

Israel Innovation Authority Launches Incentive Program to Invest ₪250 Million Directly in Deep Tech Under the YOZMA Fund

Israel to award grants of up to \$10M for VC funds in Deep Tech, catalyzing fundraising and ensuring continued leadership in high-risk Disruptive tech

JERUSALEM, ISRAEL, September 9, 2025 /EINPresswire.com/ -- The Israel Innovation Authority announced today the launch of a dedicated [Deep-Tech Funds Incentive Program](#) under the YOZMA Fund, aimed at addressing financing challenges faced by venture capital funds that invest in Israeli Deep Tech companies. The new fund totals approximately ₪250 million (about \$70 million) and will provide grants that help Deep Tech-focused funds reach a first closing, accelerate the start of their activity, expand their capital base, and begin investing in companies developing advanced Deep Tech technologies, focusing on tangible products in sectors such as semiconductors, energy, climate, quantum computing, and health.



Dror Bin, CEO of The Israel Innovation Authority
(Credits: Israel Innovation Authority)

The grant serves as a lever to improve returns for limited partners (LPs) and creates direct value for them, as all profits will be distributed among the LPs since the Authority will not share in the fund's profits. In addition, the grant provides operational flexibility for fund managers. Moreover, the public investment itself signals confidence and functions as a "quality seal," helping managers attract additional investors from Israel and abroad. The fund was designed to encourage investors to commit to Deep Tech funds and to strengthen their direct involvement in Israel's high-tech ecosystem, creating a broad and stable base for investing in deep-tech companies developing disruptive technologies.

The global venture capital industry is in a slowdown, with a significant drop in the number of funds raising capital and a concentration of capital in the largest funds. In Israel, this trend is similar, and even more acute for Deep Tech funds, a segment characterized by higher risk, longer time to market, and complex regulatory processes. This environment makes it difficult to build the investor momentum required for venture funds to reach a first closing.

Under this program, the Authority will provide a direct, rapid grant to Deep Tech funds of up to 12.5% of fund size, capped at \$10 million per fund, without taking any share of the fund profits. The grant is intended to act as a lever for improving fund attractiveness and creating a matching effect to draw additional significant investors, enabling new funds to expand available capital to Israeli Deep Tech companies and provide them with a financial continuum necessary for R&D and growth.

The program's goal is to accelerate fundraising by Israeli venture capital funds and to attract foreign funds to establish Israel-focused vehicles. Experienced general partners in Deep Tech who seek to launch a new fund in these fields may also apply. The new program resembles the historic YOZMA Fund model (FoF) that operated in the early 1990s and laid the groundwork for Israel's venture capital industry. Unlike the past, however, the current program focuses on Deep Tech and will serve as a targeted financing and incentive mechanism that strengthens funds operating in these domains in Israel and enables continued investment in Israeli disruptive technologies.

Dror Bin, CEO of the Israel Innovation Authority:

"Israel's high-tech sector has always grown through challenges, but the current reality poses unprecedented difficulties for Deep tech companies and the venture funds that back them. Investment in fields such as semiconductors, renewable energy, quantum computing, climate tech, and health is critical to anchoring Israel's competitive advantage for decades to come. The new fund is designed to ensure we do not lose momentum and to provide the capital that will enable venture funds to reach a 'first closing,' allowing them to continue their investments and for their invested companies to continue their research and development in ground breaking innovation. This is an investment in the future of Israel's economy, in national resilience, and in our ability to remain at the center of the global technology stage."

Key Benefit Terms

- Grant of up to 12.5% of fund size, and no more than \$10 million.
- Repayment to the Authority is required only from fund returns, and in any case is capped at 12.5% of annual returns, linked to SOFR, meaning the Authority does not take part in profits (apart from indexation), which many be distributed to LPs.
- At least 50% of total investments must be directed to companies whose R&D focuses on tangible products or on manufacturing processes for tangible products; at least 70% of total investments must be made in Israeli companies or companies whose principal R&D is conducted

in Israel. Minimum fund size of \$32 million, of which \$28 million are private commitments and \$4 million are the Authority's grant.

□ The fund must reach a first close of 30% of its target size within six months. Funds that achieve this within three months will enjoy reduced indexation terms of SOFR minus 2% (not less than zero).

□ Grant funds may also be used to finance management fees in the fund's early stages, to ease initial operations.

The program will enter into effect on September 10, 2025, subject to the Authority's procedures.

YOZMA Fund 2.0

Relaunched in 2024, the YOZMA Fund was designed to expand institutional investment in Israeli venture capital, mirroring leading global markets and strengthening the sector's resilience against economic fluctuations.

The program enhances returns for Israeli institutional investors in early-stage VC funds. For every dollar invested, the Innovation Authority adds about 30 cents, while the institution retains all portfolio profits (aside from principal plus variable interest).

The fund totals \$154 million in government backing, representing roughly \$670 million in combined government and institutional capital. Funds are earmarked for commitments in 2025–2026, after which the program ends.

Eighteen institutional investors received approved frameworks, with commitments ranging from hundreds of thousands to \$15 million. To date, 11 institutions have committed about \$162 million (government and institutional funds combined).

The Authority closely coordinates with investors and monitors implementation. All participants have presented deployment plans for their allocations.

According to IVC data, fundraising challenges continue to limit the supply of viable Israeli funds, slowing closings and delaying institutional activity. Still, investors are proceeding with early-stage fund commitments and have already invested around one-quarter of the program's total committed capital.

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