

Nazareth – a holy city and a hi-tech haven

INNOVATION

• By EYTAN HALON

Steeped in biblical history, the Lower Galilee city of Nazareth is better known as a major center of Christian faith and pilgrimage than as a center of cutting-edge innovation.

Israel's largest Arab city, situated at the foot of the Nazareth Range hills, is the picturesque home for approximately 75,000 residents of predominantly Muslim and Christian origin.

Nazareth, more than a key stop on Holy Land tours, has also become the ideal location in recent years for an awakening of Arab-Israeli entrepreneurialism, far from the high-rise towers of Tel Aviv's thriving hi-tech sector.

"To attract people to leave what they are doing as a profession, take a risk and establish a start-up, you need to see many others achieving good results and enjoying success stories," Zohar Gendler, managing partner and CEO at Nazareth-based venture capital fund NGT3 (Next Generation Technology), told *The Jerusalem Post*.

"To date, the number of exits or very good results in the Arab sector have been very low. This is a major reason behind why Arab researchers and entrepreneurs are hesitating to take the risk and to establish a new company."

Despite representing more than one-fifth of the population, Israel's Arab citizens are severely underrepresented in the hi-tech success story of the Start-Up Nation. Arab-Israelis constitute just 3% of the Israeli hi-tech workforce, which is primarily dominated by Jewish, non-haredi men.

Barriers to greater integration in Israeli hi-tech have typically included the concentration of the Arab population in Israel's periphery, far from the hi-tech hubs of central Israel; lack of hands-on professional experience often gained during mandatory military service; and the lack of entrepreneurial role models within Arab society.

Located in the Nazareth industrial area, a short walk away from the Basilica of the Annunciation, NGT3 invests in early-stage start-ups focusing on medical devices and life sciences. Far surpassing the Arab population's national participation in hi-tech, more than 30% of NGT3's 20 portfolio company employees are Arabs.

Prior to the establishment of the fund in 2013 after winning a government tender, NGT operated for more than a decade as the first technological incubator in the Arab sector.

Focusing on medical devices and life sciences was the natural choice, Gendler added, as most of the expertise and research in the Arab sector lies in medicine. In Nazareth alone, there are three private hospitals.

"When we began, we were the pioneer of establishing Arab-led hi-tech companies," said Nizar Mishael, NGT3 managing partner and CFO. "Today, you can find more initia-

tives and start-up companies. Nazareth has become the hub of hi-tech in the Arab sector."

The unique capital venture fund is backed by 21 professional investors, located in the United States, Spain, Israel and India, attracted by NGT3's "triple bottom line."

While inherently attracted by the incentive of a high return on investment and developing cutting-edge medical technologies, investors are also attracted by NGT3's clear social agenda: advancing Jewish-Arab collaboration through technology.

"We believe we need to only invest in very good projects; otherwise, it's bad for everybody," said Gendler, emphasizing that NGT3 is far from a philanthropic effort. "We do have an agreement that 1% of NGT3's profits will go to the Arab community in the north of the country."

As the holder of an eight-year government franchise to operate a technology incubator, 85% of the first investment is leveraged from the Israel Innovation Authority.

"We need the support of the government, an initiative to encourage the construction of more and more facilities, and organizations to build some presence

in the Arab sector. There is no

hi-tech indus-

trial park in

any Arab

city," said

Mishael,

who

also

serves

as





THE CHURCH of the Annunciation in Nazareth. (Baz Ratner/Reuters)



FROM LEFT: NGT3 CEO Zohar Gendler, VP business development & CTO Amir Toren and CFO Nizar Mishael. (Courtesy)

CFO of all the fund's portfolio companies.

"There also needs to be some form of program, once Arab students graduate their studies, to take them into the industry. There is a gap there that needs to be filled, maybe privately, but more so by the government."

There is "great potential" that needs to be unlocked and embraced among Arab women in particular, Mishael added.

Current portfolio companies are developing a wide range of medical technologies, including tendon implant start-up TendoMend, lice elimination solution developer ParaSonic, nanofiber technology company Nurami and guided intubation device developer Guide In Medical.

Nurami, the developer of a nanofiber and sealant technology for soft tissue repair, was co-founded by Nora Nseir Manassa and Jewish business partner Dr. Amir Bahar, who met while studying at Haifa's Technion-Israel Institute of Technology. The company is currently preparing for pivotal clinical trials to gain FDA and CE approvals for their product.

"Being an Arab located in the periphery of Israel, far from the center of innovation in Tel Aviv, is the hardest challenge faced by Arab entrepreneurs," Nseir Manassa told the Post.

"The second important challenge is that we are not connected with the right network. Usually, Jewish entrepreneurs know each other, maybe from the military, or they can reach the right investor located in Tel Aviv very easily through friends. This is not possible for Arab entrepreneurs."

Nurami joined NGT3 in 2014, and is currently

home to nine employees of Arab, Jewish, Muslim and Christian origin.

"We believe that this kind of diversity can contribute to creativity and lead to positive energies in the company," said Nseir Manassa. "The whole scene of entrepreneurship is now changing in the Arab sector. There are a lot of projects, institutes and VCs like NGT3 that can help an Arab entrepreneur to take their dream and actually accomplish it."

Encouraged by government incentives, multinational companies are increasingly looking to the brightest Arab engineers and developing a foothold in Nazareth's burgeoning technology scene. Amdocs, Microsoft, Broadcom and Salesforce are among the major companies that have opened R&D centers in the city.

For Dr. Nuha Higazi, R&D manager at medical device start-up PlasFree, seeing Jews and Arabs working together is "the most comfortable feeling in the world."

Led by an Arab-Jewish management team, the company has

developed ClearPlasma, a medical device modifying human plasma to improve coagulation and advance treatment for massive bleeding.

Higazi is also the co-founder of PamBio, established in 2014 together with husband Abd, which has developed a drug therapy for hemorrhagic stroke and other acute bleeding conditions. The company is another graduate of the NGT incubator.

"When you go to the office and Jews and Arabs work together, nobody feels any different," said Higazi, who lives in the Arab-Jewish coexistence village of Neveh Shalom, near Latrun. "The same positive interaction was true during my doctorate studies at Hebrew University. There is no reason why it can't be like that in all areas of life, not just studies and work."

According to Samah Waked, operations manager at PlasFree, Nazareth's emerging and self-developed hi-tech scene is "putting the city on the map" for reasons beyond religious tourism alone.

"To live in central Israel, far away from family, is problematic in the Arab sector," said Waked.

"There aren't a lot of employment options in the North. There are some that go to the South, but to settle down there is only an option for

very few people," she said, adding that current public transportation infrastructure and traffic jams make daily commuting unfeasible.

Working together with Jewish colleagues extends beyond collaboration in the office, Waked adds. It also enables a deeper understanding of different backgrounds and personal lives.

"Getting to know and caring for one another leads to a feeling of a family relationship and a great environment. There is also the exposure to Nazareth and its culture," she said.

While Nazareth's rise as a new and important hub of Israeli hi-tech is clear to see, Gendler cautions that the success stories do not necessarily reflect wider Arab society. Disparities in education and opportunity between Israel's Jewish and Arab populations certainly remain barriers to integration and success.

"Those who you meet at NGT3 are individuals with high levels of education, and not necessarily the average person in Arab society," said Gendler. "When you see Arab entrepreneurs, it's a lady or man that finished their studies at Hebrew University or the Technion. For these ladies and men, it is much easier to think about entrepreneurship."