



Quarterly Newsletter

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Letter from the Managing Director

Dear Valued Partners,

I hope this newsletter finds you in good health and high spirits.

On behalf of the EPCGF Family, I would like to extend our sincere gratitude for your continued trust and support. We are truly grateful for the opportunity to collaborate with you, and we look forward to further strengthening our partnership in the future.

I am excited to share some noteworthy updates and achievements that reflect the positive impact of our collective efforts. In the first quarter of 2023, EPCGF successfully approved 186 SME loan guarantees, totaling an impressive amount of USD 13 million. This represents a substantial increase of approximately 25% in the number of approvals compared to the same period of last year. These figures also demonstrate our commitment to supporting SMEs and fostering their growth.

Another significant milestone we have reached is the remarkable growth of our MSME guaranteed portfolio. In the first quarter of 2023, the outstanding portfolio went up to an impressive USD 42.8 million (from USD 38.6 million in Q4 2022), marking the highest recorded size since the establishment of EPCGF. This growth is a testament to our collective efforts and impact in supporting and strengthening the MSME sector in the West Bank and Gaza, inclusive of East Jerusalem.

On the same note, I am also delighted to inform you that we have also made substantial progress in enhancing the quality of our loan portfolio. In the first quarter of 2023, we witnessed a significant reduction in non-performing loans (NPLs), dropping from 3.70% to 2.64% compared to the same period of last year. Thanks to all, this improvement is the result of effective loan management strategies implemented by our partner financial institutions and continuous collaboration between the FIs and EPCGF. Together, we have successfully minimized default risks and ensured the financial stability of the supported SMEs portfolio. Well done!

In addition, and in our unwavering commitment to supporting economic growth and resilience, we were thrilled to celebrate with you the official launch of the EU mandate in March 2023. This initiative which you all are familiar with now, provides loan guarantees to partner banks and Microfinance Institutions (MFIs) in marginalized areas like East Jerusalem, Area C, and the Gaza Strip. Priority is given to sectors severely impacted like agriculture and tourism with higher guarantee coverage(s) and subsidized fees, benefiting both financial partners and beneficiaries. With that objective in mind, I take great pride in stating that since the initiation of

the EU mandate, we have been actively receiving applications, and our portfolio has been experiencing tangible growth. The response from both financial institutions and SMEs has been encouraging, reflecting the value and impact of our support. By nurturing this growing portfolio, we are confident of our continuous collective work towards our mission of empowering and fostering sustainable economic growth.

To further foster stronger bonds with our valued partner financial institutions, we have initiated the organization of training retreats with our FI's teams. These retreats provide an immersive and engaging environment where we can acquaint our partners with our services and products and to provide a unique and engaging experience for all teams to know each other better. This should also foster team building and productivity, and ultimately lead to better performance for both our organizations. We are excited and confident that these retreats will be a success and will greatly benefit all those who take part in it.

Looking forward, we are pleased to report progress on an exciting project that we previously mentioned. Towards September 2023, we will be launching the SMEs diploma program. In partnership with the esteemed Center for Continuing Education at Birzeit University, a highly regarded institution known for its excellent educational offerings, we are dedicated to creating a comprehensive program that addresses the specific needs of MSMEs. By combining their expertise and the valuable input from our financial partners, we intend to create a program that provides practical knowledge and skills to empower our partner FIs and enhance their MSME business acumen. Your guidance, feedback, and input will be invaluable in shaping this program, and we will reach out in the coming period to seek your valuable insights.

Finally, we are currently working on upgrading our Management Information System (MIS) to facilitate better communication with our esteemed partners and streamline our workflow in a better manner. This upgrade aims to improve the overall efficiency and turnaround time, ultimately enhancing our relationship and ensuring an even smoother communication. We are eager to implement and activate it in the near future.

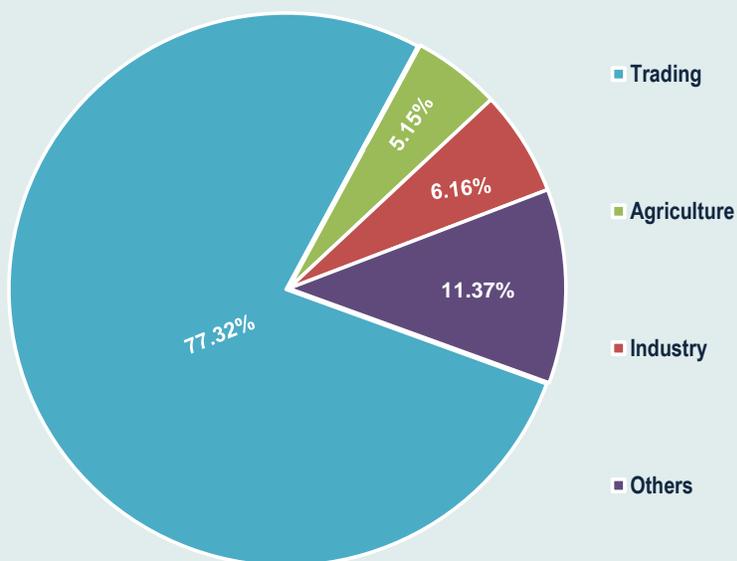
Thank you once again for taking the time to read our newsletter. We are grateful for your continued support and partnership. As we move forward, we are excited about the opportunities that await us and the positive impact we can make together.

Sincerely,

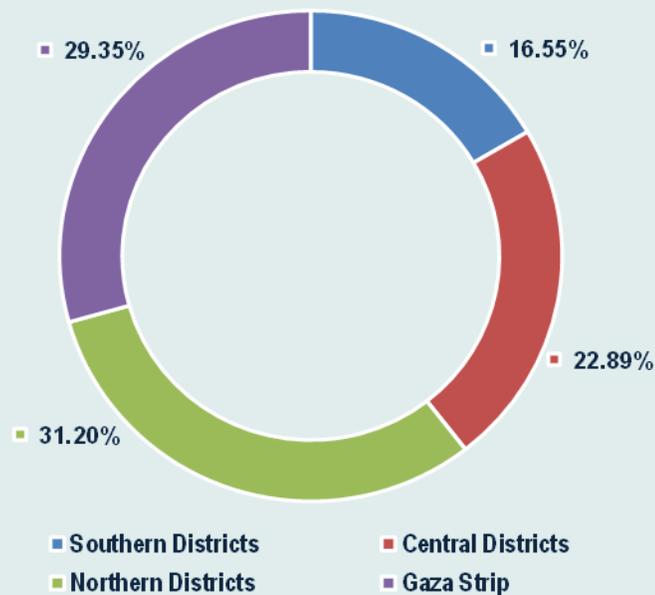
Hussein Habbab
Managing Director

EPCGF's Figures

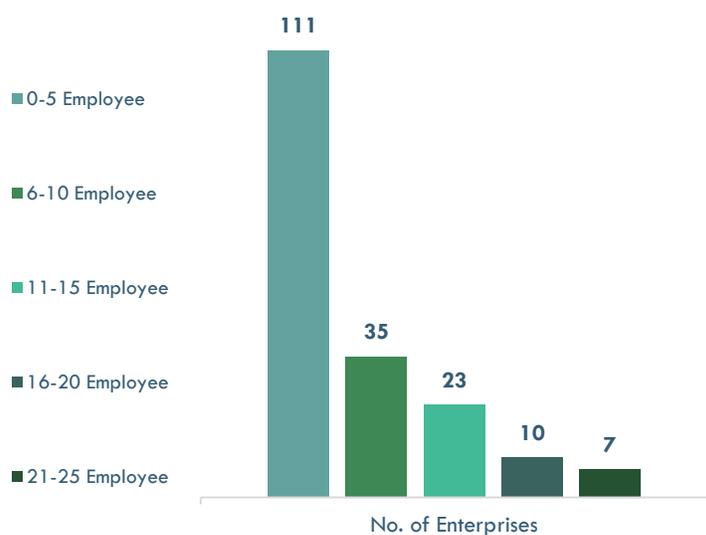
Sectoral Distribution



Geographical Distribution



SME Profile



Market Penetration

Code	Client's Type	Number
001	New Clients	48
002	Existing Clients with No Credit	25
003	Existing Borrowers with No Credit	21
004	Existing Borrowers	70
005	Borrowers with Arrears	3
006	New Client for Bank (with Credit History)	6
007	Existing Client (Credit Relationship with EPCGF)	13
Total		186

News & Publications

The European Palestinian Credit Guarantee Foundation (EPCGF) launched a joint initiative with the European Union (EU) and KfW Development Bank to promote financial and social inclusion in underprivileged regions of Palestine, including East Jerusalem, Area C, and the Gaza Strip.

The EU Mandate was released to EPCGF's financial institution partners at an official ceremony held at the Palestine Monetary Authority, on the 13th of March 2023.

The initiative involves extending loan guarantees to partner banks and Microfinance Institutions (MFIs) in these marginalized areas, by offering subsidized fees to encourage the flow of funds towards underrepresented areas and markets. The initiative also includes technical assistance in the form of a customized SME Diploma for 600 individuals aimed at building the capacity and resources of Palestinian FIs, 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.

