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

Acknowledgments

With special thanks to the following: Richard Norman, Gila Norich, Jesse Medina, Leah Stern, Bridges Israel, New Era Capital Partners, Hackaveret, TechForGood, Gandy Foundation, Dalia Black, Vanessa Bartram, IVN, Impact First Investments, Pears Program for Global Innovation, 8200 Social Program, TechForGood, PR360, Shir Kahanov, Dalit Paradis, Samantha Winter, Sir Ronald Cohen, Edmond de Rothschild Foundation, Michal Saam, Shmulik Shelach, IVC Research Center, Naomi Kreiger, The Israel Innovation Authority Societal Challenges Division

1. Recently released updates on the Israeli impact ecosystem include:
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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 the Startup Nation, but as the enclosed report demonstrates, is swiftly developing its position as the Impact Nation, and is 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 best practices 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 the 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
Chairman, 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 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

- $130M in 2016
- over $260M in 2018

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

- 2,576 Startups in sectors aligned to the UN Sustainable Development Goals
- Represent 23% of all capital raised ($6.8B)
- 234 deals; represents 29% of total deals in the market (813)
- $1.6B raised by impact-related startups in 2018

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

Impact investing is about bringing innovative technologies to market that have the power to dramatically improve social, environmental, and economic outcomes, foster social mobility and promote inclusion. These include:

- Innovations in the way 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 made with return expectations
- **Additionality**: the notion that the impact would not have been generated if not for the specific investment in question
How much is being invested in impact worldwide?

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.

$113B in 2017

$228B in 2018

$468B by 2020

Notable asset owners who are shifting significant resources and attention to the market 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 well. Together they committed $2.8B to impact investing in 2018, an increase of close to 50%, compared to 2017.
As reported in the most recent GIIN Annual Impact Investor Survey (2018), most capital flows have been 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.

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### Sample breakdown by sub-group

<table>
<thead>
<tr>
<th>Sub-group</th>
<th>Description of the category</th>
<th>Percent of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>DM-HQ Investors</td>
<td>Respondents headquartered in developed markets</td>
<td>82%</td>
</tr>
<tr>
<td>EM-HQ Investors</td>
<td>Respondents headquartered in emerging markets</td>
<td>15%</td>
</tr>
<tr>
<td>EM-focused Investors</td>
<td>Respondents that allocate ≥ 75% of their current impact investment AUM to emerging markets</td>
<td>45%</td>
</tr>
<tr>
<td>DM-focused Investors</td>
<td>Respondents that allocate ≥ 75% of their current impact investment AUM to developed markets</td>
<td>42%</td>
</tr>
<tr>
<td>Private Debt Investors</td>
<td>Respondents that allocate ≥ 75% of their current impact investment assets under management (AUM) to private debt</td>
<td>20%</td>
</tr>
<tr>
<td>Private Equity Investors</td>
<td>Respondents that allocate ≥ 75% of their current impact investment AUM to private equity</td>
<td>2%</td>
</tr>
<tr>
<td>Market-Rate Investors</td>
<td>Respondents that principally target risk-adjusted, market-rate returns</td>
<td>64%</td>
</tr>
<tr>
<td>Below-Market Investors</td>
<td>Respondents that principally target below-market-rate returns, some closer to market rate and some closer to capital preservation</td>
<td>36%</td>
</tr>
<tr>
<td>Impact-only Investors</td>
<td>Respondents that invest only in impact investing strategies</td>
<td>67%</td>
</tr>
<tr>
<td>Impact and Conventional Investors</td>
<td>Respondents that invest in impact investing strategies in addition to conventional strategies</td>
<td>33%</td>
</tr>
</tbody>
</table>

Note: ‘Other’ organizations include community development finance institutions; non-governmental organizations; and advisors, incubators, and technical assistance providers that also make impact investments.
Geographic allocations by AUM and percent of respondents

Left side, Percent of AUM: \( \text{n} = 226; \text{total AUM} = \text{USD 228.1 billion}. \)
Right side, Percent of respondents with any allocation to each geography: \( \text{n} = 229; \) respondents may allocate to multiple geographies.

<table>
<thead>
<tr>
<th>Percent of AUM</th>
<th>U.S. &amp; Canada</th>
<th>Percent of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>16%</td>
<td>LAC</td>
<td>40%</td>
</tr>
<tr>
<td>12%</td>
<td>SSA</td>
<td>46%</td>
</tr>
<tr>
<td>11%</td>
<td>WNS Europe</td>
<td>31%</td>
</tr>
<tr>
<td>10%</td>
<td>EECA</td>
<td>20%</td>
</tr>
<tr>
<td>7%</td>
<td>South Asia</td>
<td>35%</td>
</tr>
<tr>
<td>6%</td>
<td>SE Asia</td>
<td>31%</td>
</tr>
<tr>
<td>5%</td>
<td>East Asia</td>
<td>16%</td>
</tr>
<tr>
<td>5%</td>
<td>MENA</td>
<td>15%</td>
</tr>
<tr>
<td>3%</td>
<td>Oceania</td>
<td>8%</td>
</tr>
<tr>
<td>5%</td>
<td>Other</td>
<td>13%</td>
</tr>
</tbody>
</table>

Note: ‘Other’ includes investments with a global focus.
Source: GIIN

Globally, top sectors of impact investment include financial services, energy, microfinance, and housing, but other sectors include healthcare, water, sanitation and hygiene (WASH), education, conservation, manufacturing, transportation, and tourism, among others.

These figures illustrate the growing global ecosystem of supply, demand, intermediation, regulation, professional services and academia that is developing increasingly sophisticated and standardized financing mechanisms, deal structures, and impact measurement tools to ensure that private capital is deployed to the most effective and needed solutions.

Source: GIIN 2018 Annual Impact Investor Survey
What Accounts for this Activity?

Drivers for the pronounced growth of the ecosystem include:

Risks & Opportunities:
Social and environmental and risks abound. 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 $12T of market opportunities.

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 directive mandating impact reporting.

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.

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 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 still in its nascent stages, though showing rapid, 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 capital are entering the market and government bodies are just beginning to contribute to market development through various funding initiatives and other strategies.
Local institutional investors are taking more active strides in impact investing. With the exception of two Israeli banks, Leumi and Hapoalim, who invested in Social Finance Israel’s first and second social impact bonds, the last two years have seen Israeli banks and pension funds begin to take an active role in the local impact investment market. For example, Discount Bank, co-invested with Psagot Investment Housein Bridges Israel, a sister fund to UK-based Bridges Fund Management, which officially launched in 2018. Discount was the anchor investor in the fund.

Additional engagement is expected by Israel’s leading firms, especially considering a 2017 directive 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.

In the last two years, five local 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 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 both 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.
The Israeli impact investment ecosystem experienced a tangible boost last year as over $120M in impact capital was deployed by Israel's newest impact funds - Bridges Israel, New Era, and 2BCommunity - in tech and non-tech ventures. 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 engage in pre-investment impact analysis when considering companies for their portfolios and continuously work with companies throughout their holding periods to measure and evaluate their social and environmental impact on a periodic basis.

**Spotlight:** Bridges Israel has raised $60m to invest in Israeli companies serving Israel's socio-economic periphery, where gaps in access to quality 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, 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, such as 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.
## TechForGood

**Mission**
Through industry and government partnerships, TechForGood 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 institutional investors. 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 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 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 entrepreneurs, including Druze and Bedouin entrepreneurs, preparing their companies for pre-seed and seed stage investment. Recently-announced public funding will further complement these efforts.
Recognizing Israel’s potential to emerge as the “Impact Nation,” the Israeli Government 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, effectively doubling and de-risking early-stage investments.

The Division has deployed **over 50M NIS** annually 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 new 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 to mid-sized 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.
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, for example, develops innovative and specialized financing mechanisms, impact investment deal structures and tools for measurement and evaluation, advising investors and mobilizing private capital toward evidence-based solutions. To date, Social Finance Israel has launched 3 social impact bonds, with more currently in development. 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.

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 College of Management Academic Studies is the first local initiative created explicitly to provide the academic infrastructure to further develop the impact investment 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. In addition, Bar Ilan University is offering a new course in ESG investing for students to gain practical investment experience through a student-run ESG investment fund – the first of its kind in Israel.

Initiated and designed by Social Finance Israel, the course will draw upon case-studies from leading global asset management firms. Students will have a chance to manage a live portfolio, with funds contributed by a leading Israeli asset management firm.

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.

For the purposes of this report, “impact-related” refers to companies in sectors positioned to generate social and environmental impact, though do not explicitly incorporate impact management.

Health

- Pre-revenue companies: 62%
- Initial revenue companies: 34%
- Revenue growth companies: 4%

1,242 Companies

Cleantech

- Agtech: 210
- Edtech: 169
- Smart Cities: 158
- Wellness: 91

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.

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%.

Impact Intentionality and Measurement

Of the strong majority who indicated they were making a positive impact (69 responses), 41% 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.

51 (93%) of respondents indicated that they are seeking impact investment capital. However, companies are typically only eligible for impact investment if they can 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.

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

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>84.3%</td>
<td>15.7%</td>
</tr>
</tbody>
</table>

82 responses

Impact Intentionality and Measurement

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

<table>
<thead>
<tr>
<th>The company was established with the intention to develop and scale a solution to an environmental and/or social challenge (i.e. generating positive impact is the main focus of the business)</th>
<th>Positive social and/or environmental impact is one of the many consequences of the product/service</th>
<th>Positive impact is an unintended consequence of the product/service</th>
</tr>
</thead>
<tbody>
<tr>
<td>51.4%</td>
<td>41.4%</td>
<td>7.1%</td>
</tr>
</tbody>
</table>

69 responses

51 (93%) of respondents indicated that they are seeking impact investment capital. However, companies are typically only eligible for impact investment if they can 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.
Do you currently track the impact of your company with social and/or environmental impact KPIs?

![Pie chart showing 84.3% No and 15.7% Yes]

69 responses

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

These findings reveal interesting insights. Addressing the gaps between startups that were founded with the intention to generate impact, and the small percentage who actually measure their social and environmental performance, a gap of 26.1%, has the potential to dramatically increase deal flow for global impact investors seeking solutions to pressing challenges, while growing the local impact market.
Generating Impact

Who is experiencing improved outcomes?

Among all respondents, 48% answered that their products and services have the potential to offset public sector costs. This finding has important implications for federal and municipal governments who are actively searching for innovative technologies to offset mounting systemic costs stemming from chronic disease, aging populations, climate risk, 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 emerging and developing markets, including India (46%), China (40%), Latin America and Sub Saharan Africa (32%).

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

- **75.7%** Well-served (middle-high income, etc.)
- **17.1%** Company reaches both well-served and underserved customers
- **7.1%** Underserved (low-income, minorities, non-citizens, or customers who lack access to mainstream suppliers of goods and services, etc.)

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

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.
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 effectively 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 an indication, the gap is a sizeable 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. 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 only be achieved by working more closely with “impact-related” startups and the mainstream ecosystem, helping them demonstrate to global impact investors the social and environmental 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 global impact investment market.

The local ecosystem is growing rapidly and shows 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 substantial opportunity to harness these market forces towards establishing Israel as a global leader in impact investing.

What is your biggest obstacle to reaching more underserved groups?

52 responses

- Still waiting for partner (NGO, government, etc.) approvals: 26.5%
- Too costly: 29.4%
- Team's current expertise does not extend to those markets: 14.7%
- Not relevant to company model or offering: 29.4%

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