



MINISTRY OF FINANCE
SPOKEPERSON OFFICE INTERNATIONAL AFFAIRS DEPARTMENT
30 June 2009

Press Release

The United States Expresses its Faith in the Israeli Government's Economic Policy at the JEDG Forum,

The United States Approves the Framework of Guarantees to Israel

The provision of the guarantees is conditioned on maintenance of the target deficit, target expenditure level and advancement of the economic reforms

In the context of the annual meeting of the U.S. Israel Joint Economic Development Group (the JEDG) Forum which was held in Washington, **Yarom Ariav**, the Director-General of the Ministry of Finance, has signed the ratification agreement regarding the framework of guarantees being given to Israel by the American administration in the years 2010 and 2011.

The Director-General of the Ministry of Finance, **Yarom Ariav**, led the Israeli delegation and the American delegation was led by the acting Deputy Secretary of the Treasury for International Affairs, **Andy Bacall**, and by the acting Deputy Secretary of State for Economic Affairs, **David Nelson**. The Director of Research at the Bank of Israel, Dr. **Kranit Flug**, the Accountant General's representative in New York, **Zvika Chalamish**, the Minister for Economic Affairs in Washington, **Assaf Vitman**, the Deputy Director of Budgets at the Ministry of finance, **Rotem Peleg**, and the head of the office of the Director-General of the Ministry of Finance, **Michal Finkelstein**.

The **JEDG** Forum has been conducted as a professional forum on an annual basis since the nineteen-eighties, in the context of which the participants hold discussions regarding economic matters. At the beginning of the meeting, Ariav presented a survey of the Israeli economy and reviewed recent economic developments. A number of subjects were discussed during the meeting, among them: Israel's fiscal policy, the budgeting process and the two countries' handling of the global economic crisis. The American delegation praised Israel's strong economic results in previous years and noted the economic discipline that Israel had maintained in recent years.

The guarantees agreement between Israel and the United States establishes the conditions for the provision of the guarantees, which will be given in exchange for Israeli compliance with defined economic objectives, as established each year at the JEDG Forum. As may be recalled, in 2002 the United States approved the provision of a guarantee in the total amount of \$9 billion to Israel during the 2003-2005 budget years, and over the years, the final date for use of these guarantees was extended through 2011.

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The agreement that was signed yesterday provides that, guarantees in an additional amount of \$ 333.3 million will be approved for use in each of the 2010 and 2011 budget years, such that the total amount of guarantees that will be available for use up to 2011 will be \$3.8 billion, in accordance with earlier agreements with the United States government. The representatives of the delegations agreed to terms that will accompany the provision of the guarantees.

Among the terms that appear in the agreement are Israel's commitment to the fiscal targets and the structural reforms to be determined in Israel's State budget for 2009-2010, which is approaching Knesset approval:

- Compliance with the target deficit – the budget deficit for 2009 will amount to 6% and 5.5% in 2010.
- Compliance with target budget expenditure – a one time increase in the State budget of 1.35% beyond the target expenditure permitted by law of 1.7% in the years 2009-2010.
- The promotion of the three central economic reforms included in the economic program – regarding the Israel Land Administration, the seaports, and the electricity market.

The Minister of Finance, **Dr. Yuval Steinitz**, stated: “The American administration's expression of confidence in these times of general crisis reflects the strength of the Israeli economy. I am persuaded that we will justify this confidence with the Knesset's approval of the 2009-2010 budget in the coming weeks – a budget which includes the promotion of an economic program at the center of which are the three reforms in land administration, seaports, and the electricity market. We will continue to cooperate fully with the United States government to promote our shared economic interests.”

The Director-General of the Ministry of Finance, **Yarom Ariav**, added the following: “The approval of the guarantees is a significant expression of faith on the part of the American administration in the Israeli economy. The maintenance of a responsible economic and budgetary policy is of great importance both in order to enable the Israeli government to face the economic crisis and in order to earn the faith of the American administration. I thank the JEDG delegates and heartily approve the continued economic cooperation which is the best interest of both parties.”