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Israel

NATIONAL REPORT FOR CSD-14/15 THEMATIC AREAS

Government focal point:

Ms. Valerie Brachya, Deputy Director General for Policy and Planning, Ministry of the Environment.

Responding Ministries/offices:

Ministry of the Environment; Ministry of Foreign Affairs;
Ministry of National Infrastructure; Ministry of Industry
Trade and Labor; The Israel Export and International
Cooperation Institute.

C. INDUSTRIAL DEVELOPMENT

Israel is a highly industrialized country with annual exports of over 38,000 million USD, an annual increase of 4.3% in the GDP (Gross Domestic Product), with about 10% unemployment (2004 data). In the last decade (1994 – 2004), hi-technology and mid- hi-technology industry exports increased more than twofold from 8,000 million USD to over 17,000 million USD, while traditional industries exports remained much the same. Hi-technology industries in Israel have far less impact on the environment than traditional industries. Traditional industries are generally clustered in industrial zones often creating “environmental hotspots”. In recent years the government has taken steps to reduce environmental pollution in these industrial clusters.

Decision-Making: Strategies, policies, programmes and plans, legislation, policy instruments and the regulatory framework; involvement of Major Groups

- **Major elements and targets of national industrialization strategy or plan.**

Israel does not have a national industrialization strategy or plan. The majority of industries in Israel are private companies and operate within the free market. However, the government encourages industrial investments by the 1959 act, *“Encouragement of Investment of Capital”*. The act gives tax exemptions, tax discounts and grants to companies that have the proven ability to: significantly develop the Israeli market or increase exports and decrease imports or develop new jobs in peripheral areas. Under this scheme the yearly benefit in 2005 for industrial investment exceeded 30 million US dollars.

- **Consideration of environmental and social aspects in the design and follow-up of national industrialization plan.**

Social and environmental considerations are integrated by governmental financing: A. Industrialization applications for incentives in peripheral areas are reviewed by the Ministry of Industry, Commerce and Labor. A representation of the Ministry of Environment assesses applications according to joint guidelines on environmental impact assessment. B. Recent legislation now prohibits allocating financial benefits to polluting industries.

- **Policies to promote open markets such as reduction of quantitative restrictions and tariffs on imports and promotion of exports.**

In the past two decades Israel minimized restrictions and tariffs to such a degree that almost all Israeli industry functions within a free market.

- **Nature of regulatory approach to environmental issues. Use of command and control as well as economic instruments to enforce legal requirements.**

Command and control:

Israel's environmental legislation covers the entire expanse of environmental issues, uses all forms of legislative instruments - laws, regulations, administrative orders and bylaws - and is well harmonized with best international laws and standards. The country's environmental legislation encompasses laws for the protection of nature and natural resources (air, water and soil), for the abatement and prevention of environmental nuisances (prevention of air, noise, water and marine pollution), and for the safe treatment of contaminants and pollutants (hazardous substances, radiation and solid and liquid waste).

Alongside laws and regulations dealing with specific environmental issues, Israel's legislation includes comprehensive laws, such as the Planning and Building Law and the Licensing of Businesses Law, which provide frameworks for controlling the use of resources and promoting sustainable development.

(A list of Israel's major laws and regulations which are under the responsibility of the Ministry of Environment may be found at the following link: http://www.sviva.gov.il/bin/en.jsp?enPage=e_BlankPage&enDisplay=view&enDispWhat=Zone&enDispWho=lawsRegulations&enZone=lawsRegulations)

Enforcement is implemented through the Green Police of the Ministry of Environment which is empowered to identify environmental offenders, investigate them, present them with "finable offense orders" (fines in lieu of trial), and transfer investigation files to the Environment Ministry's Legal Division for preparing indictments.

Enforcement campaigns concentrate on different around the country – including waste dumps and waste transfer stations, and gas stations.

Economic instruments:

Israel has used command and control instruments far more than economic instruments. The Ministry of Finance incorporated environmental considerations in a change on fuel and car taxes, thus, linking environmental cost to commodity price. The Israel Securities Authority together with the Ministry of Environment prepared guidelines for environmental reporting under the obligations on companies to disclose environmental information related to the company's activity such as: potential environmental risk, environmental indictments, the company's environmental policy. The disclosure of this information should assure greater transparency to potential investors.

- **Efforts to integrate environmental aspects into industrial operations such as requiring environmental impact assessments for licensing or permitting as well as other policies which might support this goal.**

Several measures have been integrated into Israel's environmental legislation in order to prevent or minimize industrial pollution. One example is the Abatement of Nuisances Law which authorizes the Minister of the Environment to address polluters with administrative orders (also known as personal decrees) instructing them on measures to be taken for pollution prevention. Another example relates to regulations under the Planning and Building Law which require the preparation and presentation of environmental impact assessments, as an integral part of the planning process, for specified subjects and for some industrial development plans, when planning authorities expect the plans to have significant environmental impact. Other laws address specific environmental problems such as the licensing and supervision of all aspects of the production, use, storage and disposal of hazardous substances.

The main legal instrument for the integration of environmental aspects into industrial operations is the Licensing of Businesses Law, which empowers the Minister of the Interior to designate and define businesses requiring licenses in order to achieve several major aims, the first of which is environmental quality and pollution prevention. A major feature of the law provides for the incorporation of special environmental conditions, stipulated by the Ministry of the Environment,

into business licenses. These environmental conditions may relate to air quality, solid waste, hazardous substances management and water and industrial effluents as well as to preliminary surveys and risk assessments. Moreover, several regulations have been promulgated pursuant to the law, including regulations on the disposal of hazardous waste and on plants using hazardous substances. Alongside the incorporation of environmental conditions to business licenses, high priority is granted to inspection and enforcement. Penalties for operating a business without a license and for non-compliance with the conditions stipulated in the license carry include fines and even imprisonment. The law also provides administrative and judicial powers for the closure of a non-complying business.

As of 2005, business licensing conditions are being expanded to require the incorporation of Best Available Technologies (BAT) within the framework of Integrated Pollution

Prevention Control (IPPC). These new requirements are already in effect at the industrial zone of Ramat Hovav, a major industrial center and home to numerous hazardous industries in the south of Israel.

Recent years have seen a gradual shift in emphasis from “polluter pays” to “pollution prevention pays.” In order to promote this shift, educational and financial resources have been used to convince industry that expenditure on prevention is lower than expenditure on repair and that pollution control, resource conservation, waste reduction and cleaner production processes can strengthen economic competitiveness through more efficient use of raw materials and the development of a green image. The Ministry of the Environment encouraged pollution abatement and eco-efficiency in industry, with grants for solid waste reduction and recycling and for reduction of hazardous waste or waste toxicity at source.

Israel's Cleaner Production Center, established by the Israel Manufacturers' Association and the Ministry of the Environment, enhances awareness of cleaner production processes by providing assistance to cleaner production programs and promoting projects on such subjects as waste minimization at source. The Center has also published a Good Housekeeping Practice Guide and runs a waste exchange

billboard which allows one industry's waste to be reused or recovered by other industries.

- **Policies to promote voluntary approaches by industry including corporate social responsibility and environmental stewardship.**

Several corporate - social voluntary schemas are in operation. For example:

- The Manufactures Association of Israel (MAI) – Responsible Care program. The MAI has introduced the International Responsible Care program. By which industries commit to an ongoing improvement plan involving their environmental performance, health and safety standards, and an open dialogue with the local community. The MAI's Responsible Care program includes over 30 companies. Moreover, those companies located in the Negev (the southern part of Israel) are engaged in drafting a corporate-environmental code of conduct with a local NGO (Sustainable Negev).
- MAALA – Business for Social Responsibility is a leading professional business organization promoting social change. The organization promotes social-environmental responsibility as a committed corporate practice. The criteria for rating reflects how the firm manages its business activity with an overall approach of social responsibility: the scope of financial contributions, contributions relative to profit or turnover (according to profitability) and how the company conducts itself towards its employees, customers, suppliers, the wider community and the environment.
- About 150 companies have accredited with ISO14000.

- **Policies to restructure and improve the operation of state enterprises**

In the past decade, the Israeli government emphasized the need to move to greater efficiency and competition in state enterprises. Currently, a number of governmental companies are undergoing structural adjustments and include:

- Bezeq – the national supplier of telecom communication (inland landline monopoly);
- Israel Oil Refineries – the national supplier of refined oil;
- The Israel Electric Corporation;
- Mekorot- the national water supplier;
- Israeli Postal Authority;
- Israeli Military Industries;
- The National Roads Company;
- The Port Authority.

http://dover.mof.gov.il/Mof/Dover/MofDoverTopNav/MofDoverSubjects/MofDoverSubjects_2005/MofDoverSubjects_2005_08/

Capacity-Building, Information and Research & Technologies

- **Attempts to include sustainability components in planning of industrial location and infrastructure (e.g., industrial siting, wastewater and waste management in industrial zones or parks).**

In Israel the planning and building system includes a wide range of environmental considerations in authorizing the designation of industrial sites and industrial infrastructure.

The Israeli land-use planning system was established under the Planning and Building Law of 1965. The law sets a comprehensive framework which regulates all building and land-use activities in Israel, public and private, within a three-level hierarchy: national, regional and local. It reserves development rights to the state so that public and private developers cannot build without the state's permission.

Under of the Planning and Building Law, all industrial land-use activity - on the national, regional and local levels - must comply with statutorily approved master and detailed plans applying to the specific area and project. Environmental considerations are incorporated into establishing new industrial areas in order to minimize negative impacts on the environment or expose population to risks.

Specific components on individual industries are required under business licensing procedure. One component relates to effluents containing tens of thousands of tons of salt each year. Industry contributes an estimated 50% of the total chloride addition to municipal sewage. Of this 30% is derived from industrial water softening processes. The subsequent salt enrichment of municipal sewage is a major impediment to the use of treated effluent for agricultural irrigation. High salinity levels reduce crop yields, damage agricultural soils and contaminate groundwater. Industries are required to separate the brine, which is discharged to the sea.

- **Policies to promote R&D to increase productivity in key industrial sectors.**
 - **And policies to promote cooperation between the industrial sector and the R&D community.**
 - **And, policies to facilitate licensing and sale of technologies resulting from government programmes or funding.**

See:

<http://www.moit.gov.il/NR/rdonlyres/BB679C54-573C-407C-A382-BC386AAC3916/0/OCSBrochure2006.pdf>

- **Programmes to make available “best practice” information (including environmental and social aspects) to industry sectors as well as to promote information exchange between enterprises.**

In 2001 the Ministry of Environment and the Manufactures Association of Israel established in 2001 a Center for Clean Production. The main activities of the Center are:

- Funding up to 80% of the costs of an external consultant to advise on ways to minimize pollutant waste that is produced in the manufacturing process.
- Building a consultant and case study database. The Center collects information and makes it available to other industries who choose to join the process of clean production.
- Good Housekeeping Practices guide. In the framework of the Mediterranean Action Plan of the Mediterranean Commission on Sustainable Development the center prepared a manual for Good Housekeeping Practices that is distributed to all major industries in Israel.
- Waste exchange billboard. The center for CP manages a billboard where industries can advertise their hazardous materials so that they can be reused, reduced, or recovered by other industries.

Financing

- **Measures to promote competition in domestic financial sector.**

The Israeli market is a competitive market with minimum government interference.

- **Measures to facilitate access to credit by non-state industrial enterprises, notably by SMEs.**

The Israel Small and Medium Enterprises Authority within the Ministry of Industry Trade and Labor offers numerous schemes that give access to credit for Small and Medium Enterprises (SMEs) (the overall yearly funds available are over one million USD):

- Credit for businesses that face financial difficulties.
- Loans to establish new businesses or expanding existing businesses (up to 100,000 USD).
- Loans for new immigrants (less than 10 years in Israel) to open a business or expand an existing one.

Additionally, the Israel Small and Medium Enterprises Authority runs centers for the training of individuals to open independent small businesses. These centers are also a “one stop shop” for helpful information and services for SMEs.

<http://www.tamas.gov.il/NR/exeres/1E3AAF4C-CC7E-4C5A-A2AD-BB1A1D8015E4.htm>

- **Programme to promote transparency in financial markets such as credit rating systems, private and public credit registry systems.**

Environmental reporting is required as part of the financial reports of public companies to the Israel Securities Authority.

- **Measures to ensure adequate resources for clean-ups of contaminated and degraded sites.**

The Ministry of the Environment, the Ministry of Finance, and Israel Land Administration have jointly initiated a program to promote the clean-up of urban contaminated lands. Industries closed where rapid urbanization raised land values or when state industries were privatized leaving behind contaminated land. The proposed process for clean-up is intended to market the contaminated land under conditions that will encourage the private sector to carry out the rehabilitation. Additionally, special measures are being formulated for the rehabilitation of sites contaminated by gas stations.

Cooperation

- **Programmes to promote international cooperation in the development and diffusion of cleaner industrial technologies.**

The Israel Export & International Cooperation Institute works to promote business cooperation in the development and diffusion of cleaner industrial technologies. The institute organizes corporate visits; business meetings worldwide; professional industry seminars; and tours of Israeli industries promoting new clean industrial technology. For example:

- Introducing advanced systems for solid waste handling and treatment. An Israeli company created a special design offering novel recycling solutions for solid waste, aluminum waste, organic waste and water. Additionally, an Israeli company developed ecological technologies for industrial, pollution control system. The system uses the physical forces created by the vortex motion of gas and liquid inside a patented chamber to clean industrial emission from fine particles and gas pollutants in a cost-effective manner.

- **Programmes to facilitate contact and information sharing between domestic industrial enterprises and overseas suppliers, customers, partners.**

The Israel Export & International Cooperation Institute plays a key role in facilitating contacts and information sharing between domestic industrial enterprises and overseas suppliers, customers, and partners. For complete information please refer to: <http://www.export.gov.il/Eng/>

- **Programmes to facilitate regional cooperation in the creation of a policy environment conducive to region-wide industrial development (e.g. harmonization of corporate tax regimes, regional trade agreements).**

Israeli-Jordanian cooperation:

Since the 1995 Israeli - Jordanian peace treaty, a significant liberalization in commerce took place. In 2005 the two countries

expanded their bilateral economic accord to a degree that by 2010 about 50% of Israeli exports to Jordan will be tax free and 80% of the Jordanian exports to Israel will be tax-free (today it stands at about 50%). Additionally, products produced in Jordan by Israeli industries will be eligible for European customs exemption. Moreover, joint industrial zones that are declared by the United States as Qualifying Industrial Zones (QIZ) will enjoy tax-free export to the USA. Today there are two QIZ's in Jordan. In 2003 over 80% of the Israeli exports to Jordan (that stands at 90 million USD annually) is due to the QIZ agreement. Jordanian exports to the USA grew from 15 million USD in 1997 to over 600 million USD in 2003, largely due to the QIZ agreement.

Israeli – Egyptian cooperation

On the basis of the Israeli – Jordanian Qualifying Industrial Zones (QIZ) a similar QIZ agreements was signed with the Egyptian government in December 2004. It is expected that this agreement (as did the Jordanian one) will contribute significantly to mutual industrial development and cooperation.

Israeli – Turkish cooperation

In March 1996 a bilateral free trade agreement between Israel and Turkey was signed. In essence, Israeli exports of chemicals, agricultural gear, plastics, telecommunication, air conditioners, and medical equipment is tax free. Turkish textile, paper, glass and metal product exports to Israel are also tax free.

For Israel's International Trade and Economic Agreements see:

<http://www.moit.gov.il/NR/exeres/7043FD5E-AD1C-40CA-B330-B01EE42CBAF1.htm>