

Ministry of Finance

Spokesperson Unit

February 1, 2009

2009-130

Press Release

Another Stage of the Acceleration Plan:

Finance Ministry Offers Hundreds of Millions of Shekels in Aid to the High-Tech and Biotech Industries

Finance Minister: "The increased support for the high-tech industry and the establishment of a fund specializing in biotechnology investments will make it possible to promote high-quality research and development plans in the immediate term, preserve and add jobs, and create an R&D infrastructure to accelerate the Israeli economy's emergence from the crisis"

Today, Minister of Finance Roni Bar-On announced an aid plan for the high technology and biotechnology sectors, making hundreds of millions of shekels available to the Chief Scientist and for the establishment of a special biotech investment fund. The plan, formulated in collaboration with the Ministry of Industry, Trade, and Labor, the Chief Scientist, and experts in high-tech investments, constitutes an additional element of the third stage of the Finance Ministry's acceleration plan.

In the third stage of the acceleration plan, the Finance Ministry is working to identify individual growth-generating sectors of the Israeli economy damaged by the consequences of the global economic crisis, and providing focused aid and solutions to facilitate activity in these areas during the crisis. The high-tech industry is one of these sectors.

Minister of Finance Roni Bar-On: "The increased support for the high-tech industry and the establishment of a fund specializing in biotechnology investments will make it possible to promote high-quality research and development plans in the immediate term, preserve and add jobs, and create an R&D infrastructure to accelerate the Israeli economy's emergence from the crisis." The minister noted that this is not the end of the line, and that "we are currently examining the possibility of formulating policy tools to provide incentives for institutional entities to invest in knowledge-intensive companies."

The Minister added, "The decision to invest in the biotechnology sector stems from the fact that this field has a strong infrastructure of knowledge and innovation which has not matured into an industry. The foundations of knowledge and innovation are apparent on many levels, including the large quantity of graduates in the relevant disciplines and the large number of patents, as Israel's index of expertise in this area is among the highest in the world. However, in industrial terms, Israeli biotech companies have not matured to the point of becoming an industry. This problem has grown more severe due to the crisis, as investment funds invest in more mature companies for shorter periods, so that biotech companies – which tend to require long-term investments – naturally find it particularly difficult to find sources of financing from these funds. The fund we are establishing jointly with the private sector, to be

managed by a specialized entity, will offer resources on a significant scale to the biotechnology field."

The high-tech sector: Coping with the crisis and creating future infrastructures

Further to the NIS 200 million supplement granted to the Chief Scientist as part of the acceleration plan, which was approved by the Economics Committee on December 15, 2008, an additional supplement of NIS 150 million will be added to the Chief Scientist's budget for immediate R&D investments in the **first quarter** of the year. Note that NIS 350 million have been added to the activity of the Chief Scientist in the last two months, due to the uniqueness of investments in research and development, which carry high technological risk, and the high returns for the economy, and in view of the current economic situation.

This support will be granted in concentrated form in the first quarter, in addition to the Chief Scientist budgets to be operated throughout the year. The concentration of this effort in the first quarter is important in order to provide an **immediate** response to the financing difficulties of companies carrying out high-quality research and development, which are having trouble finding sources of funding due to the global credit crisis. The increased support should enable these companies to implement their R&D plans immediately, thus maintaining and developing R&D infrastructures in Israel for future growth.

The biotechnology sector

The second element of the plan is the allocation of NIS 250 million for the establishment of a fund specializing in investments in biotechnology companies in stages of clinical development. The government allocation will be leveraged by the private sector. The fund will be managed by an administrative entity with expertise and experience in biotech R&D management.

The biotechnology sector targeted for the fund's investments is expected to lead to the realization of potential in Israel, serve as a significant growth factor for the Israeli economy, and provide jobs both for university graduates and for scientists returning from abroad.

The fund joins the prioritization of the biotech sector in support for early stages of R&D in the Chief Scientist Program, providing a solution for all of the prolonged development stages of companies in this field, from earliest development to the clinical phases.

Encouragement for establishment of R&D centers

In the first stage of the acceleration plan, NIS 50 million were allocated for the encouragement of research and development through the establishment of R&D centers in peripheral regions, in order to create an infrastructure for future growth of the economy in general and of peripheral regions in particular, while attracting high-quality manpower to these areas. An additional NIS 50 million will be allocated to this objective, as necessary.