

Israel-Hamas war

Israel pledges to protect tech start-ups from effects of Hamas war

Government sets aside \$100mn for early-stage companies as country's innovation agency calls on private investors to help



Dror Bin, chief executive of the Israel Innovation Authority: '[We] are determined to do whatever it takes to make sure Israeli tech continues to thrive during the wartime and after the wartime' © Israel Innovation Authority

James Shotter in Jerusalem 8 HOURS AGO

Israel will do “whatever it takes” to shield its technology start-ups from the fallout from the war with Hamas, the head of the country’s innovation agency has said, as he urged private investors to throw their weight behind the sector.

The Israeli government has so far set aside \$100mn to help early-stage companies that faced the prospect of running out of money after Hamas’s October 7 attack on Israel spooked investors and customers.

Dror Bin, who has headed the Israel Innovation Authority since 2021, said the agency was prepared to disburse more if needed.

“We, the Innovation Authority and the government, are determined to do whatever it takes to make sure Israeli tech continues to thrive during the wartime and after the wartime,” he said in an interview. “We will not let any good company go under because of lack of funding.”

The high-tech sector has in recent years grown to play a crucial role in the Israeli economy, accounting for 18 per cent of economic output, 12 per cent of jobs and about half of the country’s exports. Companies such as the cyber security group Check Point and website builder Wix have become big players in their sectors.

However, Bin said Israeli start-ups had encountered increased wariness from foreign investors since the start of [the war against Hamas](#). They have also experienced labour shortages as the country's massive mobilisation meant that 10-15 per cent of workers in the tech sector had been called up for military service.

“There are many pearls and gems in this bucket of companies we're now giving funds to,” Bin said. “And this is an opportunity to call upon the private sector to rush and find those gems and match the funding that we are providing.”

To access the emergency funding — grants that only need to be repaid if companies become profitable — [start-ups](#) must find matching funds from the private sector.

In the first two rounds of disbursement, the IIA paid out about 150mn shekels (\$41mn). Four more rounds are planned before the end of February.

Israel declared war on Hamas and invaded its Gaza stronghold after the militant group launched a devastating attack on October 7, which killed about 1,200 people, according to Israeli officials. Israel's offensive has killed more than 22,000 people in Gaza, according to Palestinian officials.

In combination with the [uncertainty triggered](#) by nine months of mass protests against a controversial judicial overhaul pushed by the Israeli government last year and a broader decline in venture funding for the tech sector, the war had created “a perfect storm” for start-ups, Bin said.

“We realised there are many hundreds of early-stage companies that are going to finish their runway and might go under,” he said. “And that made us think that we need to act very fast.”

Bin said that in addition to the emergency funding it was making available, the IIA was also working on a broader plan to address three problems faced by the tech sector before the war.

He said these were a decline in the number of start-ups being founded in Israel each year, which dropped from about 1,400 in 2014 to around 600 in 2022; the reliance of the sector on foreign funding; and its lack of diversification.

To address the lack of geographic diversification, with most start-ups currently centred around Tel Aviv, the IIA is planning to set up nine innovation centres located mainly in Israel's northern and southern periphery.

Bin said the IIA also wanted to reduce Israeli tech's exposure to a few traditionally

dominant fields, such as cyber security and fintech, and was working to establish clubs of angel investors who would specialise in “deep-tech” companies that are not only focused on software.

The agency was also looking at ways to encourage Israeli institutional investors to put more money into the country’s tech start-ups.

“We’re thinking of various tools of incentivising [investors], whether it’s downside protection or boosting the upside,” Bin said, adding that he hoped to announce the “framework” in January or early February.

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