



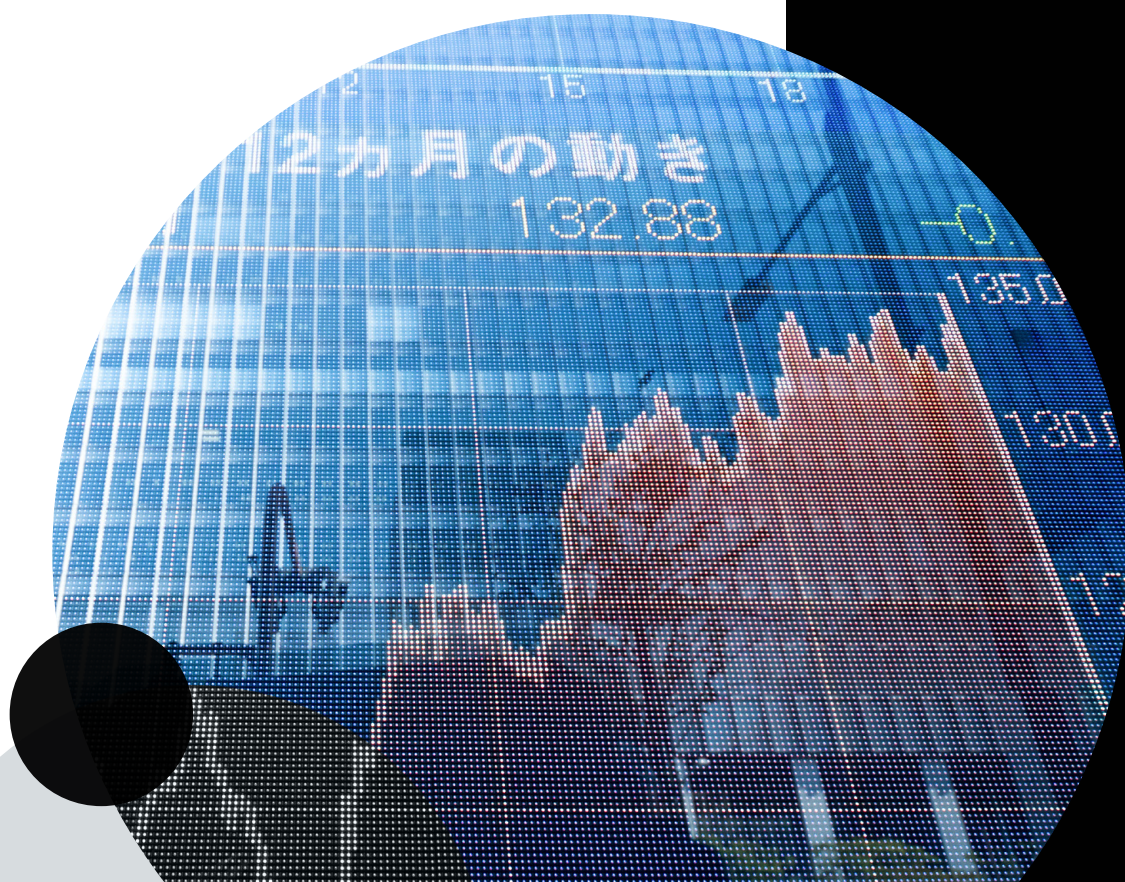
# ISRAELI **IMPACT** INVESTMENTS MARKET SIZING.

January 2024

# THE ISRAELI FORUM FOR IMPACT ECONOMY.



The Israeli Forum for Impact Economy (IFIE) is a multi-sector group of Israeli leaders committed to ensuring continued economic growth and prosperity through the adoption of an impact-driven economy. The IFIE acts as the Israel National Advisory Board (NAB) to the Global Steering Group (GSG). Chaired by Sir Ronald Cohen, the GSG has 33 member countries in addition to the European Union (EU). The GSG is a global organisation that brings together leaders from finance, business, and philanthropy. Its objective is to catalyze impact investment and entrepreneurship to benefit people and the planet.





# TABLE OF CONTENTS.



Foreword

4-7

Executive summary

8

Introduction

9-10

Methodology

11-15

Findings

16-24

Concluding remarks

25-26

תקציר בעברית

27-32

# Foreword

The events of October 7th and the subsequent war have disrupted Israeli society, economy, policies, and defense. However, amidst these challenges, there is an opportunity to "Build Back Better" by integrating Impact Economy practices into Israel's economy for social, environmental, and economic benefits.

At IFIE we are committed to providing tools, data, and research to stakeholders in the Israeli impact ecosystem (and beyond). Our goal is to accelerate Israel's impact economy for sustainable and inclusive growth.

Despite being based on pre-October 7th research, the market sizing presented in this report remains relevant, perhaps even more so in light of the challenges the country now faces. This report establishes a baseline to track impact capital growth, essential for rebuilding the economy and society in the future.

Over the past decade, impact investments have grown significantly in Israel and globally. Understanding their volume, characteristics, and potential will position Israel as a more integrated player in this global field, mobilizing capital for positive impact.

This report is a flagship project of the GSG and IFIE in 2023, presenting Israel's first Impact Investing market sizing based on the GSG methodology.

Impact investments from various stakeholders will play a crucial role in overcoming challenges and maximizing risk-return-impact. We believe these types of innovative investment strategies offer a viable opportunity for the Israeli economy to recover from the war in the near term and thrive in the long-term.

I take this opportunity to express my deepest gratitude to IFIE's Head of Research, Dr. Aya Navon, for her brilliant work. Special thanks to Dr. Tom Noah for her professionalism, as well as our interns Reuven Sebaty, Keren Szapiro, Eitam Cohen and Shir Halevi for their crucial support. I also extend my appreciation to IFIE members and partners Michael Lustig, Renana Shvartzvald, Dalia Black, Omri Boral, and Stav Bar Shany. Last but not least, I thank Herzog Fox & Neeman and IVC for their strategic partnership and support of this project.

We look forward to continuing our collaborative efforts to achieve a thriving impact economy, creating resilient communities, societies, and economies.

**Capturing the volume,  
characteristics,  
barriers and potential  
of Impact Investment  
in Israel will allow  
us to become a better  
integrated player in  
this global field...**

*Vanessa Kacherginsky*

**Founding CEO**

**The Israeli Forum for Impact Economy**





# Foreword

It is with great excitement and honor that we join in support of the Israeli Impact Investments Market Sizing Report. While the potential for social and environmentally missioned companies in the Start Up Nation are a natural, a lack of uniformity and measurement have hampered a proper analysis of asset classes that could attract impact investors from around the globe. Solution-based high tech has been blossoming in Israel long before mainstream impact investors were focusing on the essential contributions that technology can bring accelerate. That has changed in recent years. The global impact investment community seeks out technological innovation to assist in addressing the planet's pressing issues. The Israeli tech sector is especially capable of contributing to these efforts.

With this Report, the accomplishments of the Israeli market can be showcased and developed further. The Report provides a systematic estimate of the size of the market as a benchmark for the future, using state of the art definitions. With the professional analysis of IFIE, the Israeli market can be properly assessed and goals for the future can be meaningful.

Ever since its foundation more than 50 years ago, Herzog Fox & Neeman has strived for professional excellence and cutting-edge advice that sets its clients on a path to greater success. As the global economy slowly evolves to increased corporate social responsibility, ESG and impact investment, it is natural for Herzog, Fox & Neeman to join its clients into a more thoughtful and purposeful approach to business. Herzog, Fox & Neeman has been active in the Israeli impact investment ecosystem for almost ten years. Representing impact investors, impact investment funds in their formation and investments, mission driven companies in all social and environmental fields, and non-profit organizations pivoting to sustainable development, Herzog has an overview of the Israeli ecosystem and recognizes the need for credible measurements like those found in this Report. This Report is an excellent tool for all stakeholders.

**the accomplishments  
of the Israeli market  
can be showcased and  
developed further.**

*Janet Levy Pakima,*

**Of Counsel, Herzog, Fox & Neeman.**



# Foreword

As a tech and venture data and insights company, IVC rarely gets to deploy and analyze our data in a more essential space. This was the main reason IVC was thrilled to collaborate with The Israeli Forum for Impact Economy (IFIE) in preparing the Israeli Impact Market Size Report.

The Israeli tech landscape is renowned for its dynamism, consistently attracting significant capital. Through the analysis, we identified a noteworthy trend – impact-aligned investments comprising 23% of the total capital raised by Israeli tech ventures in the relevant period, amounting to NIS 72 Billion out of NIS 315 Billion. This revelation not only underscores the maturation of the impact investment ecosystem within the Israeli tech sector but also raises pertinent questions about the evolving nature of capital allocation and its ramifications for societal and environmental well-being.

Further examination of impact-aligned investments within specific sectors unveils intriguing patterns. Notably, the Life Sciences sector emerges with an impressive 95% of companies classified as impact-aligned. Following closely, Cleantech companies demonstrate a robust impact orientation with 80%, showcasing the industry's dedication to sustainable solutions. Miscellaneous Technologies, Semiconductors, Internet, Communications, IT, and Software also contribute to the mosaic of impact-aligned companies, highlighting the diverse ways technology intertwines with societal and environmental values. The collaboration with IFIE allowed us to contribute valuable data and be part of a broader conversation about the transformative potential of impact investing.

**highlighting the diverse  
ways technology intertwines  
with societal and  
environmental values.**

*Ben Klein, CEO*

**IVC Data and Research**





# Foreword

In recent years, we have witnessed a significant amount of activity related to the pursuit of social and environmental goals in Israel. There is undoubtedly a great deal of initiative, entrepreneurship, and dynamism—all going towards expanding the view of Israel as the 'Startup Nation' into 'Impact Nation' as well. Israel's small size and its strong technology engine make it an ideal place to leverage technology for good. Technology is one of the three key drivers of the impact revolution—the other two being a change in the values of consumers and accounting transparency on the impacts companies create.

As a driver of the impact revolution, technology is changing the world. Its growth converges with a major change in the values and behavior of consumers and talent, as well as the arrival of impact accounting and transparency on the consequences of companies' actions. Israel's powerful technology engine and its mission of Tikkun Olam (improving the world) make it an ideal place to create new ways to tackle our social and environmental challenges, such as reducing emissions and closing the huge gap between rich and poor, thus improving the cohesion of society.

The report highlights the important role technology has played in Israel's past achievements and the role it must play in realizing its future potential. Technology alone cannot solve all of Israel's social and environmental challenges; however, Israel needs, as this report emphasizes, to drive its vibrant flows of venture capital (VC) and private equity (PE) investment to enable its innovative entrepreneurs to bring solutions to the challenges we all face. Having become the Startup Nation, Israel has the potential to become the Impact Nation.

**Israel's small size and its strong technology engine make it an ideal place to leverage technology for good. Technology is one of the three key drivers of the impact revolution.**

**With my best wishes for your continued progress!**

*Sir Ronald Cohen*

**President, GSC**



# Executive summary

Impact investments are investments made with the intention to generate positive, measurable social or environmental impact alongside a financial return.

Global impact investing is already a trillion-dollar marketplace, and this market is experiencing growth and maturation. However, attaining the the UN 2030 Sustainable Development Goals will require US\$ 5-7 trillion per year globally, which equals approximately 5-7% of global AUM. Currently, global impact investments still only account for 1-2% of global AUM.

This report presents an overview of the impact investing market in Israel. Our first conservative estimate is of a minimum of **NIS 2.8 billion of impact investment in Israel**, with an additional **NIS 23.3 billion in green bonds**.

With the current Israel AUM being approximately NIS 4.9 trillion<sup>1</sup>, impact investments (intentionally made as such) are currently estimated to be around **0.05% of the total Israel AUM**. This figure, when compared to the EVPA's evaluation of European direct impact investments at 0.5% of the European mainstream investment market<sup>2</sup>, and the GIIN's estimation of global impact investments at 1-2% of global AUM<sup>3</sup>, highlights the potential for further growth and development of the

impact investment ecosystem in Israel.

In addition to impact investments, we calculated the sum of **investments in impact-aligned tech companies that are incorporated in Israel at (a minimal estimate of) NIS 72 billion**. The rapidly expanding impact-aligned technology sector in Israel holds tremendous potential to emerge as a significant contributor to the global impact economy.

As part of the IFIE's mission to catalyze Israel's impact economy, we created the first Israeli impact ecosystem map. The map showcases the variety of actors involved in the impact economy including investors, intermediaries, and impact enterprises. The map is available via the following link <https://www.ifie.org.il/general-8>. We consider the Israeli Impact ecosystem map as a tool which aims to accurately identify and describe the various stakeholders and the connections between them, providing some insight into the strengths and weaknesses of the ecosystem.



<sup>1</sup> [www.boi.org.il/boi\\_files/Statistics/tik.pdf](http://www.boi.org.il/boi_files/Statistics/tik.pdf)

<sup>2</sup> [www.evpa.ngo/sites/www.evpa.ngo/files/publications/EVPA\\_Accelerating\\_Impact\\_2022.pdf](http://www.evpa.ngo/sites/www.evpa.ngo/files/publications/EVPA_Accelerating_Impact_2022.pdf)

<sup>3</sup> [thegiin.org/research/publication/impact-investing-market-size-2022](http://thegiin.org/research/publication/impact-investing-market-size-2022)



# Introduction

## Why do impact investments matter?

Impact investments are investments made with the intention to generate positive, measurable, social or environmental impact alongside a financial return. This is predicated on the assumption that finance has the power to drive positive social and environmental impacts. By channelling

resources toward innovation, infrastructure development, and entrepreneurial initiatives, investors have the potential to facilitate the emergence and growth of Impact solutions that effectively tackle pressing global challenges including climate change and inequality.

An accepted global framework for addressing the most pressing global challenges is the UN's Sustainable Development Goals (SDGs) - a set of 17 issues identified in 2015 with 169 sub-targets and 232 indicators that are meant to be reached by 2030.



The SDGs and their metrics promote impact tracking, allowing companies to adopt a structure which allows for credibility and performance-measurement of their impact-related efforts.

Private capital plays a crucial role in the global economy, representing a significant share of the world's financial resources. In recent years, there has been a growing recognition that private capital owners bear a responsibility for the substantial impact - both positive and negative - resulting from their wealth. First, they should diligently avoid generating negative impact. Secondly, they should strive to foster positive contributions in terms of governance, environment, and society through their ongoing activities. Moreover, they should ideally proactively promote positive social and environmental impacts through their investments. By leveraging their substantial influence and resources, private capital can make a meaningful impact in tackling the critical challenges we face today.

## Why is impact market sizing important?

Impact market data serves as a baseline reference for growth potential and opportunity in a market, as well as informing investment and product innovation decisions relative to alternative options. Many investors will only enter the impact investment market when greater clarity and specificity can be provided. International policymakers and field-builders also value aggregating such data into a regional and global view, in order to look at trends and implications across geographies, sectors, asset classes and impact areas, to inform national and multinational policy initiatives and regulatory changes.

## Israeli impact market sizing

Although estimating the impact market size is beneficial both for Market participants and policymakers, we are still lacking a systematic market sizing of the Israeli impact investments market. This study is the first of its kind conducted in Israel in order to provide a baseline of the current state of the Israel impact investing sector.

### Our goals are:

1. **To estimate the size of Israel's impact investing market.** This estimate serves as a baseline for tracking future growth. We aim to publish an Israeli impact market sizing report every two years.
2. To identify the key actors in the Israeli impact market in order to **increase the market's transparency.**
3. To adapt a global methodology within the Israeli context, in order to **facilitate meaningful comparisons** of the Israeli impact market with other impact markets worldwide.

This market sizing is not intended to be fully comprehensive but rather serves as an initial step. The impact investing sector in Israel has, thus far, remained largely undocumented and unreported. This endeavour marks a significant milestone as we strive to establish the rapid growth

of the sector through verifiable data. While the methods employed in this study provide a credible starting point for estimating the market, it is crucial to acknowledge their imperfections. Data gaps are prevalent, and there is ongoing debate about what should be included in reporting, particularly due to the challenges of defining impact investment and relying on self-reports. We hope that as the Israeli impact market evolves, there will be a corresponding improvement in the consistency of data flow, leading to enhanced accuracy in evaluating the market's size and an improved ability to identify trends and assess more complex aspects such as additionality of investments and quality of impact measurement.



<sup>4</sup> Three previous reports provide valuable insights and serve as a foundation for a gross evaluation of the growth of the impact aligned market in Israel.

**The first report was published by Vanessa Bartram in 2017** (<https://medium.com/@vbartram/impact-investing-in-israel-yes-its-a-thing-49db042ee635>). Bartram identified twelve active impact investing intermediaries in Israel, representing an aggregate AUM of an estimated US \$622 million (NIS 2.2 Bn according to the exchange rate on the publication day).

**The second report was published by OurCrowd in 2019** (<https://info.ourcrowd.com/impact-report-a/>). It evaluated the Israeli impact investing market at around \$260 m (NIS 919 m according to the exchange rate the report's publication day), and estimated that impact-related startups raised around \$1.6 bn (NIS 5.7 bn). Their analysis of impact related startups included companies in sectors positioned to generate social and environmental impact.

**The third report was published by the Edmond de Rothschild Foundation (Israel) in 2021** ([link](#)). It evaluated the total Impact AUM in Israel at over \$239m (NIS 760 m according to the exchange rate on the report's publication day).



# Methodology

We have adopted the GSG recommended methodology for sizing impact investment markets. Our assessment involved distinguishing between two categories: **impact investments** – investments that aim to generate specific measurable beneficial social or environmental effects in addition to financial gain, and impact-aligned investments, that also aim to generate both financial returns and social-environmental benefits, but lack the necessary measurement standards and framework of impact investments. To evaluate the scope of impact investments in Israel, we conducted a survey among Israeli investors and ecosystem members. In order to assess impact-aligned investments, we collaborated with IVC, a comprehensive database of the Israeli high-tech sector, and analysed their data by evaluating the impact-aligned investments in each sector. It is important to acknowledge that our evaluations are not exhaustive; the estimation of impact investments relies on the responses received through our survey, while the evaluation of the impact-aligned market is restricted to tech companies, excluding other relevant non-tech sectors that also engage in impact-aligned activity.




## Definitions

### Definition of impact investing adopted in this report


We use the GSG definition of impact investing: "Impact investment optimizes risk, return and impact to benefit people and the planet, by setting specific social and environmental objectives alongside financial ones, and measuring their achievement."

This definition is in line with the definition used by the Global Impact Investing Network (GIIN) and with the ABC framework developed by the impact management project (IMP).

### There are three underlying attributes of this definition:

-  **1. Intentionality** - refers to impact investors' intention to create specific social or environmental outcomes from their investment.
-  **2. Measurability** - requires a clear process and framework in place to measure the impact performance of the investment.
-  **3. Financial returns** - distinguishes impact investment from philanthropy as investors seek returns that cover more than their initial investment.

Outside of these attributes, the field also prizes a fourth attribute:

-  **Additionality** - the extent to which desirable outcomes would not have occurred without intervention (as defined by the Impact Management Project - IMP). In other words, it describes how a specific outcome or benefit would not have been produced without the investment.

Although we recognize the importance of the additionality attribute, given that we have fully aligned the definition as described by GIIN, additionality is not included in our definition. We will, however, consider adding this criterion in our next report, which scheduled to be published in two years, hoping that the Israeli impact market will continue to mature.

## Impact-aligned Investing

We classify investments that include financial returns and generate positive social or environmental benefit without measurement and specific intentionality as impact aligned. We chose to include such investments in the report as they consist of a large portion of the Israeli tech market, and have great potential to contribute to social and environmental challenges. We hope that including them in our market sizing will encourage the impact aligned investors to adopt more robust impact strategies in the future.

## Market Geography

We have chosen to focus on the national level. We included in our market sizing both investments made by Israeli funds and investments made in Israeli companies (either criterion alone is sufficient for inclusion).



## Mapping relevant data sources and gaps

The IFIE team collected publicly available reports and internal reports provided by IFIE partners. Publicly Available Data included reports published by:



We analysed the reports to map the main entities in the Israeli impact market, identify potential impact investors, find previous evaluations of impact investments that would serve as a baseline for our market sizing, and gain additional insights regarding specific segments of the impact market.

We identified two main gaps in the existing data: First, A lack of a shared definition of impact and no agreed methodology, which made it difficult to aggregate data from multiple reports. Second, A lack of robust data - many reports remained at a descriptive level, providing examples of impact investments and companies, but lacking rigorous or systematic measurement.

## Identifying key actors

The main actors we identified as playing a key role in the Israeli impact investing market are:

- Venture Capital and Private Equity
- Philanthropy (when investing and not donating)
- Institutional investors
- Government

## Data collection and analysis

**To evaluate the scope of impact investments,** including both intentionality and measurement in Israel, we took the following steps:

### A. Identifying impact and impact aligned Investors

Our team collected data on investors with impact potential from a variety of sources, including publicly available reports and databases, internal reports provided by IFIE partners, and interviews with experts.

### B. Distributing questionnaires

We distributed an online survey via email to 60 investors and philanthropists we identified as impact related. We also published the survey through contacts in the Israeli impact ecosystem and on relevant social media platforms. To complete missing data, we interviewed 25 impact related investors and philanthropists.

### C. Analysis

We analysed the combined data from the various sources in order to (1) evaluate the size of the impact investments market in Israel; (2) evaluate the percentage of impact investments in Israel from total

AUM; (3) map the main actors in the Israeli impact ecosystem; and<sup>4</sup> provide insights into the main types of capital invested and the types of social and environmental goals that actors sought to accomplish.

Beyond the assessment of the Israeli impact investments market, this study also aimed to assess the extent of impact aligned investments (investments in companies that can reasonably be assumed to generate non-measured positive social or environmental impact) within the tech sector.

**To estimate the amount of impact aligned investments in tech companies,** we relied on data provided by IVC, a comprehensive database of the Israeli high-tech sector. We chose to focus on investments in the technology sector as it is the primary sector in the country: Israel boasts a highly educated population and a culture of innovation and entrepreneurship that form the foundation of a thriving technology innovation ecosystem, often referred to





as the "Start-up Nation". To evaluate the amount of capital raised by Israeli impact aligned tech companies, we analyzed IVC data regarding capital raised by companies registered in Israel between 2017 and mid 2023.

Previous estimations of impact-aligned tech companies in Israel employed a broad classification approach that grouped entire sectors as impact related (in the 2017 evaluation by Vanessa Bartram the impact sectors included healthcare, energy, food/agriculture, and education; in the 2019 OurCrowd evaluation-these sectors encompassed health, cleantech, agrotech, edtech, smart cities, wellness, disability and elderly, and civic/GovTech). In contrast, we have adopted a more refined methodology for evaluation, focusing on the percentage of impact ventures within each sector. We randomly sampled companies from each sector, manually classified them as either impact-aligned or non-impact based on the IRIS+ taxonomy, calculated the percentage of capital raised by impact aligned companies within each sector, and based on this percentage - estimated the overall volume of impact-aligned investments in each sector.

Our methodology provides a more precise estimation of investments in

impact-aligned tech companies, as it avoids categorizing entire sectors as either impact-aligned or non-impact. Instead, we evaluate the extent of impact-related investments within each sector. However, it is important to note that our estimation is based solely on IVC data pertaining to investments in tech companies registered in Israel between 2017 and mid 2023, which means it represents an underestimation of the overall impact-aligned investments in Israel. In our upcoming reports, we aim to include data on additional types of impact-aligned investments to provide a more comprehensive analysis.



<sup>5</sup> IVC is a leading data source and business information company in Israel's high-tech industry <https://www.ivc-online.com/>

<sup>6</sup> Fraiberg, Steven. "Start-up nation: Studying transnational entrepreneurial practices in Israel's start-up ecosystem." Journal of Business and Technical Communication 31, no. 3 (2017): 350-388. Available at <https://journals.sagepub.com/doi/pdf/10.1177/1050651917695541>

<sup>7</sup> <https://medium.com/@vbartram/impact-investing-in-israel-yes-its-a-thing-49db042ee635>

<sup>8</sup> <https://info.ourcrowd.com/impact-report-a/>

<sup>9</sup> We sampled 374 companies - at least 60 companies from each sector in the database (Cleantech, Life Sciences, Communications, Internet, IT & Enterprise Software, and Miscellaneous Technologies), except for one sector that only contains 120 companies (Semiconductors) from which we sampled 13 companies.

## Key methodology features

Issue	Approach
Definition of Impact Investing	GIIN definition
Market geography	Israel
Return continuum	Across the full return continuum (excluding philanthropy)
Investor types	All
Asset classes	All
Direct / indirect investors	Direct only
Individual investors	Excluded
Data sources	Online survey with follow-up interviews when needed for clarification. We added an analysis of public reports and tech companies database for Part II.
Self-reported AUM	Yes. Rely on AUM data provided by survey respondents
Adjustments	<ul style="list-style-type: none"> <li>- We did not estimate AUM of organizations for which we could not obtain data; therefore our evaluation is an underestimation of the Israeli Impact AUM.</li> <li>- In addition to the impact market sizing, we also estimated the size of Impact Aligned investments.</li> <li>- We considered green bonds separately and did not include them in our calculation of impact or impact aligned investments.</li> </ul>



# Findings

## Part I - Size of Israel's Impact Investment Market

### ► Total AUM

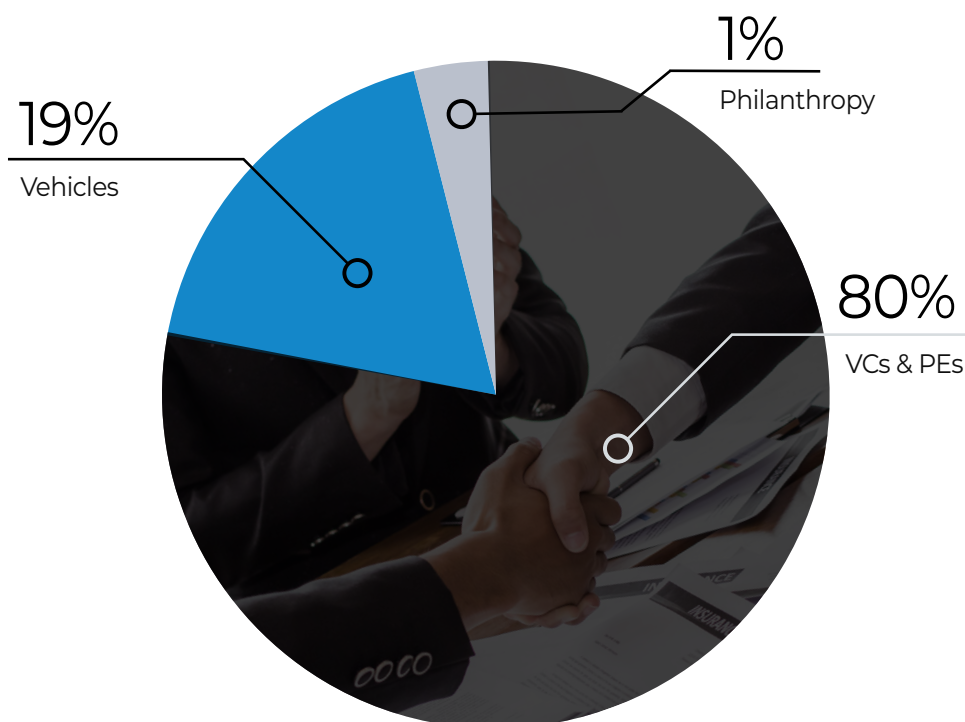
Based on our methodology, our first conservative estimate is of a minimum of **NIS 2.8 billion of impact investment in Israel**, with additional **NIS 23.3 billion in green bonds**. With the current Israel AUM being around NIS 4.9 trillion<sup>(10)</sup>, impact investments are currently estimated to be **approximately 0.05% of the total Israel AUM**.

This figure, when compared to the EVPA's evaluation of European direct impact investments at 0.5% of the European mainstream investment market<sup>(11)</sup>, and the GIIN's estimation of global impact

investments at 1-2% of global AUM<sup>(12)</sup>, highlights the potential for further growth and development of the impact investment ecosystem in Israel.

Nevertheless, our estimation represents a dramatic increase from the previous estimation by the Edmond de Rothschild Foundation (Israel) of at least **NIS 760 m** in Israeli impact investments in 2021, although it is important to note that the two evaluations were based on different methodologies, potentially leading to variances in the results.

### Total AUM by investor type



<sup>10</sup> [https://www.boi.org.il/boi\\_files/Statistics/tik.pdf](https://www.boi.org.il/boi_files/Statistics/tik.pdf)

<sup>11</sup> [https://www.evpa.ngo/sites/www.evpa.ngo/files/publications/EVPA\\_Accelerating\\_Impact\\_2022.pdf](https://www.evpa.ngo/sites/www.evpa.ngo/files/publications/EVPA_Accelerating_Impact_2022.pdf)

<sup>12</sup> <https://thegiin.org/research/publication/impact-investing-market-size-2022/>

## ► Government

The main contributions of the Israeli government to the Israeli impact market are in signalling to institutional investors and banks to start taking impact consideration into account in their investments (although without providing clear standards); providing grants for impact-aligned ventures and ecosystem builders; and providing catalytic capital – impact aligned investments that aim to unlock and leverage additional investments from other stakeholders that would not otherwise be possible.

In addition, the Israeli government has experimented with several attempts to promote impact investments. One notable example is the establishment of the “Social Yozma” funds - two impact funds that were specifically created to encourage and nurture social businesses, while incorporating impact measurement practices<sup>15</sup>. Unfortunately, the outcomes of these funds fell short of expectations. The funds were expected to yield market rate return, despite the challenging criteria that were set and the narrow focus on a specific population and business types. Nonetheless, there are valuable insights to be learned from these funds for future endeavours, as well as from successful models implemented globally.

## ► Private Sector

### VC'S + PE'S

According to the survey responses, there are currently at least **NIS 2.27 billion** in impact

investments **by 13 VC'S and PE'S**, which include intentionality and measurement.

### Corporate venture capital (CVC)

Currently, the activity of corporate venture capital in Israel in the impact field is still in its early stages. The majority of the CVCs have not yet catalogued and measured their impact, therefore we did not include their investments data in the report.

### Institutional investors

According to a recent study by the Israeli Forum for Impact Economy (IFIE)(13), the institutional investors in Israel hardly make impact investments. However, there is a trend among Israeli institutional investors towards the adoption of **impact-aligned investments**, which are estimated at a minimum of **NIS 6.4 billion** in 2021.

### Green Bonds

One of the emerging financial instruments in Israel in recent years is green bonds. **Bank Hapoalim** issued a **NIS 3.72 billion** green bond, **Bank Leumi** has issued a **NIS 12.1 billion** green bond, and **the accountant general at the Ministry of Finance** has issued a **NIS 7.45 billion** green bond. In addition, Teva Pharmaceuticals issued a NIS 18.3 billion Sustainability-Linked Bond tied to both climate and access to medicine targets(14). We did not include Teva's bond as part of the Israeli impact market sizing since the bond was not issued in Israel.

<sup>13</sup> <https://drive.google.com/file/d/1JyulruPMvb5sfgnGfniiLH9Omc7GRz-y/view>

<sup>14</sup> <https://www.tevapharm.com/news-and-media/latest-news/teva-becomes-first-pharmaceutical-company-to-execute-sustainability-linked-bond-tied-to-both-climate-and->

<sup>15</sup> [https://www.gov.il/he/departments/news/press\\_15032015](https://www.gov.il/he/departments/news/press_15032015)



## ► Philanthropy

The philanthropic sector has a major role in the Israeli impact market both in impact investments and in impact philanthropy in the form of donations for building the infrastructure for the Israeli impact market. We have identified at least **NIS 34.4 million in impact investments** by philanthropy, and on additional **NIS 21.8 million in impact aligned investments**, alongside a minimum of **NIS 6.3 m in donations** for impact ventures and social finance tools. Due to the fact that several philanthropists have chosen not to disclose the full extent of their donations and investments, our estimation of philanthropic contributions is subject to underestimation.

## ► Blended Finance vehicles in Israel

Funding in Israel is still very unevenly distributed by sectors. We see very few blended finance tools in Israel, which according to our estimation are totalling NIS 529 m<sup>(16)</sup> :

- **Social loans operated by Ogen**, which provides low interest credit to customers who have difficulty getting credit from banks.
- **Social impact bonds operated by Social Finance Israel (SFI)** - a performance-based contract between social service providers, investors, government agencies and other stakeholders, whereby financial returns for investors are generated by positive social outcomes.
- **Economic development funds by Koret Israel (KIEDF)** - a non-profit organization that provides bank guarantees and non-bank loans combined with business

services, aspiring to create employment opportunity and social equality in the private sector, focusing on economically and socially marginalized populations.



<sup>16</sup> To avoid double counting, this amount does not include investments by impact PE & VCs that were counted in section B

## ► SDGs + Impact themes

The Sustainable Development Goals (SDGs) were established by the United Nations in 2015 as a comprehensive framework to address pressing global challenges. Comprising 17 interconnected goals, the SDGs encompass a wide range of social, economic, and environmental dimensions. These goals include eradicating poverty and hunger, ensuring quality education, promoting gender equality, fostering sustainable cities and communities, and combating climate change, among others. The SDGs serve as a blueprint for countries, organizations, and individuals to work together in achieving a more sustainable and inclusive future by 2030. The SDGs are crucial in guiding policies, mobilizing resources, and inspiring collective action towards a world that is prosperous, equitable, and environmentally sound.

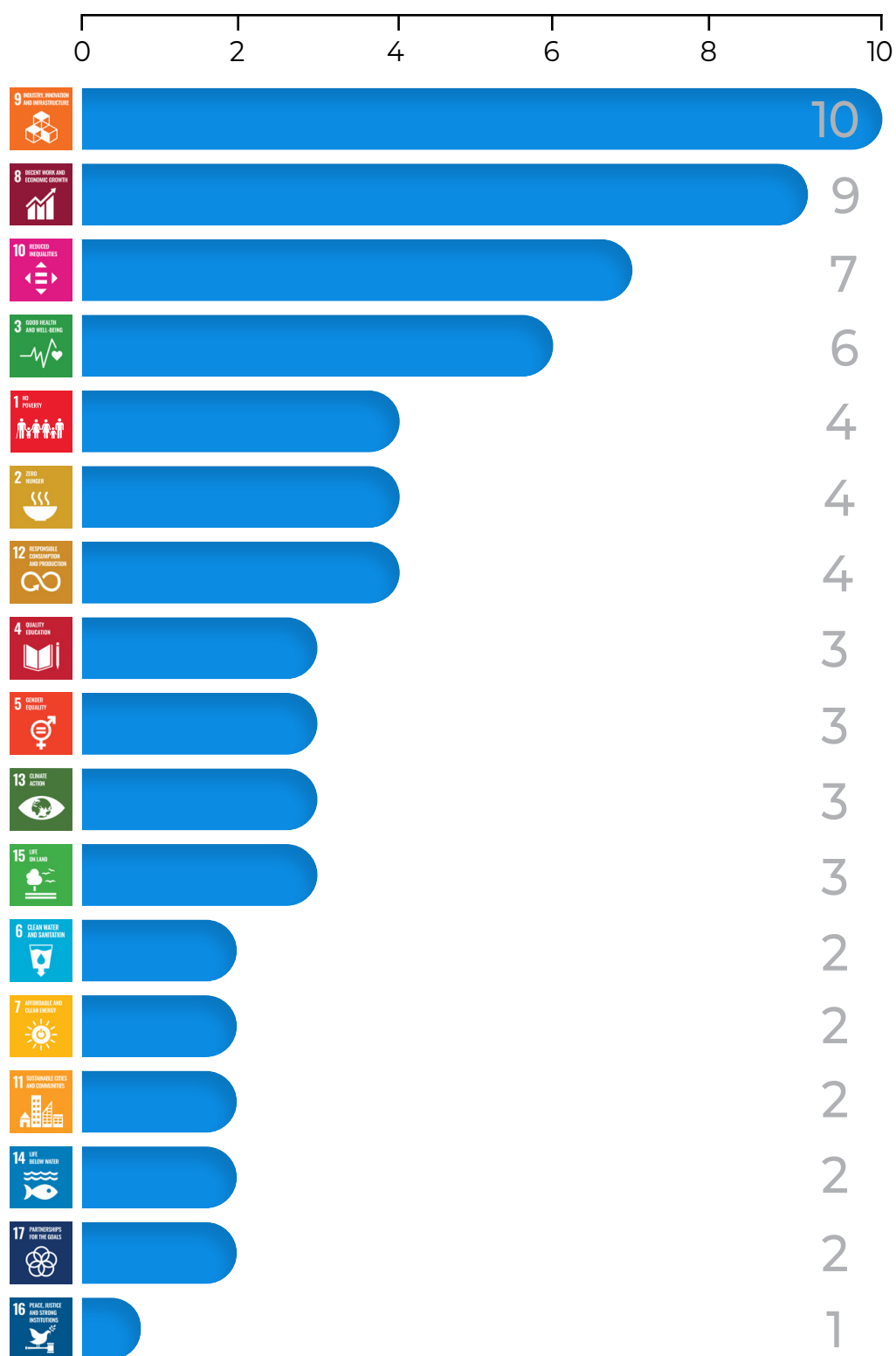
The SDGs have gained significant recognition and adoption globally: both governmental and non-governmental entities have embraced the SDGs as a framework for addressing local and global challenges.

Although there is a growing community of Israeli entities working on issues related to the SDGs, there is still a lack of formal awareness of the SDGs framework across all sectors: only 12 out of the 23 impact investors and intermediaries who responded to our survey reported that they classify their investments according to the SDGs.

Among respondents who reported using SDGs, the most frequently mentioned goals were SDG 9 - Industry, innovation and infrastructure, SDG 8 - Decent work and economic growth, SDG 10 - Reduced inequality within and among countries, and SDG 3 - Good health and well-being.

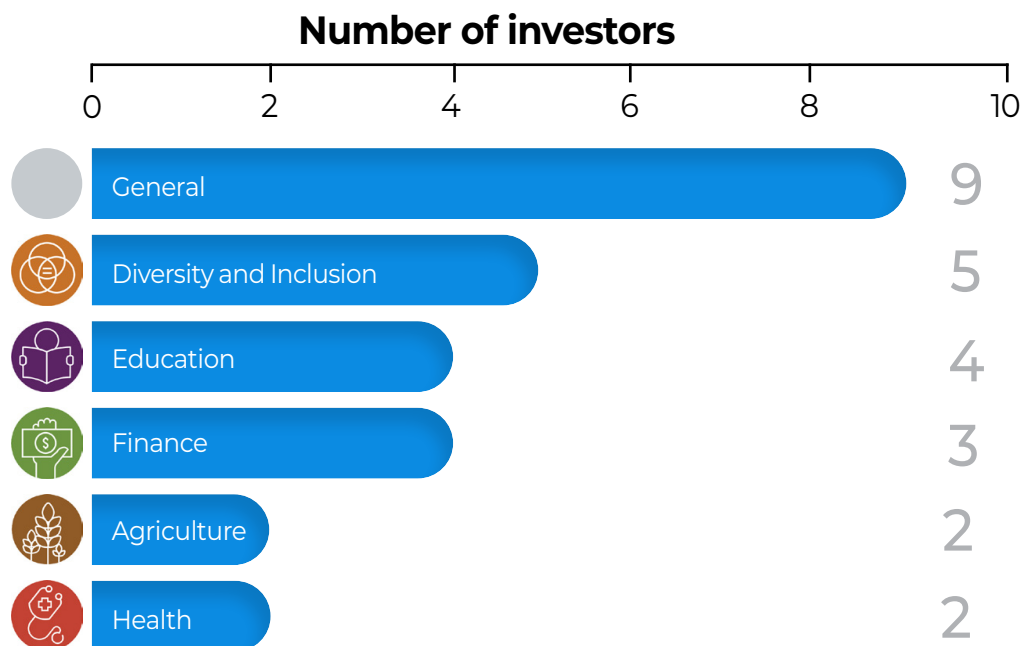


## Number of investors who reported each SDG



In addition to inquiring about investors' alignment with the SDGs, we categorized each impact investors' most relevant impact themes - the specific areas or topics where they aim to create a positive impact. Our classification was based on the IRIS+ Thematic Taxonomy<sup>(17)</sup>, a framework designed to categorise organisations and their activities based on their intended impact areas.

## Investors' main impact themes based on our classification.



<sup>16</sup> [+IRIS Thematic Taxonomy](#) | [+IRIS System \(thegiin.org\)](#)



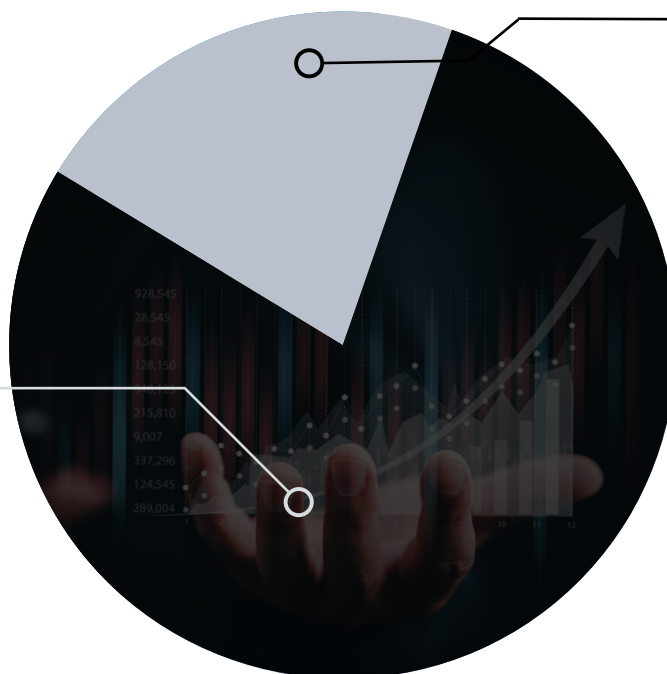
## Part II - Capital raised by Israeli Impact aligned tech ventures

In addition to sizing the Israeli impact investments market, we attempted to evaluate the size of **impact aligned investments within the tech sector**. Impact aligned investments are investments that include financial returns and generate positive social or environmental benefit, but do not necessarily include impact measurement and management.

We evaluated the impact aligned investments in Israeli-registered tech ventures as being 23% of the total capital raised by Israeli registered tech ventures in the relevant period **NIS 72 billion out of NIS 315 billion**<sup>(18)</sup>.

Impact Aligned  
Investments  
(NIS 72 billion)

Non Impact  
Investments  
(NIS 243 billion)



Source: IVC Research and Data

### How did we get to this number?

This evaluation is based on our analysis of IVC's database regarding tech companies registered in Israel. We sampled companies from each sector in the database, classified them to impact aligned or non impact, and evaluated the proportion of capital raised by impact aligned ventures within each sector.

The sector with the highest percentage of impact aligned companies is life sciences (95% of companies classified as impact aligned), followed by cleantech (80%), Miscellaneous Technologies (37%), Semiconductors (27%), Internet (18%), communications (16%), and IT & Enterprise Software (15%).

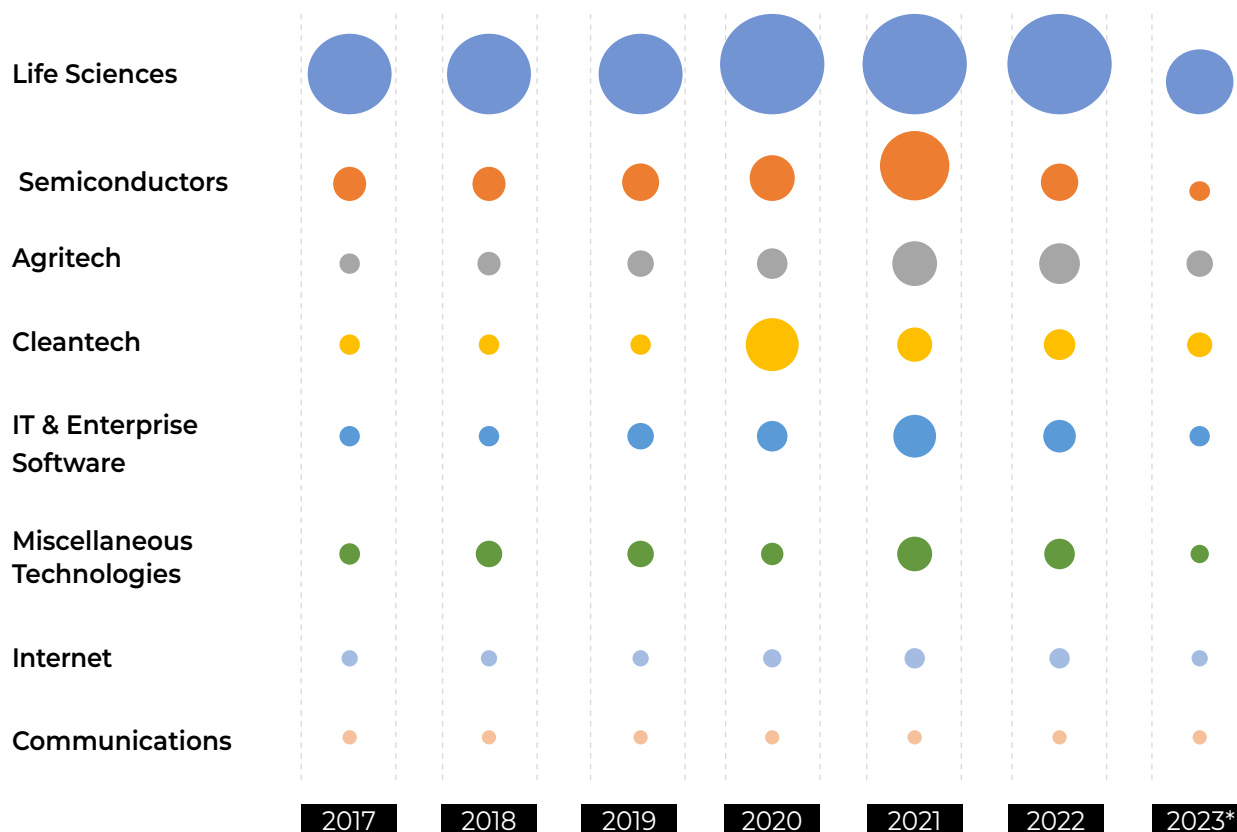
<sup>18</sup> We also analysed the full IVC dataset including Israeli-related tech venture that are not registered in Israel, and evaluated the total capital raised as NIS <sup>103</sup> bn.

## Impact aligned capital raised by sector and year

	2017	2018	2019	2020	2021	2022	2023*	Total (NIS m)
<b>Life Sciences</b>	5,294	5,237	4,917	9,253	9,745	8,062	3,227	45,735
<b>Semiconductors</b>	866	816	970	1,609	3,458	1,015	224	8,958
<b>Agritech</b>	222	265	490	540	1,663	1,382	1,382	4,895
<b>Cleantech</b>	238	206	215	1,892	981	708	396	4,637
<b>IT &amp; Enterprise Software</b>	199	312	475	646	1,499	865	145	4,140
<b>Miscellaneous Technologies</b>	184	352	416	201	762	498	66	2,480
<b>Internet</b>	42	78	57	116	208	120	38	659
<b>Communications</b>	2	2	1	3	4	3	1	16

\* Data presented for quarters 1&2 of 2023

\*\* Source: IVC Research and Data



\* Data presented for quarters 1&2 of 2023

\*\* Source: IVC Research and Data

## Conclusion

Based on our evaluation, impact-aligned tech ventures that are registered in Israel have collectively raised a significant amount of capital, totaling NIS 72 billion. The majority of this capital was raised by companies in the life sciences sector (NIS 46 billion), followed by Semiconductors (NIS 9 billion), cleantech (NIS 5 billion), and Agritech (NIS 5 billion). This amount constitutes 23% of the capital raised by Israeli registered tech companies between 2017 and mid 2023. Although tech is the primary growth sector in Israel, it does not encompass all the impact investments in the country.

**NIS 2.8 billion**

Impact  
investments



**NIS 72 billion**

Impact aligned  
investments in  
tech ventures

Source: IVC Research and Data

# Concluding remarks: opportunities to scale

In the culmination of this report delineating the robust landscape of impact investing in Israel, we find ourselves at the brink of transformative opportunities. The Israeli impact investing market, having dynamically evolved over the past decade, holds substantial potential to direct capital towards resolving urgent global challenges. In transitioning from the "Startup Nation" to the "Impact Nation," our unique position within the tech-centric ecosystem has propelled us forward. As we navigate this uncharted terrain, we extend an invitation to leverage three compelling opportunities that promise to amplify our impact investment market and fortify the Israeli Impact economy.

## Measurement and Standardization

Our research underscores the crucial need for standardized impact measurement. We've identified a notable lack of awareness regarding widely recognized frameworks such as the SDG framework, IMP, and IRIS+, although this is gradually starting to change. Organizations have independently devised their measurement frameworks. The absence of standardized measurement practices remains a central challenge, resulting in limited transparency and complexity in making meaningful comparisons among investment opportunities.

This variance in adopting global frameworks by different entities underscores the need for a comprehensive policy. Such a policy, supported by unified local standards and national data, would empower actors to measure their impact more accurately. Unified measurement practices will facilitate meaningful comparisons between different actors, both on local and global scales, thereby enhancing transparency and fostering the continued development and growth of our ecosystem.

## Scaling Impact Investments: Mobilizing Institutional Support

The vitality of a thriving impact economy hinges on seamless collaboration across all three sectors. A comprehensive examination of the Israeli investment impact market reveals a predominant reliance on private investors, notably Venture Capitalists (VC'S) and Private Equity (PE'S) firms. Conspicuously absent are governmental and institutional investors—key players capable of introducing substantial scalability.

Our recommendation advocates for fortifying both governmental and institutional investors, recognizing their pivotal role in scaling the impact investments market. The momentum for this shift is gaining traction, driven by global regulatory imperatives, escalating



demand from foreign investors, and a growing awareness of imminent local needs. We firmly believe that regulatory encouragement is pivotal for bolstering institutional capital allocation to the impact investing market, setting the stage for a more robust and scalable impact economy.

## Blended Finance: The Key to Building Back Better

This study reveals that a significant portion of impact investing capital in Israel is directed toward achieving market-rate returns. While this type of capital is undoubtedly crucial, it alone proves insufficient as it can effectively address only specific challenges that promise competitive financial returns.

Philanthropic foundations stand uniquely poised to navigate this spectrum of capital, given their ability to both invest and donate, even redirecting failed investments as donations. However, our research uncovers a conservative trend within Israeli philanthropy, marked by a strict separation between project funds, donated without an expectation of return, and endowment funds predominantly invested in the market without consideration for impact.

Israel today faces unique local challenges stemming from the war, as well as global challenges such as climate change. These challenges are interconnected and complex, requiring systemic solutions. Tackling such challenges necessitates a diverse array of capital across a spectrum of anticipated returns.

We hope to see actors from all sectors adopting a bold and innovative approach, using blended finance to propel an impact economy focused on clear economic, social, and environmental outcomes. Such an approach would dramatically improve Israel's ability to overcome current crises and propel itself to a better future.



<sup>19</sup> IFIE's Institutional investors in Israel and the impact & ESG market <https://www.ifie.org.il/ifie-s-reports>

<sup>20</sup> <https://thegiin.org/assets/2022-Market%20Sizing%20Report-Final.pdf>

<sup>21</sup> Design Foundations for Systems Capital, The Yunus Centre Griffith University & Hatched for Design Foundations for Systems Capital

## פתיחה:

## עיקרי הממצאים

### הערכת גודל השוק של השקעות אימפקט והשקעות מכוונות אימפקט בתחום הטק

#### סך נכסי האימפקט המנוהלים בישראל

לפי ההערכה השמרנית שלנו, ישנם 2.8 מיליארד שקלים המושקעים באימפקט בישראל, יחד עם 23.3 מיליארד שקלים באג"ח ירוקות, כאשר סך הנכסים המנוהלים באופן כללי בישראל עומדים על 4.9 טריליון שקלים. לפיכך, נתח השקעות האימפקט בישראל כיום עומד על לפחות 0.05% מתוך כלל הנכסים המנוהלים בישראל, ובעל פוטנציאל לגדול באופן משמעותי בשנים הקרובות. לשם השוואה, לפי הערכת ה-EVPA, באירופה 0.5% מהנכסים המנוהלים מושקעים בהשקעות אימפקט, ולפי הערכת ה-GIIN כ- 1-2% מהנכסים המנוהלים בעולם מושקעים בהשקעות אימפקט.

#### השקעות מכוונות-אימפקט בחברות טכנולוגיות

לצד השקעות אימפקט, בחנו גם את היקף ההשקעות מכוונות-האימפקט בחברות טכנולוגיות.

השקעות מכוונות אימפקט (Impact-Aligned Investments) הן השקעות במוצרים או שירותים היוצרים השפעה חברתית או סביבתית חיובית לצד רווח כספי, אולם בניגוד להשקעות אימפקט, בהשקעות מכוונות-אימפקט אין מדידה של ההשפעה החיובית. מניתוח נתוני ההשקעות של IVC אנו מוצאים כי בתקופה שבין 2017 ל-2023, היקף ההשקעות מכוונות-אימפקט במיזמים טכנולוגיים ישראליים הגיע לסכום של 72 מיליארד שקלים.

השקעות אימפקט הן השקעות המגיעות מתוך כוונה ליצור השפעה חברתית או סביבתית חיובית ומדידה, לצד רווח כספי. שוק השקעות האימפקט העולמי עומד על טריליוני דולרים, והוא נמצא בתהליכי צמיחה והבשלה. עם זאת, כדי לעמוד ביעדים לפיתוח בר-קיימא שהציב האו"ם (ה-SDGs) נדרש שוק עולמי של 5-7 טריליוני דולרים בשנה, ששווה לבערך 5-7% מהנכסים העולמיים תחת ניהול. נכון לעכשיו, השקעות אימפקט גלובליות עומדות על 1-2% בלבד מסך הנכסים העולמיים המנוהלים.

שוק האימפקט בישראל צובר תאוצה בשנים האחרונות, אולם עד כה היקף ההשקעות לא נמדד באופן סדור.

דו"ח זה מתבסס על אסטרטגיה בינלאומית מוכרת, ומציג סקירה ראשונית של היקף שוק השקעות האימפקט בישראל ואומדן של היקף השקעות מכוונות אימפקט בתחום הטק.

## מתודולוגיה:

במחקר זה התבססנו על דו"חות הסוקרים את שווקי האימפקט בעולם, סקרים וראיונות שערכנו עם מגוון משקיעים בארץ, וכן ניתוח נתוני חברות הנאספים על ידי IVC, שאפשרו לנו לאמוד את היקף ההשקעות בחברות טכנולוגיות המייצרות אימפקט חברתי וסביבתי אך אינן מודדות אותו.



**2.8 מיליארד ₪**

השקעות אימפקט

**72 מיליארד ₪**

השקעות מכוונות  
אימפקט במיזמים  
טכנולוגיים

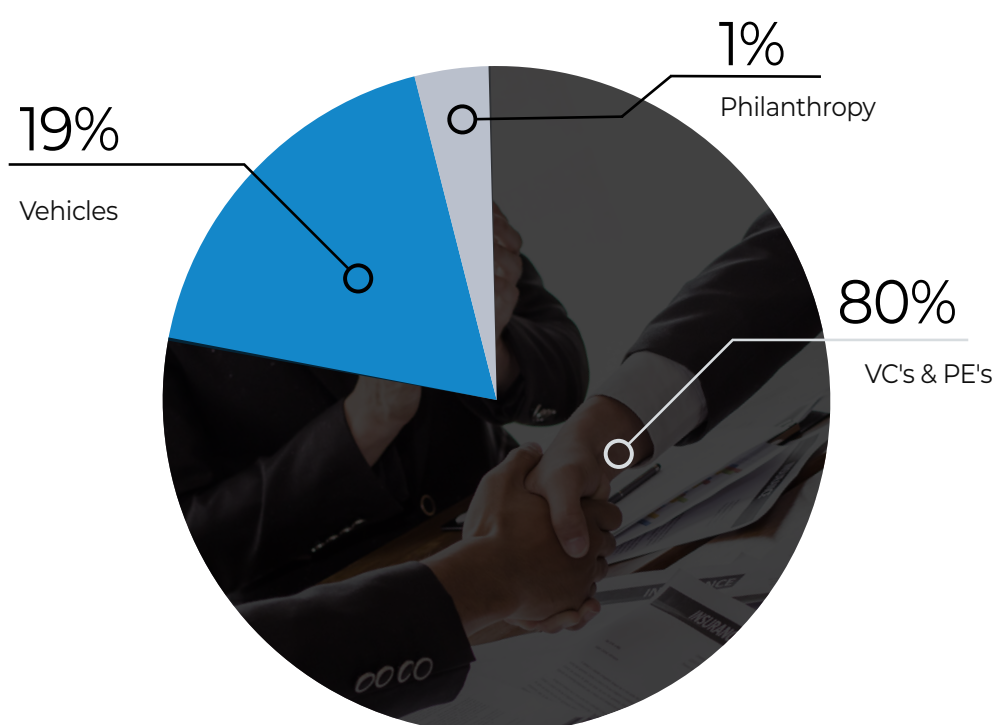


Source: IVC Research and Data

## מי הם משקיעי האימפקט?

### קרנות הון סיכון ופרייבט אקוויטי הינן המשקיעות המשמעותיות ביותר בתחום האימפקט.

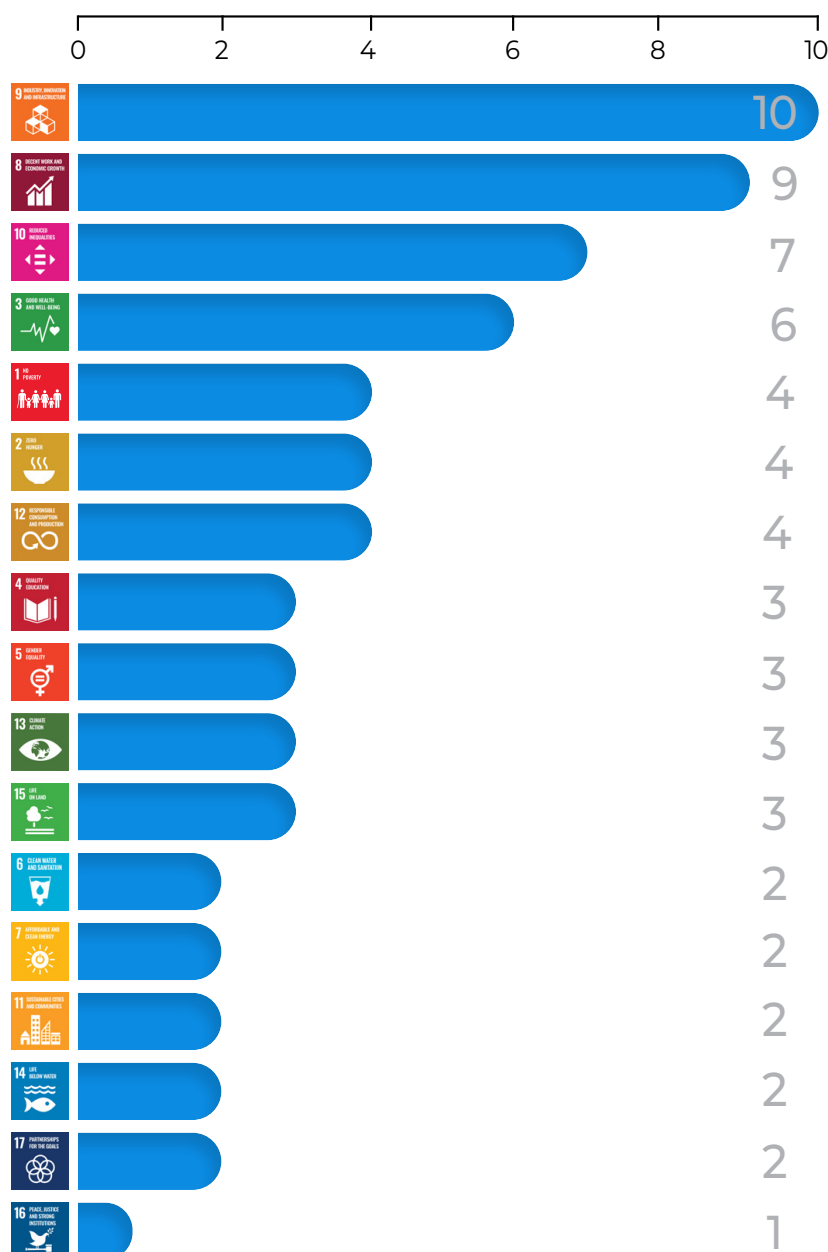
כ-80% מההשקעות האימפקט מבוצעות על ידי קרנות הון סיכון ופרייבט אקוויטי, אשר מהווים 2.27 מיליארד שקלים. 19% מההשקעות האימפקט נעשות באמצעות כלי מימון משולבים המסתכמים ב-529 מיליון שקלים, כגון הלואאות חברתיות של קבוצת עוגן, אג"ח חברתיות של SFI, ושירותי מיקרופינגס של קרנות קורת ישראל. פחות מ-1% מההשקעות מגיע מקרנות פילנתרופיות, והיקפן מסתכם ב-34.4 מיליון שקלים. הממשלה והגופים המוסדיים כמעט ולא משקיעים בהשקעות אימפקט.



## באילו תחומים חברתיים וסביבתיים מתמקדות השקעות אימפקט?

בעולם נהוג לסווג השקעות אימפקט לפי הסוגיות המרכזיות אותן הן מנסות לפתור. לצורך כך נעזרים לרוב ביעדי הפיתוח בני הקיימא של האו"ם, המוכרים כ-SDGs (Sustainable Development Goals). 17 יעדים אלו נוגעים בתחומים מגוונים החל ממיגור העוני, דרך חינוך, תעסוקה, בריאות, וכן שמירה על המערכת האקולוגית בים וביבשה. יעדים אלו קיבלו הכרה ואומצו בעולם על ידי גופים ממשלתיים וגופי השקעה כמסגרת עבודה להתמודדות עם אתגרים מקומיים וגלובליים בתחומים חברתיים וסביבתיים שונים על אף שמספר הגופים העוסקים בסוגיות הקטורות ל-SDGs בישראל גדל, עדיין חסרה מודעות רשמית למסגרת העבודה של ה-SDGs בכל הסקטורים, ורק חצי ממשקיעי האימפקט מסווגים את השקעותיהם לפי ה-SDGs. היעד הנפוץ ביותר של משקיעי האימפקט בישראל הוא 'תעשייה, חדשנות ותשתיות' (9), ואחריו 'תעסוקה הוגנת וצמיחה כלכלית' (8), 'צמצום אי-שוויון' (10) ו'בריאות' (3).

### מספר משקיעים בכל מטרה

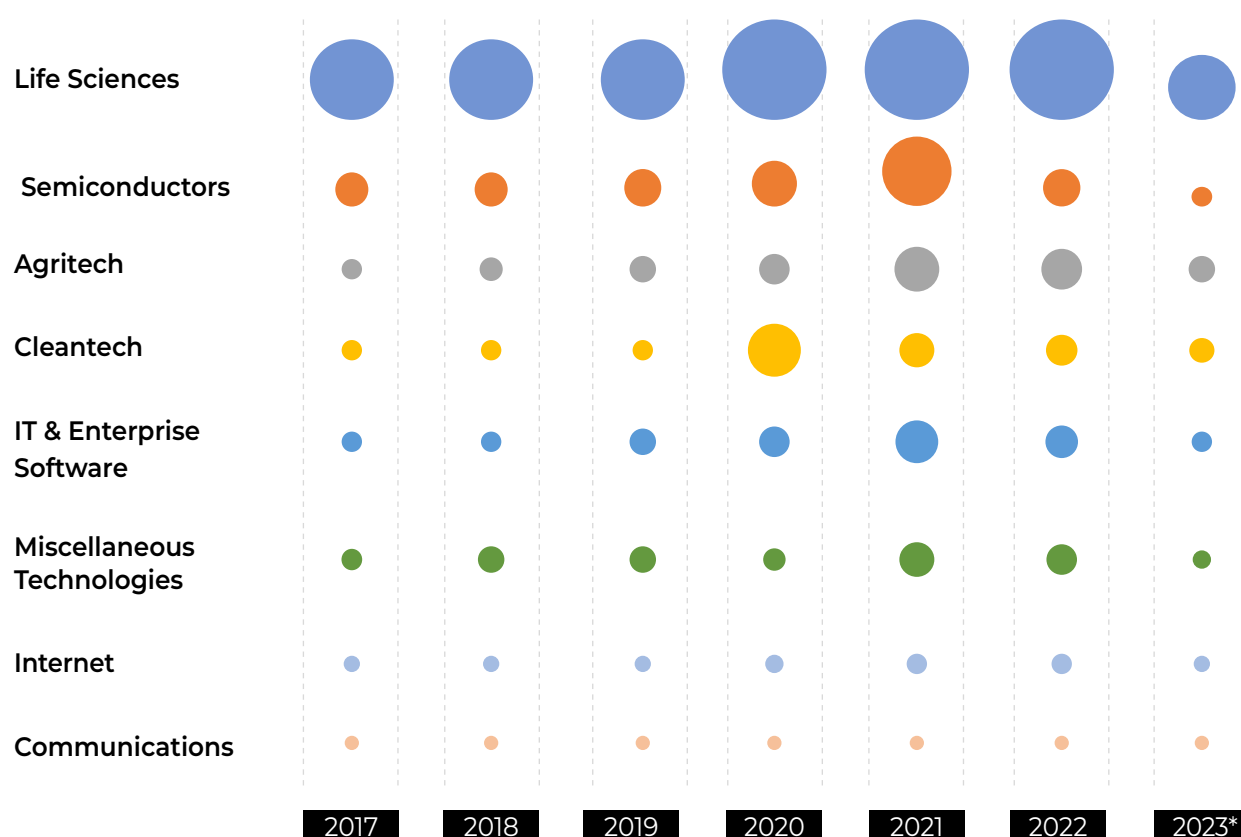




## השקעות מכוונות אימפקט בסקטור הטכנולוגי

ישראל ידועה כמעצמת הייטק ובשנים האחרונות עלו קריאות רבות לפתח אותה גם כמעצמת טכנולוגיות אימפקט. המחקר שלנו מראה שיש לכך פוטנציאל רב. לפי האומדן שלנו, כ-23% מההשקעות בחברות טכנולוגיות נעשות בחברות מוכוונות אימפקט, דהיינו בחברות שיש להן כוונה לייצר השפעה חברתית או סביבתית ברורה (אם כי השפעה זו איננה נמדדת כיום באופן סדור). היקף השקעות האימפקט בין 2017 למחצית הראשונה של 2023 נאמד ב-72 מיליארד שקלים, כאשר רוב ההשקעות נעשו בתחום של מדעי החיים.

### היקף השקעות מכוונות אימפקט לפי סקטור ושנה



\* Source: IVC Research and Data

### מסקנות והמלצות: הזדמנויות לצמיחה משמעותית של השקעות אימפקט

שוק השקעות האימפקט הישראלי התפתח באופן דינמי בעשור האחרון, והוא בעל פוטנציאל רב לגיוס הון למען פתרון אתגרים חברתיים וסביבתיים ממשיים בארץ ובעולם. האקוסיסטם ממוקד הטכנולוגיה בישראל מעניק לה ייחודיות בתעשייה העולמית, ומסייע לה במעבר מ'סטארט אפ' ניישן ל'אימפקט ניישן'. במסגרת המחקר, זיהינו שלוש הזדמנויות עיקריות למינוף וצמיחת שוק השקעות האימפקט וכלכלת האימפקט הישראלית:

## מדידה וסטנדרטיזציה

זיהינו מודעות נמוכה יחסית למסגרות העבודה המקובלות למדידת אימפקט, כדוגמת ה-SDGs, IMP, IRIS+. אמנם המודעות גוברת בהדרגה, אך אין סטנדרט אחיד למדידה, וכל ארגון יוצר את מסגרת העבודה העצמאית שלו, מה שגורם לרמת שקיפות נמוכה והופך השוואות בנוגע להשקעות למורכבות יותר. מדיניות ברורה שתאמץ סטנדרטים גלובליים ותתאים אותם לקונטקסט המקומי, תאפשר לשחקנים למדוד את האימפקט שלהם באופן מדויק יותר. מדידה אחידה תאפשר להם להשוות את האימפקט שלהם לזה של שחקנים אחרים הן מקומית והן גלובלית, ובכך תשפר את השקיפות ותתמוך בפיתוח וצמיחה של האקוסיסטם.

## הגברת היקף השקעות האימפקט – גיוס תמיכה מגופים מוסדיים

כלכלת אימפקט משגשגת דורשת שיתוף פעולה של שחקנים בכל שלושת המגזרים. סקירה של שוק השקעות האימפקט בישראל מראה שהוא מסתמך במידה רבה מאוד על משקיעים פרטיים, בעיקר על קרנות הון סיכון ופרייבט אקוויטי. תמיכה ממשלתית בהשקעות אימפקט מוסדיות יכולה להוביל להרחבה משמעותית של השוק ולהבטיח שכספי הפנסיה של הציבור יושקעו בעתידו של הציבור.

## מימון משולב - המפתח ללבנות מחדש, טוב יותר:

ישראל מתמודדת כיום עם אתגרים מקומיים שנובעים מהמלחמה, לצד אתגרים גלובליים כמו משבר האקלים. אתגרים אלו מחוברים זה לזה ומורכבים, והם דורשים פתרונות שיטתיים. התמודדות עם אתגרים אלו מצריכה מגוון של סוגי הון על גבי ספקטרום של החזרים צפויים. מחקר זה מראה שרוב ההון המושקע באימפקט נועד להחזיר תשואות שוק תחרותיות. אמנם הון מסוג זה חשוב, אך אינו מספיק בפני עצמו, משום שהוא מספק מענה חלקי בלבד לאתגרים מורכבים. לקרנות פילנתרופיות יש אפשרות להוסיף מימון גמיש ומשולב, היות שהן יכולות להשקיע לאורך הספקטרום כולו - מתרומות ועד השקעות בתנאים תחרותיים. עם זאת, כיום הפילנתרופיה בארץ מאמצת גישה שמרנית למדי וברובה מפרידה באופן נוקשה בין תרומות לבין השקעות. אנו מקווים לראות שחקנים מכל המגזרים מאמצים גישה נועזת וחדשנית, תוך שימוש במימון משולב כדי להניע כלכלת אימפקט הממוקדת בתוצאות כלכליות, חברתיות וסביבתיות. גישה כזו תשפר דרמטית את יכולתה של ישראל לגבור על המשבר הנוכחי ולבנות ביחד עתיד טוב יותר.



## תודות:

מחקר זה נערך על ידי הפורום הישראלי לקידום כלכלת אימפקט בהובלת ד"ר איה נבון, מנהלת המחקר, ד"ר תם נח, סתיו בר שני, צוות המתמחים: ראובן סבטי, קרן שפירן ואיתם כהן; חברי ועדת היגוי מקצועית: דליה בלאק, מייקל לוסטיג, רננה שוורצוולד ועומרי בורל. כמו כן, ברצוננו להודות לנותני החסות שאפשרו את ביצוע המחקר והפצתו IVC ופירמת הרצוג פוקס נאמן.

