



Innovative Finance Inclusion

Recommendation Report: Promoting Intersectoral Collaboration

Sustainable finance in Israel

“Sustainable development is the pathway to the future we want for all. It offers a framework to generate economic growth, achieve social justice, exercise environmental stewardship and strengthen governance”.

- Ban Ki-moon



Co-funded by the
Erasmus+ Programme
of the European Union





Contents

1	Introduction	3
2	Discussions summary based on sectors.....	4
2.1	Decision Makers / Government	5
2.2	Local authorities.....	6
2.3	Funds and Investors	8
2.4	Industry.....	11
2.5	Field builders	13
3	Cross-sector discussions summary.....	15
4	A mission-oriented innovation model.....	18
	Appendix: Recommendations for the inter-ministerial team at the Prime Minister's Office	20



1 Introduction

Promoting sustainable finance in Israel necessitates cross-sector collaboration among stakeholders. In this framework, there is potential to integrate the knowledge, skills, tools, and resources of policymakers at both national and local levels, traditional industry and innovative technology business entities, impact investment-focused funds, other funding bodies, acceleration programs, incubators, inclusion and coordination-focused organizations, and academic institutions dedicated to research, teaching, and training.

The Erasmus+ CBHE IFI (Innovative Finance Inclusion in Academia and Field) project brings together 13 academic institutions from Israel and Europe. It aims to shift from a profit-focused and resource-utilization economy to an impact economy by fostering academia-industry relations. Within this framework, the project conducted workshops and seminars to facilitate learning from colleagues, share knowledge, explore best practices, and engage with various stakeholders in the field.

Throughout the project, collaborations emerged between Israeli academic institutions and professional organizations to advance sustainable finance. A collaboration highlight occurred when three key partners: [The Israeli Forum For Impact Economy](#), [The Edmond de Rothschild Foundation Israel](#), and [the Kinneret Innovation Center](#), joined forces for a seminar. The event, centered on open discussions in round tables, focused on the theme: Impact Economy as a Catalyst for Growth in the Israeli Periphery. The event occurred on March 19, 2023, at **The Academic College of Tel Aviv–Yaffo**, with dozens of stakeholders from diverse sectors participating.

The project team extends gratitude to all contributors for the event's success, with special thanks to the lecturers: Salit Lev (Israel Innovation Authority), Nicole Hod Stroh (Merage Foundation Israel), Ofer Flynn (Kinneret Innovation Center), Arava Roth (Jordan Valley Transport Company Ltd.), and Dr. Shlomo Pleban (Zemach Extrufeed); to roundtable facilitators: Stav Bar-Shany, Rita Goldstein-Galperin, Asaf Zafrir, and Dr. Rachel Kalifa-Azorel; and to partners: Vanessa Kacherginsky and Dr. Aya Navon (Israeli Forum For Impact Economy), Hilly Hirt (Edmond de Rothschild Foundation Israel), and Ofer Flynn (Kinneret Innovation Center).

This document summarizes key insights from working group discussions, identifies tangential and complementary areas, and serves as an infrastructure for ongoing stakeholder cooperation across sectors. The document introduces a mission-oriented innovation model, offering an effective infrastructure for cross-sector cooperation. The document's appendix contains recommendations from The Israeli Forum For Impact Economy. These recommendations, developed from discussions held in the event, have been submitted to the inter-ministerial team at the Prime Minister's Office to promote Government Resolutions 864 and 1416.

Prof. Vered Holzmann and Dr. Vered Haas

Erasmus+ IFI Project Management Team, The Academic College of Tel Aviv–Yaffo



2 Discussions summary based on sectors

During the initial phase, discussions were held at sector-specific round tables, involving: (1) government ministries and national-level decision makers, (2) local authorities and regional councils, focusing on the Negev and Galilee regions, (3) private investment funds, philanthropy, and investors, (4) industry representatives, including ventures and companies in traditional sectors, primarily from the geographical periphery, and (5) representatives from comprehensive organizations dedicated to advancing the impact field's development.

The following sections include a table summarizing the main discussion issues and a list of challenges raised by participants in each sector.



2.1 Decision Makers / Government

	Current State	Desired State	Need
Definition of responsibilities	Government ministries, regional authorities, and municipal authorities address common issues	Defining administrative responsibilities within and between government units and other parties	Synergy across entities for a cohesive response to all facets.
Government and regional activity interface	The definition of state division into regions, clusters, authorities, etc., lacks uniformity	Establishing hierarchical geographic activity areas and coordinating interfaces for collaboration with the government	Creating a coordinated framework for interaction between government entities and operational entities in specific geographic areas
Budget Distribution to Regional Entities	Inconsistent allocation of budgets by government ministries to operational professionals in geographic areas	Efficient budget distribution to geographic areas, establishing a correlation between responsible government entities and specific fields of activity	Implementing a systemic structure for all government budgets to foster an impact economy
Support in Areas of Activity	Government officials' support for regional activity lacks systematic decision-making Imbalance in peripheral versus central support, particularly in research budgets	Responding to all activities in line with policy, considering the needs and strengths of each geographic area, and prioritizing based on defined criteria	Establishing a clear and adaptable framework that reflects policy and guides the transition from policy to implementation
Budget Distribution Criteria	Utilize traditional criteria grounded in return on investment	Define adjusted indicators for impact economy, including risk assessment and results-based compensation	Establish an efficient mechanism for budget allocation.
Non-budgetary Support	Insufficient non-financial support, such as knowledge, business	Promoting the impact economy will involve utilizing various tools and means	Non-budgetary frameworks for supporting the impact economy



	Current State	Desired State	Need
	management, and international relations development		
Innovation	A limited view of innovation, primarily focusing on technology	A comprehensive approach to impact innovation, rooted in value creation, market demands, and technological advancements (products, services, and both radical and incremental change processes)	A broad definition of innovation to promote an impact economy

Key Challenges:

1. Systematically analyzing activity and geographic areas for the purpose of supporting and allocating balanced budgets.
2. Defining distinct and non-overlapping areas of activity and delineating the authorities of government entities, based on geographic hierarchy, to promote an impact economy.
3. Establishing a coordinating unit for various entities (or defining responsibilities for an existing unit) and creating a framework for a comprehensive process from policy to implementation and evaluation.
4. Developing a budget allocation mechanism that relies on risk assessment and result measurement.
5. Diversifying tools to promote an impact economy.
6. Creating a training/enrichment program for impact innovation.

2.2 Local authorities

	Current State	Desired State	Need
Systemicity	Ineffective coordination among diverse sectors addressing impact	Establishing a cross-sector system and creating diverse communication channels for ongoing and collaborative dialogue.	A cross-sector ecosystem to advance an impact economy locally and nationally.
Regulation	Current regulations impede collaboration between local	Streamlining regulations, particularly in tenders, long-term contracts,	Regulatory easement



	Current State	Desired State	Need
	authorities and private entities	and the utilization of local authority assets	
Bureaucracy	Bureaucratic barriers in government offices disrupt initiatives from various parties	Empowering local bodies to promote initiatives and establish a direct interface with government bodies	Bureaucracy easement
Hedging risks	The government's support for a safety net and risk partnership in long-term impact investments is inadequate	Establishing a mechanism for government support and risk-sharing with local authorities to promote activities and impact investments	A government safety net
Private Investments	Securing funds for small-scale ventures poses challenges	Strategically mapping impact projects, connecting with foundations, and facilitating direct contact with private investors	Attracting private investments for small-scale impact projects and ventures
Consultants and experts	Insufficient professionals for project proposals and business plan preparation	Establishing an open, collaborative database for experts to support management and administration processes	Consultants and experts database
Awareness	Individuals, organizations, and companies lack awareness about the concept of impact, its meaning, and available support from state and international entities	Using different means to increase exposure to opportunities for promoting the impact economy	Raising awareness among "field" professionals.

Key Challenges:

1. Establishing a cross-sector ecosystem to advance an impact economy locally and nationally.
2. Collaborating with government officials to identify areas needing relief in regulation and bureaucracy, and devising strategies for implementation.
3. Partnering with government officials to establish a joint mechanism for risk hedging.



4. Working with private investors to outline and present investment opportunities in impact projects and ventures.
5. Establishing a shared database of experts in the management and administration of impact projects and ventures.
6. Creating a training/enrichment program for impact.
7. Creating a communication plan to share information about support for impact activities.

2.3 Funds and Investors

	Current State	Desired State	Need
Measurement	The impact measurement centers on (1) startups, excluding indicators for large companies, and (2) SDGs indicators, which lack precision for local activities. The current indicators are not tailored to Israeli society (e.g. social jobs = minimum wage/fair wage/professional development/other?)	Defining impact indicators tailored to: (1) Israeli ventures and companies, with a focus on peripheral areas; (2) impact investments, including risk assessment and results-based compensation; (3) addressing specific challenges, particularly in peripheral areas	"Israeli" impact indicators
Innovation	A limited view of innovation, primarily focusing on technology	A comprehensive approach to impact innovation, rooted in value creation, market demands, and technological advancements (products, services, and both radical and incremental change processes)	A broad definition of innovation to promote an impact economy
Non-financial Support	Project and impact venture investments often fail due to insufficient business knowledge and management skills	Professionals in business and management will guide impact investments, aiding in developing business strategies, establishing	Business and management support and guidance



	Current State	Desired State	Need
		connections in Israel and abroad, and more	
Awareness	Entrepreneurs, organizations, and companies lack awareness about the available state support and exclusive benefits for the periphery	Using different means to increase exposure to information	Raising awareness among “field” professionals.
Preserving Local Impact	While initial investments often originate from the local geographical area, later stages of growth may involve significant recruitment, leading to the activity and its profits no longer remaining within the region	When initial investments are made by residents of the geographic area, incentives and subsequent investments (from the government and/or external parties) ensure that the economic, social, and environmental impact continues to benefit the local residents	Ensuring the longevity of local success for the betterment of the local impact
Taxation and Tax Incentives	The government encourages companies to relocate to the periphery, but the scope of tax incentives can be expanded	Expanding tax incentives for peripheral companies (e.g. tax incentives for green energy, investors, and small funds)	Tax incentives to promote impact in the periphery
Regulation	The state lacks regulation in the fourth sector	Addressing the dichotomy between for-profit companies and non-profit organizations	Regulation for the fourth sector
Enhancing Impact in the Periphery	The majority of investment funds operate from central regions	Establishing or relocating investment funds to the periphery to support entrepreneurs	Investment funds in the periphery
Research	The academy's researchers and laboratories define	The research topic will be defined based on industry needs, with	Industry-oriented research



	Current State	Desired State	Need
	research topics and seek appropriate industries for conducting research	collaboration between researchers and academic laboratories supporting the industry	

Key Challenges:

1. Developing an impact measurement mechanism that relies on risk assessment and result measurement, tailored to the activity in Israel.
2. Creating a training/enrichment program for innovation.
3. Diversifying tools to promote an impact economy.
4. Creating a cross-sector communication plan to share information about support for impact activities.
5. Collaborating with government officials and local authorities to outline incentives, promote tax incentives, and preserve the impact in the region and Israel.
6. Collaborating with government officials to promote fourth sector regulations.
7. Collaborating with government officials and local authorities to outline and promote the transfer of investment funds to the periphery.
8. Collaborating with government and academic officials to create a framework that promotes industry-focused research.



2.4 Industry

	Current State	Desired State	Need
Innovation	A limited view of innovation, primarily focusing on technology	A comprehensive approach to impact innovation, rooted in value creation, market demands, and technological advancements (products, services, and both radical and incremental change processes)	A broad definition of innovation to promote an impact economy
Awareness	Managers and employees in business companies lack awareness of the social impact issue	Utilize diverse methods to enhance understanding of a multidimensional impact concept	Raising awareness among “field” professionals.
Finance	Insufficient external funding for employee and manager training and assimilation	Securing government and international support for developing core competencies through training	Develop core competencies, training and assimilation
Systemicity	Insufficient coordination exists between major customers and connections with small companies and industry suppliers	Establishing a cross-sector system for fostering shared goals through diverse communication channels for ongoing and collaborative dialogue.	A cross-sector ecosystem to advance an impact economy locally and nationally.
Consultants and experts	Numerous consultants and stakeholders are involved in the ESG field	Creating an open and collaborative ESG consultants and professionals database, including expertise mapping	A database of consultants and experts

Key Challenges:

1. Creating a training/enrichment program for innovation.
2. Creating a training/enrichment program for industry managers and employees on multidimensional impact.
3. Collaborating with government officials to establish support channels for training programs and develop core competencies.



-
4. Establishing a cross-sector ecosystem to advance an impact economy locally and nationally.
 5. Creating a shared database for ESG consultants and experts.



2.5 Field builders

	Current State	Desired State	Need
Systemicity	Sectors do not fully utilize their capabilities and resources to create comprehensive solutions	Establishing a cross-sector system, through diverse communication channels for ongoing and collaborative dialogue, and an activity interface involving all the sectors, to promote responding to “field” needs.	A cross-sector ecosystem to advance an impact economy locally and nationally.
Definition of responsibilities	Different parties address identical issues independently, and certain matters go unattended	Establish a unified local/regional body to centralize information and activities across various domains	Synergy across entities for a cohesive response to all facets.
Entrepreneurship	Low success rates in impact projects (lack of entrepreneurship education, knowledge sharing, and learning from failures)	Promote entrepreneurship through enhanced learning and training	Build skills and knowledge to promote entrepreneurship
Education for Technological Entrepreneurship	In Arab society, children are often guided toward free professions and lack exposure to entrepreneurs, particularly those technological impact entrepreneurs. The absence of role models and the challenge of entering high-tech, exacerbated by a reliance on personal connections, further impedes progress.	Facilitate the integration of Arab society into the Israeli high-tech sector. Conduct research to pinpoint specific challenges and tailor solutions to address unique needs, creating models for implementation.	Facilitating access to high-tech opportunities for the Arab society.



	Current State	Desired State	Need
Innovation	A limited view of innovation, primarily focusing on technology, neglecting intra-organizational and traditional industry innovation	Embrace a comprehensive innovation approach, considering value creation, market needs, and technological advancements, even in traditional industries. Garner government and international support to foster innovation accessibility in traditional sectors.	A broad definition of innovation to promote an impact economy

Key Challenges:

1. Establishing a cross-sector ecosystem to advance an impact economy locally and nationally.
2. Defining distinct and non-overlapping areas of activity for local/regional entities to promote an impact economy.
3. Establishing a coordinating unit for various entities (or defining responsibilities for an existing unit)
4. Creating a training/enrichment program for tech-focused impact entrepreneurship with a focus on Arab society.
5. Creating a training/enrichment program for innovation.
6. Creating a training/enrichment program for multidimensional impact.



3 Cross-sector discussions summary

At the second phase, representatives from diverse sectors participated in roundtable discussions to explore options for enhancing cooperation among stakeholders. At each roundtable, challenges across sectors were discussed, fostering open dialogue to explore collaborative opportunities. The focus was on leveraging ecosystem players' strengths and evaluating potential solutions for a successful impact ecosystem in Israel, with a unique emphasis on the geographic periphery.

The following summaries outline the issues raised during cross-sectoral discussions by the teams. Please note that the summaries do not include all opinions discussed, and the order of topics does not signify their level of significance.

The Challenge	Proposed solutions
<p>Research and information. Collecting, analyzing, centralizing, and providing accessible information to diverse stakeholders.</p>	<p>Establishing a data lake (by a government office) to support data-driven decision-making. Ensuring database accessibility for researchers, investors, foundations, local authorities, and others.</p> <p>Analyzing field data to assess the current situation, identify influencing factors, validate decisions, and evaluate the impact of activities.</p> <p>Researching and documenting test cases to discern success and failure factors.</p> <p>Obtaining information from local authorities regarding explicit and implicit policies, operational data, and metadata. Ensuring accessibility of the information to funds and presenting it in a format tailored to public requirements.</p> <p>Centralizing and regularly updating information on opportunities to foster impact innovation at the national and regional levels.</p> <p>Centralizing information on professional experts for consulting and supporting impact innovation processes.</p>



The Challenge	Proposed solutions
<p>Building an ecosystem</p>	<p>The government will assume a central role in the ecosystem regarding recognizing innovations, understanding implementation challenges in the “field”, and establishing direct communication channels with various governmental entities.</p> <p>A party responsible for mediating government activities and tools for entities in the “field” will be designated.</p> <p>Establishing an integrated array across all sectors. Explore the possibility of creating a layered system - a central system in the upper layer for sector interface, including representation from each; a central tier with separate systems for government ministries, local authorities, and impact investment funds, coordinating with the upper tier; and a regional system in the lower layer, serving as a focal point for all factors operating in the region and coordinating with other systems.</p>
<p>An integrated party for promoting impact</p>	<p>Coordinate and integrate national-level activities through a non-conflicting systemic entity (governmental or public non-profit) with other stakeholders. At the regional level, collaborate with a cluster to engage all regional authorities, leveraging growth engines and addressing local needs.</p>
<p>Government budgets and investment policies</p>	<p>Government matching in high-risk investments.</p> <p>Providing a government safety net for high-risk investments.</p> <p>Government funding for a broader range of initiatives (not limited to startups.)</p> <p>Promoting impact investments focusing on social return (rather than solely economic indicators like annual percentage return or ROI rate.)</p> <p>Stimulating investments by new entities to boost supply.</p> <p>Creating a professional support system for new funds entering the impact market.</p>



The Challenge	Proposed solutions
Regulation	<p>Streamlining regulations, especially within the Ministry of Interior (e.g. addressing issues like graywater, organic waste recycling, and property tax rates for urban agriculture.)</p> <p>A mechanism to incentivize organizations to generate social and/or environmental value.</p> <p>Promote regulations for institutional fund impact investments.</p> <p>Aligning Israeli regulations with international standards / providing government support to companies seeking to operate abroad in accordance with these standards.</p> <p>Streamline initial project regulation, gradually activating it based on successes and implementation (the sandbox model.)</p>
Bureaucracy	<p>Streamlining local authorities' work by removing bureaucratic barriers with government ministries.</p> <p>Establishing an inter-ministerial government system to coordinate and promote centralized and uniform activities across government ministries.</p>
Impact indicators	<p>Employment / fair living wages.</p> <p>Gender and social diversity in senior positions.</p> <p>Environmental measurement / carbon footprint reduction / Net Zero carbon emissions.</p> <p>Property tax / economic society.</p> <p>Governance and management.</p>
Impact: Definition, guidance and training	<p>Defining concepts: "Impact" / "Impact venture" / "Impact project" / "Impact investment".</p> <p>Develop tools for assessing impact investments (beyond regional economic development metrics.)</p> <p>Develop training and enrichment programs in innovation, fostering a broad conceptual understanding. Include dedicated programs for Arab society, covering multidimensional impact.</p> <p>Assisting startups, companies, and local authorities in formulating strategies, preparing business plans, and fostering professional relationships.</p>



4 A mission-oriented innovation model

* This section was written with the kind help of Rita Goldstein-Galperin

The Mission-Oriented Innovation model, developed by economist [Prof. Mariana Mazzucato](#), guides economic growth in Israel through innovation, inclusiveness, and sustainability.

The model relies on a government-private sector partnership. **The government is a key partner for private sector activities, presenting an ambitious vision and defining goals to address significant social challenges.** The government partners to promote private sector innovation in pursuit of ambitious goals.

Setting overarching missions addressing vital social challenges allows policymakers to guide growth direction through strategic investments across sectors. This promotes new opportunities for private sector development, fostering cross-sector learning and enhancing macroeconomic stability. This approach avoids 'top-down' planning by guiding the growth direction of companies, opening up the business playing field.

An effective policy to achieve the overarching mission involves **fostering the "joint creation of a market" or implementing "market design."**

Defining policies within ROAR (Routes, Organizations, Assessment, Risks and Rewards)

- (1-Routes) Strategic thinking on progress direction - how to use policy to guide change, design markets, and facilitate bottom-up initiatives?;
- (2-Organizations) Structuring public sector organizations - how to develop organizations capable of addressing contemporary challenges, fostering learning, embracing trial and error, and being risk-ready?;
- (3-Assessment) Policy evaluation methods - how to evaluate public investments shaping new markets, and adapting dynamic indicators and evaluation tools for policy workers?;
- (4-Risks and Rewards) Incentive structures for public and private sectors - how to create transactions for smart and inclusive growth, sharing risks and rewards in public-private partnerships?

The overarching mission will be defined in terms of the shared public value we aim to achieve. The overarching mission serves as a lodestar, defining the desired achievement: What do you aim to accomplish and where do you want to go **to address a grand challenge?**

The overarching mission will be bold and socially valuable. The overarching mission will be defined clearly to indicate successful achievement. Attaining the overarching mission requires groundbreaking research and innovative use of advanced technology. The

overarching mission will be cross-sector, cross-player, cross-domain. Various competing solutions will be considered to attain the overarching mission.

Figure 1 below illustrates the movement from broad challenges to specific missions.



Figure 1. From Challenges to Missions Image: RTD - A.1 based on Mazzucato (2017)

Once the overarching mission is defined, corresponding missions and sub-missions will be established. A portfolio, comprising various projects designed to address specific issues, will be constructed based on these missions. The overall portfolio will align with the established overarching mission. Implementing the model necessitates mobilizing public and private sector participants, leveraging economic and human resources, and implementing supportive policy measures for research, development, production, marketing, and beyond.

In her book, Prof. Mazzucato highlights NASA's Apollo mission in the early 1960s, aiming to land a man on the moon by the end of the decade. This mission spurred innovation in essential areas like aerodynamics and physics, as well as less apparent domains such as textiles, nutrition, and computing (how to optimize space suits for heat preservation? What food substitutes can be developed for optimal nutrition in space? And other questions.) Just as President Kennedy courageously united diverse participants to achieve a seemingly unattainable vision, today's overarching missions should serve as a catalyst for multi-sector developments, fostering breakthrough innovation.

The mission-oriented innovation of putting a man on the moon led to numerous projects, many of which failed. However, many technologies in today's smartphones and laptops stem from both these successful and unsuccessful projects.

Appendix: Recommendations for the inter-ministerial team at the Prime Minister's Office

14/8/2023

To,

The members of the inter-ministerial team for promoting government resolutions 864 and 1416

Re: **Recommended Actions for Government Team to Promote Impact Investments in Peripheral Areas**

Impact investments involve investing in ventures, funds, or organizations with the goal of generating a quantifiable positive social and/or environmental impact, alongside financial returns.¹ Impact economics integrates the measurement of social and environmental consequences into all economic activities, guiding decisions for governments, businesses, investors, and consumers. The global impact market is expanding, both in the number and value of impact transactions. In 2022, the Global Impact Investing Network estimated the global impact market size at \$1.164 trillion².

The Israeli government, embracing impact economy principles, formed an inter-ministerial team led by the Director General of the Prime Minister's Office³ to drive and support impact investments in peripheral areas. The team aims to attract such investments to the Golan and the eastern Negev by identifying sustainable economic growth opportunities, devising work plans, measurement tools, and cost-benefit analyses for these opportunities. Additionally, it will recommend government-approved pilot projects for impact initiatives.

[The Israeli Forum For Impact Economy](#) (The Forum, IFIE) comprises leaders from the public, business, and social sectors, dedicated to fostering Israel's economic prosperity while addressing local and global social and environmental challenges." The IFIE serves as Israel's national advisory council [to the Global Steering Group \(GSG\)](#), comprising around 50 countries. The GSG, led by Sir Ronald Cohen, is a G7 initiative serving as an international, independent organization. It unites leaders in economics, business, and philanthropy to promote policies, entrepreneurship, and impact investments for the well-being of humanity and the planet.

In the first half of 2023, the forum facilitated knowledge and connections for the team through meetings with experts and relevant officials. These events aimed to foster an open and in-depth professional dialogue on promoting impact investments in peripheral areas. A description of these

¹ The Global Impact Investing Network organization.

[What You Need to Know about Impact Investing | The GIIN](#)

Impact investing involves three key components: the deliberate intention to generate a specified positive impact, financial returns, and the measurement of social and/or environmental impact, commonly assessed in alignment with the United Nations Sustainable Development Goals (SDGs).

² Global Impact Investing Network (2022). GIINsight: Sizing the Impact Investing Market 2022. Available at [GIINsight: Sizing the Impact Investing Market 2022 | The GIIN](#)

³ [Resolution 864 of the 36th government outlines the "Plan to encourage sustainable demographic growth in the localities of the Golan and Katsrin Regional Council for the years 2022-2025,"](#) (December 26, 2021) section 42; [Resolution 1416 of the 36th government focuses on the "Plan to encourage demographic growth and sustainable economic development in settlements in the Eastern Negev region."](#) (May 8, 2022) section 8.

The inter-ministerial team comprises CEOs from: the Ministry of Economy and Industry, Innovation, Science and Technology, Israel Innovation Authority, the Ministry of Justice, as well as the Accountant General and Budget Officer from the Ministry of Finance.

meetings is **appended** to this recommendations document. In this professional process, seven actionable recommendations were formulated to guide the team in establishing efficient workflows and promoting key products to achieve its goals.

It should be emphasized, as discussed in our conversations, that global experience highlights a diverse toolkit for **government involvement in the impact economy**. This toolkit aims to **boost the supply and demand of impact investments, regulate the market, and address various global, national, and local challenges**.⁴ As part of the forum's second-half 2023 work plan, we aim to create a document outlining diverse policy tools. **We emphasized key recommendations to enhance the inter-ministerial team's work**, aligning with local needs, characteristics, and government decisions.⁵ For convenience, the recommendations are categorized into two parts: one focuses on promoting impact investments in peripheral areas and strengthening government-cluster interfaces, while the other aims to establish infrastructure for the inter-ministerial team's work. Each course of action can be considered self-sufficient.

Recommended actions for the inter-ministerial team to promote the impact economy

Promoting a local impact economy in the Golan and eastern Negev, while strengthening government-cluster interfaces

- 1. Formulating definitions and impact indicators for the Golan and the eastern Negev by accessing government data, quantifying, and publishing the costs of social issues.** For example, the inter-ministerial team can develop indicators for government decisions, such as promoting remote work, diverse employment, excellent education, enhanced personal security, and more. It should be emphasized - funding bodies must conduct a thorough feasibility study for each impact project selection. In a feasibility study, we analyze the social challenge, its sources, and the target audience's characterization; We examine the economic and social consequences, and map existing organizations and programs addressing the challenge. The project outlines the optimal intervention plan, success indicators, recommended payment for achievements, and an effective compliance evaluation mechanism. Therefore, the government, in collaboration with clusters, should define dedicated impact indicators for the Golan and Negev. These indicators can be universally used by local actors to transparently quantify social impact and savings, assigning a financial value⁶. This aligns with the government's stated missions and decisions.
- 2. Government investments in impact projects in the Golan and Negev will be recommended by the inter-ministerial team as part of pilot initiatives.** Government investment in social and environmental impact ventures in the periphery, alongside other financiers, will reduce

⁴ Refer to the report by the Global Steering Group for Impact Investments, summarizing worldwide government initiatives: The Global Steering

Group for Impact Investment (2018). Catalysing an Impact Investment Ecosystem: A Policymaker's Toolkit. Available at <https://gsgii.org/reports/catalysing-an-impact-investment-ecosystem-a-policymakers-toolkit/>

⁵ [Resolution 864 of the 36th government outlines the "Plan to encourage sustainable demographic growth in the localities of the Golan and Katsrin Regional Council for the years 2022-2025"](#) ;([December 26, 2021](#)) [Resolution 1416 of the 36th government focuses on the "Plan to encourage demographic growth and sustainable economic development in settlements in the Eastern Negev region"](#) ([8.5.2022](#))

⁶ Refer to pages 1-150 for a breakdown of governmental and non-governmental initiatives in this area. It is noteworthy that in Israel, both business and philanthropic entities are involved in such measurement efforts

venture risk, boosting private entity investment in these initiatives (both by attracting new investments and by increasing the investment amounts.)⁷ Selecting a government investment impact project necessitates a thorough feasibility study outlined in the preceding section. Given the pilots' emphasis on specific areas, it is advisable to thoroughly examine current players in the Israeli market and international impact projects. Adopt guiding rules derived from successful UK projects for regional economic development in peripheral areas (place-based investments).⁸ To choose the right financial instrument for government participation in the pilot, consider examining economic models like Ogen Group⁹ or Koret Israel Economic Development Funds¹⁰; social bonds¹¹ or career bonds¹²; outcomes-oriented contracts such like the Outcomes Rate Card model, and blended ¹³finance ¹⁴models.

3. **Designing incentives, including taxation, to attract investors to impact ventures**, mitigating risks, and bolstering the supply of local impact investments. Consider incorporating social and environmental impact criteria into existing legislation, like the Encouragement of Capital Investment Law, 5719-1959, for potential tax benefits. This may include reducing or deferring tax payments for impact investors in peripheral areas.

Inter-governmental- promoting the organizational infrastructure and norms of the impact economy

⁷ [Catalytic Capital Consortium - MacArthur Foundation \(macfound.org\)](https://www.catalyticcapital.com/)

⁸ The regional emphasis lies in establishing a specialized impact ecosystem addressing the unique challenges, needs, and solutions

of the region. Local relationships, long-term commitment, and transparent collaborations with residents are essential. See for example:

Impact Investing Institute (2022). Financing Structures for Place Based Impact Investing - What Works? Available at <https://www.impactinvest.org.uk/resources/publications/financing-structures-for-place-based-impact-investing-what-works>

⁹ <https://www.ogen.org/loans>

¹⁰ An economic development association offering loans and credit to small and medium-sized businesses in peripheral areas through both bank and non-bank financing programs. Link to website: <https://www.kiedf.com>

¹¹ Social bonds facilitate capital acquisition from investors to fund social programs with predefined success missions. If the project generates predefined positive social impacts as outlined in the contract, the funding entity (typically a government, local authority, public body, or philanthropy) will reimburse investors based on the specified model. It is advisable to learn from the experiences of public bodies involved in Israel Finance Social's social bonds, including efforts in preventing type 2 diabetes and enhancing mathematics education for Bedouin youth. Globally, social bonds with government backing are gaining traction. In 2018, for example, Argentina introduced a government-backed social bond aimed at addressing youth employment in southern Buenos Aires. For more details, visit <https://golab.bsg.ox.ac.uk/knowledge-bank/case-studies/improving-employability-buenos-aires>. Meanwhile, Finland oversees the largest social bond in Europe, valued at \$15.8 million, supporting the social integration of refugees and immigrants. Refer to page 152 for further information.

¹² A career bond is a results-based payment model where training is funded by social investors, utilizing government or philanthropic funds. The individual reimburses the training cost only upon securing employment aligned with the training at a salary exceeding the predetermined threshold in advance. Israel Finance Social has developed and invested in career programs such as "Developers" for training ultra-Orthodox men in high-tech, "The Galilean Startup" for new immigrants from Ukraine and Russia, and "Developers Institute" for expatriates from Ethiopia. In May 2023, Israel Finance, Social, the Stock Exchange, and Discount Bank initiated a fund to train and place employees from diverse populations in quality employment.

¹³ Regarding guarantees, refer to the financial model proposed in a 2013 research report by the Milken Innovation Center in collaboration with the Ministry of Economy. The model recommends leveraging government funding for philanthropic investments to provide limited guarantees for strategic project pools, as outlined in the Milken Innovation Center's 2013 report, "Strengthening Districts in Israel: Creating New Sources of Capital for Economic Development in the Galilee and Negev" ([milkeninnovationcenter.org, Regional-Development-Financing-Hebrew.pdf](https://www.milkeninnovationcenter.org/Regional-Development-Financing-Hebrew.pdf)).

¹⁴ The financial tools are result-oriented and often involve blended finance, combining grants or similar tools with various funding sources, both private and public. This approach aims to secure funding for projects, enabling their existence and financial sustainability.

4. The Prime Minister's Office, through its inter-ministerial team led by the Director-General, is spearheading the formation of a national impact strategy. ¹⁵This involves developing expertise and promoting collaboration among all government ministries in alignment with pertinent government decisions.
5. Adding an impact criterion in government procurement. As the largest buyer in the economy, the government significantly influences the business sector. Incorporating economic impact considerations into government procurement processes will incentivize companies to adopt and develop them, resulting in increased efficiency and savings for the entire economy. The Israeli Forum For Impact Economy can aid government ministries in developing criteria to ensure economic benefits without adding regulatory burdens to the private sector. In the United Kingdom, for instance, public authorities have been required to incorporate social and environmental considerations into procurement procedures and contracts for over a decade.¹⁶ Additionally, in Victoria, Australia, comprehensive social and environmental impact criteria rules govern government procurement under the Social Procurement Framework, established in 2018.¹⁷ The rules' implementation and impact are assessed and reported in annual reports.¹⁸
6. A designated professional in each ministry and relevant government body will serve as an impact referent. The professional will routinely collect pertinent data in the office and present it to the inter-ministerial team. Additionally, they will attend lectures and seminars organized by the team, bringing back insights and implications to the office. Find a way to incorporate information about the connection established with the clusters.
7. Increasing the government's utilization of outcome-based contracts for social services procurement. Prioritizing services based on outcomes enhances government spending efficiency and facilitates addressing enduring social and environmental challenges that have high long-term costs and cannot be resolved through traditional business models.¹⁹ For example, in the United Kingdom, payments for results totaling £28 million generated a short-term value of £78 million for government ministries.²⁰ As the initiative progresses, we can explore extending these tools to Government funds designated for payment on

¹⁵ For instance, refer to the [2018 national strategy document of Brazil](#), and [explore ongoing initiatives in Finland](#).

¹⁶ UK Public Services (Social Value) Act 2012. <https://www.legislation.gov.uk/ukpga/2012/3/enacted>. And [refer here](#) to detailed instructions for the implementation and measurement expected from public authorities in their procurement procedures.

¹⁷ Victoria Government Social Procurement Framework and Guides. Available at <https://www.buyingfor.vic.gov.au/social-procurement-framework-and-guides>.

¹⁸ For example, the 2021-2022 annual report - <https://www.buyingfor.vic.gov.au/social-procurement-annual-report-2020-21/print-all>.

¹⁹ Sir Ronald Cohen's "Impact - Reshaping Capitalism: Economic Profit Alongside Social and Environmental Profit" (Matar Publishing House Ltd., 2022, pp. 15 3-4); University of Oxford Government Outcomes Lab, Outcome Funds. Available at

[Building the tools for public services to secure better outcomes: Collaboration, Prevention, Innovation \(ox.ac.uk\)](#)

²⁰ <https://bigsocietycapital.com/portfolio/bridges-social-impact-bond-fund-lp/>

In Israel, based on SFI data, an 8 million NIS investment in a social bond aimed at reducing higher education dropout rates has yielded a minimum direct financial value of 24 million NIS (ongoing project).

results^{21 22}.

This preliminary list demonstrates the potential impact economy approach endorsed by the forum and approximately 50 countries within the GSG global organization. Implementing impact strategies, fostering the use of financial instruments in impact investments, and promoting cross-sector collaborations can address key social and environmental challenges, fostering sustainable economic models in targeted areas.

We look forward to supporting the inter-ministerial team and other stakeholders in future processes.

Sincerely,

Vanessa Kacherginsky

CEO

The Israeli Forum For Impact Economy

²¹ University of Oxford Government Outcomes Lab, Outcome Funds. Available at <https://golab.bsg.ox.ac.uk/the-basics/outcomesfunds/#why-are-outcomes-funds-used>.

²² US Department of the Treasury. SIPPRa Pay for Results. Available at <https://home.treasury.gov/services/social-impact-partnerships/sippra-pay-for-results>.

Appendix: Key insights from the roundtable event on "The Impact Economy as a Catalyst for Growth in the Israeli Periphery."

From late 2022 to the first quarter of 2023, The Israeli Forum For Impact Economy supported the inter-ministerial government team in fostering impact investments in Israel's periphery. As part of the process, the forum promoted interfaces with the inter-ministerial team through conversations and lectures to deepen team members' knowledge. It also involved sending professional materials on various impact investment instruments relevant to the periphery. Finally, a multi-sector roundtable event was constructed in collaboration with the IFI project led by Prof. Vered Holzmann from The Academic College of Tel Aviv–Yaffo. In March 2023, the event aimed to unite the inter-ministerial team and stakeholders from the relevant geographic periphery. Its purpose was to identify needs, assess existing resources, and pinpoint barriers to attract impact investments for regional development.

The round tables event occurred on March 19, 2023, at The Academic College of Tel Aviv–Yaffo. The event was organized in collaboration with the Erasmus+ Innovative Finance Inclusion in Academia and Field project, The Israeli Forum For Impact Economy, Edmond de Rothschild Foundation Israel, Kinneret Innovation Center, and The Academic College of Tel Aviv–Yaffo. Around 70 representatives, including key figures from the government, local authorities, impact investors, businesses, and industry experts (consultants, Big 4 representatives, and academia), participated in the event. The meeting aimed to establish a platform uniting diverse stakeholders in Israel's impact economy. The goal was to assess existing resources, identify gaps, and formulate cross-sectoral growth models tailored to Israel's geographic and social peripheries.

The initial stage comprised separate round tables for each sector, addressing gaps, needs, and challenges specific to each. The second phase involved cross-sector discussions focused on collaboratively addressing key challenges and proposing strategies for developing a successful impact ecosystem in Israel, with a particular emphasis on the periphery. Key motifs and insights: Successful collaboration between the public sector and the impact ecosystem leverages the strengths of each, generating innovative solutions for complex social challenges as a potent force multiplier.

1. Organizing the multi-sector ecosystem is crucial for promoting the impact economy on both national and local levels.
 - Today, there is insufficient connectivity, extensive duplication, and notable gaps in various areas. Numerous untapped opportunities exist for bridging the public and private sectors in impact projects.
 - Building and reinforcing regional impact systems is imperative.
 - Space for mentoring and professional guidance, such as from established impact funds to newer ones, is lacking.
 - Additional roundtables are recommended to contribute to building the integrated ecosystem.
 - Positioning the government as an accessible and supportive entity.
 - Access to a pool of professionals for business plan and submission writing.
 - Improved connection with academia and research laboratories is needed to align research with field needs.
 - Within the public sector, there is hierarchical confusion among ministries and parallel concerns regarding powers, budgets, and definitions of success across government, municipal, and regional authorities.

2. Defining goals, criteria, and success indicators for peripheral areas

- Orderly, calculated, and consistent measurement is fundamental to every impact model, process, and project. The definition of peripheral impact requires thorough discussion, necessitating the establishment of both general and specific indicators. Clear goals and predefined indicators are crucial, especially in cross-sector ventures and particularly when the public sector is involved.
- There is no index, defined by the government or any other body, based on in-depth research tailored to the unique characteristics of each location. For instance, in discussions about jobs, is salary an indicator of success? Type of employment? Continued employment in the periphery over time?
- Measures should account for and leverage the positive impact of technological entrepreneurship on traditional organizations in creating opportunities and introducing innovation into traditional industries. Impact in the periphery is often found in small businesses and large companies located there, not just in startups. This characteristic should influence goals, indicators, project selection, regulations, incentives, and the development of peripheral-specific tools. Models should be built to keep the impact and funds in the region.
- Indexes should account for the unique characteristics of the Arab industry.

3. Providing access to data and information

- Obtaining information from local governments and the Ministry of Interior is difficult.
- There is a lack of infrastructure that integrates information across all stages of a project - feasibility study, planning, metrics development, and results evaluation.
- The necessary research foundation and data are lacking to build the metrics and evaluations.
- Therefore, there is a critical need for platforms that provide access to centralized data on relevant topics (e.g., society, employment, property taxes, etc.), both at the national and regional levels.

4. Promoting awareness and knowledge sharing

- Knowledge sharing and learning from test cases, both successful and unsuccessful.
- Establishing regional knowledge centers that consolidate knowledge on existing tools, organizations, and initiatives, their areas of focus, regional opportunities, and state support resources, etc.
- Creating a database of consultants, experts, and professionals to support processes such as submitting project proposals and preparing business plans.

5. Streamlining Bureaucracy

- Efforts are needed to identify and eliminate bureaucratic barriers, particularly in the interactions between local authorities and the government.
- Government assistance is required for compliance with international regulations to facilitate entry into global markets.
- Reporting mechanisms need to be established to provide continuous updates on barriers and challenges, along with reporting systems to streamline the allocation of resources for reporting to funding authorities.

6. Incentives and Regulation

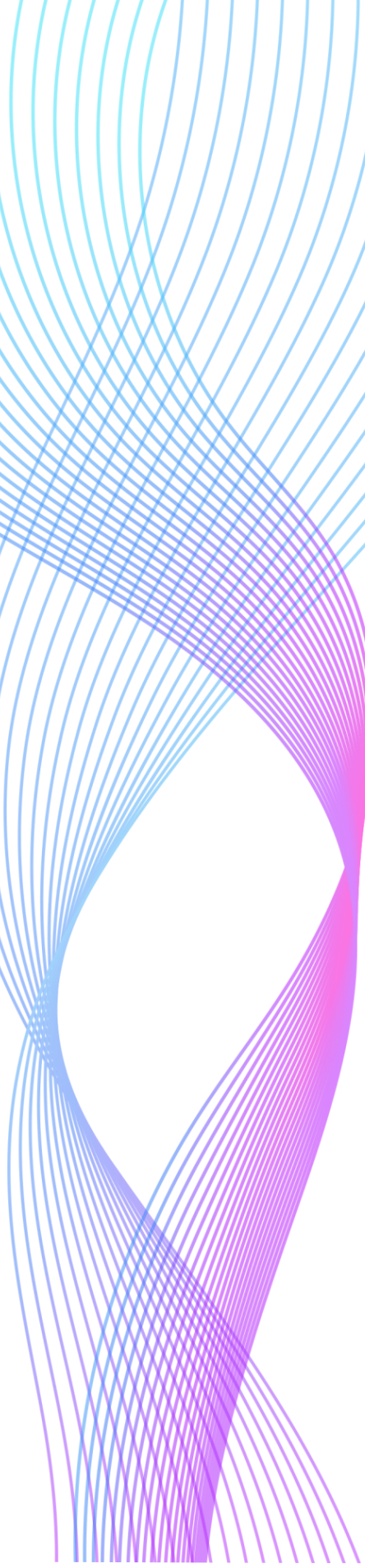
- Incentives, like tax benefits, should be examined and implemented.

- The state lacks regulation in the fourth sector to break the dichotomy between profit and non-profit.
- Regulatory standards are lacking.

7. Government funding of impact investments

- Investors and local authorities need the government to establish a safety floor and proactively share risks with investors. Meanwhile, addressing the challenge of securing funds and private investors for small-scale ventures in peripheral areas is essential. Additionally, exploring the concept of an insurance vehicle for hedging impact investments is warranted.
- The government should update tools in the periphery to leverage existing initiatives and boost supply and demand.

* I express gratitude to Ifat Taraboulos, the research fellow at The Israeli Forum For Impact Economy, for authoring the paper. Additionally, I would like to thank The Academic College of Tel Aviv–Yaffo, the IFI project led by Prof. Vered Holzmann, and the Forum's policy team for their contributions to the process.



Innovative Finance Inclusion

Recommendation Report: Promoting Intersectoral Collaboration

Sustainable finance in Israel

Erasmus+ CBHE Project 619453
Innovative Finance Inclusion in
Academia and Field

<https://www.ifi.mta.ac.il/>

ifi.erasmus@mta.ac.il

 Co-funded by the
Erasmus+ Programme
of the European Union

**ifi**
INNOVATIVE FINANCE INCLUSION

Project number 619453-EPP-1-2020-1-IL-EPPKA2-CBHE-JP

This project has been funded with support from the European Commission. This publication [communication] reflects the views only of the author, and the Commission cannot be held responsible for any use which may be made of the information contained therein