

## WEST BANK/GAZA LOAN GUARANTEE FACILITY MONTHLY PROGRESS REPORT JANUARY 2009

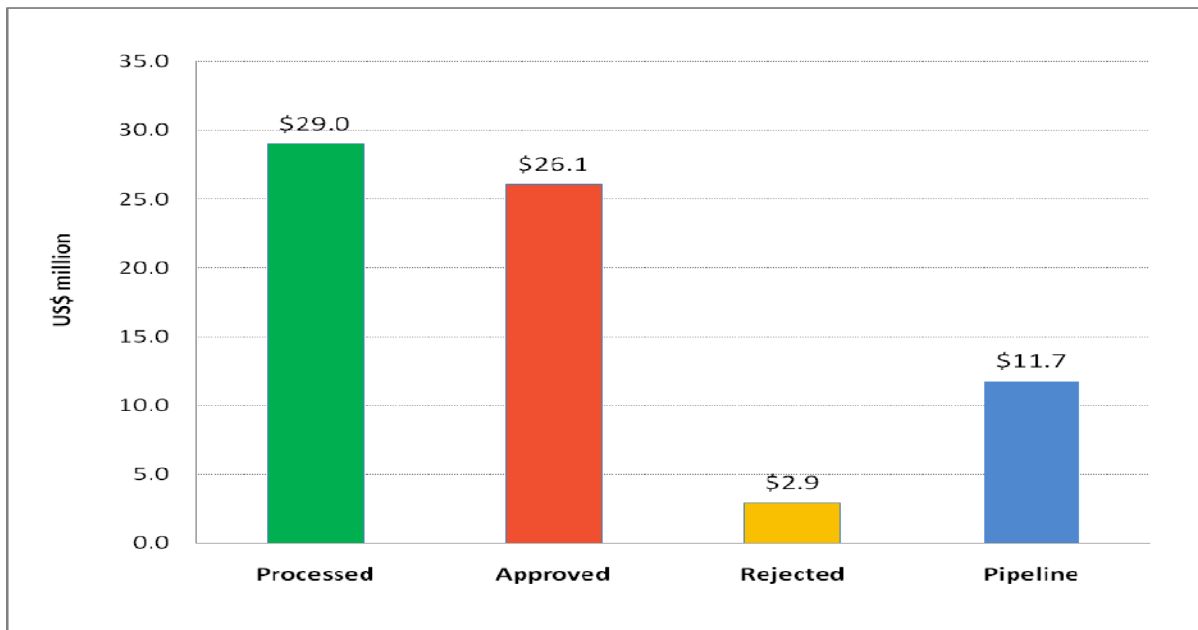
### A. Loan Guarantee Facility (LGF) Progress

Despite the conflict in Gaza and anticipated slowdown in lending activities, LGF processed 4 loans during the month of January. Three loans totaling \$414,000 were approved, and one loan in the amount of \$200,000 was rejected.

As of the end of January:

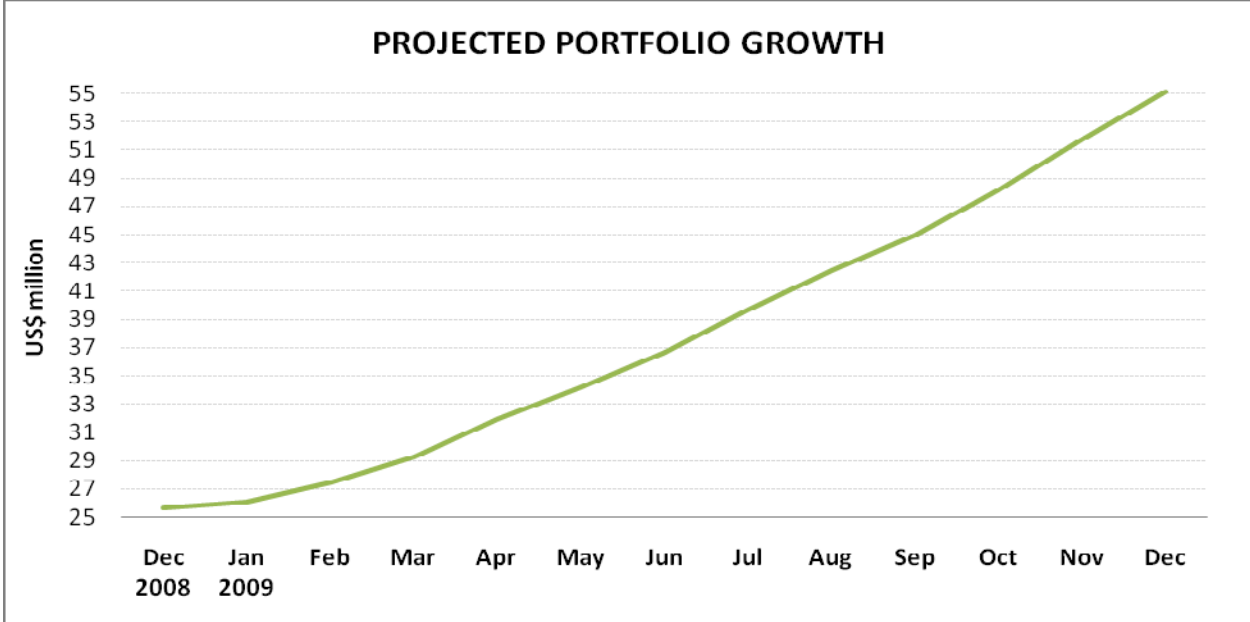
- LGF had processed 80 loan applications totaling \$29 million of which:
  - Eighteen loans totaling 2,920,000 were rejected.
  - Sixty-two loans in the amount of \$26,080,000 were approved; nine loans in the amount of \$1,820,000 were subsequently cancelled due to borrower failure to draw on the loans.
- An additional 29 loans totaling \$11.7 million were in various stages of processing (pipeline).
- The LGF portfolio (net of cancellations) consisted of 53 loans in the amount of \$24,260,000. It is estimated that these 53 guaranteed loans will generate close to 2,686 new jobs

The following graph illustrates the cumulative outcome of loans processed under LGF as of January 31, 2009.



All seven partner banks are active, and LGF staff direct work with local bank branches is yielding positive impact on the LGF pipeline (29 loans estimated at nearly \$11.7 million). However, projected growth has been adjusted downward to reflect anticipated slowdown as a result of the Gaza conflict. LGF management

anticipates a volume will pick up by the end of February. Projected activity is based on management assessments, historic growth activity, current pipeline and feedback from partner banks.



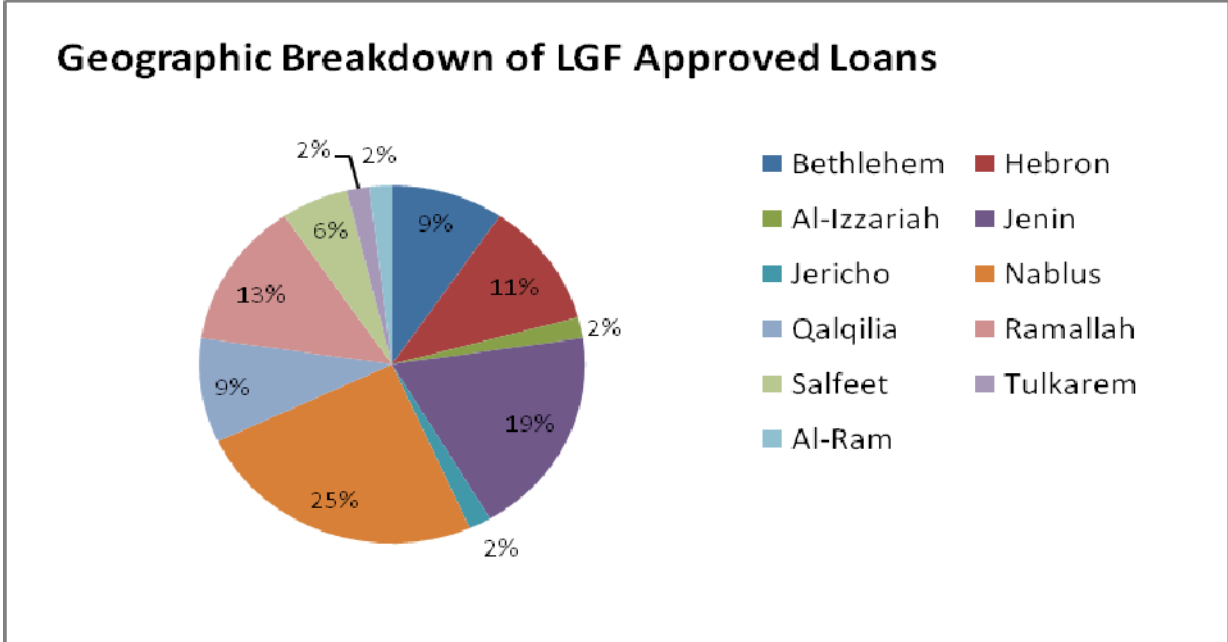
**B. Loan Guarantee Facility (LGF) Portfolio Characteristics**

Of the 53 approved loans, 44 loans in the amount of \$7,319,000 have been disbursed. The portfolio at risk (PAR), calculated for loans in arrears of more than 30 days, continues to be zero. However, there are 2 loans that are always 10-15 days late, one of which (outstanding balance of \$43,000) is showing signs of trouble and will be monitored closely by LGF management. The average loan for the 44 disbursed loans is 4 years. Loan repayments during the month of January totaled \$173,948.27 (principal: \$149,399.80 and interest: \$24,548.47). Cumulative repayments to date totaled \$783,052.42 (principal: \$617,139.56 and interest: \$165,912.86).

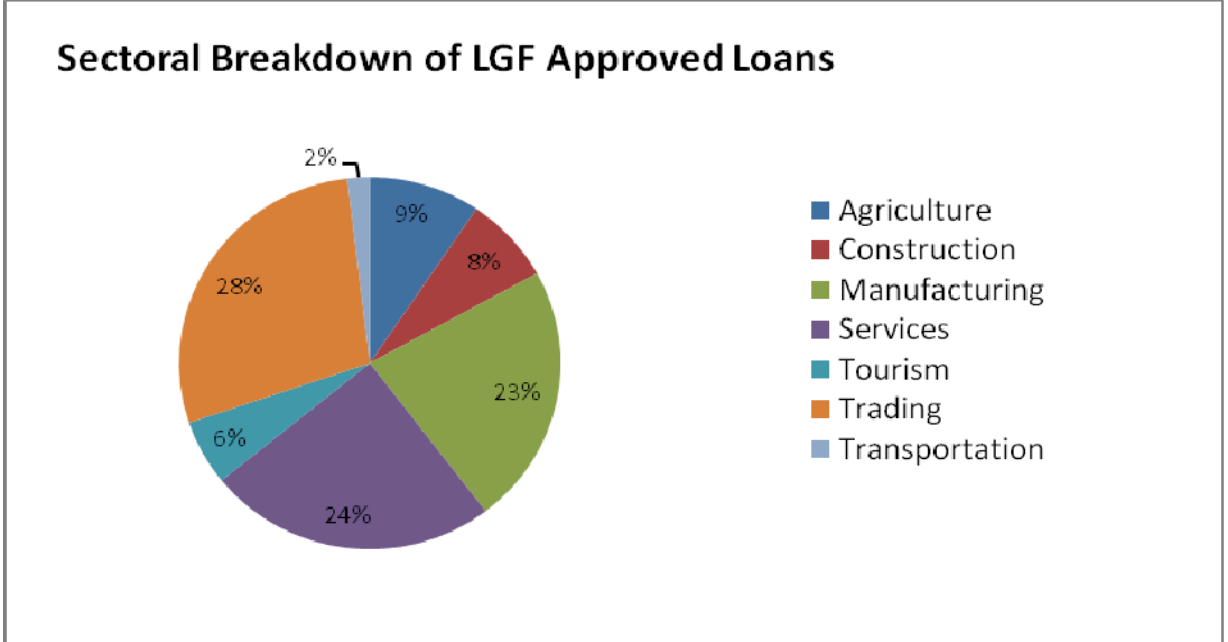
Small businesses continue to be the primary beneficiaries of LGF guarantees. Nearly 77% of LGF approved loans are between \$10,000 and \$200,000. However, LGF management detects growing demand for much larger transactions. The following chart provides a profile of LGF guaranteed loan sizes.

Loan Amount Range	Number of loans	%
\$10,000 – \$50,000	11	20.8%
\$50,001 – \$100,000	18	34.0%
\$100,001 – \$200,000	12	22.6%
\$200,001 – \$300,000	4	7.5%
\$300,001 – \$400,000	0	0.0%
\$400,001 – \$500,000	5	9.4%
>\$500,000	3	5.7%
<b>Total</b>	<b>53</b>	<b>100%</b>

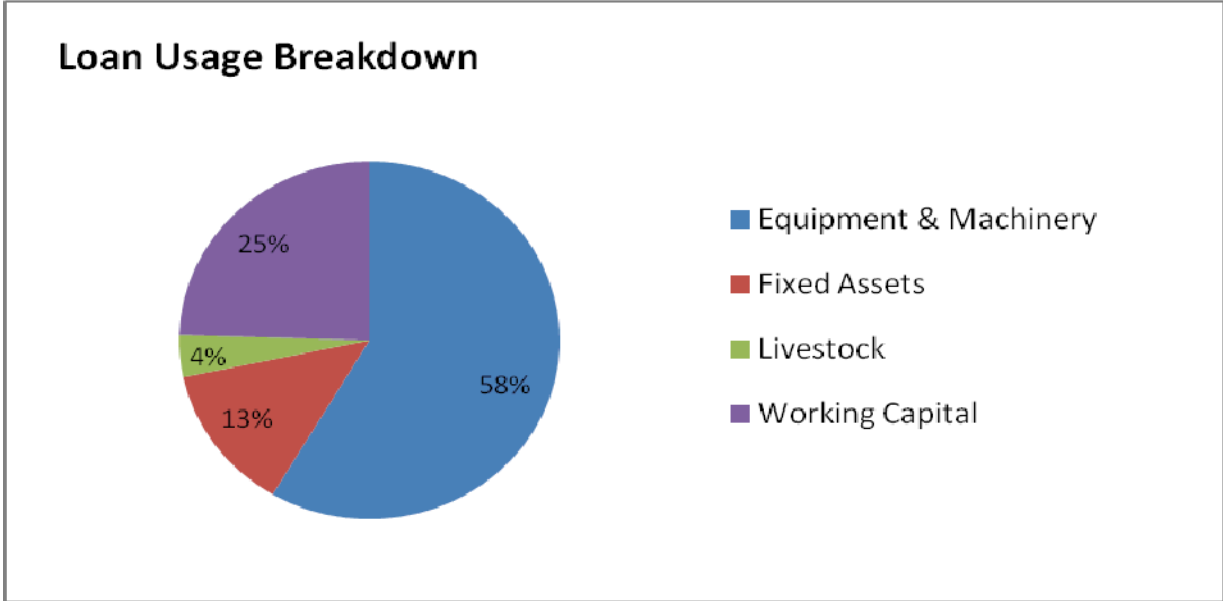
The LGF portfolio (net of cancellations) consisted of 53 loans. The charts below display the distribution of the LGF portfolio by number of loans in terms of location, economic sector, and loan usage. LGF activity in the central regions of the West Bank continues to be low compared to the Northern and Southern governorates but there are positive indications of change. Nearly 70% of the LGF portfolio is located in urban areas, and 30% is located in rural areas of the West Bank.



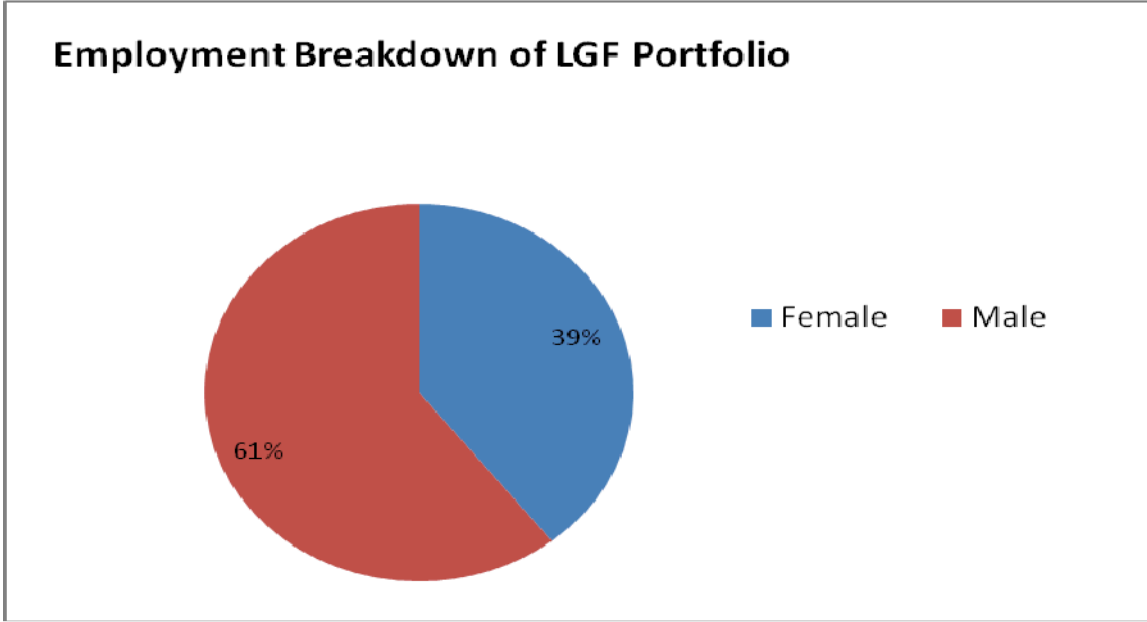
Distribution of LGF activity among productive sectors indicates continued concentration in general trade, manufacturing, and services. LGF management will closely monitor the tourism related projects as that sector is usually the first to feel the economic downturn attributable both to the deteriorating political situation and the global economy.



To date, more than 70% of LGF guaranteed loans financed procurement of equipment, machinery and fixed assets, while approximately one-quarter involved lending for working capital to support inventory and raw materials. The balance of the guarantee portfolio has facilitated investment in livestock.



It is anticipated that the 53 approved loans will generate 2,686 new jobs, of which 39% are for female workers.



### C. Technical Assistance and Training (TAT)

The Technical Assistance and Training program (TAT), funded by USAID, was re-launched in January while negotiations for a 2.5 year TAT program are underway. During the month of January, TAT trainers conducted twenty on-the-job training sessions with branch loan officers. Impact of these on-the-job training sessions is reflected in that 2 of the 3 loans, approved in January, underwent on-the-job training.

### D. Case Study

Stone and marble is arguably the only natural resource in Palestine that can be exported, other than olive oil and labor. The industry accounts for nearly 5.5% of GDP and although it is dominated by a handful of large companies, there are several thousand SMEs that make up the sector. LGF supported a local SME with a guaranteed loan of \$50,000 to purchase a hydraulic bridge crane to transfer slabs of marble and granite.

The crane will increase productivity significantly by replacing an existing semi-manual roller and lift which was continuously breaking down, and damaging the slabs. The hydraulic crane will also improve the occupational, health and safety environment by significantly minimizing the risk of worker injury during the transfer process.

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