



SUMMER 2010

It's been a busy year for the Israel Center, with fresh research publications and workshops, a new class of Koret-Milken Institute fellows and the latest conferences to report.

Those achievements - along with the Center's expanding partnerships and plans for future work - are in part the results of Glenn Yago's six-month assignment directing the Center's projects in Israel and teaching financial innovations at the Hebrew University. He will return to Israel in August for another six months on the ground, leading our important work.

We hope you enjoy the following highlights of our activities. More importantly, we welcome your feedback and your ideas for the upcoming year. For more information on the Israel Center and how to get involved, please feel free to contact us.

Wishing you a wonderful summer,

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Latest Research



How to end the credit crunch for Israeli entrepreneurs

In Israel, small and medium-size enterprises amount to 97 percent of all businesses, produce 50 percent of GDP, and employ 60 percent of all private-sector employees, yet they receive less than a third of bank-issued credit. In "[Financing Small and Medium-Sized Enterprises, Credit and Banking Competition](#)," authors Guy Ben-Ishai and Glenn Yago compare Israel's banking and credit issues to those in other countries and find considerable justification for reforming current regulations.

Health care 2.0: Israel can lead the way in health IT

In "[Israel's Health IT Industry](#)," senior visiting fellow Yitzhak Peterburg outlines how government action could generate growth in this sector in both Israel and the United States. Since the report was released in January, Professor Peterburg has traveled to health IT conferences in both countries to build U.S.-Israeli collaborations and awareness. The Institute hosted its own health IT [summit](#) on April 14 in partnership with Israel's Economic Mission in Los Angeles.

Highlights of Activities

Milken Institute Global Conference

A distinguished delegation of Israeli officials and supporters attended several private events and Israel-oriented panels at the Global

Conference in April. Among the highlights:

- **Israel track** - Two public panels looked at innovative ways to boost industries, investment opportunities and new business models in Israel. Watch video of both sessions: [The Israeli Economy: Lessons in Achieving Stability and Growth](#) and [Sustainable Israel: Pioneering Solutions](#).



- **Israel Center private meeting** - Advisory Council members and select guests engaged in an off-the-record discussion with Milken Institute Chairman Michael Milken and Milken Family Foundation Chairman Lowell Milken. Participants were briefed on the outlook for Israel's economy by Glenn Yago, director of the Israel Center; Eugene Kandel, head of Israel's National Economic Council; and Zvi Eckstein, deputy governor of the Bank of Israel, and shared their perspectives as business leaders and investors actively working in Israel. Dr. Ora Dar, head of life sciences at the Office of the Chief Scientist, announced the establishment of a \$400 million life sciences fund based on the Milken Institute's Financial Innovations Lab on the subject.
- **Reception and dinner** - The conference closed with an Israel reception and a private dinner hosted by Advisory Council member David Pollock.

Financial Innovations Labs™, roundtables and follow-up workshops

Oil alternatives work is on the fast track to become policy



Leaders in public and private finance, experts in fuel alternatives, and government officials responded to Prime Minister Benjamin Netanyahu's challenge to accelerate the development of oil substitutes and joined us for a Financial Innovations Lab on global oil independence the day after Global Conference. The results of the Lab, held at the request of the Israeli National Economic Council in the Prime Minister's Office, and our subsequent work have already been incorporated into the government's draft policy on this topic and were submitted to the Prime Minister's Office.

Interest grows in creating river revitalization fund

A revolving fund to finance integrated water management and the cleanup of Israel's waterways is gaining momentum after the December 2009 release of our Lab report and a follow-up workshop in January. Download the report: [Financial Innovations in Israel: Revolving Fund for River Restoration](#).

Cultural heritage can build a path to prosperity



[Antiquities as an Economic Development Resource](#), a Financial Innovations Lab held in conjunction with the Nature and Parks Authority and the Israel Antiquities Authority in December 2009, focused on how archaeological and heritage sites in Israel can generate economic growth and development. Less than two months later, Prime Minister Netanyahu addressed cultural heritage and its potential for development in a [speech](#) at the Herzliya Conference.

Work progresses on financing micro to mid-size businesses

In January, key regulators, researchers and industry leaders who help finance Israel's micro and small enterprises gathered to discuss some of the issues we highlighted in "[Financing Small and Medium-Sized Enterprises and Banking Competition](#)." To continue our focus on this critical area, we will place a Koret-Milken Institute fellow at the Authority for Small Businesses, and we are developing a Financial Innovations Lab on SME finance in Israel.

Transboundary water report issued in 3 languages

The [Hebrew](#), [Arabic](#) and [English](#) versions of our Lab report "Financial Innovations for Freshwater Revitalization:



Transboundary Project Finance in Israel, Jordan, and the Palestinian Authority" are available on our website. Through a series of meetings and roundtables, we are continuing the important work of a sub-sovereign watershed management and funding mechanism that will benefit Israel, the Palestinian territories and Jordan.

Koret-Milken Institute Fellows Program

- More than 55 Israelis applied to be part of the 2010-2011 fellows cohort. The applicants come from all major Israeli institutions and such leading U.S. universities as Columbia, the University of Chicago and Johns Hopkins. Selection day was June 2, with senior leaders from the private sector, nonprofits, academia and the government ministries where the fellows will intern serving as judges. The 15 fellows selected - a record number for the program - will begin a week of intensive training in Jerusalem in October.
- The 2009-2010 fellows are completing a successful year. They gained valuable experience during their internships, from representing the Ministry of Environmental Protection at an OECD conference in Portugal to developing regulations for public transportation and the corporate bond market. Several fellows have secured permanent positions where they interned; others are going on to prestigious graduate programs in Israel and the United States.
- Two fellows' research papers were used by government ministries for internal discussions on national strategies for developing environmentally-friendly industries, sustainable industry practices and oil independence. The papers, which will be publicly released soon, provide current, cutting-edge information on Israel's unique attributes and give concrete recommendations for policy.

Capital market and financial reforms

We're making progress in our effort to promote policies to increase Israel's global competitiveness and to strengthen its financial sector.

- Haim Shani, director general of the Ministry of Finance, will join us for an off-the-record, invitation-only working session with a select group of financial professionals on July 28 in New York City. Mr. Shani will discuss Israel's Comparative Advantage Program, which aims to establish R&D centers in Israel for the international financial industry while capitalizing on Israel's global leadership in science and technology.
- The Israel Center is developing Israel's first comprehensive corporate governance index to provide investors with complete and reliable data on Israel's 500 biggest companies.
- At the Globes Israel Business Conference - Israel's biggest such event - in December in Tel Aviv, Koret-Milken Institute fellows opened a high-profile session on Israel's capital markets, with senior decision makers from the Israel Securities Authority, the Bank of Israel and the Ministry of Finance among the panelists. The Israel Center played a significant role in the conference as well, helping to assemble the program and participating on three panels.

The Milken Institute's Israel Center accelerates and supports Israel's path toward economic independence and broad-based prosperity through capital market development, financial innovation and job creation. We develop practical solutions to social, economic and environmental challenges by convening Diaspora and Israeli leaders, conducting research and implementing financial and policy innovations that are replicable and produce immediate results.

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