

# Public Appeal to the Philanthropic Community – Constructing a Guarantee Reserve Fund for Emergency Loans to Non Profit Organizations

## Proposal by Ogen and DAF IL

Israel's non-profit sector is currently at the brink of collapse. Its non-profit are simultaneously contending with a number of challenges:

- **Tending to their target populations** – responding to emergency needs, finding solutions to problems resulting from the current crisis
- **Cash-flow challenges** – Cessation of regular activities effectively curtails most sources of income, while making it more difficult to cut costs
- **Intensified budgetary challenges** – Government budget cuts, donors unable to fulfill prior commitments, prioritization of immediate over long-term needs for the coming period, financial crisis on the horizon as well as immense uncertainty can all make budget management difficult and considerably threaten a non-profit's stability

The coronavirus pandemic comes in the immediate wake of Israel's ongoing political stalemate, and the lack of NGO budgets as a result, creating a double challenge with which non-profits are forced to contend.

The cessation of activity of a host of Israeli non-profits will leave a lasting blow to the fabric of society and the core of the third sector, the responsibility for which we all share.

**We propose a groundbreaking initiative that will provide accessible emergency credit to non-profit organizations and will alleviate the cash flow crisis that threatens their continued existence.**

Ogen – Social Loan Fund ([www.ogen.org/en](http://www.ogen.org/en)) has allocated ILS 30 million to enable four types of loans to non-profit organizations:

<b>Bridge Loans Against Contracted Services from Gov't Departments</b>	<b>Working Capital Loans</b>	<b>Bridge Loans Against Private Philanthropic Grants</b>	<b>Bridge Loans Against Gov't Grants</b>
<p>Bridge loans until government funding is received for contracted services.</p>	<p>Loans for non-profits that require temporary cash flow for ongoing activity</p>	<p>Loans for non-profits that have a signed grant agreement from private donors</p>	<p>Loans for non-profits that received a final confirmation of funding from a government ministry.</p>
<ul style="list-style-type: none"><li>• Up to ILS 650,000</li><li>• No guarantors</li><li>• Balloon Loans</li><li>• Up to 12 months</li><li>• 3% interest</li><li>• Secured against assignment of rights issued by the Accountant General of the Ministry of Finance</li></ul>	<ul style="list-style-type: none"><li>• Up to ILS 400,000</li><li>• No guarantors</li><li>• "Shpitzer" i.e. amortized loans (interest and principal)</li><li>• Up to 60 months</li><li>• 3% interest</li><li>• Proven ability to repay the loan</li><li>• NGO Budget plan by a business consultant / mentor</li></ul>	<ul style="list-style-type: none"><li>• Up to 500,000 ILS</li><li>• No guarantors</li><li>• Balloon loans</li><li>• Up to 12 months</li><li>• 3% interest</li><li>• Proven ability to repay the loan</li></ul>	<ul style="list-style-type: none"><li>• Up to 200,000 ILS</li><li>• No guarantors</li><li>• Balloon loans</li><li>• Up to 12 months</li><li>• 3% interest</li><li>• Proven ability to repay the loan</li></ul>

Due to the significant credit risks during this period, and in order to enable non-profit organizations to take loans at these terms (3% interest and no guarantors – better rates than are offered to Israeli small businesses during this crisis!), there is a need to established a ILS 6 million guarantee reserve fund to absorb default risk, equivalent to 20% of the sum which Ogen is willing to allocate.

The guarantee reserve fund will allow Ogen to provide these high-risk loans using the loan capital it has raised from impact investors from around the world.

### **How does the fund work?**

Ogen will create a pool of funds that will serve as an aggregate guarantee in the event that any organization is unable to repay its loan. If this happens, Ogen will be repaid from the guarantee reserve fund.

### **What else do you need?**

Ogen has raised a matching commitment of ILS 3 million from an overseas donor, meaning that we need to raise an additional ILS 3 million (in order to facilitate ILS 30 million of loans!)

### **What is the minimum donation one can give?**

Each donor can donate whatever he or she decides – starting from ILS 50,000.

### **How exactly does it work?**

1. DAF IL (a Public Benefit Company) receives donations and provides tax receipts.
2. Upon reaching its target (ILS 3 million), DAF IL will hold the funds (in separate, segregated accounts).
3. DAF IL writes an agreement to donate the money to Ogen only in the event of a default (i.e. a non-profit that received a loan and is unable to repay it). DAF gives Ogen a bank guarantee for the sum.
4. At the end of the process, in the event that the donation was unused, donors can choose to convert the remaining sum to a regular DAF IL donation account and decide in the future where to donate the remaining funds.

### **Why partner with DAF IL?**

DAF IL can ensure the guarantee without actually transferring the funds to Ogen, thereby enabling donors to donate the remainder to a different charity at the end of the loan period.

Donors interested in learning more should contact David Angel at Ogen at [david@ogen.org](mailto:david@ogen.org) or DAF IL at [info@daf-il.org.il](mailto:info@daf-il.org.il).