



MINISTRY OF FINANCE  
SPOKEPERSON OFFICE INTERNATIONAL AFFAIRS DEPARTMENT  
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## Press Release

### **Guarantee Program Within the “Containment and Breakthrough” Framework Takes Off**

### **The Finance Committee Approves the Ministry of Finance Proposal to Provide State Guarantees of NIS 5 Billion as Assistance for Exporters**

The Knesset Finance Committee this morning approved a Ministry of Finance proposal to provide State guarantees of NIS 5 billion as assistance for Israeli exporters. The Committee also approved a change in the terms of the State guarantee to the government foreign trade insurance company - ASHRA.

According to the Minister of Finance, Dr. Yuval Steinitz, “Israel is an export oriented economy and the Ministry of Finance therefore views assistance to this sector during a time of crisis as a matter of supreme importance.” He noted that “the Ministry of Finance is quickly implementing elements contained in the “Containment and Breakthrough” plan, out of a commitment to prevent increased unemployment on the one hand, and on the other hand, to create momentum for growth within the Israeli economy.”

The Accountant General Shuki Oren noted that “the tools for supporting exports that have been presented this morning are fast and effective measures which will give the Israeli exporter an advantage. The government is providing assistance only to export transactions of Israeli companies in which the Israeli component in the transaction exceeds 50%, so as to provide direct support for economic activity within the Israeli economy.”

The global economic crisis has led to a sharp decline in exports from Israel. Data from the Central Bureau of Statistics indicate that from November 2008 through January of 2009, there has been a decline of 43.6% (on an annual basis) in the volume of exports. From February through April 2009, the negative trend continued, amounting to a reduction of 27.5% (on an annual basis). In order to ease the credit crunch and to protect business activity, the government decided to carry out a package of significant measures in the credit area, which will support the Israeli exporting industry in surviving this difficult period.

#### Measures approved

**Assistance with insurance for short-term export transactions, through the provision of reinsurance in the amount of NIS 4 billion to credit insurance companies**

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As a consequence of the global crisis, business companies throughout the world have experienced a significant increase in credit risk. As a result, credit insurance companies in all parts of the world, including in Israel, have started to reduce the credit frameworks given to exporters, which makes it difficult for them to carry out export transactions.

In acknowledgement of the importance of exports as an engine for growth in the entire economy, the government has decided to support exports by bearing a part of the risk in the area of short-term credit insurance in export transactions and thus increasing the credit frameworks for exporters and in this way to assist in increasing Israeli exports.

For this purpose, the Accountant General will provide partial reinsurance to private credit insurance companies in a total amount of **NIS 4 billion**, in order to increase the insurance coverage for exporters. The State will provide reinsurance of up to 50% of the insurance amount that was provided by the relevant insurance company to each exporter without such reinsurance having been given.

An additional measure that was approved today is **the provision of a State guarantee, through the banking system, in the amount of NIS 1 billion for the purpose of providing bid guarantees (for the purpose of participating in tenders), performance guarantees (for the purpose of carrying out the contract itself) and advance payment guarantees (for the purpose of receiving payment in advance) for export transactions.**

In light of the economic crisis, Israeli exporters are currently facing difficulties in providing guarantees in favor of overseas buyers, primarily because of the reduction of the credit frameworks provided by the banks to the exporters. The provision of such guarantees, as stated, is critical for enabling participation in overseas tenders, and for the purpose of contracting with overseas buyers. In order to assist exporters with this problem, the Accountant General will bear part of the risk involved in providing bank guarantees, in a total amount of up to **NIS 1 billion** (which will be divided among the banks) in a manner that will reduce the burden on the exporters' existing credit frameworks. Since part of the risk in providing the guarantee will be borne by the bank, the State will not need to examine each specific guarantee, and the process will therefore not involve government bureaucracy.

An additional measure approved by the Finance Committee is **a change in the terms of the State guarantee to the ASHRA Company** (the government foreign trade insurance company). Currently, the State guarantee to the ASHRA Company for the purpose of insuring foreign trade risks is for \$1 billion. As part of the assistance being provided to exporters, the Accountant General has, in the framework of the existing guarantee, approved ASHRA's cooperation with private insurance companies for the purpose of the division of the political and commercial insurance and the short and long term insurance, and thus to assist in the execution of export transactions.