

## The ISRAEL 15 Vision - The First Annual Conference

### Frequently Asked Questions

#### What is the ISRAEL 15 Vision?

The ISRAEL 15 Vision calls for advancing Israel into the 15 leading countries in terms of Quality of Life within fifteen years. This vision requires a socio-economic leapfrog that closes the gap in Quality of Life between Israel and developed countries. This vision is the organizing idea of the Reut Institute in the context of Israel's socio-economic development.

The ISRAEL 15 Vision was adopted by 'Israel 2028: Vision and Socio-Economic Strategy in a Globalized World' in the following form: "Israel will be one of ten to fifteen leading countries in the world in terms of income per capita."<sup>1</sup>

#### How was the ISRAEL 15 Vision created?

The ISRAEL 15 Vision was seeded during a project of the Friedrich Ebert Foundation that took place between 1997 and 1999. Representatives from many sectors of Israeli society were invited to outline scenarios for the future of the State of Israel in the year 2020. Within this framework, Ms. Raya Strauss Ben Dror, one of Israel's leading industrialists, Mr. David Brodet, former Director General of the Ministry of Finance, and Gidi Grinstein joined together to develop a scenario dealing with the ISRAEL 15 Vision.

Since the initial project, each of these three individuals has continued to promote this vision. Ms. Strauss Ben Dror made the ISRAEL 15 Vision a source of inspiration in her philanthropic giving. Mr. Brodet led the 'Israel 2028' team. Gidi Grinstein devoted his studies at the Harvard Kennedy School of Government to the question of how to implement the ISRAEL 15 Vision. Following his return, he established the Reut Institute in 2004 where the ISRAEL 15 Vision has been an integral part of the institute's vision and work.<sup>2</sup>

#### What is the difference between 'Quality of Life' and 'Per Capita Income'?

'Per Capita Income' measures a country's wealth and standard of living. It reflects the population's share in the yearly national income. To calculate the Per Capita Income, the gross national product is divided by the population.<sup>3</sup>

The concept of 'Quality of Life' refers to the general welfare of the state. It includes tangible concepts like health and nutrition and intangible perceptions such as community and family life.<sup>4</sup> It should be noted that a high 'Per Capita Income' is the central component of 'Quality of Life'.

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<sup>1</sup> See: Brodet, Hurvitz, *et. al.* [Israel 2028: Vision & Strategy](#), March 2008, p. 12. The plan was written by a team of experts headed by Mr. Eli Hurvitz and Mr. David Brodet. It was subsequently presented to the Government of Israel and the Director General of the Government Ministries.

<sup>2</sup> See Gidi Grinstein's Blog Entry: 'Launch of the Israel 15 Vision: A Milestone and the Coming of a Full Circle', at: [www.blogidi.com](http://www.blogidi.com)

<sup>3</sup> See Wikipedia Entry: 'Income Per Capita'.

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According to the Economist's Quality of Life Survey, 'Quality of Life' is also influenced by health, political stability, personal security, family and community life, climate and geography, economic well-being, political freedom and gender equality.<sup>5</sup>

Two countries may have similar 'Per Capita Income' but different 'Quality of Life', and *vice versa*. These differences may result from the quality of education, health services, the environment, or from the level of personal security.

For example, according to the Economist's 2005 Quality of Life Survey, the 'Quality of Life' in Finland and in the United States is similar, but 'Per Capita Income' in the United State is 50% higher than in Finland. The difference is a result of the relatively high quality of public health and education systems in Denmark.

## How to evaluate Quality of Life?

Quality of Life is a complex concept and therefore hard to measure or evaluate.<sup>6</sup> Some of the variables included in the concept 'Quality of Life', such as per capita income and personal security can be measured by indices. Other, less tangible concepts such as social and communal cohesion or life satisfaction, are difficult to measure precisely because they are influenced by perceptions and values.

Various indices compare Quality of Life across different countries over time.

- The Economist's Quality of Life Index evaluates the Quality of Life based on income per capita, health, political stability and security, family life, community life, climate and geography, job security, political freedom and gender equality.<sup>7</sup>
- The UN Human Development Index provides a composite measure of well-being based on three main features: Life expectancy at birth, GDP per capita calculated at purchasing power parity, adult literacy, and school enrolment at the primary, secondary and tertiary level.<sup>8</sup>
- The OECD Factbook incorporates data on various topics related to society, the environment, and the economy of OECD member countries. The digest does not rank countries.<sup>9</sup>

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<sup>4</sup> See Wikipedia Entry: 'Quality of Life'.

<sup>5</sup> See the Reut Institute's document: 'The Economist Quality of Life Index'; see also: 'The Economist Intelligence Unit's Quality of Life Index' (2005).

<sup>6</sup> See footnote 4.

<sup>7</sup> See footnote 5.

<sup>8</sup> See the Reut Institute's concept: 'Human Development Index'.

<sup>9</sup> See: <http://lysander.sourceoecd.org/vl=5715467/cl=15/nw=1/rpsv/factbook/>

## What Is Israel's current ranking?

Israel is ranked below most developed countries in terms of income per capita and Quality of Life. However, the variance in the performance of different segments of the Israeli economy is unique among developed countries. Whereas the business sector excels, the Israeli public sector receives exceedingly low scores. Additionally, while Israel ranks highly in education and technology, certain sectors lack the basic skills that are essential for employment.<sup>10</sup>

- According to the Economist's Quality of Life index, Israel is 38<sup>th</sup> in the world. Israel is 33<sup>rd</sup> in per capita income at purchasing power parity.<sup>11</sup>
- According to the 2008 UN Human Development Report (based on 2005 data), Israel is ranked 23<sup>rd</sup> in the world.
- The Global Competitiveness Index ranks Israel's business sector and human capital among the top ten.<sup>12</sup>

## Why ISRAEL 15 and not ISRAEL 10 or ISRAEL 20?

Countries can be grouped on the basis of their level of development and quality of life. There are 7 to 9 members in the leading group of nations including the Scandinavian countries, Luxembourg, Canada and Australia. The second group is composed of 8 to 10 countries including Ireland, Germany, Japan, France, the Netherlands and Belgium. Finally, the members of the third cluster are Greece, Spain, Portugal, the Czech Republic and South Korea. According to some favorable estimations, Israel is situated in the lower part of this cluster.

Therefore, reaching the top 20 within the next 15 years is not ambitious enough. At the same time, 'ISRAEL 10' seems unachievable at this stage.

There is no significance to the exact ranking. The improvement will be equally meaningful whether Israel is the 16<sup>th</sup> or the 14<sup>th</sup>. A socio-economic leapfrog from Israel's current position to the top 15 will have a strong impact on the life of all of its citizens.

Moreover, due to the gap between Israel's excellent human capital and its ineffective public sector and low Quality of Life, Israel will find it difficult to compete for investments and human capital without a socio-economic leapfrog.

<sup>10</sup> See: Prime Minister's Office, The National Economic Council, [Socio-Economic Agenda, Israel 2008-2010](#), April 2007.

See: Brodet, Hurvitz, *et. al.* [Israel 2028: Vision & Strategy](#), March 2008.

See: Bank of Israel, [Bank of Israel Annual Report 2007](#), April 2008.

<sup>11</sup> See IMF Data (2008): <http://www.imf.org/external/pubs/ft/weo/2008/01/weodata/index.aspx>

<sup>12</sup> See the Reut Institute's document: 'Case Study: Incorporating the Global Competitiveness Index in Policy Planning'.



## What is the meaning of 'Quality of Life in Israel'?

The Economist Quality of Life index and the UN Human Development Report use a variety of parameters to estimate Quality of Life. However, these variables are not necessarily indicative of Israelis' preferences. Consequently, the Reut Institute focuses on the four dimensions that are understood to be the main dimensions of Quality of Life in Israel:

- **Personal and Physical Security** – This dimension refers to an individual's safety from harm to his life and property. It is determined by the quality of health services, the quality of the environment, and the protection from criminal violence, war and terrorism that the state provides;
- **Social Well-being** – This dimension refers to a person's desire and ability to identify with society and to be an active member of it. It is determined by the amount of trust placed in the government's ability to design and execute policy, the scope of an individual's rights and liberties, and the sense of belonging to one's community and nation;
- **Economic Security** – This dimension refers to a person's ability to financially support himself and his family. It is determined by his material wellbeing, human capital, and an environment supporting growth.
- **Jewish Added Value** – This dimension refers to the amount of satisfaction an Israeli Jew draws from being part of the fulfillment of the Zionist vision.

## What is a Socio-Economic Leapfrog?

A socio-economic leapfrog is a significant and continuous improvement in the Quality of Life of a country's citizens in comparison to other countries. In order to achieve a leapfrog in Israel's Quality of Life, Israel must grow by at least 4% per capita for a period that can last up to 20 years. In addition, Israel must translate its wealth into improvements in non-material aspects of Quality of Life such as personal, physical, and social well-being.

Leapfrogging in Quality of Life is rare. Only about fifteen countries have experienced such a leapfrog in the past fifty years. They include Ireland, Denmark, Germany, Japan, South Korea, Singapore, Chile and Israel. Between the 1950s and 1970s, Israel doubled its standard of living in comparison to that of the United States, from approximately 30% of US GDP per capita to roughly 60%. Since then, Israel's standard of living has not improved relative to the US despite 20 years of growth.

## What is the difference between Growth and Leapfrogging?

Leapfrogging and growth are two separate phenomena. Listed below are the main differences.

- **Leapfrogging closes gaps** – The essence of leapfrogging is closing the gap in income per capita and Quality of Life in comparison to developed countries. While one can think of growth without leapfrogging, it is hard to imagine leapfrogging occurring without growth.

- **Growth is common; leapfrogging is rare** – Almost all countries have experienced growth. Around 80 countries have experienced long periods of accelerated growth. However, only about 15 countries have leapfrogged.
- **The rate and length of growth cycles** – Growth occurs in business cycles that usually last between three to five years after which a slowdown is common. Growth rates of about 3% are considered good. For a leapfrog to occur, accelerated growth above 4% per capita for at least six years is required.
- **Increase in productivity or change in a country's product space** - Most leapfrogs require a *dramatic* shift in the product space to products that are consumed by developed countries. In comparison, growth stems from a *gradual* upgrading of a country's product space to products that are consumed by developed countries.
- **No recipe for leapfrogging** – It is commonly held that the principles embodied in the 'Washington Consensus' ensure macro-economic stability and moderate growth. On the other hand leapfrogging does not have a clear recipe. Each country leaps uniquely.
- **Role of vision and leadership** – Countries may grow without a shared vision and ambitious long term objectives. Most leapfrogs require a broader long term vision that guides structural reforms, massive investments in infrastructure and changes in priorities. Therefore, it requires shared vision and leadership.

## How does leapfrogging occur?

Leapfrogging is a unique and complex phenomenon. It results from a virtuous alignment in economic policy, socio-political trends, a sense of urgency, and national mobilization of all major sectors towards the effort of economic development and leadership.

Studying instances of successful leapfrogs can point to lessons applicable to Israel. The Reut Institute has identified common features among these countries:

- Forming and branding a textured national vision that deals with development and growth;
- Identifying and exploiting engines of growth based on strategic decisions;
- Exploiting unique advantages and disadvantages;
- Improving the government's ability to make and implement decisions;
- Implementing structural reforms based on inter-sector cooperation;
- Defining the key indices relevant for measuring performance in comparison to other countries,
- Fostering human capital;
- Mobilizing the entire public to face the challenge of economic and social development.



## How Do Countries Leapfrog?

While there is no recipe for leapfrogging, some guidelines have been identified.

- **Leapfrogging cannot be planned. One should invest in developing a shared vision of the country's future and essential capabilities and institutions.** The traditional approach states that in order to generate a leapfrog, a program bridging the gap between the present and the future vision has to be written. The Reut Institute claims that an episode of leapfrog can not be planned due to the complexity and length of this episode. Therefore, one has to design a broad, ambitious and attainable vision and to realize it by creating a sense of urgency through the creation of capabilities and institutions which are essential for improving socio-economic performance.
- **Focusing on clearing bottlenecks and on building capabilities** – The traditional approach emphasizes the need to implement many reforms simultaneously. However, international experience shows that this approach does not maintain accelerated growth. Countries that have leapfrogged dealt exceptionally well with relieving a few essential bottlenecks.<sup>13</sup>
- **Focusing on key units in the public sector instead of initiating a comprehensive reform** – Countries that have leapfrogged have transformed several organizational units that had strategic importance into elite units and problem solving agencies. The Reut Institute suggests focusing on key units such as 'Invest in Israel', regulators, the judicial system, ports and customs, building and planning commissions, and the new initiative to create ministerial planning units.

Like Israel, some countries that have leapfrogged suffered from weak and ineffective bureaucracies. Although improving the Israeli government's performance is important, it is doubtful that a comprehensive reform is an essential condition for leapfrogging in light of its disappointing achievements to date.<sup>14</sup>

- **A 'central mind' is needed** – Each country that has leapfrogged had a 'central mind' that defined priorities which become policy. It seems that the National Economic Council is the closest entity to a 'central mind' in Israel. Reut claims that the 'central mind' has three main objectives: to provide a national socio-economic evaluation, to identify global trends and analyze their implications, and to create an arena for a broad discourse that includes all important segments of society.
- **Mobilizing important segments of society (bottom-up) in addition to government-led policy (top-down)** – The traditional approach assumes that a leapfrog results from government activities. According to this approach, a plan has to be written for the government to implement. The Reut Institute has learned that countries that have leapfrogged combined the government's socio-economic policy with initiatives that rose from important segments of the society. Therefore, it is important to combine top-down policies with bottom-up forces.

<sup>13</sup> Hausmann R. et al., "Final Recommendations of the International Panel on Growth", report submitted to the National Treasury of the Republic of South Africa.

<sup>14</sup> An analysis of the Global Competitiveness Index shows that the factors that restrain Israel's growth are in the hands of the public sector that receives low grades. See Reut document: [Public Sector Puts Breaks on ISRAEL 15 Agenda](#).



## What kind of leadership is needed for leapfrogging?

The leadership needed for leapfrogging requires initiating 'adaptive work', defined as a fundamental change in a country's priorities, values, strategy, and structure. Initiating adaptive work requires a climate of urgency that mobilizes the public to face the challenge of leapfrogging. A gradual learning process is needed to develop capabilities and values that ensure that everyone shares in the fruits of the labor.<sup>15</sup>

The leadership needed for leapfrogging can stem from local and national government, NGO's, philanthropists, businesses and labor unions. Combining national and non-government leadership can initiate leapfrogging.

## The Reut Institute's approach to 'Israel 2028'

The Reut Institute is committed to the 'Israel 2028' vision and many of its recommendations. However, we believe that the plan cannot be implemented wholesale. Moreover, although implementing the plan may lead to economic growth, it will not result in a socio-economic leapfrog that closes gaps with developed countries.

'Israel 2028' is based on a traditional approach that holds that a group of experts possess the knowledge to plan socio-economic growth, and policy recommendations can be summarized in a report and presented to the government. On the other hand, the Reut Institute argues that the knowledge needed to leapfrog has to be acquired in a prolonged process of policy planning and drawing conclusions. In addition, although the government has a crucial role to play, leapfrogging requires mobilization of other sectors of the society as well.

The Reut Institute calls on the government to adopt the ISRAEL 15 Vision presented in 'Israel 2028' and to establish a framework for discussing the vision and its implementation by representatives of leading sectors: government offices, local government, employers and workers, NGO's, academia, philanthropy and business leaders. The Reut Institute is devoting its resources to promoting this vision.

## What is the Reut Institute's role in promoting the ISRAEL 15 Vision?

The Reut Institute's role is to catalyze the fulfillment of the ISRAEL 15 Vision. Therefore, the Reut Institute has committed to: (1) matching up people and organizations that are committed to fulfilling the ISRAEL 15 Vision, (2) enriching the resources of this community, (3) branding the ISRAEL 15 Vision, (4) researching the Israeli socio-economic leapfrog, (5) generating a sense of urgency to motivate essential structural changes to fulfill the ISRAEL 15 Vision, and (6) building the capacities and organizations essential for leapfrogging.

Socio-economic leapfrogging requires a combination of government initiated and grassroots processes. Yet, because the existing discourse is focused mainly on the required government initiatives, the Reut Institute is concentrating on the bottom-up civic oriented organizations.

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<sup>15</sup> See: D. Williams, **Real Leadership**, Berrett-Koehler Publishers, 2005.

## What is the rationale of the first annual ISRAEL 15 conference and what are its objectives?

The conference is a platform for promoting the ISRAEL 15 Vision. During the last year, the Reut Institute has devoted itself to implanting the concept of a socio-economic leapfrog in the Israel consciousness. Currently, the Reut Institute is focused on aligning organizations to promote the vision. Therefore, the objectives of the conference are:

- **Branding the ISRAEL 15 Vision** and marketing it to a large group of leaders, decision makers and influential figures in the business sector, the public sector and civil society.
- **Enriching the knowledge about the Israeli socio-economic leapfrog** based on the Conference events: panel discussions, round tables, and the Gala evening featuring Thomas Friedman.
- **Widening the ISRAEL 15 community** – The conference's objective is to match people and organizations that are committed to the building of capacities essential to socio-economic leapfrogging.
- **Laying the infrastructure for developing capacities, institutions, tools and partnerships that support the ISRAEL 15 Vision.**

## What is the objective of the round tables and how will they be conducted?

The objective of the discussion during the round tables is to bring together leaders of sectors that may promote a socio-economic leapfrogging that will promote the ISRAEL 15 Vision. The discussion is inspired by the Clinton Global Initiative. A representative from local governments, the civil service, the business sector, philanthropists, non-profit organizations, the Jewish world, and leading organizations of civil society such as Maala, Partnership 2000, Zionism 2000, Sheatufim, and the Joint Distribution Committee will be seated around each table.

The round table discussions will have two parts. The first will concentrate on the challenge of advancing a socio-economic leapfrog on the municipal level. In the second segment, the discussion will focus on issues that are essential for leapfrogging. These discussions will address methods to carry out leapfrogging, to alleviate bottle necks and to increase cooperation between the sectors that are taking part in the leapfrog.