation CM and EM</b>	<p>This can be done directly through the Palestine Monetary Authority, through issuing new instructions to amend or better deliver the existing legislations.</p> <p><u>OR</u></p> <p>As per the Palestine's Basic Law (see previous)</p>	Palestine Monetary Authority, Prime Minister, Council of Ministers	
12	<b>Problem Identification/Regulatory implementation CM and EM</b>	<p>Since it is recently issued, the work of electronic payment services companies would be subject to intensive supervision and control of Palestine Monetary Authority in order to ensure the highest degree of security, transparency and effectiveness, through specialized teams that will monitor the application of the best international standards related to electronic payment services.</p>	<p>Currently, only banks and money changers can offer remittance services. As most inward remittances are disbursed in cash, steps should be taken to facilitate crediting remittance proceeds to bank accounts and electronic money accounts. At present, only two Money Transfer Operators (MTO) are permitted to operate locally and the choice and competition is further limited by agents only being allowed to operate on behalf of one MTO. The current efforts in banning such exclusivity agreements should be accelerated to further open up the market for remittances.</p>	
13	<b>CM, EM and other regulations applicable to the Demonstration Action (Concrete Project)</b>	N/A	N/A	
14	<b>Are there other forms of currencies other than legal tender or are they prohibited?</b>	No	Registration should be obtained from the Palestine Monetary Authority, with an approval from the prime ministry.	Yes, the current legal tender is accepted by the public sector and by the private sector and

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15	<p><b>Are there any financial services other than legal tender provided by financial institutions?</b></p>	<p>Use of digital financial services in Palestine remains low according to Findex data, with debit cards and cash dominating transactions.</p> <p>Financial institutions offer a wide range of traditional services and products found in commercial banks (deposits, deposit boxes, current account, cashier checks, credit letters, credit cards, debit cards, transfers, etc.). Digital financial services offered by financial institutions include payments, transfers, savings, credit, insurance, securities, financial planning, and account statements. Digital financial services are delivered via digital/electronic technology, including through a payment card, online, or via a mobile phone, and various instruments may be linked to e-money or traditional bank accounts.</p> <p>Payment Service Companies, that licenced by the Palestine Monitory Authority (PMA). They are not related to SSE.</p>	<p>PSPs cannot take deposits however.</p>	<p>individuals</p>
16	<p><b>Apart from the State/Government and associated banks (Central Banks) are there other institutions that can issue legal tender and electronic money?</b></p>	<p>The five licensed PSPs and commercial banks (13) can issue electronic money through e-wallets and pre-paid cards.</p>		

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17	Are the services paid for with these local currencies (Complementary Currency Systems, CCS) subject to VAT, social security or other similar taxes and charges?	Yes. All purchases are subject to VAT irrespective of mode of payment.		
18	Is there any kind of legal security (insurance) coverage backing local currency and e-money related to the SSE?	No.		
19	Is there an inventory, ledger or similar document that records and preserves transactions based on local currency?	Yes. Banks and PSPs keep records and transfer to PMA.		
20	Other issues to highlight	N.A.		

**CHALLENGES & RECOMMENDATIONS:**

Please see questionnaire on EM and PSPs.

**MEASURES TO BE IMPLEMENTED:**

As previous

**OTHER INTERESTING SUGGESTIONS/NOTES:**

**IDENTIFIED CONFLICTING ISSUES (if any):**

N.A.

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**EXAMPLES OF ACTIONS DEVELOPED IN THE FIELD OF SSE IN THE COUNTRY, REFERENCES AND HOW THEY HAVE BEEN DEVELOPED (if any):**

N.A.

