



STATE OF ISRAEL  
MINISTRY OF FINANCE

SPOKESPERSON'S OFFICE

INTERNATIONAL AFFAIRS  
DEPARTMENT

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## Press Release

### **The Minister of Finance has presented the government with the highlights of the budget for 2011-2012 and the principles of the economic policy**

**The policy will focus on strengthening higher education, promoting high-tech industries, developing infrastructures and expanding the job market. The budget for 2011-2012 will increase by an annual 2.66% to stand, respectively, at NIS 264.7 billion and NIS 271.7 billion**

 [Click here for the attached presentation](#)

Minister of Finance **Dr. Yuval Steinitz** this morning presented to the government the highlights of the biennial budget for 2011-2012. The budget will increase in each of these two years by 2.66% over the base budget of the year before, adding nearly NIS 16 billion to the budget in the next two years. The minister also presented the principles of the planned economic policy for the coming years, with the main focus on higher education, high-tech industries, infrastructures and the job market.

The Minister of Finance said in the meeting: "Today we find ourselves in an uncertain economic environment, in the wake of the global crisis which has still not run its course. Although Israel has been relatively successful in coping with the crisis, we must continue adhering to the fiscal rules we set ourselves, as would be expected of a responsible leadership. Therefore, despite the significant additions to the budgets of the different ministries, we must meet the target deficit, which was set in the law at 3% for 2011 and 2% for 2012, to assure the Israeli economy a safety margin if the crisis should worsen.

"Throughout the world today budget cuts are being implemented, wages brought down and taxes increased. We can allow ourselves to increase the budget in a controlled manner, but obviously we cannot satisfy all the demands of the different ministries and will act according to priorities.



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"To realize the potential of the Israeli economy and achieve high growth rates over time, we will work to develop those economic growth engines in which we enjoy a comparative advantage. This refers first and foremost to the promotion of high-tech industries. In addition, we will act to reduce Israeli bureaucracy, which today presents a significant barrier to the realization of the growth potential. We will make it considerably easier to open businesses in Israel, we will amend the Encouragement of Capital Investments Law to make it more worthwhile to operate from Israel, and we will continue along the planned course of reduction in the tax rates.

"Concurrently, we will bring more sectors of the population into the workforce – mainly Israeli Arab women and ultra-Orthodox men, and give priority to the educational system. Education together with employment is the correct combination for narrowing the gaps in the Israeli economy."

**Biennial budget bottom line:**

- The budget for 2011 will increase by 2.66% compared to the base budget for 2010 to a total of NIS 264.7 billion – a real increase of NIS 8.7 billion.
- The deficit in 2011 will stand at 3%, as provided in the law, equivalent to NIS 26 billion. To meet this target deficit, an adjustment of NIS 5.4 billion will be required.
- The budget for 2012 will increase by 2.66% compared to the base budget of 2011 to a total of NIS 271.7 billion – a real increase of NIS 7 billion.
- The deficit in 2012 will stand at 2%, as provided in the law, equivalent to NIS 18.3 billion. To meet this target deficit, a further adjustment of NIS 3.4 billion will be required.

**Economic challenges presented by the Minister of Finance:**

- Stability of the economic system in the face of internal and external upheavals.
- Growth in the per-capita GDP and improvement in Israel's world ranking.
- Strengthening the weaker population sectors and narrowing the social gaps.

**The economic plan has four main components:**

- **Strengthening Israel's comparative advantages in the areas of human capital and technologically sophisticated industries**
- **Expansion of the workforce**
- **Infrastructure development and fueling internal growth engines**
- **Maintaining a responsible fiscal policy**



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**Principles of the economic policy**

**Strengthening Israel's comparative advantages in the areas of human capital and technologically sophisticated industry:**

- Focusing and developing R&D capabilities and the high-tech industries
- Human capital development – reform in the higher education system
- Increasing the comparative advantage of the export sectors
- Giving priority to industry in the peripheries

**Expanding the workforce:**

- Adopting employment policy objectives
- National employment plan for the chronically unemployed along the lines of the Orot Taasukka plan (the Israeli Wisconsin plan)
- Removing barriers that prevent ultra-Orthodox men from joining the workforce
- Improving tools designed to encourage employment among Israeli Arab women
- Reducing the number of foreign workers
- Dealing with the problem of infiltration of aliens into the country

**Infrastructure development and fueling internal growth engines:**

- Physical infrastructures – land, real estate, transportation
- Improving service to the citizen and reducing bureaucracy:
  - Making it easier to "do business"
  - Increasing the efficiency of the courts
  - Upgrading management and execution capabilities in the public sector
- Structural reforms – energy, ports, communications, defense industries

**Maintaining a responsible macroeconomic policy – an immutable fiscal rule:**

- Biennial budget
- Preventing government bloat
- Gradual deficit reduction
- Cutting government debt