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“ The Israeli ICT community has become the nation’s vanguard, a symbol of the future.”

—IT leader, Israel

“ The benefits of transforming traditional procedures into Web procedures are less appealing to small bricks and mortar companies.”

—Israeli IT executive

Israel ranks twenty-second overall in Readiness for the Networked World. For the past decade, Israel’s ICT sector has performed very well and attracted international acclaim, along with foreign investment and venture capital. Driven by a highly ICT-literate population, spillover in high-technology talent and research from the Israeli military, and strong ties to financial backers in the United States, the nation has shown itself to be an innovative ICT leader, particularly in software development. Nonetheless, the latest regional tensions and the changed global financial situation in late 2001 have markedly changed outlooks on the future of Israeli Networked Readiness.

Challenges in telecommunications regulation top the list of ICT priorities for the Israeli government. Privatization of Bezeq, the state-owned telecommunications firm, liberalization of the fixed-line domestic telephony market, and design of a regulatory framework that effectively promotes competition are all on the government’s agenda and slated to occur in mid-2002. Critics have argued that Bezeq’s monopoly has stifled Internet growth in Israel, although access prices have continued to fall, and service packages have become increasingly sophisticated (Ranking in Effect of Telecommunications Competition: 30). Broadband is on the increase; both DSL and cable operators have launched high-speed Internet services (Ranking in Availability of Broadband: 48). Outside the fixed-line market, vibrant competition has led to cellular penetration of more than 70 percent of the population.

The Computerisation Programme for the Educational System, led by the Ministry of Education, was initiated in 1994 with the goal of reaching a density of ten students per personal computer. Between the first and second phases of the program, almost 4,000 kindergartens and regular and special schools were equipped with computers and local area networks¹

(Ranking in Networked Learning micro-index: 19). To respond better to the demand for a highly skilled technological labor force, the government is hoping to increase the number of university professionals in engineering and computer sciences by more than 100 percent by 2003.² Government subsidies are also earmarked for commercialization of academic research in information technology.

Israel’s software industry has been one of the driving forces in the nation’s fast-growing ICT sector. Software exports grew from US\$110 million in 1991 to US\$2.6 billion in 2000, and total employment in the software industry exploded during the same period.³ Israel’s domestic software industry has played a leading role globally in such areas as data security and Internet-related software. The Israeli software sector is perhaps best known for the success of ICQ, a pioneer in peer-to-peer computing and an internationally successful Internet chat software launched in 1996. Software piracy, as well poor protection of intellectual property rights for music and videos, remains high in Israel, an issue that has been highlighted in the past by the International Intellectual Property Alliance.

There has been fast adoption of ICTs in the Israeli private sector. Almost 80 percent of the more than 170,000 companies in Israel use computers, about 65 percent of which were connected to the Internet at the end of 2000⁴ (Ranking in e-Commerce micro-index: 16).

Israel has shown innovation in electronic government as well. The Israel Government Gateway provides a common online access to information, forms, bids, and services, in addition to e-mail contacts for ministers, their spokespersons, and senior government executives (Ranking in e-Government micro-index: 26).

Key Facts

Population	6,269,600
Rural population (% of total population) 1999	8.90 %
GDP per capita (PPP)	US\$19,577
Global Competitiveness Index Ranking, 2001–2002	24
UNDP Human Development Index Ranking, 2001 (adjusted to GTR sample)	21
Main telephone lines per 100 inhabitants	48.18
Telephone faults per 100 main telephone lines	12.00
Internet hosts per 10,000 inhabitants	287.52
Personal computers per 100 inhabitants	25.36
Piracy rate	41.00 %
Percent of PCs connected to Internet	11.34 %
Internet users per host	6.10
Internet users per 100 inhabitants	17.54
Cell phone subscribers per 100 inhabitants	70.17
Average monthly cost for 20 hours of Internet access	US\$17.70

RANK

Networked Readiness Index **22**

Network Use component index **24**

Enabling Factors component index **19**

■ Network Access **19**

Information Infrastructure 23

Hardware, Software, and Support 15

■ Network Policy **22**

Business and Economic Environment 19

ICT Policy 24

■ Networked Society **20**

Networked Learning 19

ICT Opportunities 17

Social Capital 25

■ Networked Economy **21**

e-Commerce 16

e-Government 26

General Infrastructure 20