

WEST BANK/GAZA LOAN GUARANTEE FACILITY MONTHLY PROGRESS REPORT FEBRUARY 2009

1. PROGRAM IMPLEMENTATION:

A. Loan Guarantee Facility (LGF) Progress

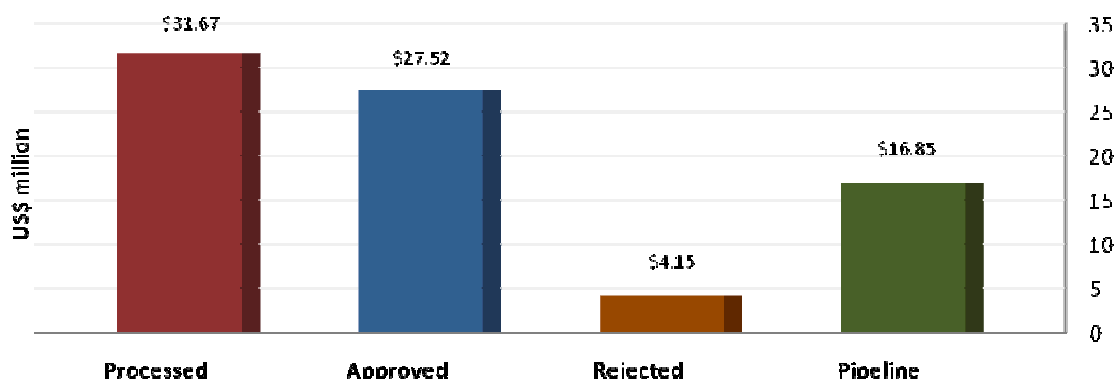
Following the cease fire in Gaza, activity volumes rebounded in February as the Loan Guarantee Facility (LGF) processed thirteen loans totaling \$2,665,600. Nine loans totaling \$1,435,600 were approved, and four loans in the amount of \$1,230,000 were rejected. Two loans were rejected due to LGF eligibility issues and the other two because of non-viability of the underlying projects.

As of the end of February:

- LGF had processed 93 loan applications totaling \$31,665,600 of which:
 - Seventy-one loans in the amount of \$27,515,600 were approved; nine loans in the amount of \$1,820,000 were subsequently cancelled due to borrower failure to draw on the loans.
 - Twenty-two loans totaling \$4,150,000 were rejected.
- An additional 34 loans totaling \$13.8 million were in various stages of processing (pipeline).
- The LGF portfolio (net of cancellations) consisted of 62 loans in the amount of \$25,695,600. It is estimated that these 62 guaranteed loans will generate approximately 2,690 new jobs.

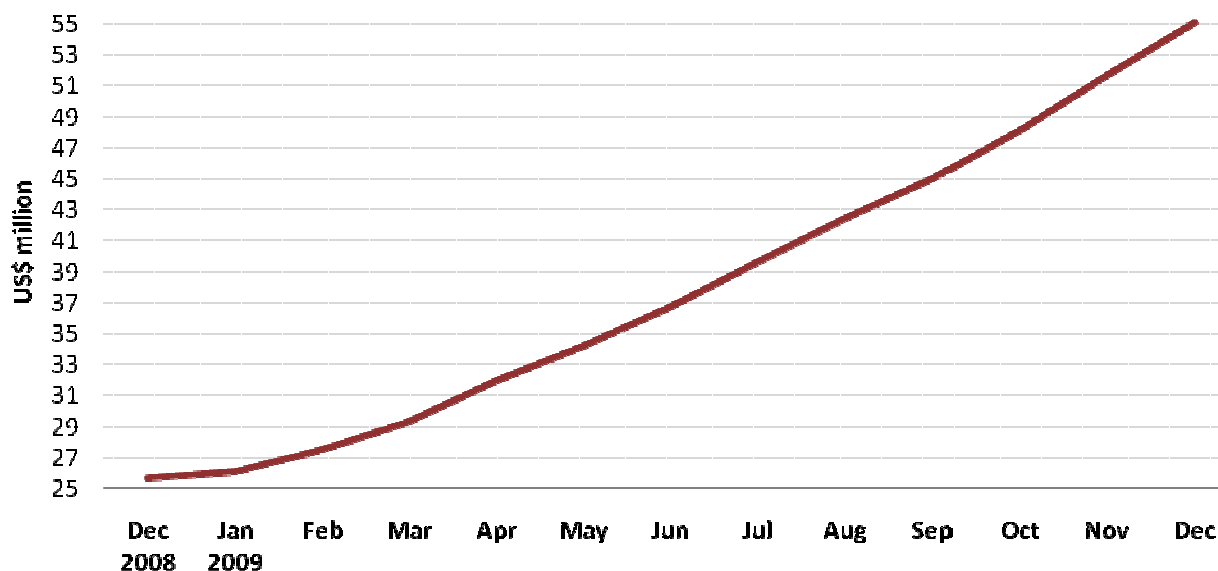
The following graph illustrates the cumulative outcome of loans processed under LGF as of February 28, 2009.

LGF PORTFOLIO STATUS AS OF END OF FEBRUARY 2009



All seven partner banks are active, and LGF staff direct work with local bank branches is yielding a positive impact on the LGF pipeline (34 loans estimated at nearly \$13.8 million). Projected activity for 2009 is based on historic growth activity, the current pipeline, and feedback from partner banks.

LGF PORTFOLIO GROWTH FORECAST FOR 2009



B. LGF Portfolio Characteristics

Of the 62 approved loans, 46, in the amount of \$7,594,000, were disbursed. The portfolio at risk (PAR), calculated for loans in arrears of more than 30 days, continues to be zero. The average loan tenor for the 46 disbursed loans is approximately 4 years. As of the end of February, there were five loans in arrears, but LGF management is not concerned because the arrears are due to timing and not repayment defaults.

Small businesses have been 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 as the pipeline includes three loans for \$1 million and above. The following chart provides a profile of LGF guaranteed loan sizes.

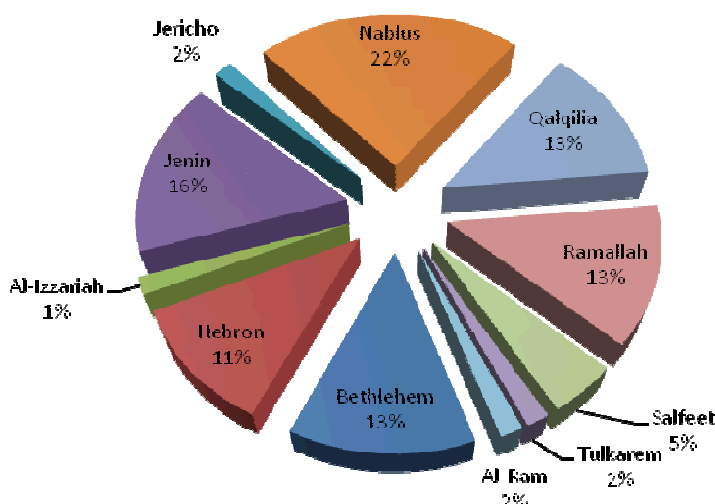
LOAN SIZE PROFILE OF LGF PORTFOLIO

Loan Amount Range	Number of loans	%
\$10,000 – \$50,000	12	19.4%
\$50,001 – \$100,000	21	33.9%
\$100,001 – \$200,000	15	24.2%
\$200,001 – \$300,000	5	8.1%
\$300,001 – \$400,000	0	0.0%
\$400,001 – \$500,000	6	9.7%
>\$500,000	3	4.8%
Total	62	100%

The LGF portfolio (net of cancellations) consisted of 62 loans. The charts below display the distribution of the LGF portfolio by number of loans in terms of location, economic sector, and loan usage.

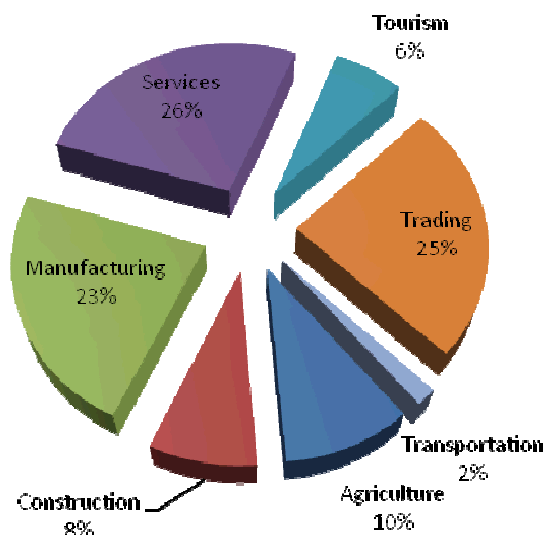
The LGF portfolio is becoming more evenly distributed throughout the West Bank, although Nablus and the other northern governorates still constitute more than 50% of the portfolio. However, 13% of the portfolio is now located around Ramallah which was not the case for most of 2008. Nearly 70% of the LGF portfolio is located in urban areas, and 30% is located in rural areas of the West Bank.

GEOGRAPHIC BREAKDOWN OF LGF PORTFOLIO



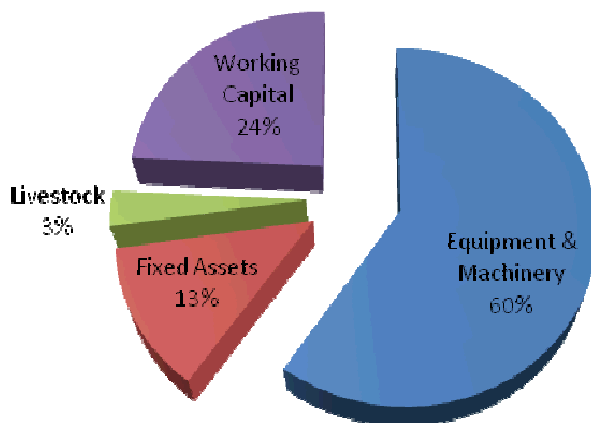
Distribution of LGF activity among productive sectors indicates continued concentration in general trade, manufacturing, and services. There has been some increased activity in the construction and agriculture sectors in 2009.

SECTORAL BREAKDOWN OF LGF PORTFOLIO



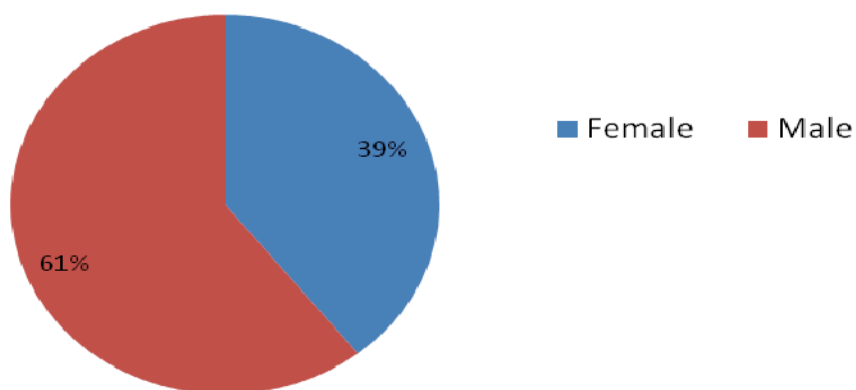
To date, more than 70% of LGF guaranteed loans financed procurement of equipment, machinery and fixed assets. Approximately one-quarter of LGF activity supported lending for working capital, mainly procurement of inventory and raw materials. The balance of the guarantee portfolio has facilitated investment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

LOAN USAGE OF LGF PORTFOLIO



It is anticipated that the 62 approved loans will generate 2,690 new jobs, of which 39% are for female workers.

Employment Breakdown of LGF Portfolio



C. Technical Assistance and Training

The Technical Assistance and Training program (TAT) that is being funded by USAID was re-launched in January while negotiations for a 2.5 year TAT program are underway. During February, TAT trainers conducted twenty-eight on-the-job training sessions with branch loan officers. Impact of these on-the-job training sessions continues to be manifested in better loan applications as five of the nine loans that were approved in February underwent on-the-job training. In addition, two off-site workshops were conducted with more than 50 participants, including loan officers, branch managers, and regional management of partner banks.

D. Case Study

The Palestinian public health sector is fragmented, underfunded and overstretched. Travel and movement restrictions in the West Bank often limit access of staff and patients to the public health facilities, and, as a result, demand for private health services is increasing. LGF supported a doctor with a guaranteed loan to finance the procurement of some medical equipment for his new clinic.

The clinic is located in a populated residential area that has been cut-off from near-by urban areas due to an Israeli security wall. As a result, a journey to the local medical center that once took five minutes can now take over an hour, assuming access is not denied. The doctor decided to open a new clinic to serve his patients who could no longer reach him in the city. The clinic offers a range of services including x-rays and blood tests, and is expected to serve at least 5,000 families.

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