Reichman University | Arison ESG Center | Environmental. Social. Governance

Inter-Sectoral Event on Blended Finance

Dear Audience, Friends and Partners,

I am pleased to welcome you today to this important conference, which is dedicated to exploring the vital role of blended finance in restoring and supporting growth in our country, especially in our Northern and Southern communities, who need it.

The recent events have left significant scars, as infrastructure has been destroyed, families have been uprooted, and widespread economic uncertainty has been created. The North and South, which are cornerstones of our national identity, have suffered the most damage, but they also show extraordinary resilience, and we are here today to leverage this resilience and build a stronger future than in the past.

The reconstruction of the North and the South is not just a socio-economic need – it is a strategic opportunity to design a sustainable model of governance, ESG, and economic growth. To succeed, an innovative public governance model is needed that combines digital technologies for transparency and monitoring, high accountability, and civic involvement indecision-making mechanisms.

Resilience is not built in one day – but it wears out easily, every day. If we continue to manage resilience as a reaction, we will always be one step behind. But if we turn resilience into a value, not just a mechanism, we can be not only a survivor, but also a constructive people.

Because a truly strong state is measured not only by the Iron Dome, but by the daily existence and resilience of its citizens.

Israel can remain a country of resilience, but in order to do so, it must change its floppy disk: from crisis management to resilience management, from the fear of collapse to a culture of readiness, connection, and renewal. From reliance and belief in the inevitable to a daily choice of mutual responsibility.

In front of us and during our mission and service on earth, we have the important and complex task of rehabilitating, each in his own way and in his own direction – the extensive business activity in the periphery, the infrastructure, and the personal and community home.

Having and handling these challenges, traditional methods of reconstruction seem to be lacking and inadequate. We need to move to more effective, efficient and innovative alternatives that have the potential to reshape the landscape of our economy, society and environment. That is why our focus today will be on the transformative potential of blended finance, a tool that enables strategic collaboration between public, philanthropic and private resources.

As convincingly highlighted in the IFIE (Blended Financing Mechanisms for Recovery and Growth, July 2024) report, blended financing represents a significant shift from siloed approaches to investment to a synergistic partnership that significantly increases the impact of every penny invested. We need to think of this mechanism as a generator and accelerator that can create sustainable growth while providing solutions to problems that traditionally reduce market forces, as is often the case in real estate, in the development of green infrastructures and the promotion of productive industries located in areas that need it most.

The success of blended finance lies in its ability to address market failures and drive long-term economic growth in areas affected by the conflict, both security and economic. This approach is not just about raising capital but about building resilient partnerships that can navigate the complex challenges of our recovery efforts.

The government can use its financial power to drive innovation, reduce risk and create a supportive environment that attracts private and philanthropic capital. Israel is known for its technological and entrepreneurial innovation, and this is an opportunity to harness these capabilities to design innovative models that promote the economy, society, and the environment holistically.

It is important for the government to have clear policies, defined targets, and a strong focus on measurable outcomes. When the state assumes the role of an informed partner in risk and not just a regulator, it creates trust, prevents quality investment, and contributes to systemic change.

I would also like to encourage my colleagues in the financial system to take the lead and leverage smart capital for the benefit of social and environmental returns alongside financial ones, and to build return mechanisms that are suitable for different investors as part of the basis and perception of the values of integrated financing.

We're not alone. Let's learn from place-based programs around the world, especially from England, that have worked to improve communities.

I believe that the partners sitting here today can promote measures that can facilitate the construction of investor, commercial, governmental, and philanthropic frameworks. We also need to establish clear and accurate social and environmental indicators so that we can track progress, ensure transparency, and tighten public accountability.

Trust, collaboration, and measurement should drive all of our encounters. These incremental partnerships will allow us to harness capital along with the financial insights of the private sector, and will be the engine for the dynamism of our decision-making processes and the transfer of resources for sustainable growth.

Partnerships of this type illustrate how corporations can transform from external actors into strategic partners in the fabric of socioeconomic governance and contribute to strengthening local resilience over time.

And it is important for us to remember. Corporate profitability with social and environmental value is significantly higher than identical profitability without these values, and certainly profitability that is created within harm environmental and social values.

These aspects correspond well with the difficulty and limitations of the ability to measure externalities in corporate activities, aspects of the preference of entrepreneurs, controlling shareholders, boards of directors and management to think, plan and be measured in short-term terms, as well as, it does not take into account value-quality aspects that are difficult to evaluate and certainly do not correspond directly with corporate profit.

This is the place to note the importance of integrating them, to extend the scope of planning, to work in order to integrate qualitative aspects that contribute to the environment and society in the measurement and evaluation, and to work to evaluate and measure well-being alongside profit.

In our efforts to move forward, I also urge us to adopt an innovative mindset that does not hesitate to test innovative ideas or challenge old paradigms. Developing creative funding mechanisms that address the unique needs of our communities and exploring innovative measurement tools is the next step to take after this conference.

Together, we will strengthen cross-sectoral ties, drive joint efforts, and embrace that passion as we strive to increase the impact of our intervention efforts and make the whole greater than its parts.

Togetherwe will pioneer the design of a texture that will ensure and promotea prosperous life for our region, and togetherwe will overcomethe next challenges.

Thank you.

Yair Avidan, Chair of the Advisory Committee, Arison Center for ESG, Reichman University