

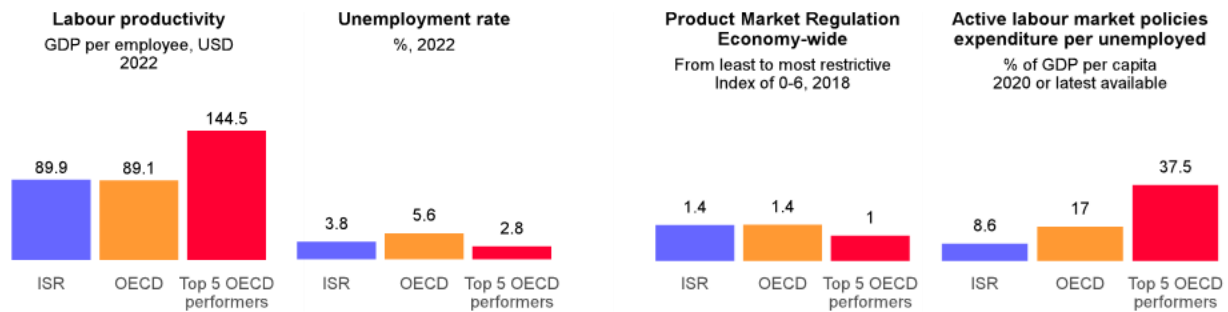


## Performance gaps

## Recommendations

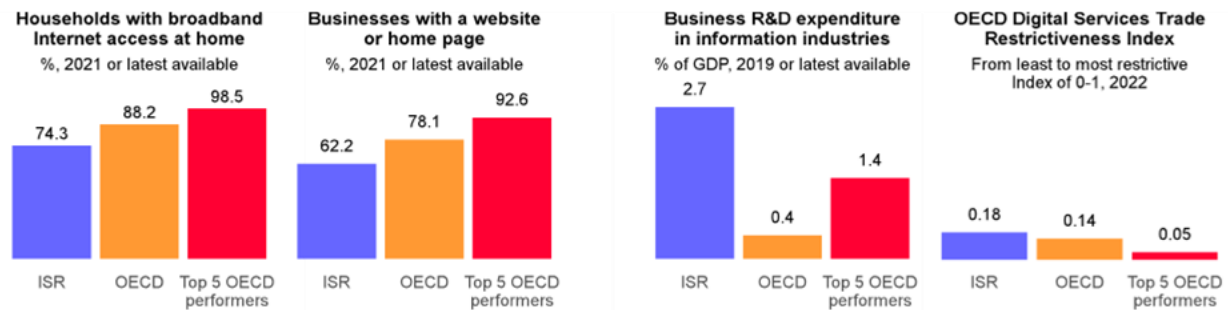
### Product and labour markets functioning

- Despite significant progress, barriers to foreign trade and investment remain high, with Israel's foreign trade exposure lower than in other small OECD countries. Fostering competition can strengthen incentives to adopt new technologies.
- The electricity market reform of 2018 has established the framework for a wholesale electricity market. High-resolution electricity pricing can help adapt to intermittent renewables supply.
- Further cut tariffs and non-tariff barriers and streamline trade regulations.
- Further develop the wholesale electricity market as planned, with high-resolution pricing across time and space, and competitive determination of market prices.



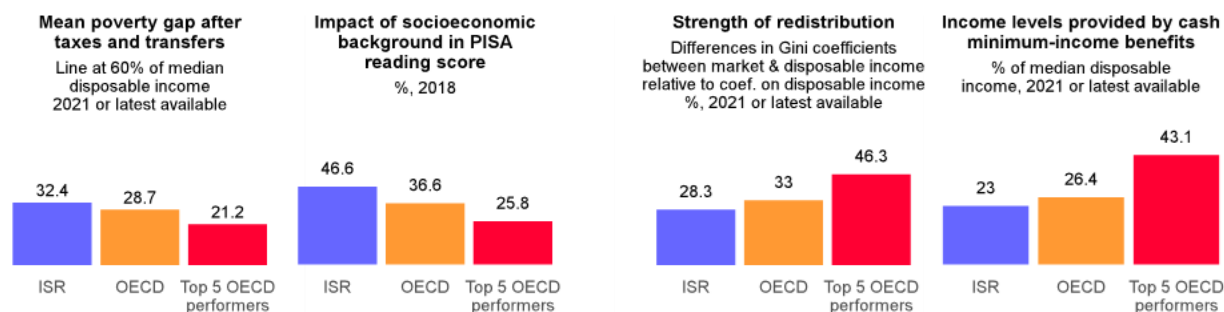
### Digital transition

- Business R&D spending is the highest in the OECD, driven especially by ICT sectors. However, gaps in internet use across population groups remain wide and firms lag in the adoption of advanced digital technologies especially in traditional sectors. Reducing these gaps can boost productivity growth and narrow the productivity divide between the high-tech sector and the rest of the economy.
- Closely monitor the deployment of fibre broadband connections in underserved areas and align subsidies with actual deployment costs if needed.



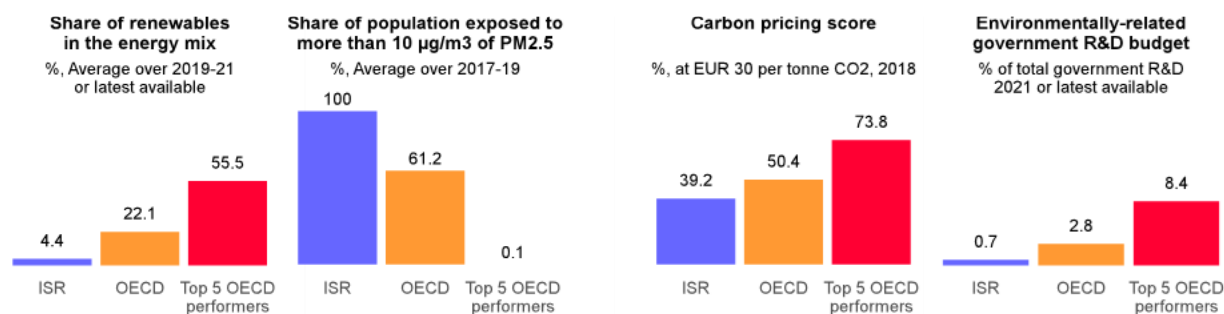
### Inclusiveness, social protection, and ageing

- Socioeconomic gaps remain wide. The duality in the business sector contributes to large labour market inequalities.
- Certain groups, especially the Haredim (ultra-Orthodox Jews) and Arab-Israelis, are underrepresented in the thriving high-tech sector, and have low employment rates, working hours and wages.
- The share of working poor is high
- Remove government subsidies for yeshiva students and condition childcare support on fathers' employment.
- Increase the provision of accredited child-care in Arab municipalities and funding for Arab schools to equalise their budget to schools with similar socio-economic profiles in the Hebrew sector.
- Permanently re-introduce the bonus for second earners to the Earned Income Tax Credit.

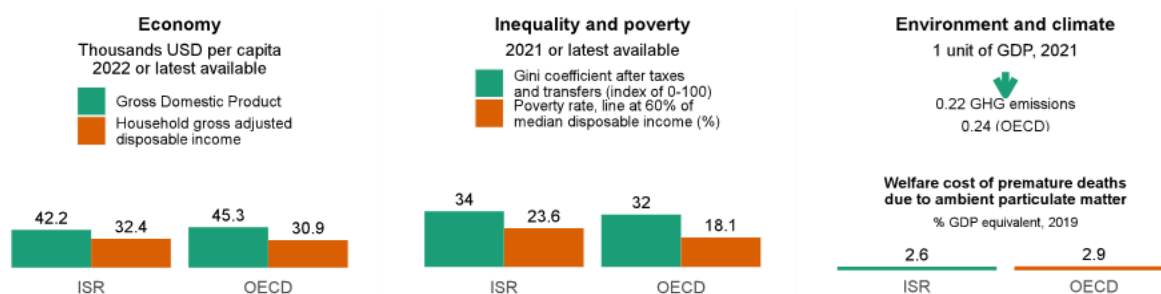


### Climate transition

- The carbon intensity of the economy declined but emissions are still a long way from targets. Overall, only about a third of carbon emissions from energy use are taxed at EUR 60 or above.
- The share of renewable energy in electricity generation is one of the lowest in the OECD.
- In the medium term, increase the excise taxes on non-transport fuels to reflect environmental costs.
- Partially use environmental tax revenues to mitigate distributional impacts, enhance energy efficiency and improve public transportation.
- In the medium-term introduce consistent carbon pricing across all sectors.
- Streamline permit procedures and increase public land available for utility-scale solar installations while further strengthening incentives for dual-use solar installations.



## Overall performance





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