

EPCGF



STICHTING EUROPEAN PALESTINIAN
CREDIT GUARANTEE FOUNDATION

Quarterly Newsletter

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Letter from the Managing Director

Over the last few months, we have all been overwhelmed with what is happening around the country on CoVID-19. These times are really hard and our health and our families' health and well-being should always remain on the top of our priorities.

Due to the lockdown measures the demand on SME loan guarantees have decreased compared to the same reporting period of 2019. As of June 30th, EPCGF has approved a total of 103 SME loan guarantees for total amount of USD 7.9 million. This represents a decline of around 40% in terms of number and volume compared to the same reporting period of last year. The NPL is sitting at 10.11% as of June 30th. Although, it is very challenging to manage the defaulted loans during these difficult times but an action plan has been agreed with the concerned partner banks to make some progress and optimize the NPL levels towards the end of the year.

However, EPCGF is expecting that the demand would increase on loans due to liquidity and cashflow problems that the MSMEs are facing due to the current situation, which in turn would increase the demand on guarantees by the lending institutions because of the higher associated risk and market uncertainty. The new COVID-19 initiative that was launched by EPCGF on June 2nd as a pilot phase will encourage our partner banks to extend short-term SME loans while EPCGF is sharing the risk on these particular loans.

As a matter of fact, EPCGF is also keen to bridge the financing gap of MFIs when borrowing from the local and Jordanian banks that are operating in Palestine. The commercial borrowing product is tailored to share the risk while lending to MFIs and ease their access to finance.

The technical assistance (TA) activities will continue in the coming period. EPCGF will support one of our main MFI partners for upgrading their communication strategy for marketing and public relation under our TA fund. The project of the market baseline study was closed this quarter, its findings and recommendations will be leveraged to develop new segment-based products.

We will continue to assess the situation, adapt to the market needs and will always remain eager for new opportunities that would help to revive the Palestinian economy. Our hearts go out to everyone who has been affected by the coronavirus, and we wish that you stay safe and healthy.

Managing Director

Raed Kafity

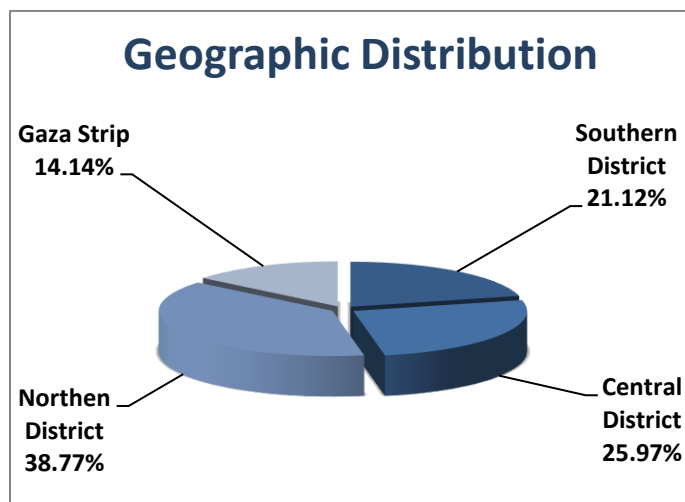
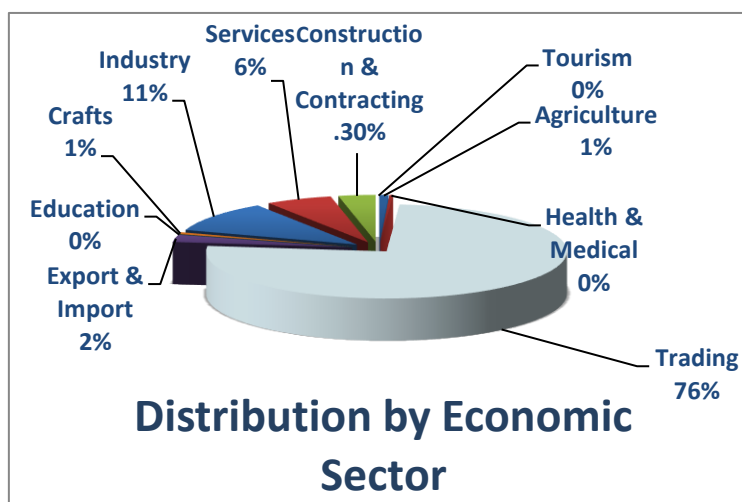
SECTOR DISTRIBUTION

Economic Sector	Amount USD
Agriculture	66,000
Health & Medical	25,740
Trading	6,055,474
Export & Import	200,000
Education	0
Crafts	53,000
Industry/Light Industry	854,514
Services	477,426
Construction & Contracting	266,080
Tourism	0
TOTAL	7,998,234

GEOGRAPHICAL DISTRIBUTION

Region	Amount USD	No. of Loans
Southern Districts	1,688,923	19
Central Districts	2,077,179	22
Northern Districts	3,100,830	46
Gaza Strip	1,131,300	16
TOTAL	7,998,234	103

South: Hebron, Bethlehem
Central: Ramallah, Bethany, Al Ram, Jericho, East Jerusalem
North: Nablus, Jenin, Tulkarem, Qalqelia



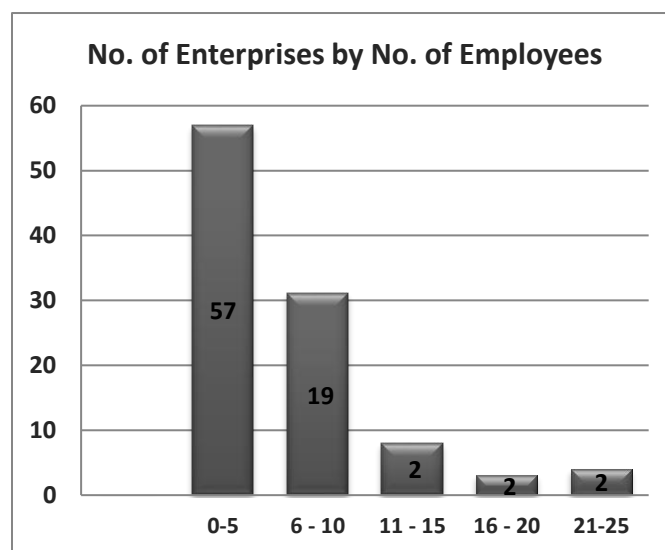
MARKET PENETRATION

Client's Type at Banks

Code	Client's Type	Number
001	New Clients	20
002	Existing Clients with No Credit	15
003	Existing Borrowers with No Credit	12
004	Existing Borrowers	46
005	Borrowers with Arrears	0
006	New Client for Bank (with Credit History)	7
007	Existing Client (Credit Relationship with EPCGF)	3
Total		103

SME PROFILE

No. of Employees	No. of Enterprises
1-5	57
6-10	31
11-15	8
16-20	3
21-25	4
TOTAL	103



Updates

EPCGF launched new loan guarantee initiative to mitigate the economic impact of COVID-19

On June 2nd 2020, EPCGF launched a new initiative to improve access to finance for small and medium enterprises in the wake of the economic crisis caused by COVID-19. The new program will allow EPCGF partner banks to apply for partial risk guarantees at special conditions that will make it easier for them to



initially extend short-term loans worth of 65 million NIS to small and medium enterprises. These firms are considered to be the backbone of the Palestinian economy and provide thousands of jobs. Yet, many small firms have suffered from the sudden closures due to COVID 19 and now urgently need fresh money to survive.

The special COVID-19 initiative is supported by an ongoing project with funding from Germany through its development bank KfW.

KfW and the European Union are also exploring the possibility of securing additional funding to expand the COVID-19 program further. Based on the market demand EPCGF would be also considering a further contribution of its own capital for this initiative.