



Ministry of Industry, Trade & Labor
Investment Promotion Center

Invest In Israel

Where Breakthroughs Happen

Project Appraisal

June 2011

Main Economic Indicators

Criteria	2006	2007	2008	2009	2010
GDP (current prices in \$B)*	144.0	164.1	191.8	193.1	202.0
GDP Real Growth Rate (%)	5.2%	5.4%	4.0%	0.7%	4.6%
GDP per Capita (PPP adjusted)**	\$24,271	\$27,395	\$28,473	\$28,160	\$28,920
GDP per Capita Growth Rate (%, Current prices)	3.3%	3.5%	2.1%	-1.1%	2.7%
Exports (Goods & Services)** \$B* (As Percentage of GDP)	62.6 (43.5%)	71.2 (43.4%)	80.4 (40.3%)	70.35 (36%)	81.8 (40%)
Imports (Goods & Services)** \$B* (As Percentage of GDP)	62.2 (43.2%)	74.0 (45.1%)	84.1 (42.2%)	72.3 (37.4%)	81.2 (40%)
Unemployment Rate (%)	8.4%	7.3%	6.1%	7.6%	6.6%

Sustainable Development in Industry

- Industrial Development or Investments have to meet 2 main criteria to be approved for government investment incentives.
- The first is economic viability of the investment project
- The second is for the project to meet the relevant environmental (“green”) criteria.
- In addition there are additional secondary criteria , as we shall see, that should be met.

Sustainable Development in Israel

The government is leading the process in numerous fields to encourage Sustainable Development

Israel has been going through a process of moving more and more towards Sustainable Development.

Many government ministries are involved in this effort, though the major force is the Ministry of the Environment.

The first major impetus (push) came in 1996 when the Ministry of the Environment prepared the initial guidelines for sustainable development in: Industry, Energy, Tourism and Country Life. And later: Transportation, Agriculture and City Life.

Sustainable Development in Industry

- The Ministry of Industry is charged (in collaboration with the Ministry of the Environment) with supervising that industry adheres as much as possible to the green guidelines that have been legislated.
- Furthermore all new industrial projects must meet the green guidelines if they wish to operate.

Sustainable Development in Israel

- Sustainable Development (or as it is often called here in Israel , "Green Development") is not something new to Israel . In fact scarcity of water ,land resources and energy was an impetus for the development of cutting edge/sustainable technologies in Israel in a wide variety of fields, including water conservation(drip irrigation), water treatment, recycling and reuse, seawater desalination, desert agriculture and alternative energy. (solar energy, wind energy and geothermal energy).



Investment Project Appraisal or Evaluation

- The Israel Ministry of Industry Approach.
- Entrepreneurs who wish to benefit from Government Investment incentives for their investment projects have to be evaluated by the system.
- Only if they meet the required evaluation criteria will they be eligible for these benefits/incentives
- In addition there are a number of **environmental criteria** that have to be met in order for the project to receive a) required business licenses and b) investment incentives
- Before presenting these criteria, a short presentation on these benefits and the evaluation system

Investment Incentives

- Investment Grants & Company Tax Benefits.
- The main tool of incentives are the company tax benefits or reductions
- Regular company tax rate: 24%
- Investment Law company tax rates:

	<u>Center</u>	<u>Priority Area</u>
Years: 2011 & 2012	15 .0%	10%
Years: 2013 & 2014	12.5%	7%
2015 onwards	12.0%	6%

- Investment Grant* -- 20%

* As a percentage of the approved investment

Application for requesting incentives/benefits

Those who wish to receive an investment grant as well as company tax benefits fill out an **application form** which is then processed.

The Investment Center has developed a computerized program that analyzes the **economic viability** of the investment program. The program is called **Yazamit** taken from the Hebrew word for entrepreneur.

These two forms are the basis for the Ministry in analyzing the economic worth of the project.

It should be noted that it is the **entrepreneur himself** who fills out this on-line questionnaire and sends the file directly to the Investment Center. The examiners of the Investment Center then evaluate the request. The whole system is now very efficient and quick

Yazamit - Economic Evaluation Program

- This program is comprised of 3 main parts or steps.
- **Step A** is a series of tables that serve as entry data (each table over a 10 year period) about:
 - products and their production costs
 - no. & types of employees and their employment costs
 - Sales forecast by product type, sales price, sales (quantity) per year (year 1,2,3.....9,10)
 - Operational Costs: machinery maintenance, raw materials (10 year period)
 - Equipment and building costs (i.e. Investment costs)
 - Financial data: equity, loans.....

Yazamit (cont.)

- The information provided in this section of the Yazamit program – mainly 1) Production costs 2) Sales forecast 3) Operational costs 4) Investment costs - **serve as the data for analyzing the economic viability** of the investment program.
- This data is then calculated by the Yazamit program to provide the decision makers with the economic analysis for deciding on the feasibility and economic value of the investment program.

Yazamit (example of one report, "Sales", with the menu seen on the left)

The screenshot displays the Yazamit software interface. The main window shows a report titled 'שווקים' (Markets) for the year 2012. The report is presented as a table with the following data:

שווקים	מוצרים	ימי אשראי	מחיר מכירה	מטבע	% מעייב	2010 (יחידות)	2011 (יחידות)	2012 (יחידות)
שווק מקומי	1 מוצר 1	30	1,000.00	שח	16.00		600.00	600.00
	2 מוצר 2	30	980.00	שח	16.00		390.00	600.00
	3 מוצר 3	30	780.00	שח	16.00		200.00	600.00
	4 מוצר 4	30	650.00	שח	16.00		120.00	360.00
	5 מוצר 5	30	550.00	שח	16.00		40.00	120.00

The left sidebar contains a menu with categories such as 'נתונים כלליים', 'טבלאות', 'תוכנית', 'ניתוח', and 'דוחות'. The bottom status bar shows the system time as 14:21 and the Windows taskbar with various application icons.

Break-even point (table)

מעשב דוחות

יצאה הדפסה ערוך יצוא סיוע << < 1 / 1 > >> עמוד שלם הגדלהקטן

עם אברהם שיקוויץ
עם הסוכנות לביטוחים
הכלכליים - אגף המס

נקודת איזון - כל התקופות

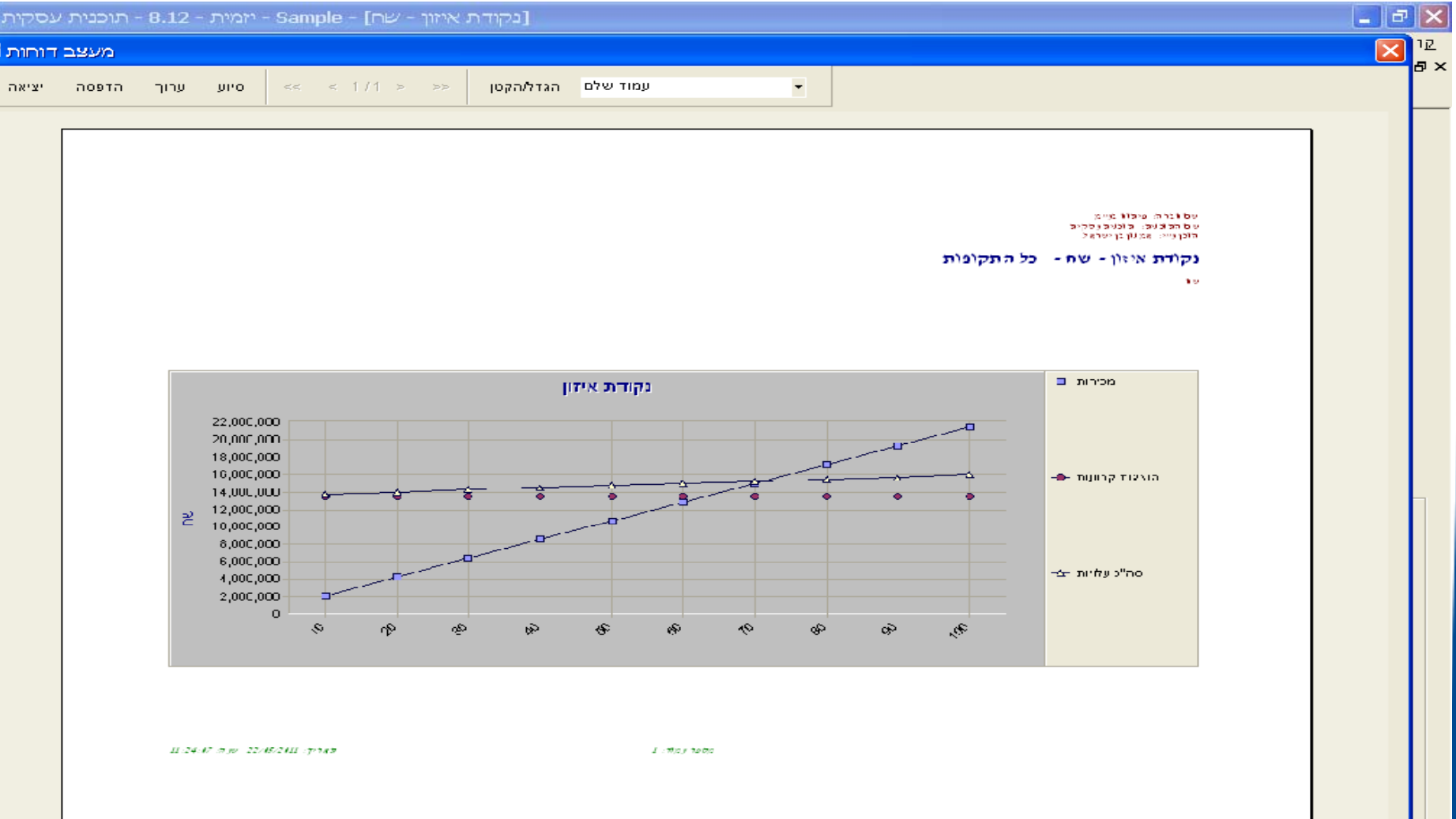
ש"ח

רווח הפעולה	הוצאות משותפות	הוצאות קבועות	הכנסות	מס (25%)
-11,652,114	249,174	13,541,211	2,152,711	11
-7,743,133	447,793	13,541,211	4,315,711	21
-7,133,749	731,117	13,541,211	6,451,711	31
-5,324,115	975,515	13,541,211	8,611,711	41
-4,115,711	1,219,911	13,541,211	10,769,711	51
-2,114,491	1,463,371	13,541,211	12,917,111	61
-177,114	1,717,274	13,541,211	15,171,111	71
1	1,732,521	13,541,211	15,293,721	71
1,711,471	1,751,171	13,541,211	17,229,141	81
3,421,554	2,195,114	13,541,211	19,374,121	91
5,527,131	2,431,713	13,541,211	21,529,111	101

11/21/27 22:45:24 | 2 | מסך מסך

בהיקף נמוך יותר יביאו את

Break-even point (chart)



IIC - criteria for distributing investment grants

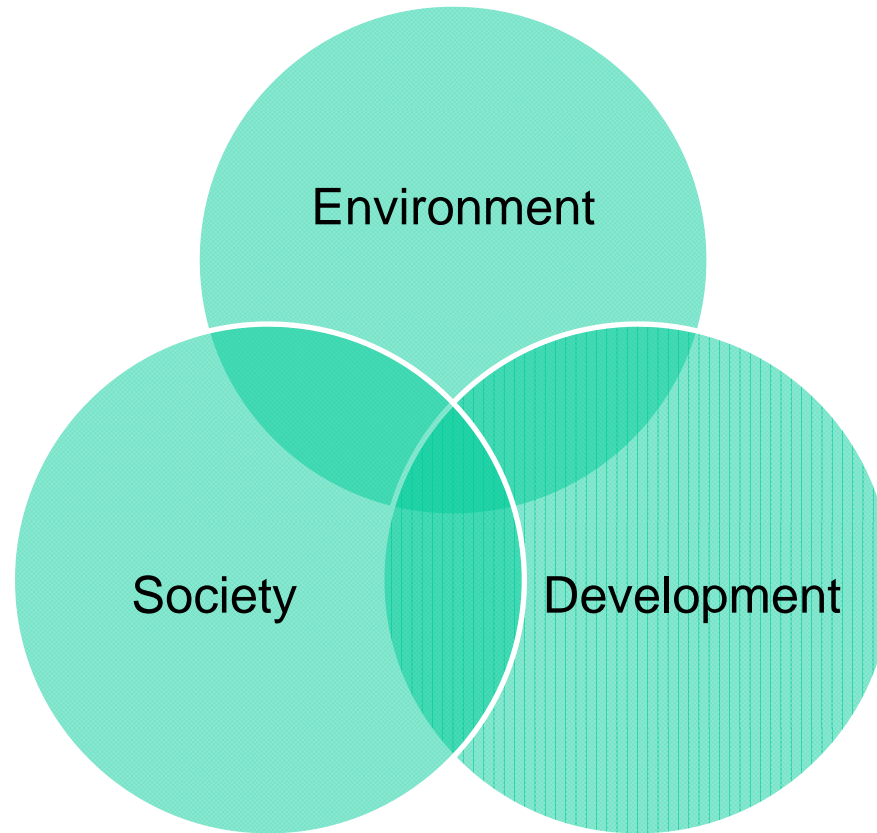
- Another tool for **evaluating investments** is that operated by the Israel Investment Center to approve the granting of Investment Grants as described at the beginning of this presentation. Because the total budget for the investment grants is not adequate in relation to the requests the IIC developed this tool of (investment grant criteria) for granting the investment grants on a merit (superior worth) basis.
- Some of these criteria have a definite **sustainable** aspect to them as we shall see.

Investment Grant Criteria

1. Geographic location of the plant from Tel-Aviv* - 16.5%
2. Average workers' salaries - 16.5%
3. Socio-Economic level of the town* - 16.5%
4. High export capability - 6%
5. Financial stability - 6%
6. Past history of investment performances - 6%
7. Number of workers added - 6%
8. Employment of minorities(Arabs/Druze),Ultra-orthodox *- 10%
9. Technological upgrading - 16.5%

* **Criteria with elements of sustainable development.**

Sustainable Development - The basic concept



Sustainable Development in Industry

- As mentioned before new industrial plants have to meet certain basic environmental requirements before they can receive the financial incentives they are entitled to and the business licenses to open and operate the plant.
- The most obvious ones are:
 - Clean Air (a polluting plant will not be permitted)
 - Sewage control
 - Garbage (waste) disposal
 - Hazardous materials
 - Ground – non contamination

Sustainable Industrial Zones

- Besides requiring all new industries to meet the environmental guidelines as described above the Ministry of Industry has initiated a program to build **new** and to transform existing industrial zones into **sustainable** industrial ones.
- This scheme relates to the following:
- Integrated environmental management, energy conservation, water consumption, solid waste, wastewater, recycling and material reuse.
- Another aspect of this initiative is to manage and operate the infrastructure(energy,water,sewage,waste disposal ..) of the industry zone in a **joint (communal)** way for purposes of environmental and economic savings.

- Another important aspect will be to encourage the construction of green buildings in the zone meaning buildings that conserve energy, have large windows for more natural light, efficient insulation, green (natural) building materials available locally etc...
- Two pilot projects are being implemented in the north and the south of the country with more to follow in the near future.

Green (Sustainable) Industry Development

- The Ministry of Industry is developing a new conceptual approach to developing new industries based on a green(or sustainable) policy.
- Traditional industries will be upgraded in all areas of production in order to avoid pollution
- Industries that are high consumers of energy will be encouraged to utilize renewable energy sources
- Polluting industries will have to eliminate the pollution.



State of Israel

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