



# Impact Investing in Israel: Status of the Market



March 2019

An OurCrowd Report

In collaboration with Social Finance Israel

With special thanks to IVC Research Center and the Israel Innovation Authority

This report is the most up to date study of the rapidly growing impact investing landscape in Israel.<sup>1</sup> OurCrowd, a leading Israel-based VC, has partnered with Social Finance Israel, Israel's leading impact advisory firm, to put a spotlight on this asset class, for best practice to be broadly adopted across the local investment ecosystem

## Acknowledgments

With special thanks to the following: Bridges Israel, New Era Capital Partners, Hackaveret, TechForGood, Gandyr Foundation, Dalia Black, Vanessa Bartram, IVN, Impact First Investments, Pears Program for Global Innovation, 8200 Social Program, TechForGood, PR360, Shir Kahanov, Jesse Medina, Samantha Winter, Office of Sir Ronald Cohen, Edmond de Rothschild Foundation, IVC Research Center, The Israel Innovation Authority Societal Challenges Division

1. Recent publicly-released updates on the Israeli impact ecosystem include:  
Bartram, Vanessa. "Impact Investing in Israel. Yes, it's a Thing." Medium, Published 10 February 2017.  
The Edmond de Rothschild Foundation. Impact Innovation in Israel: Ecosystem Overview. GSG, Updated 18 January 2019.

## TABLE OF CONTENTS

<i>Introduction</i> .....	4
<i>Executive Summary</i> .....	6
<i>Global Activity And Key Trends In Impact Investing</i> .....	8
<i>Israeli Impact Investment Ecosystem</i> .....	14
<i>Market Data: Israeli "Impact-Related" Companies</i> .....	22
<i>"Impact-Related" Company Survey</i> .....	24
<i>Looking Ahead</i> .....	27

## INTRODUCTION

### Jon Medved, Founder & CEO OurCrowd

The rapid growth of the impact investment market in Israel should come as no surprise. As this report details, investments in impact-related sectors in the Israeli market accounted for 29% of all deals last year. These sectors, spanning healthcare, agtech, education and more have been pillars of Israeli innovation – often out of necessity – since the State's founding over 70 years ago.

Impact has always been in OurCrowd's DNA. Since inception 36% of our investments have been in impact-related sectors. We have been ardent supporters of many of the country's greatest social entrepreneurs, firmly believing that technological innovation coupled with a passion to create positive change can provide the ultimate "win-win" of solving global problems while generating fantastic returns. It turns out that these concepts aren't at odds with each other, on the contrary we are realizing more and more how well aligned they are.

Today we are formalizing our impact investment approach and proudly aligning ourselves with the expanding local ecosystem laid out in this report. We have partnered with Social Finance Israel, the leading local impact advisory firm, to launch an investment vehicle providing access to a diversified portfolio of VC-backed businesses striving to create measurable positive change. We believe that the combination of OurCrowd's unmatched global network, together with Social Finance Israel's deep bench of industry expertise, makes us uniquely well positioned to support these businesses in maximizing their impact potential.

Social Finance Israel has been a wonderful partner, educating us on how to assess impact potential at the company level and guiding us on how OurCrowd can best leverage its many resources to support the impact industry. The excellent research their team provided in support of this report further highlights the professionalism and expertise they bring to the table.

This report and the launch of our fund are just the first steps. Now the real work begins!

Jon Medved,  
Founder & CEO OurCrowd



### Sir Ronald Cohen, Chairman Social Finance Israel, Global Steering Group (GSG) for Impact Investing

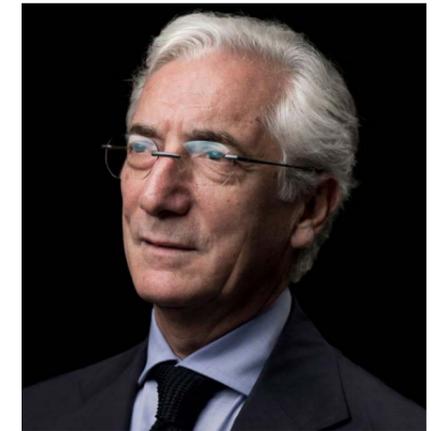
We are pleased to release this report with OurCrowd, the largest venture investment firm in Israel. It details Israel's current role and emerging prospects in the global impact investment ecosystem, a rapidly expanding \$300 billion market. Impact investment brings market practices, private capital, ambition, and creativity to bear on social and environmental challenges. I can think of no better place to grow and scale the field than Israel.

The country is already on the world stage as Startup Nation, but as the enclosed report demonstrates, is swiftly developing its position as the Impact Nation, and culturally positioned to tackle the world's most pressing challenges. While Israel is leading the way in technology, with high per capita spend on scientists and innovation, underneath the surface grave social and economic inequalities threaten the cohesion of its society. Impact investing, by turning social challenges into entrepreneurial investment opportunities, empowers citizens who have been left behind by Israel's rising prosperity to reach their full potential and close social and economic gaps.

Social Finance Israel, the pioneer of social impact bonds and impact investing in Israel, is spreading practice locally by partnering with investors, public agencies, businesses and charitable institutions, to structure innovative investment instruments, and develop impact measurement tools. Our partnership with OurCrowd advances the ecosystem in two ways. First, it tackles the task of impact measurement with credibility and expertise. Second, it stimulates leadership within the Israeli investment community, whose participation is critical to success of the field. We applaud OurCrowd for leading by example in demonstrating that profit and purpose can go hand in hand.

The enclosed study provides a glimpse of the enormous breadth and energy of the growing global impact market. I encourage you to join us as we use business as a force to improve lives in Israel and beyond.

Sir Ronald Cohen, Chairman, Social Finance Israel,  
Global Steering Group (GSG) for Impact Investing



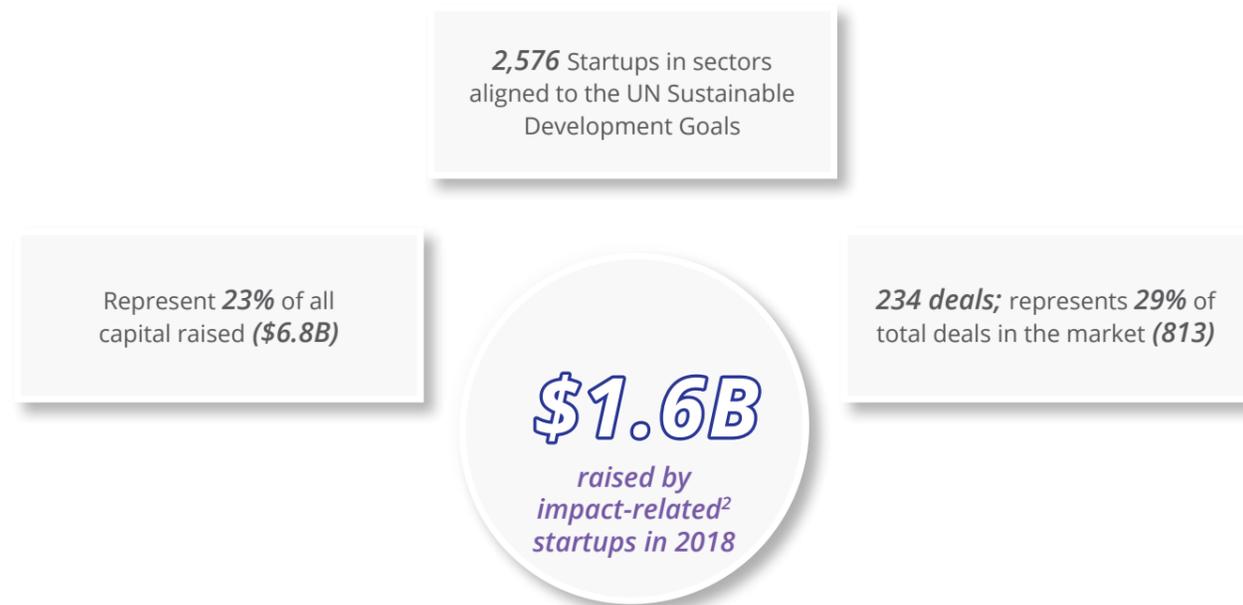
## EXECUTIVE SUMMARY

In its formative years Israel's creativity and innovation earned it the title Startup Nation. Today its entrepreneurs and capital providers are increasingly focused on using this innovation to generate positive social and/or environmental outcomes, putting it on track to go from *Startup Nation to Impact Nation*.

### Size of Israeli impact investment market has more than doubled in just two years



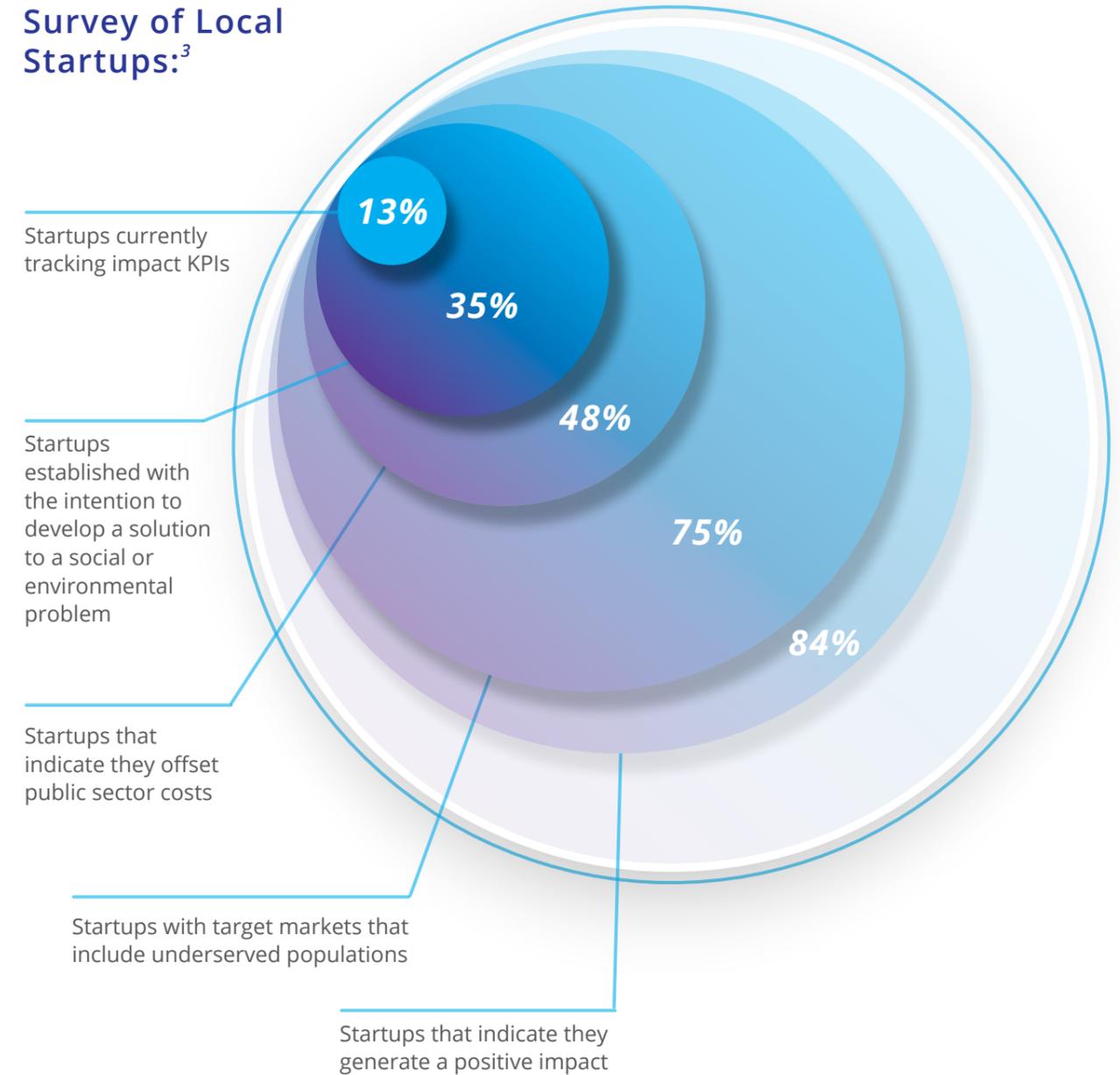
and set to expand as OurCrowd announces impact fund targeting **\$30M**



2. For the purposes of this report, "impact-related" refers to companies in sectors that align with the UN Sustainable Development Goals and are positioned to generate social and environmental impact, though do not explicitly incorporate impact management and measurement practices, the definitive characteristics of the field as described by the Global Impact Investment Network (GIIN).

3. The internet survey received 82 responses in total. Disclaimer: the survey does not constitute a representative sample of the market and should be used instead only as an indication of startup company practices. The online survey was distributed by OurCrowd and the IVC Research Center to impact-related companies.

### Survey of Local Startups:<sup>3</sup>



84% of startups indicated that their company generates a positive impact. 35% indicated that the company was established with the intention to develop and scale a solution to an environmental and/or social challenge. Only 13% of companies actually track impact-related KPIs.

Addressing the gaps between startups that say they are generating impact, especially those who are doing so out of a stated intention, and those who are tracking, would position these startups for impact investment and dramatically increase potential deal flow for global impact investors.

Findings demonstrate a clear need to provide companies with the tools and resources to effectively track, measure and report their impact, and to more readily communicate and scale their social impact.

## INTRODUCTION - GLOBAL ACTIVITY AND KEY TRENDS IN IMPACT INVESTING

A rapidly growing impact investment market is taking the world by storm and Israel, the Startup Nation, is well placed to play a driving role because it's all about changing the world for the better through innovation.

*Bringing innovative technologies to market that have the power to dramatically improve social, environmental, and economic outcomes; trigger social mobility; and foster greater social inclusion.*

*Innovations in ways health, education, and welfare services are delivered.*

*Innovations in financing ventures and projects that meet the needs of underserved populations.*

*Innovations in social impact measurement.*

As defined by the Global Impact Investment Network (GIIN), impact investing is the practice of investing into companies with the **intention** to generate a **measurable** social and/or environmental **impact alongside a financial return**. Impact investments embody four core characteristics:

- **Intentionality:** the investor and/or company are driven by a stated intention to affect positive social and/or environmental change
- **Measurement:** investors and companies commit to tracking and reporting the social and environmental impact generated, ensuring accountability while informing future practice in the field
- **Returns:** investments are expected to make money or at least break even
- **Additionality:** the notion that the impact would not have been generated if not for the specific investment in question.

## How much is invested by investors worldwide actively sticking to these practices?

Turns out an ever-widening tranche of global assets under management.

Pension funds, banks, development finance institutions (DFIs) and fund managers are among the highest value players in the market



Notable asset owners shifting significant resources and attention to the field include AXA Investment Managers, Credit Suisse, Deutsche Bank, J.P. Morgan, UBS, the Ford and Rockefeller Foundations, among others. In the past two years, leading global private equity funds like Bain Capital, TPG, KKR and others have launched dedicated impact funds, bringing impact investing into the mainstream. The concept is catching on among family offices, foundations, and high net worth individuals, too; together they committed \$2.8B to impact investing in 2018, an increase of close to 50%, compared to 2017.

## Investment activity by organization type

Excludes two outliers and two respondents that did not report investment activity.

	n	Number of deals			Capital invested (USD millions)		
		Median 2017	Total 2017	Total Planned 2018	Median 2017	Total 2017	Total Planned 2018
Fund manager for-profit	105	8	7,857	8,273	23	18,344	21,261
Fund manager not-for-profit	30	10	701	717	13	1,133	1,346
Pension fund / Insurance company	9	9	155	109	116	5,408	4,273
DFI	6	38	321	371	132	5,169	5,614
Bank / Diversified financial institution	13	6	842	964	150	3,461	4,307
Foundation	30	5	221	206	10	1,189	619
Family office	8	4	50	51	5	92	87
Permanent investment company	4	4	17	23	1	50	60
Other	20	12	972	998	9	681	899
Total	225	8	11,136	11,712	17	35,526	38,465

Note: 'Other' organizations include community development finance institutions; non-governmental organizations; and advisors, incubators, and technical assistance providers that also make impact investments.

As reported in the most recent Global Impact Investment Network (GIIN) Investor Survey (2018), most impact investment flows from developed markets, most notably from the U.S. & Canada (47%) and Europe (30%). Interestingly, capital is allocated almost evenly between emerging markets and developed markets.

## Sample breakdown by sub-group

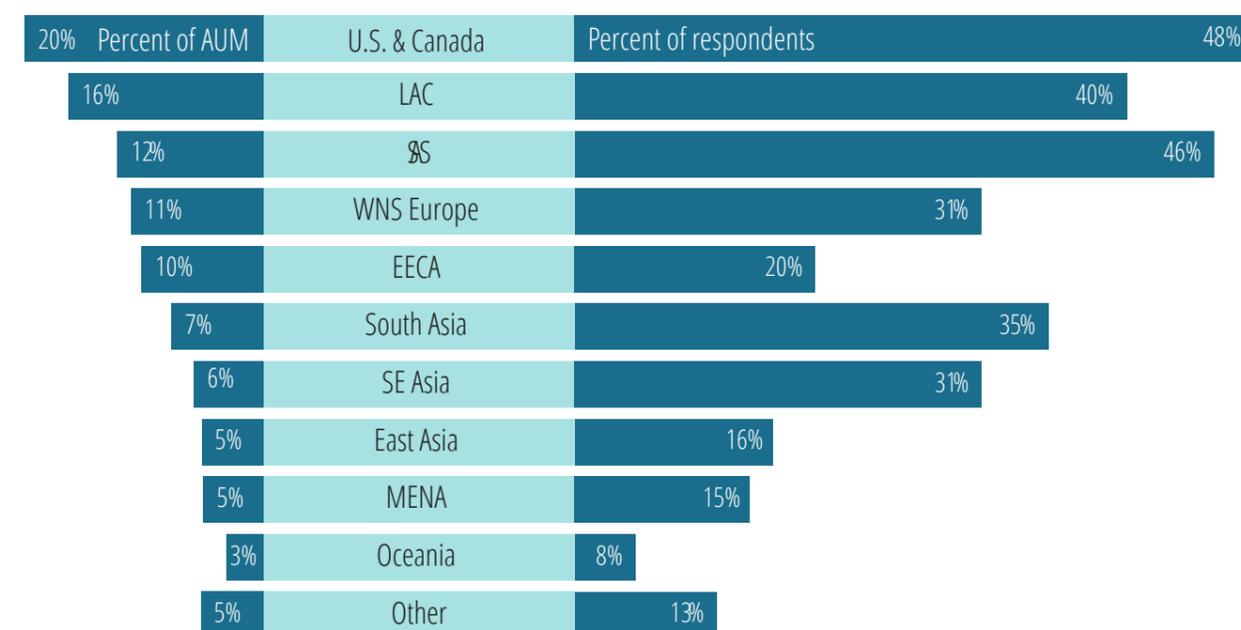
n = 229

Sub-group	Description of the category	Percent of respondents
DM-HQ Investors	Respondents headquartered in developed markets	82%
EM-HQ Investors	Respondents headquartered in emerging markets	15%
EM-focused Investors	Respondents that allocate ≥ 75% of their current impact investment AUM to emerging markets	45%
DM-focused Investors	Respondents that allocate ≥ 75% of their current impact investment AUM to developed markets	42%
Private Debt Investors	Respondents that allocate ≥ 75% of their current impact investment assets under management (AUM) to private debt	26%
Private Equity Investors	Respondents that allocate ≥ 75% of their current impact investment AUM to private equity	24%
Market-Rate Investors	Respondents that principally target risk-adjusted, market-rate returns	64%
Below-Market Investors	Respondents that principally target below-market-rate returns, some closer to market rate and some closer to capital preservation	36%
Impact-only Investors	Respondents that invest only in impact investing strategies	67%
Impact and Conventional Investors	Respondents that invest in impact investing strategies in addition to conventional strategies	33%

## Geographic allocations by AUM and percent of respondents

Left side, Percent of AUM: n = 226; total AUM = USD 228.1 billion.

Right side, Percent of respondents with any allocation to each geography: n = 229; respondents may allocate to multiple geographies.



Note: 'Other' includes investments with a global focus

source: GIIN 2018 Investor Survey

## What Accounts for this Activity?

Drivers for the pronounced growth of the ecosystem include:



### Business Risks & Opportunities:

Social and environmental challenges – global warming, threats to biodiversity, inequality, chronic disease, and more – pose direct threats to the private sector and a thriving economy, warranting collective action to safeguard and reform entire industries. At the same time, these risks constitute new opportunities for growth. A report by the Business & Sustainable Development Commission, a committee of leading CEOs, reports that global challenges offer a compelling growth strategy, opening up \$12T of market opportunities.



### Millennial Generation Demands–

According to Morgan Stanley, 90% of millennials want impact investing as an option within their pension funds. Millennials favor businesses that align with their values; their preferences will be put into action as \$30T in wealth is transferred in the coming years.



### Changing Regulation:

Governments are swiftly moving to realign capital markets with sustainable outcomes. Recent examples include the EU’s Action Plan for Financing Sustainable Growth and Israel’s Capital Markets Authority decision mandating impact reporting.



### Industry Leadership:

Pressure from industry leaders like Larry Fink, CEO of Blackrock, the \$6.3T asset management firm, who famously wrote that a company must show how it makes a positive contribution to society, and that in 5 years all companies will be using environmental social and government metrics.

## IMPACT MEASUREMENT

*Impact investors are also increasingly aligning - and even measuring - their investments to the UN Sustainable Development Goals (SDGs), a collection of the 17 most pressing challenges societies are facing related to poverty, inequality, environmental degradation, prosperity peace and justice. These standardized goals and metrics further promote impact-tracking, increasing companies' credibility and performance.*

Leading tools and measurement approaches are also constantly evolving. The TPG Rise Fund, a \$2bn private equity impact fund, pioneered a bespoke approach which they call the “Impact Multiple of Money” to quantify the economic and social contributions made via their investments. Harvard Business School, Social Finance US, and the and the Global Steering Group (GSG) for Impact Investment have launched a measurement lab to develop impact-weighted accounts. These examples reflect the market’s growth and enhanced need for sophisticated tools, which will in turn perpetuate its continued growth.

Two of the guiding pillars of the field, intentionality and impact measurement, are defining approaches that distinguish between the companies that are merely impact-related and those that are explicitly working to ensure a targeted change occurs. Impact investors and companies use impact measurement as a management tool to track progress toward stated goals; understand what approaches worked and why; compare between investment opportunities; scale and duplicate best practices; and promote policy change.



# ISRAELI IMPACT INVESTMENT ECOSYSTEM

The formal impact investment market in Israel is limited, though showing rapid and early growth. In just two years, Israel has seen the size of its impact ecosystem effectively double, **from \$130M to more than \$260M** in assets under management. New sources of private funding are entering the market and government bodies are increasingly aiding market development through early stage funding opportunities.



## CHARITABLE FOUNDATIONS



## PRIVATE FUNDS



## FINANCIAL INSTITUTIONS



## ACADEMIA



## ACCELERATORS



## GOVERNMENT



## ADVISORY





## FINANCIAL INSTITUTIONS

Local institutional investors are taking more active strides in impact investing. With the exception of two Israeli banks, Leumi and Hapoalim, which invested in Social Finance Israel's first and second social impact bonds in 2015 and 2016 respectively, the last two years have seen Israeli banks and pension funds begin to take more consistent strides into impact investing. Israel's Discount Bank, together with the Psagot Investment House, served as anchor-investor in Bridges Israel, which officially launched in 2018.

Additional engagement is expected by Israel's leading firms, especially in light of a 2017 decision by the Capital Markets Insurance and Savings Authority, the government agency that regulates pension funds and insurance companies, compelling institutional investors to report whether they employ responsible and/or impacting investing strategies. 2019 will be the first year that the directive is enforced.



## CHARITABLE FOUNDATIONS

In the last two years, five locally-based charitable foundations - Keren Hayesod, Rashi Foundation, the Gandyr Group, the Arc Impact Foundation, and the Edmond de Rothschild Foundation – have established dedicated impact investment strategies or impact market building mandates.

Charitable Foundations and Jewish Federations abroad are also deploying increased amounts of capital to support impact market building activities, reduce barriers, and create favorable conditions for impact entrepreneurs and investors in Israel through various investment vehicles and approaches. Opportunities include a soon to be deployed matching grant for ecosystem building initiatives among local organizations, loans and grants to social enterprises and impact entrepreneurship accelerators, support for feasibility studies, pilot projects, and outcomes funds for social impact bonds. The result is an influx of capital that will scale Israel's growing pool of impact companies and local ecosystem players who are piloting financial, measurement, and service-related innovations addressing local and global challenges.

**Spotlight:** The United Israel Jewish Appeal (UJIA)'s si3, recently launched its 3rd funding round for Israeli enterprises that promote social and economic mobility for vulnerable communities, with a focus on education, employment and community development.




## PRIVATE FUNDS

The Israeli impact investment ecosystem experienced a tangible boost last year as dedicated impact funding for tech and non-tech ventures was deployed by Israel's newest impact funds - Bridges Israel, New Era, and 2BCommunity. 2019 will see more new market activity with the launch of the OurCrowd Impact Fund, a partnership with Social Finance Israel targeting a \$30M capital raise. While specific practices and strategies differ, Israeli impact funds employ impact management screening tools when analyzing companies period and work with companies throughout the investment and holding period to track and measure impact on quarterly or annual basis.

**Spotlight:** Bridges Israel has raised \$60m to invest in Israeli companies serving **Israel's geo-social periphery**, where socio-economic gaps in housing, employment, health, education and income are significant. The fund will also invest in tech-based companies in the post-validation stage in the following sectors: **Food-tech and food security, water-tech, ag-tech, assistive technologies, and climate mitigation**. The fund has already made 3 investments.

This activity builds on the work of the pioneers and longer standing players in the field - Impact First Investments, IVN, Dualis, the Elah Fund, Zora, Vital Capital, Takwin Labs, and Al Bawader, and the Israel Free Loan Association (IFLA), which together have supported close to 100 social enterprises and impact ventures in the last 6 years alone.



## ACCELERATORS

While the exact number of impact entrepreneurs – entrepreneurs working to generate a measurable positive change to a defined challenge – is not known, local practitioners agree the number is in the hundreds, with online communities of the programs illustrated below ranging topping 7,000 members. In the last two years, four dedicated impact accelerator programs have developed strategic partnerships with government and industry leaders and have provided mentorship and impact measurement tools to early stage impact companies looking to develop and scale their businesses.

### TechForGood

#### Mission

Through industry and government partnerships, TechForGood Israel supports entrepreneurs who use technology to tackle social and environmental issues.

#### Cohort

- Yachin Impact (food and ag-tech accelerator):
  - 2 cohorts;
- Aeon Impacting (aging tech accelerator)
  - 2 cohorts;
  - 8 impact companies

#### Themes

Food and ag-tech; assistive technologies

Nir Shimony, Co-Founder and CEO: “We view our role as essential to tackling the issue of mission drift. We work to build the ecosystem to ensure that companies connect with investors at every new stage of investment who share the same vision for impact. The danger of not meeting the right supply is that the company could pivot towards applying its technology to a much less impactful goal. We work to avoid that.”

### 8200 Social Program

#### Mission

Accelerator for early stage ventures with a prototype and proof of concept that aim to solve social programs through technological means.

#### Cohort

- 5 cohorts;
- 35 impact companies

#### Themes

Accelerator for early stage ventures with a prototype and proof of concept that aim to solve social programs through technological means.

Neta-li Meiri, Managing Director: “I see growing awareness among entrepreneurs about the importance of business to provide an added value to society. Whereas in the past it used to only be about eliminating its carbon footprint, the frame of concern is much wider. It’s now, is this company diverse, paying its workers fairly, contributing positively to society? I think this will continue to shape the practices of Israeli entrepreneurs.”

### HacKaveret (The Hive)

#### Mission

A joint initiative between JDC Israel and the National Insurance Institute that supports early-stage business and organizations working to improve the welfare of vulnerable populations

#### Cohort

- 2 cohorts;
- 35 companies

#### Themes

At-risk youth, the elderly, individuals with disabilities, and low-income groups

Uria Lin, Manager: “We are beginning to see more awareness about impact on the part of entrepreneurs who are eager to see where they fit on the impact spectrum. We are also seeing more interest from private investors who are often under the radar, and even institutionals. It’s a constantly flourishing ecosystem. I hope we see more sources of capital, more impact funds in 2019 and beyond.”

### Pears Program for Global Innovation

#### Mission

A staged fellowship program involving ideation, acceleration, validation, and support for Israeli entrepreneurs looking to create innovative, financially sustainable and impact-oriented technology ventures addressing the needs of developing countries.

#### Cohort

- 4 cohorts;
- 20 ventures validated in the field

#### Themes

Water, health, sanitation and hygiene (2019 Pears Challenge theme; themes rotate annually)

Tamar Ish Cassit Founder & Designer of Cassit Orthopedics, Pears Challenge Fellow: “The most important pivot for me happened in the Pears Challenge where I found out I actually can design for people in developing countries.”

### Promoting Economic Inclusion

Impact investment is applied to support companies with particular products or services that tackle a social or environmental challenge, and it is also employed to strengthen the efforts of minority entrepreneurs who typically lack access to mainstream sources of capital. Accelerator programs for Arab, Haredi (Jewish Ultra-Orthodox), and women entrepreneurs are also expanding. At the ideation stage, PresenTense, the country’s first accelerator program for social enterprises, has worked with Arab entrepreneurs around the country, while The Hybrid works with early-stage Arab, including Druze and Bedouin, entrepreneurs in Israel to prepare companies for pre-seed and seed stage investment. Recently-announced public funding will further compliment these efforts.



## GOVERNMENT

Recognizing Israel's potential to emerge as the "Impact Nation," the Government of Israel is working to grow the local impact investment ecosystem through a breadth of activity, including investing in companies and considering cross-sector funding models. In 2017, the Israeli Innovation Authority (IIA), a non-aligned, publicly-funded agency dedicated to supporting technological innovation in Israel set up a Societal Challenges Division to support entrepreneurs, early stage ventures, growth companies and NGOs working to improve the effectiveness of public-sector services and enhance social welfare and quality of life through technological innovation. Its incentive programs provide non-dilutive R&D funding to entrepreneurs through matched funding opportunities, doubling and de-risking early-stage investments.



The Division has deployed *over 50M NIS* annually over the last three years

to approximately *150 startups* through three programs:

- **Assistive Technology** – tech for people with disabilities in partnership with the Israel National Insurance Institute
- **Gov-Tech** - Public sector challenges in partnership with Digital Israel, an initiative of the Ministry for Social Equality
- **Grand Challenges Israel** - Global health and development challenges in partnership with MASHAV, Israel's Agency for International Development Cooperation.

Outside the scope of this study, other divisions within Israel's Innovation Authority provide funding to impact-related ventures while dedicated innovation divisions within government ministries are also working to provide entrepreneurs with the skills, resources and networks to pilot innovative technologies and scale their ventures locally and abroad.

Alongside the flush of activity around tech-based social entrepreneurship, a small but determined corps of small, medium, and large enterprises (SMEs) and property development projects are also taking shape, demonstrating creative solutions that address the challenges of ethnic and gender inequality, quality employment and workforce participation, the lack of long-term affordable rental solutions, and the challenge of regenerating Israel's geographic and social periphery. These solutions stand not only to promote greater social cohesion locally, they also have the potential for duplication abroad among societies facing similar socio-economic challenges.



## ADVISORY

Behind the deal flow and growing pool of impact capital is a growing ecosystem of intermediation, professional services and academia that is working together to build a competitive and thriving impact investment market.

Social Finance Israel, Israel's leading impact advisory firm, is developing innovative and specialized financing mechanisms, including the launch of 3 social impact bonds, impact investment deal structures and performance and measurement tools, creating new avenues for private capital to be deployed to the most effective and needed solutions. Together with the JDC, Social Finance Israel chairs the National Advisory Board (NAB) for impact investing, a volunteer group of practitioners championing the development of the local market. The Israeli NAB represents Israel abroad at the Global Steering Group for Impact Investing (GSG), which works to catalyze and share best practices globally.



DB Consult and Beyond Family Office work with families and foundations on their impact investment strategies.



Toniic, the global action community for impact investors, also operates a local chapter for private investors looking to deepen their engagement in the field.




## ACADEMIA

Training the next generation of impact investment professionals and cultivating evidence-based standards and practices is a key component of a thriving Israeli impact investment ecosystem. Established with the joint support of The Edmond de Rothschild Foundation and the Dualis Foundation, the Academic Center for Social Investments and Business at the Collman College of Management is the first institute created explicitly to provide the academic infrastructure to further develop the local ecosystem.



In 2018, Ben Gurion University of the Negev announced the launch of a \$1M student-run venture capital fund, Cactus Capital, with a dedicated social entrepreneurship track that will invest in student-run enterprises. And at Bar Ilan University this year, a course in ESG investing that enables students to gain practical investment experience through a student-run ESG investment fund – the first of its kind in Israel – will kick off for students interested in responsible investing. Initiated and designed by Social Finance Israel, the course will draw upon case-studies from leading global asset management firms and students will have a chance to manage a live portfolio, with funds contributed by a generous Israeli donor.

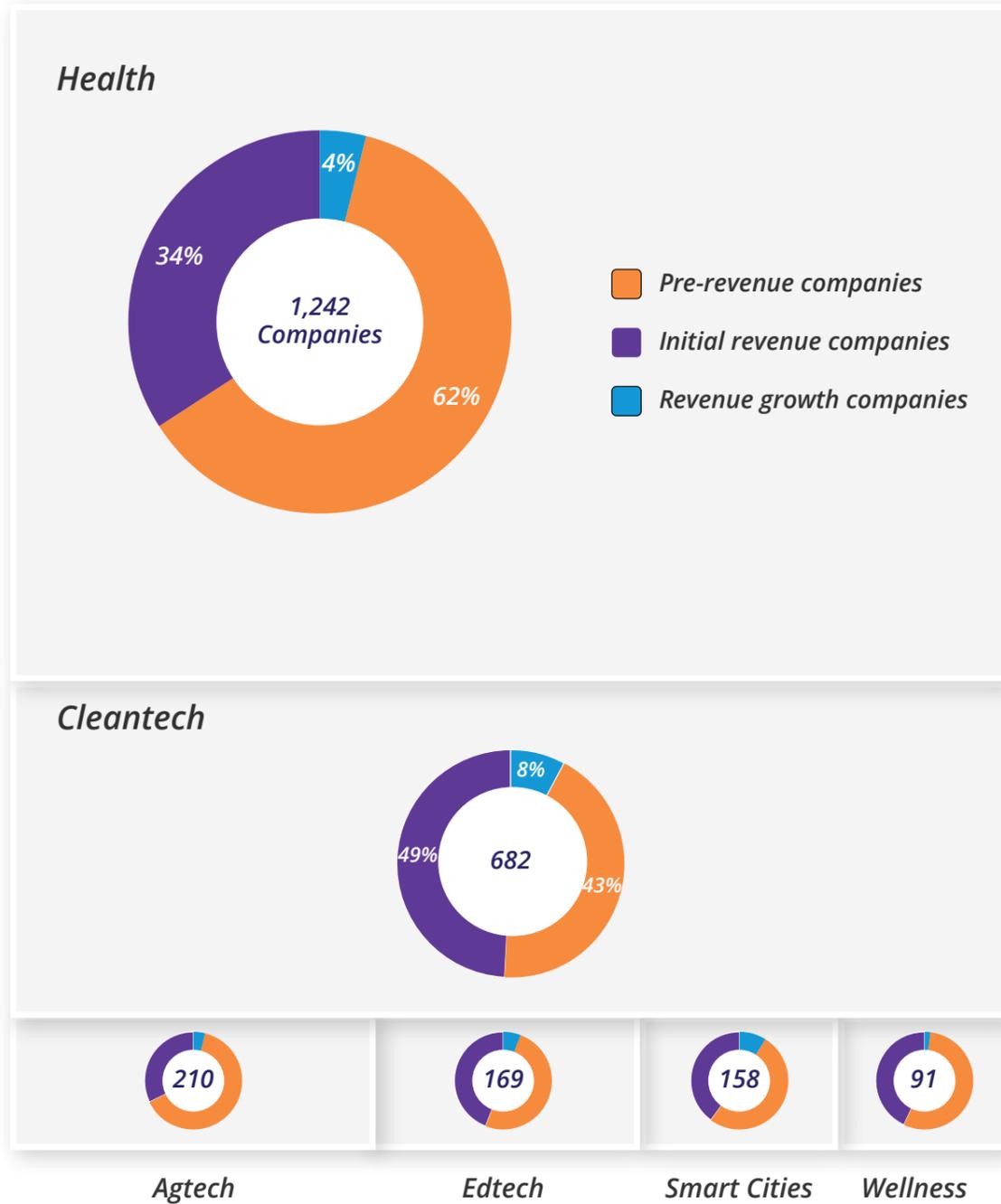


Courses on social entrepreneurship and impact investing have also been offered at the Recanati Business School at Tel Aviv University, the Milken Innovation Center at the Jerusalem Institute, and the Clinical Legal Education Center (CLE) at the Hebrew University.



## MARKET DATA: ISRAELI "IMPACT-RELATED" COMPANIES

According to research conducted by the IVC Research Center, there are 2,576 Israeli companies in "impact-related" sectors.



Disability and Elderly - 18 companies | Civic/Gov Tech - 6 companies

In 2018 234 deals were made in "impact-related" sectors, with most capital raised from non-VC sources – angel investors, banks, industry, etc. (52%). Most deals across all "impact-related" sectors targeted start-ups at the pre-revenue stage.

234 deals in impact related startups

29%

813 total deals in the market

\$1.6B raised by impact-related startups

23%

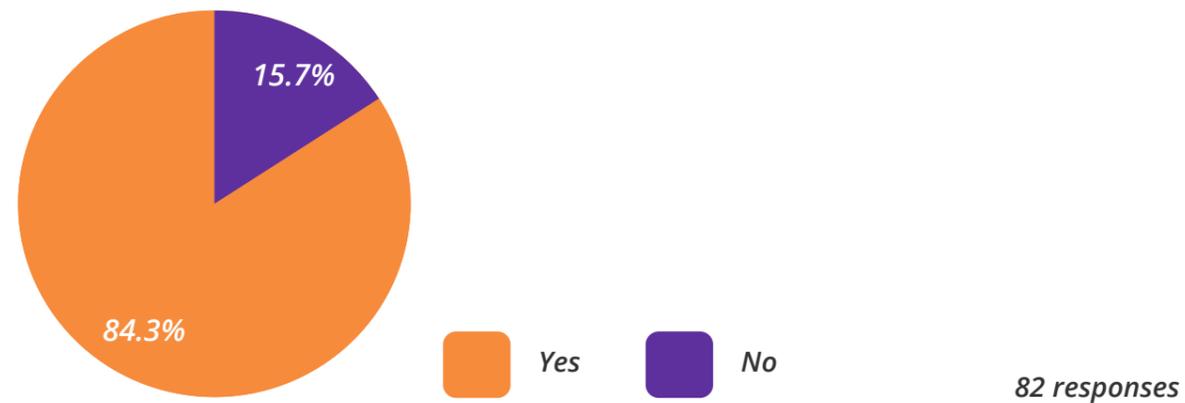
\$6.8B raised in the market

In 2018, "impact-related" startups raised \$1.6B, with the majority invested in health (\$1.1B). The sectors that saw least investment during the period were ag-tech (\$30M) and disability and elderly-tech (\$6M).

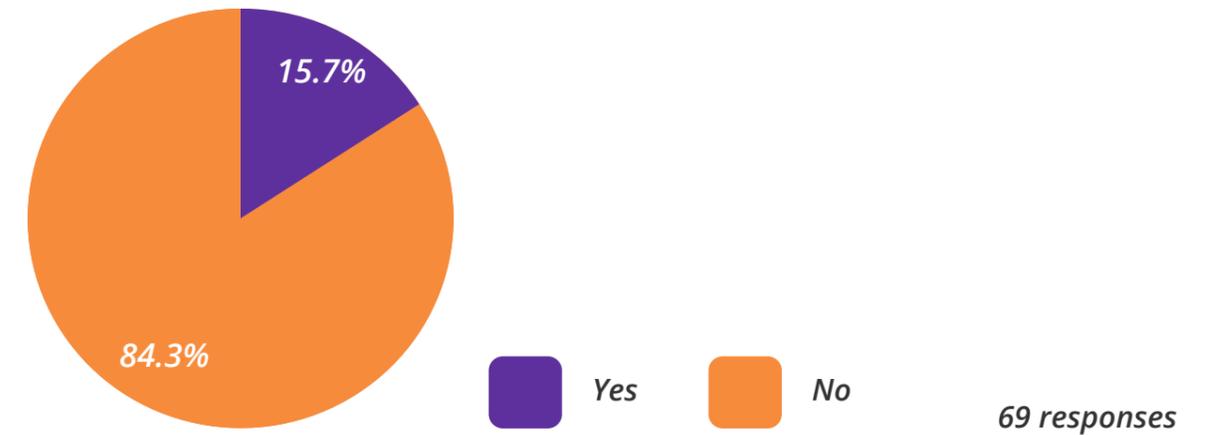
## “IMPACT-RELATED” COMPANY SURVEY

To further understand the gaps between “impact-related” companies and those with a defined impact mission and impact practices, as well as to identify potential avenues for future growth of the impact investment ecosystem and prospects for impact deal flow, OurCrowd teamed up with Social Finance Israel and the IVC Research Center in January 2019 to survey local startup companies in impact-related sectors. The online survey received 82 responses, 69 of which were received from startups that state that they are generating a positive social or environmental impact. That’s 84%.

Does your company generate a positive social and/or environmental impact?



Do you currently track the impact of your company with social and/or environmental impact KPIs?



On the other hand, a majority (58%) of these companies expressed interest in learning how to measure their impact.

These findings are significant. Addressing the impact management and measurement gaps between the 42% of startups that were founded with the intention to generate impact, and the 15.9% actually tracking, a gap of 26.1% or in the case of the study, a difference of 18 startups, has the potential to dramatically increase potential deal flow for global impact investors seeking solutions to pressing challenges, while growing the local impact market.

## Impact Intentionality and Measurement

Of the strong majority who indicated they were making a positive impact (69 responses), 42% indicate their company was established with the *intention* to develop and scale a solution to an environmental and/or social challenge. Intentionality is one of the main characteristics of an impact investment.

Which of the following aligns most closely to your company's impact orientation?



51 (93%) of respondents indicated that they are seeking impact investor capital. However, companies are typically only eligible for impact investment if they are able to evidence the impact they are generating and align with the impact management practices outlined at the start of this report. As demonstrated below, most do not: only 11 (15.9%) of respondents to this question (69) are currently tracking impact metrics.

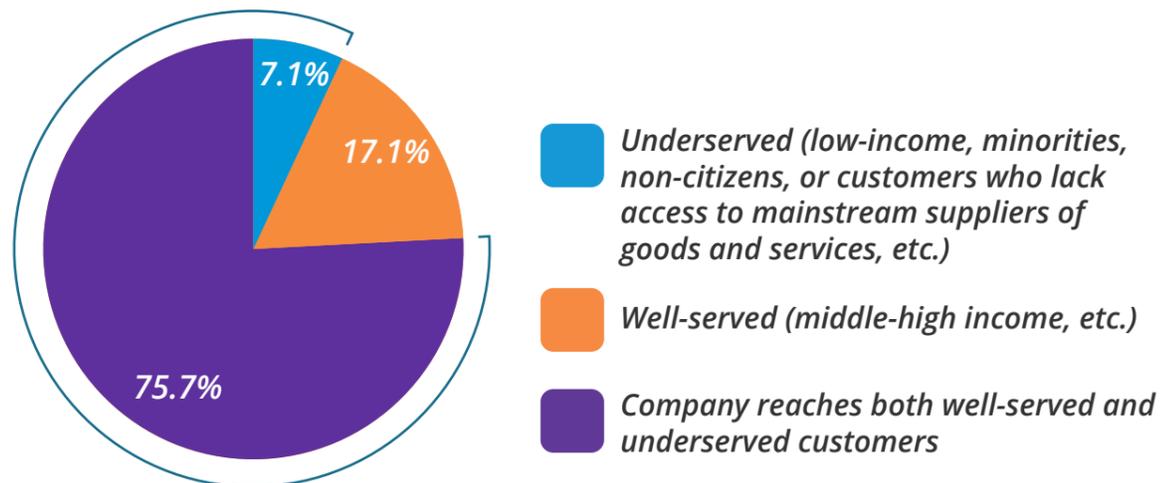
## Generating Impact

Who is experiencing improved outcome?

Among all respondents, 48% answered that their products and services have the potential to offset public sector costs. This finding has important implications to federal and municipal governments who are actively searching for innovative technologies to offset mounting systemic costs stemming from chronic diseases, aging populations, climate risk, among others, as well as the many targeted challenges referenced by the UN Sustainable Development Goals.

In terms of populations who might benefit from startup innovations, of the 69 companies who responded their companies generate impact, 83% indicated that their end-users include underserved individuals and nearly half are selling in the developing world: India (46%), China (40%), Latin America and Sub Saharan Africa (32%).

The majority of the company's end-customers are:



**83% of impact-related companies indicate that they serve underserved populations**

69 responses

Among companies who serve both underserved and well-served clients, the lack of relevant expertise about those markets, bureaucratic delays in government contracts, non-governmental organization and other strategic partnerships, and high costs accounted for main obstacles to reaching more underserved.

What is your biggest obstacle to reaching more underserved groups?



While not a conclusive sample, the figures above give initial indications of the impact practices, demographic reach, and desire of Israeli companies to engage and contribute to a growing impact market. Overall findings demonstrate a clear need to provide companies with the resources and knowledge need to better track and measure their impact in order to affectively communicate the social impact they are generating.

## LOOKING AHEAD

The Israeli impact investment market is still at an early stage in terms of amount of capital deployed, adherence to impact measurement principles, and breadth of public, philanthropic, and market building contributions.

Within the mainstream market, we see a clear chasm between companies who say they are generating social or environmental impact and those that are measuring. With our survey as indication, the gap is sizeable at 70%.

By tying together these two parallel challenges – one confronting the impact market, the other the mainstream market - a market-building opportunity becomes clear.

In the last two years the local impact ecosystem effectively doubled to over \$260M, thanks to increased interest and activity by financial institutions, government, philanthropic players and local entrepreneurs. And with investment in “impact related” sectors totaling close to \$1.6B in 2018, the Israeli impact ecosystem is on a path to exceed \$500M in the coming years.

Such ambitious growth will can be achieved by working more closely with “impact-related” startups and the mainstream ecosystem, helping them demonstrate to global impact investors the social returns they are generating. This must be done through enhanced market education, more effective impact measurement, and increased engagement with companies and investors in the impact investment field.

The local ecosystem is growing rapidly and shows lots of clear potential to be a leading player, well positioned as a source of deal flow of innovative companies addressing social and environmental challenges. There is a clear opportunity to harness these market forces towards establishing Israel as a market leader in impact investing.

