

Enhancement of the Business Environment in the Southern Mediterranean

For: Israel



A project funded by the European Union



Working Meeting of MED SBA Coordinators and Access to Finance Advisors

Preliminary Findings of the Mapping Exercise Brussels – 24 November 2015



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1. Progress of the Mapping Exercise



1) Loans

- No. of Programs/Instruments: Most of the credit supplies by private banks. There are approx. 7 philanthropic funds, besides the banks sector, which support SMEs with loans
- Total Amounts Committed/Allocated (EURO) – FY 2012 to 2014: At the end of 2014, there was about 45 Billion Euro allocated by the banks for SMEs. Besides that, during 2012-2014, there were more than 25 Million Euro loans from the philanthropic organizations.
- Origin of funds: Mostly from the private banks sector and philanthropy organizations (non government loans)
- Targets: For SMEs – Some based on population and some regional, initiate new business, young entrepreneurs, new immigrants or returning citizens
- Sectors: All sectors
- Terms of the loan: Various, depend the program



1. Progress of the Mapping Exercise



2) Loan guarantees and risk-sharing facilities

- No. of Programs/Instruments: 12 Guarantees programs
- Total Guarantees issued (EURO) – FY 2012 to 2014: The Government loan guarantees for SMEs has issued 1.15 Billion Euro and the other programs has issues about 245 Million Euro. In a new tender apply in 2016, the allocation guarantees for loans is about 3.4 Billion Euro
- Origin of funds: Government budget, the Manufacturers Association budget and philanthropy organizations
- Targets: The main fund is the Government Loan Guarantees for SMEs and the target businesses are the ones with annual turnover of up to 21 Million Euro
- Sectors: SMEs
- Terms of the guarantees: Guarantees of 60%-85% of the loan amount.



1. Progress of the Mapping Exercise



3) Equity and Venture Capital (including business angels' network)

- No. of Programs/Instruments: more than 70 Venture Capitals funds
- Total Amounts Committed/Invested (EURO) – FY 2012 to 2014: In 2013, the Venture Capital funds has invested about 487 Million Euro
- Origin of funds: Private sector
- Targets: Start-Ups
- Sectors: All sectors with no limitations (private funds)
- Terms of the equity participation: In the private sector (venture capitals) the terms are various

- ***Additional to the Venture capital programs, there are 13 programs for funding R&D and innovations with yearly budget of 317 Million Euro***



1. Progress of the Mapping Exercise



4) Micro-finance

- No. of Programs/Instruments: One program destined for Arab women (SAWA Program)
- Total Amounts Committed/Allocated (EURO) – FY 2012 to 2014: Yearly budget of 2.1 Million Euro
- Origin of funds: 50% from philanthropy organizations and 50% from the government budget
- Targets: All types of companies
- Sectors: Arab women
- Terms of the loan: Depends on the amount and the business status



1. Progress of the Mapping Exercise



5) Innovative finance (e.g. crowd funding, group lending, suppliers finance)

- No. of Programs/Instruments: There are approx. 5 platforms in the P2P market
- Total Amounts Committed/Allocated (EURO) – FY 2012 to 2014: Less than 10.6 million Euro
- Origin of funds: Private households
- Targets: Businesses, private households and self employed
- Sectors: All sectors
- Terms of the finance: Change between loans

2. Strengths and Weaknesses of the instruments



#	Instrument	Strengths	Weaknesses	Comments
1	Loans	A government institute operate by the law and based on priority decisions	The efficiency control is lacking	The government is not involve in these loans besides the central bank regulation, however, efforts are made in order to create competition in this sector
2	Loan guarantees and risk-sharing facilities	The guarantees help businesses when having difficulty to get loans from the bank. The program has a successful proven experience over the years	Besides the guarantees, the terms are not very attractive compare to the banks' terms and the fund must work with the bank sector only	This program is less attractive then the banks' terms in order to assure only businesses with difficulties to receive regular loans will submit to it.
3	Equity and venture capital	Israel considered as a Start-Up nation and assigning lots of money to the venture capital industry. Many VC options, especially for Start-Ups		The Hi-Tech and Venture Capital markets are very developed in Israel and include many government and private programs
4	Micro-finance	Helps women from the Arab sector(unemployed population) and low income to get finance to their initiatives and create independent income generating activity		Israel, as a developed country, don't need the Micro-Finance tool, except for specific sectors with specific needs
5	Innovative finance	P2P is a new market allows additional option for SMEs to receive finance, should be in better terms than the banks	There is no government control on these websites and the loan terms defined by the loaner condition. There are some difficulties to rise up due to lack of regulation	This is an embarking market and not a lot of information regard it in Israel



3. Good practices Identified



- **The Government Loan Guarantees for SMEs program has a successful proven experience over the years.**
- **The Chief of Science in the Ministry of Economy encourage and support Start-Up companies, R&D initiatives and cooperation between the industry and the academic.**
- **MAOF program have branches all over the country and providing support for businesses' owners**
- **Major support for Start-Up companies by 70 venture capital funds.**



4. Key challenges and proposed solutions



(1) Key challenges identified (such as obstacles/challenges in accessing to finance, etc.)

- The innovation capital in Israel is mainly focused in the Hi-Tech sector and lack in the other SMEs sectors.
- Need to elaborate this tool to all the sectors.

(2) What are the necessary measures to address obstacles/challenges?

- There have been a 3 years process to identify the enterprises and institutes required to implement the program

(3) What are the priority reforms needed?

- These days, 2 private funds with government protection are establishing



Thank you for your attention

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