



Ministry of Economy
OFFICE OF THE DIRECTOR GENERAL

Inclusive growth in an advanced, innovative economy

The Case Study of Israel

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Director General of the Ministry of Economy
Israel



“Technology is the key to the economy. Capital isn’t created in banks which print the money, capital is created in labs in which new products are created.”

Shimon Peres, the 9th President of Israel (2007-2014)



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We believe that the Israeli case study shows some of the major economic challenges facing governments today and that the ***“Knowledge and Innovation for Inclusive Growth Project”*** of the OECD can help to address them



A creative & inventive culture...

Ranked #1 globally for innovative capacity

By IMD Global competitive year book 2014

Ranked #3 globally for innovation

By WEF Global competitive yearbook 2013-2014

Thriving entrepreneurial spirit

...with an entrepreneurial DNA

Ranked #1 for density of startup ventures per capita

(2nd only to Silicon valley in total # of startups)

Tel-Aviv, Israel's business center, is ranked the 2nd best innovation ecosystem globally

By The startup Ecosystem Report 2012

High tolerance for failure

ISRAEL:
1,000 new
innovative
startups per
year

Move over, Silicon Valley HERE COMES TEL AVIV

While 9 of the world's top 20 start-up ecosystems are in North America, others are catching up. Israel has the highest density of start-ups in the world—Tel Aviv now ranks second to Silicon Valley.

The world's top 20 start-up ecosystems



The global start-up ecosystem index, based on The Startup Ecosystem Report, 2012, ranks the world's top 20 start-up ecosystems based on 50 variables, using Silicon Valley as a baseline for comparison. Three categories are shown here.

Sources: The Startup Ecosystem Report, 2012; The Startup Genome Report

	Overall rank	Talent	Performance	Output
1	Silicon Valley	Silicon Valley	Silicon Valley	Silicon Valley
2	Tel Aviv	New York	Sydney	Tel Aviv
3	Los Angeles	Los Angeles	Tel Aviv	Seattle
4	Seattle	Tel Aviv	Boston	Bangalore
5	New York	Sydney	Toronto	Los Angeles
6	Boston	London	London	Chicago
7	London	Vancouver	Chicago	London
8	Toronto	Chicago	Los Angeles	Boston
9	Vancouver	Seattle	Vancouver	Sao Paulo
10	Chicago	Moscow	New York	Toronto
11	Paris	Singapore	Seattle	Moscow
12	Sydney	Boston	Waterloo	New York
13	Sao Paulo	Bangalore	Berlin	Vancouver
14	Moscow	Paris	Melbourne	Waterloo
15	Berlin	Sao Paulo	Sao Paulo	Berlin
16	Waterloo	Waterloo	Moscow	Paris
17	Singapore	Toronto	Bangalore	Melbourne
18	Melbourne	Berlin	Santiago	Sydney
19	Bangalore	Melbourne	Singapore	Singapore
20	Santiago	Santiago	Paris	Santiago

Israeli innovation powers the lives of billions worldwide...



50% of global low-pressure irrigation systems are Israeli



Over 1B computer processors developed and manufactured in Israel



Millions of hearts are powered by Israeli cardiovascular stents



The first capsule endoscopy



The world's top digital and 3D printing tech.



A leading road safety tech.



The **Flash Drive**



WAZE Navigation



KINECT

Gesture recognition

...while 250 leading corporations have opened R&D centers in Israel





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What's next on the innovation frontier?

Government and industry continue to partner in order to boost sectors with high potential for innovation and growth



Water



**Renewable &
alternative energy**



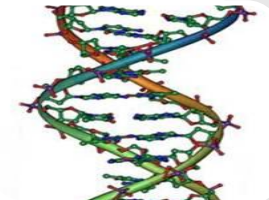
Agricultural R&D



Natural Gas



Cyber & Aerospace



Digital Israel



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The Israeli economy's major challenge

- **Israel is a highly innovative, resilient economy**
 - Israel's highly innovative high-tech sectors are a major growth driver
 - The country also enjoys a stable economy: relatively low unemployment levels, GDP growth, stable financial sector
- **But it's also a dual economy - most of the Israeli workforce is not part of this success**
 - The high tech sector represents only ~10% of our workforce; other sectors are characterized by low productivity
 - Major social & economic challenges: productivity, education, participation in the labor market, and middle-class social unrest due to high cost of living



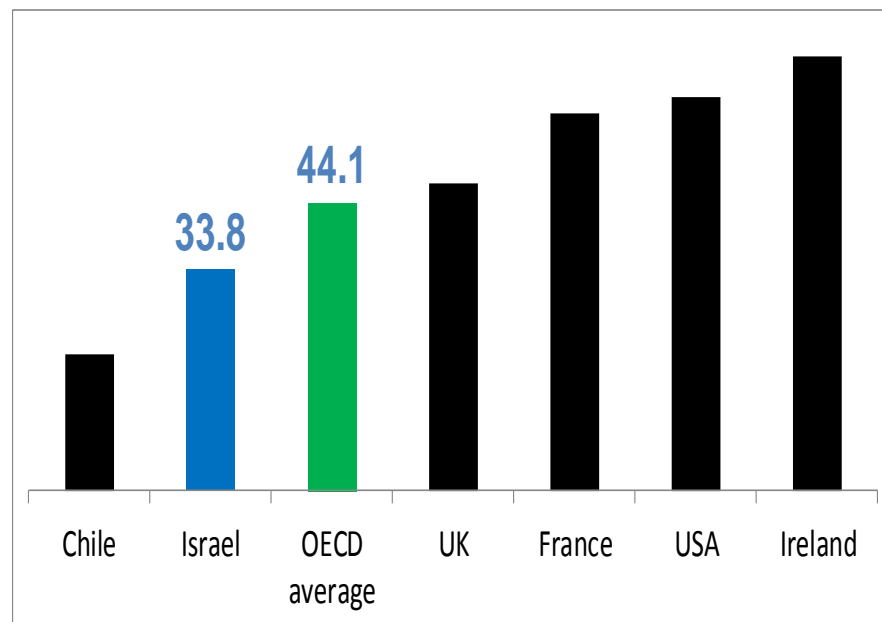
Source: Globes

High inequality...

- 30% of households below the poverty line consist of at least one resident who is employed
- Specific segments of the population represent a substantial amount of households below the poverty line

...partly stemming from low productivity rates

Productivity per hour of labor (US\$)



- Israel's productivity level is 33% below the OECD average

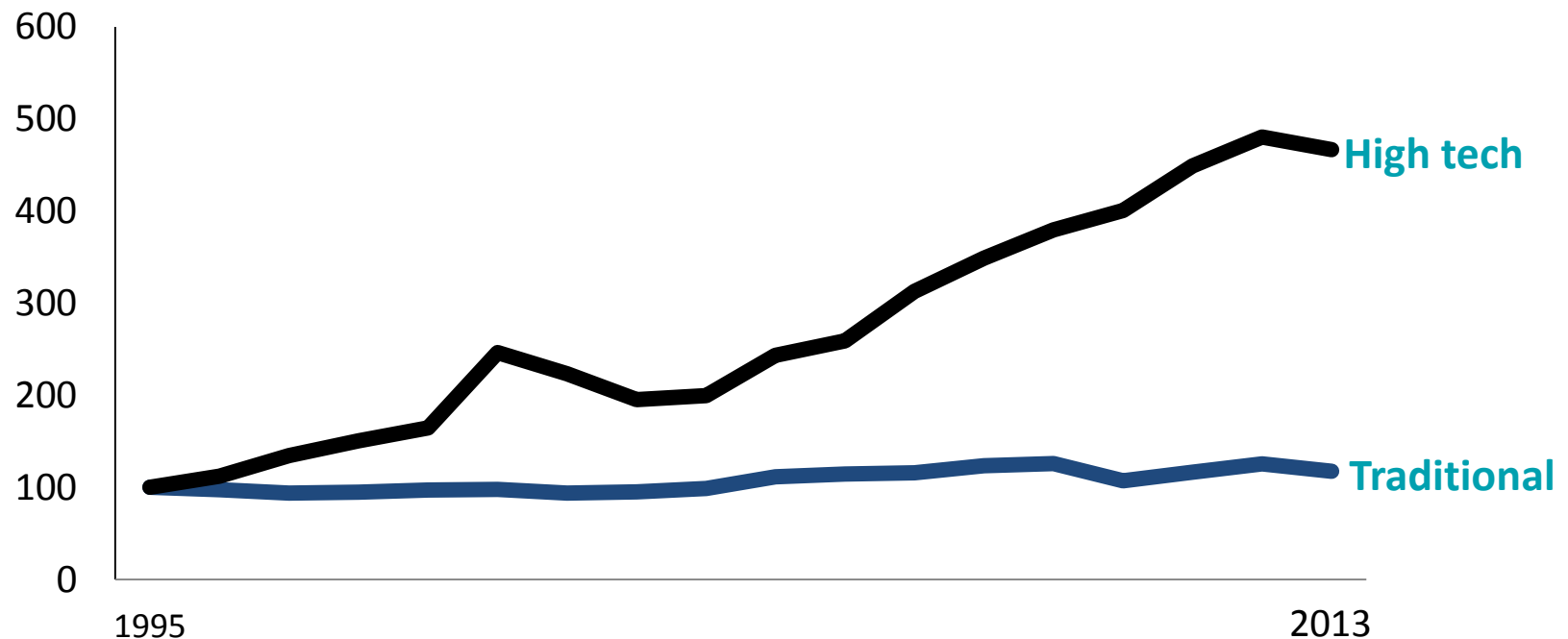


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A dual economy

Industrial exports by Technological Intensity Index (base 1995=100; current prices US\$)





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Government policies to foster inclusive growth in Israel

Increase local competition as a means of increasing productivity of local industries

Focus on partnerships with new and growing markets, i.e. India

Encourage access to finance, especially for SMEs

Promote innovation in the governmental sector, i.e. Digital Israel

Tailored education & training programs to increase participation of targeted social groups in the labor market

Promote inclusive innovation in the private sector, i.e. Chief Scientist programs for traditional industries, require companies receiving governmental funds to increase innovation, NewTech

Adapt tax policy and regulations to promote inclusive growth



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Our Objective

*Remaining on the
innovation peak*

*while pulling up the rest
of the economy*

