



**קרנות קורת ישראל - עמותה לפיתוח כלכלי**  
**KORET ISRAEL ECONOMIC DEVELOPMENT FUNDS**  
**صناديق كورت إسرائيل - جمعیه للتطوير الاقتصادي**

## **KIEDF's Microfinance Programs**

### **2012 Year End Update**

#### **Microfinance Programs in 2012:**

**New customers – 663**

**Loans - 938**

**Credit - \$2.35 million**

**Losses – 2%**

#### **Achievements 2003 – 2012**

**Entrepreneurs - 5,650**

**Direct and Bank Loans - 4,550**

**Credit - \$12.5 Million**

Koret Israel Economic Development Funds (KIEDF), an Israeli Amutah (NGO), was established in 1994 to stimulate economic development and employment opportunity in the private sector in Israel. KIEDF is recognized throughout Israel as the preeminent philanthropic source of credit and business services.

## **OVERVIEW**

In 2003, KIEDF started operating a microcredit loan fund for low-income women through Bank Hapoalim. In 2006, we launched our Microenterprise Initiative to help low-income populations create an independent income generating activity. The Initiative aims to increase employment and socioeconomic advancement opportunities for low-income populations, mainly women, facing barriers to business training and financing on reasonable terms. Today, the microfinance services are operating out of KIEDF's offices in Tel Aviv, Carmiel, Rahat and Nazareth with Field Staff working with clients throughout the country.

The KIEDF microfinance model is based on staff going to potential clients and providing services in cities, villages and neighborhoods. This outreach methodology is a unique and important aspect of our microfinance program and a major reason for its success and impact.

Through our programs clients:

1. Establish an income generating activity or microenterprise
2. Improve the income and well-being of their families
3. Gain a sense of pride in their work and personal empowerment

### **KIEDF's Microfinance Programs include:**

#### The Micro Credit Leveraged Loan Fund with Bank Hapoalim

In 2003 KIEDF initiated the first micro-credit loan fund in Israel, with a credit facility provided by Bank Hapoalim. The Fund provides security free loans (\$2,500 - \$7,500) to low income entrepreneurs facing barriers to financing on reasonable terms. In 2012, the Fund was restructured with renewed involvement and commitment from Bank Hapoalim.

#### SAWA (together) – Direct- Non-Bank Loans

Direct Loans of \$1,000–\$5,000 combined with business services are given individually or through solidarity group methodology to women for the development of their businesses. Loans are operated through KIEDF's non-bank revolving loan fund at the Postal Bank.

SAWA started operating in 2006 with Bedouin women of the Negev, the poorest population in the country, using the group solidarity model invented by Prof. Yunus from Bangladesh. After overwhelming success, the program expanded to additional Arab Israeli women and Jewish populations.

#### Business Development Services

Before credit distribution, basic business training is provided by Field Staff to assist clients in planning their investment and enterprise. After loan distribution, Field Staff conduct visits to the business site, whether home based or outside the home, to consult on development and business management. Business workshops are held periodically for clients from same areas. These workshops allow trainings in different areas of business management and support the development of business networks between clients. In order not to duplicate existing services, clients who need advanced business consultation are connected to other business services suppliers - different NGOs and Matis (Israeli Small Business Associations).

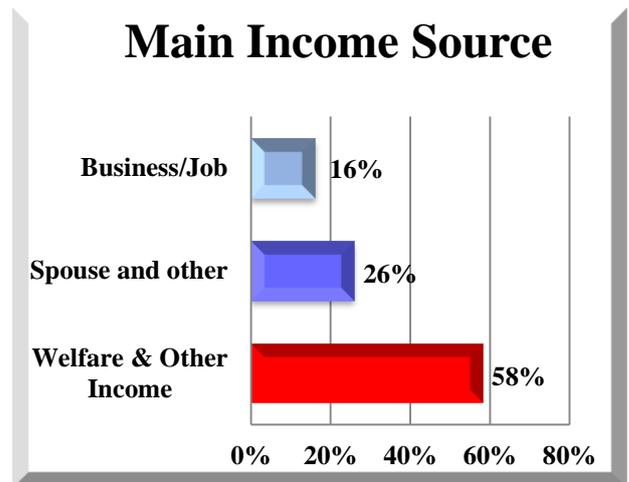
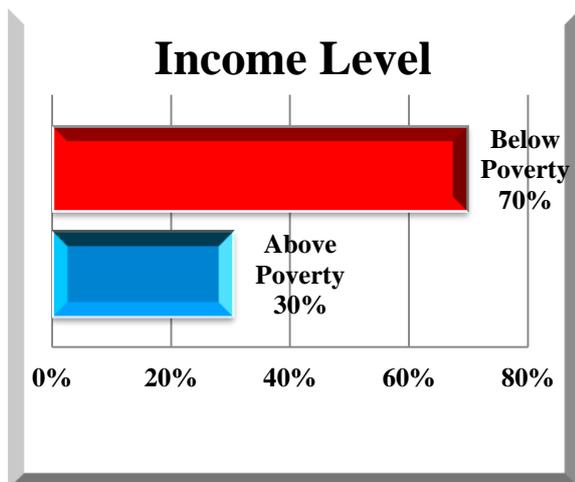
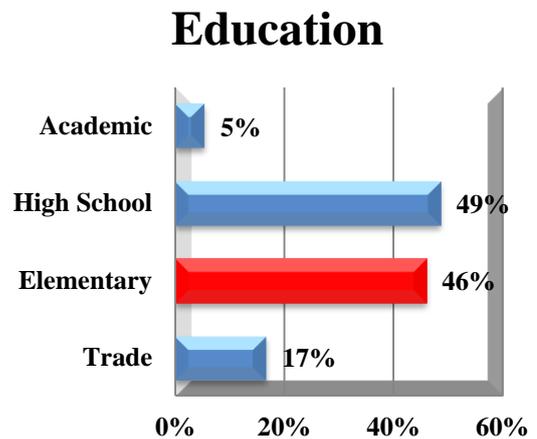
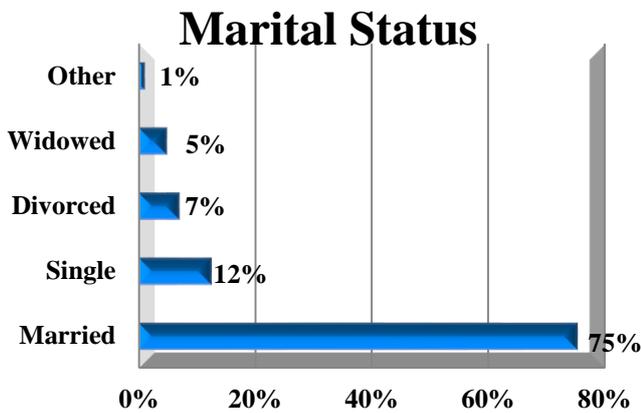
## 2012 IN REVIEW

As planned at the close of 2011, we started implementing SAWA's work model - Staff recruiting clients and providing services in their neighborhoods - for Jewish populations as well. In the past, we used a network of freelance Business Consultants but learned that long-term connection and continuity provided by our Staff has a direct and significant impact on clients' microenterprise development.

Over the last year, we have continued to expand the direct lending program to additional Arab women reaching new clients in northern and central Israeli areas while continuing to support new and existing entrepreneurs in the Negev. We have expanded our services to Jewish women in Jerusalem and the surrounding region and to Ethiopian Israelis with three new Field Staff joining KIEDF to recruit and support Jewish existing and potential entrepreneurs.

### SAWA - Non-Bank Loans - Client Profile

KIEDF targets those most in need and capable of benefiting from the development of an independent income generating activity. Utilizing our database, we have evaluated SAWA loan recipients' status prior to entering the program\*: Total clients surveyed: 2393



\* Poverty is defined as a monthly income of \$500 for a single person and \$1200 for a family of four (National Insurance Institute).

## 2012 Achievements:

- Direct non-bank loans - 858
- Total of 3250 loans distributed since 2006
- \$1.8 million disbursed adding up to over \$5.2 million since program's inception
- Loan losses are only 2%, still well below the worldwide industry benchmarks of 5%
- **Continued expansion**
  - The Nazareth Branch has expanded outreach to 21 cities, towns and villages including areas in central Israel
  - The Rahat Branch has expanded outreach to 10 towns and villages in the Negev as well as to Ramla and Lod
  - Outreach to Jewish clients began in Jerusalem and the surrounding region
  - Outreach to Ethiopian Israelis began at the end of 2012



- In addition, 80 loans were distributed through the Microcredit Loan Fund with Bank Hapoalim
- Close to \$550,000 in credit facilitated in 2012 adding up to over \$7.3 million since program's inception

- **Special Workshops**



- Sawa veteran customer Siham provided ongoing tailoring training for clients, improving their work and opening additional areas for customer and income sources.

- Veteran customers participated in special workshops on the issue of saving and retirement plans. Clients were able to schedule one on one meeting with a pension fund advisor, and start or improve their pension plan. The workshops were done in collaboration with Supportive Community's Pension program.

- **KIVA**

KIEDF has become a full-fledged Kiva Field Partner enabling KIEDF to raise through KIVA \$320,000 loan fund capital in 2012. Clients have included Arab women, Ethiopian Israelis, Orthodox women, low income Jewish clients and new immigrant.

- **Cooperation with TAMAT and the Prime Minister Office**

In 2012, we continued the second of a three-year pilot with the Ministry of Industry and Trade and the Authority for the Economic Development of Minority Sectors in the Prime Minister's Office. In the pilot, the government of Israel is providing 50% of operational costs and 50% of the loan fund capital needed for this program. This partnership has seen significant growth in microenterprise development among Arab Israeli women.

- **Impact Evaluation**

KIEDF has signed in December 2012 an agreement with *Mishtanim*, expert Evaluation and Assessment Consultants, to conduct an Impact Evaluation of SAWA. The evaluation will be done during the first months of 2013 and the final report is expected in the summer.

- **Staff Training**

All staff of the Microfinance programs participated in several trainings during the year. Trainings were on different topics, relevant to staff work and professional advancement – business evaluation, teamwork, mentoring new and expanding businesses, reading between the lines of bank reports, etc.

Branch Managers, Nuzha Alhuzail and Sanna Zreik Saleh, participated in the European Microfinance conference and training held in November 2012 in Bucharest. Since KIEDF runs the only Microfinance program in Israel, staff training must be conducted in house or requires traveling overseas.

- **Regulation discussions with Central bank of Israel**

Following the 2011 social justice protests, the Israeli government has appointed a committee, headed by the Israel Bank Supervisor, to address the lack of competition in the banking sector. The Committee addressed the issue of developing ways to increase the banking competition, including developing new sources of credit, for individuals and SMEs. KIEDF's representatives have met with the committee last summer and raised issues relevant to further development of Microfinance in Israel. Following that meeting, KIEDF is developing policy recommendations conducive to cultivating a healthy microfinance sector. For the first time, Bank of Israel is discussing barriers to development of Microfinance locally and contemplating possible solutions.

## STORIES FROM THE FIELD



**Manal**, is a 34-year-old mother from northern Israel. She runs a gift and flower shop. Manal realized her gift shop business needed to expand and diversify. She decided to utilize the skills she gained in flower-decorating courses, and add flower arrangements and decorative items for home to her products.

She used her loan to purchase a refrigerator for the flower arrangements, a gate for the front of her store, additional signage and marketing, and equipment and supplies for the arrangements. A kind and generous woman, her beautiful shop matches her warm-hearted nature.

**Lilach** is a divorced mother of three from Afula. She has developed a thriving daycare and afterschool care center. Currently she cares for 30 children and has a staff of three assistants. The demand in her city for quality and professional care is significant and Lilach is now expanding her daycare. Lilach needed help to pay for the renovations for this expansion.



Lilach is proud of her business and is pushing for its continued success and growth. She wants to ensure a stable future for her children and continue providing a loving, caring environment for the children in her care.



**Hagar** is from the Jerusalem area. She has worked for the last six years refurbishing vintage pieces of furniture, creating unique children's pieces and other furniture designs. Recently she reopened her studio whereby she refurbishes furniture and creates special pieces. This loan helped Hagar purchase stock and refurbishing materials.

She has already learned important business tactics regarding which pieces bring in the highest profits and is developing techniques to further promote and specialize these items. Hagar is known for her high quality pieces and fair prices. She wants to continue developing children's pieces, refurbished vintage furniture and specialty pieces to a larger clientele base.

**Michal** is an immigrant from France who moved to Israel in 1997. She runs a French pastry and coffee shop in Shuk Machne Yehuda that is well known for its unique bakery products.

Michal runs her business in a highly professional manner. Her baked items have a special niche in Jerusalem and the surrounding area with high potential for sales. Her products are unique and in demand and she is centrally located. The credit and business consultation she is receiving is assisting her to actualize her business's potential. Whoever wants to learn how to bake French pastry, can join one of Michal's baking workshops.



**Suzanne** is from Ramla. She has been trained as a puppeteer and in children's theater. After working through a special educational program in local schools, Suzanne began operating puppet shows and children's activities. She is working with local nursery schools, kindergartens and at private events.

Through Suzanne’s work with the KIEDF staff in Ramla, she developed avenues to further expand her programs and increase her income. The credit provided allowed her to improve her sound system, acquire additional material and supplies she needed. Suzanne provides birthday, special event and classroom programs, which can include puppet making and mural designs.



Suzanne dreams of one day creating a full children’s puppet theater in her area to benefit the community and create a cultural center for the young.

For years, **Badiya** sold homemade baked goods to family and friends on a small scale and was able to make some money. After joining SAWA Badiya refocused her



business on food products, preparing spices, lentils, beans and sesame in the traditional and natural manner.

“I learned how to make my products from my grandmother, who learned from her grandmother. The traditional methods mean natural top quality products,” explains Badiya.

Badiya took a 5,000 Shekel loan from Sawa. She was then able to purchase a new grinder, supplies of spices, legumes and other products. Since she was able to purchase larger quantities and managed to lower her overhead costs.

### FINAL NOTE

*“I believe SAWA is one of the most important programs being supported to assist Arab Israeli women today. Our office is a strong supporter of KIEDF’s work within microfinance services because we have seen firsthand their impact.”*

Aiman Seif, General Director of the Authority for the Economic Development of Minority Sectors in the Prime Minister's Office.



KIEDF Microfinance team

*We want to express our sincere gratitude to current and past funders who have made our programs possible. With your support, thousands of Israelis have the opportunity to create their own avenue out of poverty.*



The Authority for the Economic Development of the Arab, Druze and Circassian Sectors



**Ministry of Industry, Trade & Labor**

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