

INFORMATION SUMMARY FOR THE PUBLIC

Host Country:	Palestinian territories
Name of Borrower:	The National Bank
Project Description:	Historically, lending in the Palestinian territories has been characterized by aversion to risk, overcollateralization, and, most significantly, a low capacity to assess or manage small- and medium-sized enterprise (“SME”) credit risk. The project (the “Project”) involves the provision of loan guaranty support for SMEs operating in the Palestinian territories. The loans under the Project will be made by downstream financial institutions (each, a “Borrower”) and guaranteed pursuant to guaranty facility agreements (a “GFA”) among OPIC, MEII, and each Borrower. MEII will also provide technical assistance and training (“TA”) to loan officers and mid-level management of the Borrower, enabling those institutions to better assess the creditworthiness of prospective SME borrowers and to structure loans that effectively meet the working capital or longer-term financing needs of those businesses. To address “demand”-side weaknesses, TA efforts will help SMEs on the threshold of bankability demonstrate their creditworthiness to commercial lenders. The goals of the Project, which will replace a highly successful but expiring OPIC loan guaranty facility, are to increase the number and enhance the quality of loans from private financial institutions operating in the Palestinian territories to local SMEs (the “Downstream Borrowers”), and to improve economic conditions in the Palestinian territories.
OPIC Revolving Loan Guaranty Amount for Borrower and Total Funding (and Total OPIC Revolving Loan Guaranty Amount for Project and Total Project Cost):	\$5 million, \$8.5 million (\$100 million, \$151.2 million)
Total Loan Guaranty Tenor and Guaranty Consent Period of Project:	12 year total loan guaranty tenor, 8 year guaranty consent period from execution of the first GFA under the Project.
U.S. Sponsor:	Middle East Investment Initiative (“MEII”)

Policy Review	
U.S. Economic Impact:	Capital outflows from the U.S. are expected to equal \$5.8 million from OPIC's investment guaranty and USAID funding. The Project will not have any initial or operational procurement from the United States. Total reflows to the United States in the form of repayment of OPIC loan principal and interest are expected to total \$5.3 million over the Project's first five years. There will be no exports to the United States as a result of this Project. As a result of these flows, the net impact on the U.S. balance of payments is expected to be negative \$490,000 million over the first five years.
Developmental Effects:	This Project is expected to have a highly developmental impact in the West Bank. The Borrower plans to further expand its SME portfolio as a result of this OPIC-guaranteed project. According to MEII, SMEs represent 90% of businesses in the Palestinian territories and are responsible for over 55% of all productive output and 80% of private sector labor. However, SME growth is hindered by limited access to commercial credit due to conservative lending practices in the banking sector. Through OPIC's support of the Project, MEII will continue to provide technical assistance to the Borrower, which will allow the Borrower to improve its credit underwriting and reach additional Downstream Borrowers, including a focus on underserved sectors like agriculture. Approximately 20% of loans from this Project are expected to be lent in rural areas, and the Borrower's loans will provide working, start-up, and equipment purchase capital to an estimated 60 SMEs over the first five years. The Borrower is a signatory to the UN Global Compact and will provide various community benefits to schools and hospitals or clinics in the West Bank.
Environment:	The Project has been reviewed against OPIC's categorical prohibitions and has been determined to be categorically eligible. Loans from OPIC on-lending facilities to commercial banks for SME portfolio expansion are considered financial transactions and are screened as Category C projects under OPIC's environmental and social guidelines. The Project's activities are not vulnerable to climate change and therefore a climate change resilience assessment is not needed. Environmental, health, safety and social impacts are minimal. However, in order to insure that the Borrower's loans are consistent with OPIC's statutory and policy requirements those loans under OPIC's guaranty will be subject to conditions regarding use of proceeds.
Labor and Human Rights:	OPIC's statutorily required standard worker rights language will be supplemented with provisions requiring the Project to operate

	<p>in a manner consistent with the requirements of the International Finance Corporation's Performance Standard 2 on Labor and Working Conditions. Loans to Downstream Borrowers will be restricted with respect to the Downstream Borrowers' operations, including the employment of minors and other applicable labor law requirements. Standard and supplemental contract language will be applied to all workers of the Project.</p>
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A human rights clearance was issued on April 4, 2016.