

Regional Initiatives



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▼ Israel to launch biotech incubators

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But the country still needs a larger R&D budget and a better developed infrastructure to strengthen its biotech sector.

The Israeli Office of the Chief Scientist has revived a two-year-old initiative to add one or two biotech incubators to the country's long-standing Technological Incubators Program. But the \$15.6 million allocated to the program from next year's budget, announced provisionally in early August, would barely cover current commitments to startup companies already funded by the program, let alone pay for the new initiatives.

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Indeed, the program's annual budget has fallen over 60% from almost \$40 million in 2001. "From the budget that we've heard, it's clear we cannot operate another two incubators, especially not biotech ones," says Lior Shahory, the vice program director of the incubators program.

Established in 1991 to employ the post-Soviet influx of Russian immigrants with science and technology backgrounds, the incubators program quickly became the backbone of Israel's growth in technological innovation. The country currently has 23 incubators, which offer management support systems, funding and resources to get companies ready to attract private investment. The program remains one of the few and most important sources of startup funding in the country, spawning over 800 companies since it started, about 40% of which are in the biotech or life sciences sector.

Shahory says that developing a drug to a phase that is interesting to private investors requires much more time and money than for IT or medical devices, which is why the biotech-specific incubators have been proposed. They would be managed privately by business groups or venture capitalists and would guarantee each startup \$1.8 million over three years. The private groups, which would maintain the incubator for at least six years and launch about five new companies per year, would be required to annually invest a minimum sum into the incubator, and would also receive extensive bank guarantees from the government.

The government first proposed to establish biotech incubators in 2002. But the initiative failed, says Shahory, because of politics and a dispute between the winners and losers. "I guess no politicians will be reading this, so I can tell you," he says.

The flop "was a huge loss for the industry," says Assif Stoffman, a partner at the Ofer Brothers Group, one of the country's largest private company conglomerates. "I actually think it's too late...many scientists have left to work in the US or Europe; people don't think of Israel as a [biotech] center any more." Stoffman says Ofer Brothers was one of two groups of investors to win the biotech incubators tender in 2002, but he doesn't think the firm will bid this time around.

Stoffman is also CEO of Naiot, a private incubator run by the Ofer Brothers in Yoqneam. Naiot houses about ten early-stage companies, three of which are biotech. Stoffman estimates 25% of the companies that 'graduate' from Naiot become self-sustaining in the long term. But what hinders their development is not just lack of funds, but also the absence of an infrastructure, he says. "It's true that we suffer from lack of funds for R&D, but some [money] should have been allocated for building the industry rather than supporting current startup companies," says Stoffman. "I think it is similar to the way you look at the alternative of giving poor people a small amount of money each month as opposed to funding them through graduate school with the same funds."

For example, Thrombotech, a Naiot company that is developing a

thrombolytic drug based on recombinant technology, wanted to step up manufacturing two years ago but found only two suitable facilities in the country, one of which was not accessible and the other was of questionable quality. "You can't run an industry without those things in place," Stoffman says.

The future of Israel's biotech incubators initiative remains uncertain. The program will accept proposals from private funds to manage an incubator through the end of October, but has received none so far. If a workable proposal is made, will the program be able to fund it? Stoffman doesn't think so: "I think [the government] will cancel the new bid." But Elzaphan Hotam, CEO of Thrombotech, is more optimistic. "Biotech is the only edge we have in this country," he says. "They will have to find a solution."

Web links

Israel's Incubators Program

<http://www.incubators.org.il/>

Ofer Brothers Hi-Tech

<http://www.oferrhitech.com/asp/main.asp>

Naiot Technological Center

<http://www.naiot.com/>

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