



MINISTRY OF FINANCE
SPOKEPERSON OFFICE INTERNATIONAL AFFAIRS DEPARTMENT
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Press Release

In the context of the “Containment and Breakthrough” Plan

The Ministry of Finance will Provide Reinsurance for Israeli Exports Through Government Guarantees of NIS 4 Billion

The Accountant General and the Foreign Trade Risk Insurance Company of the Harel Group have settled upon all details of the agreement

In the framework of the Ministry of Finance’ “Containment and Breakthrough” plan for dealing with the global economic crisis, the State will, through the Ministry of Finance, provide reinsurance to private credit insurance companies in order to increase the insurance coverage given to exporters. The insurance will be carried out through government guarantees amounting to NIS 4 billion.

Last night (Thursday), the Accountant General settled upon all the details of an agreement with the Foreign Trade Risk Insurance Company of the Harel Group, and the agreement is expected to be signed this coming Sunday. It should be noted that there are parallel ongoing negotiations, which are at an advanced stage, dealing with the expansion of the program so as to include the Clal Credit Insurance Company from the Clal Insurance Group.

The Minister of Finance, **Dr. Yuval Steinitz**, commented: “This is an additional significant step in the ‘Containment and Breakthrough’ plan. Support for the export industry is a cornerstone of the Ministry of Finance’ economic policy during a crisis, and the program will therefore enable exporters to obtain broad insurance coverage and will support exports to target markets throughout the world. The unprecedented government commitment to provide government guarantees to the business sector in an amount of more than NIS 20 billion is already showing results and we have seen that for certain sectors, the mere fact that it is known that the government will in the future provide guarantees serves to ease the credit crunch. We must preserve Israel’s comparative advantage as a technology leader which promotes exports, and enable exporters to overcome the crisis and to plan for the time when there is a return to growth.”

The Accountant General at the Ministry of Finance, **Shuki Oren**, noted: “The Ministry of Finance’ purpose is to implement, as early as possible, the credit portion of the “Containment and Breakthrough” plan in order to ease the credit crunch which is pressing on the private sector as a consequence of the global crisis. The export insurance program is a simple and effective program which was developed through commendable cooperation between the Ministry of Finance, the insurance companies and the exporters. The market needs this tool, and we have tremendous confidence that it will work effectively.” Oren added that immediately after the agreements are

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signed it will be possible to expand insurance coverage, as the infrastructure for immediate operation has already been established. Oren expressed his hope that it will be possible to reach an agreement with the Clal Insurance Company within a few days, allowing the Ministry of Finance' plan to include both of the two Israeli insurance companies that provide this kind of insurance.

The guiding principle in the program is to "follow the fortune." This means participation in the bearing of marginal risk – i.e., the risk that the insurer is unwilling to bear. The insurance company will therefore enter into the contractual relationships with the exporters who are interested in participating in the program and the government will be liable to the insurance company as a reinsurer, such that the government's insurance will apply to buyers' credit. This insurance is provided for the purpose of protecting against the risk of non-payment to the Israeli exporter by an overseas buyer or of protecting against political risk (i.e., military overthrow, nationalism or a similar event in the buyer's country).

As a result of the global crisis there has been a significant increase in the credit risk in the financial markets. Consequently, the credit insurance companies throughout the world, including those in Israel, have begun to reduce the credit frameworks given to exporters, in order to minimize the insurers' exposures in this area. Since the crisis began, the Israeli insurance companies have reduced their credit frameworks to exporters by 7% to 10%. In the interest of helping exporters and increasing growth in the economy, the Israeli government has decided to increase the credit frameworks in the area of export insurance.

Main points of the program

1. The scope of the program: government guarantees in an amount of up to NIS 4 billion.
2. The program will begin immediately after the signing of the agreements and will be operated until the end of 2010.
3. Threshold requirements for the program (of which specific details will be contained in the policies for exporters):
 - The exporter must be a corporation registered in Israel
 - The Israeli component of the insured transaction must be no less than 40%.
4. The exporter can add an additional 10% to 50% in relation to the basic quota provided by the insurer for each overseas customer.