



STATE OF ISRAEL

MINISTRY OF FINANCE

MINISTRY OF INDUSTRY,
TRADE AND LABOR

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Joint Announcement

The Ministry of Finance and the Ministry of Industry, Trade and Labor are Issuing a Call to the Public to Provide Information on the Plan for Encouraging Israeli Institutional Bodies to Invest in the High-Tech Industry

The inter-ministerial tender committee headed by Senior Deputy Accountant General, **Mr. Eran Heimer**, is issuing today a call to the public to submit responses and comments on the recently formulated plan for the provision of incentives to institutional bodies for investing in the high-tech industry pursuant to a government decision in this regard.

According to the proposed plan, Israeli institutional bodies undertaking to invest capital in one or more venture capital funds will be eligible for government participation in the risk at up to 20% of the amount of their investment. Under the provisions of the plan, the government will engage directly with the institutional bodies, which will be free to choose the venture capital fund in which they will invest, **provided such fund commits to invest in Israeli R&D companies**. This arrangement will ensure that the incentive for carefully examining the investment and for conducting genuine negotiations with the capital venture fund over its terms will be central to the process of investment by the institutional body. Under the proposed arrangement, the government's participation in the risk will take effect only if the fund in which the institutional body invested fails to achieve a certain yield.

Minister of Finance, **Dr. Yuval Steinitz**, said: "Today we are launching another key stage in the high-tech plan which was approved by the government just a month ago. This step will strengthen Israel's relative advantage and add important financing sources for high-tech industries. Its purpose is to encourage Israeli institutional bodies to invest in Israeli high-tech and to enable individual savers to benefit from the earnings of the high-tech industry at a reduced risk. I am pleased to see that the plan, which is being promoted by the Ministry of Finance Director General, **Mr. Haim Shani**, and by the Ministry of Industry, Trade and Labor Director General, **Mr. Sharon Kedmi**, is taking shape, and yet within such a short time."



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Minister of Industry, Trade and Labor **Binyamin (Fuad) Ben-Eliezer** noted that his ministry is working to encourage economic growth, inter alia by encouraging investments in the high-tech industry. "The decision to encourage investments in this industry is based on a view of the high-tech industry as a key sector of the Israeli economy and as a driver of economic growth in the past two decades, a fact reflected, among other things, in its high contribution to the GDP and to the economy. This perception attributes special importance to the basing of the high-tech industry, which is of strategic importance to the Israeli economy, not only on foreign investments but also on local capital."

The Accountant General in the Ministry of Finance, **Mr. Shouky Oren**, said: "We hope that by means of the government protection we are providing, we will succeed in taking another step towards preserving our strong high-tech industry. It is hoped that the plan will serve as a catalyst for renewed investments in the economy, but let there be no mistake: the main task will still lie with the market, and primarily with the fund managers – to mobilize institutional bodies to participate in the plan, and to present worthwhile returns."

The Chief Scientist in the Ministry of Industry, Trade and Labor, **Dr. Eli Opper**, said: "The allocation in the framework of the plan, and mainly the government's willingness to participate in the risk together with the institutional investors, is a clear expression of confidence in the promise embodied in the Israeli high-tech industry. In many cases," the chief scientist noted, "quality R&D programs are not realized due to a lack of cash. Increasing the amount of capital available to entrepreneurs and industrialists will enable greater availability of government capital, alongside the funds of the chief scientist, for financing innovative, quality projects that are so greatly needed for the development of the industry."

It is noted that **NIS 200 million** have been allocated for this plan, with the intention that the full utilization of this amount should inject a total of **NIS 1 billion** into the high-tech industry. The decision to encourage investments in the high-tech industry was taken based on a perception of this industry as a key sector of the Israeli economy and as a driver of economic growth in the past two decades, a fact reflected, among other things, in its high contribution to the GDP and to the economy, and on the special importance of basing the high-tech industry, which is of strategic importance to the Israeli economy, also on local capital.



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This plan forms part of a comprehensive incentive program decided upon by the government in the framework of the latest budget, with the aim of developing the high-tech industry. The plan includes various tools for encouraging the industry, such as enactment of the "Angel's Law" (tax write-offs on investments in high-tech startups), a change in the structure of incubators, and encouragement of the setup of development centers of international financial bodies.