

## Executive Summary

### Israel 15 Vision

### Leapfrogging The Periphery

1. **This document presents a conceptual framework for the socioeconomic leapfrogging of Israel's geographic periphery, which is a necessary condition for realizing the Israel 15 Vision** (see below). The partners in this document are the Reut Institute, the Jewish Agency's Partnership 2000 and JDC Israel-ELKA. The joint project is based on the world's latest research in the field of regional development; meetings with experts and field personnel in Israel; management of two "regional laboratories" in the Judean plains and in the Western Galilee led by the Praxis Institute; and a study of the experience gained at ELKA and in the Western Galilee cluster it established.
2. **The Israel 15 Vision calls for transforming Israel into one of the 15 leading countries in terms of its citizenry's quality of life. This vision requires economic and social leapfrogging** that will narrow the quality of life gap in Israel in comparison to the world's leading countries. Leapfrogging requires a combination of rapid and sustained growth that enlarges the economic "pie"; inclusiveness – that is, the allocation of the fruits of growth in a way that improves the quality of life of all of the residents; and preservation of resources for the benefit of future generations (sustainability).
3. **Leapfrogging in Quality of Life requires a balanced division of the fruits of growth between the various regions in the country**, as part of the principle of inclusiveness. Without such allocation, people, goods and capital are liable to quickly migrate from backward regions to developed regions, and thus seriously jeopardize the human and capital resources in various regions.
4. **In Israel, the fruits of growth tend to concentrate primarily in the center of the country** – consequently, peripheral areas continue to lag behind in economic and social indexes and suffer from negative migration.
5. **This document presents a conceptual framework for developing the peripheral regions, based on realizing the national and global potential latent in the unique assets of these regions** – "Regional assets" are unique local qualities (such as a specific climate, history and heritage, nature and landscape, or even a definite burden) which are rooted in the region and cannot easily be moved. Since globalization enables human capital, goods and knowledge to migrate easily from one place to another, these assets could be leveraged for sustained regional development.
6. **In Israel, this regional-global potential is great because the state is characterized by vast geographic, demographic and climatic diversity** – That is, Israel has a number of unique regions that contain latent growth engines.

According to an initial assessment, there are about 12 such regions – including the Western Galilee, the Eastern Galilee, the Western Negev and the Arava.

7. However, despite this potential, **various governments of Israel throughout the years have focused on transferring economic activity, capital and places of employment from central Israel to the periphery, believing that there are no local engines for economic growth in the periphery.** The government is still promoting this policy by encouraging young Israelis to settle in the periphery and by supporting projects seen as catalysts for change – such as the Intel factory near Kiryat Gat, the transfer of IDF bases to the Negev and the building of a medical school in Safed.
8. **This policy derives from a view that regards Israel as a small state that can function as a single region. According to this view, it is possible to employ uniform policy tools to encourage homogenous economic activity throughout the state, without any regional context.** For example, it is ostensibly possible to transfer successes from the center to the periphery, especially in the high-tech sector.
9. However, despite many years of investing huge resources in the periphery, **the government policy of development is not succeeding in narrowing the disparities between the periphery and the center.**
10. **Therefore, we propose enhancing Israel's view of development by adding an element that focuses on exploiting regional assets** – This outlook is not intended to replace a development policy required at the national level, based on national assets, but to develop it and to update it.
11. **A policy of regional development should address two central challenges: identifying regional assets** that are likely to generate unique value at the international level and **catalyzing regional innovation** to exploit the potential of these assets.
12. **This outlook requires involving “bottom-up” forces and leadership as part of a “regional steering committee”** – This committee should include the various stakeholders, with the aim of identifying regional assets, mobilizing relevant partners, setting priorities, promoting regional innovation, and more. **At present, there are already organizations that are likely to assist in creating such a committee.** A prominent example is the Western Galilee cluster supported by JDC Israel-ELKA and the regional laboratories initiated by the Reut Institute and Partnership 2000.
13. **Regional organizations of this type are likely to assist in achieving the government's objectives vis-à-vis the inclusion of marginalized populations and, in particular, in promoting the equality and integration of Israeli Arab citizens.**
14. **The government has a central role to play in facilitating regional socioeconomic leapfrogging** – In the first stage, it must examine the proposed view of regional development and the feasibility of adopting this outlook, and it can do this by focusing on existing regional pilot projects. The government should

then encourage the establishment of new regional organizations that could compete at the global level – for example, by participating in funding the organizational steps required. At the same time, new tools should be developed and adapted to existing tools in order to encourage regional innovation. For example, through leveraging of the regional R&D centers of the Ministry of Science, and encouraging regional colleges to focus on local assets.

15. **The local authorities also have a central role to play in advancing regional leapfrogging** – International experience indicates that local authorities should formulate a long-term vision that addresses the regional context. As a first step they should create mechanisms for coordination with neighboring local authorities and should mobilize other players in the region (entrepreneurs, local leadership and third-sector organizations) on behalf of regional development.
16. **Civil Society and NGO's are also slated to make a crucial contribution to promoting regional leapfrogging** – According to international experience, the unique added value of these organizations lies in their ability to serve as catalysts for regional development by bringing together the players in the region; learning from similar cases in the world; fostering local leadership and more.
17. **Finally**, in recent years, it seems that **the State of Israel's attitude toward the periphery reflects a constant tension between two outlooks. On the one hand, the belief in the market economy** and the forces of supply and demand that determine prices and quantities in the market, while the government shapes the regulatory regime and deals with market failures. **On the other hand**, the state of Israel has always declared **a moral commitment to developing the periphery**, which mandates government intervention, which is sometimes at odds with the forces of the market.
18. **We believe that it is possible to address this tension by enhancing the existing view of development and adopting a policy based on enhancing regional assets. This policy will generate leapfrogging in the peripheral regions and halt the trend of negative immigration from them.**