Wake-Up Call for the Israeli Government
Monitor Report Finds Israeli Biotech Neglected

A new report provides a concrete set of recommendations for optimizing Israeli biotech, says Zachi Berger, Chairman of the IBO. Monitor calls for a $52 M fund for academic research and identifies key obstacles to be overcome.

The needs of Israeli biotech have fallen on deaf ears - both in government and private investor circles - says the recently released Monitor Report on the state of the biotechnology industry in Israel. This indifference exists despite the fact that the biotechnology sector has experienced strong growth, with 25 companies established in 2000 alone, and at a time when biotech has been one of the few havens for investors following Nasdaq's precipitous slide beginning almost a year ago. Monitor recommends that $105 million be invested in biotech companies over the next four years in order to capitalize on the Israeli industry's global potential. Over 80 percent of this investment should come from the government.

According to Zachi Berger, Chairman of the Israel Biotechnology Organization, the Monitor Report was intended to serve as much as a wake up call to a disinterested government and investing community as well as an examination of the industry's status.

"Israel's biotechnology industry is seen as having potential overseas, but the domestic investment community hasn't been mature enough or educated enough to know how to invest in biotechnology", said Berger. In the past few years, "Israel's largest biotech companies have matured, new products have appeared on the market and in the development pipeline," but government policy has been anything but nurturing, and investors have been looking elsewhere.

The report is the result of nine months of research by the Cambridge, Massachusetts-based Monitor Group. It provides an analysis of government policy, academia and markets as they relate to the sector internationally, as well as the domestic biotech industry itself. However, Berger points out that in contrast to so many earlier government-commissioned reports that fell by the wayside, Monitor provides a concrete set of implementable recommendations for optimizing the potential of the industry. The biotech industry in Israel has not had the benefit of active government involvement that has played such an important role in the development biotechnology sectors in the US, Canada, the UK and Germany. Moreover, Monitor is the first such report to be made by a non-Israeli body, part of a larger plan to sidestep the potential for conflicting interests and arrive at a pragmatic assessment of the industry.

Monitor identifies two key obstacles to be overcome in order for Israel to take its rightful place within the international biotechnology industry. The first involves a bridging of the gap between university research projects and entrepreneurial initiatives. "The problem right now as we see it is the transformation of academic projects to projects you can show investors and raise money," says Berger. The report recommends the establishment of a $52 million public/private fund to fuel academic research into biotechnology. An additional $45 million should be set aside for the establishment of two incubators catering to the needs of young biotechnology companies.

Monitor recommends that the biotechnology incubators offer up to four years of tenancy, with funding of $500,000 for each of the first two years of operations followed by $1 million in funds for years three and four, reflecting the reality of high operating costs within the industry.

In contrast, current Israel government incubators focusing on computer and Internet technologies provide two years of support and a maximum investment of $150,000 per year. "The government has realized that

it must do something before the opportunity is lost, specifically as foreign companies take local companies and technologies out of Israel," Berger said, referring to initial government response to the Monitor report. The Ministry of Industry and Trade, led by Chief Scientist Dr. Carmel Vernia, is responsible for industrial policy.

Monitor pinpoints the inefficiency of university technology licensing arms as an additional barrier to the development and eventual marketing of initiatives. Berger says the often unfavorable terms offered to scientists responsible for a given technology have inhibited project development.

In addition to the need to address issues involving academia, Monitor challenges the government to streamline regulatory issues and facilitate investment in small companies, a major role of the proposed biotechnology incubators.

The report recommends setting up a satellite of the US Food and Drug Administration (FDA) to facilitate regulatory issues pertaining to the American market. The FDA is the sole body responsible for the regulation of clinical trials, manufacturing issues such as GMP certification and a myriad of other regulatory issues in the US, enabling a streamlined regulatory process and saving substantial time and money for American biomedical companies. In contrast, Berger notes, "there is not one body that deals with all of these processes in Israel," resulting in substantial additional costs here. He suggests that Israel's antiquated system be changed to more closely emulate the FDA model.

Additional key recommendations of the Monitor Report include providing $6 million in assistance to companies building labs, animal facilities and other necessary infrastructure locally. Berger points out that there are no manufacturing facilities in Israel capable of producing products needed for clinical trials. As a result, Israeli biotechnology companies must turn to international firms for such services, at high cost. He proposes governmental incentives to bring American or European manufacturing, toxicology and clinical trial service companies into the country.

However, all is not lost. Monitor identifies areas where Israel stands out on the world stage. A body of highly skilled and trained scientists, combined with the generally high entrepreneurial spirit of the private sector, makes the environment fundamentally right for innovation. Berger points out that activity has been particularly intense in the development of technologies enabled by the sequencing of the human genome.

Bioinformatics, genomics, and proteomics have been the recent focus in biotech, while Israel has been recognized as a leader in agricultural biotech. Berger adds that Israel has also become known for its leadership in cancer and autoimmune disease research, as well as research into the central nervous system. However, a lack of managerial experience, especially pronounced in the biotech sector where so many projects begin in academia, creates a potential barrier to the success of new initiatives.

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