

Press Release

Finance Ministry Continues to Implement Acceleration Plan: RFP Issued to Banks Today for Establishment of a Loan Fund for Mid-Sized Businesses, to Reach NIS 1 Billion

Designation of exporters' marketing fund also changed to offer all-purpose credit

Establishment of loan fund for mid-sized businesses

The Ministry of Finance continues the implementation of the acceleration plan. Today, the Accountant General Division issued a request for proposals to banks for the establishment of a fund to extend loans to mid-sized businesses, at a volume of approximately NIS 1 billion. The state will allocate NIS 200 million to the fund, in two stages (NIS 100 million in the first stage), while the banks are expected to increase this amount to about NIS 1 billion. This is a new fund, which will help mid-sized businesses with annual turnovers of NIS 22-100 million obtain credit to finance their operations. The RFP was issued further to a request to banks a week ago to expand the loan fund for small businesses.

The RFP was sent to all banks with broad national deployment. The banks were asked to propose the volume of loans which they are willing to grant to mid-sized businesses based on the deposit provided by the state. The two banks offering the highest volume of loans will be chosen in the tender. The choice of two banks is aimed at generating competition between the winners over the terms and service offered to mid-sized businesses, while still maintaining the profitability of extending the loans for the banks, in order to obtain high leverage.

Loans granted to mid-sized businesses will be in amounts of up to 8% of the business' annual turnover; in other words, if the previous year's turnover was NIS 100 million, the business may receive a loan of up to NIS 8 million. The loan is to be repaid over five years, with a one-year postponement ("grace") period for repayment of the principal. The state will provide collateral for the loans at a rate of 70%, easing pressure on mid-sized businesses, in view of the credit crunch. Interest on the loans will be at the rate prevalent in the banking system for loans of this type, but no higher than Prime + 2.9%.

The tender also stressed shortened procedures and reduced timeframes; the banks will be required to respond quickly to loan applications, so that applicants to the fund receive a reply within thirty days at most. The tender, issued today, should conclude within two weeks – in early January.

All-purpose credit – change in designation of the exporters' marketing fund

As part of the acceleration plan, the Accountant General has changed the designation of the fund for individual exporters operated by Mercantile Discount Bank and Bank Otsar Hahayal. Until now, loans could be obtained from the fund only in order to finance marketing expenses; now, exporters can receive loans for any purpose within their operations. The fund will offer loans of up to USD 1 million to each exporter, depending on the size of the business. The fund currently has over NIS 0.5 billion available for credit granting. The state will provide collateral for the loans at a rate of 70%, with a one-year grace period for repayment of the principal.

Accountant General **Shuky Oren** commented on the implementation of both steps within the acceleration plan: "Given the credit crunch in the Israeli economy, it is important for us to aid business owners and offer them loans at convenient terms. In fact, these two measures have the power to help hundreds of businesses cope with the impact of the global crisis, by increasing the supply of credit." Oren added, "The bank tender can increase the supply of credit, while improving service and strengthening competition among the winning banks as well as among those who do not win the tender. This move will indirectly lead to an increase in credit at other banks as well, as the fund will allow partial refinancing of existing credit from these banks. The change in designation of the exporters' fund will allow more exporters to use the fund to strengthen their business, making additional credit available to them for various purposes."