

Mini Headlines Headlines Full Translation Synopsis Summaries

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**"There are enough NPOs – unless you're Bill Gates, don't set up funds"
At a conference held by IVN, one of the only funds in Israel in the investments
in social ventures field, chairman Eric Benhamou explained why social
investment is better than donations * UBS Global Head of Philanthropy
Services warned of the dangers in the field, which is taking its first steps**

How do you generate sustainable social change through social investments? This was the question addressed two days ago at a conference held by IVN – Israel Venture Network, a social investments organization of high-tech entrepreneurs and business executives.

Social investments, i.e. investing capital in return-yielding social ventures, is taking its first steps both in Israel and worldwide. It is a complex, not to mention confusing field. But its popularity is on the rise, following the uncertainty that typifies the financial markets in the past three years that generated a change in the perception of the financial risk of companies and governments; and also as a result of the increased awareness of corporations and private capital holders to the need to address burning social problems the governments are hard pressed to solve through the traditional means.

These investments enable investing – not donating – money for social goals such as helping prisoners find work or rehabilitating poor neighborhoods, while enjoying a solid return. In fact, this is a double return: one is social, such as fewer criminals who return to crime or increased quality of life for residents of poor neighborhoods. At the same time, the investor is guaranteed a return through a relatively safe flow of government payments for addressing the social problem.

IVN is one of the few funds active in Israel in this field (two other funds are Dualis and Impact First). The nature of its activity is rather unique: a network of business executives and affluent people serve as mentors for business social ventures in addition to providing financial donations to set up the infrastructure for their activities. IVN currently supports some 15 social ventures, as well helping dozens of other social ventures in the past decade.

IVN chairman Prof. Eric Benhamou said that the investment in social ventures can help cut social costs, such as crime, that result when social needs are not met. According to him, social investment has a number of advantages over philanthropy. First – social investment is more legitimate, allowing the recipient to hold on to self-esteem. Second

– social investment makes the allocation of funds more efficient since it is measured in parameters of transparency and a return on the investment. In addition, social ventures with a business component have potential for sustainability and long-term survival as they do not depend on donations.

Benhamou called on donors and investors in the social field to avoid setting up independent funds and ventures and give preference to joining existing ones. "Unless you are a billionaire like Bill Gates, there is no point in starting your own fund. You may want to see your name up to feel good about yourself, but there are enough NPOs in Israel, which hurts their effectiveness. I would recommend that donors who are taking their first steps in this field overcome the urge to set up an NPO or fund. In most cases, if you want to do something, there are NPOs already doing it. See who does it well, and join them."

According to Benhamou, the current social challenges are complex and one must adopt social innovation when dealing with them. "On the one hand, the economy is growing, while on the other hand there are many social problems such as those that led to the doctors' strike. There is a market failure in treating these problems, and if you want to cope with them you need creative entrepreneurship. You cannot reuse the old tools."

"The government prevents developing a social capital market"

One of the speakers at the conference was Didi Lachman-Messer, former Deputy Attorney General of Israel, who wrote a report on establishing a social capital market in Israel. According to her, "the vision is to have financial institutions carry out social investments. Social problems are of the society, of all players, not just philanthropists. Institutional investors must understand that they are managing the money of the public, who wants a higher quality of life. This entails addressing social problems that endanger the public space." Lachman-Messer also called on the government to stop underfunding social services: "The problem of insufficient payment of the government for social services prevents the development of a social capital market."

Dr. Mathias Terheggen, Global Head of Philanthropy Services, UBS AG, pointed to the danger in having social investments come at the expense of donations. According to him, one of the questions his affluent customers deal with is whether to go into the social venture field. "A possible outcome is that money transferred to social ventures will come at the expense of philanthropy. This issue needs to be addressed."

For those who opt to invest in social ventures, Terheggen recommends that they adopt a set of tools that support a discussion about the investor's vision, scope of investment, and motivation to bring about social change, before choosing the investment field. "One should sort through the opportunities, choose a course of action, and see how it will affect the goals in every stage."

According to him, since this field is taking its first steps, one should keep in mind that the business environment is challenging for a number of reasons: there is a shortage in measuring tools and standards in the field, there is no investment history of fund managers that one can follow (unlike investment funds in the financial world), and there are many regulatory hurdles. There are also limitations that are important to note

on the social capital market level: the number of ventures is relatively limited and it is hard to conduct a dynamic investment policy as a result of the low liquidity that typifies the social capital market. In addition, the ventures usually suffer from low transparency.

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Smart investment

Hurdles and solutions in social investments*

- 1) **Problem:** government regulation trails behind what happens in the field. **Solution:** creating a new legal structure for companies with a double goal – business and social.
- 2) **Problem:** measurement and evaluation of the ventures' activities. **Solution:** setting goals for the venture; measurement and evaluation like in business management.
- 3) **Problem:** Competition with the business and social sectors. **Solution:** the business-social ventures should be innovative by developing products that are different from those offered by the business and social sectors.

* As raised by the participants in the IVN conference's roundtable discussions.