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Concept

The ISRAEL 15 Vision

Definition

The ISRAEL 15 Vision focuses on placing Israel among the fifteen leading countries in terms of Quality of Life within fifteen years. This vision requires a social and economic leapfrog that would close 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 its work toward Israel's social and economic development.

Background

The ISRAEL 15 Vision was conceived during a project of the Friedrich Ebert Foundation that took place between 1997 and 1999. Representatives from different 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 which they titled "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.[1] 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 to Israel, he established the Reut Institute in 2004 where the ISRAEL 15 Vision has been an integral part of the institute's vision and work.[2]

Socio-Economic Leapfrog

A social and 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 for Israel to 'leapfrog' in Quality of Life, it 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.

Leapfrogs in Quality of Life are rare. Only about fifteen countries have experienced such leapfrogs in the past fifty years. They include Ireland, 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.

[1] "Israel will be one of ten to fifteen leading countries in the world in terms of income per capita." 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 ministers and general directors of the government offices.

[2] See Gidi Grinstein's Blog Entry: 'Launch of the ISRAEL 15 Vision: A Milestone and the Coming of a Full Circle', at: http://reut-institute.org/Publication.aspx?PublicationId=1132.

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 tends occur in cycles of three to five years after which a slowdown is common. Real growth rates of 3% are considered high. For a leapfrog to occur, accelerated growth above 4% per capita for at least eight years is required.
- **Increase in productivity or change in a country's product space -** Most leapfrogs require a *dramatic* shift in the products a nation produces toward 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.[3]
- **No recipe for leapfrogging –** It is commonly held that the principles embodied in the 'Washington Consensus' ensure macro-economic stability and growth. On the other hand, leapfrogging does not have a clear recipe. Each country that leapt blazed its own path.
- **Role of vision and leadership** – Countries may grow without a shared vision and strong leadership. 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 societal phenomenon. It results from a virtuous alignment in economic policy, social and political ripeness, a sense of urgency, leadership and national mobilization of all major sectors.

Research of cases of leapfrogs can point to commonalities. The Reut Institute has identified the following 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.

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

[3] See C. A. Hidalgo, C.A., Klinger, B., Barabási, A.L, Hausmann R., "The Product Space Conditions the Development of Nations", **Science**, Vol. 307, July 2007.

provides that in order to 'leapfrog', a program bridging the gap between the present and the future vision has to be written and implemented.

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.[4]
- **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. Some countries that have leapfrogged suffered from weak and ineffective bureaucracies but they all had strong and effective reform teams.[5]
- **A 'central brain' is needed** – Each country that has leapfrogged had a 'central brain' that framed priorities, which become policy. It seems that the National Economic Council is the closest entity to a 'central brain in Israel.
- **Mobilizing important sectors of society (bottom-up) in addition to government-led policy (top-down)** – The traditional approach assumes that leapfrogs result 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 from important sectors of society. Therefore, it is important to combine top-down policies with bottom-up forces.

Quality of Life

Quality of Life is a complex concept and therefore hard to measure or evaluate. Some of its variables such as per capita income and personal security can be evaluated by indices. Others, less tangible concepts such as social and communal cohesion or life satisfaction, are more difficult to appreciate 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 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.[6]
- **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

4 Hausmann R. et al., "**Final Recommendations of the International Panel on Growth**", report submitted to the National Treasury of the Republic of South Africa.

5 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.]

6 See the Reut Institute's concept: ['The Economist Quality of Life Index'].

parity; and adult literacy based on school enrolment at the primary, secondary and tertiary level.[7]

- **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.[8]

Israel's current ranking

Israel is ranked at the bottom of the ladder among developed countries in terms of income per capita and Quality of Life. However, Israel suffers from the largest variance in performance of different segments of society and economy compared to other developed countries. Whereas the business sector excels and Israel's population is among the most educated and technologically savvy, the Israeli public sector receives exceedingly low scores.[9]

- According to the Economist's Quality of Life index, Israel is ranked 38th in overall quality of life and 33rd in per capita income at purchasing power parity.[10]
- According to the 2008 UN Human Development Report (based on 2005 data), Israel is ranked 23rd in the world.
- Analysis of the 2006 Global Competitiveness Index indicated that Israel's business sector rank among the ten leading countries.[11]

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 parameters are not necessarily indicative of Israelis' preferences. Consequently, the Reut Institute focuses on four dimensions it holds critical to 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;

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7 See the Reut Institute's concept: 'Human Development Index'.

8 See: OECD Factbook

9 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.

10 See IMF Data (2008):

11 See the Reut Institute's document: 'Case Study: Incorporating the Global Competitiveness Index in Policy Planning'.

- **Economic Security** – This dimension refers to a person's ability to financially support himself and his family. It is determined by 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 or from being a part of the State of Israel.