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# Innovation

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# Innovation as a Key Factor in Inclusive and Sustainable Growth

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## Abstract

**In most countries, strategies for growth and social development increasingly emphasize innovation as a key factor in ensuring comprehensive and sustainable growth.** The economic and social challenges—such as ensuring sources of energy and food, an aging population, and socioeconomic disparities—tend to be marked by complexity, cross-system dependency, and uncertainty. Therefore, an ability to think and act outside existing paradigms and to translate possible ideas into valuable products is a key element in the development of states, organizations, and individuals.

When it comes to innovation, Israel has many advantages, including an innovative culture, knowledge-based industry, an educated society, and a strong global brand. To leverage these assets and foster a growing and evolving socioeconomic system that serves all its citizens, Israel must take action in both the global and local arenas. **The idea presented here is that innovation is broad and multidimensional and not limited to technology. In this context, the proposal builds on existing support mechanisms and focuses on adding two levels of activity that go beyond support for R&D.**

- **In the world arena**, we should continue to position Israel as a center of innovation for global challenges. When international innovators (countries, companies, scientists, and investors) look for a place to develop and test innovative solutions, Israel should be a competitive choice. Realization of this vision would enable Israel to be a leader in the next stages of the knowledge revolution and thus make a significant contribution to the country and the world.
- **In the local arena**, realization of the dream depends on our ability to improve the government's ability to promote innovation environments and to expand this process into a comprehensive national effort. In the spirit of the digital revolution, we argue that Israel's ability to leverage its unique qualities and translate them into a sustainable competitive status demands modification of the "operating system" of government institutions as well as cross-sector collaboration. The term "operating system" is meant to convey the depth and multidimensionality of the required change. The government must become a facilitator that works to develop innovative infrastructure, forward-looking regulation, and cross-sector integration that catalyze the activity of the free market and reinforce it in fields of national importance.

In order to meet these challenges, we must spread the practice of fostering innovation, while developing a pluralistic and decentralized network of knowledge and implementation centers. Each of these, in its own way and in its own context, will contribute to Israel's development as a center of innovation. This document calls for getting all government and civil-service entities to engage in practices that foster innovation and for utilizing these practices as a tool for achieving defined organizational and national goals.

As a basis for meeting this challenge, the authors recommend action in four complementary areas:

1. **A community of innovators**, to steer the country in pioneering directions by preparing a systematic, organizational, and conceptual infrastructure
2. **Organizations as catalysts of innovation, so that** the public sector facilitates and promotes innovative activity
3. **Living laboratories** in fields that are experiencing paradigmatic change worldwide, by supporting the establishment of consortia of partners from complementary content worlds; for example, service providers, a leading business entity (one or more), and academic and government institutions. Working together to develop enabling infrastructure and an effective interface between the various agents of innovation, the partners will increase the efficiency of entrepreneurs, companies, researchers, and policymakers in the particular field of activity.
4. **Fields of national importance as catalysts of innovation**, developing national nuclei of innovation in fields marked by a defined local need, a global trend of paradigmatic change, and the feasibility of developing a broad coalition for consolidating local activity.

Upgrading the government “operating system” is a difficult and complex task. Adding a proactive dimension to policy planning, developing abilities for interministry and cross-sector collaboration, and granting legitimacy to trial-and-error policy tools are all essential components the government should add to its pool of abilities. Israel has the culture and consciousness needed to support this change. The change will begin with the rapid launch of several test cases and their subsequent expansion to work processes that cut across government ministries and agencies. The success of the process, in our view, will preserve Israel’s standing as a powerhouse of innovation and lay a strong foundation for socioeconomic development in the coming years.