

Building Israel's AI Future

Israel's Data & AI Ecosystem Report

2025 – 2026



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Chapter 1

Introduction

We are pleased to present the second annual report from the DatA-IL community, produced in partnership with the research firm IVC. The DatA-IL community serves Israel's data and AI ecosystem across all its dimensions: the private sector, the public and government sector, and academia. These annual reports are meant to serve as a starting point for a comprehensive mapping of the ecosystem — one that will enable new connections, help shape strategy, and build a deeper understanding of Israel's standing in the field of AI.

“This is the second year we have mapped the data and AI field across all three sectors - industry, public sector and academia, creating a single picture of an ecosystem. It is already possible to begin identifying trends over time. No one sector can be understood without the other two: the compute infrastructure the state is building serves academic research; the human capital that academia trains feeds industry; and industry translates those capabilities into products, growth and exports. Israel's advantage will be determined not only by the quality of its research, the scale of investment or the infrastructure each sector develops on its own, but to a large extent by the quality of the interfaces between them - and it is precisely at those interfaces that DatA-IL operates.”

— Rona Perry, CEO, DatA-IL

In recent years, the AI ecosystem has become an industry with a profound and fast-moving impact on economies, countries, industries, and companies worldwide. A precise, in-depth understanding of it is therefore critical for decision-making, policy design, investment, and forging connections among all stakeholders involved.

The Data-IL community is a joint initiative of the Ministry of Economy and Industry, the Israel Innovation Authority, the National Digital Agency, and the Social Finance Israel (SFI) group. Its mission is to advance data and AI as leading growth engines in Israel and to position Israel as a global leader in the field. To that end, we map needs, challenges, and capabilities, and develop and advance support tools based on that mapping. The community leads the way in building cross-sector connections and partnerships, and produces, consolidates, and disseminates knowledge about the ecosystem, drawing on deep familiarity with the companies operating within it and with all its key players. This report is intended as a further tool for realizing these goals and for reflecting the current state of the field to a broad range of stakeholders.

IVC is a leading provider of data, quantitative research, and business intelligence on Israeli high-tech. It manages the largest and most comprehensive database on Israeli high-tech, covering companies, Israeli and foreign investors, corporations, and innovation centers.

The report serves several key audiences, including public-sector officials working to shape policy and support data and AI infrastructure; investors looking to identify opportunities in the Israeli market; technology companies at various stages of development seeking to understand the business and regulatory landscape; third-sector organizations active in the field; and researchers looking to deepen collaboration among academia, industry, and the public sector.

The ecosystem report spans three sectors:



The Private Sector Israel's high-tech and venture capital industry



The Government and Public Sector Government ministries, infrastructure and civil organizations



Academia Universities and career-transition and placement programs in the field

Chapter 2

Executive Summary

An AI ecosystem is measured not only by the number of companies operating in the field, but also by the quality of its infrastructure, academic research, human capital, public policy, and the scale of investment. This report presents a comprehensive mapping of Israel's ecosystem, focusing on its three core components - government, academia, and industry - and on the points where they intersect. It identifies key trends, strengths, and challenges, and consolidates information on companies, investment, public-sector initiatives, degree programs, and additional components. This mapping provides an up-to-date picture, enables tracking of the field's development over time, and establishes a benchmark for comparison with future reports.¹

Artificial intelligence is not a separate sector - it is a horizontal technology capturing a growing share of the high-tech industry: roughly a third of the active Hi-Tech companies in Israel (about 3,000 companies) now define their technology as AI-based.² The data in this report, drawn from the IVC database, show that in recent years AI companies have become the dominant force in fundraising by a wide margin: 89% of capital raised in 2025 flowed to AI companies, even though they accounted for only 56% of funding rounds.

Many of the characteristics we've come to associate with the broader Israeli ecosystem also define the AI space. For example, the internal breakdown among AI companies and the fact that the three leading sectors are digital health, fintech, and cybersecurity. The distribution of capital among AI companies similarly mirrors traditional investment patterns, with foreign investors leading later-stage funding rounds and channeling larger sums into Israeli industry than domestic investors. That said, the split between Israeli and foreign investors is more balanced within AI: while 61% of active investors in Israel in 2025 were domestic, that figure drops to 53% among investors active specifically in AI.

1. All information attributed to IVC in this report is accurate and up to date as of May 2026.

2. See the Methodology appendix for the definition of an AI company.

It's worth noting that the global GenAI revolution has unfolded almost entirely against the backdrop of a turbulent period for the Israeli economy - beginning with widespread civil protest in 2023 and continuing through a prolonged period of fighting that began in late 2023 and continues today. Even so, Israeli tech has not only kept functioning but has also preserved its global leadership and replicated that success in AI.

The government has shifted from an innovation enabler to an integrating, accelerating force. This year saw the establishment of the National AI Directorate within the Prime Minister's Office as an integrating body. The government passed a resolution on AI strategy, **grounded in a view of AI as a component of the country's identity and geopolitical influence, and of data as an asset to be leveraged.** The National Digital Agency, the Ministry of Innovation, Science and Technology, the Israel Innovation Authority, the Ministry of Economy, and others have initiated and carried out steps advancing this strategy. Over the past year, the public sector has also worked to strengthen its internal AI capabilities through a series of projects and training programs, while creating opportunities for the private sector and academia through initiatives designed to bridge gaps and help complex ventures get off the ground.

In academia, extensive research activity is underway, though much of it does not sit at the cutting edge of the global academic landscape - training the next generation of AI researchers and builders. Ten dedicated degree programs are set to launch in the coming academic year (2026-2027), expected to enroll roughly 900 new students, though it remains unclear whether this will meet the need for in-depth training of AI scientists with advanced research capabilities. In addition, the funding period for the academic AI centers that were established has now ended, and it is unclear whether they will continue to operate.

Looking across all three sectors, the same trend emerges: AI is infrastructure. Industry sees it as a technology layer; the government defines it as a national asset and a component of digital sovereignty; and in academia, there is growing recognition of the importance of training new students in the field.

2025-2026 by the Numbers

2,948

AI companies in Israel
33% of high-tech companies

\$11.8B

invested in AI companies
during 2025

1,281

funds and investors invested
in AI during 2025

~500

funding rounds
(900 rounds in 2024)

7th place

on the Tortoise index

16th place

Government AI readiness
World ranking · Oxford Insights

160M ₪

public investment in the
national supercomputer

1,000

Nvidia B200 accelerators
in the national supercomputer

10,000+

Public-sector employees
Have completed AI training

1st place

in academia-industry
collaboration
on the WIPO index

100

Public-sector projects
Active as of this report's writing

~20%

of research projects reach
commercialization

and looking ahead

100,000

Accelerator graduates
Target for the next five years

900

New students
In new degree programs

+20B ₪

budget gap between what
was estimated
and what actually happened

Chapter 3

Methodology

In preparing this report, we set out to present a more detailed picture of the AI companies active in Israel, in order to establish, in partnership with IVC, a methodology that can serve future reports and research. We recognize that the field is still taking shape and is subject to frequent change, and we hope this report will spark professional discussion around the definitions and metrics we've chosen, with the understanding that technological and other developments may lead to adjustments and different choices in future reports.

This report surveys developments in the ecosystem between July 2025 and July 2026. That said, market-level aggregate data - including fundraising volumes, the number of investment rounds, and the number of exits - are presented based on full calendar years and therefore refer to the period ending at the close of 2025. This is because the databases from which the data were drawn are published and verified annually, and 2026 data have not yet been finalized. Specific references to developments from 2026 appear throughout the report where they are meaningful to the overall picture of trends, and are marked as such.

01

The Business Sector

A mapping of the AI ecosystem within Israeli high-tech identified 2,948 AI companies operating today. These companies account for an increasing share of total capital raised and of exit activity in recent years.



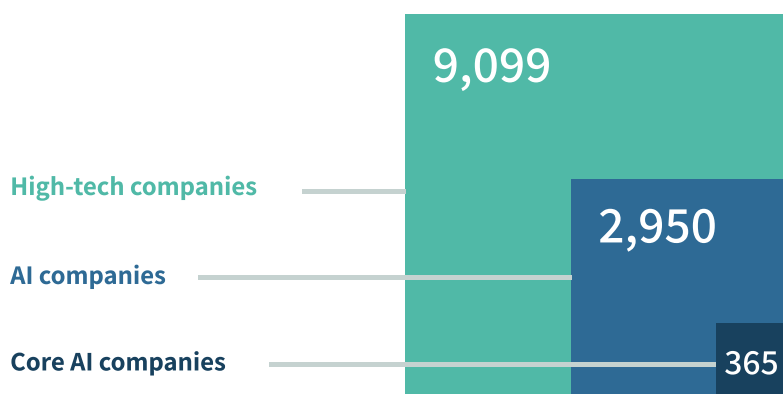
Chapter 4

Defining AI Companies

In this report, we focused on distinguishing between companies that use AI as an applied, application-level capability, and companies with dedicated R&D activity in the field, where AI capabilities sit at the core of their development work (language models, infrastructure, or enabling technologies such as computer infrastructure and chips). We call the first, larger group **"AI companies"**, which includes roughly 2,950 companies in Israel; we call the second group **"Core AI"**, comprising about 365 companies.

AI Companies in the Ecosystem

Number of companies by type



This report presents a mapping of Israel's AI ecosystem. Even at the global level, no established benchmark yet exists for determining which of the two categories a given technology company belongs to. Data from various studies suggest that only about 20% of AI companies also engage in R&D in the field. A comprehensive Menlo report from December 2025, for example, examined hundreds of case studies of AI use among enterprise companies and found that in 76% of them, the technology was purchased rather than built in-house. Notably, this represents an intensification of a trend first identified in 2024, when 47% of cases examined involved technology developed in-house and only 53% involved outside purchases. The reason: advanced, ready-made AI technologies have become more available, cheaper, and better.³

3. <https://menlovc.com/perspective/2025-the-state-of-generative-ai-in-the-enterprise/>

Naturally, other analyses and cross-sections could surface additional interesting and important findings about the ecosystem, or refine the current breakdown in other ways. For example, follow-up research could explore team structures and how companies allocate spending. Until then, this report offers a first-of-its-kind classification for which no broadly accepted, wide-ranging methodology yet exists, even at the global level. For more on the methodology, see the dedicated appendix.

Chapter 5

A Macro Overview of Israel's AI Ecosystem

The global AI revolution did not pass Israel by, but most of it unfolded alongside a turbulent period for Israeli high-tech. The sector often called the "engine of the economy" was hit in 2022 (the same year ChatGPT launched to the public), by domestic political and social instability, and, like the rest of the economy, it has carried the burden of war and the security situation since late 2023. Even so, it remains the country's leading economic sector. According to the Israel Innovation Authority's "State of High-Tech 2026" report, high-tech contributed roughly half of the economy's growth in 2025, and its share of GDP reached a record high of about 18.3%. High-tech, as an industry, is no longer just a central sector - it is the backbone of the Israeli economy.⁴

High-tech output grew impressively by about 8.2% in 2025, reaching 352 billion NIS and accounting for a record 58% of exports. High-tech services exports have grown by \$42 billion over the past decade, becoming the dominant component of sectoral exports at roughly 74% of the total. In addition, Israeli high-tech fundraising rose by about 30% compared to 2024, alongside growth in the number of new high-tech companies - with roughly 775 new companies founded in 2025.⁵

According to the Global AI Index published annually by Tortoise Media in The Observer, **Israel currently ranks 7th out of 93 countries - behind the top three, the US, China, and Singapore, and very close to the UK, South Korea, and France, which occupy places 4-6.** Tortoise measures innovation, adoption, and investment in AI, and Israel owes

FIGURE 1

Global AI Index 2025

Global AI Index · Tortoise Media

- 1  United States
- 2  China
- 3  Singapore
- 4  United Kingdom
- 5  South Korea
- 6  France
- 7  **Israel**
- 8  Canada
- 9  Germany
- 10  United Arab Emirates

4,5. Israel Innovation Authority. (2026, May). The State of High-Tech 2026, <https://innovationisrael.org.il/wp-content/uploads/2026/05/Annual-Report-The-State-of-High-Tech-2026Heb.pdf>

its high ranking to strong scores in the intensity, business ecosystem, and research indices.

This is the sixth year the ranking has been compiled, and although Israel climbed two places from last year, in the index's early years it ranked 5th. What makes the ranking distinctive is that it combines two axes: a scale axis, which is absolute and measures each country's contribution to the international arena, and an intensity axis, which is relative and measures a country's capabilities relative to its size.⁶

“Embedding artificial intelligence tools across industrial sectors and the business sector will make it possible to address the economy’s low productivity. Artificial intelligence is not simply another standalone technology sector, but a cross-cutting infrastructure that is changing the rules of the game and touching the entire economy. Our role is to ensure that this revolution does not remain the exclusive preserve of technology companies, but is embedded in manufacturing, in small and medium-sized businesses, and in the trade and services sectors. Judicious adoption of AI tools in non-high-tech industries is expected to generate a step change in economic performance, preserve Israel’s competitiveness in the global market, and secure inclusive and sustainable growth.”

— Michal Fink, Head of the Strategy, Economics and Innovation Division, Ministry of Economy and Industry

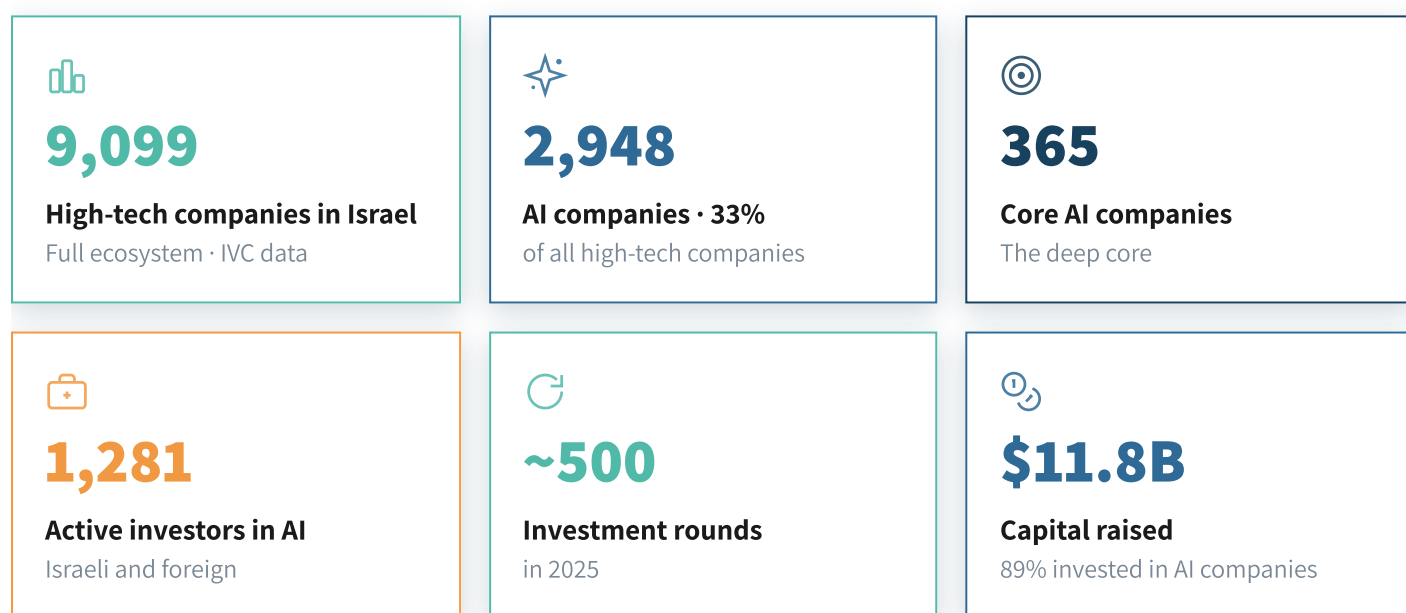
Despite living through an unstable geopolitical situation, and the fact that Israeli high-tech companies have managed to project business as usual over the past three years, the repeated rounds of fighting have had indirect but material effects on Israeli high-tech. Worth noting here, the weakening of the shekel-dollar exchange rate has

6. “The Global AI Index”, The Observer, <https://observer.co.uk/data/global-ai>

significant implications for a sector that raises capital and generates revenue in dollars but pays salaries and operating expenses in shekels. Also significant was the closure of airspace for extended periods and the rise in flight prices, given that the vast majority of customers and investors are located overseas.

Finally, the data show that the dominance of AI companies within the Israeli high-tech industry can hardly be overstated. Only about a third of Israel's roughly 9,100 high-tech companies fall under the definition of an AI company, yet investment in the field represents a growing share of total fundraising. **Of the roughly \$13.3 billion that flowed into local high-tech last year, \$11.8 billion was invested in AI companies⁷** - a full 89% of total capital. This makes AI a critical factor in sustaining the performance of the high-tech sector, which remains the primary engine of exports, employment, and GDP growth in Israel.

2025 by the Numbers



7. We chose not to include SSI's \$2 billion funding round in this report, as the company had, as of this writing, apparently not yet established significant activity in Israel.

Chapter 6

Growth Engines of the Tech Industry

Over the past several decades, Israel has managed to preserve a competitive edge on the global stage, thanks in part to a unique combination of high-quality human capital, a well-developed entrepreneurial culture, and a leading academic system. Israeli high-tech's five growth engines are: employment, Israeli talent, capital investment, connection to the global market, and patent filings.

A. Employment

After a decade of employment growth, 2023 marked the first year in which the growth rate stalled. The Innovation Authority's report notes that since 2023, average annual employment growth in the sector has run 1.3 percentage points below the average growth rate across all employed persons in the economy (which stood at 1.8% annually over this period), following a decade in which it had stood at 5% or more. As a result, the number of high-tech employees has effectively plateaued at around 400,000 people in 2025, or 11.3% of all employed persons in the economy. There is a tight relationship between the high-tech employment rate and the share of exports attributed to the sector - and, just as importantly, 85% of state revenue generated by high-tech is tied to employment in the sector through income tax, National Insurance, and so on.

It is currently not possible to present precise employment figures for AI companies as a share of the industry overall, but demand for specialized workers in the field is known to be high. A September 2025 report by the Innovation Authority and the Samuel Neaman Institute, which mapped demand in core AI fields, estimated it at 2,434 workers. This estimate was based on a figure of 2,150 companies in Israel engaged in AI R&D, and did not include large technology companies employing more than 500 employees (which tend not to share this kind of data).⁸

After nearly a decade in which high-tech employment growth stood at 5% or more, 2023 marked the first-ever stall: just 1.3% for the year.

8. Katz-Sham, A. & Wolf, N. (September 2025). Demand for Human Capital in Core AI Fields Among Israeli High-Tech Companies in the Field. Samuel Neaman Institute and the Israel Innovation Authority. <https://innovationisrael.org.il/wp-content/uploads/2025/09/Demand-for-AI-Human-Capital-Hebrew-Report-2025.pdf>

A report from the Committee for Expanding Human Capital in High-Tech, led by Dadi Perlmutter, published in 2023, did not focus specifically on AI companies, but did address at length the employment shifts driven by the AI revolution. Among other things, it notes that entry-level positions (junior roles) have changed

significantly, shifting from roles that traditionally involved tasks such as basic coding, testing, and data collection toward roles that demand deeper technological knowledge and familiarity with various tools, alongside systems thinking, critical thinking, and the ability to manage AI tools — effectively, a "system architect" role.⁹

B. Israeli Talent - Researchers and Inventors

According to data from Zeki, a company that identifies and maps AI talent, Israel ranks 11th in the world in the number of researchers and inventors relative to population size, with 52 researchers and inventors per 100,000 residents. This places it in the same range as countries like Denmark (65.25) and Australia (53.43), and above countries such as Italy, the UK, and France. Switzerland leads the ranking with 110 researchers and inventors per 100,000 residents, followed by Singapore (109) and Sweden (80).¹⁰ Israel was found to have 5,190 AI researchers and inventors as of 2025. The leading research and innovation fields in Israel are machine learning (14%), health and bioinformatics (13%), and computer vision and image processing (12%).¹¹

Israeli talent is characterized by high levels of education: 40.6% hold a PhD, and 34.2% hold a master's degree. Israeli talent is concentrated in three main fields:¹²

	Health and bioinformatics	13%
	Security, privacy, and cryptography	13%
	Computer vision	12%

The research also examined talent mobility rates and determined, for each country, whether its migration rate was positive or negative. Israel ended 2025 with a negative migration rate of nearly 2% of its talent pool.

In 2025, the concentration of AI talent among Israeli LinkedIn users was the highest in the world, at 2.1%. Singapore followed at 1.8%, and Luxembourg at 1.6%.¹³ That said, the UAE, India, and Saudi Arabia showed the fastest growth in the relative share of AI talent out of all talent, each growing by more than 100% between 2019 and 2025.

9. Ministry of Innovation, Science and Technology (2023). The Committee for Empowering Human Capital in the High-Tech Industry (the Perlmutter Committee). <https://www.gov.il/he/pages/humantech>

10. Zeki Data. (2025). The State of AI Talent 2025. <https://tinyurl.com/zeki-ai-talent-2025>

11,12. Stanford University Human-Centered Artificial Intelligence (HAI). (2026). Artificial Intelligence Index Report 2026. https://hai.stanford.edu/assets/files/ai_index_report_2026.pdf

13. The index counts users who added at least two AI skills to their profile through self-reporting.

C. Capital Investment

Israel has established itself as one of the world's leading countries in venture capital investment relative to population size. The Innovation Authority notes that Israel was the world's fifth-largest hub in 2024, with \$10.6 billion raised, behind San Francisco, New York, London, and Boston. Israel benefits not only from a high volume of global investment, but also stands out as a country with a significant presence of leading international funds, multinational technology corporations, and prominent strategic investors. In Israel, foreign funding in business R&D is especially high, at 47% of total funding, compared with an OECD average of 9%. This figure points to a high dependence on foreign investment as a central source of funding for Israeli companies' innovation activity. In 2025, the volume of high-tech fundraising in Israel rose, alongside a decline in the number of funding rounds - a figure that reflects the ecosystem's maturation and indicates that most of the activity was concentrated in large-scale rounds for companies at growth stages.¹⁴

That said, the reliance on foreign capital and international markets makes investment flows sensitive to macroeconomic shifts. Israel has a clear advantage, reflected in its ability to concentrate human capital, venture capital, and R&D at a scale that is exceptional relative to the size of its economy, and to translate them into business and technological innovation infrastructure.

The share of foreign funding in business R&D is especially high, at 47%, compared with an average of 9% across OECD countries.

An OECD report published in April 2025 notes that the AI ecosystem has found fertile ground in Israel thanks to its dynamic high-tech sector.¹⁵ As of 2024, Israel and the United States recorded the highest venture capital (VC) investment relative to GDP.¹⁶

14. Israel Innovation Authority (May 2026). State of High-Tech 2026 Report. <https://innovationisrael.org.il/wp-content/uploads/2026/05/Annual-Report-The-State-of-High-Tech-2026Heb.pdf>

15. OECD (2025). Executive summary. OECD Economic Surveys: Israel 2025. OECD Publishing. https://www.oecd-ilibrary.org/en/publications/oecd-economic-surveys-israel-2025_d6dd02bc-en/full-report/executive-summary_8df11c0f.html

16. OECD, Venture Capital Investments in Artificial Intelligence through 2025, 17 February 2026, p. 8.

D. Connection to the Global Market

Israeli high-tech is connected to, and even dependent on, the global market through a range of channels:

- Fundraising in dollars
- Non-local customers
- Foreign acquirers
- Listings on overseas exchanges
- Competition for talent with multinational companies active in Israel, and partnerships with them

The events of recent years have not been kind to Israel's international standing, and global partnerships remain a central pillar in sustaining the proper functioning and prosperity of Israeli high-tech - and, by extension, of the Israeli economy as a whole. High-tech output relies heavily on exports: while exports make up only about 26% of GDP across the entire economy, including high-tech, in high-tech alone they account for nearly 79% of the sector's output. This figure illustrates the sector's dependence on Israel's ties with the rest of the world, and its exposure to exchange-rate fluctuations.

While exports account for about 26% of GDP across the economy as a whole, in high-tech alone they account for nearly 79% of the sector's output.

E. Patent Filings

Tracking patent filings offers insight into applied innovation and commercial development. The data in the Stanford report reflect continued growth in the number of patents filed globally in AI over the past 15 years, with the most recent data available for 2024. In this field, **China leads by a wide margin over the rest of the world, accounting for 74% of all patents filed in 2024.** The United States, in second place, accounts for only 12% of patents, with the remainder split among the rest of the world's countries. The leading country in recent years for patents relative to population size is South Korea. Israel has not ranked among the top 15 countries in this category over the past decade.

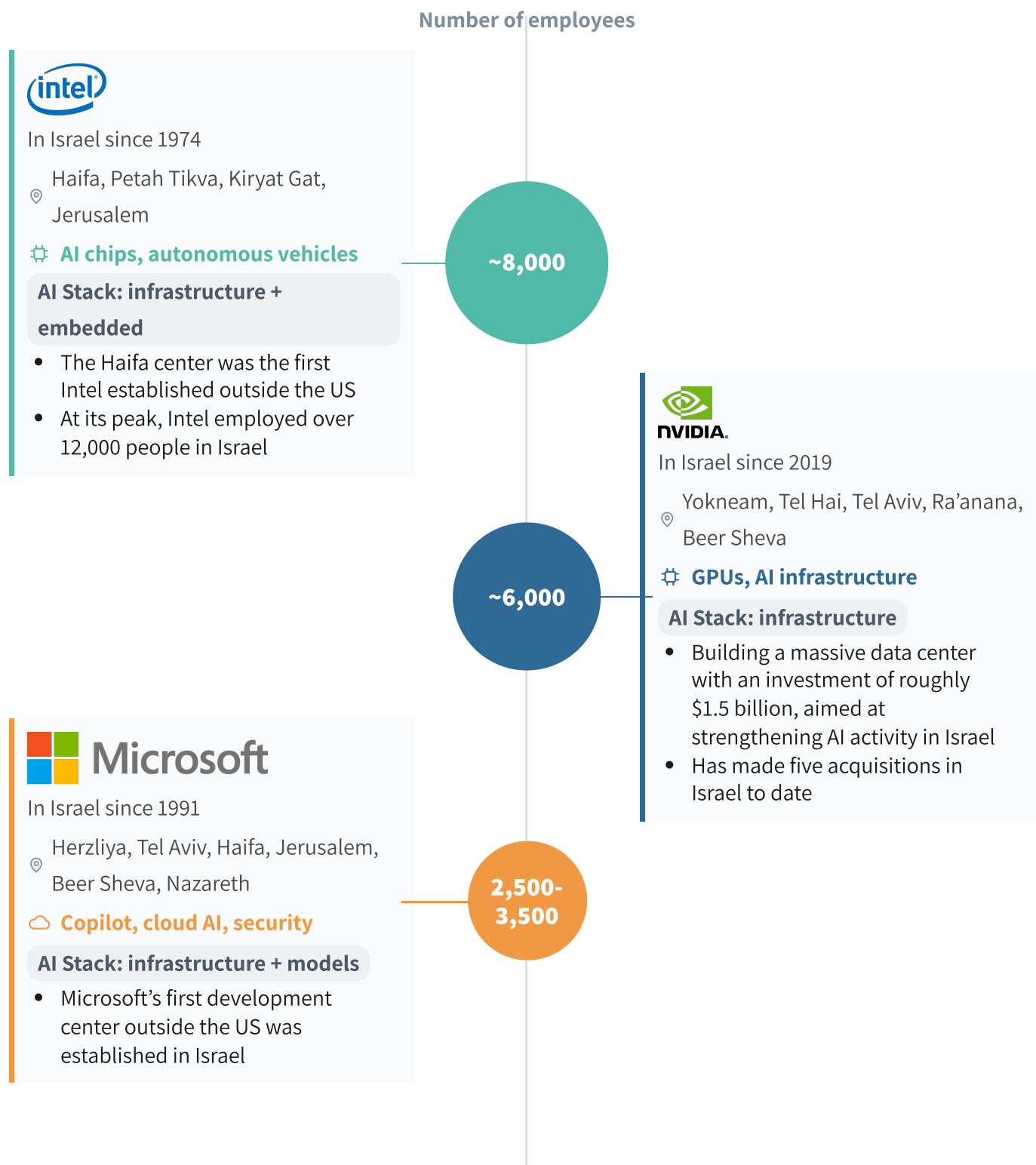
Only 17.9% of patents filed in Israel in 2024 originated from Israeli companies.

According to data from the Israel Patent Office, updated through 2024, only 17.9% of patents filed in Israel that year originated from Israeli companies. Of roughly 9,250 patent applications filed in Israel in 2023 across all fields, only 663 were first filings. **In 2024, 8,262 patents were filed in Israel across all fields, of which 706 were first filings - a 6.5% increase.** This means that the majority of patents filed in Israel belong to foreign companies with local development operations.¹⁷ The report does not include an indication of AI-specific patent data.

17. National Digital Agency (2025). Annual Report 2024. Ministry of Economy and Industry. https://www.gov.il/BlobFolder/reports/new-annual-reports/he/annual-reports_annual-report-2024.pdf

Spotlight: Multinational Companies

More than 500 multinational companies have begun operating in Israel since 2000, 35 of them in 2025 alone. The average pace of new entrants stands at roughly 32 companies per year.¹⁸



18. https://innovationisrael.org.il/report_year/annual-report-the-state-of-high-tech-2026/



In Israel since 2006

📍 Tel Aviv, Haifa

🗨️ **NLP, search, AI-based advertising**

AI Stack: models + applications

- Operates major development centers in Tel Aviv and Haifa and invests heavily in cloud infrastructure (Project
- The Wiz acquisition is the largest in Google's history and the largest in Israeli high-tech to date

2,000-2,500



In Israel since 2012

📍 Herzliya, Haifa, Jerusalem

👁️ **On-device AI, computer vision**

AI Stack: infrastructure + embedded

- Israel's Apple center is the company's largest development center outside Cupertino

2,000-2,500



In Israel since 2014

📍 Tel Aviv, Haifa

⚙️ **AI chips, cloud ML**

AI Stack: infrastructure

- In a 2026 letter to shareholders, CEO Andy Jassy wrote that Amazon's chip business - largely built on its 2015 acquisition of Israel's Annapurna Labs - had already generated \$20 billion for the company this year

1,500-2,000



In Israel since 1972

📍 Haifa

🗨️ **NLP, Explainable AI**

AI Stack: models

- One of the world's oldest and most important research centers; the Israeli center leads the company's NLP development, including well-known projects like Project Debater

1,000-1,500



In Israel since 1998

📍 Ra'anana, Tel Aviv

📁 **Enterprise AI, customer experience**

AI Stack: applications

- The Ra'anana center focuses on cloud technologies and identity management (Gigya)

~1,000



In Israel since 2013

📍 Tel Aviv

👁️ **Recommendation systems, computer vision**

AI Stack: models + applications

- Focused on AR/VR technologies and infrastructure for the company's platforms

800-900



In Israel since 1997

📍 Netanya, Tel Aviv

🔗 **AIOps, AI for networks**

AI Stack: applications

- Built on numerous acquisitions over the years in telecommunications and cybersecurity

~800



In Israel since 2006

📍 Petah Tikva, Beer Sheva, Ra'anana, Jerusalem

📊 **AI-based analytics**

AI Stack: applications

- Operates a development center and startup accelerator in cloud and data

~500

Chapter 7

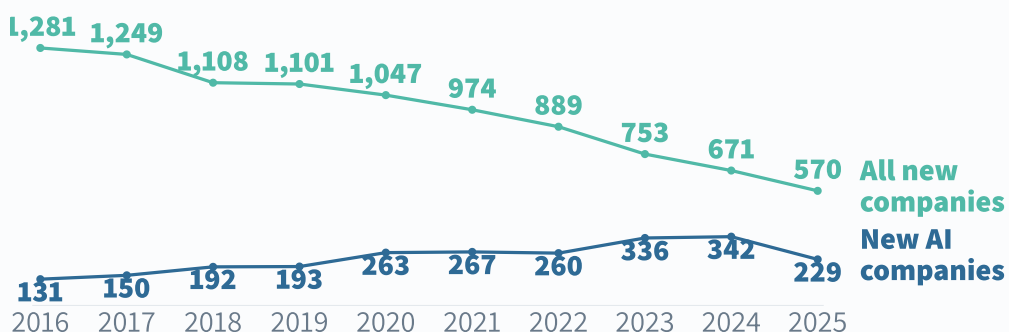
Companies

- The number of new companies has been declining since 2021, but the AI share among them keeps rising consistently.
- Core AI companies hold steady at 2.5%-3% of new companies each year since 2018.
- The leading sectors among AI companies are digital health, fintech, and cybersecurity.

New Company Formation

FIGURE 2

New Israeli companies founded per year, total vs. AI, 2016-2025



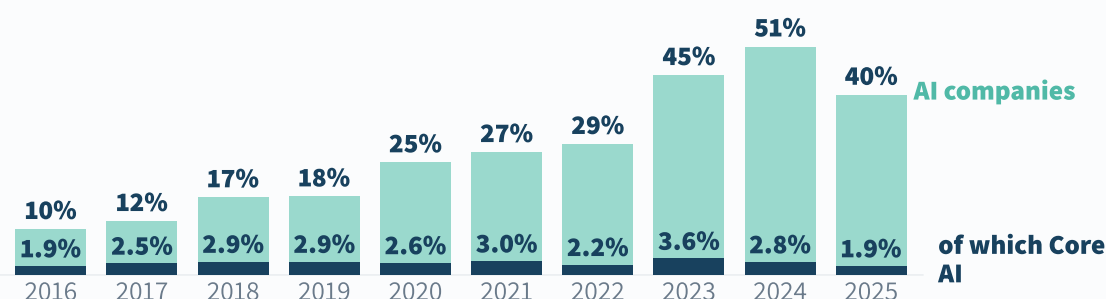
Source: 2026 Israeli AI Report by IVC and DataA-IL

The visible data point to 570 new companies founded in 2025, but the true figures typically only emerge two years later. According to an estimate published by the Innovation Authority, roughly 775 new companies were founded last year, and the rise may be attributable to AI: it has the potential to erode the competitive "moat" of existing software companies, while also lowering the barriers to founding new ones.

According to IVC data, the number of companies founded each year declined between 2021 and 2024, while at the same time the number of new AI companies has risen consistently over the past decade. It's worth noting that for older companies, an AI focus may well have emerged only after the fact. **For Core AI companies, the data show relative stability in the number of new companies, holding at 2.5% to 3% each year since 2018.**

FIGURE 3

Core AI and broader AI as a share of all new companies, per year · 2016-2025



Source: 2026 Israeli AI Report by IVC and Data-IL

“As artificial intelligence is embedded into more and more products and services, the term ‘AI company’ tells us little about the company itself. The more interesting question is what role the technology plays in the product and in the business model. Core AI companies represent a layer in which AI is not an add-on to an existing product, but an essential part of the technology the company is building. Tracking this layer will allow us to see how a deeper AI industry is being built in Israel, and how it changes over time.”

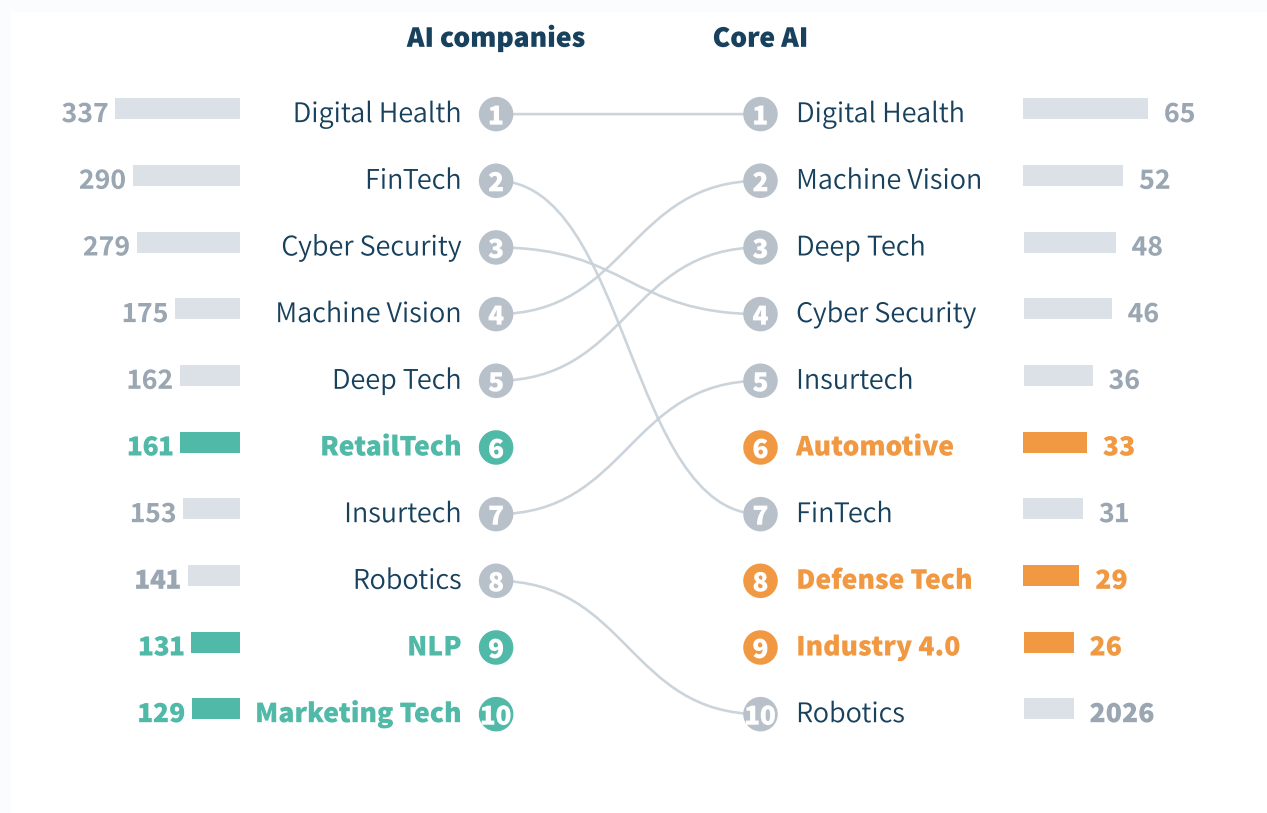
— Guy Holtzman, Founder, IVC

Sector Breakdown and Emphasis on Leading Technologies

The three leading sectors among AI companies are **digital health, fintech, and cybersecurity**. There are interesting differences in the sector breakdown between AI companies and Core AI companies: the digital health sector leads in both categories, and seven of the top ten sectors overlap.¹⁹ The differences lie in the **automotive, defense-tech, and Industry 4.0** sectors, which are more common among Core AI companies.

FIGURE 4

Number of companies in the top 10 sectors · 2025



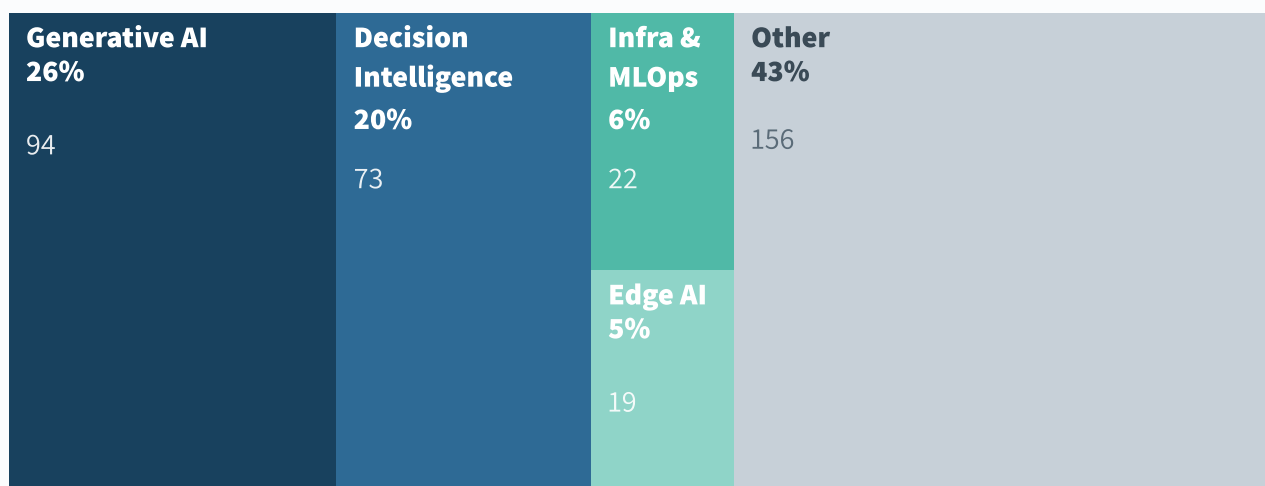
Source: 2026 Israeli AI Report by IVC and DataA-IL

19. Some of the companies examined are tagged with more than one sector.

One of this report's goals, beyond presenting a traditional sector breakdown for AI companies, is to try to understand which technologies and applications characterize the Israeli ecosystem. This mapping is inherently more complex, because the boundaries between technology and application are often blurred, and the definitions and boundaries between different technology categories are still taking shape in a fast-evolving market. **We therefore examined the core areas of specialization of Core AI companies beyond their sector classification, focusing on four prominent domains of activity. The mapping points to the dominance of GenAI and Decision Intelligence solutions, alongside significant activity in Infrastructure & MLOps and Edge AI.**

FIGURE 5

Core AI companies by leading technology domain



Source: 2026 Israeli AI Report by IVC and Data-IL

Chapter 8

Investment and Fundraising Analysis

- 89% of all high-tech capital raised in 2025 went to AI companies - roughly \$11.8 billion
- Israel ranks 8th in the world in private AI capital investment
- About 57% of the capital raised by AI companies came from Series C and later rounds

FIGURE 6

The companies that raised the most money · 2025-2026

1		Cyera		\$540M
2		Eon		\$300M
3		Cato Networks		\$289M
4		Island		\$285M
5		doubleAI		\$220M
6		Classiq		\$165M
7		Vega Security		\$165M
8		Seven AI		\$130M
9		Wonderful		\$126M
10		ForSight Robotics		\$125M

Source: 2026 Israeli AI Report by IVC and DataA-IL

On a global level, more money flowed into AI in 2025 than ever before. Global corporate investment in AI more than doubled. This is a byproduct of the fastest adoption curve in history - nearly 53% of the population adopted GenAI within three years, faster than the adoption rate of the personal computer or the internet. As a result, revenues at the field's leading companies have grown at historically rapid rates. In the US alone, the consumer surplus from GenAI - the gap between the price a consumer is willing to pay for a product or service and the price they actually pay, reached an estimated \$172 billion per year by early 2026, a 54% increase in under a year.²⁰

Stanford's Annual AI Index ranks Israel 8th in the world in private capital investment in AI companies, with \$3.6 billion. The US, naturally, leads by a wide margin with roughly \$285 billion, followed by China with just \$12.4 billion and the UK with about \$6 billion.²¹ Looking at the historical picture, Israel ranks 5th in the world in AI investment for the period 2013-2025, with more than \$18 billion flowing into the field - ahead of countries like Germany, France, and India. Only the US, China, Canada, and the UK rank higher.²²

Even as AI companies are already showing solid revenue and characteristically unprecedented growth, infrastructure investments keep climbing year over year. In 2025, global private investment in AI reached \$344.7 billion - up 127.5% compared to 2024. GenAI companies accounted for \$170.9 billion of that total, nearly half of all private investment, up more than 200% from 2024.²³

FIGURE 7

Private AI Investment by Country, 2025

US\$ billions

Stanford AI Index 2026

1		United States	\$285.9B
2		China	\$12.4B
3		United Kingdom	\$5.9B
4		France	\$4.4B
5		Canada	\$4.3B
6		India	\$4.1B
7		Germany	\$3.9B
8		Israel	\$3.6B
9		Australia	\$2.5B
10		Saudi Arabia	\$2.0B

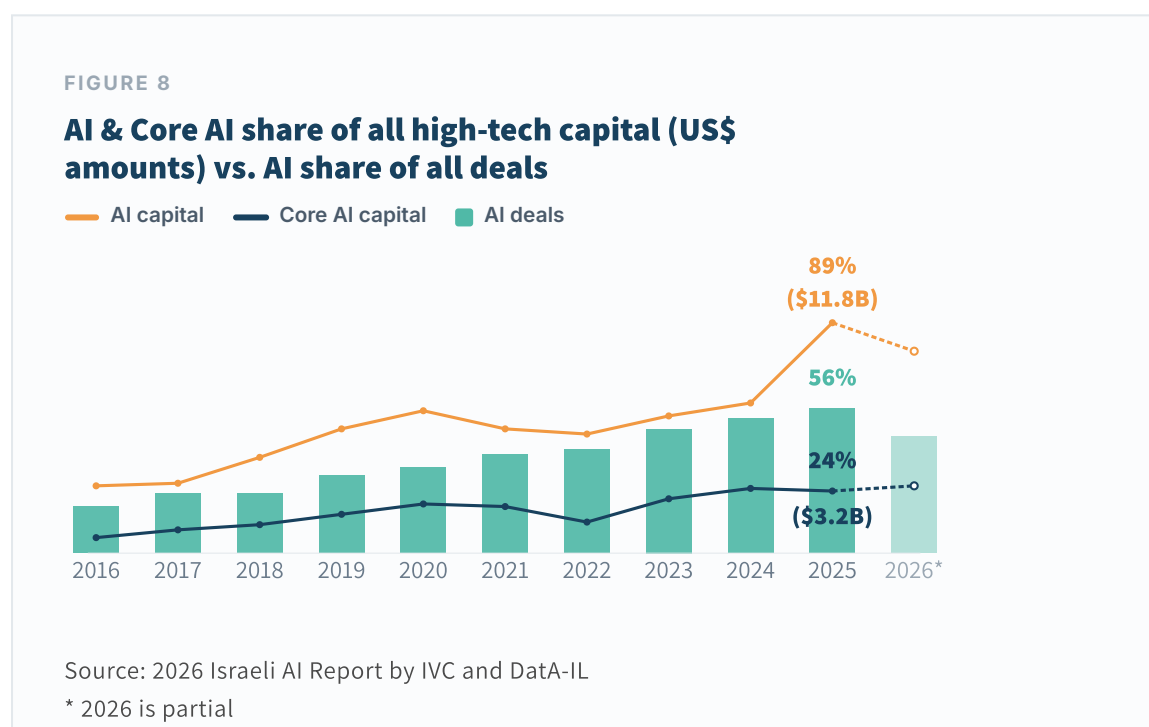
20. Brynjolfsson, E., Collis, A., Eggers, F., Kazinnik, S. and Nguyen, D. (2026, April 13). What is Generative AI Worth? Stanford Digital Economy Lab Working Paper. <https://ssrn.com/abstract=6569938>

21. Stanford's figures are lower than the figures presented in this report. A partial explanation is the publication date of the American report, which appears to have relied on partial data for 2025.

22,23. Stanford University Human-Centered Artificial Intelligence (HAI) (2026). Artificial Intelligence Index Report 2026. https://hai.stanford.edu/assets/files/ai_index_report_2026.pdf

According to IVC, after two years of decline, 2025 saw growth in the total capital raised by Israeli technology companies, reaching almost \$14 billion - the highest annual figure since the peak years of 2021-2022. At the same time, the number of funding rounds has been declining since 2023 - the number of rounds in 2023-2025 is below the 2014-2022 average, even excluding the peak years of 2020-2022.²⁴

Analyzing fundraising among AI companies reveals an interesting trend: the number of rounds and the amount of capital raised both peaked in 2021, in line with the overall trend - **but AI's relative share of total Israeli high-tech investment has been trending upward, reaching \$11.8 billion in 2025, or 89% of total investment, compared with just 58% of total investment in 2024.** AI companies raised capital in 499 rounds, representing 56% of all funding rounds last year. It's still too early to know whether this trend will hold, but the first half of 2026 shows AI companies' share of total capital raised at 78%.



This impressive jump can be attributed in part to the field's maturation - growth-stage companies raising larger sums in fewer rounds. Series C and later rounds show that nearly 57% of capital raised by AI companies came from later-stage rounds. In addition, several AI companies raised more than one round during 2025.

24. Israel Innovation Authority (May 2026). State of High-Tech 2026 Report. <https://innovationisrael.org.il/wp-content/uploads/2026/05/Annual-Report-The-State-of-High-Tech-2026Heb.pdf>

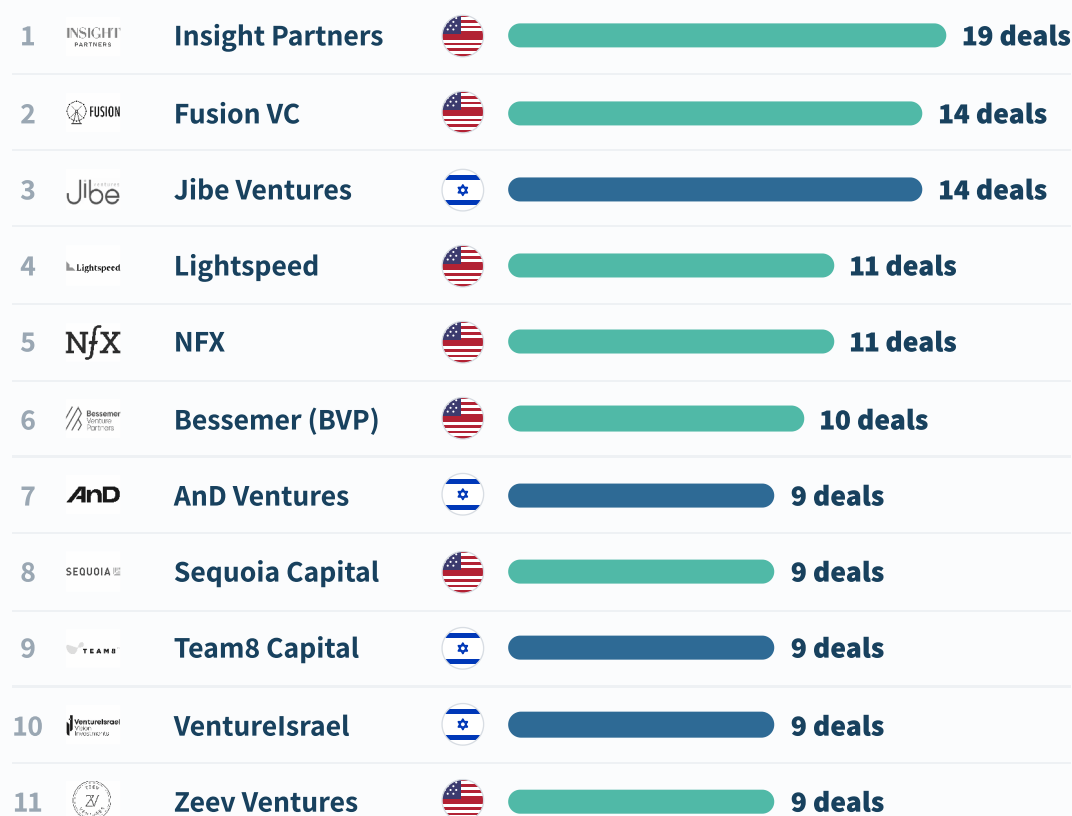
Core AI fundraising also grew over the past decade, and here too the number of rounds has declined since 2021. These companies raised over \$3 billion in 2025 - 23.6% of total capital raised, spread across 95 rounds.²⁵

Foreign vs. Israeli Investor Activity

Examining investment in local AI companies over the past decade shows that the traditional division of roles between Israeli and foreign funds persists even in this hot sector: traditionally, Israeli funds are more dominant in early-stage rounds, while foreign funds only enter the picture in more advanced rounds - where risk levels are lower but, conversely, the capital required is larger.

FIGURE 9

The Most Active Funds



Source: 2026 Israeli AI Report by IVC and Data-IL

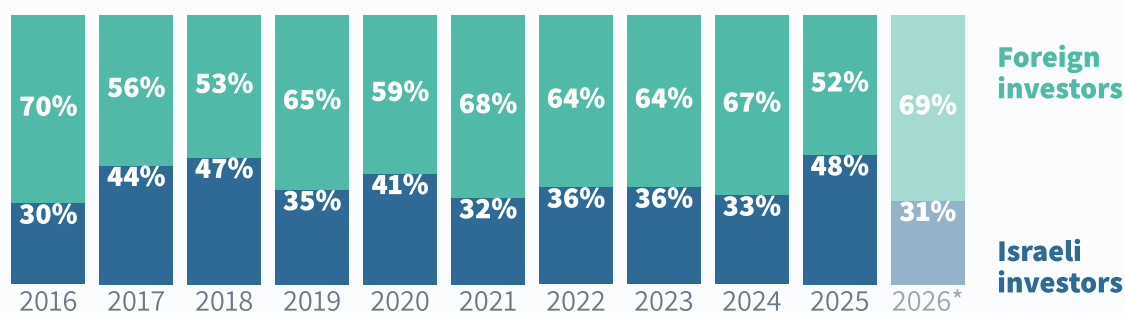
25. The Innovation Authority's State of High-Tech report notes that roughly 32.5% of investment went to Core AI companies; the gap in figures stems from that report including a giant \$2 billion investment in SSI, which, as noted, we chose not to include in this report. Along with additional differences, such as the timing of the report and the incorporation of data from additional sources.

In Israel, 61% of active investors in 2025 were Israeli (most of them venture capital funds) - but when looking specifically at investment in AI companies, the share of foreign investors is higher: of 1,281 active investors, 53% were foreign (66% of them VC or CVC funds) and 47% were Israeli (44% of them VC or CVC funds). A focused look at Core AI investment shows that of 469 active investors, 54.6% were foreign entities (67% VC or CVC) and 45.4% were Israeli (51% VC or CVC).

Analysis of IVC data shows that through 2025, Israeli funds accounted for 30% to 40% of the capital flowing into local AI companies, but over the past year their share jumped to more than 48%. Here too, this doesn't yet amount to a trend, and partial data for H1 2026 point to a return to the traditional capital split seen in prior years. One possible explanation for this shift may lie in local investors' attempt to "bridge" the decline in capital inflow from abroad due to the political and security situation. In any case, it represents a vote of confidence by local investors in the local ecosystem during a challenging period.

FIGURE 10

Israeli vs. foreign share of total AI capital, per year • 2016-2026



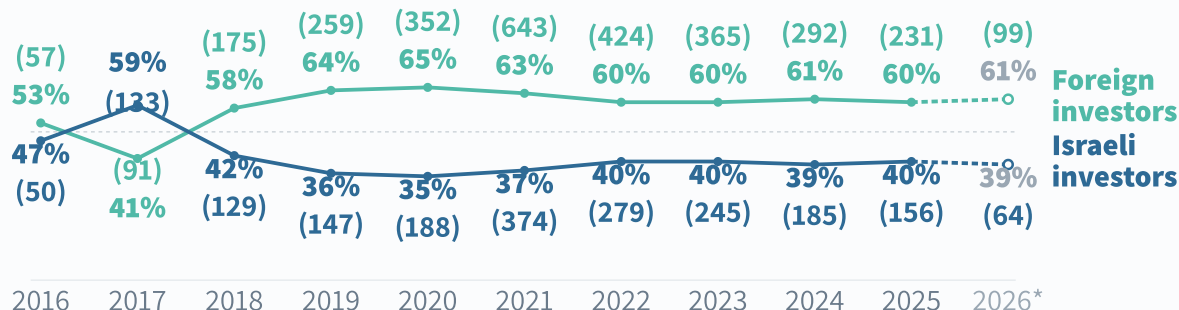
Source: 2026 Israeli AI Report by IVC and DataA-IL

* 2026 is partial

In terms of number of investments, local funds make more investment rounds each year than foreign funds - but when looking only at Series C and later rounds, the trend reverses, and foreign funds become the dominant force. Israeli funds' share has stayed fairly stable over the past decade, accounting for about 40% of later-stage investment rounds in AI companies.

FIGURE 11

Share of Series C and later AI rounds, by investor origin • in parentheses: number of deals • 2016-2026



Source: 2026 Israeli AI Report by IVC and DataA-IL

* 2026 is partial

The Innovation Authority's State of High-Tech report notes that fundraising sums once spread across more than 900 companies are now concentrated among only about 500 funding rounds. This concentration is driving a decline in the number of companies that succeed in raising equity financing - evident both in the shrinking pool of capital available to early-stage companies and in the capital available to companies outside the cybersecurity and enterprise software sectors, which together account for 55% of investment.²⁶

AI investment also saw a decline in the number of rounds in 2025, but the field stands out in this respect for the significant jump in the total amount of capital raised: whereas in 2024 nearly \$7 billion was spread across roughly 530 rounds, in 2025 \$11.8 billion in funding was spread across just 499 rounds.

26. Israel Innovation Authority (May 2026). State of High-Tech 2026 Report. <https://innovationisrael.org.il/wp-content/uploads/2026/05/Annual-Report-The-State-of-High-Tech-2026Heb.pdf>

Spotlight: Global Investment Distribution



The global trend is a year-over-year surge in GenAI investment, growing 200% over the past year. **The US leads investment volumes in the field by a wide margin - its 2025 investment in the field exceeded the combined investment of China and Europe.**

A global analysis of investment in the field shows that the hundreds of billions of dollars flowing into it have not been distributed evenly. The overwhelming majority of investor funds have gone to the field's standout players - GenAI pioneers that have become private-market giants almost overnight, and are expected to become public companies as well following IPOs.²⁷ The absolute number of new AI companies receiving funding grew in 2025, up 70.8% from the previous year; capital distribution has become more concentrated, with most investment dollars

flowing to a small number of deals. Compared to 2024, the average private AI investment in 2025 grew 46%, reaching \$66.5 million. Investment activity grew across all funding tiers, but the strongest growth was at the top end of the distribution, with 28 deals crossing the billion-dollar threshold, compared with just 15 in 2024. Israel has not yet had a single funding round in the field exceeding \$1 billion.²⁸

Israeli high-tech has always relied on capital inflows from foreign investors, and the challenging security situation of recent years hasn't fundamentally changed this balance of power. In 2025 as well, 70% of Israeli high-tech capital came from foreign investment. In AI, the picture is somewhat more balanced - 52% of capital in the field came from foreign investment in 2025.

27. As of this writing, Anthropic and OpenAI have filed prospectuses, but the IPO has not yet taken place.

28. Stanford University Human-Centered Artificial Intelligence (HAI) (2026). Artificial Intelligence Index Report 2026. https://hai.stanford.edu/assets/files/ai_index_report_2026.pdf

Chapter 9

Exits

2025 data point to growth in both the number of exits and the value of acquisitions among Israeli companies overall. During the year, 198 exits were recorded, including 189 mergers and acquisitions, totaling roughly \$18.5 billion — a 12% increase in acquisition value compared to 2024. IPO value jumped 319%, rising from \$0.39 billion across six IPOs in 2024 to \$1.6 billion across eight IPOs in 2025. Factoring in the Wiz, CyberArk, and Armis deals, announced during 2025 but only finalized in 2026, total exit value for 2025 reaches roughly \$84 billion, according to IVC data.

FIGURE 12

The Biggest Exits

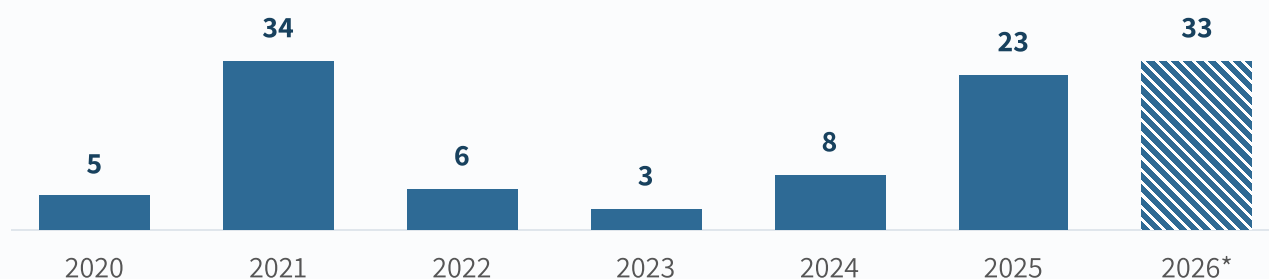
1	 Wiz		\$32B
2	 Armis Security		\$7.75B
3	 Sapiens International		\$2.5B
4	 Verint Systems		\$2B
5	 Mentee Robotics		\$900M
6	 Navan Labs		\$750M
7	 Carbyne		\$625M
8	 eToro Group		\$403M
9	 Astrix Security		\$400M
10	 Koi Security		\$400M

Source: 2026 Israeli AI Report by IVC and Data-IL

Looking at exits among AI companies since ChatGPT launched to the public in late 2022, with the GenAI fever only beginning to show up in market activity in the final quarter of that year, a consistent rise is evident in both the number of exits and the average exit value. Accordingly, 2025-2026 (including the Wiz deal in the 2026 total) reflects far more deals, at significantly larger sums.

FIGURE 13

Number of AI-company exits per year



Source: 2026 Israeli AI Report by IVC and Data-IL

* data before 2020 is incomplete

Total AI exits in 2025 came to \$6.3 billion - only about 31% of the overall deal total. The closing of the Wiz-Google deal in 2026 spiked the figures for the first half of 2026, bringing total deal value for that period to roughly \$43 billion, about 66% of the overall exit total. Data from the past year and a half reflect a healthy ecosystem supporting a growing number of higher-value deals each year.

02

The Public Sector

Israel is building national AI infrastructure: from the AI Directorate and supercomputer allocations to the adoption of artificial intelligence across government ministries.



The Public Sector

The role of the public sector in Israel's data and AI ecosystem sharpened over the past year, and it has become clear that AI is not merely a new technology, but an entire value chain.²⁹

Running through all of these activities, projects, and regulations like a common thread is the understanding that inter-ministerial collaboration needs to expand, that a broader view of life's challenges is required, and that AI carries strategic geopolitical importance across its entire value chain, from the chips to the edge.

In this chapter, we have mapped the strategic and structural decisions and overarching patterns we identified in government activity during the period this report covers - such as digital sovereignty, the drive toward data sharing, and initiatives that encourage acceleration across the different sectors.

This chapter focuses on public-sector activity, including the government and its various ministries, but does not address security-related matters within various institutions, local authorities, the courts, or public bodies that are not government ministries.³⁰

29. That is, from the chips on which the various models and software run, to the various edge devices, which also increasingly embed AI capabilities.

30. For a full and comprehensive overview of the various government bodies active in the field, the government decisions underpinning this activity, and historical background, see the public-sector chapter in Data-IL's previous ecosystem report for 2024-2025: <https://data-il.org/ecosystem-page>

Chapter 10

Strategic and Structural Decisions

In 2025-2026, the Israeli government formulated a sequence of strategic decisions and processes designed to accelerate the development and adoption of artificial intelligence in Israel. The process began with the publication of the Nagel Committee report in August 2025, which presented recommendations for building national capabilities in the field.³¹ This was followed by the establishment of the National AI Directorate within the Prime Minister's Office, and subsequently by government resolutions advancing data and AI infrastructure in the public sector³² and formulating a national AI program.³³

The central milestone was Government Resolution 4255 of June 2026, which approved the National AI Program.³⁴ The program positions AI as a strategic asset of economic, security, and social importance, and defines two broad goals: turning Israel into a power through AI, and using artificial intelligence as a national, economic, security, and technological force multiplier, in order to advance the welfare and prosperity of Israel's residents.

The program combines a long-term vision with a five-year action plan, and focuses on infrastructure, human capital, data, regulation, international partnerships, and the adoption of AI across the public and private sectors.

The strategic plan's draft defines artificial intelligence as a long-term strategic event, requiring a decade-ahead outlook alongside a five-year operational plan. The working assumption underlying the plan is that Israel cannot compete with major powers in terms of budget and resource scale, and must therefore leverage unique relative advantages:

31. <https://www.gov.il/BlobFolder/news/event-ai050825/he/ai050825.pdf>

32. <https://www.gov.il/he/pages/dec3574-2025>

33. <https://www.gov.il/he/pages/dec4121-2026>

34. <https://www.gov.il/he/pages/dec4255-2026>

Physical AI and Edge AI. Focused, efficient solutions operating in physical spaces, where experience, expertise, and ties between government, academia, industry, and the defense establishment can generate a significant competitive advantage.

The link between cyber and AI. A proven cybersecurity reputation, whose connection to AI - identified in the previous ecosystem report as well, may become one of the central engines of leadership in the years ahead.

Rapid adoption capability. Positioning Israel as a country that adopts AI solutions early across industry, education, and healthcare, so that entire systems can change relatively quickly.

The central areas of action defined include: AI infrastructure and digital sovereignty; data as a national asset; human capital development; innovation-friendly regulation; a national quantum computer; improving public services; addressing AI's impact on the labor market; international partnerships; and advancing the fields of Cyber AI and Physical AI.

The National AI Directorate

A central component of the program is the establishment of the National AI Directorate, set up under Government Resolution 3375 in September 2025, with a setup and operating budget of NIS 120 million for 2025-2026 (NIS 13 million in 2025, NIS 107 million in 2026, and NIS 15 million per year planned for 2027).³⁵ The Directorate is intended to serve as the integrating body for AI policy in Israel, to consolidate inter-ministerial activity, and to lead national initiatives. Its establishment positions Israel alongside roughly 30 countries that have set up a dedicated body or unit to coordinate and integrate AI policy.³⁶

Within this framework, an operating model based on "acceleration through impact" was adopted - that is, connecting infrastructure, regulation, data, government bodies, industry, and academia around defined national challenges. In line with the strategic plan and the Directorate' operating principles, focus areas were defined for the Directorate to advance as an integrating body: data as a national asset; Israeli models; regulation; human capital development for the AI era; infrastructure and digital sovereignty; and alliances and international partnerships.

35. <https://www.gov.il/he/pages/dec3375-2025>

36. This estimate is drawn from the OECD report, which notes roughly 70 countries that have adopted an AI strategy. The estimate refers to a centralized rather than decentralized model: <https://oecd.ai/en/>

The governance structure established is three-tiered: the National Directorate as the integrating body; a ministerial committee, chaired by the Prime Minister, responsible for inter-ministerial coordination and decisions; and government ministries and implementing bodies responsible for executing the strategy.

Alongside this significant progress, several open questions remain - including the scope of long-term budgets, the division of authority between the Directorate and other bodies, and the definition of clear success metrics that will make it possible to measure the program's contribution to achieving its goal: positioning Israel as one of the world's leading countries in the age of artificial intelligence.

In this chapter, we present the central patterns identified in the strategic plan and in existing activity, and examine how these initiatives come together to form the complete picture.

The Geo-Technological Era and Digital Sovereignty

- The state's role is expanding into that of a strategic partner, positioning Israel within the global AI value chain.
- The concrete translation is a processing target equivalent to 100,000 accelerators within five years, the recognition of data centers with capacity above 50 megawatts as "national infrastructure," and the exploration of local production of AI chips and local models.
- Internationally, positioning is organizing around the American axis, alongside a weakening of the European channel - creating a short-term access advantage and a long-term concentration of risk.

Until recently, AI discourse in Israel focused mainly on industry and research: companies developing products, researchers and papers, security units acquiring capabilities, and the state acting as a regulatory and budgeting committee. But over the past year, a different conception has taken shape: AI as a pillar of geopolitical power for countries in general, and for Israel in particular.³⁷ **Dror Bin, CEO of the Innovation Authority, notes that "artificial intelligence is a global growth engine - but also part of a global technological arms race".³⁸**

The practical meaning is an expansion of the state's role, from funding and regulation to becoming a strategic partner to the private market and academia - building infrastructure and data assets, advancing international alliances, and leveraging its geopolitical standing to shape the environment in which the Israeli ecosystem operates. It must also secure its place in the global AI value chain and carve out a unique position within it.³⁹

Underlying this is the understanding that computing, chips, cloud, and critical minerals have become geopolitical bottlenecks, and that countries without local computing capabilities are dependent on the decisions of major powers and

37. <https://www.weforum.org/stories/technological-innovation/ai-geopolitics-data-centres-technological-rivalry>

38. https://innovationisrael.org.il/press_release/ai-national-super-computer-2025/

39. As it appears in the strategic principles and directions for action document - Accelerating Artificial Intelligence and Establishing National Leadership.

corporations. Israel seeks to build a "minimal technological threshold" and to create a local alternative wherever availability, cost, data security, or regulation are critical. The central question today is which links in the AI value chain must remain under Israeli control; the fact that exploring local production of AI chips is included in the government resolution and in the strategy's principles shows just how much the discourse has shifted.

The most concrete translation of this outlook is the computing target. **The strategy's principles set a processing target equivalent to the performance of 100,000 AI accelerators over the next five years**, while preserving technological flexibility for future generations of hardware. Sufficient processing power is essential for training competitive models, conducting advanced research, and deploying AI solutions at national scale. Today, the national supercomputer provides only a partial answer, at the R&D level and for companies in early stages of their lifecycle.

At the same time, there is recognition of data centers as national infrastructure, with the statutory mechanism used for ports and power stations serving as a clear directional signal. **Israel seeks to build its critical AI infrastructure within its own borders, rather than being dependent - in an emergency or on core matters - on the capabilities of external companies or countries.**⁴⁰ Both steps align with the Nagel Committee report, which defined the lack of computing infrastructure in Israel as a strategic risk.

The second dimension of this outlook is foreign relations. **Israel's joining of Pax Silica and its joint declaration with the United States place it within a select club of countries perceived in Washington as strategic technology partners**, carrying potential for collaboration in chips, advanced computing, cybersecurity, data, and AI industries; the bilateral funds (operated by the Innovation Authority) with the United States, Singapore, India, and South Korea translate this into company-level partnerships. Domestically, placing the National Digital Agency under the Prime Minister's Office, alongside the National Directorate' activity within the same office, signals the consolidation of two of the bodies working on AI under one roof - one also responsible for both policy and security.

A further dimension is the building of Israeli models, to ensure independence and

40. This does not mean full disengagement from international companies, but developing parallel and complementary capabilities. For example, the Nimbus public cloud runs on Google and AWS servers.

continued access without regulatory, API, data-security, or other restrictions. An early sign of movement toward such a model can be seen in the request for information (RFI) published by the National AI Directorate in August 2026.⁴¹

International Alliances and Activity

The AI field is taking shape on the global stage: computing infrastructure, chips, cloud, models, regulation, standards, investment, and scientific knowledge do not stop at national borders. For Israel, the question isn't only whom it signs with, but also which supply chains, which regulatory regimes, and which research funding sources it is tied to. The past year presents a complex picture: **rapid but limited deepening of the American axis, alongside a weakening of the European channel**, which for decades served as Israel's central multinational research pipeline.

Pax Silica - Israel as a partner in the global AI chain

In December 2025, Israel joined Pax Silica, a US-led strategic initiative to fortify supply chains in the AI era, including semiconductors, infrastructure, advanced industries, critical minerals, energy, and logistics.⁴² The initiative was born out of global competition over chips, critical minerals, and AI infrastructure, aiming to reorganize the AI-era value chain around "trusted" countries with shared strategic interests. It is driven in particular by the desire of the United States and its allies to reduce dependence on vulnerable supply chains or competing countries. The US State Department defines it as its flagship initiative in the field.⁴³ **Joining it has strengthened Israel's standing as a technological and strategic partner of leading nations.**

At the second Pax Silica summit, in June 2026, the initiative expanded with ten additional signatories - including the European Union, Germany, Greece, the Netherlands, Argentina, Chile, Kazakhstan, and Panama, reaching 24 signatories. The summit also announced a pilot project for a platform to verify and track the supply chain of AI components, to be tested first at Panama's ports, and a Foundry School advanced-manufacturing training initiative in partnership with Stanford University.

The expansion changes the meaning of membership. When Israel joined the

41. https://hazira.gpa.gov.il/subdomain/foundation-models/end/campaign_overview?q_subdomain=foundation-model&qmzn=yqvcGB

42. <https://www.gov.il/en/pages/israel-joins-pax-silica-initiative-13-dec-2025?utm>

43. <https://www.state.gov/pax-silica/?utm>

initiative, it was one of a single-digit number of partners, and membership mainly signaled positioning in the inner circle. With the entry of the EU and Germany, Pax Silica has become a broader governance framework, in which Israel's relative advantage is measured less by membership itself and more by what it brings to the table: chip design, cybersecurity, and supply-chain security.

The US axis: from technical cooperation to strategic partnership

Israeli-American AI cooperation has deepened in two stages. In July 2025, a memorandum of understanding on energy and AI was signed,⁴⁴ addressing the impact of data centers on electricity demand, grid optimization, AI-based cyber tools, and bilateral pilots. In January 2026, a joint declaration on strategic partnership in AI,⁴⁵ research, and critical technologies was signed. Israel was the first country to sign such a declaration with the United States, which also includes joint initiatives in machine learning, healthcare applications, cybersecurity, and autonomous systems, protection of sensitive research technologies, and the establishment of shared platforms for basic and applied research. **American officials noted the intention to establish testing sites in Israel, based on the assumption that its size and rapid pace of moving from idea to execution allow for quick testing of applications.**⁴⁶

Expanding the network of bilateral alliances: India and Azerbaijan

In February 2026, relations with India were upgraded to special strategic partnership status, during a visit by India's Prime Minister to Israel.

The two countries signed roughly 16 memoranda of understanding, including a partnership on critical and emerging technologies covering AI, quantum technologies, and critical minerals, as well as a separate memorandum on AI in education;⁴⁷ both countries declared their intention to advance a free trade agreement. That same month, a memorandum of understanding on AI was signed in Jerusalem with Azerbaijan,⁴⁸ focused on supercomputing infrastructure, applications in critical civilian sectors, human capital, and joint research.

44. <https://www.gov.il/he/pages/event-ai08072>

45. <https://www.gov.il/he/pages/news-ai-18012026>

46. https://www.clevelandjewishnews.com/jns/us-israel-launch-strategic-partnership-on-ai-in-jerusalem/article_f6a45cb-d-8fad-5b82-9f68-c80e3df63490.html

47. <https://chiportal.co.il/מודי-בירושלים-הודו-וישראל-מקדמות-שיתוף/>

48. <https://www.gov.il/he/pages/news-ai-04022026>

Both agreements reflect a similar pattern: **Israel entering partnerships in which it provides applied capability and sector-specific expertise**. This is a consistent positioning that leverages the strategic relative advantage that has been defined - speed of adoption and focus, rather than competing on scale.

Challenges in the global arena

That said, **the international arena also presents challenges. For example, the European Commission proposed partially suspending Israel from Horizon Europe**, and specifically from the EIC, which funds startups in dual-use technologies, including AI. The proposal did not pass, but the fact that it was raised at all, together with reports of a sharp decline in Israeli success rates in Horizon, signals a worrying trend. In addition, alongside the close partnership with the United States, Israel's classification there remains in the "case-by-case review" category - not the first tier of partner countries. This applies despite the fact that on 10.7.2026, the U.S. Department of Commerce moved the United Arab Emirates into a more lenient category.

Infrastructure and Chips

Data centers as national infrastructure (Government Resolution 3907)

In February 2026, Government Resolution 3907 was adopted to advance the development of advanced data centers. In June 2026, the Knesset approved, in a first reading, defining data centers with capacity greater than 50 megawatts as "national infrastructure,"⁴⁹ making them eligible for an accelerated approval track through the National Infrastructure Committee, with expedited planning and approval timelines. In addition, Government Resolution 3586 of December 2025 tasked the Electricity Authority with preparing the power grid to support the establishment of data centers.⁵⁰

On the other hand, after pending connection requests reached roughly 27,000 megawatts (against national consumption of about 9,000 megawatts, with roughly 1,500 megawatts already allocated to data centers), in July 2026 the Electricity Authority decided to freeze processing of existing applications and halt approvals for connecting new data centers to the grid, due to load constraints, for a period of 140 days (until December).⁵¹

49. <https://www.gov.il/he/pages/dec3907-2026?utm>

50. <https://www.gov.il/he/pages/dec3586-2025>

51. <https://www.gov.il/BlobFolder/policy/74506/he/74506.pdf>

Spotlight: Israel's chip target and the national supercomputer - Nebius

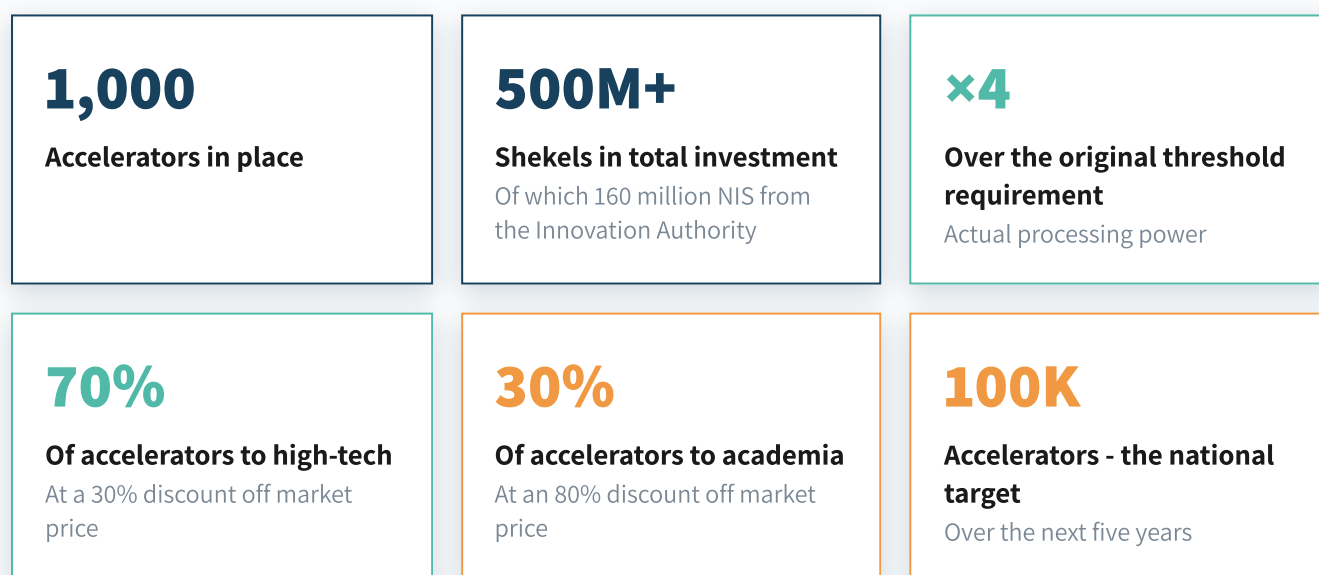
The national supercomputer, built by Nebius under the leadership and investment of the Innovation Authority, is the largest public investment in computing power during this period - over 500 million NIS, providing 1,000 B200 accelerators per month⁵² - part of a broader effort to boost Israel's computing capabilities, with a target of 100,000 accelerators.

Until now, many young Israeli AI companies have had to contend with long wait times, high costs, and dependence on international cloud providers for training large models. This bottleneck hit especially hard for early-stage startups, academic research teams, and companies without large-scale procurement power.

FIGURE 14

The National Supercomputer, Nebius, by the Numbers

Launched in January 2026 under the Innovation Authority's leadership. In practice, it sees extensive use in academia and more limited use among startups.



Source: 2026 Israeli AI Report by IVC and Data-IL

In January 2026, following a total investment of more than half a billion shekels - 160 million NIS of it from the Innovation Authority, the supercomputer's

52. For more on the selection and establishment process for Nebius, see the 2024-2025 ecosystem report.

operations launched in Israel, offering processing power four times greater than the original threshold requirement. Access to the computer is offered at a 30% discount off market price for high-tech companies, which receive 70% of chip allocation,⁵³ and at an 80% discount for academia, which receives 30% of chip allocation.⁵⁴ It launched in January 2026 and is now in extensive use across both academia and industry.

Making B200 accelerators accessible in Israel, at a reduced price and through a public allocation mechanism, **could allow more players to establish deep R&D capabilities**. The success of the Nebius supercomputer in particular, and of the 100,000-accelerator target in general, will be measured not only by the number of accelerators allocated or the GPU utilization rate, but also by outcomes: how many significant models were trained in Israel; how many Israeli companies used the infrastructure to achieve a technological or business breakthrough; how many research groups published leading papers; whether dedicated models were built for language, healthcare, education, agriculture, or public services; whether a professional community of AI infrastructure engineers, researchers, and platform companies formed around the infrastructure; and in answer to the question of whether it was necessary to build them on Israeli soil, or whether accelerators located outside Israel could have served sovereignty needs - security, academia, R&D, and so on.

53. https://innovationisrael.org.il/kol_kore/usage-vouchers-rnd-labs/

54. The voucher track of the Innovation Authority's R&D Fund.

Chapter 12

Data as a national asset

- A conceptual shift from raw data to an AI-ready asset - connected, standardized, secured, and accessible
- Nimbus, as infrastructure, and a national data catalog are designed to turn information from a closed departmental asset into shared infrastructure
- Alongside the infrastructure, direct budgetary incentives are in place to encourage data sharing and the establishment of shared data infrastructure

The second conceptual shift concerns data, and it runs no less deep. **The government is working to turn raw data into an AI-ready asset:** connected, standardized, secured, accessible through API interfaces, and accompanied by privacy mechanisms. The challenge here is as much cultural as it is technological - government ministries that for years guarded their data as a protected asset are now being asked to share it across ministries. A shift like this requires new incentives, clear definitions of responsibility, and, above all, building trust.

The central tool here is the data-compass concept, under which the National Digital Agency led the anchoring of data-transfer arrangements in a government resolution, aimed at breaking down market failures and departmental silos. Alongside this, a national data catalog and unified ontologies are being established, designed to turn information from a closed departmental asset into an available Data Mesh infrastructure on which AI capabilities can be built. In practice, Nimbus already serves as a platform for this, with 14 strategic initiatives defining shared "content worlds" for roughly 50 ministries, on top of a

cloud infrastructure that enables inter-ministerial data sharing.

Beyond infrastructure, the state is also deploying direct incentives. The call for proposals for AI projects in government ministries for 2026-2027 sets data sharing as a threshold condition - an attempt to institutionalize the cultural shift through budgetary tools. The call for proposals for data assets encourages building shared infrastructure organized around entire industrial clusters - a state investment in shared infrastructure on which companies, research, and products will later be built. The Directorate's resolution proposal, which calls for establishing a central government platform for sharing data and models and for examining a policy of open data by default, signals the next direction.

An Inter-Ministerial Team for New Data-Sharing Arrangements

The concept of data as a national, strategic asset is part of the emerging strategy. Data is infrastructure for accelerating AI, and it must be examined how it can be leveraged for the public, while preserving privacy, data security, fundamental rights, and civic trust. As part of this concept, an inter-ministerial team - whose members include representatives from the Ministry of Justice, the Prime Minister's Office, the Ministry of Finance, and the National Digital Agency, **is leading the anchoring of new data-transfer arrangements. This is aimed at enabling data- and AI-based government work and bringing about a major leap forward in services for residents and businesses in Israel.** This activity is accompanied by the creation of a unified language around data, in order to turn information from a closed departmental asset into available infrastructure that enables AI development.

Data Assets for Accelerating AI Research by Cluster

As part of a joint call for proposals by the Innovation Authority, the Ministry of Economy, the Ministry of Agriculture, and the Tekuma Administration, integrated data infrastructures will be established by cluster: life sciences, advanced

manufacturing, desert-tech, agri-tech, food-tech, defense-tech, and high-tech (software).⁵⁵ The winning bodies received NIS 44 million (55%-66% of their approved expenses). Each infrastructure will be based on at least three data sources, will run on a cloud accessible to any Israeli entity, and will include virtual separation environments. **The goal is to turn scattered data repositories into AI-ready infrastructure and to address areas the ecosystem struggles to handle on its own.**

55. https://innovationisrael.org.il/kol_kore/data-for-ai/

Chapter 13

Ecosystem Acceleration

- Instead of the bottom-up technology-push approach common around the world, the Israeli strategy seeks, in many cases, to reverse the order and adopt a problem-first approach. A National AI Institute will be established to serve as a hub for experimentation labs.
- The public sector has two channels of influence: directly improving services for residents, and serving as an anchor customer and testing ground that shapes standards and practices for the market as a whole - through various projects in government ministries, workforce training, and more.
- Various budgets and mechanisms are dedicated to supporting and accelerating Israeli technology companies and Israeli academia.

The prevailing global approach to national AI planning is bottom-up technology push: building infrastructure, supporting innovation, and training the workforce as a broad base, and then seeing what develops. This approach has the advantages of flexibility and entrepreneurship, but also a built-in drawback: "AI for its own sake", without being anchored to a "what for". **The Israeli strategy seeks, in many cases, to reverse this order and adopt a problem-first approach. This is a strategy suited to managing a budget that is limited relative to major powers**, where concentrating resources around a small number of problems may have a greater impact than spreading investment broadly.

The central institutional expression of this direction is the establishment of the National AI Institute and the impact hubs, which start from a defined problem - such as overload in health funds, rental prices, or the high cost of using public transportation - and only then build an environment that brings together, in one place, data, regulation, computing power, and technological capability. Alongside the hubs, regulatory sandboxes are a further expression of this direction - an opportunity to run experiments rather than set top-down regulation.

Regulatory Tools, Experimentation, and Usage Guides

Government guide to responsible AI use

In May 2026, the National Digital Agency, in partnership with the Legal Counsel and Legislation Department at the Ministry of Justice, published a guide for the responsible use of AI in the public sector. The guide focuses on three pillars: defining shared principles for the responsible use of artificial intelligence, based on the OECD's principles on the subject; a structured organizational approach and procedures enabling the implementation of these principles; and a risk-management process for AI-system deployment projects, calibrated to the level of risk inherent in the relevant system. Its purpose is to support innovation and AI development in the public sector - for the sake of efficiency, improved service, and reduced social gaps - while providing a policy framework that enables the informed adoption of AI technologies.

The guide emphasizes the need to weigh system risks alongside expected benefits, and to build flexible risk-management processes that allow for controlled experimentation. It also emphasizes the need to examine the use of technological tools to address known AI risks, such as bias, model hallucinations, and potential harm to privacy. One of the guide's appendices is an organizational policy template for responsible AI use, which public-sector organizations can adopt and adapt to their own environment. The guide serves as infrastructure enabling responsible deployment at scale.

Regulatory sandboxes

Regulatory sandboxes are designed to position Israel as a beta site for testing new technologies and their real-world use.

The regulators' forum

In July 2025, an initiative for regulatory experimentation in AI was launched, led by the Center for AI Regulation and Policy at the Ministry of Innovation. **The initiative's goal is to enable ministries to advance the development and adoption of AI with professional and legal support. An inter-ministerial regulators' forum was also established**, comprising roughly 150 representatives from 60 bodies, generating regulatory learning on the fly.



In Healthcare

The Innovation Authority and the Ministry of Health announced in July 2026 the launch of one of the world's first regulatory sandboxes and the selection of the first three companies to take part in Israel's new AI-in-healthcare program.⁵⁶ The initiative, supported through the Innovation Authority's Pilot Fund with a budget of 8.5 million NIS (3.3 million NIS from the Innovation Authority, with the remainder in matching funds), **is designed to enable the development, evaluation, and validation of highly autonomous AI-based medical technologies within a supervised regulatory environment**, while at the same time shaping the regulatory pathways that will support the next generation of healthcare in Israel and worldwide. The initiative is intended to support the development, evaluation, and maturation of breakthrough, AI-based medical technologies within a supervised regulatory environment, through close collaboration between industry, the healthcare system, and the regulator.



In education

The Innovation Authority and the Ministry of Education led initial government funding of NIS 16 million - half from the Innovation Authority and the Ministry of Education, and half from industry - for a regulatory sandbox in education, **aimed at addressing systemic challenges such as teacher shortages, classroom overcrowding, and educational inequality. The project will allow AI startups to test personalized in-classroom learning solutions.**⁵⁷ The companies have been selected and will soon be given access to schools to run pilots, along with regulatory support and financial assistance from the Innovation Authority.

100 active projects across 33 ministries, according to the AI Watch dashboard - an increase of roughly 35% compared with about 70 in the previous report.

Example projects include a citizen information-center tool, a program redesigning the role of the teacher, a tool for shortening committee wait times, and a platform with the potential to positively affect 1.5 million citizens.

56. https://aiisrael.org.il/press_release/launch-of-one-of-the-first-regulatory-sandbox-for-artificial-intelligence-in-healthcare/

57. July 2025.

Accelerating the Public Sector as a Public Service and Beta Site

The adoption of data and AI in the public sector is a central junction in the Israeli ecosystem - not merely an internal effort to improve service. Two channels of impact operate here in parallel. The first channel is direct: **data and AI capabilities allow government bodies to shorten processing times, identify populations that aren't claiming their full entitlements, route inquiries, and make information accessible - in other words, to improve service to residents** at a scale that's difficult to achieve through additional staffing alone.

“Embedding artificial intelligence in the core of government work allows us to solve complex, deep-rooted challenges and to upgrade public service to an unprecedented degree. Government projects empower civil servants and allow them to focus on high-quality, professional and human work. They also generate technological solutions that translate directly into tangible, meaningful value for every citizen in Israel.”

— Meirav Peretz Bilinski, SVP Data and Artificial Intelligence, Israel National Digital Agency

The second, indirect channel is at times even more significant: the public sector holds sensitive data repositories at a scale of demand with no equivalent in the private market, **making it a natural testing ground for large-scale projects and technologies that haven't yet proven themselves at meaningful scale.** A project that works in a local authority, a public health body, or a government ministry produces better service and also generates standards, regulatory practices, and applied knowledge that filter back to the companies that built it, and from there to the market as a whole. **The government isn't only a consumer of AI - it's also an anchor customer that shapes what the ecosystem produces.**

Nimbus - the government cloud infrastructure

The Nimbus project is Israel's national government cloud project, led by the Nimbus Partnership, which includes the National Digital Agency, the Budget Division and the Accountant General's Division at the Ministry of Finance, the National Cyber Directorate, and the Prime Minister's Office. **The project is one of the Israeli government's central infrastructure initiatives of the past decade**, and provides an important foundation for the public sector's ability to adopt advanced technologies in general, and AI technologies in particular, and to work with data more flexibly.

In December 2025, Government Resolution 3574 anchored the "Government Roadmap for Accelerating Digital Services, Data Capabilities, and Artificial Intelligence on the Nimbus Public Cloud, 2025-2029."⁵⁸ Beyond being a technology plan, the roadmap is a strategic national work plan designed to leverage the Nimbus public cloud as a hub for innovation, advanced services, and the integration of AI across all government processes. The plan is organized around a triple logic model of outcomes, outputs, and inputs, and consolidates 14 cross-cutting strategic initiatives (such as social services, employment, planning and infrastructure, and law and enforcement). The Nimbus roadmap will advance the broad use of data to improve decision-making, streamline services through automation and AI, and ensure optimal synchronization and information-sharing across all government bodies and affiliated units.

The cloud roadmap defines how the government will adopt advanced technologies for the public benefit and for government work, how it will manage data, and how it will prepare itself for an era of advanced digital services, analytics, and AI. **What makes Nimbus distinctive is a renewed operating concept for digital transformation processes - one that uses digital tools as a means of achieving business and process outcomes in government**, while prioritizing resources based on national impact, technological feasibility, and value to the citizen.

In addition, many products from the Israeli ecosystem have been added to Tier 5 (Marketplace) of the Nimbus tender, including products specializing in data management and in a range of AI-integration capabilities for government processes.

58. <https://www.gov.il/he/pages/dec3574-2025>

Embedding AI in government

Call for proposals to embed AI across government ministries - 22 projects

The call for proposals for AI adoption in government ministries, led by the National Digital Agency, is currently in its third round.⁵⁹ Selected projects receive funding support and professional guidance from the National Digital Agency. In the first round (2024), nine projects were selected out of roughly 30 proposals, with a budget of more than 45 million NIS. In the second round (2025), budgeted at 40 million NIS for national projects, the number of proposals grew and 11 projects were selected. **In total, there are 20 projects with an investment of more than 80 million NIS.** The leading areas are oversight, regulation, and compliance (six projects, 12.6 million NIS), planning, spatial issues, and infrastructure (five projects, 10.7 million NIS), and citizen services (five projects, 7.5 million NIS). The main patterns emerging from this picture are the preservation of human-in-the-loop oversight and a push toward operational projects at a deep systemic level, rather than just at the front-end interface.

The call for proposals for 2026-2027 shows a conceptual evolution: it promotes fewer projects (four to five), but they are larger and more significant, with higher funding per project. An important threshold condition, designed to promote cross-cutting collaboration within government, **requires a partnership of three or more ministries**, including the data-sharing required for the solution, in the form of establishing a shared data pool or developing a joint API. The projects are meant to address improving service to residents, improving quality of life, and streamlining inter-ministerial processes.

This shift stems from the understanding that the main bottleneck in government today lies in inter-ministerial integration and data sharing.

AI analysis across government ministries

Beyond the call for proposals mentioned here, the various government ministries are working to adopt and integrate a range of AI technologies aimed at improving the service provided to residents. The data here are drawn from the National Digital Agency's AI Watch dashboard. At the time of writing, the dashboard was still being updated⁶⁰, with new projects being added by all government ministries.

59. https://content.viplus.com/drors_digital_gov_il/MailAttachments/7.5.26-קולקורא.pdf

60. Based on AI Watch data from the National Digital Agency: https://datastudio.google.com/reporting/c8cc7d63-9cd1-448c-bc1e-cc5069ff98ac/page/p_5t66ehxl4d

The government views artificial intelligence as a strategic field requiring comprehensive investment in infrastructure, resources, and national capabilities. That said, relative to the pace of investment worldwide - particularly in the United States, Europe, the Gulf states, and Asia - Israel is still at a stage where the central challenge is turning declarations, calls for proposals, and one-off grants into a stable, budgeted, and measurable multi-year plan. It's worth adding that a parallel review by the State Comptroller, conducted as part of EUROSAT (2026), found that no comprehensive national program had been approved by the end of 2025, and that budget execution was "particularly low" specifically in advanced computing infrastructure.⁶¹

Analysis of Government Projects Based on AI Watch Data

Project classification by name and description: The government uses AI first and foremost to handle text. The area of document analysis, classification, and information extraction is the largest, with 29 projects (30%), followed by chatbots and information assistants with 22 projects (23%), and transcription, summarization, and translation with eight projects (about 8%). Together, these three areas represent about 61% of all projects, and all of them essentially address the same problem: documents and unstructured information.⁶² "Heavier" domains, such as recommendations and decision support (9), monitoring and enforcement (9), and forecasting and planning (8), are still a minority and may appear in the next wave.

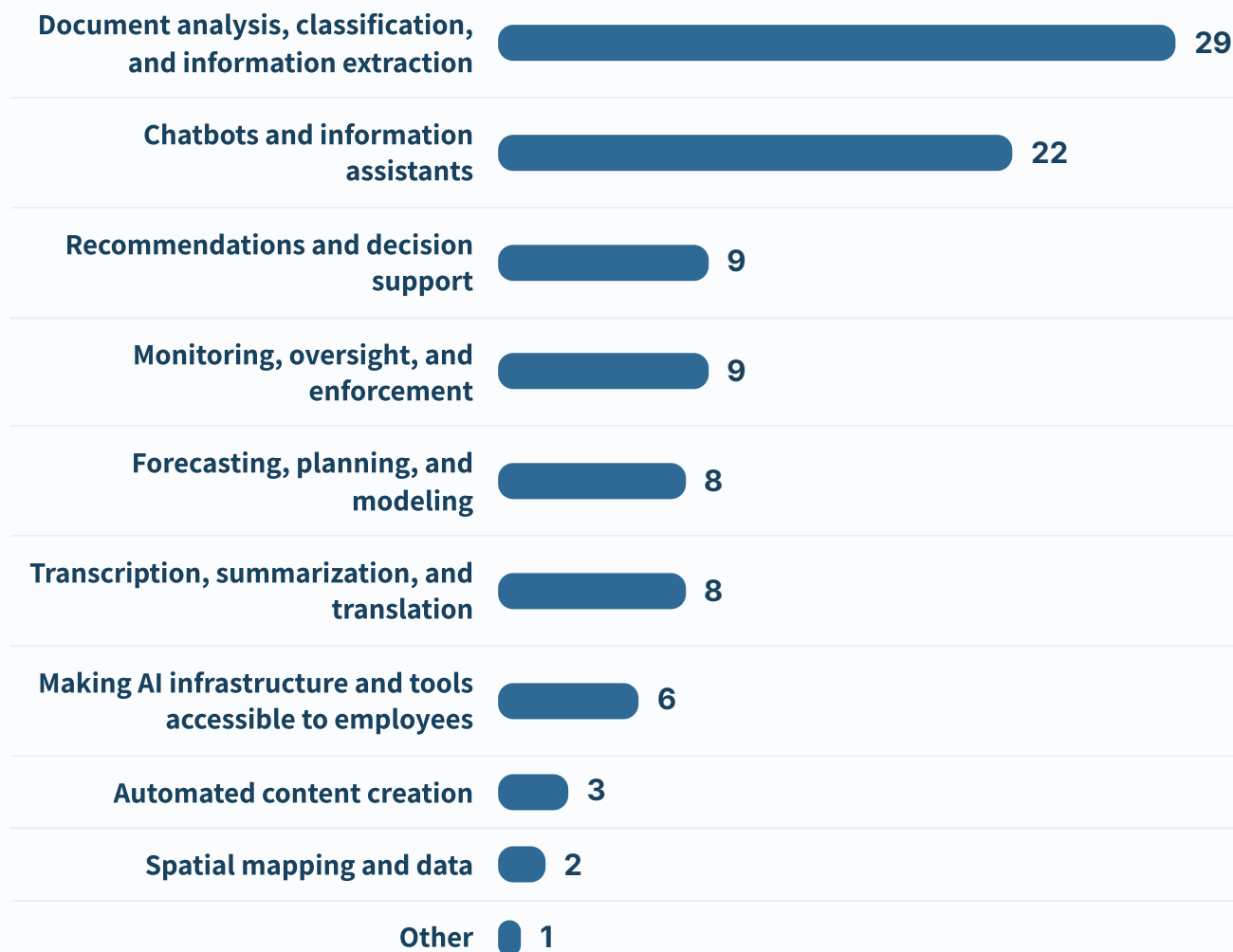
61. <https://library.mevaker.gov.il/sites/DigitalLibrary/Pages/Publications/2148.aspx>

62. It should be noted that the data are based on self-reporting by the ministries, which may be biased.

FIGURE 15

Half of All Projects Involve Documents and Chatbots

Ten content categories · Number of projects



Each project is assigned to a single dominant category.

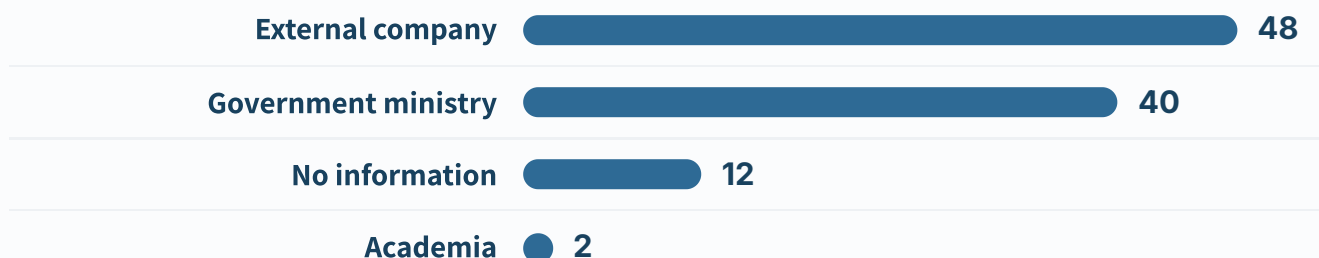
Source: AI Watch dashboard, National Digital Agency, data as of 08/07/2026 · Analysis by Data-IL

Who develops: An active GovTech market: external companies are partners in 48 projects, roughly half of them, giving GovTech companies a real foothold for working with the public sector in Israel.

FIGURE 16

External Companies Develop Nearly Half of All Projects; Academia Is Almost Absent

The developing party · Number of projects



The total exceeds 97 because some projects involve more than one party.

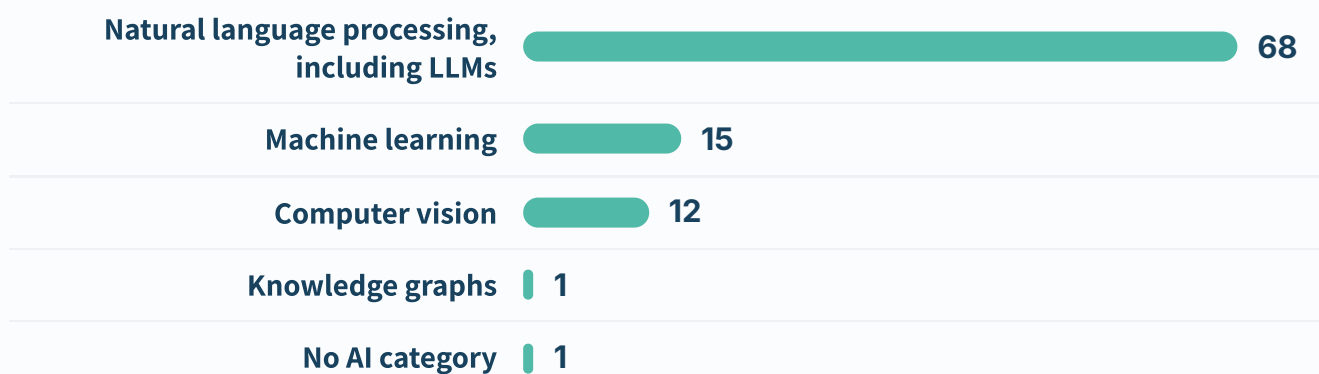
Source: AI Watch dashboard, National Digital Agency, data as of 08/07/2026 · Analysis by Data-IL

Technology: About 68 of the projects (70%) are based on NLP and language models, 15 projects (about 15.5%) on "classic" machine learning, and 12 (about 12.4%) on computer vision.

FIGURE 17

Seven in Ten Projects Are Language-Processing-Based

The central AI technology in each project · Number of projects



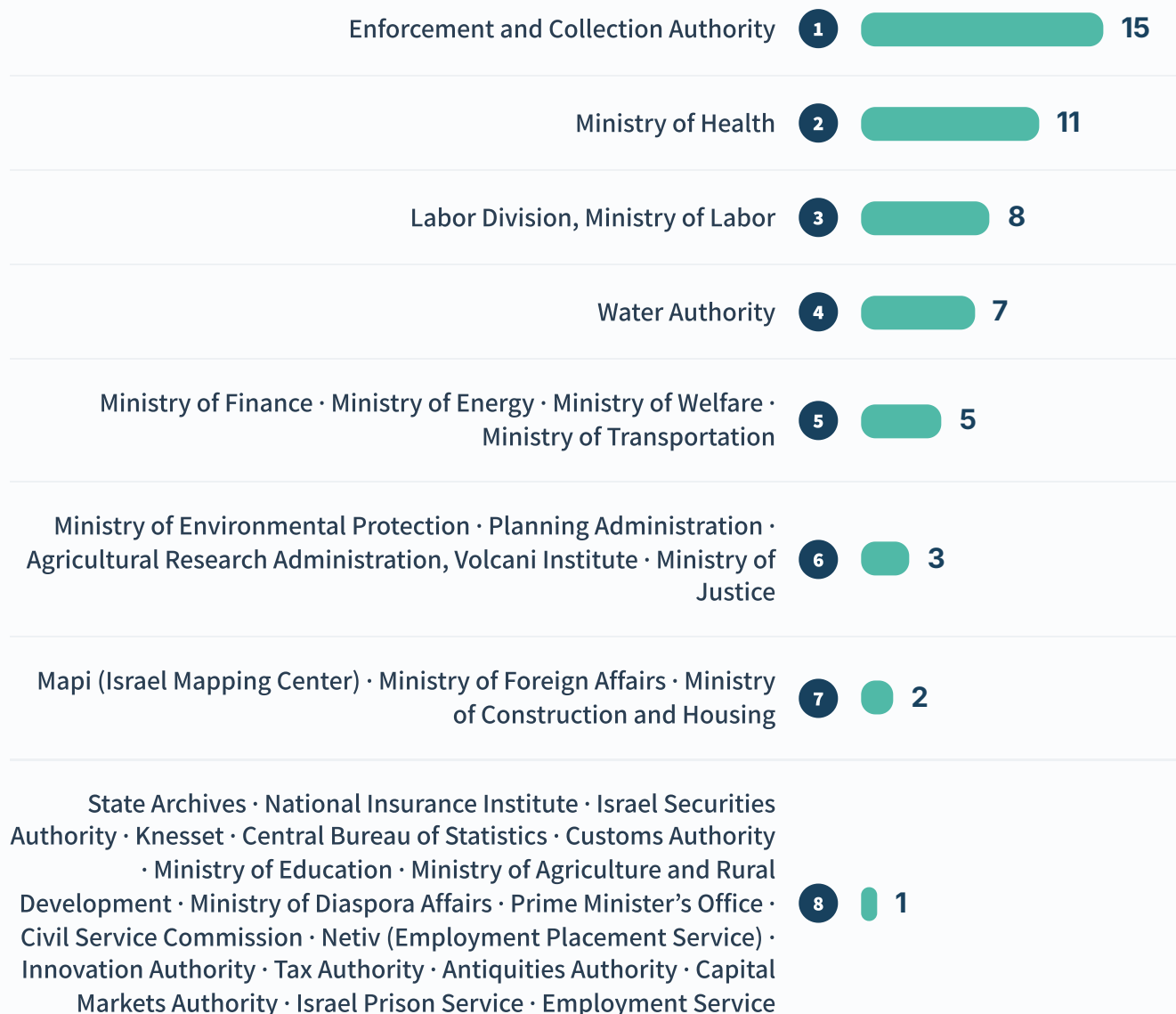
One central technology per project, per the dashboard's classification.

Source: AI Watch dashboard, National Digital Agency, data as of 08/07/2026 · Analysis by Data-IL

FIGURE 18

The Enforcement and Collection Authority Leads the Project Map

All 33 reporting bodies · 97 projects · AI Watch data as of 08/07/2026



Source: AI Watch dashboard, National Digital Agency, data as of 08/07/2026 · Analysis by DataA-IL

Leading ministries: The Enforcement and Collection Authority leads with 15 projects, followed by the Ministry of Health (11) and the Labor Division (8). The emerging pattern is that execution bodies handling large volumes of cases, documents, and inquiries - rather than headquarters ministries - are adopting more AI projects at this stage.

Budgets: small, agile, and cloud-based: Of the 31 projects that report a budget, 28 have a budget of up to 500,000 NIS, two are in the range of 501,000 NIS to 1 million NIS, and only one - the Volcani Institute's research computing infrastructure - has a budget of more than 2.1 million NIS. In other words, the typical government project is small and focused. Two-thirds of projects report no budget at all, so the full budgetary picture is still incomplete.

Changes from Last Year

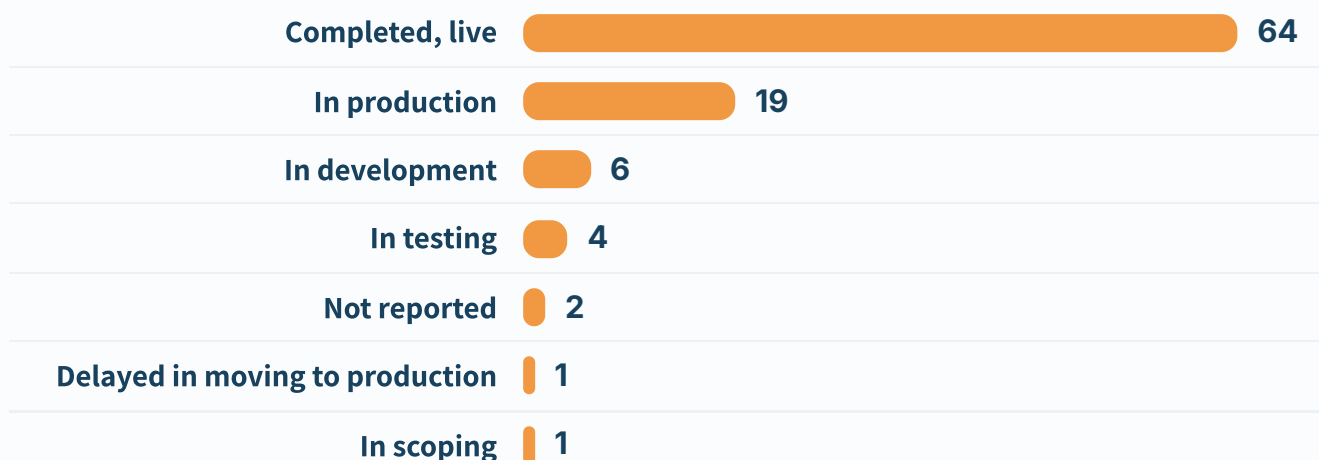
Comparing the projects that appeared last year with those appearing this year reveals several things. First, an acceleration is evident: **over 100 AI projects (across more than 33 government bodies), compared with about 70 in the previous report** - a net increase of roughly 35% in a single year. The growth didn't come from last year's veteran leaders: the Ministry of Health and the Labor Division, which led last year, remained in place (11 and eight projects, respectively), while the Enforcement and Collection Authority jumped from six projects to 15 and became the clear leader, and the Water Authority worked its way into the top ranks with seven projects.

About 59% of the annual increase flowed into language models (from 52 projects to 68, roughly 70% of the total). The category that grew fastest of all was improving service to citizens: from 26 projects to 39 (about 50%) - an early sign of a shift from internal efficiency toward outward-facing services. The private market is benefiting too: external companies are now partners in 48 projects, compared with 32 last year, evidence that GovTech is becoming a real business channel for Israeli companies.

FIGURE 19

Two-Thirds of Projects Are Already Live

Calculated status · 97 projects



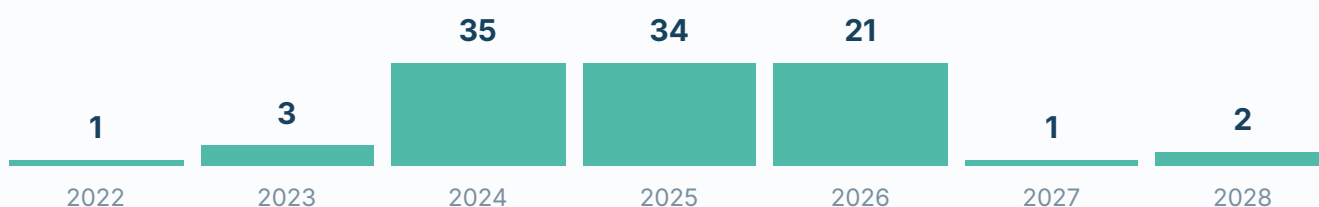
Source: AI Watch dashboard, National Digital Agency, data as of 08/07/2026 · Analysis by DataA-IL

* “Completed” = a project with no reported status whose go-live date is 2025 or earlier. “In production” = “production” status in the original report. “Not reported” = no status, with a future or missing go-live date.

FIGURE 20

The Leap Happened in 2024, and the Pace Has Held Since

Year of going live · Number of projects



2026 onward: planned projects. Some of the original dates are generic “01/01” entries and may reflect estimates.

Source: AI Watch dashboard, National Digital Agency, data as of 08/07/2026 · Analysis by DataA-IL

Spotlight: Public AI Projects

A. Nivi

Nivi is an AI-based digital assistant developed by the National Digital Agency, **designed to consolidate citizens' interaction with government services into a single interface, instead of having to search across several different places.**

Today, to find information about an entitlement or a procedure, one has to navigate between Gov.il, Gov-Visit, MyGov, and other sources, and even within Gov.il itself, different ministries post information that is often duplicated or confusing. Using Nivi allows people to ask questions in natural language and receive answers based on verified government information, subject to data-security and privacy requirements.

At the current stage, the system indexes Gov.il content and answers questions on entitlements, procedures, and forms - from Ministry of Health guidelines on infant feeding to procedures for reporting home damage during an emergency - including direct links to the relevant form. The product launched in March 2026, close to the outbreak of Operation Lion's Roar, and the move from POC to launch took three weeks. Development was carried out in-house by a small team of developers, on Google Cloud infrastructure. Planned next steps include connecting to data sources from additional ministries, integrating transactional services such as appointment scheduling and payments, expanding to additional channels, a voice interface, and an authenticated chat enabling access to personal information. Per the Agency's vision, every citizen interaction with government services will eventually go through Nivi, as a single, accessible interface for the entire population.

B. “Project 720”

A national initiative to integrate AI into personalized learning, aiming to redesign the learning environment and the role of the teacher. The project is led by the Ministry of Education, in partnership with the National Digital Agency and the National AI Program.

The project’s central distinction is connecting three players that typically operate separately: technology companies,⁶³ content companies, and the education system. The name "Project 720" symbolizes a holistic outlook: 360 degrees of personalized support and precision around the student’s learning, and 360 degrees around the teaching staff - strengthening the teacher and reducing workload.

This is an innovative model attracting considerable international interest. The project requires a change in the teacher’s role: from a transmitter of knowledge to a mentor and guide. As a result, its implementation includes training for the entire staff - subject teachers, IT coordinators, homeroom teachers, and principals - and it operates in partnership with local authorities and school networks, not just individual schools. In 2025-2026, a pilot ran in 28 schools, in seventh-grade science classes. In the 2026-2027 school year, it is set to expand to 100 schools.

63. Call for proposals for technology companies: <https://edu-tech.education.gov.il/taknot/kol-kore/kol-kore-tech-720/>

C. “Revach”

A comprehensive enterprise AI platform for roughly 4,000 employees of the Ministry of Welfare. The project, built on secure AWS cloud infrastructure, is one of the most prominent among government ministries and at the forefront of government AI adoption in Israel. It was developed in partnership with KPMG, with support from the National Digital Agency, which funded its initial stages with roughly 2 million NIS - not including internal staff time, estimated at an additional 2 million NIS per year. **The project is built on a four-tier conceptual model, representing increasing levels of complexity and integration. If fully realized, the project is expected to affect roughly 1.5 million service recipients** through the following tools:

Secure enterprise chat: An internal AI portal operating in a secure cloud environment, enabling work with sensitive information that cannot be entered into open models.

Dedicated agents: Smart tools tailored to specific work areas, including an agent for intelligent search through social workers' complex professional procedures and social tenders, alongside personal assistants for calendar management, email summarization, information redaction, and more.

Closed content rooms (in development): Dedicated work environments for specific divisions, such as the legal bureau, the procurement division, and probation services.

Connection to processes and databases (in development): The most ambitious tier, including, among other things, assistance in drafting court probation memos - a process that is currently a significant bottleneck - and automatic tailoring of a service basket for people with disabilities, based on different levels of eligibility.

D. HaBinom (artificial intelligence for government committees)

An AI-based system designed to streamline and improve the work of government and district committees. The system, developed in partnership between the Ministry of Construction and Housing, the Governance and Society Division at the Prime Minister's Office, and the Data and AI Unit at the National Digital Agency, is presented and deployed as part of the initiatives and tools of the National Digital Agency's Har HaYeda ("Mountain of Knowledge") platform. **It includes process automation, such as precise information extraction from documents, and produces standardized, professional meeting-minute summaries, aimed at replacing exhausting manual processes.**

E. Human capital training and better working tools

The National Digital Agency's training body, called "HaDigitalit" ("The Digital [Institute]"), leads three central programs of dedicated AI training: executive training for 760 managers from 27 ministries, based on hands-on learning and experiential workshops in partnership with Google and Reichman University; literacy training for 3,253 participants; and digital training for 9,111 participants, 7,625 of them cross-ministerial. In total, 13,124 employees participate across these programs.

Among the leading ministries where training took place are the Tax Authority (559 participants), the Ministry of Labor (363), and the Ministry of Welfare (358). The government is also currently rolling out Google Workspace's AI tools - a significant leap forward in the ability of public-sector employees to use the most advanced AI tools, marking the shift toward applied adoption within an enterprise work environment.

During periods of intense unrest in recent years, the Agency ran online workshops and webinars for roughly 6,000 participants from government and local authorities, to build dashboards and real-time, data-based situational assessment presentations. In addition, roughly 2,000 senior officials took part in conferences with AWS and Google.

Furthermore, the Data and AI Unit at the National Digital Agency, in partnership with the Civil Service Commission, published an official "operating concept" defining roles, new occupations, and areas of responsibility and expertise in managing AI initiatives. At the same time, the National Digital Agency's Har HaYeda site published "AI Journey" - a guide for AI projects.⁶⁴ The guide offers guidelines for planning and building GenAI-based projects and solutions for business processes in the public sector, based on dozens of conversations with government ministries, field insights, and accumulated experience. To support end users, the National Digital Agency also launched the AI4ME site, which makes AI knowledge and tools accessible to public-sector employees.⁶⁵

F. Learning communities - Let's Gov

These communities serve as infrastructure for peer learning and networking within the public sector, managed by the National Digital Agency. Starting in 2025, content on AI and peer learning became part of the work plan for most of the communities. Particularly notable is the DDG (Data Driven Government) community, the largest of them, with more than 600 members from across the public sector, including representation from both the business and technology sides. The community has held gatherings for hundreds of participants, organized webinars focused on AI-related technologies and issues, and launched, in November 2025, the podcast "At Eye Level", showcasing success stories in the adoption of AI solutions in the public sector.

Public support for industry combines visible funding, such as funds and R&D tracks, together with less visible tools: arranging access to public data repositories, shaping standards and privacy regulation, and investing in human capital and computing infrastructure.

The Applied Research Fund approved 396 grants out of 513 applications, totaling 386.68 million NIS; alongside these, a moonshot AI consortium and a personalized-medicine AI consortium.

64. <https://harhayeda.gov.il/guides-digital-transformation/ai-journey/>

65. <https://harhayeda.gov.il/ai/>

The international and quantum arenas are also connected with industry: bilateral funds with the United States, Singapore, India, and South Korea, and two separate quantum-computing processes - the National Directorate and Accountant General's Nexus tender, and an Innovation Authority call for proposals of up to 100 million NIS.

Accelerating the Tech Sector

Public support for industry does not rely on a single channel, but on a combination of resource allocation, regulatory design, and the building of shared infrastructure. Funding mechanisms - funding vehicles, R&D tracks, and programs meant to bridge academic research and industrial development, are the visible part. Alongside them operate tools that are less visible but no less significant: arranging access to public data repositories, participating in shaping standards and privacy regulation, and investing in human capital and computing infrastructure, calibrated through systematic listening to the field.

Policymakers maintain an ongoing dialogue with industry and academia and translate it into tools - Innovation Authority RFIs or calls for breakthrough ventures, surveys and mapping exercises such as Data-IL's startup survey, roundtables, and professional committees. The value of these mechanisms is twofold: they calibrate public tools to real needs rather than to what looks right from the top down, and they shorten response time in a sector where the pace of change is measured in months, not years.

Innovation Authority AI consortia

The Applied Research Fund received 513 applications and approved 396 grants worth 386.68 million NIS. Parts of this budget go toward applied AI research in industry and academia.

For example, **in May 2025 the Innovation Authority issued a call for proposals to establish a moonshot consortium for breakthrough AI technologies.**⁶⁶ The technologies must be at the frontier of global research and help Israel develop a competitive advantage. The Innovation Authority allocated roughly 30 million NIS in grants over three years for the approved program.

In July 2026, the establishment of an AI consortium for personalized medicine

66. https://innovationisrael.org.il/en/calls_for_proposal/moonshot-ai-consortium/

was approved, with an investment of 70 million NIS from the fund. The consortium will be led by the Innovation Authority and a group of companies, including Nvidia, Teva, Sheba, CytoReason, TerraCyte, and MeMed, alongside leading researchers from the Weizmann Institute, the Technion, and Ben-Gurion University.

The consortium will work on developing the next generation of AI applications in biology, drug discovery, and personalized medicine, and will establish shared infrastructure serving industry, academia, and the healthcare system. It is intended to address one of the central challenges at the frontier of computational biology: the ability to represent, process, and integrate complex, multimodal, dynamic biological information, so that it becomes possible to develop advanced AI models for understanding biological processes, predicting treatment response, drug discovery, and supporting medical and research decision-making.

Embodiment AI Consortium, for training models to act in the physical world: the Yasmin Group, led by Elbit (which includes the companies Cogniteam and Cognata), together with researchers from Bar-Ilan University and the University of Haifa, is organizing to establish a consortium in advanced technologies for training AI models in the physical world.

Photonics Consortium: The Innovation Authority, in partnership with the Defense Ministry's Weapons Research and Development Directorate (DDR&D), published a call for proposals in August 2026 to establish or provide access to research and development infrastructure in integrated photonics, aimed at accelerating the development of the next generation of photonic chips in Israel and expanding access for industry and academia to advanced R&D infrastructure.

Binational funds and AI-specific grants

The Innovation Authority offers Israeli companies interested in doing so the opportunity to collaborate with foreign companies from countries with which Israel has joint funds, such as the United States (BIRD⁶⁷), Singapore (SIIRD), India (I4F), or South Korea (KORIL). Each of the funds distributes grants ranging from \$50,000 to \$2 million, and each has different participation conditions. In 2025, the Israel-Singapore fund offered grants specifically for companies in the GenAI field.⁶⁸ Beyond the standard conditions, these grants require at least one research institution to participate as a partner in the program.

67. This also includes BIRD HLS, BIRD Energy, and the BIRD Energy Center.

68. https://innovationisrael.org.il/en/calls_for_proposal/siird-strategic-program-2025-2/

Call for proposals to build and/or open access to quantum computing R&D infrastructure

Quantum computing is included in the government resolution on AI strategy as a computational tool for artificial intelligence.

In August 2026, the National AI Directorate and the Accountant General's Division at the Ministry of Finance published a tender for the Nexus project (a multi-year project),⁶⁹ for the establishment, operation, and provision of quantum computing services from a national platform. In addition, the Innovation Authority published a call for proposals to establish or provide access to R&D infrastructure in quantum computing⁷⁰, with a budget of up to 100 million NIS. This also aligns with one of the focus areas of the National AI Program.

The R&D infrastructure will be used to accelerate research and development processes in quantum computing in Israel, across all its components and layers.

The infrastructure will provide R&D services, including making quantum computing hardware accessible to Israeli corporations or Israeli research institutions active in the field, and will serve as a hub for evaluating, integrating, and adopting quantum computing technologies for Israeli industry.

Cross-sector innovation communities

The Ministry of Economy, the National Digital Agency, and the Innovation Authority partner, together with the relevant ministries, in cross-sector innovation communities across various fields, such as water, national security, health, and more. These communities create events, tools, and connections to support startups, academia, and the public sector, and link the different sectors together.

The state's involvement in academia takes place through two types of tools: direct funding of research and human capital, and connecting academia with industry, government ministries, and public data repositories.

Accelerating Academia

The state's involvement in academia in the field of data and AI unfolds through two types of tools: direct funding of research and human capital, and connecting

69. <https://mr.gov.il/ilgstorefront/he/p/4000620404>

70. https://innovationisrael.org.il/kol_kore/quantum-infrastructure/

academia with bodies outside it - industry, government ministries, and public data repositories. The mapping shows that most initiatives along this axis belong to the second type: they don't set the research agenda, but rather try to shorten the distance between academic research and applied use. The exception is the Moonshots track, which funds high-risk/high-reward research at the very frontier of knowledge. This pattern places the state in a dual role - funding research and mediating between sectors.

Initiatives to support academia - see the Academia chapter for detail

Moonshots for Academia - flagship research initiatives⁷¹ - a framework for high-risk/high-reward research ventures under the National AI Program (Innovation Authority). Budget: roughly 90 million NIS over the coming years (30 million for 2025-2026).

Scholarships - a further form of encouragement for academia is the Planning and Budgeting Committee's scholarship program for outstanding master's, doctoral, and post-doctoral students in artificial intelligence and data science.

Call for Proposals for Applied Research Based on Big Data and AI in Public Systems - Finance and Social Services, in Partnership Between Academia and Public Bodies - a call for proposals by the Ministry of Innovation, Science and Technology, in partnership with the National Digital Agency, inviting applied research based on big data and AI, aimed at promoting collaboration between academia and public bodies.⁷²

Training Sessions and Lectures

The National Digital Agency runs training sessions and lectures at a range of academic institutions, to expose academia to field knowledge and share it with them.

71. For more on these projects, see the Academia chapter.

72. For more on this call for proposals, see the Academia chapter.

Chapter 14

Budget

- The National AI Program, launched in 2021, has so far been budgeted at roughly 1 billion NIS, and is the main source of funding for projects in industry and academia.
- Investment has grown significantly over the past year, but Israel is currently somewhere between the stage of a "national program" and the stage of a "fully budgeted strategy" - and remains far from the 25-billion-NIS, five-year threshold set by the Nagel Committee.
- The relevant comparison is with countries like Finland or Estonia, and the question isn't only how much money, but how priorities are set among computing, data, human capital, regulation, and adoption in government.

Over the past year, from Q2 2025 to Q2 2026, budgets were allocated to various projects aimed at advancing the data and AI ecosystem in Israel. A large share of the budget for industry and academia projects comes from the National AI Program, launched in 2021 as a multi-year program and budgeted so far at roughly 1 billion NIS, of which 550 million NIS were allocated to Phase A and roughly 220 million NIS (40%) were used, as well as 30 million NIS out of the 270 million NIS allocated to high-performance computing (11%).⁷³

Over the past year, the Israeli government has significantly increased its investments and budgetary commitments in the field of artificial intelligence, but this is still a process somewhere between the stage of a "national program" and the stage of a "fully budgeted strategy," and far from the Nagel Committee's recommendations, which set a far more ambitious threshold - 25 billion NIS over five years (although the 2027 budget of 2.27 billion NIS for the National AI Directorate is getting closer to that mark).

73. According to the State Comptroller report.

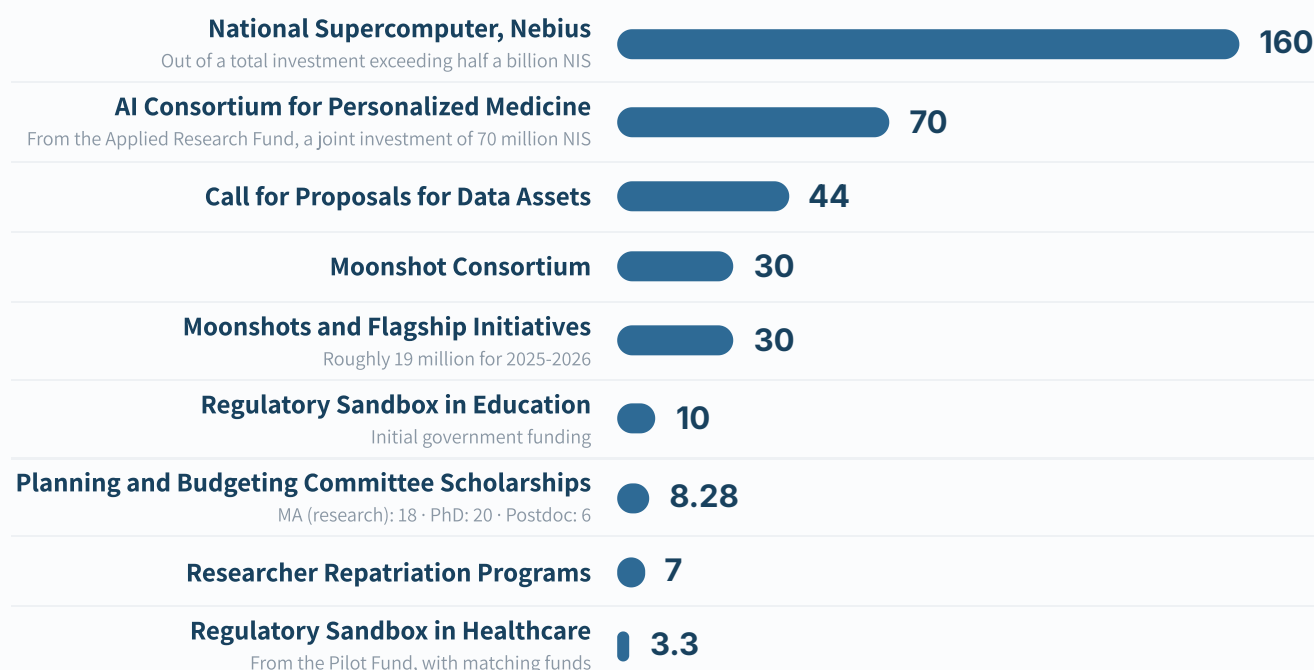
Beyond the government resolution establishing the National AI Directorate, several especially significant allocations by the public sector to encourage investment and activity in additional sectors were examined:⁷⁴

FIGURE 21

Published Public AI Allocations, by Purpose

Published public allocations for AI, in millions of NIS, by government resolutions and calls for proposals.

To Encourage Activity in Other Sectors



For the Public Sector's Own Activity



Coordinating Body Overhead*



* Operating budget, not a public allocation

Source: 2026 Israeli AI Report by Data-IL

* Resolution 4255 (16.6.2026), on accelerating artificial intelligence in Israel and establishing global leadership - strategic principles, directions for action and an amendment to a government resolution, Prime Minister's Office - specified no budgetary allocation. The head of the AI Directorate noted that implementing the national program would require roughly NIS 5 billion a year, which will most likely be brought for approval in the 2027 budget.⁷⁵

74. Not including defense-establishment budgets allocated to the subject.

75. In his remarks to the Knesset Subcommittee on Artificial Intelligence and Advanced Technologies, 9.9.2026.

Chapter 15

Israel in International Rankings

- Israel ranks 16th in the world and 2nd in the Middle East on Oxford Insights' Government AI Readiness 2025 index - a decline from 14th out of 188 countries (following a leap forward from 30th out of 193 in 2023, and 20th out of 181 in 2022), though the number of countries measured varies between editions.
- The profile is uneven: high scores in policy commitment, governance principles, data quality, and technological diffusion (86.51), alongside a notable weakness in computing capacity and AI-sector maturity (45.54).
- The sharp improvement was already recorded in the 2024 edition, before the National Directorate was established and before Resolution 4255 - meaning it reflects momentum that preceded the institutional steps, not a result of them; their impact is expected to be measurable only in future editions.

International Ranking of Government Activity

Israel ranks 2nd in the Middle East and 16th in the world in government AI readiness, according to Oxford Insights' Government AI Readiness Index 2025.⁷⁶

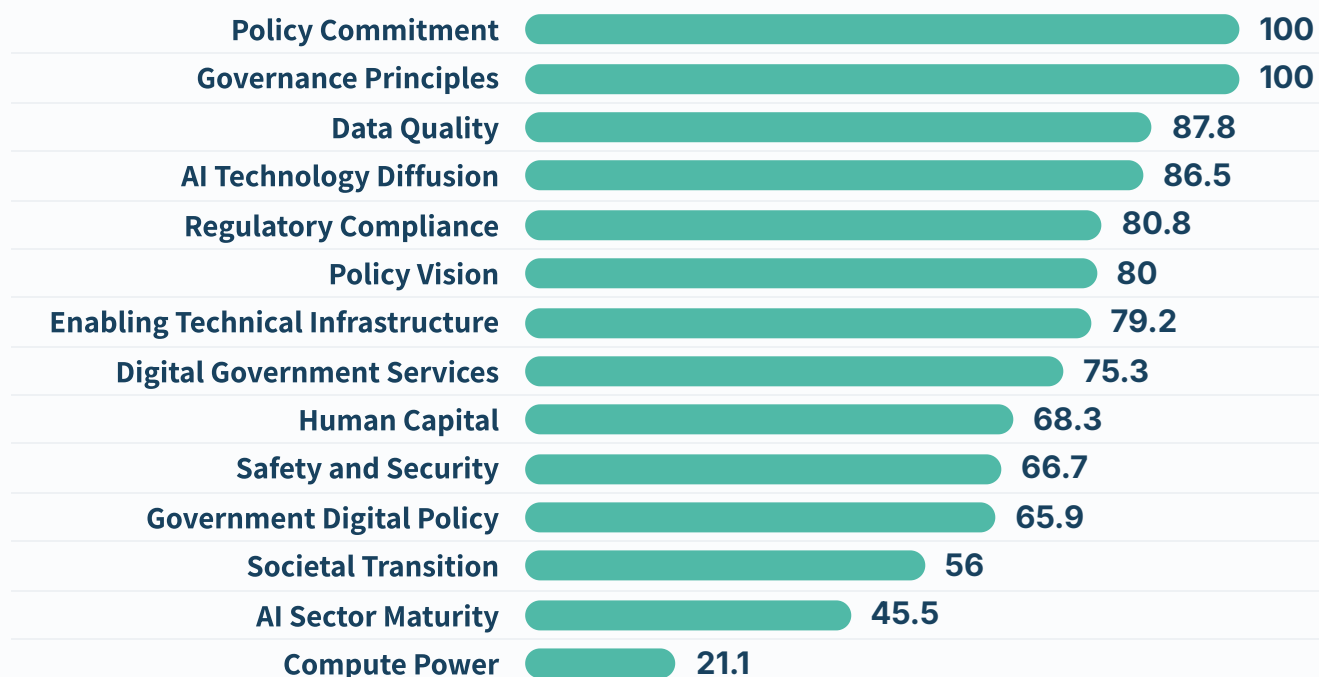
The index examines the readiness of 195 countries in adopting technologies in the public sector and the public sector's influence on other sectors. Among other things, the following metrics are examined:

76. <https://oxfordinsights.com/ai-readiness/government-ai-readiness-index-2025/>

FIGURE 22

Strong on Commitment, Weak on Maturity: Israel in the Government AI Readiness Index

Overall score: 71.3 · Rank 16 out of 195 countries · Rank 2 in the Middle East. Each metric scored 0 to 100, higher is better.



Source: Government AI Readiness Index 2025, Oxford Insights

The areas where Israel received the highest scores are **Policy Commitment** and **Governance Principles** - that is, a strong vision, commitment, and principled framework. A further high score came in AI diffusion and data quality. All of these point to a strong, high-quality foundation. By contrast, **the dimension where Israel is especially weak is computed power**, an issue that has been under active attention since (the report was published in 2025) - **though only partially: the State Comptroller found that just 11% of the 270 million NIS allocated to high-performance computing under the 2021 program had actually been used. The Nagel Committee recommended 60,000 GPUs within two to three years; in practice, roughly 4,000 have been deployed.**

It will be interesting to see whether, by the next edition of the index, current efforts

prove sufficient to raise this score. The gap between the high score in enabling technological infrastructure and the low score in compute capacity suggests that Israel's problem isn't basic digitization, but rather the new infrastructure layer of the AI era: accelerators, GPUs, high-performance computing, training and inference infrastructure, and the accessibility of these resources to government, academia, and industry.

An interesting gap is found between the diffusion of AI technology (86.51) and AI-sector maturity (45.54). From this, we can conclude that Israel is good at adopting AI technologies, at experimenting with and deploying them, and at using them - but is less strong on metrics that measure broad industrial depth: large AI companies, manufacturing infrastructure, platforms, local foundation models, a complete value chain, or an AI sector that reaches broad global scale. It's important to note that these are not necessarily areas where Israel aspires to excel. That said, **Israel's strength in the adoption and rapid diffusion of AI technology aligns well with government policy on the subject.**

In addition, it's worth noting that in terms of the government's internal operations, Israel receives middling scores - 65.87 Israel receives middling scores on digital policy and 73.35 on E-Government Delivery. We expect these figures to rise as well, given the intensive training activity for public-sector employees, the projects and tools that have come into use, and more - although other countries are also active in this field.

Another middling score is on the topic of human capital - 68.31, a surprising figure given the abundance of AI talent in Israel. The main reason for this score is that the index weighs not only AI researchers and developers, but also literacy and capabilities in the field across the entire public sector - an area where Israel's potential is not yet fully realized.

We see that despite the relatively high ranking, Israel's metrics are not uniform. Israel shows strength in policy, government commitment, governance principles, data quality, and technological diffusion, alongside notable weaknesses in compute capacity, AI-sector maturity, societal transition, and systemic adoption. This means that Israel doesn't suffer from a lack of vision or an innovative ecosystem, but rather from infrastructure and execution gaps.

The government's central challenge in the coming years will be to turn its advantages in policy, data, and innovation into broad operational capability: available computing, suitable workforce, flexible procurement, advanced data governance, AI-based public services, and safety and trust mechanisms - steps that have already begun happening in practice.

No trend can be identified, because Oxford Insights changed the number of indicators and of countries measured, and no comparison with previous rankings is possible. It is worth noting that the effect of the government resolution on a strategic AI plan was not included in this index and will only be reflected in the next one.

In this context, it's worth noting that in June 2026, the Office of the State Comptroller published a parallel, multinational audit on governmental preparedness for artificial intelligence, led by Israel's State Comptroller in his capacity as president of EUROSAI, with the participation of the supreme audit institutions of 12 countries. The audit found no long-term national program had been approved by the time the audit concluded, a disconnect between budgetary allocation and implementation outcomes, a shortage of advanced computing for training large models, and weak data governance - and it concluded before Resolution 4255 was approved. Its findings therefore reflect the picture that preceded these developments, not the current state of affairs.

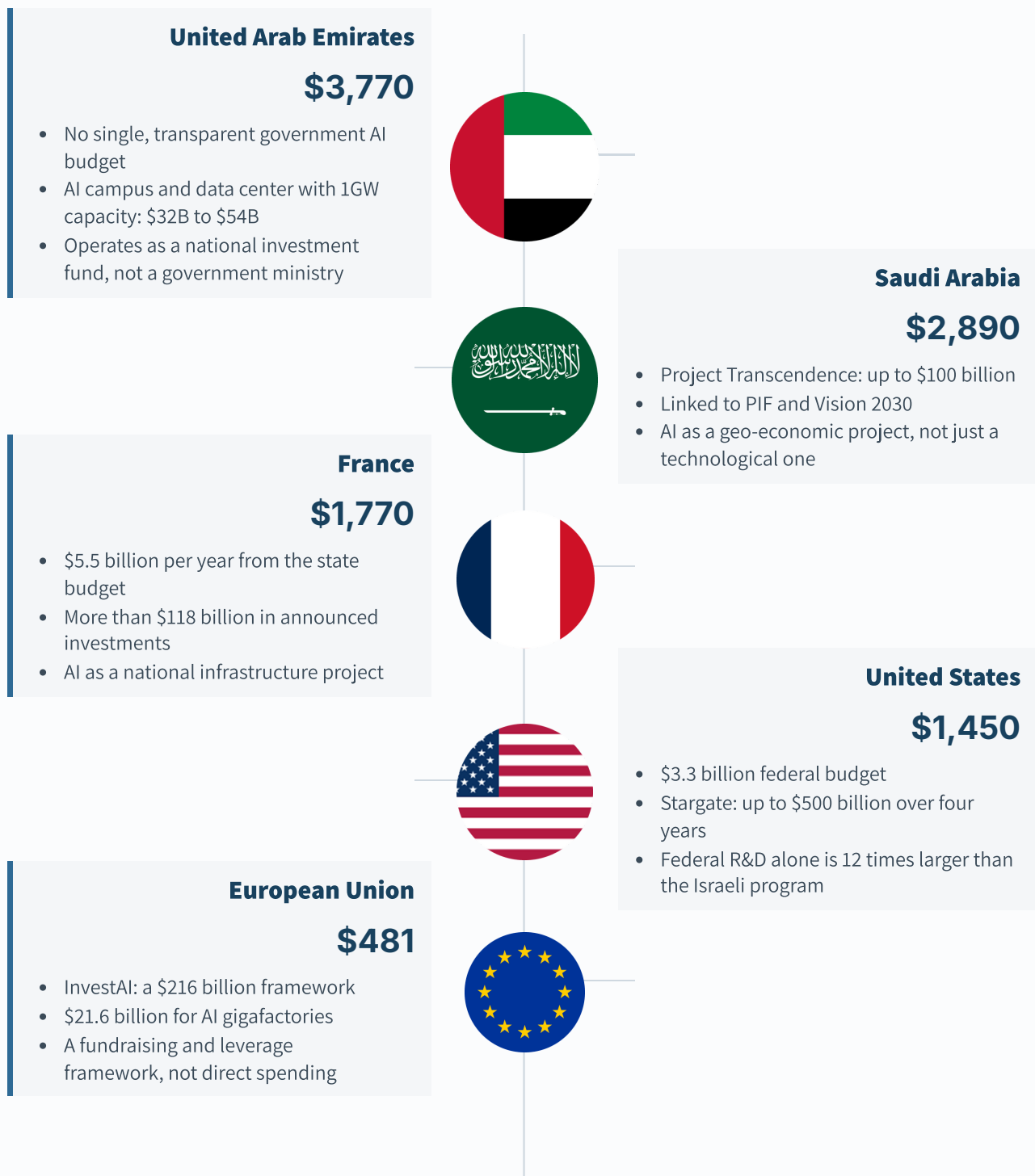
Budget

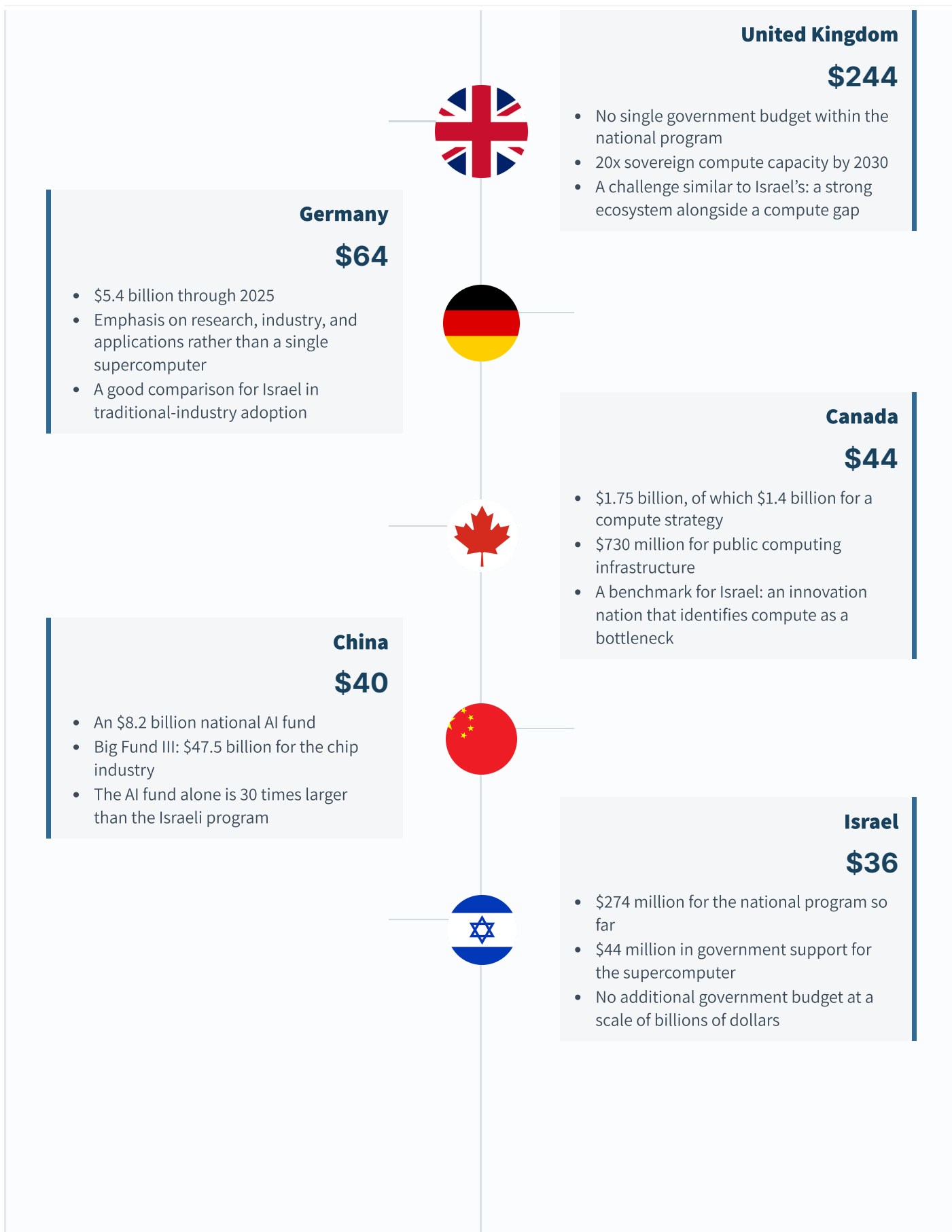
It's difficult to draw a direct international comparison of the scale of public AI budgets. Countries allocate funds to the field under different headings, and sometimes spread across different years. That said, even an initial review of the disclosed, approved budgets shows that, **as in the previous year, Israel's investment is low relative to the countries it aspires to match.**

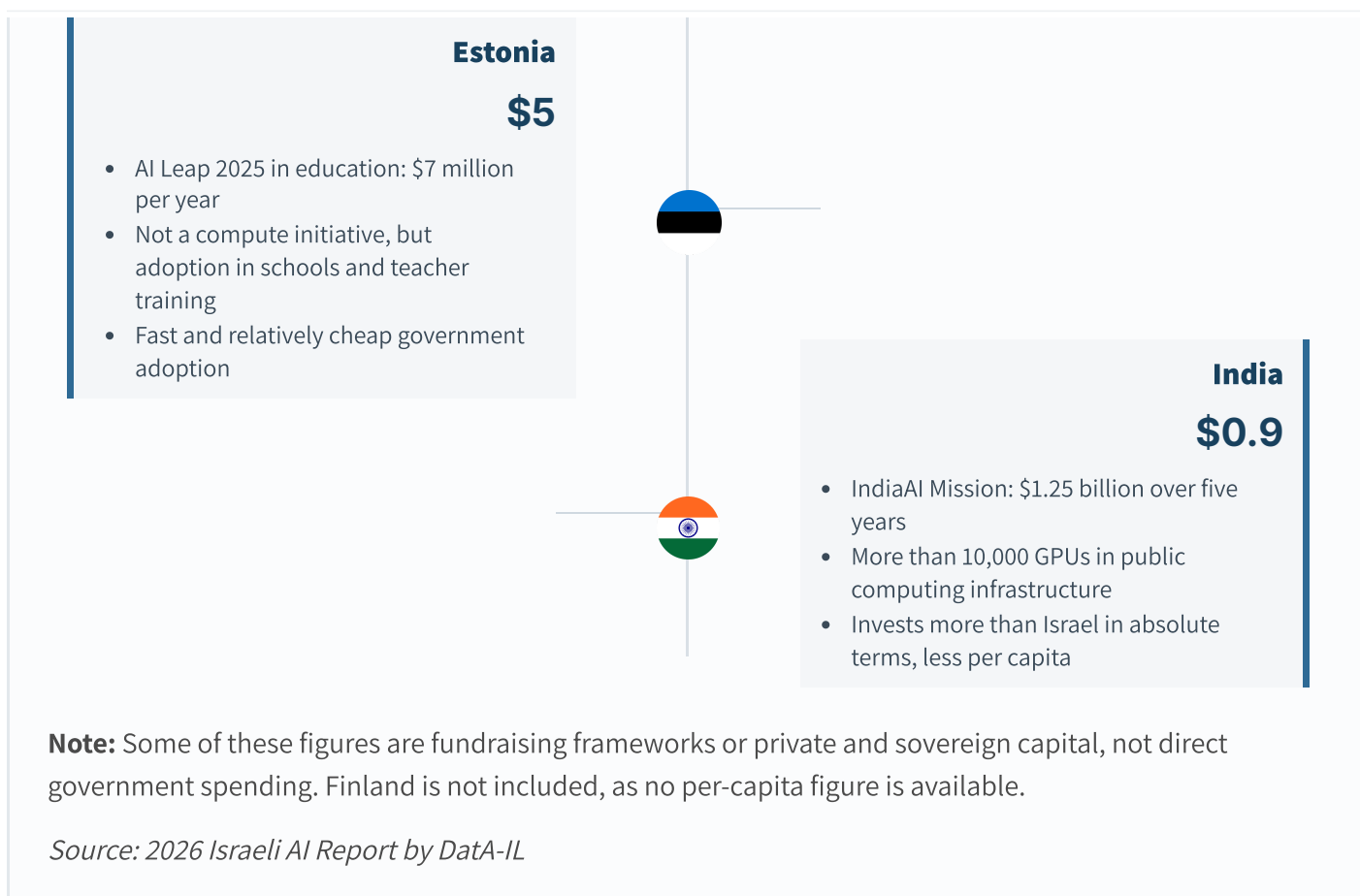
FIGURE 23

Per-Capita Investment, Israel Sits with China and Canada, Not with the Gulf

Announced public AI budget, in dollars per capita, 2025–2026. Circle size is on a logarithmic scale, since the ratio between the extremes is 4,188x.







The budget comparison shows that Israel is very far from the scale of capital deployed in the United States, China, France, the European Union, Saudi Arabia, and the United Arab Emirates, which today are investing at a scale of billions to hundreds of billions of dollars, primarily in computing infrastructure, data centers, chips, and investment funds.

But the fairer comparison for Israel isn't with Stargate or Project Transcendence, but with countries like Canada, Finland, Estonia, the UK, and perhaps Germany. There, the question isn't only "how much money", but also how the country prioritizes computers, data, human capital, regulation, government adoption, and industry connections. For Israel too, what should be examined is not only the scale of investment, but also how well the country makes optimal use of its relative advantages within its existing budget. Israel's advantage doesn't lie in the total amount invested, but in its ability to focus that investment on critical bottlenecks: compute, data, human capital, and government adoption, and to leverage an innovation ecosystem that is dense and fast-moving relative to the country's size.

“The DataA-IL report for 2026 reflects the maturing of Israel’s artificial intelligence ecosystem and the fruits of the State of Israel’s long-term investment in the field. We are in the final stretch of the second phase of the National AI Program, and already today one can see a significant improvement in Israel’s international standing on almost every key index and across most dimensions of activity in the field. Over recent years we have advanced investment in human capital, academic research, compute infrastructure, national data assets, language technologies, industrial innovation, and collaboration between government, academia and industry. Among the notable achievements is the establishment of the national supercomputer for training advanced AI models, operated by Nebius, which marks a significant milestone in establishing technological independence and competitive capability for companies, researchers and government bodies in Israel.”

— Zvika Goltzman, Head of the AI Infrastructure Division and Lead of the Semiconductors Domain, Israel Innovation Authority

Chapter 16

The Gap Between Vision and Execution

Throughout this report, we've seen that policy gaps and gaps between intention and execution sometimes exist. This gap isn't unique to Israel - the distance between a declaration and its implementation is a well-known phenomenon in government. That said, **for Israel, which has positioned itself as a country of "speed and agility," execution gaps demand particular attention**, at a time when major powers are already implementing strategic programs that Israel is still building for the years ahead. In the world of AI, time gaps like these compound.

Three sources feed this gap: Bureaucracy - nearly every project crosses ministerial boundaries and requires coordination. The government approved an accelerated track for data centers, and at the same time authorized the Electricity Authority to freeze processing of new applications to connect data centers to the grid for 140 days. Budget - the government commits to what can currently be funded, not to what is required: a partial budget compared with the 25 billion NIS recommended by the Nagel Committee. And the time dimension - the multi-year program for 2027-2032 is expected to be approved in 2027, while competing countries had already implemented their programs back in 2024-2026. As noted, in the world of AI, time gaps like these compound.

In addition, the strategic program was only recently approved, and not all of its goals and focus areas are yet reflected in action. For example, cyber and Physical AI have been positioned as focus areas for Israel, but it's still unclear what government intervention is needed and desirable to encourage these fields - funding? regulation?

That said, it's worth noting that in August 2026, a request for information (RFI) was published regarding the establishment of a training city for robotics and Physical AI.⁷⁷

The gap is felt on the international stage as well: alongside joining Pax Silica and the joint declaration with the United States, Israel was not included in the American export-control relief granted to the United Arab Emirates, and remains in a tier with more limited access to advanced chips.

77. https://hazira.gpa.gov.il/subdomain/db1f79ef0161ba78f0df/end/campaign_overview?q_subdomain=db1f79ef0161ba78f0df&qmzn=ypvcGB

Chapter 17

Looking Ahead

The public sector's role in Israel's data and AI ecosystem is expanding and changing: from a state that creates the basic conditions for innovation - cloud, computing, data, regulation, and coordination mechanisms - to a state that seeks to use this infrastructure to build a unique competitive advantage. The developments described in this chapter, including the establishment of the National AI Directorate, Project Nimbus, the concept of data as a national asset, and the calls for proposals to government ministries, all point to a deep conceptual shift: from separate ministry projects to integrated content areas that connect the activity, data, and capabilities of several ministries around a single end solution that is efficient and relevant to residents. This is a more systemic approach, one that starts from the public problem itself and organizes the data, infrastructure, regulation, and technology around it.

The understanding taking shape is that AI is not merely another strategic tool in the government's toolkit, but a fundamental pillar of Israel's future strength: domestically - through improved services, productivity, resilience, and the ability to solve real-life problems; on the security front - through defense, intelligence, cyber, and operational systems; and internationally - as a source of standing, partnerships, and influence.

Two conclusions emerge from this international activity, raising questions for the road ahead:

Israel's international AI positioning is organized quickly around a single axis. This is a short-term advantage - access to chips, markets, and research partnerships, but also a concentration of risk, particularly for an ecosystem accustomed to diversifying its sources. Is there a way to diversify international alliances and partnerships without undermining the principles of Israeli policy, flexibility and sector-specific regulation?

A further question concerns the agreements themselves, which over the past year have focused almost entirely on infrastructure and access - chips, supply chains, computing, and regulation, rather than on advancing research, even as

one of Israel's central research-funding channels weakens. Is this good for industry but bad for academia?

At the same time, we've seen how Israel is shifting from general activity toward a strategy of competitive advantage in Edge AI and Physical AI: smart devices, cyber, hardware, embedded systems, and physical spaces.

Alongside this, there is a growing understanding that leadership in AI doesn't happen overnight. It is the result of years of investment in human capital, data, infrastructure, regulation, research, and adoption. As global competition accelerates, the gate to the "club" of leading countries is gradually closing. Israel's challenge in the coming years, therefore, is not only to "use AI," but to build, in time, the capabilities, mechanisms, and advantages that will allow it to remain a relevant and influential player in an era in which AI is becoming one of the central sources of power for nations.

03

The Academic Sector

Academia is the foundation of the ecosystem: high-quality human capital, groundbreaking research, and a bridge between knowledge and industry.



The Academic Sector

While industry translates technological capabilities into products, and government shapes policy, budgets, and infrastructure, academia is where much of the knowledge, human capital, basic research, and scientific capability that feed the entire ecosystem is built. **Academia is the foundational layer from which entrepreneurs, data specialists, discourse-shaping researchers, engineers, research labs, cross-sector collaborations, patents, and sometimes new companies grow.**

Academia's importance grows especially in the GenAI era. If Israel's advantage in the past rested largely on entrepreneurship, on the IDF's technology units, on venture capital, and on rapid market connection, today's global competition also demands scientific depth, advanced research expertise, and interdisciplinary research capabilities. In a small country like Israel, where human capital is the central competitive advantage, the higher-education system plays a critical role, and it is currently in the process of rebuilding itself around a technology that is transforming every layer of its work: what new curricula teach, how people learn and teach, and what - and how - research is conducted.

At the same time, open questions remain regarding the field within academia:



Pace and consensus

The need to formulate recommendations in areas where no international consensus yet exists, such as academic integrity in the age of AI.



Research data privacy

Protecting the privacy of research data.



Model bias

Preventing bias in models used to weigh funding applications.

In this chapter, we examine what has happened in academia over the past year and its connection to the ecosystem across its various roles: developing human capital, independent research and its commercialization, and Israel's global standing.

Chapter 18

Budgets, AI Infrastructure, and Compute Power

The Council for Higher Education (CHE) and the Planning and Budgeting Committee (PBC): Academic activity in the field of artificial intelligence doesn't happen in a vacuum. It rests on a series of policy decisions formulated over the years by the Council for Higher Education and the Planning and Budgeting Committee, which took on new depth and urgency during the period covered by this report. Two prominent steps taken during this period are the expansion of national research mechanisms through the Planning and Budgeting Committee's program, and a February 2026 resolution on formulating a systemic strategy for integrating AI across all levels of higher education.

On February 11, 2026, the Planning and Budgeting Committee adopted a resolution establishing a steering committee for an AI strategy in higher education, and on February 17, the CHE plenum approved it.⁷⁸ Rather than settling for one-off adjustments - opening a degree, a course, or a single research project - the higher-education system recognizes that the arrival of artificial intelligence fundamentally changes how people learn, teach, evaluate, and conduct research. The steering committee includes three professional subcommittees that will address, separately and in coordination, three axes:⁷⁹

- **AI in teaching and learning** - principles for using AI in teaching, learning, and assessment processes, including questions of academic integrity, equity among students and institutions, and preventing gaps in access to tools.

78. che.org.il, February 17, 2026, <https://che.org.il/המלג-החליטה-על-הקמת-ועדת-היגוי-מערכתית>

79. <https://che.org.il/decision/הקמת-ועדת-היגוי-לאסטרטגיית-בינה-מלאכותית/>

- **AI in research** - policy for integrating AI into academic research processes, fundraising, publication, and data sharing.
- **Teaching and learning quality** - a broader axis intended to preserve standards and institutional quality amid the arrival of new technologies.

The steering committee includes broad participation from experts in academia and industry, the chairs of the subcommittees, and institutional representatives, in order to ensure that the recommendations formulated will be practical, not merely theoretical. The steering committee will operate as an advisory body - meaning its recommendations will require approval by the PBC and CHE - but the expectation is that it will create a systemic strategic framework and recommend principles, goals, and priorities for implementing AI in higher education.

As in industry and the public sector, **one of the central developments in academia over the past year is access to compute power and the acceleration of infrastructure**. The Nagel Committee, appointed by the government to examine the need to accelerate the AI field, recommended, per the State of Science report, increasing investment in academic research and earmarking roughly 50% of the national infrastructure to be established for it.

Call for Proposals for Applied Research Based on Big Data and AI in Public Systems - Finance and Social Services, in Partnership Between Academia and Public Bodies

A call for proposals from the Ministry of Innovation, Science and Technology, in partnership with the National Digital Agency, budgeted at 3 million NIS, inviting applied research based on big data and AI, aimed at promoting collaboration between academia and public bodies, addressing complex challenges in Israel's public systems, and making government data repositories accessible for research purposes. This is the fifth cycle of the call for proposals, and its focus areas for the current activity year are the functioning of one of two public systems: the financial system or the social-services system.

Research submitted to the call for proposals can focus on data existing in the repositories of public bodies, government ministries, local authorities, government companies, and statutory corporations, using AI as a central research tool.⁸⁰ As the state advances AI adoption in government, there is also value in having academics analyze these processes from the outside, identify gaps, examine impacts, and provide knowledge that is difficult for the government to generate on its own. In addition, the collaboration between academia and public bodies gives researchers the opportunity to access data they wouldn't normally be able to reach.

80. <https://research-authority.tau.ac.il/grants/9359>

Chapter 19

Academia as the Foundation of the AI Ecosystem - Human Capital Development

- An institutional leap in 2025-2026: the CHE approved ten new AI degree programs on an accelerated track (eight bachelor's, two master's), expected to enroll roughly 900 students in 2026-2027.
- Outside academia, an alternative training layer has formed to fill industry demand.

In the previous ecosystem report (2024-2025), we mapped dozens of degree programs and research centers in Israel in the fields of data and AI, alongside a community of leading researchers. **The updated picture shows that the central challenge isn't only expanding the number of students, but strengthening the depth layer:** advanced degrees, PhD students, postdoctoral researchers, research engineers, and infrastructure specialists. This layer is what enables a country not only to use existing AI tools, but also to develop original capabilities, understand limitations, critique models, and lead applied and basic research at a world-class level.

In the AI field, there is fierce competition for talent, both between academia and industry and between Israel and other countries. Technology companies, multinationals in particular, offer salaries, infrastructure, data, and compute power that academia struggles to compete with. The State of Science report⁸¹ addresses this in the context of the exact sciences and proposes more flexible models for

81. <https://www.academy.ac.il/Index3/Entry.aspx?nodeId=769&entryId=22865>

academia-industry ties: combining industry work with advanced studies, part-time or combined positions, reverse sabbaticals, joint supervision, and mechanisms for two-way movement between academia and industry. This is a central issue, one that also shapes most of the budgets and Israel's ability to compete on the international stage.

Degree Programs

The previous ecosystem report mapped roughly 27 degree programs in Israel offering specialization in data or artificial intelligence, of which about 21 are bachelor's programs, five are master's programs, and one is an honors program combining a bachelor's and master's degree. In addition, roughly 17-19 research institutes and academic centers were mapped across eight institutions working in data and AI, and 103 senior researchers were identified in these fields.

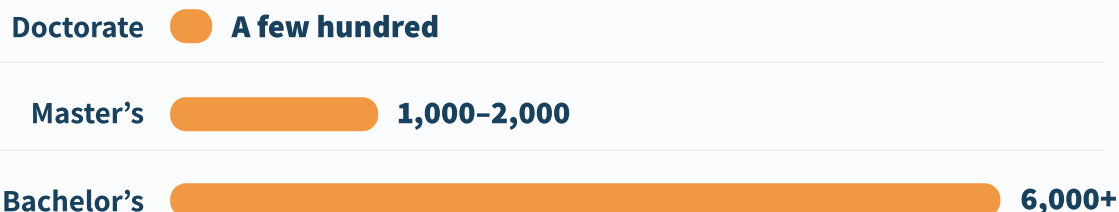
These figures point to a significant academic foundation, but also to a clear limitation: Israel has a relatively wide offering at the bachelor's level, but from the master's level upward, the "funnel" narrows. The previous report estimated that more than 6,000 students are enrolled at the bachelor's level in fields directly identified with data and AI, roughly 1,000-2,000 at the master's level, a few hundred at the doctoral level, and no clear official figure was found for the postdoctoral level (though it is known that academia overall has roughly 3,000 postdoctoral researchers as of 2023).⁸²

82. For more on degree programs and student numbers, see the report: <https://data-il.org/ecosystem-page/>

FIGURE 24

The Human Capital Funnel Narrows, and in AI, the Deepest Layer Isn't Measured

Students in data and AI fields, by degree level. Block width is proportional to the number, with a minimum floor for readability.



Source: 2026 Israeli AI Report by Data-IL

In internal research conducted over the past year for the National Digital Agency, covering 32 academic institutions and also examining data on master's and doctoral studies, the following findings emerged:⁸³

- 16 institutions offer foundational or introductory courses on AI
- Nine institutions offer AI content integrated as part of the degree program itself
- At ten institutions, no AI content was taught

As described in the 2024-2025 ecosystem report, the Planning and Budgeting Committee had previously decided to invest 150 million NIS (under the 2018 national program), with a 49-million-NIS expansion in 2021, in artificial intelligence, including support for research centers at seven universities, running scholarship programs for doctoral and postdoctoral students, and operating a national coordinator - IDSI (Israel Data Science Initiative). As of the writing of this report, the decision was made to stop funding both the centers and the national coordinator.

83. Most of the content is integrated into engineering, computer science, business administration, and information systems programs, though the integration of AI content has also begun in education, law, and organizational consulting.

Dedicated Degree Programs

One of the most notable markers of the 2025-2026 academic year is Israeli academia's institutional leap from treating artificial intelligence as a "track" within an existing program to recognizing it as an independent discipline worthy of its own dedicated degree. **In recent months, the CHE, on the PBC's recommendation, approved ten new degree programs in artificial intelligence** at budgeted academic institutions.⁸⁴ Eight of them are for bachelor's degrees and two for master's degrees; **together they are expected to enroll roughly 900 students as early as the 2026-2027 academic year.**

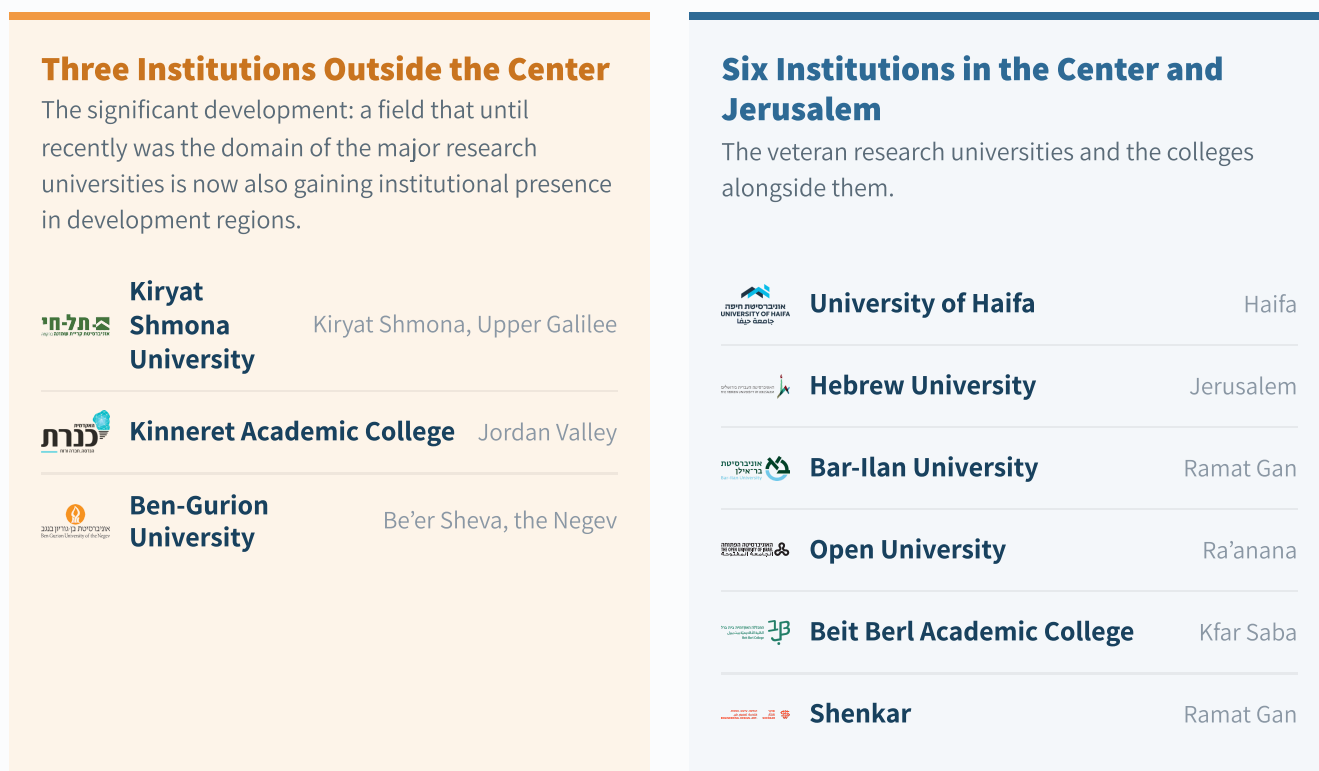
The institutions launching new programs are the Hebrew University of Jerusalem, Ben-Gurion University of the Negev, Bar-Ilan University, the University of Haifa, the Open University, Shenkar, the future Kiryat Shmona University in the Galilee, Kinneret Academic College, and Beit Berl Academic College. Among the approved bachelor's programs are ones in artificial intelligence, AI-based management, intelligent systems, and Data Science and AI. At the master's level, programs were approved in computational social science and in AI and education - two fields combining technical expertise with social application.

84. https://www.calcalist.co.il/local_news/article/hyfj4xk11fg

FIGURE 25

The Field Is Moving Out of the Major Research Universities and Into the Periphery

Nine institutions will launch ten dedicated AI degree programs in the 2026-2027 academic year. Eight at the bachelor's level, two at the master's level.



Source: 2026 Israeli AI Report by DataA-IL

The decision to submit and approve the new programs on an accelerated track is perhaps the most significant detail of the decision on the new programs. Unlike standard procedures — which include fixed submission deadlines and an extended review process — the CHE determined that, given the "national urgency and growing economic need," institutions would be permitted to submit programs directly to the Academic Division, regardless of the regular timetable.⁸⁵ **Some of the characteristics of the new programs are:**

Geography and access - AI beyond the center too: including an AI Systems Engineering program at Kiryat Shmona University in the Galilee, to be launched as part of the university's new Faculty of Engineering.⁸⁶ This is a move with clear

85. che.org.il, <https://che.org.il/המועצה-להשכלה-גבוהה-אישרה-להגשה-תשע-תו/>

86. https://www.calcalist.co.il/local_news/article/hyfj4xk11fg

significance for the periphery: a field that until recently was the domain of the major research universities will now gain institutional presence in a development region too. Kinneret and Beit Berl colleges are also included in this wave of approvals, signaling an intent to broaden the human-capital base in the field.

A different profile for each institution: each institution is taking a different approach. Bar-Ilan University, for example, set a high admission bar, with its program focused on developing AI systems. The Open University, by contrast, chose a broader track combining computer science, machine learning, artificial intelligence, robotics, economics, management, and entrepreneurship - an approach aimed at a wider pool of students.

Context - from general AI programs to cross-cutting integration: this move isn't disconnected from the broader policy. The PBC began developing programs to advance AI and Data Science as part of the 2023-2028 multi-year program, including support for university research centers and scholarships for doctoral and postdoctoral students.⁸⁷ The current wave of approvals is a direct continuation of this approach, but while the earlier phases focused mainly on the advanced research level, the current wave focuses on the bachelor's level, broadening access to the field.

The proliferation of programs also raises interesting questions - chiefly, whether AI engineering programs will increase demand in certain areas at the expense of subfields that are less "trendy" but no less essential, such as securing AI systems, supporting underrepresented languages in the digital space, or AI applications in public service. The question also arises of where the graduates of these programs will end up - local industry, academia, public service, or abroad?⁸⁸

AI Training Outside Academia

Israel's AI training landscape has, in recent years, been characterized by a growing diversity of training tracks, beyond the classic academic path. Alongside master's and doctoral degrees in Data Science, machine learning, and AI at universities and colleges, a broad layer of bootcamps, certificate courses, professional training

87. Council for Higher Education, "Expansion of the PBC's Program for Advancing Artificial Intelligence and Data Science Following the Talam Committee," che.org.il.

88. No data was found on AI scientists leaving Israel, or leaving academia for industry.

programs, and subsidized initiatives is active. This layer reflects the economy's need for training that is fast, applied, and tailored to new roles - including Data Scientist, Data Analyst, BI Developer, AI Developer, Machine Learning Engineer, and GenAI application developers. In a mapping we conducted at Data-IL at the end of 2025, we wanted to examine whether, beyond academic training - which is critical mainly for senior and research-oriented industry roles - there are additional training programs or retraining tracks that enable entry into the field.

The mapping was conducted manually, based on publicly available information online. **The mapping surfaced 20 relevant non-degree training programs around AI, data, machine learning, and GenAI. It's clear that this isn't limited to Data Science courses, but rather a training market that is splitting into four or five different entry paths into the ecosystem.**

The mapping indicates that the central axis of training still rests on Data Science, machine learning, and Deep Learning, but alongside it, a new axis is rapidly developing: GenAI, large language models, AI agents, RAG, and Prompt Engineering. This trend reflects a shift from training focused solely on building models to training that also focuses on using existing models, adapting them, and embedding them into products and organizational processes. At the same time, there is a noticeable expansion of training aimed at existing developers, not just data scientists, based on the understanding that AI adoption will happen largely through the development and product layer.

Chapter 20

Research

- The national supercomputer functions as cross-cutting infrastructure for all fields of science.
- The Israeli profile is "middle-layer research": not the training of foundation models and not industrial application alone, but building on existing models.

A further role entrusted to the academic sector is research and development in new fields, naturally alongside research at technology companies. The field of AI research can be divided similarly to the division made at the AI Directorate, between AI producers and AI users. Researchers in fields such as statistics, computer science, algorithmics, Data Science, and similar disciplines develop the technology itself, while researchers in fields such as education or law examine how artificial intelligence affects the human element and society as a whole.

An examination of 49 papers appearing on the websites of the major research universities, published over the past year in scientific journals from Israel's leading universities, points to a massive concentration around visual GenAI — roughly 55% of all papers identified deal with generating, editing, and personalizing images and videos.⁸⁹ This isn't a coincidence, but the result of decades of excellence in Computer Vision at the Technion and Tel Aviv University. Israel built a strong theoretical foundation in image processing and signal processing even before the Deep Learning era, and the research groups that worked on this are naturally riding the wave of Diffusion Models. This field is especially relevant to the focus on physical AI and Edge AI, which the AI Directorate is targeting.

89. We examined papers that appeared on university websites (the Technion, the Hebrew University, Tel Aviv University, Ben-Gurion University of the Negev) or on the websites of researchers from one of these institutions, published between August 2025 and June 2026. We are aware that additional papers and studies exist, but for the purpose of representing the research fields, we chose to focus on these papers.

FIGURE 26

More Than Half of Israeli AI Research Is Visual

49 verified papers. Generative AI and computer vision together account for 27 papers, 55% of the total - a direct legacy of the Technion's and Tel Aviv's Computer Vision school. Agentic AI, one of the global growth areas, appears in just one paper.



Source: 2026 Israeli AI Report by Data-IL

There are differing approaches among the universities. The Technion focuses on mathematical foundations, including image restoration and Inverse Problems; Tel Aviv emphasizes the applied world; and the Hebrew University focuses on critical and analytical research, deliberately positioning itself as a "critical eye" on the AI era.

Winning Proposals for Use of the Nebius Supercomputer

To get a fuller picture of the research field (including studies on the impact and use of AI, not only on producing it), we examined the academics who won access to the Nebius supercomputer. A committee chaired by the Planning and Budgeting Committee and the Innovation Authority allocates computer time to researchers through a competitive process, subsidized at 80% of cost. So far, roughly 44 applications have been submitted per round, of which between a third and half were accepted. It's worth noting that rejected applications receive suggestions for improvement, with the goal that all applications will ultimately be accommodated.⁹⁰

The winners of supercomputer access time trace a fairly clear map of academic use of compute-intensive AI: on one hand, core research on models, and on the other, deep scientific applications in biology, medicine, quantum physics, materials science, climate, and society.

90. The table of all winners appears in Appendix 2.

FIGURE 27

Core Model Research Is the Largest Category Among Nebius Winners

25 projects awarded access to the national supercomputer, by research category. Figures are approximate, and some projects belong to more than one category. Bar length reflects the midpoint of the range.



The full list is in Appendix 2.

Source: 2026 Israeli AI Report by Data-IL

Core research on models, LLMs, and architectures

The largest category: improving, understanding, training, decoding, or accelerating models. A large share of the winners work on the foundational layer - methodological AI research, not just the use of existing models. This is significant given the concern that Israel might end up being merely an end-user of foreign models.

Biomedicine, computational biology, and medicine

One of the central application areas of AI in academia. The State of Science report⁹¹ highlights the potential in biomedical research, including medical data, biological structure prediction, and brain-machine interfaces.

Reliability, interpretability, bias, and safety

A strategic category concerning the ability to use AI responsibly, for regulatory purposes, trustworthy science, government use, and biomedicine.

Physical sciences, materials, quantum, and climate

Demonstrates that AI is infrastructure for advanced scientific research: solving difficult computational problems in the exact sciences through simulations, prediction, and physical modeling.

91. <https://academy.ac.il/Index3/Entry.aspx?nodeId=769&entryId=22865>

Cognition, agents, and society

The shift from individual models to AI systems that communicate and produce social behavior. Academia doesn't view AI only as a technology, but also as a factor that changes communication, decision-making, learning, and social interactions.

Vision, hearing, and generative media

An applied category around signal processing, imaging, and generation. Demonstrates the use of GenAI beyond text alone.

From examining the winners, several significant conclusions emerge regarding academia in Israel and artificial intelligence:

- **Most projects are advanced, in-depth research** - architectures, model interpretability, biological models, physical simulations, quantum physics, atmospheric prediction, and brain-machine interfaces. This points to the academic approach of using AI as a new computational laboratory.
- **The Nebius supercomputer is perceived as cross-cutting infrastructure for all fields of science** - winners come from a range of fields: computer science, biology, medicine, materials science, climate, quantum physics, hearing, and cognition. This points to the fact that the value of the national AI infrastructure lies not only in accelerating AI companies, but in expanding the frontiers of academic research in Israel.
- **A clear dominance of the exact sciences and life sciences** - most projects are in the fields of computer science, engineering, biology, and medicine. Representation of the social sciences and humanities is limited, aside from social cognition and bias in models.
- **The Technion leads** - among academic institutions, the Technion stands out as the leading institution by number of projects, followed by Bar-Ilan University, the Hebrew University, Tel Aviv University, and Ben-Gurion University of the Negev. The data provide further evidence of the Technion's lead in computational AI, the exact sciences, and computational biology, and raise the question of how advanced AI infrastructure can be made accessible to academia as a whole, not only to existing centers of excellence.
- **Parallel tracks** - ore research on models, architectures, interpretability, bias, and efficient training of AI systems, alongside the use of AI as a research engine

in computation- and data-intensive scientific fields, chief among them biomedicine, computational biology, materials science, quantum physics, and climate. The resulting picture is one of AI as cross-cutting infrastructure for research, not merely as a standalone field.

From this, it follows that the Nebius supercomputer is infrastructure that enables Israeli academia to make AI a central research tool - especially in biomedicine, the exact sciences, and core model research.

Gaps relative to the world: examining global trends in AI research points to several notable gaps:

FIGURE 28

Strong in What's Already Mature, Absent from Where the World Is Racing

Israel's academic AI research profile, across three tiers. The ranking is drawn from the report's analysis; paper counts are from the mapping of leading AI conferences.

Significant global player	Visual GenAI 22 papers
	Image and video creation and editing, personalization
	Analytical NLP 8 papers
	Hallucinations, efficiency, interpretability, and bias
Mid-tier player	Theoretical Deep Learning 8 papers
	Diffusion models, image restoration and compression
Limited player	Robotics and Embodied AI Not found
	DeepMind, MIT, and Stanford dominate the field

Source: 2026 Israeli AI Report by Data-IL

Robotics and Embodied AI - giants like Google DeepMind, MIT, and Stanford dominate this field.⁹² Given Israel's defense industry, one might expect a strong presence in this field, but academic research in it is limited.

Based on our limited sample, it appears Israeli academia is a significant global player in visual GenAI and analytical NLP, a mid-tier player in theoretical Deep Learning, and a limited player in fields that require massive computing infrastructure or an

92. <https://dtsbourg.me/en/articles/predictions-embodied-ai>

interface with the physical sciences. This picture also reflects the strengths of Israeli human capital -mathematics, engineering, as well as the country's structural limitations, research budgets, scale.

Research in Israel is what's sometimes called "middle-layer research"; not the training of foundational models in this field, which takes place more in the United States, China, and the UK, and not merely industrial application either - but research that builds on existing models with the aim of developing new capabilities for them, understanding them better, and making them more efficient and safe. Given the constraints of the Israeli economy, this is a legitimate and valuable positioning.

The strongest point in the Israeli profile, as emerges from the sample, is a concentration in high-impact fields.

Chapter 21

From Academia to Industry

- Israel ranked first in the world in academia-industry R&D collaboration in WIPO's 2025 Global Innovation Index, and first in total R&D spending and venture capital received, but 14th overall, 19th in human capital and research, and 60th in higher education.
- R&D is heavily skewed toward the business sector: 93% of R&D is carried out in the business sector and only 5.5% at institutions of higher education.
- High-quality academic knowledge doesn't guarantee commercialization: fewer than 20% of the projects supported by the Applied Research Fund (roughly NIS 100 million a year) reach commercialization or a startup.

Knowledge, Commercialization, MNC Companies, Patents, Incubators, and Partnerships

The academia-industry interface in Israel is one of the acceleration engines of the data and AI ecosystem. It rests on high-quality academic research, research labs, and long-established knowledge-commercialization companies, on a significant presence of multinational R&D centers, on government support mechanisms, and on an entrepreneurial culture that enables a relatively fast transition from theoretical to applied research.

In WIPO's Global Innovation Index for 2025, Israel ranked first in the world in academia-industry R&D collaboration.⁹³ It was also ranked first in total R&D

93. <https://www.wipo.int/web-publications/global-innovation-index-2025/en/gii-2025-results.html>

spending, in venture capital received, and in R&D conducted by the business sector. These figures illustrate that the connection between academic research, industry, and entrepreneurship isn't a marginal component of the Israeli ecosystem, but one of its sources of competitive advantage. That said, in that same WIPO index, Israel ranked 14th overall out of 139 countries, 19th in human capital and research (a central issue for Israel), and 60th in higher education.

That said, the nature of the Israeli interface is distinctive, and R&D is heavily skewed toward the business sector. In 2023, national spending on civilian R&D stood at NIS 119.3 billion, or 6.3% of GDP, with 93% of R&D carried out in the business sector and only 5.5% of it at institutions of higher education.⁹⁴ The State of Science 2025 report presents this same figure as structural erosion: academic R&D fell from 26% of national investment in 1991 to 5.5% in 2023, and declined by roughly 4% in absolute terms between 2013 and 2023, while the OECD average rose by 20%.

Knowledge Commercialization Companies

Knowledge commercialization companies are the central mechanism through which academic knowledge moves from the lab to the market. According to a Central Bureau of Statistics survey, in 2023 knowledge commercialization companies received 828 invention disclosures, filed 600 original patent applications, and held a stock of 4,233 patent types. Of this stock, 68.7% of the patents belonged to university-affiliated companies, a figure that points to their centrality in Israel's intellectual-property portfolio.⁹⁵

In the worlds of AI and deep tech, the patent alone is usually not the central unit of commercialization. The value is often found instead in the combination of algorithms, data, models, engineering know-how, testing infrastructure, regulation, an entrepreneurial team, and market access. Therefore, to extract value from academic research, an intermediary layer is needed - one that knows how to identify industry needs, design applications, build teams, raise resources, and support technologies at the stage where they're not yet market-ready but too applied to remain confined to scientific publication alone.

The state now recognizes that the mere existence of high-quality academic

94. https://www.cbs.gov.il/he/mediarelease/DocLib/2024/320/12_24_320e.pdf

95. https://www.cbs.gov.il/he/mediarelease/DocLib/2025/026/12_25_026e.pdf

knowledge doesn't guarantee commercialization opportunities. In July 2025, the Innovation Authority announced a program to establish three dedicated knowledge-commercialization agencies,⁹⁶ each of which can receive up to 5 million NIS under a three-year franchise model. Their purpose is to identify academic research with potential, connect it to industry needs, and accelerate the establishment of companies, investments, and licensing agreements. The background to this move is a clear gap: the Authority's Applied Research Fund supports academic research with roughly 100 million NIS per year, but fewer than 20% of projects reach commercialization or the founding of a startup. This move reflects a shift from the traditional concept of patent commercialization to a broader concept of knowledge brokering.

Building Competitive Advantage

The connection between academia, applied companies, MNCs, startups, and investors is especially important in the field of deep tech, in which AI plays a large role. According to the Innovation Authority's State of High-Tech 2025 report, roughly 1,500 deep-tech companies operate in Israel, which have raised more than \$28 billion between 2019 and 2025 - positioning it as the leading deep-tech hub in the Western world outside the United States.⁹⁷ One of the central fields in deep tech is AI and chips. This is a field in which competitive advantage is built over time, through a combination of scientific research, engineering expertise, data, regulation, human capital, and global industry.

The Innovation Authority's State of High-Tech report notes that one of the goals of its Infrastructure Division is "increasing the commercialization of academic knowledge in Israel". It also lists short-term goals, such as establishing infrastructure for training large models and for scientific computing, transferring knowledge from abroad, encouraging use of R&D labs, and identifying breakthrough technologies. In other words, the report positions academia within a broader envelope of research infrastructure, commercialization, and deep tech. Israel's challenge in the coming years isn't only to increase the number of patents or the number of collaborations, but to improve the quality of the transition pathways between academia and industry. This means strengthening the researcher layer, research programs with industry, creating shared labs, encouraging researcher-entrepreneurs, connecting

96. https://innovationisrael.org.il/en/press_release/knowledge-commercialization/

97. The Innovation Authority's High-Tech report.

research to market needs earlier, expanding access to data and testing infrastructure, and improving the mechanisms that allow deep technologies to cross the "valley of death" between proof of feasibility and product. In this sense, the academia-industry interface isn't merely a commercialization mechanism - it's a condition for Israel remaining relevant in the global AI and deep-tech race.

Chapter 22

Israeli Academia in International Comparison

- The Israeli strength is concentrated in anchor technological-research institutions.
- In the broad rankings, which weight scale, internationalization and resources, Israel doesn't compete with the United States, China and the UK; the more AI-focused the ranking, the higher Israel places.

In the international academic rankings for 2025-2026, Israel maintains a relatively high position, especially on metrics resting on research impact, citations, and excellence in the fields of science, technology, and engineering.

The overall picture is more complex: on one hand, several Israeli institutions maintain a consistent presence at the global top tier; on the other, in the broad rankings, which give significant weight to scale, internationalization, reputation, and resources, Israel doesn't compete with North America and Europe.

That said, for the data and AI ecosystem, field-specific rankings matter more than general rankings. Here Israel stands out mainly through its anchor technological-research institutions, chief among them the Technion, Tel Aviv University, the Weizmann Institute, and the Hebrew University. **In the 2025 QS ranking for Data Science and AI, the Technion appears in the 51-100 range - that is, in the top global tier of institutions teaching and researching data and AI.** The Technion's appearance in this dedicated ranking is significant in itself, since the field is still relatively new as a standalone ranking category, and reflects AI's transition from a research specialty within computer science to a distinct academic and professional field.⁹⁸

A similar picture emerges from the 2025 Shanghai ranking. The Global Ranking of Academic Subjects, an international ranking of academic subjects, ranked institutions across 57 fields based on research metrics such as scientific output,

98. <https://www.topuniversities.com/university-subject-rankings/data-science-artificial-intelligence/2025>

research quality, impact, and international collaboration. **In the AI field, included in the ranking for the first time in 2025, the Technion, ranked first in Israel, was also ranked among the top 100 institutions in the world** in five additional fields close to the core capabilities of AI and data, including electrical engineering, electronics, robotics, mathematics, and physics. This means the strength rests on a deep foundation of enabling disciplines: algorithmics, engineering, robotics, computation, and the exact sciences.⁹⁹

A further index especially important for artificial intelligence is CSRankings, based on publications at leading computer science conferences. According to 2005-2025 data, **the Technion ranks first in Israel and in Europe in AI and computer science, and 21st in the world**. In the machine learning subfield, it ranks tenth in the world. This figure essentially measures research presence at the core of the global AI community.¹⁰⁰

Israel also appears as a quality player in the broader computer science rankings. The “THE Computer Science” ranking for 2026, for example, examined software, software engineering, artificial intelligence, machine learning, cyber, and networks, and included 1,165 universities from 84 countries and territories.¹⁰¹ In rankings of this kind, Israel doesn’t compete with the mass of giant systems like the United States, China, and the UK - yet it holds several institutions with relatively high visibility for the country’s size, mainly in fields where research, engineering, and human capital connect directly to the high-tech industry.¹⁰²

99. <https://www.shanghairanking.com/rankings/gras/2025/AS0229>

100. https://csrankings.org/?utm_source=chatgpt.com

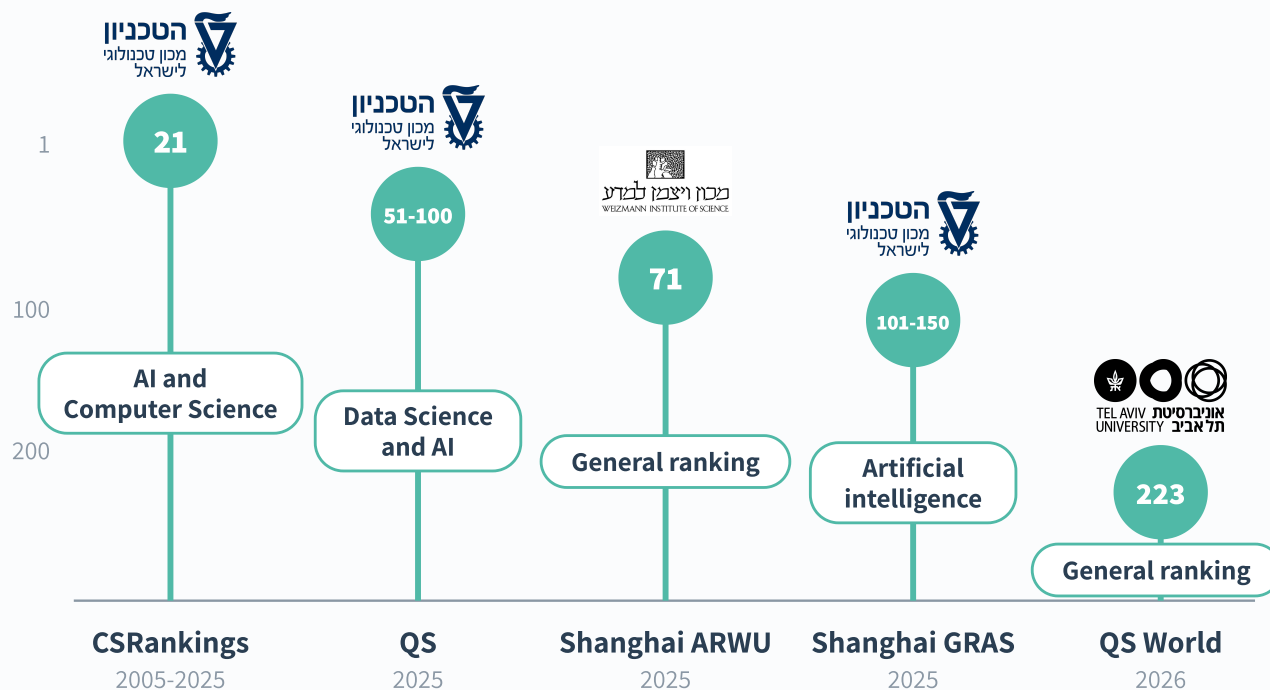
101. Times Higher Education rankings: <https://www.timeshighereducation.com/world-university-rankings>

102. <https://www.timeshighereducation.com/world-university-rankings/2026/subject-ranking/computer-science>

FIGURE 29

AI-Focused Rankings Score Higher Than General Rankings, but Point to Mediocrity in the Field Within Israeli Academia

Israeli academic institutions in leading global AI rankings, by field



In the machine learning subfield, the Technion ranks tenth in the world on CSRankings, and first in Israel and Europe in AI and computer science.

Source: 2026 Israeli AI Report by DataA-IL

Israel has an academic base that, even though limited in size, is capable of producing knowledge, researchers, and deep technologies in the fields of AI and data, and of showing a presence on the global stage. For Israel to maintain, and even strengthen, its standing in the AI era, it isn't enough to have a few strong research hubs. The shift from isolated excellence to critical mass requires expanding the training base, increasing the number of researchers and students in the fields of AI and data, strengthening research and computing infrastructure, and creating faster connection pathways between academia, industry, and the public sector.

Israel benefits from strong research institutions, renowned researchers, close ties between academia and industry, and a proven ability to produce innovation. That said, global competition for talent, a shortage of senior faculty in the fields of AI and data, the high cost of computing infrastructure, and the migration of a significant share of advanced research into the large technology companies all pose a significant challenge for the higher-education system - on top of the difficulties piled on by the war and Israel's standing in recent years.

Chapter 23

Looking Ahead

Israeli academia is entering the AI era from a strong, but not guaranteed, starting position. It has research centers of excellence, renowned researchers, deep ties with industry, and a proven ability to turn knowledge into innovation. Over the past year, a systemic awakening is also evident (despite the halt in funding for the academic AI centers): new degree programs have opened, access to computing infrastructure has expanded, a strategy for integrating AI into teaching and research has been formulated, and new mechanisms have been created connecting academic knowledge to the needs of the economy. Alongside this, the picture also points to gaps - **a limited number of research students and senior researchers, a concentration of infrastructure and excellence in a handful of institutions, tough competition from both industry and abroad, and gaps in emerging research fields such as Agentic AI, robotics, and Scientific AI. Israel holds quality, but still lacks the critical mass that would allow it to turn isolated excellence into broad, sustained national capability.**

The next stage isn't only about opening more programs or increasing the number of users of AI tools, but about building a system capable of also producing original knowledge, researchers, and technologies. This requires long-term investment in advanced degrees, research faculty, compute power, data, and testing infrastructure; creating flexible pathways for movement between academia and industry; expanding access to infrastructure beyond the existing centers of excellence; and strengthening the mechanisms that move research from the lab into the business and public sectors. At the same time, it is worth investing in the fields identified in the strategic plan as ones where Israel holds a relative advantage, and directing resources toward them strategically. Closing

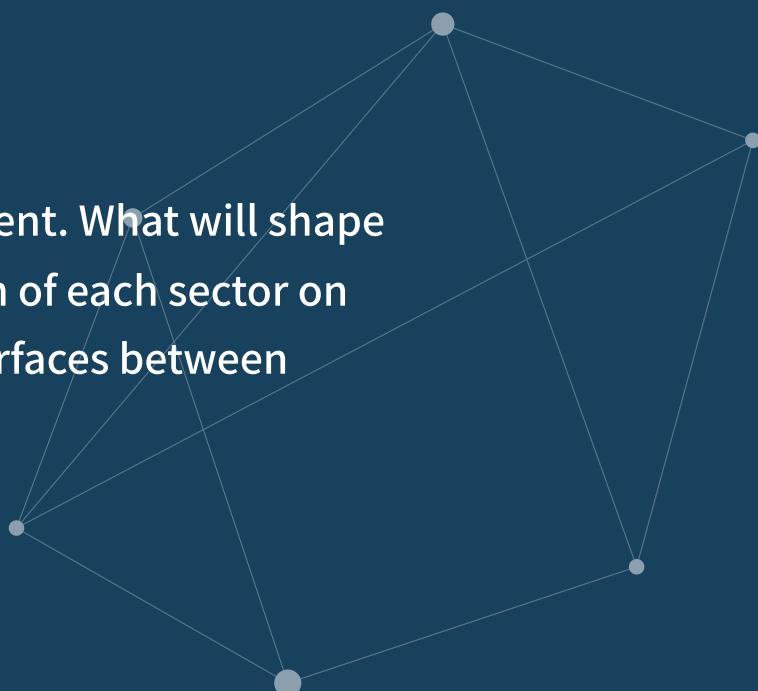
“Cross-sector partnership in Israel is no longer a declaration but a working infrastructure: roughly half of government AI projects today are carried out by companies from industry, and Israel ranks first in the world in academia–industry R&D collaboration. But the report also shows where the connection is still not happening enough: most civil R&D is conducted in industry alone, and the impact centers the state is establishing will succeed only if public data, compute power and academic knowledge all come to the same table.”

— Yaron Neudorfer, CEO and Co-Founder, SFI Group

The State of the Ecosystem

A Look to the Future

Three sectors, one year of movement. What will shape the years ahead is not the strength of each sector on its own, but the quality of the interfaces between them.



Chapter 24

The State of the Ecosystem

A Look to the Future

The picture emerging from this report is an ecosystem in the midst of structural change, whose results are still too early to assess. Across all three sectors, business, public, and academic, notable developments were recorded this year: AI's establishment as the focal point of industry investment, the steps taken toward a governmental integrating mechanism and national computing infrastructure, and academia's preparations to expand training. Most of these initiatives are still at an early stage, and naturally, processes of this kind are measured over years. No less important than the deep processes taking shape within each sector is the picture reflected in the relationships being woven and tightened between the three sectors - a trend that will be measured in depth in future reports.

In this chapter we mark the main components we will want to keep discussing over the coming year and in the next edition of this report.

Six questions to follow up on

1. Will 2027 be the budget year, or another deferral of the decision?

Government Resolution 4255, approved on 16 June 2026, adopts strategic principles and mandates extensive policy groundwork, but states in its concluding clause that it does not obligate the government to increase public expenditure. The detailed multi-year plan for 2027–2031 is due to come before the government for approval as part of the 2027 state budget. The head of the National AI Directorate has stated an intention to request NIS 5 billion; the National Program has been funded at roughly NIS 1 billion since 2021; the public allocations mapped in this report total some NIS 570 million over the past year; and the Nagel Committee set a benchmark of NIS 25 billion over five years. On public investment per capita, Israel stands at roughly USD 36, against USD 44 in Canada, USD 64 in Germany and USD 244 in the United Kingdom.

2. Who will build the compute capacity, and whom will it serve?

The resolution establishes a requirement for potential access, over the next five years, to processing power equivalent to the performance of 100,000 AI accelerators. In the same breath it notes that the target will be updated in consultation with the Ministry of Finance, and that this access will not be achieved by establishing government-owned infrastructure. At present the only asset meeting the target and only partially is the national supercomputer operated by Nebius. The gap is visible from the outside as well: on the Government AI Readiness Index, Israel scores 100 on policy commitment and governance principles, against 21.1 on compute capacity. There is currently no public measurement of Nebius usage processing hours, models trained, or research groups that have published. Releasing these figures would allow any expansion of the infrastructure to be debated on the basis of facts and data, which matters all the more given the target of increasing Israel's accelerator base fivefold within a year and tenfold within five years.

3. How effective are the data-sharing instruments?

The report surveys a range of instruments and identifies a trend aimed at encouraging data sharing, with an emphasis on public-sector data: calls for proposals, a task force, and others. This is also the principal area that does not depend on the 2027 budget in order to make meaningful progress. Going forward, it is worth examining whether these instruments were in fact effective in reversing a long-standing practice of holding data in silos: are there genuinely more shared data repositories, and are they more accessible?

Three markers that can be checked a year from now: whether an open-data-by-default policy has been published; how many of the cluster data infrastructures (NIS 44 million, seven clusters) have been established and who has access to them; and whether the projects under the new call for proposals have built a pooled repository or a shared API.

4. What is AI doing to Israeli high-tech?

The report measures the input side well. In 2025, USD 11.8 billion flowed into AI companies - 89% of all capital raised in Israeli high-tech, across only 56% of rounds, and up from 58% of investment in 2024. Some 2,948 companies are classified as AI companies, roughly one third of all high-tech companies, of which 365 are Core AI companies. These are strong figures, and they explain why AI has become the focal point of investment. They are important and substantive, but going forward we will want to sharpen the definition of a Core AI company and to understand in greater depth what AI is actually doing to startups and to high-tech, whether it is expanding the ecosystem, redirecting it inward, or changing the occupations within it. We will also want to examine whether the strategic declarations on focusing on cyber and Physical AI have borne fruit. The question matters beyond the sector: high-tech contributed roughly half of the economy's growth in 2025, its share of GDP reached a record of some 18.3%, and it accounts for about 58% of exports. If AI is becoming its central component, it has a direct and material effect on the Israeli economy.

Answering this question requires four data points, three of which are not

collected today:

- Employment in AI companies.** The report states explicitly that no figure can be presented for employment in AI companies as a share of the sector as a whole. What is known: the number of people employed in high-tech has levelled off at roughly 400,000, or 11.3% of the workforce, and annual growth has fallen since 2023 to 1.3% - below the growth rate of total employment in the economy, which stood at 1.8%, and following a decade in which it ran at 5% or more. Demand mapped in the core domains is estimated at 2,434 workers, excluding the large technology companies. Without an employment figure specific to AI companies, it is impossible to tell whether the field is creating jobs, shifting them, or replacing them.
- The composition of entry-level roles.** The report of the Committee for Increasing Human Capital in High-Tech points to a shift in junior roles from positions that involved writing basic code, testing and data collection, to positions requiring deeper knowledge, systems thinking and the management of AI tools.
- Company formation and the early stage.** Publicly available data point to 570 new companies in 2025, compared with more than 1,200 in the peak years, while the Israel Innovation Authority estimates roughly 775. At the same time, the share of AI companies among new companies rose to 51%, while the share of Core AI companies fell to 1.9% - the lowest since 2018. Two readings are possible: AI is lowering entry barriers to the point where fewer people need to raise capital in order to build a product; or early-stage capital has dried up. Distinguishing between them requires tracking the number of early rounds, not only total capital.
- Where value is created.** 365 Core AI companies out of 2,948, roughly 12%, compared with global estimates that some 20% of AI companies also conduct R&D in the field. Conversely, a Menlo survey found that in 76% of enterprise use cases the technology was bought rather than built, against 53% built in 2024. If the world is buying rather than building, an application-oriented ecosystem such as Israel's faces a growing market — but it is the deep layer that will

determine who captures the margin.

The question ahead: is AI expanding Israeli high-tech, or redistributing it? Two signals point to the latter: capital flowing to non-AI companies contracted from roughly USD 5 billion in 2024 to some USD 1.5 billion in 2025, in a year when total high-tech capital actually rose; and 55% of investment is concentrated in cyber and enterprise software. But both signals measure capital rather than employment, productivity or company formation, and are therefore not sufficient to settle the question.

5. Will the human capital arrive in time?

Resolution 4255 offers a useful distinction between “AI creators” - researchers and engineers who develop infrastructure and models, and who require deep academic training and “AI implementers,” employed across all sectors of the economy. The data gathered in this report show that the gap between the two layers is also a gap in measurement. The ten new degree programs are expected to admit roughly 900 students in the 2026–2027 academic year, but eight of them are undergraduate programs. The layer where supply is already relatively broad, with more than 6,000 students, compared with 1,000–2,000 at the master’s level and a few hundred at the doctoral level. Demand mapped in the core domains is estimated at 2,434 workers, excluding the large technology companies. Against this backdrop, annual growth in high-tech employment has fallen since 2023 to 1.3% - below the growth rate of total employment in the economy, which stood at 1.8%, and following a decade in which it ran at 5% or more. Israel ranks 11th in the world in AI researchers and inventors relative to population, with 52 per 100,000 residents against 110 in Switzerland and 109 in Singapore, and closed 2025 with a negative migration balance of almost 2% of its talent in the field.

6. Will the interfaces between the sectors become a mechanism?

On the WIPO innovation index, Israel ranks first in the world for academia–industry R&D collaboration. The data in this report show that this interface is not uniform. In government AI projects, external companies are partners in 48 of 100 projects, up from 32 the previous year. At the interface with multinational corporations the picture is stronger: more than 500 multinationals have begun operating in Israel since 2000, 35 of them in 2025, and NVIDIA is building a data center in Israel at an investment of roughly USD 1.5 billion. We will also ask whether the public sector is in fact functioning as a beta site. The report provides a picture (partial, as of its publication date) of AI projects in the public sector. What can be learned from these projects that could prove useful for broad adoption of AI across the economy? And can success metrics be defined for them?

This report is intended to serve as a reference point. The mapping and the data collected in it will make it possible to track, in the years ahead, how the issues raised today develop, and in time to judge how the moves of 2025–2026 will be remembered in the development of the Israeli ecosystem: 2,948 AI companies out of 9,099 high-tech companies, 365 of them Core AI; USD 11.8 billion, 89% of capital raised, across 56% of rounds; 100 government projects across 33 bodies; ten new degree programs; and 16th place out of 195 on government AI readiness. These are the numbers against which the next edition will be compared.

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Some of the bodies covered in this report are partners in DataA-IL;
the analysis and interpretation are DataA-IL's alone.

Appendix 1: Core AI Companies - IVC's Screening Methodology

Purpose

Artificial intelligence has become a general-purpose technology layer and a common marketing term. However, not every company using AI-related terminology is actually developing artificial intelligence as a core capability.

Our methodology is designed to determine whether a company develops meaningful AI technology, rather than software, a service, or an automation process that uses AI as part of the solution, without the technology itself being an independent asset applicable beyond the company's specific needs - or, alternatively, whether it primarily uses AI-related marketing language.

We use the term "**Core AI**" to describe companies developing foundational AI models, AI infrastructure, or enabling technologies, not companies that merely apply or integrate existing AI tools.

Our Approach

We evaluate each company using a systematic screening framework that prioritizes technological substance over marketing claims. The evaluation process begins with information available in the company's listing, including the company description and its technology description. Depending on the workflow, we may perform additional verification via the company's website, and in relevant cases, also rely on evidence from patent documents.

GPT as the central LLM service platform. The GPT models we used were instructed to base their decisions on examining the technology itself and its adjacent technologies, adopting a perspective similar to that of a venture capital fund when assessing the technological and business value of each company.

What We Look For

We look for concrete indications that AI is meaningfully integrated into the company's product or technology. These indications may include:

- Development or ownership of models
- Training, fine-tuning, or evaluation processes for models
- Inference processes or production deployment
- AI infrastructure or MLOps capabilities
- Well-defined AI use cases integrated into the core product
- Technical documentation, architecture descriptions, or engineering evidence supporting implementation

General statements, such as "AI-powered", "intelligent platform", or general references to third-party AI tools, are not sufficient proof in themselves of meaningful AI integration.

Classification Framework

Each company is classified into one of three outcome groups:

Genuine AI company. The evidence indicates that the company develops meaningful AI capabilities that are a central component of the product, service, or platform.

Ambivalent / not clear-cut. There are indications of AI relevance, but the available evidence is partial, unclear, or insufficient for a definitive determination. These cases

are resolved according to the output structure detailed below.

Not an AI company. The evidence points mainly to software, services, process automation, or positioning adjacent to AI, without meaningful AI capability.

AI Depth Model

To provide a more accurate picture, we assign an AI depth level, reflecting how deeply AI is integrated into the company's value proposition:

D0: No significant evidence of AI

D1: External use of AI only

D2: Applied machine learning or AI processes in production

D3: Development of a proprietary model or company-owned AI system

D4: Advanced or foundational AI innovation

This allows us to distinguish between companies that use AI tools and those developing core AI technology.

The signals composing the depth level include both red-flag risk indicators in company descriptions and key technical indicators in their technology.

Screening Modes

The methodology was applied in several modes, depending on the depth of review required:

Text-only screening. Classification based on company data - description and technology domain.

Website-enriched screening. Includes a review of the company's website to verify its actual activity.

Screening including patents. Adds a layer of patent search and review for deeper due diligence, particularly in assessing proprietary technological positioning.

Confidence Level

Each result is accompanied by a confidence assessment. The confidence level is lower when the language is general, marketing-oriented, or relies on third-party AI tools, or when technical details are missing - such as models, data, inference processes, or evaluation.

Borderline cases, or those with weak evidence, are deliberately set aside for further review, rather than being classified definitively.

Output Structure

The output includes the following parameters:

AI classification

Ambivalence flag

Confidence score

AI depth level

Key technical indicators

Red flags

Technology or capability tags

Website or patent review status, as relevant

The group of companies referred to as "Core AI" includes companies with strong patent evidence, a high AI depth level (D3 or D4), a positive AI classification, and a medium-to-high confidence score.

In certain cases, when the confidence level is relatively high, the AI depth level is D2, or the patent evidence level is medium, the company will also be included in the Core AI list.

Appendix 2: Winners of Access to the National Supercomputer

All 26 projects were awarded access to the National Supercomputer, by institution order. The breakdown by research category appears in the Academia chapter.

	Research topic	Institution	Applicant
1	Integrating Differential Mechanism architecture into language models based on Space-State Models	Ben-Gurion	Elya Nachmani
2	Spatially-guided generative model for binaural hearing devices	Bar-Ilan	Sharon Gannot
3	Deep learning models based on Transformer for large-scale analysis of T-cell receptor repertoires	Bar-Ilan	Sol Efroni
4	Understanding and mitigating pro-AI bias in LLMs	Bar-Ilan	Sarit Kraus
5	Function of epigenetic processes in human health and disease	Technion	Ayelet Lamm
6	Emergent communication during interactions between AI agents, specifically advanced VLMs	Technion	Yonatan Belinkov
7	Computational material science	Technion	Meital Caspari-Toroker
8	Active feature acquisition (AFA) using LLM-extracted knowledge	Technion	Shie Mannor
9	Adaptive residual information sampling engine (ARISE) for entity-centric question answering	Technion	Shie Mannor
10	A novel approach to semi-supervised ML at scale via confidence-aware teacher ensemble	Technion	Kfir Levy
11	Massive generation of image embeddings via generative inversion	Technion	Guy Gilboa
12	Talking latents: interpretability of latent space with LLM	Technion	Hagai Peretz
13	The interpretability bias in transformers	Technion	Tomer Michaeli

	Research topic	Institution	Applicant
14	Dependency-guided parallel decoding for frontier discrete diffusion language models	Technion	Yaniv Romano
15	Teaching neural networks linear algebra	Technion	Assaf Shocher
16	Sandbox	Hebrew University	Aharon Palmon
17	DNA language models for personalized epigenomics	Hebrew University	Michal Linial
18	Computational socio-cognition: social learning	Hebrew University	Yonatan Loewenstein
19	Developing a revolutionary method for positional encoding in neural models	Hebrew University	Dani Lischinski
20	Domain-aware attention for mixed-frequency time-series foundation models	Hebrew University	Alexey Khazanov
21	Developing a model for predicting vertical air currents within clouds and cloud fields	Technion	Yoav Schechner
22	A novel approach to training large language models addressing fundamental problems in these models	Tel Aviv	Raja Giryes
23	Developing a neuroprosthesis for reconstructing speech from electrical signals directly from the human brain	Tel Aviv	Ariel Tankus
24	Tracing how protein language models acquire biological knowledge throughout training	Technion	Yonatan Belinkov
25	Mitigating dynamical sign problems in quantum Monte Carlo simulations	Tel Aviv	Guy Cohen
26	Controlling false discovery in structured hypothesis spaces via reproducing kernels	Technion	Shie Mannor



About DataA-IL

The DataA-IL community is a joint initiative of the Ministry of Economy and Industry, the Israel Innovation Authority, the National Digital Agency, and the Social Finance Israel (SFI) group. Its mission is to advance data and AI as leading growth engines in Israel and to position Israel as a global leader in the field. To that end, we map needs, challenges, and capabilities, and develop and advance support tools based on that mapping. The community leads the way in building cross-sector connections and partnerships, and produces, consolidates, and disseminates knowledge about the ecosystem, drawing on deep familiarity with the companies operating within it and with all its key players. This report is intended as a further tool for realizing these goals and for reflecting the current state of the field to a broad range of stakeholders.

The community leads the creation of connections and cross-sector collaborations: companies, entrepreneurs and investors, government and public-sector officials, academia, and research institutes. It supports startups in the data and AI fields and creates and disseminates knowledge and opportunities in the field.

This report is part of our commitment to giving the public access to an up-to-date, well-grounded picture of the Israeli ecosystem.

For all events and opportunities, click: <https://data-il.org/join-us/>



Scan for the community's website data-il.org