



STATE OF ISRAEL
MINISTRY OF FINANCE

SPOKESPERSON OFFICE

INTERNATIONAL AFFAIRS
DEPARTMENT


July 16, 2010
2010-1476

Press Release

The Israeli cabinet this morning approved the draft state budget and the economic plan submitted by the Minister of Finance for 2011-2012

Minister of Finance Dr. Yuval Steinitz: "The government has set education, health and social welfare as clear priorities. The budget for 2011-2012 will enable long-term government planning and strengthen stability and certainty in the market"

The state budget will increase during 2011-2012 at an annual rate of 2.66%, to stand at NIS 264.7 billion in 2011 and at NIS 271.7 billion in 2012. At the Treasury's demand, the defense budget will increase in the coming two years by NIS 3.5 billion instead of NIS 6.2 billion (NIS 2.7 billion will be transferred to education and social services). The average retirement age for military personnel will be raised gradually to 50

 [See press release on budget 2011-2012 highlights presented to the government](#)
 [See presentation of economic plan principles presented to the government](#)

The Israeli cabinet this morning approved by a large majority (20 ministers in favor, 4 abstentions, 1 absent and 2 opposed) the draft state budget and the economic plan for 2011-2012 submitted by Minister of Finance **Dr. Yuval Steinitz**. The budget will increase in each of these two years by 2.66% over the base budget of the year before, to stand at NIS **264.7** billion in 2011 and at NIS **271.7** billion in 2012. The forecast of tax revenue for 2011 stands at NIS **232.8** billion, growth is forecast at 3.8%, while the target deficit is set at 3%. The forecast of tax revenue for 2012 stands at NIS **248.5** billion, growth is forecast at 4%, while the target deficit is set at 2%.

Minister of Finance **Dr. Yuval Steinitz** welcomed the approval of the biennial budget, stating: "The government this morning approved a professional budget that balances the different needs of the economy. After many years in which the defense budget received significant increases that helped strengthen the defense establishment, the government has chosen to give some of these increments to the budgets for education and academic studies and to advance key growth engines, such as infrastructure development and high-tech industries. I stress that the defense budget



STATE OF ISRAEL
MINISTRY OF FINANCE

SPOKESPERSON OFFICE

INTERNATIONAL AFFAIRS
DEPARTMENT

will continue to grow in the coming years at a moderate rate, as outlined in the Brodet report, alongside the necessary efficiency measures." Steinitz added: "The government has shown today that it is determined to maintain a responsible economic policy that does not deviate from the established fiscal rules. The State of Israel is a leading country in choosing to implement a biennial budget that will enable the government to plan for the long term and strengthen stability and certainty in the economy. My goal is for economic growth in the coming years to narrow social gaps, by strengthening the weaker sectors through a nationwide application of negative income tax and implementation of a plan to bring welfare recipients into the workforce."

Deputy Finance Minister **Yitzhak Cohen** welcomed the approval this morning of the budget and said: "After many years in which, owing to exigencies, we focused on strengthening the defense establishment, today we bring a true social message which is supported by the budget books. At the end of a night-long debate, the cabinet reached broad agreement among its members and with the Histadrut and the employers. This cooperation will allow the government to make a significant addition to the education, social welfare and health budgets, while adhering to fiscal rules, which together will lead to true growth in society and not just in the economy. However, we must bear in mind that we are only at the beginning of the road and the debate over the budget will now be carried to the different Knesset committees. I am confident that the members of the Knesset will demonstrate economic and social responsibility and complete the approval of the budget for the benefit of the Israeli market and economy. I want to commend the minister of finance and the staff of the ministry and the budget department for the effort and great professionalism shown by them along the way."

Finance Ministry Director General **Haim Shani** noted that "the draft budget approved by the cabinet today for the next two years is a product of concerted and strenuous work on the part of all the departments of the Ministry of Finance and the various government ministries. In recent months we labored over the preparation of a budget that would encompass and reflect the needs of the economy and also generate growth that will narrow gaps. The budget sets out the economic work program for the next two years, in essence giving clear priority to the advancement of education and academic studies and stimulation of competition in both the traditional and advanced industry sectors. Following the final approval of the budget by the Knesset, the next



STATE OF ISRAEL
MINISTRY OF FINANCE

SPOKESPERSON OFFICE

INTERNATIONAL AFFAIRS
DEPARTMENT

test that awaits us is the implementation of the program in all its details while continuously monitoring developments around the world.

Finance Ministry Budget Director **Dr. Udi Nissan** stated: "The government this morning approved a budget that reflects balanced priorities and is based on sound fiscal frameworks. This year, in the framework of the budget, we were able to allocate significant increases to education and social services, while maintaining the state's capabilities for dealing with security challenges. The economic plan will advance reforms in the communications market aimed at increasing competition between cellular phone companies for the benefit of the consumer, strengthening Israeli industry and augmenting the chief scientist's resources, as well as reforms for narrowing gaps, such as a nationwide application of negative income tax. The plan is able to support sustainable growth rates that will preserve Israel's economic stability. The draft budget has been approved after a long and intensive work process involving all the government ministries, and I thank them for their cooperation. It is important to remember that we have come only half way and from here we are continuing to professional discussions in the Knesset committees which will assist in completing the process.