

Press Release

EPCGF Launches a New Joint Initiative with the KfW Development Bank and the European Union to Foster Financial and Social Inclusion in Highly Impacted Areas

Ramallah, 13 March 2023. The European Palestinian Credit Guarantee Foundation (EPCGF), in collaboration with the European Union (EU) and KfW Development Bank, has taken another significant step towards promoting financial and social inclusion in underprivileged regions of Palestine. The joint initiative launched by EPCGF focuses on extending loan guarantees to partner banks and Microfinance Institutions (MFIs) in marginalized areas, including East Jerusalem, Area C, and the Gaza Strip.

In an official ceremony held at the Palestine Monetary Authority, EPCGF unveiled the EU Mandate to its financial institution partners, with a specific emphasis on promoting financial inclusion for Micro, Small, and Medium Enterprises (MSMEs) operating in the tourism, hospitality, and agriculture sectors in underserved geographical areas.

The EU Mandate offers subsidized fees to encourage the flow of funds towards underrepresented areas and markets. Partner banks and MFIs are encouraged to use the fund-tailored programs to reach out to a broader audience of potential MSME customers. The initiative also includes technical assistance as an essential element, with the introduction of a customized SME Diploma for 600 individuals aimed at building the capacity and resources of Palestinian FIs, focusing on the complex nature of the Palestinian MSMEs sector.

The Managing Director of EPCGF, Hussein Habbab, said: *“EPCGF is launching the EU Mandate initiative, designed to empower Financial Institutions (FIs) by providing higher-risk coverage to an expanded target group in East Jerusalem, Gaza, and Area C. The projected total loans under this guarantee scheme are expected to reach USD 140 million over the next five years. This should facilitate even greater the flow of funds towards these underrepresented sectors and markets, coupled with minimal costs to end beneficiaries and FIs. Furthermore, a dedicated MSMEs diploma program that aims to train and equip our partner’s human capital with the necessary understanding of the SME sector, credit and legal framework(s), etc. is ready to be rolled out. We aim to target 600 participants, spread across three batches over the next three years. EPCGF will remain committed to promoting economic growth and opportunity and will continue to seek out partnerships and initiatives that support the needs of micro, small, and medium businesses and entrepreneurs. “*

Governor of The Palestine Monetary Authority, Dr. Feras Milhem, said: The PMA shares a common goal with EPCGF of promoting economic development in the Palestinian Market, and our association with the foundation has been highly beneficial. In particular, the implementation of the "Estidama" project would not have been feasible without the assistance of the guarantee scheme of EPCGF’s. Additionally, I would like to highlight the significance of the funds provided by the EU, especially for projects aimed at strengthening financial inclusion in the MSMEs sector. Such initiatives aid in sustainable development of the sector and contribute to the growth of the Palestinian economy as a whole, recognizing the vital role of the financial system in driving economic progress. The initiatives help enhance the efficiency and capacity of the guarantee funds, further supporting the advancement of the

Palestinian economy. Thanks for this initiative and thanks for the support of the European Union.“

The European Union Head of Cooperation, Ibrahim Laafia, said: “ I am pleased to launch this new joint initiative that we undertake in the spirit of Team Europe. This new program entails EU-funded guarantee incentives and technical assistance of EUR 10 million, which will enable financial institutions to create a total of EUR 120 million in loans for Palestinian small and medium-sized companies. This financing will support sustainable investments, guarantee recovery for the COVID-19 economy, and stimulate activity in challenging and unprivileged areas of the Palestinian economy. The bulk of the support will come in form of loans offered by Palestinian banks and micro-finance institutions, leveraged thanks to financial engineering and de-risking instruments. This initiative follows the EU's political priorities in Palestine, mobilizing finance for distressed geographical areas, such as Area C of the West Bank, East Jerusalem, and Gaza. It also allows expanding support to vulnerable sectors, such as agriculture, micro-enterprises, and segments hard hit by the COVID-19 pandemic.”

The Representative of the Federal Republic of Germany, Oliver Owczar, acknowledged the robust relationship between KfW and EPCGF that has been developed over a period of nearly two decades. He emphasized the significance of the partnerships established between the European Union (EU), KfW, and EPCGF during this time. Furthermore, Owczar commended EPCGF's ability to adapt and be flexible in response to the ever-changing economic conditions in Palestine. This demonstrates the foundation's versatility and its capacity to maintain its mission and market position in Palestine.

Director General at the Palestinian Ministry of Finance, Laila Sbaih, commented that since its inception in the year 2005, the European Palestinian Credit Guarantee Foundation was established as the first guarantee scheme in Palestine to address the credit needs of small and medium enterprises. This was made possible through a partnership with the European Union, the German government via KfW, and was launched as a development project with a capital of 44 million euros. The foundation's primary objective is to provide loan guarantees to Palestinian small and medium-sized businesses via banks and MFIs. Since its inception, the guaranteed loans provided to various sectors have amounted to approximately \$480 million, leading to the creation of over 17,000 employment opportunities. The statement expressed gratitude to all the partners that have supported the foundation, including the European Union and the German Development Bank, as well as local partners such as the Palestinian Monetary Authority, partner banks, and microfinance institutions.