



**The European Union's Project for ENP South Countries
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**Enhancement of the Business Environment in the
Southern Mediterranean**

**Assessment of Israeli Policies to Facilitate
Access for MSMEs**

**Prepared by: TAVOR Economic Consultant and the
Israeli SME Agency**

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Disclaimer

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Abbreviations and Acronyms

| | |
|------|--|
| A2F | Access to Finance |
| BDS | Boycott, Divestment and Sanctions |
| CEO | Chief Executive Officer |
| CFO | Chief Finance Officer |
| IFLA | Israel Free Loan Association |
| ILS | Israeli Shekel (Local Currency, can be represented also as NIS) |
| MAOF | Program supporting SMEs and businesses' owners is covering the whole territory as it has branches all over the country |
| MSME | Micro, Small and Medium sized Enterprise |
| P2P | Person to Person |

Introduction

TAVOR Economic Consultant Company has been assigned by the European Union and the Ministry of Economy in Israel to overview the options available to MSMEs to access funds and loans, either through programmes initiated by the government or by the private sector.

In this work, we reviewed all the programs, funds, loans and equity facilities available in Israel and checked the efficiency of these programs from the perspective of operators by surveying executives of SMEs (CEO, CFO, company owners)¹.

Country fact sheets

2.1 Summary of main financial instruments

At the end of 2014, there were more than 530,000 operating businesses in Israel, 99% of them estimated to be SMEs, i.e. having a yearly turnover of less than ILS 103.53 million (EUR 24.3 million) (small business threshold being set at sales below ILS 25.5 million (EUR 6 million)). In 2014, about 10,000 new businesses were opened (net, about 52,000 were opened and about 42,000 were closed), reflecting a positive entrepreneurship dynamic.

1. Bank loans and facilities – The banking sector is rather concentrated with five large bank groups supplying the majority of the credit for businesses in Israel. These banks also own the 3 Credit Card companies operating in Israel. At the end of 2014, the banks' outstanding credit balance for all businesses was ILS 464 billion (EUR 109 billion), out of which ILS 220 billion (EUR 51.5 billion) were assigned to SMEs (47.3%). As regards the production, in 2014, these companies have supplied about ILS 2.590 billion (EUR 607.8 million) in credit for businesses, most of it is for short term.

Besides the banks, the SMEs agency in the Ministry of Economy operates to help SMEs access finance and several private venture capital funds have been launched that invest mostly in Start-Ups.

Beyond the above mentioned banks, there are 3 public credit companies in Israel, which supplied about ILS 1.5 billion (EUR 364 million) credit in 2014, most of it for less than 1 year.

2. Guarantee funds and risk-sharing mechanism – There are many programs in Israel facilitating SMEs access credit, loans, guarantees or equity. These programs are operated by the government and/or some private agencies and offer guarantees and various risk-sharing instruments in case the owners are not able to get credit or equity due to the risk profile of the business. These guarantees help the SMEs start or expand their business, however, if the business fails, the owner is still obliged to return the loan (recourse)

¹ Although the request was to have a focus group, due to time constrain, the Ministry of Economy representative approved to have a survey instead

3. Private equity and venture capital – The venture capital market is very developed in Israel. Most of the Hi-Tech industry in Israel is funded by private venture capital funds, government support and the Chief of Science programs. There are approximately 70 venture capital funds in Israel, including 14 offices of international funds, which invested about ILS 2.4 billion (EUR 560 million) in 2013.

Additional to the Venture capital programs, there are 13 programs for funding R&D and innovations with yearly budget of ILS 1.5 billion (EUR 365 million).

4. Leasing and factoring– The leasing market in Israel is mainly in the automobile sector (in 2014, 9% of the cars in Israel were owned by leasing companies²).

There are 3 public companies offer factoring services by prepaying future payments by cheques to help SMEs manage and control their cash flow.

5. Microfinance and innovative finance – A new market for P2P loans has now started to be developed in Israel over web platforms that connect debtors and lenders without any broker or intermediary. In this way, both parties can get better terms and the lenders can decrease the risk by diversifying its portfolio risk among many project carriers and micro-enterprises.

Besides that, there are some loan funds with no interest, such as KORET fund and the IFLA fund, as further detailed in the next section.

6. Others (e.g. grant schemes, honour loans) – The government developed programs in order to foster employment of fragile populations, notably in the peripheries and by assisting SMEs in hiring and training new employees.

Additional programs, also sponsored by the government, encourage SMEs to invest in new equipment, in order to increase the productivity.

Most of the data can be found in the SME agency in the Ministry of Economy website³, or in the yearly reports of the banks and public companies.

² http://www.cbs.gov.il/reader/newhodaot/hodaa_template.html?hodaa=201527082

³ <http://sba.economy.gov.il/Programs/Funds/Pages/default.aspx>

Definition of SMEs in Israel⁴

The Israeli national Small and Medium Business Agency (SMBA) defines SMEs as follows:

- Micro business: up to 4 employees and an annual turnover of up to ILS 1 million (EUR 207,000).
- Small business: up to 20 employees and an annual turnover of up to ILS 10 million (EUR 2 million).
- Medium Business: up to 100 employees and an annual turnover of up to ILS 100 million (EUR 20 million).

⁴ Source : OECD/The European Commission/ETF (2014), SME Policy Index: The Mediterranean Middle East and North Africa 2014: Implementation of the Small Business Act for Europe, OECD Publishing.

2.2 Financial Instruments Available

| Loan | |
|-------------------------------------|---|
| Programme | Galilee Fund |
| Characteristics | GF is a loan fund that was established to encourage the business activity and create jobs in the Galilee area. The fund was initiated in 2004. The main conditions are: Loan amount is between ILS 103,700 – 166,000 (EUR 24,300-39,000), up to 4 years and against guarantees. The loan doesn't bear any interest; however, there is a payment of ILS 470 (EUR 110) to submit the request and 6% interests on the outstanding loan balance during the loan life. |
| Total Amount committed | About ILS 6.4 million (EUR 1.5 million each year) |
| Application procedure | <p>Application Submission: Submit the initial request through the relevant form, receive principle approval from the fund's representative in order to continue with the process and submit Business Plan. The plan must meet the guidelines provided on the website.</p> <p>Application Approval: Meeting with the fund's manager. The meeting takes place at the business site. After the meeting, the fund's committee will discuss the request. The result should be given to the requester up to 15 business days.</p> <p>Loan Realization: In order to receive the loan, the requester should sign all the guarantees, declaration, and other documents for the bank.</p> <p>Loan Disbursement: The loan money is received based on the progress of the business plan upon the fund's manager approval.</p> |
| Eligibility and restrictions | <p>The following is not eligible:</p> <ul style="list-style-type: none"> • Refinancing loan • Enterprises that are eligible to other loans • Requester that have free cash in his account • Restricted sectors • Business that still have a loan from this fund or the Israel Society Loan without Interest |
| Terms | <ul style="list-style-type: none"> • The key eligibility criteria is job creation (except for working capital loans); If the business plan entails reducing manpower in absence of any loan, , meaning that the loan will contribute preserving employment, the job creation condition can be waived. • Loan period up to 4 years • Loan amount up to 80% of the investment and between ILS 103,700 – 166,000 (EUR 24,300-39,000) • No "grace" period, however, number of instalments can be changed as per the borrower requirements • For each loan need to have two guarantees and owner must between 24 and 67 years old • The loan is without interest pay • The cost of the loan is ILS 470 (EUR 110) to open the request and 6% along the loan life. |
| Contact | <p>Post Office Box 5103, Carmiel Phone : +972-52-2364423 http://www.galileefund.org/</p> |
| Link | http://www.galileefund.org/about-1.html |

| Loan | |
|-------------------------------------|---|
| Programme | The Israel Free Loan Association (IFLA) Small Business Fund |
| Characteristics | <p>There are several programs offered: <u>The Small business</u> loans offer up to ILS 93,750 (EUR 22,000) without interest and offer the opportunity to open a small business, expand it, acquire equipment, stabilize cash flow, and even provide employment and livelihood. The loan period is up to 45 months. The Operation Capital offers up to ILS 64,000 (EUR 15,000) to improve the monthly income and the ability to deal with supplier's credit or liquidity issues.</p> |
| Total Amount committed | <p>2012: ILS 25 million (EUR 6 million) 2013: ILS 32 million (EUR 7.5 million) 2014: ILS 45.5 million (EUR 10.7 million)</p> |
| Application procedure | <ul style="list-style-type: none"> • Stage A: Complete the application forms, and attach all of the requirement documents. • Stage B: The application with all the required attachments will be submitted to the Loan Committee for its decision. In the event that the application is authorized, the borrower must submit a bank standing order and 3 guarantors. • Stage C: After completion of stages A and B borrowers are required to visit the IFLA office for an interview. In addition to the sponsor, all the partners and/or shareholders are required to attend. The payment check from IFLA is dated on the first Friday following the date of completion of the entire process. |
| Eligibility and restrictions | <p>The following is not eligible:</p> <ul style="list-style-type: none"> • Requester with an open loan from the association • If the requester's bank account is restricted, need to wait 1 year after release of the account • Only for businesses with annual turnover up to ILS 1.8 million (EUR 438 000) |
| Terms | <ul style="list-style-type: none"> • Loan amount – between ILS 47,000 – 94,000 (EUR 11,000-22,000) • Interest free; • For business with a monthly turnover of up to ILS 155,000 (EUR 36,500); • Loan period is up to 45 months; • Sign guarantors; • The requesters should be between age of 22-67 years old; • All business loan applications must include a business plan prepared by a business advisor from the MAOF or MATI organizations or by an advisor approved by IFLA. |
| Contact | <p>29 Rivka Street (Talpiot), Jerusalem Phone: +972 2 530 0780 Email: ifla@freeloan.org.il http://www.israelfreeloan.org.il/en/</p> |
| Link | http://www.israelfreeloan.org.il/en/main/small-buisness-loan/ |

| Loan | |
|-------------------------------------|--|
| Programme | Keren Nathan Seed Fund |
| Characteristics | The fund was established on 2008 to help new initiators with low budget to open a new business in Israel. The loan is up to ILS 247,000 (EUR 58,000), with no interest nor guarantors |
| Total Amount committed | Not Available |
| Application procedure | If the requester's application includes all the requested documents: <ul style="list-style-type: none"> • An interview in the fund's offices if organized; • The loan is approved and the terms of the loan are determined. |
| Eligibility and restrictions | <ul style="list-style-type: none"> • Only for new initiators; • Only for new business. |
| Terms | <ul style="list-style-type: none"> • The requester is an Israeli resident and live in Israel; • The fund is for new business and the first one the initiator; • Lack of access to other finance resources; • The initiator should have an idea, business plan and experience; • Loan amount up to ILS 247,000 (EUR 58,000); • The loan has no interest and no need for guarantors. |
| Contact | 11 Tuval st. Ramat Gan, Tel Aviv Phone: +972-3-5750149 http://nksf.org.il/ |
| Link | http://nksf.org.il/about |

| Loan | |
|-------------------------------------|---|
| Programme | Keren Shemesh Fund or Young Entrepreneurs |
| Characteristics | <p>Keren-Shemesh is a philanthropic organization whose aim is to assist young entrepreneurs in establishing their first business, creating jobs for themselves and others. These young entrepreneurs, who carry with them passion, drive, and enormous potential, are essential parts of the Israeli economy. The foundation provides the relationships, guidance, and tools to turn this drive into a successful business. Since the foundation establishment in November 2005, it has provided support to over 2,000 new businesses.</p> <p>The foundation has a network of over 400 mentors whose extensive and varied business experience provides invaluable guidance to young entrepreneurs beginning their way. These mentors volunteer their time and energy to support these young professionals with concrete business advice, and guidance in the wide range of needs involved in launching a business.</p> <p>The Keren-Shemesh community also extends a variety of additional resources for entrepreneurs (e.g., subsidized business consulting from outside organizations, workshops, courses, conferences).</p> <p>Keren-Shemesh receives most of its funding from one of the organization's founders, the Edmond J. Safra Foundation, and is the only organization in Israel to work with the support and network of Young Business International. A worldwide network of independent non-profit organizations, YBI similarly works to carry young people around the world through the launch of new businesses and the creation of jobs. They also benefit from partnerships with some of the most central organizations in the assistance of businesses and entrepreneurs in Israel, including local and foreign institutions, the Israel Free Loan Association, the Jewish Agency and regional organizations throughout the country.</p> |
| Total Amount committed | Not Available |
| Application procedure | This program is managed by the foundation and operate either by KORET Foundation or by IFLA |
| Eligibility and restrictions | <ul style="list-style-type: none"> • Target population: Young entrepreneurs (20-35 years old); • In process of building the basis for their business (just before opening or during the first year of operations); • After having tested their business idea and its feasibility; • Intent on making their living off of their business; • The business should operate in Israel. |
| Terms | <ul style="list-style-type: none"> • It must be his/her first business venture; • Maximum credit line: ILS 94,000 (EUR 22,000) ; • Interest: Prime (by KORET) or None (by IFLA); • Payment period: 5 years (up to 3 months grace); • Securities: up to ILS 52,000 (EUR 12,000) - 1 guarantor, above ILS 52,000 (EUR 12,000) - 2 guarantors (by KORET) or up to 4 guarantors (based on IFLA decision); • The loans are given through Bank Otzar Hachayal. |
| Contact | <p>The Keren Shemesh Foundation for Young Entrepreneurs "Rose" House 18 Yosef Kairo 2nd Floor Tel Aviv, Israel Tel: +972 3 561 3343 Email: info@keren-shemesh.org.il</p> |
| Link | http://ksh.org.il/ |

| Loan | |
|-------------------------------------|--|
| Programme | KIEDS funds (KORET – Economic Development Funds) |
| Characteristics | <p>KIEDF was established in 1994 to demonstrate that deploying philanthropy efficiently and effectively can stimulate economic expansion and create employment opportunities in Israel.</p> <p>KIEDF help people help themselves achieve self-sufficiency and personal dignity, contributing to a stronger private sector economy in Israel.</p> <p>The foundation addresses the major problems of small and medium-sized businesses in Israel - access to credit.</p> |
| Total Amount committed | <p>Since inception, KIEDF has facilitated over ILS 905 million (EUR 212.5 million in financing to over 8,500 small and micro businesses in Israel while creating and supporting more than 45,000 jobs.</p> <ul style="list-style-type: none"> • 2012: ILS 53.2 Million (EUR 12.5 Million); • 2013: ILS 31.5 Million (EUR 7.4 Million); • 2014: ILS 90.7 Million (EUR 21.3 Million). |
| Application procedure | <ul style="list-style-type: none"> • Send the request form to the foundation • The request is examining by the foundation • Additional examination in the Bank, including a meeting with the entrepreneur. Send the result to the foundation • If the request deny – inform the entrepreneur • If the request accepted – prepare a business plan with the foundation authorized consultant • Check the business plan in the credit committee • Execute in the Bank |
| Eligibility and restrictions | <ul style="list-style-type: none"> • KIEDF Small & Medium Business Loan Funds Leveraging loan guarantees and providing interest subsidies to facilitate financing to small businesses lacking access to credit on reasonable terms. In partnership with Bank Otzar Hachayal and Discount Bank. • KIEDF Israeli-Arab Business Loan Fund Serving the Israeli Arab sector, the fund provides guarantees to facilitate credit to small business lacking sufficient securities to obtain financing on reasonable terms. KIEDF continues to expand this program to ensure Arab Israeli small business owners have a better opportunity to secure and support the development of their enterprises. • KIEDF MicroCredit Loan Fund Only for private customers who owns micro business Mainly for populations having difficulty that can't receive loans from the banking system due to lack of guarantees The loan purpose is only for establish new business or expending an existing one. • SAWA Direct Non-Bank Loan Fund Only for Arab women |
| Terms | <ul style="list-style-type: none"> • KIEDF Small & Medium Business Loan Funds <ul style="list-style-type: none"> ○ Loan Amount: Between ILS 51,800 – 775,000 (EUR 12,000 – 182,000) ○ Average Guarantee by the fund: 50% ○ Loan Period: Up to 5 years with option for “grace” period of 6 months ○ Interest: Prime + 1.5% ○ Guarantees: Personal guarantee by the entrepreneur or their couples ○ Commission: Based on the Bank standards • KIEDF Israeli Arab Business Loan Fund <ul style="list-style-type: none"> ○ Loan Amount: up to ILS 518,000 (EUR 122,000) ○ Average Guarantee by the fund: 60% ○ Loan Period: Up to 5 years with option for “grace” period of 3 months |

| | |
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| | <ul style="list-style-type: none"> ○ Interest: Prime + 2.5% ○ Guarantees: Personal guarantee by the entrepreneur or their couples ○ Commission: Based on the Bank standards ○ Business Plan: Need to be prepared by one of the authorized consultants. • KIEDF MicroCredit Loan Fund <ul style="list-style-type: none"> ○ Loan amount: Up to ILS 30,000 (EUR 7,000) • SAWA Direct Non-Bank Loan Fund <ul style="list-style-type: none"> ○ Loan amount: Up to ILS 30,000 (EUR 7,000) ○ Economic Development of Minority Sectors in the Prime Minister's Office providing 50% matching for operation of the SAWA non-bank lending model to Arab Israeli women |
| Contact | <p>KIEDF Administrative Office 8 b, Henrietta Szold St. Beer-Sheva 84894, Israel HOTLINE (Israel): 1-700-50-90-10 Tel (Intl) 972-8-627-96-42 Fax: 972-8-623-01-71 e-mail: koret-il@zahav.net.il</p> |
| Link | http://www.kiedf.net/ |

| Loan | |
|-------------------------------------|--|
| Programme | Daroma-Tzafona Fund (South-North Fund) |
| Characteristics | <p>Daroma-Tzafona was founded by a number of private entrepreneurs, headed by the industrialist Mr. Eitan Wertheimer and in active partnership with the Jewish Agency for Israel. The company is a non-profit organization and is incorporated as a Company for the Benefit of the Public. The activities of the company are entirely funded through donations by the company's owners and support from the Jewish Federations of North America through the Jewish Agency.</p> <p><u>Business Loans:</u> The program provides subsidized bank loans that are partially guaranteed by Daroma-Tzafona and whose terms are set in advance for all businesses which are found to meet the criteria. These loans are intended for businesses able to contribute sustainable added value to the region by broadening their activities, hiring new employees, developing and producing new products, increasing direct or indirect exports, and entering new markets in Israel and overseas. The program is conducted in full cooperation with the retail and business divisions of the Mizrahi-Tefahot Bank.</p> <p><u>Equipment Financing:</u> Non-Bank Loans for industrial equipment in cooperation with Ampa Capital. This tool began operations in July 2012, and in this framework, subsidized non-bank loans are given solely for acquiring industrial equipment, with soft terms for all businesses who meet the criteria.</p> |
| Total Amount committed | <ul style="list-style-type: none"> • 2012: ILS 110.750 Million (EUR 26 Million) • 2013: ILS 102.250 Million (EUR 24 Million) • 2014: ILS 125 Million (EUR 29.3 Million) |
| Application procedure | <p><u>Business Loans:</u></p> <ul style="list-style-type: none"> • Application to Receive a Loan: The request can be made in a number of ways – through the fund's web site, by phone, by email, or by fax. • The sponsor fills out a preliminary application form. Upon receiving the completed questionnaire, a preliminary assessment will be carried out by the staff of Daroma-Tzafona and the Mizrahi-Tefahot Bank. • Referral of an economic consultant by Daroma-Tzafona: After assessment of the preliminary questionnaire, a consultant will prepare a diagnostic report for the business as well as a business plan according to the fund's requirements. The business will be required to pay for the consultant only if their loan is approved. Otherwise, Daroma-Tzafona will cover the entire cost. • A visit to the business and the gathering of the joined credit committee: After receiving all the materials required from the consultant, representatives of Daroma-Tzafona and the Bank will visit the business in order to learn first-hand about the business and its managers. • Loan approval/disapproval is discussed at the monthly joint Daroma-Tzafona and the bank Credit Committee meetings. • If the loan is approved, the business opens a designated no fee bank account for the purpose of the loan. <p><u>Equipment Financing:</u></p> <ul style="list-style-type: none"> • Similar to the Business Loans procedure. |
| Eligibility and restrictions | <p><u>Business Loans:</u></p> <ul style="list-style-type: none"> • Small to midsize manufacturing businesses with at least ILS 5.1 million (EUR 1.2 million) and up to ILS 83 million (EUR 19.5 million) in annual turnover • Businesses which export or have export promise, growth potential and the ability to contribute significant added value to themselves and their surroundings • Business location: <ul style="list-style-type: none"> ○ In the north – The Galilee, Valleys and Golan regions including the areas surrounding Acre, Nahariya, Ma'alot, Karmiel, Shefaram, Yokne'am, Nazareth, Afula, Bet She'an, Tiberius, Kiryat Shemona, |

| | |
|----------------|---|
| | <p>Katzrin and others – not including Haifa.</p> <ul style="list-style-type: none"> ○ In the south – All of the areas of the Negev including the areas around the towns of Ashkelon, Kiryat Malachi, Kiryat Gat, Be'er Sheva, Sderot, Netivot, Ofakim, Dimona, Yeruham, the southern Dead Sea region, the Arava, down to Eilat <p><u>Equipment Financing:</u></p> <ul style="list-style-type: none"> • Small to midsize manufacturing businesses with at least ILS 3.1 million (EUR 730 thousands 000) capital and up to ILS 83 million (EUR 19.5 million) in annual turnover • Businesses that export or have export growth potential, and the ability to generate significant added value and have a trigger effect on their surroundings. • Business location: Same as Business Loans. |
| Terms | <p><u>Business Loans:</u></p> <ul style="list-style-type: none"> • Loan Amount: Up to sum of ILS 2 million (EUR 486 000) • Annual interest rate: Annual interest rate of Prime + 1.5% • Repayment period: Repayment period of up to 60 months (including up to a 6 month grace period). • Required Guarantees: The business is asked to put up to 40% of the loan in material guarantees (liens on new equipment, other assets belonging to the business, financial deposits, and the like). In addition, the owners must sign a personal guarantee for the entire sum. <p><u>Equipment Financing:</u></p> <ul style="list-style-type: none"> • Loan Amount: Up to sum of ILS 2 million (EUR 486 000) • Finance rate of 90% of purchased equipment • Annual interest rate of 6% + ILS index linked • Repayment period of up to 60 months • Required Guarantees – the equipment is being subordinated for Ampa Capital + the owners must sign a personal guaranty for the entire sum. • A 50% discount will be given on Ampa Capital fees to clients whose loans are approved. |
| Contact | <p>15 Mahanayim Upper Galilee. Akko Tel. +972.4.999.0959 http://www.daroma-tzafona.org.il/home</p> |
| Link | <p>http://www.daroma-tzafona.org.il/funding</p> |

| Loan | |
|-------------------------------------|---|
| Programme | Sulam Fund |
| Characteristics | The purpose of this fund is to help establish new small & medium business or expand existing ones in various sectors in Arab areas |
| Total Amount committed | Not Available |
| Application procedure | <ul style="list-style-type: none"> • Submit a request form with the following: <ul style="list-style-type: none"> ○ Last 3 financial reports ○ Last 3 months bank report ○ Balance report ○ ID ○ Guarantors' details |
| Eligibility and restrictions | <ul style="list-style-type: none"> • The fund money should be used only for the purpose approved • 20% equity of the investment plan • No bank or financial Eligibility and restrictions |
| Terms | <ul style="list-style-type: none"> • Loan Amount up to ILS 1.4 million (EUR 33,000) • Loan period up to 5 years • Interest: Prime + 2% • 2 Guarantees for loan above ILS 61,700 (EUR 14,500) and one for smaller loans • Execute by Discount Bank • The fund supply guarantee for 50% of the loan • 50% discount for the commissions • Priority to Arab women |
| Contact | Phone: +972-9-9719907 / +972-54-7737360 sulam@cjaed.org.il |
| Link | www.cjaed.org.il (need account to access the website) |

| Loan | |
|-------------------------------------|--|
| Programme | Ashkelon Fund |
| Characteristics | This fund operate together with Baltimore fund in order to expand business, help business with problems and requirement new employees, all in purpose to reduce the unemployment in Ashkelon city. |
| Total Amount committed | Not Available |
| Application procedure | Not Available |
| Eligibility and restrictions | <ul style="list-style-type: none"> • The business exists at least 6 months and operates in Ashkelon • Up to ILS 1.25 million (EUR 292,000) annual turnover • The loan will help to requirement additional new employees or avoid firing existing employees • The borrower and the guarantors are between 21-65 years old • No restriction in the bank nor the municipal account • Professional business plan with all relevant documents |
| Terms | <ul style="list-style-type: none"> • Loan amount up to ILS 52.000 (EUR 12.000) • Loan period up to 3 years • Interest: Prime • Guarantees: By the business owner and additional guarantee |
| Contact | 1254 Herzel st, Ashkelon Phone: +972-8-6751022/33/44 ashfound@gmail.com http://www.keren-ashkelon.org.il/ |
| Link | http://heb.keren-ashkelon.org.il/baltimoreashkelonpartnership/ |

| Loan | |
|-------------------------------------|---|
| Programme | <p>The Jewish Agency manages six Loan funds covering all of Israel's geographic and social periphery</p> <ul style="list-style-type: none"> • UJA Federation of New York Loan Fund for Israel • The UJA Federation of New York Entrepreneurial Fund for Jerusalem • Western Galilee Loan Fund • Ness Negev Business Loan Fund • The Detroit Loan Fund for Development • The Pittsburgh Loan Fund |
| Characteristics | <p>The Loan Funds Initiative is one of the Jewish Agency's most successful programs for creating employment opportunities, impacting Israeli society and stimulating the economy in Jerusalem, the Negev and the Galilee.</p> <p>The Loan Funds assist entrepreneurs and business owners in Israel to open or expand their businesses, through guarantees for loans with highly attractive conditions. The Jewish Agency acts as a partial guarantor for the loans, to support those businesses that otherwise would have a difficult time qualifying for loans or presenting the necessary collateral for them.</p> <p>The loans are given both on a geographic basis covering Jerusalem, the Negev and the Galilee areas, and on a social basis with funds for new immigrants to Israel; members of the Ethiopian-Israeli community; the ultra-Orthodox population; and the Arab-Israeli population</p> |
| Total Amount committed | So far, The Jewish Agency loans beneficiaries have guaranteed a total of nearly ILS 176 million (EUR 41.3 million) in loans |
| Application procedure | <ul style="list-style-type: none"> • First Stage: Submit the initial request and receive a principle approval from The Center to encourage business and the bank. The request should contain information regard the business or the idea, the loan purpose and the desired amount. • Second Stage: The requester should contact the Business Consultant who authorized to submit the requests to The Center to encourage business in order to prepare a business plan. This plan will be presented to a public committee that includes representatives from the bank, The Center to encourage business and chairman of the committee. • Third Stage: If the business plan was approved in the committee, the requester can contact the bank to receive the loan based on the conditions were set. |
| Eligibility and restrictions | <ul style="list-style-type: none"> • Each fund had a list of cities and areas the fund is supporting • Business with Non-Israeli owners • Debt replacement is not allowed • Requests for investments that can be financed easily in other ways to finance (such for cars) • Request that should be used only to fund working capital or inventory, includes for salary (except for The Pittsburgh Loan Fund) |
| Terms | <ul style="list-style-type: none"> • Guarantee: Up to 70% from the loan amount (In the UJA Federation of New York Loan Fund for Israel it's up to 95%) • Loan Amount: Up to ILS 311,000 (EUR 73,000) (In The UJA Federation of New York Entrepreneurial Fund for Jerusalem is up to ILS 362,000 (EUR 85,000)) • Bank: OTSAR HA-HAYAL from FIBI Group • Interest: Prime + 1.5% • Loan Period: Up to 6 years with up to 1 year of "grace" period • The business is located in one of the cities of the funds list or in New Olim (up to 10 years), Ethiopian community, Olim from the Caucasus region with no "time" limit, Haredi (ultra-orthodox) community, Arab community. |
| Contact | <p>48 King George st. Jerusalem Phone: +972-2-6202222 http://www.jewishagency.org/</p> |
| Link | <p>http://www.jewishagency.org/loan-funds/program/13706 http://www.jewishagency.org/he/loan-funds/program/9836</p> |

| Loan | |
|-------------------------------------|---|
| Programme | Reshef Fund |
| Characteristics | This fund managed by the women economic empowerment association in purpose to help women to achieve financial independence and stability when opening or expanding business. |
| Total Amount committed | Not Available |
| Application procedure | Not Available |
| Eligibility and restrictions | <ul style="list-style-type: none"> • Only for women own small business who completed the “Your Own Business” program • The borrower commit to participate in business consultant program |
| Terms | <ul style="list-style-type: none"> • Loan amount up to ILS 10,500 (EUR 2,500) for women with restricted bank account or the bank didn't approve their request for loan from any other reason • Small loans to fund purchases to anticipate bazars or to complete open orders • Loan period up to 1.5 years • No need for guarantees |
| Contact | 102 Haa'tzmaut st. Haifa Phone: +972-4-8520027 Mail: ew@womensown.org.il |
| Link | http://www.womensown.org.il/default.aspx |

| Micro /Loan | |
|-------------------------------------|---|
| Programme | Boston Fund |
| Characteristics | Loan fund for Haifa area (North of Israel) intended for establishing or expanding new/existing business. The loan is for working capital and help businesses that have difficulties to receive loans through the banks |
| Total Amount committed | Not Available |
| Application procedure | Submit the request through MATI Haifa |
| Eligibility and restrictions | <ul style="list-style-type: none"> • Only for business owners from Haifa area |
| Terms | <ul style="list-style-type: none"> • Loan Amount <ul style="list-style-type: none"> ○ Business up to 1 year – up to ILS 103,500 (EUR 24,000) ○ Business exists for more than 1 year – up to ILS 210,000 (EUR 50,000) • Loan period: Up to 3 years with 3 months of “grace” • Interest: 2% yearly interest, not related to the Prime interest and not index-linked • Guarantees: owner’s personal guarantees. |
| Contact | 35 Hameginim st. Haifa Phone: +972-4-8531439 |
| Link | http://www.mati.co.il/t/1574-%D7%A7%D7%A8%D7%9F-%D7%94%D7%9C%D7%95%D7%95%D7%90%D7%95%D7%AA |

| Loan /Guarantee | |
|-------------------------------------|--|
| Programme | Entrepreneurs Fund for New Immigrants and Returning Residents |
| Characteristics | The Ministry of Immigrant Absorption offers a loan fund to immigrant entrepreneurs and returning citizens interested in opening or advancing their own business or to transfer a business from other countries to Israel. |
| Total Amount committed | Not Available |
| Application procedure | <ul style="list-style-type: none"> • Fill a web application form and contact the closest centre based on the entrepreneur residence. • The consultant submit a business plan to the coordination unit • Meeting with the entrepreneur, the consultant and the coordination unit. • The coordination unit will send their recommendations to the credit committee. If approved, the consultant helps the entrepreneur with the loan process from the bank. • The entrepreneur will contact Bank Marcantil-Discount to receive the loan. • The entrepreneur needs to provide the necessary guarantees. |
| Eligibility and restrictions | <ul style="list-style-type: none"> • Only new immigrants (10 years maximum after immigration) or returning citizens (2 years after return) • If the child is the requestor – his/her parents need to sign a disclaimer form. • If the business owned by 2 family members from first proximity – one of them eligible to 75% from the loan amount and the other one to 25%. • Only for business in established phase or business that operate up to 4 years • If the entrepreneur or his/her spouse got a loan from the foundation before, the loan will be up to ILS 130,000 (EUR 30,000) (including the previous loan) • The entrepreneur has the appropriate skills to operate the business, include relevant license, if needed. • The entrepreneur must also invest in the business his own capital • The business plan evidences the ability to repay the debt • The loan will be used only for the planned purpose • The business is the main income of the entrepreneur |
| Terms | <ul style="list-style-type: none"> • Loan Amount: up to ILS 260,000 (EUR 60,000): <ul style="list-style-type: none"> ○ Up to ILS 130,000 (EUR 30,000) in stage 1 ○ The rest can be requested after 3 years • Loan Period: up to 6 years with a “grace” period of 1 year • Interest: Prime + 1.75% • Guarantees: 10% of the loan and minimum of 25% equity from the loan amount • The loans are given through Bank Marcantil-Discount |
| Contact | Regional Bureaus of the Ministry of Immigrant Absorption Phone: 1-700-701-200 |
| Link | http://www.moia.gov.il/Hebrew/Subjects/BusinessAndTax/Pages/ContactBizCenters.aspx http://www.moia.gov.il/Hebrew/Subjects/BusinessAndTax/Pages/AssistanceToEntrepreneurs.aspx http://www.moia.gov.il/Hebrew/About/OfficeUnits/Pages/iazamut.aspx |

| Guarantee | |
|-------------------------------------|--|
| Programme | Government Loan Guarantees for Small and Medium Businesses (SMBs) |
| Characteristics | <p>The Fund was initiated for helping established or expanding SMBs in all sectors of the economy. The government serves as the loan guarantor for bank loans, so that the banks will extend loans to those companies and businesses despite insufficient collateral. Instead of collateral, the banks require a detailed business plan, on the basis of which the application for credit is assessed.</p> <p>The Fund is managed by an ISMEA (Israel Small & Medium Enterprises Authority) steering committee, on which the Ministries of Finance and The Economy Office are also represented.</p> <p>The SMEs fund banks have been selected through a tender process. The banks leverage the budget assigned to them by the government up to 10 times.</p> <p>The individual guarantee provided for each loan that is between 60% and 100% depending on the fund terms and the type of business. The total guarantee is limited to the leverage ratio agreed with each bank</p> |
| Total Amount committed | In 2012, 2013 and 2014 the government loan guarantees programme has lent ILS 1.460 billion (EUR 343 million), ILS 2.102 billion (EUR 493.5) and ILS 1.987 billion (EUR 466.6 million) respectively. In 2015 there was additional tender for ILS 1.558 billion (EUR 364.7 million) as guarantees, which can be leveraged up to ILS (EUR 4 billion). |
| Application procedure | <p>The applicant should contact one of the two companies that won the Economy Office's tender. In addition, they should fill a request form with details regarding the business and its owners, number of employees, customers, suppliers, market research and competitors, their products and/or services, financial reports and business plan and predictions.</p> <p>The request is checked by the coordinated committee, the bank and the credit committee, where the loan terms are set.</p> <p>A ILS 255 (EUR 60) payment is required to submit the request.</p> |
| Eligibility and restrictions | <ul style="list-style-type: none"> • SMBs are defined as businesses with annual turnover of no more than ILS (EUR 24.3 Million (Small business definition is up to an annual turnover of ILS (EUR 6 Million) • The loan will be accepted only after due diligence of the coordination unit, the bank and the public representative of the credit committee. |
| Terms | <ul style="list-style-type: none"> • Maximum Loan: ILS 517,000 (EUR 121,500) for new business, or businesses with an annual turnover of up to ILS 6.4 million (EUR 1.5 million).8% of the Turnover for businesses with a Turnover of ILS 6.4-103.5 million (EUR 1.5-24.3 million) • The loan is given for a period of up to 5 years. A "grace" period of 6 month can be granted for the principle payments. • 70%-85% of the loan is guaranteed by the State. In addition, the owner is required to provide his personal guarantees. • The loan is given through Bank Otzar Hachayal, Mizrahi Tefahot, Hapoalim and Mercantile. • The Interest rate will be defined as per the different programs and in line with market conditions. |
| Contact | 5 Bank Israel st. Jerusalem Phone: 1800-800-622 http://sba.economy.gov.il/Pages/default.aspx |
| Link | http://sba.economy.gov.il/Programs/Funds/Pages/PrA7.aspx |

| Guarantee | |
|-------------------------------------|---|
| Programme | Mutual fund of the Manufacturers Association |
| Characteristics | The Fund was initiated with the goal of helping SMBs to upgrade of technology, investment for renewal/purchase equipment manufacturers and machinery production lines. The Manufacturers Association serves as the loan guarantor for bank loans, so that the banks will extend loans to those companies and businesses despite insufficient collateral. Instead of collateral, the banks require a detailed business plan, on the basis of which the application for credit is judged. |
| Total Amount committed | ILS 517.6 Million (EUR 121.5 Million) |
| Application procedure | <ul style="list-style-type: none"> • Compliance Test threshold conditions by Manufacturers Association • Submit the business plan and additional documents to the coordinate body • An economic examination of the coordination body • File the request with the Bank • Decision of the joint credit committee for generating the credit |
| Eligibility and restrictions | <ul style="list-style-type: none"> • Target Audience: Small to medium sized Factories with annual turnover of up to ILS 155.5 million (EUR 36.5 million) Equity of 10% from the loan amount • The total aggregate loan guarantee of the mutual fund for equity returns per requester does not exceed ILS 2 million (EUR 500,000) • The requester has not violated any terms of previous loans he may have received from the fund • The business is not under bankruptcy, nor under process of the Execution Office or legal claim of more than ILS 52.000 (EUR 12,000). |
| Terms | <ul style="list-style-type: none"> • Guarantee: 60% guarantee from the loan amount • Cost of Guarantee: 0.25% yearly • The company should be a member of the Manufacturers Association • Guaranteed Loan Purpose: An upgrade of technology, investment for renewal/purchase equipment manufacturers and machinery production lines • Loan Amount: Between ILS 520 million – 1.5 billion (EUR 121.5-3,647 Million). The fund can approve lower amounts for loans • Loan Proportion: Up to 90% of the investment amount • Loan Period: Up to 12 years, with up to 1 year “grace” period • Interest: Prime + 1.9% |
| Contact | 29 Hamered st. Tel-Aviv Phone: +972-50-8885631 (Ronen) |
| Link | http://www.industry.org.il/?CategoryID=1367&ArticleID=4999 http://www.industry.org.il/ |

| Equity | |
|-------------------------------------|---|
| Programme | “Smart Money” Program |
| Characteristics | Financial assistance and professional mentoring for Israeli companies that undertake marketing abroad in order to increase their sales to international markets, while focusing in developing the marketing abilities in targeted market (or two) in which defined in advance. |
| Total Amount committed | Total budget for this program for 2014-2015 is ILS 52 million (EUR 12.2 Millions) |
| Application procedure | <ul style="list-style-type: none"> • Submit a form with business plan • The plan should include appendix with the basic requirements of this program • There are several periods each year during which applications can be submitted. |
| Eligibility and restrictions | <ul style="list-style-type: none"> • Only for Israeli exporting companies or that plan to undertake marketing towards international markets. • The aid will be limited to two destinations abroad |
| Terms | <ul style="list-style-type: none"> • For companies with annual turnover up to ILS 103.5 million (EUR 24.3 Million) and scope of export between ILS 1 million (EUR 235,000) to ILS 40.5 million (EUR 9.5 Million): Support up to 50% of the acknowledge expenses. • For companies with annual turnover up to ILS 207 million (EUR 48.6 Million) and scope of export between ILS 40.5 million (EUR 9.5 Million) to ILS 200 million (EUR 47 Million): Support up to 35% of the eligible expenses, only for activities in developing countries. • Funding is up to ILS 515,000 (EUR 121,000) |
| Contact | Ministry of Economy - Foreign trade manager Phone: +972-2-6662916 e-mail: MF@economy.gov.il http://economy.gov.il/InternationalAffairs/InternationalProjectsFinancing/MF/Pages/SMPceduresForms.aspx |
| Link | http://economy.gov.il/InternationalAffairs/InternationalProjectsFinancing/Pages/default.aspx |

| Equity | |
|-------------------------------------|---|
| Programme | Tnufa Program |
| Characteristics | <p>Promotion of technology entrepreneurs in Pre-Seed phase (before being funded by external sources) till they can raise external funds to continue developing and further commercialization.</p> <p>The purpose of this program is to check the feasibility of the technology and business plan, protect the IP and support initial business development in order to decrease the risk involved with investing in the project for potential investors.</p> |
| Total Amount committed | Not Available |
| Application procedure | <ul style="list-style-type: none"> • Submit a request form (in Hebrew) and send it by mail with a CV • After the initial check by the programs administration, the entrepreneur will send additional documents, as requested. • The request will be approved/rejected by the committee |
| Eligibility and restrictions | <ul style="list-style-type: none"> • Only for Israeli residents who lives in Israel permanently (above 18 years old) or a new company with no major income nor investment • The fund can't cover salaries and G&A expenses • Only for projects that haven't receive support in the past |
| Terms | <ul style="list-style-type: none"> • Fund up to 85% of the total budget and up to ILS 207,000 (EUR 48,000) • The IP must be kept in Israel |
| Contact | <p>29 Hamered st. Tel-Aviv Phone: +972-3-5165044 e-mail: angelina.gratz@economy.gov.il</p> |
| Link | http://www.economy.gov.il/rnd/research%20and%20development%20programs/pages/tnufa.aspx |

| Equity | |
|-------------------------------------|--|
| Programme | Various Programs |
| Characteristics | There are various programs for equity, run by the Ministry of Economy (different departments, such as the SME agency, the Chief of Science, MAOF, etc.), Ministry of Agriculture, and Ministry of Defence. |
| Total Amount committed | Not Available |
| Application procedure | Not Available |
| Eligibility and restrictions | Not Available |
| Terms | Each program has its own terms. Some of the programs are regionals, some sectorial and some based on activity. The funds goes between a few thousands ILS up to ILS 1.35 million (EUR 243 000). |
| Contact | See Various Ministries' websites. |
| Link | See Various Ministries' websites. |

| P2P | |
|-------------------------------|---|
| Programme | Private companies with a platform allow private people to lend and borrow funds from each other's (via the platform) without any broker in the middle. |
| Characteristics | The loans are not guarantee against bankruptcy, however, there are no extra fees from the brokers and the platform helps scattering the risks. |
| Total Amount committed | Not Available |
| Application procedure | <ul style="list-style-type: none"> • Need to register in the relevant site (each company has their own site and platform) • Define the amount you want to lend • Transfer the money • Choose the scatter automatically or manually |
| Restrictions | |
| Terms | Various – depends on the specific loan |
| Contact | Various – depend the company |
| Link | http://www.creditplace.com/ http://en.btbisrael.co.il/ https://www.blender.co.il/ https://www.eloan.co.il/ https://www.tarya.co.il/ |

3. KEY FINDINGS OF THE SURVEY

As mentioned in section 1, a survey on the perception of the efficiency of available instruments by the SME⁵ community was organized.

3.1 Introductory remarks

The interviews took place during November 2015. The companies were chosen from all across the industry: farmers, services, traditional industry, software, import and export, medical, nutrition, production and Retail trade wholesaler.

3.2 SWOT Analyses

The interviewed helped crafting the following SWOT analysis of the MSME A2F policies and instruments available:

Strengths:

- The government put SMEs in high priority in terms of programs, budget and incentives. The SMEs agency is working to find new credit solutions for the various businesses and needs.
- The Government Loan Guarantees for SMEs program has a successful proven experience over the years.
- The Government loan guarantees for SME is well known and used.
- Due to the low interest rates around the world and in Israel, Banks offers attractive terms for SMEs.
- Major support for Start-Up companies by 70 venture capital funds
- MAOF program supporting SMEs and businesses' owners is covering the whole territory as it has branches all over the country.
- Varied programs for special-needs population.
- Most participants claimed the A2F haven't been worsened in the past year.
- The Chief of Science in the Ministry of Economy encourages and supports Start-Up companies, R&D initiatives and cooperation between the industry and the academic.

⁵ An SME in Israel is defined as company with a yearly turnover of less than ILS 103.5 million (EUR 24.3 million (small business is less than ILS 25.5 million (EUR 6 million).

Weaknesses:

- The innovation capital in Israel is mainly focused in the Hi-Tech sector and lacks in other SMEs sectors.
- From the borrowers' perspective, the Government loan guarantees for SMEs are not attractive enough as – if and when the borrowers face difficulties, they are still liable to repay the loan (recourse).
- The tenure of the Government supported loan programmes is limited to 5 years, which is insufficient for some capital investments requiring longer repayment period.
- The government support procedure for agriculture takes long time till implement.

Opportunities:

- Better communicating on the many programs available
- The SMEs agency has made progress to grant subsidized financing for larger target groups, further simplifying the procedures would allow more small enterprises apply without the assistance of third party.
- Further improving the law allowing businesses to pay the VAT only when they receive the sale proceeds (accruals, as opposed to the date of the transaction). This law was implemented lately for all Small Businesses (under ILS 2 million (EUR 486,000) turnover) and extended to 2 sectors (services providers with annual turnover of up to ILS 15.5 million (EUR 3.65 million) and producers with annual turnover up to ILS 3.5 million (EUR 840 000). This law could valuably be extended to all SMEs in order to help them manage the cash flow properly.
- The SMEs agency initiated a program for loans up to 12 years that will also include higher loan amount ceiling for exporters.
- Two new private funds with government guarantee are being established.

Threats:

- When the global and local interest starts to increase, the attractions of the banks' credit will decrease and credit cost is expected increase.
- In Israel, businesses are especially burdensome because of the security condition and can be harmed dramatically when the situation is escalating. This can notably affect local and outside tourism, trigger shutdowns and decrease the enterprise activity level.

3.3 Identified good practices

According to interviews, the procedure for the government equity programs is not simple enough and small businesses often need to be assisted by 3rd party finance consulting companies in order to submit their request, on the bright side, the fund were received in a reasonable period of time after the request was submitted, showing that the mechanism is efficient form a disbursement perspective.

There is a developed domestic and foreign VC fund ecosystem that helps Start-Up companies accessing finance at any stage of their development.

POLICY RECOMMENDATIONS

The interviews and review of the instruments resulted in the following recommendations to facilitate A2F for MSMEs:

- Expanding the scope of the VAT law allowing paying VAT based on accruals in order to reduce the strain on the treasury and working capital.
- Extending the tenure of the loans available to manufacturers and export companies (currently limited to 5 years).
- Initiating a farmers program providing loans based on the life stage of the crop as well as enabling bridging loans till they receive the government incentives.
- Simplifying the bureaucracy for funds or grants applications. The SMEs agency is working toward this solution, either by subsidizing the use of 3rd party consultants or by easing the submitting for SMEs.

CONCLUSION

The main conclusion is that although most of the programmes available for SMEs are known to potential beneficiaries, they could be better disseminated and marketed to further increase their reach.

Despite relatively attractive terms offered banks those days, non-bank developmental loans and government support could be further increased to help SMEs facing difficulties accessing finance.

For Hi-Tech companies, our input was that most of them try to find an investor before trying to use the government programs. A2F for the sector would deserve to be further supported domestically to keep the IP in Israel; further and extensive research on this topic should be valuable.

List of Annexes

Appendix A: Survey's Q&A

1. Company Name
2. # of Employees
3. Annual Turnover
4. Sector
5. How do you receive Finance?
6. Does the ability to get finance have been changed in the past year?
7. Did you have any problem to receive loans/equity in the past year?
8. What was the purpose of the loan/equity?
9. Did you have other options?
10. Are you familiar with other programs?
11. Did you submit a request to one of these programs before?
12. Does your request was approved in full?
13. Do you plan to submit additional request?
14. How do you describe the procedure?
15. General Recommendations