



**State of Israel**

**Position of Israel Regarding OECD  
Instruments**

**Initial Memorandum**

**July 2008**



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## Agriculture

### **Recommendations**

#### ***Recommendation of the Council concerning the Role of Agriculture in the Planning and Management of Peri-Urban Areas – [C(79)18]***

1. Israel accepts this Recommendation.
2. Explanatory comment:

Pursuant to the First Addendum to the Planning and Construction Law, 5725-1965, the Committee for the Protection of Agricultural Land and Open Spaces was established and is adjacent to the authority of the National Council. This subject is addressed in detail in national outline plans, regional plans, and local plans.

### **Optional participation in OECD bodies or programmes**

#### ***Decision of the Council revising the OECD "Scheme" for the Application of International Standards for Fruit and Vegetables – [C(2006)95]***

3. Israel accepts this Decision.
4. Explanatory comment:

Israeli policy is compatible with the principles in the document. The Minister of Agriculture and Rural Development promotes a legislation addressing the plant production and marketing that will regulate, among others, matters related to sorting, packaging, and quality standards for plants and will comply with OECD requirements.

***Decision of the Council revising the OECD Schemes for the Varietal Certification or the Control of Seed Moving in International Trade – [C(2000)146]***

5. Israel accepts this Decision with the following observation:

The Regulations existing in Israel refer only to types of plants grown in Israel.

6. Explanatory comment:

Seed-production regulations in Israel are sometimes stricter than OECD requirements. There is no suitable legislation in Israel with regard to seeds of beets, other types of clovers, and soybean (legumes), because these plants are not grown in Israel.

***Recommendation of the Council on the Standardization of Packaging for the International Transport of Fresh or Refrigerated Fruit and Vegetables, under the OECD Scheme for the Application of International Standards for Fruit and Vegetables – [C(76)124]***

7. Israel accepts this Recommendation.

8. Explanatory comment:

Requirements concerning fresh fruits and vegetables exist in the regulations under the Supervision of Plant and Plant Product Exports Law, 5714-1954, which define packaging and package marking; these requirements comply with OECD requirements.

***Recommendation of the Council concerning General Provisions for the Labelling and Identification of Fresh Fruit and Vegetables – [C(72)100]***

9. Israel accepts this Recommendation.

10. Explanatory comment:

The marking and identification of fresh fruits and vegetables for export are standardized in accordance with the regulations under the Supervision of Plant and Plant Product Exports Law, 5714-1954; these regulations comply with OECD requirements.



## Anti-Corruption

### Recommendations

#### *Recommendation of the Council on Bribery and Officially Supported Export Credits – [C(2006)163]*

11. Israel accepts this Recommendation with the following observation: In terms of legislation and implementation, the situation in Israel is partially compatible with the principles in the document.
12. Explanatory comment:  
Israel accepts the recommendations in the document and will endeavor to implement them. However, Israel will need to make adjustments in matters relating to the process of examining exporters' and buyers' records in international databases, as this requirement is not currently implemented in Israel.

#### *Recommendation of the Council on Combating Bribery in International Business Transactions – [C(97)123]*

13. Israel accepts this Recommendation and will endeavor towards its implementation.
14. Explanatory comment:  
On Monday, July 14, 2008, the Bill regarding an offence of Bribery of a Foreign Public Official was enacted in the Knesset (the Israeli Parliament) in Israel. The Bill will enter into force upon its official publication.  
The Bill includes the basic principles set forth in the annex to this recommendation.

In Israel, the offence of bribery does not include bribery in the private sector, with the exception of bribes given to employees of corporations providing services to the public.

Following remarks regarding the **Accounting Requirements, External Audit and Internal Company Controls** as required by the recommendation: 1. The manner of compiling financial reports is covered by the generally accepted accounting principles determined by the Israel Accounting Standards Board (hereinafter: the "IASB") which is a non-governmental body although some of its shares are held by the Israeli Securities Authority and the Institute of Certified Public Accountants in Israel. Under the Companies Law, 5759-1999 (hereinafter – the Companies Law), the Minister of Justice has the authority to set directives concerning the manner in which a company prepares reports and under the Securities Law, 5728-1968 (hereinafter – the Securities Law), the Minister of Finance has the authority to determine directives concerning the manner in which a publicly-traded company prepares reports. Regarding publicly-traded companies and companies subject to the Securities Law, the IASB stipulated that from 1.1.2008, they shall be obligated to report in accordance with the international accounting standards of the IFRS.

The external auditor's review is being held in accordance with the auditing standards determined by the Institute of Certified Public Accountants in Israel (a private body). Under the Certified Public Accountants Law, 5716-1955 (hereinafter – the CPA Law), the Minister of Justice is also authorized to set regulations concerning the manner in which an audit is being held.

2. An external auditor who does not adhere to the directives for the audit of financial statements is subject to disciplinary measures under the CPA Law. Under the Securities Law, a publicly-traded company that does not report in accordance with the accepted accounting principles is subject to administrative sanctions (monetary sanctions) or criminal sanctions.

3. The Companies Law and the Amutot (Non Profit Societies) Law, 5750-1980 (hereinafter – the Non Profit Societies Law) require the financial statements of Non Profit Societies and companies whose activity exceeds a certain level to be audited: for companies – NIS 500,000 (Section 158 of the Companies Law), and at Non Profit Societies and companies operating for the benefit of the public – above NIS 970,000 (Section 15 of the Companies Law and Section 19 of the Non Profit Societies Law).

4. Regarding the requirement for independence of the auditor in the audit of financial statements, the Companies Law and Section 10 of the CPA Law require independence of the external auditor when conducting an audit. In addition, the Accounting Regulations (conflict of interest and harming the independence as a result of an additional occupation) (temporary order) 5763-2003 (hereinafter: the Accounting Regulations) specify circumstances which are regarded as legal presumptions for the lack of independence of the auditor. An accountant who is in violation of the provisions of the regulations is subject to disciplinary measures under the CPA Law. The said regulations were set as a temporary provision until the end of the 2007 auditing year. The Knesset Constitution, Law and Justice Committee is currently

discussing an amendment to these regulations in order to increase their stringency and to prescribe them as a permanent arrangement. The amendment results from the recommendations of a team that examined the different regulations concerning independence of auditors in Europe, the USA and Asia Pacific, and recommended the adjustments and amendments to be made in the existing regulations as a result of its examination. (It should be noted that the adoption of certain provisions found in the comparative law examination was not suggested but most of the issues are covered in the existing regulations and in the amendments proposed for them).

In addition, for companies that are subject to the Securities Law, additional provisions of the Israeli Securities Authority concerning the independence of the external auditor are being enforced.

5. In the course of an audit, the external auditor is required to examine whether the financial statements were prepared by the company in accordance with the accepted accounting principles, to examine whether they accurately reflect the audited company's financial state, and to state his opinion on the audit in a report. If he discovers a problem, he must express his reservations regarding the financial statements in his report. The external auditor's report is also submitted to the company's shareholders and in the case of a company that is subject to the Securities Law, the report shall be submitted also to the Israeli Securities Authority and to the public. It should be noted that the matter of the external auditor's report regarding the financial statements is regulated mainly within the scope of the auditing standards which are determined by the Institute of Certified Public Accountants in Israel.

6. Regarding the reporting requirement which applies to the external auditor, regulation 1a(3) of the Accountants Regulations (Behavior Unfitting the Dignity of the Profession) (5725-1965) determines that the following action constitutes an infringement of the disciplinary code applying to the accountant: "Disclosure without the customer's consent of a matter that was brought to his attention while providing professional service for the customer and which has a material connection to the professional service supplied to the customer, except when he is obligated to disclose it according to the law or when the disclosure is necessary for the fulfillment of the accountant's duties". In other words, the accountant is not precluded from disclosing information which he has to disclose in accordance with the law or in accordance with his duties. However, the CPA Law does not provide regulatory coverage for a disclosure obligation apart from the requirement regarding the previously mentioned accountant's report of the audit of the financial statements.

Regarding the requirement set forth in **section VI (ii)** of the Recommendation, there is no legal basis in Israeli legislation to suspend enterprises from competition for public contracts, on any grounds. This includes enterprises determined to have bribed domestic public officials. Therefore, once the new criminal offence of bribing a foreign public official is enacted, the treatment on this matter will be identical with regard to bribery of both domestic and foreign officials.

Under a reform in the Mandatory Tenders Regulations, 5753-1993 which the government is working on in recent months, it was proposed that the Tender Committee be entitled to exclude from the list of bidders a supplier who has been

convicted of one of a list of criminal offence. According to the suggestion, the said offences mainly involve infringements of Protective Labour Laws (violations of the Employment Service Law, 5719-1959 for example). When the Penal Code is amended to include an offence of bribery of a foreign public official, it will be possible to include this offence as well in the list of offences. Under another suggested section, the Tender Committee will be entitled to exclude from the list of bidders a supplier who has been convicted of an offence constituting an infamous crime, and it will be possible to include offences of bribery of foreign public official under this section as well.

It should be noted that the reform does not suggest automatic disqualification of a bidder. Rather, the proposed amendment confers the Tender Committee with the right to employ its judgment in disqualifying a supplier who has been convicted of an offence from the said list of offences. If the amendment is enacted, it will apply in a similar manner to bribery of a local official and of a foreign public official.

***Recommendation of the Council on the Tax Deductibility of Bribes to Foreign Public Officials – [C(96)27]***

15. Israel accepts this Recommendation and will work towards its implementation.
16. Explanatory comment:

In Israel, a collection of interpretations (the "Habak") to the Income Tax Ordinance, 5721-1961, set down by the Israel Tax Authority, prohibits the deduction for tax purposes of expenses which constitute an offence. Accordingly, the policy of the Israel Tax Authority is not to allow deduction of payments made for bribery.

Israel is currently working to enact a legislative amendment that will incorporate the abovementioned interpretation into the Income Tax Ordinance. Therefore, once the new criminal offence of bribing a foreign public official is enacted, the deduction of payments made for bribery of a foreign public official will be prohibited by law.

***DAC - Recommendation on Anti-Corruption Proposals for Bilateral Aid Procurement – [DCD/DAC(96)11]***

17. Israel accepts the document at the policy level.

18. Explanatory comment:

Israel sees great importance in combating corruption in all development cooperation efforts, particularly in aid procurement through a greater coherence and better coordination between the various international arrangements and institutions including recipient countries. Israel understands the need to draw the attention of the international development institutions to which it belongs, and the importance of using anti-corruption provisions envisaged in their rules of operation.

Israel is not a DAC member

***Guidelines for Multinational Enterprises: Section VI***

19. Israel accepts the Guidelines.

20. Explanatory comment:

Israel joined the OECD Declaration on International Investment and multinational Enterprises. Therefore, Israel's policy in the area in question is consistent with the principles in the document. In this context Israel adheres to the section as part of adhering to the full document – C(76)99/Final Declaration on International Investment and Multinational

Enterprises (see the section in this Memorandum entitled "International Investment and Multinational Enterprises").

***Convention on Combating Bribery of Foreign Public Officials in International Business Transactions***

21. Israel accepts the Convention at the policy level and is working towards accession thereto and towards its implementation.
22. Explanatory comment:  
Israel accepts the principles of the Convention and has started the accession process thereto. Israel is working towards making the legislative amendments necessary in order to comply with the Principles of the Convention. It shall be noted that on Monday, July 14, 2008, the Bill regarding an offence of Bribery of a Foreign Public Official was enacted in the Knesset (the Israeli Parliament) in Israel. The Bill will enter into force upon its official publication.

## Capital Movements

### Decision

*Decision of the Council adopting the Code of Liberalisation of Capital Movements OECD/C(61)96*

See Appendix A



## Competition Law and Policy

### Recommendations

#### ***Recommendation of the Council on Merger Review – [C(2005)34]***

23. Israel accepts this Recommendation.

24. Explanatory comment:

The Restrictive Trade Practices Law 5748-1988 ("the Law") provides the framework for pre-merger review exercised by Israel's Antitrust Authority — the IAA ("IAA"). There is full compliance between the OECD's recommendations and Israel's merger review process in terms of (a) the parties' rights (*e.g.*, duration of processing, transparency, procedural fairness, protection of trade secret, avoidance of overbroad information requests); (b) coordination and cooperation between the IAA and other enforcement agencies (covered by agreements and understandings reached by Israel with other countries, such as the United States and the European Union); and (c) the level of resources allocated and authority granted to the IAA.

#### ***Recommendation of the Council concerning Structural Separation in Regulated Industries – [C(2001)78]***

25. Israel accepts this Recommendation.

26. Explanatory comment:

The approach taken by the Israeli Government in its deliberations regarding privatization and liberalization processes has been that it is important to ensure that such processes do not cause unnecessary harm to competition, and that they should, in fact, serve to improve competition, *e.g.* in

terms of access and ease of entry into the relevant industry. In recent years, all new regulatory schemes have been devised to enhance competition in the relevant industry, and typically refer to the maintenance of competition as a primary goal of such regulatory scheme. *See, e.g.*, The Israel Capital Markets Law – Enhancing Competition and Decreasing Concentration and Conflicts of Interests (Legislative Amendments), 2005, section 1; Natural Gas Market Law, 2002, § 1; the Government Companies (Amendment No. 14) Law, 2003, § 59(h)(4) (the principle of "promoting competition or preventing concentration in the economy" shapes any privatization process).

As set out in the above-captioned Recommendation, Israel carefully balances the costs and benefits of regulation of firms that may operate simultaneously in a non-competitive activity and a potentially competitive complementary activity. Specifically, when uninterrupted competition accompanied by antitrust enforcement is sufficient to prevent such non-competitive activity, there will generally be no need for additional economic measures. However, where antitrust enforcement alone fails to preserve the market mechanism, structural measures may be warranted.<sup>1</sup>

In order to prevent regulation from having unnecessary anticompetitive effects, the Government ensures that a proposed regulatory scheme is pro-competitive and harms competition in the least possible manner without detracting from the effectiveness of such a scheme. This is achieved, *inter alia*, by obtaining the IAA's position on how to design the

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<sup>1</sup> A distinction needs to be drawn between social and economic regulation. Social regulation deals with public issues such as labor conditions, elimination of safety hazards, public safety or environment protection. Economic regulation is assigned with curbing inefficiencies resulting from the exercise of market power. Here, the discussion is confined to economic regulation.

regulatory scheme in the most pro-competitive manner and refraining from excluding simultaneous antitrust and regulatory enforcement, recognizing the inherent limitations of regulatory schemes to resolve competition issues. The courts, on their part, have constantly denied "implied immunity" allegations and generally view antitrust laws as applicable even in regulated industries. See, e.g., App. 7/95 *Bezeq, The Israel Telecomm. Corp. v. Gen. Dir.* ATTRIB, 1997 Antitrust 3001553; AT 3276/99 *Arutzei Zahav and Co. v. Cinema and Television Dir. Union in Israel* ATTRIB, 32(7) Dinim Mehozi 594, 2000 Antitrust 5000785.

In its balancing of costs and benefits of regulations, particularly in the context of privatization or liberalization processes, the Government (typically, through the Budget Division of the Ministry of Finance) takes into account the factors recognized by the relevant Government agencies, including the IAA — all in compliance with the above-captioned Recommendation.

As to the IAA's powers, aside from few specific industries exempt from antitrust scrutiny as set forth in the Law, the IAA generally is authorized to enforce the antitrust laws against anticompetitive practices of regulated entities, as the courts have constantly denied the "implied immunity" doctrine. In its actions, the IAA balances structural and behavioral enforcement measures according to the circumstances of each case. The IAA has been involved in practically all major structural changes in regulated industries in recent years.

***Recommendation of the Council concerning Effective Action Against Hard Core Cartels - [C(98)35]***

27. Israel accepts this Recommendation with the following observation:

Israeli law authorizes the IAA to act against conduct that impairs competition in Israel, with the exception of conduct that impairs competition in other countries.

28. Explanatory comment:

The existing law in Israel grants the IAA: a) effective tools against the creation of cartels and to punish cartels provided that such cartels affect competition in Israel; b) powers to cooperate with foreign government agencies, pursuant to the principles set forth in the document; c) authority to share with such foreign agencies information in the public domain or financial information included in public decisions of the IAA. Sharing of such information is subject to the provisions of, among other statutes: Freedom of Information Law, 1998, the Penal Code, 1977, and the Protection of Privacy Law, 1991.

***Recommendation of the Council Concerning Co-operation Between Member Countries on Anticompetitive Practices Affecting International Trade - [C(95)130]***

29. Israel accepts this Recommendation with the following observation:

Israel accepts the principles of the document with regard to exchange of information, subject to restrictions pursuant to internal laws applicable to the transfer of information.

30. Explanatory comment:

Israel's policy in this area complies with the principles set forth in this recommendation. Israel, however, abides by the International Legal Assistance Law, 1998; the Freedom of Information Law, 1998; the Protection of Privacy Law, 1981;

and the Administrative Tribunals Law, which restrict the transfer of information to foreign government agencies.

Israel is willing to make use of the conciliation mechanism set forth in this recommendation to the extent that it is a mediation process, rather than a procedure ending in a binding ruling.

***Recommendation of the Council concerning the Application of Competition Laws and Policy to Patent and Know-How Licensing Agreements - [C(89)32]***

31. Israel accepts this Recommendation.

32. Explanatory comment:

Israeli law and practice strike a balance between the principle of competition and intellectual property rights in accordance with the principles set forth in the recommendation, pursuant to §3(2) of the Restrictive Trade Practices Law, 1988.

***Recommendation of the Council for Co-operation Between Member Countries in Areas of Potential Conflict Between Competition and Trade Policies - [C(86)65]***

33. Israel accepts this Recommendation with the following observation:

The IAA is authorized to apply enforcement measures only if the practice in question has a competitive effect on the territory of the State of Israel (see reference to Recommendation C(98)35).

34. Explanatory comment:

Most significantly, the Antitrust Tribunal has the authority to restrict export cartels based on considerations of the "public good," pursuant to § 10 of the Restrictive Trade Practices Law, 1988. In addition, in bilateral negotiations on trade agreements, the effects on competition in the country with

which the negotiations are conducted may be taken into consideration by the negotiating government agency, depending on the circumstances.

***Recommendation of the Council on Competition Policy and Exempted or Regulated Sectors - [C(79)155]***

35. Israel accepts this Recommendation.

36. Explanatory comment:

In Israel, the existence of specific laws applicable to a particular sector does not exclude that sector from the application of the competition Laws (see the discussion above regarding the "implied immunity doctrine"). In addition, the IAA regularly advises government agencies and the Knesset on competition and regulation issues and constantly strives to restrict and cancel exemptions from competition laws. Thus, the recommended balance between the activity of the competition authority and the activity of the regulatory authorities exists, in practice, in Israel.

***Recommendation of the Council Concerning Action Against Restrictive Business Practices Affecting International Trade Including Those Involving Multinational Enterprises - [C(78)133]***

37. Israel accepts this Recommendation with the following observation:

Israel accepts the principles of the document regarding exchange of information, subject to the restrictions under internal law applicable to protection of privacy, transfers of information and subject to the principle of territoriality (see Recommendations C(86)85, C(98)35).

38. Explanatory comment:

The IAA implements a myriad of effective measures to enforce the Law, including civil and criminal remedies and investigative powers.

Israel fully implements this recommendation with regard to the means of enforcement against the abuse of position and hard-core cartels and with regard to cooperating with investigations by foreign government agencies.

Sharing of information is subject to the provisions of, among other statutes: Freedom of Information Law, 1998, the Penal Code, 1977, and the Protection of Privacy Law, 1991.

***Recommendation of the Council concerning Action against Restrictive Business Practices relating to the Use of Trademarks and Trade mark Licenses - [C(78)40]***

39. Israel accepts this Recommendation

40. Explanatory comment:

See the explanatory comment for Recommendation C(89)32, which is relevant to this recommendation as well.

***Recommendation of the Council concerning Action Against Inflation - [(71)205]***

41. Israel accepts this Recommendation with the following observation:

The policy of the IAA does not address price supervision.

42. Explanatory comment:

Israeli law grants the Antitrust General Director broad authority; the legal situation is, therefore, compatible with the requirements of the recommendation.



## Consumer Policy

### Decisions

#### ***Decision-Recommendation of the Council on the OECD Notification System on Consumer Safety Measures – [C(89)106]***

43. Israel accepts this Decision-Recommendation.

44. Explanatory comment:

Israel's policy on the matter conforms to the principles of the document. Israel has an inquiry point to the WTO whose function is to inform the organization 60 days in advance of any change in technical legislation, including changes in official standards in Israel, and to respond to questions and clarifications relating to technical legislation. This inquiry point distributes updates on policy changes to the appropriate entities in Israel.

### Recommendations

#### ***Recommendations of the Council on Consumer Dispute Resolution and Redress – [C(2007)74]***

45. Israel accepts this Recommendation.

46. Explanatory comment:

Israel's policy on the matter conforms to the principles of the document.

Israel has an effective mechanism for settling disputes between consumers and businesses, in the spirit of the recommendations in the document. Set out below is a description of the mechanisms employed for settling disputes between consumers and businesses:

On the individual level – The Consumer Protection Law, 5741-1981, stipulates that any violation is a damage tort and a consumer can therefore file a civil claim at the appropriate court in respect of any damage caused to him. In addition to the regular court system, Israel has a Small Claims Court, which is mainly used for consumer claims at relatively small amounts. In specific areas, special systems exist for settling disputes, such as the Commissioner of Insurance Division, which has the authority to settle insurance-related disputes (Public Ombudsman, Section 5 of the Supervision of Financial Services Law (Insurance), 5741-1981), and the Public Inquiries and Complaints Unit at the Banking Supervision Department of the Bank of Israel, which operates in accordance with Section 16 of the Banking Law (Customer Service), 5741-1981.

On the collective level – The mechanism for settling disputes collectively is a class action as stated in the Class Action Law, 5766-2006 (hereinafter: Class Action Law). Under the Class Action Law, an individual or organization (but not the State) can file a class action in the name of a group of consumers who have been harmed by the same act, and to obtain on behalf of the entire group larger monetary compensation than the compensation which any consumer would have been likely to obtain had he sued alone. The Attorney-General has the authority to join any action if he believes that this is in the public interest. It should be noted that the Law does not prevent the owner of a business from filing a class action against another business owner, providing that “supplier-customer” relationships exist between them. The Supervisor of Banks acts in order to remedy systemic deficiencies in the banking system by requiring the banks to repay money to a group of customers who have been harmed by a deficiency

that was brought to his attention via the Public Inquiries and Complaints Unit or from other sources of information.

On the administrative/public level – The Consumer Protection Commissioner (and the Fair Trade Authority which is scheduled to replace him) engage in enforcement with respect to criminal offenses only. Israel does not currently have a mechanism for enabling the State to take action in order to obtain compensation for a consumer who has been harmed. An exception is where a business violates the law and instead of taking criminal measures, the Commissioner agrees within the framework of an administrative process to obtain from it an obligation not to repeat the offense, and conditions his agreement on compensation to the consumer who was harmed.

A private and voluntary system for settling disputes between a business and a consumer – A new organization, Public Confidence (Hebrew – *Emun Hatzibur*) was recently established. This is a better business bureau (BBB) rather than a consumer organization, whose purpose is to assure fair trading between businesses and consumers. The organization has determined rules for fair trading and any business wishing to receive a “Public Confidence Badge” undertakes to adhere to those rules. Although the organization deals with consumer complaints, it does not operate under the auspices of the State.

International settlement of consumer disputes – There is no special mechanism for the area of consumerism, and the matter is subject to the International Legal Assistance Law, 5758-1998.

***Recommendation of the Council Concerning Guidelines for Protecting Consumers from Fraudulent and Deceptive Commercial Practices across Borders – [C(2003)116]***

47. Israel accepts this Recommendation.

48. Explanatory comment:

The principal law in the area of consumerism is the Consumer Protection Law, 5641-1981. The Consumer Protection Commissioner at the Ministry of Industry, Trade and Labor is responsible for supervising the application of the provisions of the Law. The Commissioner deals with complaints in a variety of consumer matters including the areas of deception of the consumer, exploitation of the consumer's distress, requirements for disclosure to the consumer, misleading advertising, sales by credit, marking of goods, presentation of prices, special transactions (door-step transactions, vacation units, remote sale). The Ministry of Industry, Trade and Labor maintains extensive activity in the area of consumerism. *Inter alia*, the Ministry operates a portal on the subject of consumerism and consumer protection which provides information on consumer-related services and information on consumer protection, dangerous toys, electronic commerce, ways and means for consumer inquiries and complaints in the government, public and business sectors.

Additional consumer-related organizations and entities apart from the Consumer Protection Commissioner operate at the Ministry of Industry, Trade and Labor. These include: the Standards Commissioner, the Supervisor of Prices of Goods and Services, and the Supervisor of Weights and Measures. Outside of the Ministry of Industry and Trade, other entities operate in consumer-related areas. The principal entities are: the Israel Standards Institute, the Inter-Ministerial Committee for Dangerous Toys, the Israel Consumer Council, and the

(Civil) Advice and Legislation Department at the Ministry of Justice.

In all matters concerning the national consumer protection systems, the Consumer Protection Law covers all requirements relating to this protection and for preventing deception of the consumer. "Deception": is defined in an expansive manner in Chapter 2 of the Consumer Protection Law and covers all the requirements of the document concerning the definition of "deception". In addition, the Consumer Protection Law defines in a similar manner and in an appropriate format a supplier's obligations to the consumer of goods or services, in line with the provisions of the General Sale Law.

Section 10 of the Charge Cards Law prevents the consumer from being charged in a case where a purchased asset is not supplied and the consumer undertook to pay for the asset by means of a deferred payment, that is, 35 days after the transaction. It should be noted that the possibility is being examined of applying the provision to every case in which there was a full consideration failure on the part of the business selling the asset, and not merely by means of a deferred payment. Legislation covers the risk of unauthorized use by a person other than the consumer of the charge card. Currently existing legislation in Israel thereby covers suspected misuse of a customer's accounts. As regards misuse via standing order particulars, it is doubtful whether such misuse exists.

The Consumer Protection Law is a criminal law enforced by Ministry of Industry and Trade investigators and inspectors employed in four districts nationwide, and who engage in market surveillance and in investigating complaints from the public and from external bodies concerning violations of the

Consumer Protection Law. As regards the facilities conferred under the Law to the Consumer Protection Commissioner, these involve entry authorities, seizure control and investigation (Section 20-22 of the Law). The authorities conform to the requirements of the document. The sanctions imposed on businesses that act illegally include criminal sanctions, an obligation accompanied by a guarantee and penal compensation (also known as "exemplary damages"). Apart from the authorities specified in the Law, administrative authorities exist as well, and these are intended to prevent violations of the provisions of the Law and to regulate the market by means of various directives.

Extensive cooperation is maintained with consumer organizations and with business representative organizations, such as the Association of Chambers of Commerce and the Manufacturers Association.

A reform was recently enacted in Israel in the area of consumer protection whereby a comprehensive new approach will be applied to consumer-related enforcement, and a new authority called the Fair Trade Authority will be established.<sup>2</sup>

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<sup>2</sup> The main elements of the reform in the consumer protection laws are as follows:

a. On the organizational -institutional level: Establishment of a Consumer Protection and Fair Trade Authority;

An inter-ministerial team compiled a comprehensive program on the matter of enforcement of the consumer protection and fair trade laws in Israel. In order to apply the team's recommendations, a legislative amendment was passed that called for the establishment of a Consumer Protection and Fair Trade Authority [Consumer Protection Law (Amendment No. 20), 5766-2006 (June 15 2006)].

The Fair Trade Authority, as distinct from the Consumer Protection Commissioner's Unit, will function as an independent authority with its own budget separate from the budget of the Ministry of Industry Trade and Labor. The Consumer Protection and Fair Trade Commissioner will serve as director of the Authority. The amendment to the Law stipulates that an advisory committee will be appointed whose function will be to advise the Commissioner in all matters relating to consumer protection and fair trade. Members of the advisory committee will be representatives of the Ministry of Industry Trade and Labor the Ministry of Finance, academic staff, the Employers Association and the Consumer Council. Following the establishment of the Fair Trade Authority, the function of

Israel has the legal infrastructure necessary for the purpose of international cooperation in accordance with the principles of the document. See Section 2 of the Consumer Protection Law, 5741-1981; the International Legal Assistance Law, 5648-1988. Section 2 of the International Legal Assistance Law, 5648-1988, effectively describes the essence of the Law: The Law enables Israel to request from foreign countries and to send them, information, documents, evidence and to gather evidence (as will be detailed) with respect to a criminal or civil matter, which are defined in an expansive manner as a legal, investigative and forfeiture process, and to cooperate in order to combat international crime.

The Section prescribes:

(a) Legal assistance between Israel and another country (in this law – legal assistance) is each of the following: submission of documents, gathering of evidence, search and seizure operations, sending evidence and other documents, sending a person to give evidence in criminal proceedings or take part in investigative operations, investigation, information transfer, forfeiture of property, provision of legal aid, verification and confirmation of a document or execution

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the Consumer Protection Commissioner will be abolished and the matters for which he is currently responsible will be dealt with by the new authority.

b. On the material level: Adoption of a new enforcement model and its embodiment in legislation.

The team is convinced that concurrent with the organizational change, the key for effective consumer protection enforcement in the future lies in a “combined enforcement” model that enables the body responsible for enforcement to use a variety of legal alternatives (criminal or administrative enforcement) with respect to violations of the Law of various degrees. As a result of the recommendations, administrative enforcement in the area of consumer protection will be carried out in Israel. The new authority will collate the entire enforcement process: consolidation of the new authority as a focused, independent and specialist enforcement arm, serving as a one-stop-shop for all the processes connected with enforcement (criminal, administrative, explanatory) and all the stages of the process (intelligence, clarification and investigation, legal proceedings).

of another legal action, all this in connection with a civil matter or a criminal matter.

Section 2(b)-(d) of the Law refers to the scope of the Law and its applicability, and defines which actions will not be regarded as legal assistance (arrest in connection with extradition procedures, execution of a court ruling, transfer of prisoners), and leaves a broad area of action for what will be covered by the Law, that is, it permits extensive cooperation between countries. As it is said, "from the forbidden, you may learn what is permitted".

The Law also explicitly determines that "the provisions of this law are not to be construed as detracting from the authority to provide or to obtain legal assistance in accordance with another law". That is, it does not interfere with other, parallel actions.

Other indications that the Law facilitates international cooperation:

The Law provides assistance with respect to investigative processes and legal proceedings, and does not require dual criminality regarding the offenses with which requests for legal assistance are concerned, and makes it possible to submit and receive requests from foreign countries even in the absence of a treaty between the countries.

Cooperation actually occurs in a limited number of cases, if any.

***Recommendation of the Council Concerning Guidelines for Consumer Protection in the Context of Electronic Commerce – [C(99)184]***

49. Israel accepts this Recommendation.

50. Explanatory comment:

Israel's policy on the matter conforms to the principles of the

document.

In 2001 an inter-ministerial committee was established for the purpose of examining the legal aspects of electronic commerce in the area of civil law. The committee examined various issues, including issues connected with documentation and the written requirements in "hard-copy (paper) documents" and issues concerning the protection of privacy in Internet information banks, the privacy of minors, consumer protection and electronic signature, in order to examine whether legislation is necessary or whether the uncertainty can be resolved by interpreting existing legislation. One of the results of the committee's work was the enactment of the Electronic Signature Law, 2001, which prescribes the conditions in which the legally enacted signature requirement can be observed by means of an electronic signature.

Overall, the existing legislation in Israel (the Consumer Protection Law, 5741-1981 and the Standard Contracts Law, 5743-1982) conforms to the OECD document's recommendations as is apparent from the following review:

Section I of the document: There is no disputing that consumers who participate in electronic commerce should be afforded the same protection as in other forms of commerce.

Section II of the document concerning deception: Section 2 of the Consumer Protection Law and its related clauses in Chapter B of the Law applies to electronic commerce as well, and is suited to a case where a business fails to comply with the representation which it created. (In such a case, general damage torts exist as well.)

Section II of the document concerning the prevention of risk to consumers: Existing legislation on this subject permits the use of an electronic signature as a means of identifying a person in addition to the provisions relating to remote sale

applying to the subject in all matters concerning revocation of the transaction. With respect to proceeds, the Law covers the misuse of charge cards and the matter of an incomplete document, and relieves the consumer of the burden in this respect.

Section II concerning requirements for clarity and accessibility: As a rule, unclear instructions are likely to be construed as disadvantaging the customer under the Standard Contracts Law regarding the matter of presenting information. The provisions of Section 14c concern the wording of advertising and the disclosure requirement.

Section II concerning proper identification of a business and the prevention of deception on its part in all matters relating to its identity and location: The electronic commerce committee (mentioned above) recommended adding the following items of information to the business' disclosure requirement: telephone number, fax number and e-mail address.

Section II concerning disadvantageous terms: The Standard Contracts Law applies to contracts on the Internet like any other contract.

Section II concerning advertising: Section 7 of the Consumer Protection Law applies. In this respect, it is stipulated that a person who proposed a transaction in an advertisement is the one who made the advertisement for the purpose of legal liability. In a case where the consumer is included in an information bank from which he was sent an e-mail, the appropriate provisions of the Protection of Privacy Law (Section 17c onwards) will apply. The suitable policy for the case of random advertisements needs to be discussed.

Section II concerning advertising and marketing that is targeted to children: This is covered by Section 7a of the

Consumer Protection Law and by the Consumer Protection Regulations (Advertising Directed at Minors), 5751-1991.

Section III of the document: Section 14c of the Consumer Protection Law applies to information which a business is obliged to disclose. Section 17a applies to overall price. Section 17(b) of the Consumer Protection Law applies to instructions for the use of goods.

Section IV of the document: The ability to precisely identify the goods before concluding the purchase and to correct errors is not covered by legislation. The Consumer Protection Law prescribes a cooling off period in which the consumer can cancel the transaction without providing a reason, and most definitely in the case of deception or misrepresentation of the goods. See Section 14c and Section 14e concerning the remote cancellation of a transaction.

Section V of the document: In practice, most Internet purchases are concluded by charge card and by means of policy instructions in a manner that is adequate for protecting the customer from misuses, excesses from the transaction amount and the issuer's requirement to repay the money immediately.

Amendments in the following matters should be considered in order to increase the conformity between existing legislation and the document's recommendations:

1. Section II: Requirements for clarity and accessibility: Consideration should be given to examining whether amendments to existing legislation are necessary regarding the requirement for disclosure to the consumer, including the addition of a disclosure requirement over and above that currently stipulated in respect of remote sale transactions.
2. Section IV: The electronic commerce committee has submitted recommendations concerning the customer's ability

to identify the goods before concluding the purchase and to correct errors. The matter has yet to be covered by legislation.

3. Section VI: The law in Israel does not cover the manner in which consumer-related disputes<sup>3</sup> are to be settled because officials involved in the area of standard contracts regard the matter as problematic. Arbitration could create serious problems that do not arise in the law courts because it could act against the customer overall and consumers in particular (“unduly disadvantageous” as in Section 4(10) of the Standard Contracts Law).

***Recommendation of the Council Concerning Safety Measures Taken in the Interest of Children – [C(83)129]***

51. Israel accepts this Recommendation.

52. Explanatory comment:

Israel’s policy on the matter conforms to the principles of the document.

Israel has a suitable legislative infrastructure for applying the matters included in the document.<sup>4</sup>

Part of the document’s recommendations are applied. As an example, the Standards Administration is gathering

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<sup>3</sup> See comments to C(2007) 74 Recommendation of the Council on Consumer Dispute Resolution and Redress.

<sup>4</sup> a. Regulation in Israel in the area of child safety includes:

1. A binding official standard in the matter of the safety of toys for children, as required in the document (TY 562 – Toys: Safety Requirements).

2. Supervision of Goods and Services Order (Prohibition on the Production, Import and Sale of Dangerous Toys), 5747-1987.

b. An amendment to the Standards Law, 5713-1953, in the matter of dangerous toys is scheduled. The amendment will determine *inter alia* the authority for declaring toys that endanger children as dangerous toys, even if the toys in question conform to the requirements of an official standard.

c. Israel has cooperation agreements in the areas of product standards and certificates with Ukraine and Moldavia, and an agreement with Turkey. An agreement also exists with the US Consumer Products Safety Commission (CPSC).

information on cases of injuries to children from 5 hospitals in Israel. In addition, the Standards Commissioner publishes warnings in the press on dangerous products, including products targeted at children.

***Recommendation of the Council Concerning Risk Management and Cost-Benefit Analysis in the Product Safety Field – [C(82)122]***

53. Israel accepts this Recommendation.

54. Explanatory comment:

Israel's policy on the matter conforms to the principles of the document.

Israel has a suitable legislative infrastructure for applying the matters included in the document.<sup>5</sup>

Most of the documents' recommendations are applied.<sup>6</sup>

A few of the recommendations have not been applied, but there are plans to apply them in the future.<sup>7</sup>

***Recommendation of the Council Concerning Recall Procedures for Unsafe Products Sold to the Public – [C(81)7]***

55. Israel accepts this Recommendation.<sup>8</sup>

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<sup>5</sup> For example, Section 9 of the Standards Law serves to promote safety in the area of consumer product, by requiring a standard-badge for product with a high safety aspect.

<sup>6</sup> For example, the requirement relating to reliance on data, checks and authorizations from abroad concerning cost-benefit as arising from the document are carried out in Israel by the Standards Commissioner and Standards Institute committees.

<sup>7</sup> For example, the issue of government projects in the matter of risk management is included in the work program of the Standards Administration. A project is currently underway to collect information at 5 hospitals in Israel on products that causes injuries to children. This information will be used to determine emphases in the definition of binding standards which require tighter enforcement regarding specific products.

<sup>8</sup> An initial examination shows that the Ministry of Industry, Trade and Labor has administrative bodies that will be capable of fulfilling part of the functions included in the document without complex legislative/administrative preparation.

56. Explanatory comment:

Israel's policy on the matter conforms to the principles of the document.

Israel has a suitable legislative infrastructure for applying the document's recommendations concerning the recall of unsafe products.<sup>9</sup>

It is not possible to export defective products which have been discovered as such in the market surveillance stage without authorization from the Standards Commissioner.

No mechanism for transferring information and issuing reports when unsafe products are exported currently exists.

***Recommendation of the Council Concerning the Safety of Consumer Products – [C(79)202]***

57. Israel accepts this Recommendation.<sup>10</sup>

58. Explanatory comment:

Israel's policy on the matter conforms to the principles of the document.

Israel has suitable legislation for covering the adoption of international standards concerning the safety of consumer products.<sup>11</sup>

Restrictions are not imposed on the export of dangerous goods.

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<sup>9</sup> Section 10(b)(3) of the Standards Law, 5713-1953, confers the Standards Commissioner with the authority to seize and hold anything in respect of which there are grounds for suspecting that an infringement of the provisions of the Standards Law was committed in connection with it. Details of the product's specification file are required.

<sup>10</sup> Preparations will be necessary in the areas of computerization, personnel, budgeting and legislation for the purpose of constructing a mechanism for reporting on the export of dangerous products. However, the Ministry of Industry and Trade appears to have administrative bodies that will be capable of fulfilling this function following legislative and administrative preparation.

<sup>11</sup> Section 7 of the Standards Law, 5713-1953.

When imported goods are discovered as dangerous for consumption at the time of their import, the importer is entitled to export them to any destination abroad without reporting to the authorities in Israel, and without Israel being required to report to the OECD countries on such consignments.

***Recommendation of the Council Concerning the Establishment of Data Collection Systems Related to Injuries Involving Consumer Products – [C(77)139]***

59. Israel accepts this Recommendation.

60. Explanatory comment:

Israel's policy on the matter conforms to the principles of the document.

Israel has information banks in specific safety-related areas (such as the National Poison Center), and these are being expanded.<sup>12</sup>

However, Israel does not currently have a central and organized information bank for defective goods that conforms to the document's requirements.

***Recommendation of the Council Concerning Consumer Protection in the Field of Consumer Credit – [C(77)39]***

61. Israel accepts this Recommendation.

62. Explanatory comment:

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<sup>12</sup> The Standards Commissioner at the Ministry of Industry and Trade is establishing an information bank that will collate information from hospital emergency rooms on defective goods that caused injuries. In 2007 a multi-year Ministry of Industry and Trade project was launched for the purpose of collecting information from large hospitals in Israel and from other sources of information concerning injuries caused by products to children and babies. The project includes detailed investigations at the hospitals, and the transfer of batched and processed information to the Standards Administration at the Ministry of Industry and Trade. The receipt of information concerning injuries to children will help the Standards Administration to make decisions regarding effective enforcement and the initiation of new standards.

**a. Disclosure of information to the consumer regarding details of the transaction when concluding a credit transaction:**

Israel's policy on the matter conforms to the principles of the document.

A legislative infrastructure exists which conforms to most of the recommendations – the Consumer Protection Law, 5741-1981; the Consumer Protection Regulations (Sales by Credit, Special Sale and Door-Step Transactions) 5743-1983; The Non-Bank Loan Regulation Law, 5753-1993 the Banking (Customer Service) Law – 1981, the Banking (Customer Service) (Due Diligence and Provision of Documents) Regulations – 1992, the Banking (Licensing) Law – 1981, the Banking (Early Repayment Fee) Law – 2002, the Checks Without Cover Regulations – 1981, and other regulations promulgated by the Supervisor of Banks.

A small number of subjects are not covered by legislation:

- Existing legislation does not refer to disclosure of the details of collateral and period for retraction
- With respect to cases of overdrafts, there is no reference to details of collateral, the period for retraction, terms of payment and the effective annual interest rate.

**b. Basic consumer rights for preventing any discrimination, and protection of privacy:**

Israel's policy on the matter conforms to the principles of the document.

A legislative infrastructure exists which conforms to the document's recommendations:

The Prohibition of Discrimination Regarding Commodities, Services and Entrance into Public Places – 2000; and Sections 31-32 of the Credit Suppliers Law – 2002, conform to the

requirements for guaranteeing the basic rights of the consumer.

The Prohibition of Discrimination Law is intended to promote equality and to prevent discrimination in entrance to public places and in the supply of public services, including financial services.

The Consumer Protection Law, 5741-181, prohibits discrimination on the basis of sex, religion etc. in the provision of financial services.

c. Protection of the consumer's economic interests

**c.1 Prohibition of loans given in the course of door-step transactions**

Israel's policy on the matter conforms to the principles of the document.

Legislation in Israel matches the recommendations concerning the prohibition of loans given in door-step transactions.

The Banking (Licensing) Law, 5751-1991, fulfills the requirement to prohibit or to regulate the extension of loans given in the course of door-step transactions. Under the Law and the permits issued by virtue of it, a bank is entitled to manage its banking activity, including the extension of loans, only within the boundaries of the branch (whether mobile, permanent and whether a location that serves *ad hoc* as a branch for the purpose of certain banking services, even in the customer's home, and in accordance with the terms that were prescribed), and for which it has been granted a permit by the Governor of the Bank of Israel.

**c.2 Requirement for a cooling off period in purchase by credit**

Israel's policy on the matter conforms to the principles of the document.

The Consumer Protection Law, 5741-1981, permits the cancellation of a transaction (cooling off period) by a customer in three cases only: a door-step transaction, sale of a vacation unit, and remote sale, whether the transaction was conducted by credit or in cash.

**c.3 Coordination between the owner of a business/vendor and the credit supplier**

Israel's policy on the matter conforms to the principles of the document.

The conformity at the legislative and applicative level is partial.<sup>13</sup>

**d. Establishment of criminal, civil and administrative mechanisms for settling disputes regarding the violation of consumer rights and suitable sanctions**

Israel's policy on the matter conforms to the principles of the document.<sup>14</sup>

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<sup>13</sup> (1) Legislation in Israel makes it possible to revoke exceptional or discriminatory terms in credit transactions (the Standard Contracts Law, 5742-1982; The Consumer Protection Law, 5741-1981; the Consumer Protection Regulations (Sales by Credit, Special Sale and Door-Step Transaction), 5741-1983; the Non-Bank Regulation Law, 5743-1983). As an example, a customer whose credit card has been lost or stolen is exempt from any liability after notifying that it has been lost or stolen. Until such notification is given, he will be liable to payment of the total transactions conducted or a fixed amount of NIS 75 plus NIS 30 a day, whichever is lower, from the date when he became aware of the loss of the card.

(2) The requirement for determining joint responsibility of the credit supplier and the vendor with respect to a debit operation does not currently match the approach in the Charge Cards Law, 5746-1986. The Ministry of Justice published the Charge Card Draft Law (various amendments), 5764-2004 (10.10.04), which extends the responsibility imposed on the issuers to every case of full payment default and to cases where a violation of the contract is expected because the supply ceased, overall, to supply the goods which the customer purchased. The proposed law also benefits the consumer in the event of the supplier's bankruptcy, and prevents the issuer from continuing to charge the customer in such a case.

(3) The Guarantees Law, 5727-1967, fulfills the requirement for granting protection to guarantors.

<sup>14</sup> Legislation in Israel fulfills the requirements to establish a mechanism for settling disputes and a system of sanctions for violations of consumer rights: the Law Courts Law [Combined Version], 5744-1984; the Small Claims Judgment Regulations (Procedures), 5736-1976; the Consumer Protection Law, 5741-1981 (Chapters 5, 6 and 7).

## Corporate Governance

### Recommendations

#### *Recommendation of the Council on OECD Guidelines on Corporate Governance of State-Owned Enterprises – [C(2005)47]*

63. Israel accepts this Recommendation.

64. Explanatory comment:

Israel accepts the document, including all six sections of the recommendations as following:

**Section I** – Assurance of an effective legal framework for state-owned companies. The State of Israel conforms to the principles of the document in the area in question. The companies law and the regulations instituted by virtue of it, in Israel apply to government-owned companies<sup>15</sup>, subject to special provisions of the Government Companies Law, 5735 – 1975 ("**The Government Companies Law**" or in this

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In the area of banking, the Bank of Israel has a Public Inquiries and Complaints Unit at the Banking Supervision Department, and a lawsuit can be filed in respect of a violation of the provisions of the Banking (Customer Service) Law, 5741-1981.

The requirement to permit the involvement of consumer organizations in legal proceedings is fulfilled by means of the following laws: the Standard Contracts Law, 5743-1982 (Section 16); the Banking (Customer Service) Law, 5741-1991 (Section 16a); the Consumer Protection Law, 5741-1981 (Section 31(b)(1), 35a); The Trade Levies Law, 5741-1991, the National Laboratory Qualification Law, 5757-1997; and the Antitrust Law, 5741-1991.

<sup>15</sup> In Israel, a Government Company is a company in which more than half of the voting power in its general meetings or the right to nominate more than half of its directors is in the hands of the State or in the hands of the State together with a Government Company or a Government subsidiary. The test to classify a government company is a technical test. The State may have affective control in a company and yet the company will not be classified as a Government Company, due to the fact that the State does not hold more than half of the voting rights in the company or the right to nominate more than half of its directors. A Company in which the State holds half or less of the voting power in the general meetings or the right to nominate half or less directors in the company is classified as a Mixed Company

recommendation "**The Law**"), and regulations instituted by virtue of it, which regulate the specific legislative framework applying to government owned companies. Inter alia, Section 4 of the Government Companies Law stipulates that government companies operate in accordance with the business considerations whereby a non-government company operates. This legislative arrangement is indicative of the independence of State-owned companies and the fact that they operate within the regulatory framework applying to all companies in the economy even though the State owns their shares.

**Section II** – The State is required to act as an informed and active shareholder. Israel's policy on the matter conforms to the principles of the section.

(1) The government's authorities with respect to government-owned companies, apart from its authorities as shareholder under the general companies laws, are explicitly determined in the Government Companies Law, 5735-1975. As an example, under the Law, certain decisions made by a government company require approval from the government (Section 11 of the Law). These include, *inter alia*: Amendment of the Company's objects; increase of registered share capital; amendment of rights attached to shares; issue of shares in the company or consent to transfer of shares required under the foundation documents, if such might bring about a substantial change in the power relations among the members of the company; issue of redeemable preference shares; issue of debentures convertible into shares and conversion of debentures for shares issued without right of conversion or of a loan received by the company; conversion of the company from a non-private company to a private company, or from a private company to a non-private

company; reorganization of the company, voluntary liquidation, settlement, arrangement or merger with another company; establishment of a company and acquisition of shares in an existing company, including another corporation or enterprise, alone or jointly with others, and acquisition of shares in an existing company, except for acquisition of shares on a stock exchange by a company for which such an acquisition is within the ordinary course of its business; A right granted by a company or an obligation undertaken by it which might restrict the Government, including with respect to implementation of structural changes and privatization, promotion of competition and regulation of the field in which the company operates; An offer of securities to the public under a prospectus, if as a result of publication of the prospectus, the State, being holder of the controlling interest in the Company, might be under liability for damage that might be caused due to an misleading detail in the prospectus; an act done as a shareholder of a government subsidiary in one of the matters as aforesaid; an undertaking to do one of the aforesaid acts.

According to Section 11(b) decision by the Government in one of the matters above should be with the professional opinion of the Government Companies Authority ("GCA").

In addition, according to Section 33(c) to the Government Companies Law a decision by the board of directors regarding designation or allocation of profits, as determined in the Companies Law, requires the approval of the GCA. Where the GCA disagrees with the decision of the board of directors these provisions will apply:

(a) In a Company under privatization, as determined in the government companies Law – the Company will act according to the GCA decision as approved by the Finance Minister.

(b) In a company according to Section 61 (a)(2) which is not a company under privatization – the dispute will be brought to the decision of "the Ministers" (i.e. - the minister of Finance and the Minister responsible for the company's affairs).

(c) In a company which section (a) or (b) do not apply – the company will act according to the decision of the GCA as approved by the Government.

(2) The Government Companies Authority is responsible, according to law, for the supervision and consultation to the Government and the ministers in charge of the Government Companies and operates the main authorities which concern the Government Companies. The GCA is a professional unit in the Ministry of Finance. By virtue of its obligation under the Law, at least once a year and on demand the Authority sends the government, via the Minister of Finance and the Knesset Finance Committee, a report on its activities.

Further more, as part of its duties as an informed and active shareholder in Government companies, the GCA may send a representative to any meeting of the board of directors or of a committee thereof, who shall be entitled to participate at such meeting, in the capacity of a director, without a right to vote and without being counted in respect of the quorum.

The GCA is also entitled to add a topic to the agenda of the board of directors meeting in a government company, if it deems it necessary.

In addition, Section 33A of the Government Companies Law provides that the Minister of Finance may prescribe rules, at the suggestion of the GCA, for the drafting of financial statements of a government company in respect of which he has ruled that such company provides an essential service to the public.

Section 33B of the Government Companies Law provides that should the GCA be of the view that the public interest requires such, it is entitled to instruct a government company of the way of presenting particulars in financial statements or in any other report which the Company is required to submit under any law. In the event that the GCA disputes the presentation of particulars in the financial statements or in any other report that the Company is required to submit, it may, if it is of the opinion that the public interest requires such, instruct the Company to disclose the GCA's position and to describe the dispute in such statements and report.

The Government Companies Law gives the Minister of Finance the certain powers with regard of the government company's financial reports.

For example - According to the Law, the Minister of Finance is allowed, in consultation with the Minister of Justice, to determine that government companies, which will be determined according to the GCA's proposal, will submit to the GCA, in addition to any other law, annual, quarterly and immediate reports in accordance with the provisions of the Securities Law, 5728-1968, which shall apply according to the GCA's suggestion, in whole or in part, and all with the

relevant changes and after considering the reporting goals of the Government Companies Law.

Pursuant to the provisions of the Government Companies (Additional Report regarding Acts Done and Representations Made in Assurance of the Correctness of Financial Statements and the Board of directors' Report) Regulations, 5765-2005, a government

company and a government subsidiary are to attach an additional report to their annual financial statements and to the aforesaid financial statements in the form set out in the Schedule, regarding acts done and representations made in assurance of the correctness of such financial statements and board of directors' report, containing declarations, signed separately by each office holder who has signed the relevant statements and report.

Pursuant to the provisions of the Government Companies (Additional Reports regarding the effectiveness of the internal auditing on the financial report) 5768-2007, a company will attach to its annual statements another statement regarding the effectiveness of the internal auditing on the financial report based on an acceptable model (the COSO model), in which the essential weaknesses of the company, if any, will be detailed and signed statements of any office holder who signed the financial statements or the board of directors report will be included. A report of the accountant which will include his opinion regarding the effectiveness of the internal auditing on the financial report in the company and the essential weaknesses he has found, will be attached to the board of directors report.

(3) Under Section 55 of the Government Companies Law, the GCA is entitled, for the purpose of fulfilling its duties, to demand information and material relating to a company's affairs, and is also entitled to peruse the company's records and documents. According to the Government Companies Regulations (rules concerning the authorization of an examiner by the Authority) 5765 - 2005, The GCA is allowed to authorize and employ, from time to time, according to its own discretion and need, a suitable expert, according to its own merits, including a lawyer, an accountant, an appraiser and a financial adviser, who will assist the GCA in performing an examination in a Government Company, for the purpose of fulfilling the GCA's duties.

(4) The State, as shareholder, participates in the general meeting of a government company in accordance with provisions 50(a) and (c) of the Government Companies Law. This Section determines as follows: regarding the representation of the State in the general meeting, the Ministers (i.e.-the Minister of Finance and the Minister responsible for the company's affairs)("The Ministers") should nominate the State representative for participation and voting in the general meeting by virtue of the shares held by the State, and they may give him, after consulting with the GCA, instructions regarding the way of voting. In practice, the voting in the general meeting is accompanied by the GCA's opinion relating to the topics on the agenda.

(5) Nomination procedures in the Government Companies are done with full transparency and under the supervision of a committee, nominated according to Law by the Minister of Finance. The committee is in charge of checking the suitability and qualifications of the nominees to the position of directors

on behalf of the State, Chairman of the Directors or CEO in a Government Company or a Government Subsidiary.

**Section III** – The State and the companies under its ownership are obliged to recognize the rights of all the shareholders to a fair attitude and to assured access to the companies' documents. Israel's policy on the matter conforms to the principles of the section.

The provisions of the Companies Law and the GCA's policy, which guarantee the rights of all the shareholders to a fair attitude and to assured access to the companies' documents, apply to government companies.

#### Protection of shareholders' rights

(1) Companies owned by the State whose shares are listed for trading on the Tel Aviv Stock Exchange Ltd. are subject to the Securities Law, which stipulates that the capital of a company whose shares are initially listed for trading will consist of one type of share only, which confers equal voting rights relative to their nominal value. It should be noted that this provision does not apply to the Special State Shares, which the government has decided are required for the purpose of protecting a vital interest and confer it with special rights.

Public Companies which have been registered for trade before 1991, and have in their capital more than one type of shares, are required to fully reveal the rights attached to every type of share. This information is handy and accessible to the public through the Security Authority Site. This requirement is for all the reporting companies and not only the companies which are registered for trade.

(2) The Companies Law provides protection and civil remedies for minority shareholders against harm and discrimination on the part of the majority shareholders.

(3) Under the Companies Law, one or more shareholder(s) who has at least one percent of the voting rights at the general meeting, is entitled to ask the board of directors to include a subject on the agenda of the general meeting that will be convened in the future, providing that the subject is suitable for discussion at the general meeting.

(4) Shareholders have the right to peruse the documents of the company that are detailed in the Companies Law, which include *inter alia* the minutes of the general meetings, the shareholders register, the material shareholders register, documents held by the company concerning a transaction that requires the approval of the general meeting under the provisions of the Companies Law, articles of association and financial reports, every document which the company must submit under the Companies Law to the Securities Authority available for perusal by the public at the Companies Registrar or at the Securities Authority, and information on the remuneration for the directors.

(5) With respect to publicly-traded companies, many actions involving discrimination against a shareholder at a company are subject to criminal accountability as well as civil accountability since these actions usually include a violation of the disclosure requirements.

(6) The Companies Law stipulates that a company must hold an annual general meeting. The Law also stipulates that a company is entitled to determine in its articles of association that a general meeting will not be held. However, this provision will not apply if one of the shareholders or the directors from the company asks for a general meeting to be

held as said. If a general meeting is not held after its convocation has been requested, the court is entitled if asked to do so by a shareholder or director at the company, to order that it be convened.

(7) At a publicly-traded company, the board of directors can be required to convene a special general meeting at the demand of two directors or a quarter of the serving directors, and one or more shareholder(s) who conform to the terms specified in the Law. If the board of directors fails to convene a special meeting as said, the applicant is entitled to convene the meeting himself, and at the applicant's request, the court is entitled to order that it be convened.

(8) Under the Companies Law, a private and a publicly-traded company must enable its shareholders to vote in writing, without their physical presence or the presence of an agent, at general meetings whose agenda contains decisions for the approval of a compromise or arrangement between the company and its shareholders. A publicly-traded company is also obligated to do so with respect to the appointment and dismissal of directors, the approval of a transaction with a control owner or office-holder and mergers. The shareholders also have the right to send other shareholders position papers with respect to the aforementioned decisions.

(9) Under the Companies Regulations (Written Voting Position Notifications), 5766-2006, a company must submit to the Securities Authority and to the stock exchange the form of words of the voting draft on the publication date of the announcement of the general meeting. The voting and position drafts will be submitted to the Securities Authority and the shareholders from the public will be able to peruse the voting drafts and the position notifications on the Securities Authority's circulation site. Apart from the

**Section IV** – The State is required to recognize stakeholders in a company and to demand that the companies report on their relationships with stakeholders in the company.

Israel's Laws and policy on the matter in question conforms to the principles of the document.

The State recognizes the rights of stakeholders in government companies<sup>16</sup> in various ways, whether these are anchored in legislation or are conferred by virtue of private agreements.

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<sup>16</sup> Recognition of rights of stakeholders

Set out below are examples of the recognition and protection of the rights of stakeholders in government companies:

(1) When the rights of the stakeholders in government companies are anchored in legislation, they have the opportunity to demand compensation for the infringement of these rights by means of dismissal claim and by means of a class action.

(2) The law protects an employee who has submitted a complaint against his employer or against another employee of that employer, or who assisted another employee in connection with the submission of a complaint [The Employee Protection Law (Exposure of Offenses and Harm to Ethical Standards and Proper Conduct), 5657-1997]. This applies to Government Companies.

(3) The law governs the manner in which employees are to be represented on the board of directors of a government company [Government Companies Regulations (Rules for Specifying an Elected Representative from Among the Company's Employees as a Director) 5737-1977)]. These regulations set the way representatives from among the Company's employees are elected and the qualifications required from them.

(4) Employment of relatives – as part of the recognition of the public importance of Government companies, the Government Companies Regulations (regulations concerning the employment of relatives) 5765 – 2005 set requirements and limitations regarding the employment of relatives in a Government Company.

(5) The Equal Rights for Women Law, 5711-1951 requires that suitable expression be given to the representation of women among the different positions of employment, management and board of directors, council of a public body and the tender committees of a public body. If the implantation of this requirement requires preference of a woman, such preference should be given where the candidates from both sexes have similar qualifications. The definition of "Public Body" includes, inter alia, Government company, unless the Minister of Justice determined with the approval of the Committee for the Advancement of Women Rights in the Knesset, that such representation duty shall not apply.

**Section V** – State-owned companies are required to conform to high standards of transparency.

Israel's laws and policy on the matter in question conforms to the principles of the document.

A company owned by the State of Israel must conform to high standards of transparency<sup>17</sup>.

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(6) Section 29 of the Budget Basics Law, 5745-1985 which applies to Government Companies protects employees of government companies from changes in wages, and terms of leaving or retirement over and above that agreed or practiced with respect to all State employees or with the approval of the Minister of Finance. In addition the law stipulates that although otherwise set by law, any agreement or arrangement will be void if contradicts the provisions of Section 29 of the Budget Basics Law, 5745-1985.

Notwithstanding the provisions of any law, any agreement or arrangement shall be void in the event that it contravenes the provisions of section 29 of the Budget Basics Law. If a budgeted entity has not performed the aforesaid provisions, the Minister of Finance may deduct the sum paid as a result from the sums to be transferred to the budgeted entity from out of the State budget under any law, and may terminate or deduct any grant or participation which the budgeted entity would have received from the Government but from such deviation, so long as the entity makes payments in contravention of the provisions of Section 29 of the Budget Basics Law.

The Minister of Finance may order a contravening agreement void and may order an obligation to cease giving any benefits under such, and may prescribe the agreement that might apply in lieu of it, and may order an obligation to sue for restitution of the benefits granted there under. A budgeted entity must provide the director general of the Ministry of Finance, upon demand, any information that he may require for the purposes of following up performance of the Budget Basics Law or the annual Budget Law.

(7) The Budget Basics Law, 5745-1985 stipulates that a Government Company must submit, once a year, to the Director general of wages and labor agreements a detailed report detailing the terms of employment of every office holder, as defined in section 33A(d) of the Budget Basics Law, employed by it.

This definition includes the chairman and a member of the board of directors, the CEO, the deputy CEO, secretary, internal auditor, general counsel and any other manager who reports directly to the CEO, and any substitute for any of them. It shall also provide the Director general of wages and labor agreements upon demand, with a report of the conditions of employment of other employees and/or information regarding the conditions of employment of any employee or other office holder employed by the Company. The Minister of Finance is authorized to withhold sums owing to an entity that requires reporting in support or under any law, if such entity does not perform the reporting duty.

<sup>17</sup> (1) The Freedom of Information Law, 5758-1998 ("The Freedom of Information Law") applies to "a public authority", which includes *inter alia* a government company and a government subsidiary as these are defined in the Government Companies Law by the Minister of Justice with the agreement of the ministers as they are defined in the Government Companies Law. As of August 2<sup>nd</sup> 2008, the default situation in the definition as aforesaid is changed, in a manner according to which the Freedom of Information Law will apply to all the Government Companies, unless the minister of Justice with the approval of the Constitution Committee of the Knesset determined otherwise. This determination could apply

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to the entire activity of the company or part of it. This amendment to the law was made on August 2<sup>nd</sup> 2007, in order to enable the Government Companies to prepare, and for the Minister of Justice to exclude certain companies from the application of the Law.

Under the Freedom of Information Law, a public authority must publish an annual report that includes information on its activity and areas of responsibility, and an explanation of its functions and authorities.

(2) The Freedom of Information Regulations, 5759-1999, stipulate that the annual report of a public authority as it is defined in the Freedom of Information Law must include *inter alia* details of the authority's structure, divisions, units and support units, the names of the senior office-holders managing the divisions, a description of the authority's areas of responsibility, the public authority's response and the ways of communicating with it, principal reviews of the authority's activity in the past year and planned activity for the current year, and the authority's budget in the past year.

(3) Under the Government Companies Law, as required and at least once a year the GCA sends to the government, via the Minister of Finance, and to the Knesset Finance Committee, a report on its activity. In addition, in accordance with the Law, once a year the authority sends the Finance Minister a report on the government companies detailing the State's rights in each company, each company's principal objectives, its office-holders and the principal elements of the most recent financial statements. Under the Law, the Finance Minister must present this report to the Knesset Finance Committee. The Authority's reports can be accessed by the general public and are published on the GCA's site.

According to the Government Companies Law, the board of directors in a Government Company will see to the preparations of these reports, each year: balance sheet, profit and loss account, including appropriation, resource statement and their use, and in a company which has subsidiaries – consolidated statements. The Minister of Finance, after consulting with the Justice Minister, may determine that government companies which will be set according to the GCA's recommendation will submit to the GCA, in addition to anything set by law, annual statements, immediate and periodical statements according to the provisions of the Securities Law.

In addition, according to Law, the Minister of Finance may require a Government Company to submit an extra statement and set the date for its submission. Further more the Government Companies Law stipulates that the chairman of the board of directors in a Government Company must submit the Ministers and the GCA, once every six months and at the request of the Ministers or the GCA, a written report about the company actions and the work of the board of directors.

(4) Section 9(5) of the State Comptroller Law [Consolidated Version], 5718-1958 (the "**State Comptroller Law**") provides that every government company as defined in the Government Companies Law, and any enterprise, institution, foundation or other entity which the Government participates in the management of, shall be an "audited entity".

Under the State Comptroller Law, every "audited entity" as defined in the State Comptroller Law is subject to audit by the State Comptroller, and to the provisions regarding the duties of such "audited entity" to provide the State Comptroller with documents and information.

The State Comptroller Law imposed an obligation upon audited entities to appoint a team to repair deficiencies, which would deliberate ways for repairing such deficiencies and would pass resolutions as to the repair thereof.

(5) The Internal Audit Law 5752-1992 (the "**Internal Audit Law**") applies, among other things, to an audited entity as defined in section 9(5) of the State Comptroller Law. Additional provisions also apply by virtue of the Companies Law. Under the Audit Law, an internal auditor shall conduct internal audit of any public entity. Among other things, the internal audit unit audits the areas of finance,

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operations, retention of assets, proper administration and integrity, information systems, marketing and quality of service. Likewise, the internal audit conducts special audits where necessary.

In addition, the internal auditor drafts summaries and follow-ups of implementation of the resolutions of the CEO, the audit committee and the board of directors, and follows up deficiencies, the treatment of which has not yet been completed. These summaries are transferred to the chairman of the board of directors, the CEO and the chairman of the audit committee. The internal audit's work processes at the Company are based on the professional standards and guidelines of the Israel Internal Auditors Organization.

According to the Government Companies Law, each Government Company, even if the company is not a public company, it must appoint an internal audit, unless the GCA has approved that the company's activity scope or nature does not require the appointment of an internal auditor. The internal auditor is under the supervision of the head of the board of directors and the CEO. The Government Company is subject, in addition, to the provisions of the internal Audit Law.

(6) According to Section 154 to the Companies Law which applies to a Government Company, a Government Company must appoint an accountant who will supervise the company's annual statements and will give his opinion in its regard. The accountant will be appointed in each annual general meeting of the company and will be appointed until the following annual general meeting.

However, the Companies Law enables the general meeting if such provision was included in the company's articles of association, to appoint an accountant for a longer period of time, which will not exceed the third annual general meeting of the company from the date the accountant was appointed.

The accountant will be independent and will not be dependent on the company, directly or indirectly. A company will not condition or limit the payment to the accountant with limitations regarding the way he will conduct his inspection or which connects the results of his inspection with his payment.

The company, whether directly or indirectly, will not indemnify the accountant, regarding a debt which he was debited due to a violation of his professional responsibility in giving services which must be obtained by an accountant according to law, or due to non fulfillment of any other duty under law.

In addition there are specific provisions which apply to Government Companies according to the Government Companies Law which specify the appointment of the accountant, his salary, and also instructions of the GCA regarding follow up of the financial statements, the board of directors' report and internal and external audit performance reports.

(7) As aforesaid, Government Companies are subject to stricter reporting duties than those which apply on private companies in the economy (see Section II above).

For example, the GCA is entitled to instruct a Government Company regarding the way it will present its details in its financial statements or any other statement which the Government Company is required to submit according to law, and also to instruct a company to reveal the GCA's position and describe the dispute in its reports, where such dispute between the GCA and the company exists regarding the way of presentation of certain details in the financial statements or in any other statement the company is required to submit according to the law.

In addition, according to the Government Companies Law, the Minister of Finance is entitled, after consulting with the Minister of Justice, to determine that Government Companies as set according to the GCA's suggestion will submit to the GCA, in addition to any law, annual, quarterly and immediate statement according to the Securities Law which applies to all public companies.

With regard of reports made by office holders, the Government Companies Law stipulates specific provisions.

*Inter alia*, government companies are subject to special reporting requirements similar to those applying to public authorities.

Section **VI** – The boards of directors of State-owned companies must have the authority, ability and objectivity necessary for executing their duty as outlining the company's policy.

Israel's legislative situation and policy on the matter in question conforms to the principles of the document.

Set out below are the principal directives governing the working framework of the boards of directors at government companies:

(1) Chapter D of the Government Companies Law details a working framework for the board of directors and its functions. *Inter alia*, the Law covers the issues of delegation of authorities and matters with which the board of directors of a government company must deal, without the ability to delegate authorities in this respect. *Inter alia*, the board of directors must determine the company's general policy, its budgets and its operational programs, and employee slots and wages, approve the financial statements and senior appointments, ensure that these are discussed, and discuss

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The Law sets, that the chairman of the board of directors in a Government Company must submit to the GCA and the Ministers once every six months and at any time if they request it, a written report regarding the activity of the company and the work of the board of directors.

This duty shall not derogate the chairman's duty to bring to the Ministers, the GCA, and the comptroller's knowledge, any matter of the company in which a violation of law or integrity or any such deficiency which has accrued.

The law also determines that the CEO is obligated to inform the chairman of the board of directors without any postpone of any material matter in the company with regard to the duties of the board of directors, and he must also submit the board of directors a report concerning the fluent activity of the company at certain dates which the board of directors will set.

any matter which the ministers and the companies have asked to be placed on the agenda.

According to the Law, and in order to perform the State's duties as a shareholder responsible of the public assets, the GCA is entitled to send to every board meeting or every committee designated by the board of directors, a representative which shall be entitled to participate in the meeting and his status shall be like the status of a director, without the voting rights and he will not be part of the quorum.

(2) Under Chapter C and Section 58 of the Government Companies Law, a director on behalf of the State in a government company and in a subsidiary, is appointed by the Ministers (i.e. - Finance Minister and the Minister responsible for the company's affairs) following consultations with the Appointments Examination Committee, which is responsible for examining the qualifications and suitability of candidates for service as a director on behalf of the State.

The nomination will be following consultations with the Appointments Examination Committee, which was established according to the Government Companies Law to examine the qualifications and suitability of candidates for service as a director on behalf of the State, Chairman of the board of directors and CEO in a Government Company or Subsidiary.

The letter of appointment will be handed to the director on behalf of the state by the Ministers (the Minister of Finance and the Minister responsible for the company's affairs) after receiving the opinion of the Appointments Examination

Committee and its copy will be sent to the company through the GCA.

The validity of the appointment is from the day of handing the letter of appointment to the company, unless another date is specified in the letter of appointment.

In addition, as specified in Section IV above, a special mechanism for the election of a Representative from Among the Company's Employees as a director was set.

(3) Under Chapter C and Section 16a of the Government Companies Law, objective conditions for the appointment of a director are determined, from the aspect of education and experience.

Under section 16A of the Government Companies Law, a set of objective conditions to the appointment of a director were set, regarding the experience and education required.

According to Section 16A, a resident of Israel who is at least 25 years old and who has one of the following qualifications shall be fit to act as a Director on behalf of the State:

(1) He holds an academic degree in one of the following areas:

economics, business administration, law, accountancy, public administration, engineering or labor studies, or holds another academic degree or has completed other higher studies, in the Company's principal area of business;

(2) He has at least five years' experience in one of the following, or has at least five years' cumulative experience in two or more of these:

(a) In a senior position in the field of business administration of a corporation of a significant business size;

(b) In senior public office or in a senior position in the public service in matters of economics, commerce, administration or law;

(c) In a senior role in the principal area of the Company's business.

However, the Law sets out restrictions on the appointment of a person as Director on behalf of the State. Under the Law, the following persons may not act as a Director on behalf of the State: (1) a minister, deputy minister or member of the Knesset; (2) an employee of the Company or a person employed in its service (apart from the CEO and an elected representative of the employees; the chairman of the board of directors shall not be deemed to be an employee of the Company for this purpose); (3) a person from the public whose other business might give rise to a conflict of interests with his functioning as a Director of the Company; (4) the Director and the employees of the Companies Authority, unless the Company is in liquidation proceedings or winding up; (5) a person convicted of an offense which is, in the opinion of the Attorney-General, a flagrant offense, or an offense which requires that such person not be appointed; (6) any person disqualified from acting under any law; (7) a person with economic ties to the Company or to corporations related to it (as defined in the Law), or with personal connections with the management thereof (as defined in the Law).

The number of directors who are public servants shall not be greater than two thirds of the total number of directors appointed as representatives of the Government.

In addition, under the Law, the directors of the Company are subject to provisions regarding duration of office, conditions of office and provisions regarding expiration of office as directors, or suspension of directors.

Under section 18C(a) of the Government Companies Law, if the Appointments Examination Committee found that a candidate to be a Director on behalf of the State, the chairman of the board of directors or the Chief Executive Office has a personal, business or political connection to one of the ministers in government, the Committee shall not recommend such person's candidacy unless it finds that such person has special qualifications in the areas of the Company's operations, or that considerations regarding other special qualifications exist in addition to the fitness conditions required under the Law for such office.

#### Adequate representation

Notwithstanding section 18A of the Law, the composition of a board of directors shall provide adequate expression to representation of both sexes, and until such is attained, the Ministers shall, where the circumstances allow, appoint directors of such sex as is not adequately represented at such time on the board of directors of the Company.

Under section 18A1 of the Law, the composition of the board of directors shall give adequate expression to representation of the Arabic population, and until such is attained, the Ministers shall, where the circumstances allow, appoint directors from the Arab population, including the Druze and Circassian populations. In cases where the requirements to give adequate expression to representation of members of both of the sexes or to representation of the Arab population

on the board of directors have not been fulfilled, the Applications Examination Committee tends, in accordance with a Supreme Court ruling in this regard, to postpone the appointments pending the attainment of adequate representation, until the Ministers provide the Committee with reasons to the Committee's satisfaction for not finding candidates from the group inadequately represented on the board of directors<sup>18</sup>, even after the Ministers have taken all reasonable steps to locate such.

The directives of the Attorney-General

Directive no 6.5000 of the Attorney General, dated November 9, 2003:

This Directive, which was updated in February 2006 (the "**Directive of the Attorney General**"), deals with appointments in government companies and public corporations and also applies to the appointment of a Director on behalf of the State in government and mixed companies.

Under the Directive -

(1) A director of a company, including of a government company, owes a fiduciary duty to the company, and must act for the good of the company and not for his own good or that of the shareholders who appointed him. The principle behind the prohibition against being in a situation of suspicion of conflict of interests also applies to personal conflicts of interests of officers and to institutional conflicts of interests, and each case shall be examined in accordance with its essence.

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<sup>18</sup> According to the Government's decision no. 1362 dated 3.11.07 in cases of inadequate expression for both sexes, the ministers must provide reasons to the Applications Examination Committee and to The Authority for the Advancement of the Status of Women.

(2) There are no grounds for public servants of high ranking, who have the authority to pass substantial decisions regarding a government company, to act as directors of such company. For instance, the director general of a government ministry should not act on a public company or a government company where his ministry is responsible for the operation of such company or for regulation of the fields of its operation. The directive determined further restrictions regarding other public servants as well, and exceptions to such restrictions.

(3) An appointment made due to relationship or connection or dependence upon the appointor to an extent that gives rise to reasonable suspicion of a wrongful bias will be an unlawful appointment. A party-political connection, like a personal or other business connection, shall disqualify an appointment, and an appointment based on political or personal considerations, out of a desire to reward a person for a political or other service might also, under certain circumstances, border on breach of fiduciary duty as set out in the Penal Law. Prohibition of political appointments is particularly important in the context of appointment of a director of a government company in light of the principle of director's independence. A director, from the date of his appointment owes a fiduciary duty to the company only, is not the long arm of the minister who appoints him and is not subject to instructions from the minister as to the way in which he acts.

Note that section 18C of the Law does not prohibit the appointment of persons with political, business or personal connections to any minister in government, but sets an objective test under which a candidate who has such a connection must have special qualifications in the field of

operations of the company, or there must be some other consideration regarding special qualifications in addition to the qualification conditions required under this law for such office. Likewise, section 18C does not overturn the application of the principles of public law regarding prohibitions against political appointments.

In addition to appointment of directors, the directive also applies to the appointment of a chairman for the board of directors and the appointment of a CEO of a government company.

The desired approach is that proposals of candidates with connections ought not be a matter of ordinary course, but rather, should be exceptional, and where such appointments are undoubtedly appropriate due to a unique and very respectable contribution.

4) The directive further provides that an external director in companies to which the directive applies, which are also public companies, is not a Director on behalf of the State, and therefore Chapter C of the Law does not apply to such a person's appointment.

However, the proposal of a candidate for the position of external director, or a proposal of one candidate or another in a general meeting, is an administrative act which is subject to the rules of administrative law. The fitness requirements in the Law constitute a proper system of threshold requirements for appointment, and therefore it is not proper that ministers propose candidates for the office of external director, or vote for the appointment of such, unless such act has been approved by the Appointments Examination Committee in

accordance with the rules in place with respect to a Director on behalf of the State.

**Chairman of Board of Directors:**

Under the Government Companies Law, the board of directors of a government company shall elect one of its members as chairman of the board of directors, and such election requires the consent of the Ministers, following consultation with the Appointments Examination Committee. The Law also regulates the conditions of fitness for the chairman of the Company (see the conditions set out in sections (1) and (2) above regarding education and experience requirements) and the conditions for appointment of such chairman.

The chairman of the board of directors is required to provide the Ministers and the Companies Authority with copies of minutes of meetings of the board of directors, and, once every six months and at any time upon demand, a written report of the company's operations and the work done by the board of directors.

**CEO:**

Under section 37 of the Government Companies Law, the CEO of a government company is appointed by the board of directors, with the consent of the Ministers, following consultation in the Appointments Examination Committee.

Likewise, the Law sets out conditions of fitness of the CEO of the company to act (conditions set out in sections (1) and (2) above regarding education and experience requirements) the conditions for appointment of a CEO and the conditions of expiration of such office. The Law also provides that the CEO of the company shall not be the chairman of the board of directors.

The CEO is responsible for the ongoing management of the affairs of the Company within the annual budget and the Company's plans of operation, determined by the board of directors and in accordance with the resolutions of the board of directors.

### **Duty to provide information**

A Director on behalf of the State must, notwithstanding any other law, provide the Ministers and the GCA, upon demand, information regarding the affairs of the Company and his activities in it.

Where a Director on behalf of the State becomes aware of a matter regarding the Company in respect of which *prima facie* harm appears to have occurred to the Law or to integrity, such Director shall be required to bring such matter to the immediate attention of the chairman of the board of directors, the Ministers, the GCA and the State Comptroller.

### **Term of office**

Under the Government Companies Law, a Director on behalf of the State shall be appointed for a term of no more than three years from the time of taking office. A Director who ceases to act may be reappointed. The office of a Director on behalf of the State requires appointment under Chapter C of the Government Companies Law, in addition. If one of the grounds set out in section 22 of the Law applies, the Director shall cease to act prior to the end of the period for which he was appointed (resignation, absence from four consecutive meetings of the board of directors or from six meetings in one year unless the Ministers, upon consultation with the Companies Authority, prescribe that there was a justified reason for such; his being prevented from holding office and

the Ministers, following consultation with the GCA, giving notice of such to the Company; his being convicted of an offense which the Attorney General considers to be a flagrant offense or an offense which, in his opinion, requires termination of such office; the existence of one of the conditions that would disqualify a person from acting as a director; the GCA or the Ministers upon consultation with the GCA are of the view that he is not performing his function adequately and have removed him from office with notice to the Company; the GCA has determined that he is not performing his function in a way as to promote the privatization decision or did an act or omission in a way that harms the Company's ability to perform an instruction or requirement made under section 59D or 59E of the Law). Should the State sell shares that it held in a government company, all or some of the directors shall cease to act if such is required under the sale transaction, from the date of notice of such by the GCA to the Company.

A director who is appointed while a public servant or an employee of another government company and who has ceased to be such an employee, shall cease to act as of the date on which the GCA gives notice of such to the Company, but the Ministers may, after consultation with the GCA, approve his reappointment.

(6) The Companies Law stipulates that at least two external directors must serve at a publicly-traded company. An external director will be appointed by a person with professional competence or a person with accounting and finance specialization, providing that at least one of the external directors has accounting and finance specialization.

## **Other Instruments**

### ***The OECD Principles of Corporate Governance - [C(2004)61]***

65. Israel accepts the OECD Principles of Corporate Governance

66. Explanatory comment:

Israel accepts the document, including all six sections of the recommendations regarding principles that should be adopted by the state in the area of corporate governance of public companies as following:

**Section I** – Israel's policy in the matter matches the principles detailed in the section.

The corporate governance regime adopted in Israel is based on the provisions of the Companies Law, 5759-1999, the Securities Law, 5728-1968 and the regulations by virtue of them. This differs from many countries, in which the corporate governance principles are determined in voluntary codes.

The Companies Law refers extensively to corporate governance principles that match the directives of the document. The Law applies to all types of companies.

The Securities Law is an additional pillar applying to corporations whose securities have been offered to the public under a prospectus and also contains corporate governance principles that match the directives of Section I.

The Ministry of Justice and the Securities Authority are currently compiling a new addition to the Companies Law that apart from the corporate governance principles determined in the Companies Law, will include recommended principles for corporate governance whose adoption will be voluntary and

will prescribe a disclosure requirement regarding their adoption.

**Assurance of the basis for an effective corporate governance framework**

(1) The corporate governance principles prescribed in the Companies Law, 5759-1999, (hereinafter – the Companies Law) include the following matters: allocation of powers between the different organs (Sections 48-52, 57, 92, 121); shareholders' rights and duties (Sections 176-194); directors' responsibility (Sections 252-257); directors' rights and duties (Sections 265-267); requirements for the independence of directors (Section 106) (prohibition on voting agreements); Section 50 – (Transfer of power for a specific matter only); Sections 48-51 (The organs powers); Section 112 (Restriction on delegation of powers); separation between the role of the chairman of the board of directors and the role of the CEO (Sections 95 and 121 (c)); mechanisms for protecting minority shareholders' interests (Sections 184-193) (right to receive information, right of perusal, rights in the event of discrimination, other shareholders' obligations towards him, including a duty of holder of control and the duty of a holder of decisive voting power to act fairly), Section 194 (derivative claim), conflict of interests (approval of related – party transactions – Sections 270-283); legal remedies in the matter of violations of the law and violations of the duty of care and the fiduciary duty prescribed in the Law (Section 194 – derivative claim, Section 281 – Revocation of a related-party transaction that has not been legitimately approved, Section 352 – the laws relating to breach of contract will apply to the infringement of a right conferred to a shareholder).

(2) The Securities Law, 5728-1968, (hereinafter – “the Securities Law”) is based on the principle of fair disclosure to the public investors and is intended to protect them. The Securities Authority was established by virtue of the Law and defined under the Law is the responsibility for supervising and enforcing the reporting and transparency rules which are imposed on publicly-traded companies. The Securities Authority is responsible for protecting the interests of those investing in securities (Section 2 of the Securities Law). The Law imposes liability on the reporting corporations as well as personal liability to the public on the part of the controlling shareholders and the office-holders. Apart from civil liability, the Securities Law imposes criminal liability on those violating the Law (Section 53 of the Securities Law). The Securities Authority was recently vested with the authority to impose monetary sanctions in respect of certain infringements of the Securities Law (Section 52 (16)). The Securities Authority applies its supervisory and enforcement authorities in order to assure, *inter alia*, fair disclosure, including disclosure in respect of corporate governance.

**Section II** – Israel’s policy in the matter matches the principles detailed in the section.

The Companies Law assures the rights of shareholders and principal officers in a corporation in all the matters detailed in Section II, including the registration of rights, the receipt of information, participation in general meetings, appointment and dismissal of directors, and participation in the company’s profits.

The Securities Law stipulates that the voting rights of shareholders in companies whose shares are traded on the stock exchange must be proportional to their monetary investment in the company.

### Assurance of the rights of shareholders and principal office in a corporation

Set out below are the main sections of the Law that cover shareholders' rights in the areas described in this section:

1. Registration of rights: Sections 127-136 of the Companies Law.
2. Timely and permanent receipt of relevant information: Sections 183-187 of the Companies Law, regarding a publicly-traded company, the Securities Law and the regulations introduced by virtue of the Law stipulate numerous and more detailed requirements (Securities Regulations (Periodic and Immediate Financial Reports), 5730-1970, Chapter C).
3. Participation in general meetings: Sections 66-89 of the Companies Law.
4. Appointment and dismissal of directors: Sections 219-233 of the Companies Law. Regarding outside directors: Sections 239-242 of the Companies Law as well.
5. Participation in the company's profits: Section 190 of the Companies Law.

**Section III** – Israel's policy in the matter matches the principles detailed in the section.

The Companies Law and the Securities Law contain provisions for assuring a fair attitude to shareholders in accordance with the principles determined in Section III.

### Assurance of a fair attitude to shareholders

Set out below are the provisions of Israeli legislation that are intended to ensure that a fair attitude to shareholders is adopted:

1. It is obligatory to act in an equal manner in respect of all the shareholders of the same type: This principle is

reflected in all the provisions of the Companies Law's concerning shareholders' rights.

2. Protection of a class of shareholder by means of an amendment to the articles of association when different classes of shares exist: Section 20(c) of the Companies Law.
3. Prohibition on transactions involving the use of inside information: Sections 52a-52j of the Securities Law.
4. Directors, office-holders and controlling shareholders are required to disclose whether they have a personal interest in a transaction or other matters affecting the company: Section 269 of the Companies Law.
5. Special procedures for approving transactions with related parties – Sections 270-283 of the Companies Law.

**Section IV** –Israel's policy in the matter matches the principles detailed in the section.

Legislation in Israel protects interest-holders such as employees and other creditors, in various ways that match the principles determined in Section IV.

*Inter alia*, creditors and shareholders are protected by regulations governing the distribution of dividend (only in the case of ability to pay and only when the distribution is made from profits can this be done without the approval of a court), regulations concerning preference for creditors in a situation of insolvency, the approvals required in the case of a merger, the opportunity for submitting a derivative claim in the event of a prohibited distribution, the requirement to appoint an external auditor who is obliged to disclose deficiencies discovered while auditing the company.

Publicly-traded companies are also required to appoint an external auditor, who in accordance with his function is legally

obliged to disclose all the results of the audit to the chairman of the board of directors and the chairman of the audit committee.

#### Assurance of the rights of interest-holders in a company

Set out below are the provisions that guarantee the rights of interest-holders in a company, primarily the company's employees, shareholders and creditors:

1. Provisions concerning creditors' rights: Sections 11 (purpose of the company), 302-311 (distribution rules).
2. Provisions concerning the liquidation of companies: Sections 314-327 of the Companies Ordinance.
3. Provisions requiring the appointment of an external auditor who is obliged to disclose deficiencies that were discovered during an audit of the company: Sections 154-170 of the Companies Law.
4. Provisions requiring the appointment of an internal auditor at publicly-traded companies: Sections 146-53 of the Companies Law.

**Section V** – Israel's policy in the matter matches the principles detailed in the document.

Companies in Israel are required to adhere to high standards of transparency which match the principles of Section V.

The Securities Law is based on the principle of fair disclosure and prescribes a broad-ranging disclosure requirement, which includes every detail likely to be of importance to a reasonable investor who is considering investing in securities.

#### Transparency and disclosure

Legislation in Israel requires disclosure of all information connected with the following matters:

1. Financial results and results of the corporation's activity - Securities Law, Section 36 and Securities Regulations (Periodic and Immediate Statements), 5730-1970;

- Securities Regulations (Preparation of Annual Financial Statements), 5653-1993.
2. The company's objectives: the Securities Regulations (Details of the Prospectus, its Structure and its Form), 5729-1969.
  3. Ownership structure: the Securities Regulations (Details of Structure and Form of Prospectus and Draft Prospectus), 5729-1969, First Schedule.
  4. The company's remuneration policy for directors and senior managers: the Securities Regulations (Periodic and Immediate Reports), 5730-1970, section 22.
  5. Related-Party Transactions: Securities Regulations (Transaction Between the Company and its Controlling Shareholder), 5761-2001, Companies Law, sections 268-284.
  6. The risks involved in the company's activity: Securities Regulations (Details of Structure and Form of Prospectus and Draft Prospectus), 5729-1969, section 44a + Securities Regulations (Periodic and Immediate Statements), 5730-1970, section 10.
  7. Developments and events concerning the company's employees and other interest-holders: see paragraph 1 above.
  8. Disclosure regarding adoption of adequate norms of corporate governance that are not stipulated under the law: A publication of the Securities Authority recommends the required disclosure in respect of the adoption of corporate governance norms which the Securities Authority regards as suitable. Apart from the matters stipulated in the Companies Law, the disclosure is subject to the company's discretion and is not mandatory.

9. Draft regulations prepared by the Ministry of Justice in cooperation with the Securities Authority in accordance with Section 171(e) of the Companies Law, concerning the approval of the financial statements, was published for public's comments and is now under additional review. Under the draft regulations, it is intended *inter alia* to require every publicly-traded company to hold a discussion within the framework of a special committee (most of whose members are independent and financial specialists) prior to the board of directors' approval of the financial statements, and to require those signed on the financial statements to sign a statement declaring that the internal auditing is effective. An external auditor's report confirming the propriety and effectiveness of the controls and procedures regarding the disclosure required in the reports will be enclosed together with the managers' declaration.

**Section VI** – Israel's policy in the matter matches the principles detailed in the document.

Legislation in Israel matches the principles detailed in Section VI with respect to the responsibility of the members of the Board of Directors, including the fiduciary duty and the duty of care; a requirement to act with good faith and in a customary manner towards all shareholders; a requirement to act in accordance with high ethical standards; a requirement for discharging key functions without delegation of authority, and a requirement for employing own discretion.

#### Board of Directors' responsibilities

Set out below are the main provisions in Israeli legislation relating to the responsibilities of the Board of Directors:

1. A requirement for fulfilling the duty of care: Companies Law, section 252.

2. A requirement for acting in good faith and customary manner towards all shareholders. Companies Law, sections 252-253.
3. A requirement for acting in accordance with high ethical standards: Section 254 of the Companies Law concerning the requirement for integrity.(Fiduciary Duty)
4. A requirement for discharging key functions without delegation of authority: Companies Law, section 112.
5. A requirement for employing own discretion: Sections 252-254 of the Companies Law stipulates that the fiduciary duty and the duty of care imposed on director is towards the company. Therefore, the director must act for the benefit of the company, and is prohibited from taking other factors into consideration or receiving instructions from others, including from those who appointed him.

Section 106 prohibits a director from being a party to a voting agreement, in order to ensure that he will not restrict his own discretion.

Sections 48-50 and Section 112: Allocation of responsibilities between company's organs and prohibition of delegation of authorities.

## Current Invisible Operations

### Decision

#### *Decision of the Council adopting the Code of Liberalisation of Current Operations*

See Appendix B

### Recommendations

#### *Recommendation of the Council concerning the Conclusion of Bilateral Agreements for the Co-Production of Films - [C(64)124]*

67. Israel accepts this Recommendation.

68. Explanatory comment:

Israel's agreements comply with most of the directives in the document, except on the matter of the division of participation in film production, which shall not be less than 30% of the cost of the film. Another section of the document refers to the establishment of a mixed committee for the implementation of co-production agreements, with the authority to settle disputes in accordance with the agreement. Although mixed committees are usually established in the agreements to which Israel is a party, such committees do not necessarily have the authority to settle disputes.

The State Revenue Administration has recently published a report containing recommendations in regard to benefits for films. The extent to which it complies with OECD principles needs to be examined.



## Development Assistance

### Recommendations

***Recommendation of the Council concerning an Environmental Checklist for Possible Use by High-Level Decision-Makers in Bilateral and Multilateral Development Assistance Institutions – [C(89)2]***

69. Israel accepts this Recommendation.

70. Explanatory comment:

Israel accepts the principles of the recommendation at the policy level and will take the necessary steps to initiate a relevant process for environmental assessment in consultation with the Ministry of Environmental Protection.

***Recommendation of the Council on Measures Required to Facilitate the Environmental Assessment of Development Assistance Projects and Programmes – [C(86)26]***

71. Israel accepts this Recommendation.

72. Explanatory comment:

Israel accepts the principles of the recommendation at the policy level and will take the necessary steps to initiate a relevant process for environmental assessment in consultation with the Ministry of Environmental Protection.

***Recommendation of the Council on Environmental Assessment of Development Assistance Projects and Programmes – [C(85)104]***

73. Israel accepts this Recommendation.

74. Explanatory comment:

Israel accepts the principles of the recommendation at the policy level and will take the necessary steps to initiate a

relevant process for environmental assessment in consultation with the Ministry of Environmental Protection.

## **Other Instruments**

### ***Declaration on Integrating Climate Change Adaptation into Development Co-operation - [C(2006)94]***

75. Israel accepts this Declaration.

76. Explanatory comment:

The situation in Israel is consistent with the principles in the document in terms of preparation and planning for implementation. (For example, a program to fight desertification was recently carried out in cooperation with the UN).

### ***Declaration of Paris on Aid Effectiveness [DCD/DAF/EFF(2005)1]***

77. Israel accepts this Declaration with the following observation:

Israel accepts the principles in the document, with the exception of the target rate of aid set in the declaration.

78. Explanatory comment:

Israeli policy in this area is consistent with the principles in the document. At the implementation level, the situation in Israel is compatible with the recommendations of the document. Israel acts in accordance with the five principles in the document; however, Israel's rate of aid is lower than the target rate set in the declaration (Israel's rate of aid stood at 0.07% of GNP in 2004 and 2005, similar to the rates of most non-DAC-member OECD countries: Poland – 0.05%/0.09%, Slovakia – 0.07%/0.1%, Hungary – 0.07%/0.1%, South Korea – 0.06%/0.1% respectively).

## Education

### Recommendations

#### *Recommendation of the Council concerning Guidelines for Quality Provision in Cross-Border Higher Education – [C(2005)147]*

79. Israel accepts this Recommendation.

80. Explanatory comment:

Israeli policy in this area is consistent with the principles in the document. (relevant legislation: the Council for Higher Education Law, 5718-1958).

The Higher Education Council Law covers the activity of branches of higher education institutes abroad and stipulates the manner in which they are to be licensed. All institutes operating or wishing to operate in Israel as branches of foreign academic institutions are therefore required to obtain a license from the Higher Education Council in accordance with the conditions specified in the Law.

Section 25d of the Law prescribes a number of conditions which a license application must fulfill in order to obtain a license. The main conditions in this respect are:

- The institute in Israel is reliant on the academic institutions of the mother institute.
- The mother institute is recognized as a higher education institute under the law of the country in which it operates and is qualified to grant academic degrees.
- The studies conducted in Israel are identical or only slightly different from the studies conducted in the same area at the mother institute in the country of origin.

- The studies at the institute in Israel are conducted by lecturers who have received an academic appointment from the mother institute.
- The degree offered to students of the institute in Israel is legally recognized in the country of origin and is identical to the degree conferred by the mother institute to its graduates in the same study program in the country of origin.
- The institute in Israel conducts its studies in a suitable location and under suitable conditions, including the means for assuring an appropriate level of studies.

Regarding the supervision of branches of foreign universities, Israel accepts the OECD standards and actually protects students more stringently vis-a-vis the branches of foreign universities and colleges operating in Israel.

Relevant legislation: The Higher Education Council Law, 5718-1958.

***Recommendation of the Council Concerning Guidelines on Earthquake Safety in Schools – [C(2005)24]***

81. Israel accepts the principles of this Recommendation with the following observations: The Israeli standard from 1980 indicates that every school structure should be based on seismic safety level of risk. In 2006, the Israeli Government confirmed the Directors-General Committee's report regarding school seismic safety which includes reference to assure earthquake safety of existing schools built before 1980. A longer timeframe will be needed to correct seismic weaknesses of existing school buildings.

82. Explanatory comment:

Israeli policy and legislation in this area is consistent with the principles and recommendations in the document. In terms of enforcement, conditions in Israel are compatible with OECD principles; implementation in this area is needed. Governmental decisions which are in line with the OECD's principles have been adopted to promote their implementation.

### **Other Instruments**

***Declaration on Future Educational Policies in the Changing Social and Economic Context – [ED/MIN (78)4]***

83. Israel accepts this Declaration.

84. Explanatory comment:

Israeli policy, legislation and implementation in this area are consistent with the principles and recommendations in the document.



## Employment, Labour and Social Affairs

### Recommendations

#### *Recommendation of the Council on a General Employment and Manpower Policy – [C(76)37]*

85. Israel accepts the recommendations in the document, subject to a reservation regarding the recommendation requiring the promotion of assimilation of temporary foreign workers and their families in the host country, given that Israel does not allow foreign workers arriving for temporary stays to bring family members with them.

86. Explanatory comment:

Various programs have been implemented in Israel in recent years concerning the subject of the document, such as:

**I. Measures to increase the workforce participation rate and reduce unemployment** - On April 22, 2007, the government decided to adopt a socio-economic program that includes the definition of periodic objectives, measurement of the growth in the employment rate and measurement of poverty.

**II. Professional training programs aimed at returning certain sectors to the workforce, with an emphasis on weak population groups and on strengthening peripheral areas** - Set out below are details on the programs that are aimed at bringing back sectors to the cycle of employment:

(a) Income assurance recipients:

The government has taken a number of decisions aimed at vocational training for this population in order to bring them back to the cycle of employment:

- The Vocational Training Division's guidance frameworks.
- Grants and benefits for single parents.
- The *Orot* Employment Program – from income assurance to an assured income. (This is a “from welfare to work” program, whereby a pilot project has commenced in which 4 employment centers have been established for the purpose of bringing back income assurance recipients into the cycle of employment.)

(b) Job seekers:

Series of training and advanced vocational retraining programs aimed at the unemployed population in order to bring them back into the employment cycle:

An emphasis is placed on vocational training programs at the end of which work is assigned in a variety of ways:

- Partial finance of training courses by entities that have undertaken to place a large proportion of the course graduates in the labor market at the end of the training;
- Finance of training courses by enterprises that undertake to recruit a certain proportion of the course graduates in their enterprise at the end of the training.
- A program that permits initial, partial subsidization of the worker's wages in the initial months when he is recruited to work, providing that he receives training in the course of the employment.

(c) The ultra-orthodox:

A training program specifically for integrating the ultra-orthodox in the employment cycle is held in cooperation with the Joint Distribution Committee.

(d) Single parents:

Aid programs for single parents are operated in order to enable them to return to and integrate in the labor market. These programs include particularly high subsidization of

frameworks for their small children and the provision of subsistence grants to single parents who wish to acquire a higher education. In addition, special training frameworks that match this population and finance for participation in vocational training courses are planned.

(e) Disabled persons:

Various programs are operated for the purpose of integrating these persons into the employment cycle and a special legislative framework exists for promoting the employment of persons with disabilities:

- Minimum wage: For disabled persons whose working ability is significantly less than the normal working ability, a minimum wage less than the normal rate has been determined in order to facilitate their integration in the labor market.
- Determination of employee's status as under rehabilitation: In order to encourage the employment of disabled persons with a particularly limited working ability and to promote their rehabilitation, a new law has been enacted whereby in the event that working ability is determined as less than 80% of normal working ability, employee-employer relationships will not exist between the employee (who will be defined as under rehabilitation) and the employer. The law specifies rights for persons under rehabilitation similar to those stipulated in the labor laws.
- Participation in costs: Regulations permit state participation in financing the expenses at the work place required for recruiting a worker with disabilities [Equal Rights for Disabled Persons Regulations (State Participation in Financing Adjustments), 5766-2006].

(f) Additional population groups:

Special training programs tailored for certain groups which have a relatively low participation rate in the labor market: women and particularly Arab and ultra orthodox women, Bedouins, Druze and new immigrants from Ethiopia.

(g) Equal Opportunities at Work Commission:

By virtue of the latest amendment to the Equal Rights for Disabled Persons Law, 5748-1988, an equal Opportunities at Work Commission was recently established in order to ensure the enforcement of (disabled persons') rights and to prevent unlawful discrimination. The Commission has been authorized *inter alia* to deal with complaints, to intervene in current litigation, to file a civil claim in the name of the complainant, and to petition the court for an overall order against a party violating the provisions of the Law. This is in addition to the general authorities of compiling research studies, promoting public awareness and encouraging remedial discrimination programs.

**III. The treatment of temporary foreign workers** - A number of governmental entities are responsible for processing foreign workers. Permits for the employment of foreign workers are issued to employers in Israel by the Foreign Workers Support Unit at the Ministry of Industry, Trade and Labor. The Ministry of the Interior issues work permits for foreign nationals in accordance with these permits. The Immigration Administration in the Israel Police deals with all matters relating to the deportation of foreign workers who are in Israel illegally. The Support Unit at the Ministry of Industry, Trade and Labor deals with the enforcement of the Foreign Workers Law and the Minimum Wage Law in respect of those employing foreign workers. General policy regarding the employment of foreign workers is

determined mainly by the Ministry of Industry and Trade, although major decisions in this area are submitted to the government for approval.

At Israel's request, an agreement was recently signed between the government of Thailand and the International Organization for Migration, whereby the International Organization for Migration (IOM) will supervise the recruitment of foreign workers from Thailand for agricultural work in Israel in order to prevent these workers being charged with excessive commission fees in the country of origin. The arrangement deriving from the agreement is scheduled for implementation during 2008.

***Recommendation of the Council on Manpower Policy as a Means for the Promotion of Economic Growth – [C(64)48]***

87. Israel accepts this Recommendation.

88. Explanatory comment:

Israeli policy in the area of employment, training and occupational retraining is consistent with the principles in the document. There is almost full consistency in regard to implementation. For budgetary reasons, most of the activity focuses on specific sectors, in terms of both the type of population (mainly weak population groups, Ultra-Orthodox Jews, Arabs, and Bedouins) and occupational fields (mainly occupations in which employment is available and demand for workers exists). Most training is combined with job-placement services.

Employment policies are implemented in peripheral geographic areas where the unemployment rate is particularly high, by *inter alia*, encouraging enterprises to move from the

center to those areas and by initiating special training programs there.

The Ministry of Industry, Trade and Labor coordinates employment policy and is aided by other Ministries: Ministry of Finance, the Ministry of Absorption, Ministry of Welfare, Ministry of Interior and the Immigration Police. Israel's policy in the area of the advancement of and non-discrimination against women is consistent with the principles in the document. A policy of remedial discrimination with respect to the employment of women is practiced in Israel. The following are examples:

- (1) The addition of half a credit point compared with men.
- (2) Preference in state tenders for a business that is controlled by a woman.
- (3) Training programs for women from the ultra-orthodox and the Arab sectors.

### **Other Instruments**

#### ***Declaration on the Social Aspects of Technological Change – [C(86)204]***

89. Israel accepts this Declaration.

90. Explanatory comment:

Israel's policy in the matter matches the principles detailed in the document.

Israel has placed an emphasis on vocational training activity, with a preference for technological training in order to retrain personnel to areas in which an employment and growth potential exists. Special programs exist in the area of technology, including computers, for weak populations such as women and immigrants from Ethiopia.

Joint ventures in the area of vocational training exist in Israel between the government, employers and workers.

The vocational training programs in Israel fully conform to the principles detailed in the document. Most of the training courses run through the Ministry of Industry, Trade and Labor combine placement with a workplace. The State of Israel mainly via the Personnel Training and Development Division at the Ministry of Industry, Trade and Labor, is responsible for operating the following programs, which fully conform to the principles detailed in the document:

a. The unemployed

1. Training in occupations in which employment is available and demand for workers exists, including *inter alia* in computer and Internet occupations, for unemployed job-seekers and recipients of income assurance supplement from the National Insurance Institute.
2. Providing enterprises, including high-tech enterprises, with the opportunity to train unemployed job-seekers and recipients of income assurance supplement from the National Insurance Institute in occupations necessary for their enterprises, in order to recruit part of the graduates of the training course to their enterprise.
3. Supervision of the vocational and pedagogical level of private courses, including in high-tech areas, in order to enable the course participants to undergo vocation training or occupational advancement.

The training programs are updated in accordance with developments in the labor market and similarly, the training subjects are adapted to the requirements of the labor market.

b. High schools and post-high schools

The Institute for Training in Science and Technology, which operates within the Personnel Training and Development

Division at the Ministry of Industry, Trade and Labor, supervises post high school institutes that train students for technological professions over a number of years, budgets the students' studies, and is responsible for registering the course graduates as "practical engineers" and "technicians". The Personnel Training and Development Division supervise the vocational high school system, and budgets the studies in vocational high schools, with an emphasis on technological studies for the purpose of obtaining a vocational certificate.

c. Preparatory study institutions and acquisition of specialization

The Personnel Training and Development Division's policy is to encourage job-seekers in the different vocational training areas to acquire a work specialization, acquaintance with the computer environment and knowledge of the English language. The Division has integrated models in these subjects in the relevant study programs and permits the existence of preparatory study institutions for vocational training courses when these are necessary for the population designated for the course.

d. Assistance for students in technological areas

For the past two years, in cooperation with a non-profit institution, the Ministry of Industry, Trade and Labor has run an apprenticeship and assistance program for students from the geographical and sociological periphery who are studying for occupations that are required in industry in Israel, principally technological occupations. These students are connected with industry in the course of their studies. When they complete their studies, they are employed in their profession in industry.

***Declaration on Policies for the Employment of Women –  
[C(80)76]***

91. Israel accepts this Declaration.

92. Explanatory comment:

Extensive activity for encouraging the employment of women exists in Israel, including legislative activity. As an example, in 2007 the Women's Labor Law was amended 8 times, including an amendment initiated by the government for the purpose of increasing the rights of working women and encouraging equality between the sexes, such as by granting paternity leave to men in certain cases. In addition, the stringency of the penalties for violations of the Law has been increased, maternity leave has been extended from 12 weeks to 14 weeks and the period in which women are protected against dismissal due to their residence in a shelter for women who are the victims of violence in the family has been extended.

Women's labor force participation rate has risen in recent years, a development that is favorably affecting the employment of women. A particularly large increase has been apparent in the employment of women in high level posts and managerial posts. The participation rate of the entire Israeli population aged between 18 and 64 has increased. In 1990, the labor force participation rate amounted to 62.3% and by 2006 rose by 67.5%. The increase resulted from the larger number of women participating in the labor force: Women's participation rate rose from 50.8% in 1990 to 62.9% in 2006. Not only did men's participation not increase, but actually fell slightly.

In the Jewish sector of the population the participation rate rose from 65.3% in 1990 to 71.9% in 2006. Here too, the increase resulted from the growth in women's participation

rate, from 57.9% in 1990 to 71.2% in 2006. Men's participation rate remained practically unchanged.

In the Arab sector, especially among Bedouin in the south of Israel, the participation rates are much lower than in the Jewish sector.

Individuals are able to resort to legal proceedings in order to protect their rights (labor courts, normal courts and the Commission for Equal Opportunities at Work, without the need for governmental intervention

Most of the subjects included in the declaration are covered by Israeli legislation.<sup>19</sup>

and are actually applied in Israel. Set out below our examples of the application of the principles detailed in the document:

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<sup>19</sup> Set out below is a list of the subjects covered by Israeli legislation:

Section 2 of the Equal Opportunities at Work Law, 5748-1988 – prohibition of discrimination due to sex (Section A(i) of the document).

Section 42 of the Employment Service Law, 5748-1988 – prohibition of discrimination in the referral of unemployed persons to employment (Section A(ii) of the document).

The Equal Wage for Female and Male Employee Law, 5756-1996 (Section A(iii) of the document).

Section 15a of the Civil Service Law (Appointments), 5719-1959 and the Women's Labor Law, 5714-1954 – reduction of structural or indirect discrimination (Section A(iii) of the document).

The Minimum Wage Law, 5747-1986. The Annual Vacation Law, 5711-1951. The Sickness Pay Law, 5736-1976 and the Sickness Pay Law (Absence Due a Child's Illness), 5756-1996 – granting of proportional rights to a part-time employee (Section A(vi) of the document).

The Women's Labor Law, 5754-1954 – protection of working women, including a prohibition on the dismissal of pregnant women (Section A (ix, x) of the document).

Section 15 of the Civil Service Law (Appointments), 5719-1959 – requirement for suitable representation of women in the civil service (Section A(xii) of the document); The Equal Rights for Women Law, 5751-1951 and the Prevention of Sexual Harassment Law-5758-1998.

Section A(ii) of the document – vocational training

Via the Manpower Training and Development Division at the Ministry of Industry, Trade and Employment, the State of Israel runs special vocational training programs for unemployed job-seekers or recipients of income assurance allowance from the National Insurance Institute, which do not discriminate against women and that promote the types of training required among women.

Section A(iv) of the document – vocational training

The policy of the above-mentioned Division is to take into account the needs of women in minority populations and adapt training courses for this population. The Ministry has introduced vocational training courses to be held in Bedouin villages in the north of Israel, in order to enable women who do not wish to leave the villages to participate in vocational training.

Section A(v) of the document – childcare frameworks

The Daycare Center and Nursery School Division at the Ministry of Industry and Trade supervises working mothers' childcare frameworks and subsidizes the cost of keeping children in these frameworks in accordance with family income tests (means tests). The care frameworks include daycare centers and nursery schools at the child-minder's home.

In addition, the Ministry of Industry and Trade runs or will soon be running programs for assisting single-parent mothers, which will help them to integrate in the labor market.

Sections A(vii), A(xi) and A(xii) of the document – vocational training for underprivileged populations

The Day-care Center and Nursery School Division at the Ministry of Industry and Trade organise courses as well as special vocational training courses for women. The

preparatory courses are aimed at the unemployed, minorities, the ultra-orthodox, single-parent mothers and other populations with a relatively low labor force participation rate. Section A(xiv) of the document – vocational training for new immigrants

New immigrant women are assisted by means of the above-mentioned programs.

A small number of subjects are not covered by legislation.<sup>20</sup>

One problem in Israel with respect to the employment of women is the difference between the average wage and the hourly wage in certain occupations - According to the annual report of the State Revenue Administration for 2006, the gross income gap per work hour in 2005 between men and women amounted to 20%. In order to reduce the gap a policy of discrimination in favor of women is being adopted in the progressive income tax: the granting of half a credit point to

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<sup>20</sup> Set out below is a list of subjects that are only partly covered by legislation:

1. The law contains no reference to the matter of women from ethnic minorities (Section A (iv) of the document).
2. The matter of part-time and flexible work for women appears in legislation in a partial manner only: Section 7 of the Women's Labor Law permits a woman who has given birth to leave her work an hour early during the 4 months after maternity leave (Section A(v) of the document). Section 10 of the Law prohibits an employer from having a female employee work overtime and on the weekly rest day, unless she agrees, from the fifth month of pregnancy. As a rule, an employer is prohibited from refusing to employ a woman because she refuses to work at night. The Sickness Pay Law (Absence Due a Child's Illness), 5756-1996 enables workers to draw on their accumulated days of (paid) sick leave for the purpose of days of absence due to a child's illness and to the need to accompany a child with disabilities to the treatment required by the child.
3. It cannot be said that there are incentives for moving to part-time work (Section A (vi) of the document).
4. Tax credits are not granted for child-minding purposes (Section A(vii) of the document).
5. There is no special reference to women who are foreign workers (although as a rule, the protection laws apply to foreign workers as well).

every woman (over and above the amount to which men are entitled); the granting of credit points in respect of children; the granting of credit points in respect of daycare centers. Due to this policy, a significant and continual decrease has been recorded in the income gaps between men and women over the past decade.

A commission for equality of opportunities at work has been established. The commission's function is to increase the realization of the rights conferred under the various laws concerning equality, including women's rights.<sup>21</sup>

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<sup>21</sup> Amendment 10 to the Equal Opportunities at Work Law, 5748-1988 prescribes the legal infrastructure for the establishment of an Equal Opportunities at Work commission. Apart from promoting awareness, instruction and explanatory activity, the Commission's function is to deal with complaints, and has been conferred with the authority, which is quite innovative in Israel, to file a civil claim in the name of the complainant, to demand information from employers, and even to request an overall order against a person violating the provisions of the equality laws. The Commission will not deal with enforcement of the penal code, which will remain under the responsibility of the enforcement units at the Ministry of Industry, Trade and Labor. The process of establishing the Commission is at the final stages.



# Environment

## I. Environmental Economics

*Recommendation of the council on the implementation of the polluter-pays principle – [C(74)223]*

*Recommendation of the council concerning the application of the polluter pays principle to accidental pollution – [C(89)88]*

93. Israel accepts these Recommendations.

94. Explanatory comment:

Israeli policy in this area is consistent with the recommendations in the document. There are several examples of legislation implementing the polluter and user-pays principle:

- Quarry payment to a reclamation fund.
- Marine Environment Protection Fee imposed on all ships calling at Israeli ports and on oil terminals.
- An amendment to the Hazardous Substances Law, 1993, came into force on 2004 imposes charges on operators to pay a levy on the disposal of hazardous waste. Regulations are in preparation by the Ministry of Environmental Protection.
- An update of the Cleanliness Law, 1984 came into force on 2007, obliges operators to pay a levy on waste which is landfilled according to the type of waste.
- A voluntary agreement has been made by the Ministry with gas stations concerning the reclamation of contaminated land.
- Legislation is currently in Parliament concerning liability for contaminated land, including past contamination.

- Regulations will be submitted to Parliament which will oblige permit owners to pay a levy for the discharge of waste or sewage into the sea from a land-based source granted by the Permits Issue Committee.
- The Clean Air Law recently approved by Parliament enables the Minister for Environmental Protection to charge a levy on permitted emissions.
- A recent law (2007) introduces the principle of 'extended producer responsibility' on the disposal of used tyres, by making manufacturers and importers of tyres responsible for their recycling.
- A new law for the Protection of the Environment (Polluter Pays) 2008, which was approved on July, 29, 2008 by Parliament is an important step in promoting further applications of the polluter-pays principle.

***Recommendation of the council on the use of economic instruments in environmental policy – [C(90)177]***

95. Israel accepts this Recommendation with the following observation:

The use of economic incentives such as taxes, charges and fees is subject to cost effective considerations, based on externalities, and with relation to national fiscal policy.

96. Explanatory comment:

The current situation in Israel is consistent with the recommendations in regard to policy and legislation.

- In the area of water and sewage, economic instruments are the basis of the management system: water prices reflect scarcity and the marginal cost of water to consumers and a levy is charged for sewage discharge and treatment.

- In the area of solid waste, a landfill levy has been imposed through legislation, which it is hoped will encourage recycling by increasing the costs of landfill.
- In addition, a deposit law is applied to non-refillable beverage containers, up to 1.5 liter volume. The charge is forwarded to the Maintenance of Cleanliness Fund.
- The Coastal Environment Protection Law imposes a charge on the use of coastal areas and charges on permitted flows of effluents to the sea are imposed under legislation on point source marine pollution prevention. Regulations for both charges are currently under preparation.
- Green taxation is being considered by a joint committee of the Finance and Environmental Protection Ministries. The first report made recommendations on differentiation in tax/duty tariffs on fuels and vehicles in relation to environmental performance and it was adopted by a Government decision. A second report on further applications for Green Taxation on energy is in preparation.
- The economic and financial regulators are incorporating environmental considerations into Government policies. The Israel Securities Authority Requires disclosure of environmental matters in information provided to the public. The Superintendent of Banks in the Bank of Israel will shortly issue a directive to Banks to require consideration of environmental risks as financial risks. The Accountant General has incorporated environmental considerations into government tenders.
- A recent government decision gives preference to environmentally friendly goods and services in government purchasing. The integration of environmental considerations in government policies and their

implementation through economic tools needs to be reinforced based on cost effective considerations.

***Recommendation of the council on guiding principles concerning international economic aspects of environmental policies – [C(72)128]***

97. Israel accepts this Recommendation.

98. Explanatory comment:

Israel's policy is consistent with the principles in the document. Implementation of certain principles in the document is only partial. Environment is not a non tariff barrier but not all environmental costs are yet included in the costs of goods and services

***Recommendation of the council on the use of economic instruments in promoting the conservation and sustainable use of biodiversity – [C(2004)81]***

99. Israel accepts this Recommendation.

100. Explanatory comment:

Israel is preparing a national program for the conservation, and sustainable use of biodiversity; the program incorporates several of the principles of this document. This program will be submitted in the near future to the Government for approval. However, further work will be needed in the future to promote economic instruments for biodiversity in Israel.

## II. Frontier Regions

### ***Decision of the Council on the Exchange of Information concerning accidents capable of causing Transfrontier Damage – [C(88)84]***

101. Israel accepts this Decision with the following observation:

Israel accepts these recommendations, yet since they only apply to OECD member countries and Israel does not share a common frontier with any OECD member country they are not applicable. However, Israel and Mediterranean countries cooperate within the Mediterranean Action Program (MAP) of the Barcelona Convention.

### ***Recommendation of the council for strengthening international co-operation on environmental protection in frontier regions – [C(78)77]***

102. Israel accepts this Recommendation with the following

Observation: Due to the fact that neighboring countries with which Israel could operate regional environmental programs are not OECD members, the document is not necessarily applicable to Israel. However, Israel and Mediterranean countries cooperate within the Mediterranean Action Program (MAP) of the Barcelona Convention.

***Recommendation of the council for the implementation of a regime of equal-right of access and non-discrimination in relation to transfrontier pollution – [C(77)28]***

***Recommendation of the council on principles concerning transfrontier pollution – [C(74)224]***

***Recommendation of the council on equal right of access in relation to transfrontier pollution – [C(76)55]***

103. Israel accepts these Recommendations with the following observation: Israel does not share a common frontier with any OECD member country; therefore, these Recommendations are not applicable at the present time. However, the Israeli Ministry of Environmental Protection provides information concerning cross-border pollution to the public through its website in Hebrew, English and Arabic. Environmental issues are included in the peace agreement between Israel and Jordan and in the Interim Agreement with the Palestinian Authority.

### **III. GLP – MAD**

***Decision of the Council concerning the Adherence of non-member Countries to the Council Acts related to the Mutual Acceptance of Data in the assessment of Chemicals – [C(97)114]***

***Decision of the Council concerning the mutual acceptance of data in the assessment of chemicals – [C(81)30]***

***Decision- Recommendation of the council on compliance with principles of GLP – [C(89)87]***

104. Israel accepts these Decisions-Recommendations.

105. Explanatory comment:

Israel is a full adherent to the Council Acts related to the Mutual Acceptance of Data (MAD) in the assessment of chemicals. This has been achieved by the Israel Laboratory Accreditation Authority – ISRAC, founded in 1993 and authorized by law since 1997. ISRAC is committed to recognizing organizations working according to OECD-GLP guidelines contingent upon compliance with the said guidelines.

***Recommendation of the council of the determination of the biodegradability of anionic synthetic surface active agents – [C(71)83]***

106. Israel accepts this Recommendation.

107. Explanatory comment:

There is an official standard for detergents in Israel (Israeli Standard No. 437), in which the European standard for determining biodegradability has been adopted. The Water Regulations, 1974 have banned use of non-biodegradable branched chain alkyl-benzene detergents in Israel.

## IV. Noise

### ***Recommendation of the Council on Strengthening Noise Abatement Policies – [C(85)103]***

### ***Recommendation of the Council on Noise Abatement Policies – [C(78)73]***

108. Israel accepts these Recommendations.

109. Explanatory comment:

Israel's policy on noise abatement is in accordance with these Recommendations and is based on the Abatement of Nuisances Law, 1961 and on the following regulations:

- Abatement of Nuisances (Unreasonable noise) Regulations, 1990, defines unreasonable noise.
- Abatement of Nuisances (Prevention of noise) Regulations, 1992, restrict various sources of noise in residential neighborhoods during afternoon hours and at night, prohibit the use of a siren when unnecessary or the running of a vehicle without a muffler, and restrict noise caused by air conditioners and alarms.
- A 1992 amendment to the Abatement of Nuisances Law authorizes the police to take reasonable measures to shut off car alarms after 20 minutes.
- Abatement of Nuisances (Unreasonable Noise from Construction Equipment) Regulations, 1979, deals with construction noise by setting standards for the performance and design of construction machinery.
- A Criminal Procedure Order (Finable Offenses- Prevention of Noise) issued in 2000, establishes fines (in lieu of trial) for 29 different types of noise violations.
- Vehicle noise is regulated by the Road Transport Ordinance. Regulations under this law set a standard comparable to that of the European Union for new vehicles.

- Airport noise is regulated under the Aviation Law. Aviation regulations on aircraft noise forbid the operation of an aircraft without a noise certificate, while regulations on the operation of aircraft and flight procedures require adherence to established noise levels in areas covered by noise monitoring systems.
- Criteria for railroad noise set limits in residential neighborhoods.
- Criteria for roadside noise set limits in residential neighborhoods and in public institutions sensitive to noise.
- An amendment to the Business Licensing Law, promulgated in 2002, restricts the volume of music in banquet halls and gardens. A 2005 amendment to the law, adds discotheques to the 2002 amendment.
- Regulations promulgated in June 2006 restrict noise in banquet halls and gardens and determine the maximum noise level in the seating area of the guests.
- Noise maps for Jerusalem and Tel Aviv were drawn and additional maps are now being processed.

Israel does not implement economic instruments such as charges and fees or bans on high noise level devices. This issue will be studied subject to health, environmental and cost-benefit considerations, and in relation to national fiscal policy.

Implementation of economic incentives such as charges and fees for noise causing devices or banning of devices is subject to cost effective considerations, and with relation to national fiscal policy.

## V. Waste

*Recommendation of the council on the environmentally sound management of waste - [C(2004)100 amended by C(2007)97]*

*Recommendation of the council on comprehensive waste management policy – [C(76)155]*

110. Israel accepts this Recommendation.

111. Explanatory comment:

Israel has formulated a policy based on sustainable integrated waste management in accordance with the OECD Recommendation. That policy was assimilated, into a new Sustainable Solid Waste Management Master Plan which was approved in 2006 and is within the framework of the Building and Planning Law, 1965. This is the statutory tool for determining the location of waste disposal and treatment sites.

Israel's policy is based on hierarchy of three strategic "layers" or concentric circles:

1. Reduction at Source;
2. Recovery;
3. Land filling.

**Strategic Goals for the management of waste:**

1. Sustainability in the management of land resources in Israel;
2. Protection of the immediate physical environment;
3. Repair of previous damage;
4. Partnership and contribution to global environmental trends.

The aim is to increase recovery and recycling and to reduce the total quantity of waste that the country generates, in

general, and the quantity reaching landfills, in particular, without adversely impacting the environment:

An update of the Cleanliness Law, 1984 which came into force on July 2007, obliges operators to pay a levy on waste which is landfilled. This instrument is considered as the right tool for reducing the quantities of wastes reaching landfills and increasing the economic viability of waste recycling and recovery.

The Tire Recycling Law, 2007 came into force on July 2007 and aims to regulate the disposal and recycling of 3 million used tires/year in order to prevent environmental nuisances associated with improper disposal and to save raw materials. The law is based on the principle of "producer responsibility".

***Recommendation of the council on waste paper recovery – [C(79)218]***

112. Israel accepts this Recommendation.

113. Explanatory comment:

Waste paper recovery is within the framework of the Collection and Disposal of Waste for Recycling Law, 1993 but, in the absence of specific regulations is done on a voluntary basis. However 275,000 thousand tons are collected annually which constitute about 27% of the total yearly consumption, and 70% of the local production capacity. Certain types of waste paper are separately collected and exported.

***Recommendation of the council concerning the re-use and recycling of beverage containers – [C(78)8]***

114. Israel accepts this Recommendation

115. Explanatory comment:

The Deposit Law on Beverage Containers, 1999 and the Deposits on Beverage Containers Regulations, 2001 came into

force on October 2001. The law covers all beverage containers which are larger than 100 milliliters and smaller than 1.5 liters. The law has three main objectives: to improve cleanliness and reduce litter; to reduce waste quantities and landfill volume; and to encourage recycling and reuse of beverage containers.

The Cleanliness Law, 1984 imposes a levy on beverage containers with volume of 1.5 liters and over.

The Deposit Law on Beverage Containers, 1999 enables voluntary re-use which currently applies to 500 ml glass beer bottles.

## VI. Chemicals

### ***Decision- Recommendation of the council on further measures for the protection of the environment by control of PCBs – [C(87)2]***

116. Israel accepts this Decision-Recommendation.

117. Explanatory comment:

The legislation to implement this Decision-Recommendation exits through the Business Licensing Law (Business licenses) and the Hazardous Substances Law (Poison permits). All transformers containing PCB's have been removed from the installations of Israel Electric Co. and some other enterprises. The control of PCBs will be part of the activities of a new unit for the registration and licensing of chemicals which will be established in accordance with OECD decisions and recommendations.

***Decision-Recommendation of the council on the co-operative investigation and risk reduction of existing chemicals – [C(90)163]***

***Decision- Recommendation of the council on the systematic investigation of existing chemicals – [C(87)90]***

***Decision of the Council concerning the Minimum Pre Marketing Set of Data in the Assessment of Chemicals – [C(82)196]***

***Recommendation of the council concerning the exchange of confidential data on chemicals – [C(83)97]***

***Recommendation of the council concerning the protection of proprietary rights to data submitted in notifications of new chemicals – [C(83)96]***

***Recommendation of the council establishing guidelines in respect of procedure and requirements for anticipating the effects of chemicals on man and in the environment – [C(77)97]***

***Recommendation of the council on the assessment of the potential environmental effects of chemicals – [C(74)215]***

118. Israel accepts these Decisions and Recommendations with the following observation: The principles of the document are acceptable to Israel in regard to policy.

The management of hazardous substances in Israel is performed through the Hazardous Substances Law, 1993, the Public Health Ordinance, 1940 and the Business Licensing Law, 1968. In practice, the supervision is on enterprises which deal with hazardous substances, rather than on the substances themselves, as required by these documents. Thus, assessment of the environmental and health implications of chemicals is only undertaken for a limited number of chemicals, as identified below. New and existing

chemicals are not required to be registered or licensed by any government authority.

Registration and licensing of chemicals is carried-out only on pesticides, pharmaceuticals, cosmetic preparations and food additives. This is done under relevant laws and regulations and managed by the Ministries of Agriculture, Health and Environmental Protection.

Implementation of these Decisions and Recommendations will require new legislation and establishment of a new unit in the Environmental Protection Ministry, with scientific, legal and administrative services, to be established over a six year period, 2009-2014. It will be responsible for the registration and licensing of new and existing chemicals in Israel in accordance with the principles and the guidelines of OECD's Decisions, and in coordination with the existing committees for registration and licensing of pesticides, pharmaceuticals, cosmetic preparations and food additives.

***Decision of the council concerning the control of Transboundary Movement of Wastes Destined for Recovery Operations – [C(2001)107]***

***Decision-Recommendation of the council on the reduction of transfrontier movements of wastes – [C(90)178]***

***Decision of the Council on Transfrontier Movements of Hazardous Wastes – [C(88)90]***

***Decision-recommendation of the council on exports of hazardous wastes from the OECD area – [C(86)64]***

***Decision-Recommendation of the council on transfrontier movement of hazardous waste C(83)180***

119. Israel accepts this Decision-Recommendation.

120. Explanatory comment:

Israel is a party to the Basel Convention since 1994; the Hazardous Substances Regulations (Import and Export of Hazardous Waste), 1994 and its Amendment, 2008 fulfill the principles and the guidelines of the Convention and are generally in accordance with these Decisions; Its main elements are:

- Import or export of HW is subject to obtaining a Permit and will be allowed only from/to parties to the Convention;
- Import of HW is only allowed when it is destined for recovery, when the applicant has full information on its composition and properties, and when its import and treatment will not endanger the health and the environment, according to the principle of "Preventive care".
- Import will be permitted only after full information has been received on the amount and properties of the waste that will be created during the process of recovery and on its expected influence on health and the environment.

- Export will take place only after the consent of the Competent Authority of the importing state and according to its demands and to the Convention.
- A permit will be stipulated by Conditions which must be obeyed and it will be cancelled if they are not fulfilled.
- The permit for imports will include a Bank Guarantee, for ensuring fulfillment of its Conditions, and third-party insurance.
- The owner of the permit will report to the Authority on the quantity of the imported or the exported waste.
- The Minister will report annually to the Parliament on the quantity of the imported or the exported waste, on its properties and on the recovery operation of the imported waste.
- The Annexes to the Regulations contain definitions for ten recovery operations and fifteen disposal operations according to the Convention's and OECD's definitions.

Israel will harmonize the list of hazardous waste with those of the OECD and the Convention. In practice, Israel currently applies its requirements using the European Wastes Catalog's definitions.

***Recommendation of the council concerning the OECD list of non- confidential data on chemicals – [C(83)98]***

121. Israel accepts this Recommendation.

122. Explanatory comment:

The existing situation in Israel is compatible with the recommendation: The Work Safety Regulations (Material Safety Data Sheet; Classification, Packaging, Labeling and Marking of Packages), 1988, within the framework of the Work Safety Ordinance (New Version), 1970 and the Hazardous Substances Law, 1993 and, require producers,

importers, distributors or sellers of a hazardous substance to supply recipients with Material Safety Data Sheets (MSDS), and call for the maintenance of an MSDS in the factory or business in order to inform users about hazards in their workplace. The non-confidential data, which is included in the Recommendation is highly similar to the data included in an MSDS which is, naturally, intended for use by the public.

***Recommendation of the council concerning chemical accident prevention, preparedness and response – [C(2003)221]***

123. Israel accepts this Recommendation.

124. Explanatory comment:

Israel complies with the principles of the document.

The Environmental Protection Ministry is now requiring compliance with a risk management manual which relates to risk reduction and impact minimization in existing stationary sources in industry largely based on the California Accidental Release model (CalARP). It is being tested on several industries and includes the following elements:

- An off-site consequence analysis that evaluates specific potential release scenarios, including worst-case and alternative scenarios;
- A 5-year history of accidental releases of regulated substances from the processes covered;
- An integrated risk prevention program;
- An emergency response program.

As part of its hazardous substance management system Israel has, since 1993, an integrated emergency response system in case of accidents involving hazardous substances. The main objectives of Israel's contingency plan for integrated emergency response in hazardous substance accidents are to

rescue human life, prevent and reduce risk to the population and minimize environmental damage. The plan delineates the tasks of the bodies that will participate in the response to an accident involving hazardous substances, both individually and collectively. This system is operated now under the Law for Reparation of the Police Ordinance (No. 19), 2005.

Public participation is not yet in accordance with the Recommendation but is under consideration.

***Recommendation of the council concerning information exchange related to export of banned or severely restricted chemicals – [C(84)37]***

125. Israel accepts this Recommendation with the following observation: The document is acceptable to Israel in regard to policy. Israel has signed but not yet ratified the Rotterdam Convention. The Environmental Protection Ministry and the Ministry of Agriculture will work toward the ratification of the Convention. As soon as it will be approved, appropriate legislation will be drafted to enable the implementation of this Recommendation.

## VII. Water

***Recommendation of the council on water resource management policies: integration, demand management and groundwater protection – [C(89)12]***

***Recommendation of the council on water management policies and instruments – [C(78)4]***

126. Israel accepts these Recommendations.

127. Explanatory comment:

Water management in Israel is highly centralized: the parliament approved in 2006 establishment of The Water Authority with overall responsibility on water and water resources management policies. The Authority is operating in accordance with the principles and the guidelines of the present recommendations.

The power of the Authority under The Water Law, 1959 establishes the framework for the control and protection of Israel's water resources together with numerous regulations that have been promulgated pursuant to this law. It allows wide-range and efficient instruments for sustainable water management system starting from water supply and demand strategies up-to waste water management including treatment and reuse. Israel holds a world record of 70% reclaimed effluents reuse in agriculture and is a world leader in the development and the production of efficient water saving irrigation systems.

Due to severe shortage of water supply, as a result of increasing demand on the one hand and a severe deficit in the annual rainfall on the other, the Water Authority is promoting the establishment of more desalination plants.

Issuing permits for irrigation using reclaimed effluents has remained the responsibility of the Ministry of Health and the

prevention of water pollution is under the responsibility of the Environmental Protection Ministry. Both have the experience, the know-how and the personnel to ensure best performance.

***Recommendation of the council on the control of eutrophication of waters – [C(74)220]***

128. Israel accepts this Recommendation.

129. Explanatory comment:

Continuous improvements in the performance of sewage treatment plants in Israel brought more than 50% reduction, in the last decade, of the quantity of nitrates and phosphates released to streams.

Guidelines for the prevention of ground water pollution generated by dairy farms are incorporated as special conditions in the business licenses of the dairy sector. By the end of 2007, 98% of Israel's dairy farms had submitted plans for improvement and 89% completed the requisite environmental improvements.

Efforts are now being focused on poultry and geese wastes. A model technology for the treatment of geese farm waste is being implemented in order to study its efficacy. At the same time, a reform in the poultry sector promises to reduce the number of individual chicken coops and to operate large poultry farms in an environmentally-friendly fashion.

Special care is devoted to the wastes generated by olive oil-presses, which constitute a particularly rich source of pollutants. Similarly fish farms and ponds operators are obliged to remove suspended solids from effluents. Cattle are given water in troughs in order to avoid proximity to water sources.

Special care is dedicated to the protection of the drainage basin of Lake Kinneret which constitutes one of the three major sources of the Israeli water system.

***Recommendation of the council on strategies for specific water pollutants control – [C(74)221]***

130. Israel accepts this Recommendation.

131. Explanatory comment:

Israel complies with the Recommendation and controls specific water pollutants with adjustment to its specific circumstances.

- The Streams and Springs Authorities Law, 1965 empowers the Minister of Environmental Protection to establish an authority for a particular river, spring or any other water source. Such authorities are empowered to undertake steps to protect and conserve the stream and its banks, to abate nuisances and prevent pollution.
- The Local Authorities (Sewerage) Law, 1962 prescribes the rights and duties of local authorities in the design, construction and maintenance of sewage systems. It requires each local authority to maintain its sewage system in proper condition.
- The Model Local Authorities By-Law (Discharge of Industrial Sewage into the Sewage System), 1981 sets recommendations to local authorities on the treatment and disposal of industrial sewage into the sewage system. It charges all generators of wastewater with responsibility for adequate treatment and disposal in such a manner as to prevent health and environmental nuisances and water source contamination. It provides local authorities with a legal tool enabling efficient supervision over industrial sewage.

- Some examples of regulations dealing with specific pollutants:

- ⇒ Water Regulations (Prevention of Water Pollution) (Reduction of Salt Use in the Regeneration Process), 1994 Water Regulations (Prevention of Water Pollution) (Prohibition on Discharge of Brines to Water Sources), 1998 Business Licensing Regulations (Salt Concentrations in Industrial Sewage), 2003 These regulations aim to reduce the salinity of sewage in Israel, the last one set thresholds for chlorides, sodium, fluorides and boron before being discharged to a wastewater treatment plant and prohibit dilution as a solution.

- ⇒ Water Regulations (Prevention of Water Pollution) (Metals and Other Pollutants), 2000.  
The purpose of these regulations is to protect water sources from heavy metals and other pollutants by limiting the volume of wastewater discharged from pollution sources and reducing the concentration of pollutants in it. They set maximum concentration levels (expressed in milligrams per liter) for 20 pollutants.

- ⇒ Water Regulations (Prevention of Water Pollution) (pH Values of Industrial Sewage), 2003.  
The purpose of these regulations is to protect the environment and prevent the pollution of water sources from the impacts of corrosion generated by industrial sewage by establishing appropriate pH values.

The Environmental Protection Ministry and the Ministry of Health drafted regulations, agreed by all stakeholders, which contain up-dated maximal allowable concentration of 36

pollutants in reclaimed sewage effluents. The legal regulations are currently being prepared by the Justice Ministry for approval by Parliament.

## VIII. Air

### ***Recommendation of the council on environmentally favourable energy options and their implementation – [C(85)102]***

132. Israel accepts this Recommendation with the following observation: Attention is now being paid in Israel to energy efficiency and renewable energy. A recent government decision requires the Ministry of Infrastructure to submit and implement a plan to achieve, until 2020, a 20% reduction in energy demand through improved energy efficiency. A government decision promotes utilization of alternative and renewable energy, with a particular emphasis on solar energy, e.g. Prequalification stage for tenders for a 230 MW Thermo-solar power station and the promotion of 15MW photo-voltaic units in the southern region; a program for installation of photo-voltaic cells in the domestic sector.

### ***Recommendation of the council on the control of air pollution from fossil fuel combustion – [C(85)101]***

133. Israel accepts this Recommendation.

134. Explanatory comment:

The government approved in 2004 economic incentives to energy producers to reduce fuel consumption, based on quantifying the costs of externalities of energy production.

Draft regulations, based on the EU directive, submitted for approval by the Parliament, on abatement of air pollution from power stations over 50MW capacity. Additional measures

will be taken over the coming years to reduce air pollution (Sulfur & Nitrogen oxides) from the existing coal fired power stations.

Oil fired power stations and other energy intensive plants are converting to natural gas.

***Recommendation of the council on coal and the environment – [C(79)117]***

135. Israel accepts this Recommendation.

136. Explanatory comment:

Israel has two major coal fired power stations in operation and is currently considering adding additional units, in light of its energy needs. These units, if approved, will be equipped with BAT based air pollution abatement measures. In accordance with the Environmental Protection Ministry's requirements additional measures will be taken over the coming years to reduce air pollution (Sulfur and Nitrogen oxides) from the existing coal fired power stations.

***Recommendation of the council concerning the reduction of environmental impacts from energy production and use – [C(76)162]***

137. Israel accepts this Recommendation.

138. Explanatory comment:

The situation in Israel is partially consistent with the principles in the document in regard to policy and legislation. All energy projects are subject to environmental impact assessment under the Planning and Building law. Energy facilities are required to comply with air pollution standards and steps will be taken to reduce emissions from existing plants. Energy prices, however, do not include environmental externalities. The impacts of a proposal for additional coal fired units are

currently under discussion. Oil fired power stations in Israel are gradually being converted to Natural Gas, supplied from local and Egyptian sources.

***Recommendation of the council on the reduction of environmental impacts from energy use in the household and commercial sectors – [C(77)109]***

139. Israel accepts this Recommendation.

140. Explanatory comment:

Solar boilers have been required on roofs for many years and they attain a 3% energy saving. Attention is now being paid in Israel to energy efficiency and renewable energy. A recent government decision requires the Ministry of Infrastructure to submit and implement a plan to achieve a 20% reduction in energy demand through improved energy efficiency. A voluntary code for energy efficiency in new buildings has been adopted, by the Israeli Standard Institute and the Ministry of Environmental Protection, intend to promote a mandatory building code with the Ministry of Housing and Construction and regulations with the Ministry of Interior under the Planning and Building Law, 1965. A recent government decision will promote alternative energy, with a particular emphasis on solar energy in the southern region. Several regulations have been implemented by the Ministry of National Infrastructures for setting standards of energy efficiency for household appliances. The Government approved measures to encourage electricity production by installing Solar Cells on roofs by setting a higher tariff on electricity which can be sold to the Israel Electricity Company.

***Declaration on Risk Reduction for Lead – [C(96)42]***

141. Israel accepts this Declaration.

142. Explanatory comment:

The use of leaded gasoline has been stopped. The control on lead emissions from recycling and lead accumulators plants is controlled through the Business License and Poison Permit based on TA-luft 86 standards.

***Recommendation of the council on Measures to Reduce all Man-Made Emissions of Mercury to the Environment - [C(73)172]***

143. Israel accepts this Recommendation.

144. Explanatory comment:

The situation is consistent regarding policy and legislation; emission and environmental standards are in place. In terms of implementation, the situation is mainly relevant to coal fired power stations. It will be reduced approximately to half by steps to be taken to reduce air pollution from existing stations. A chlorine production plant operates under standards dictated by its Business License and Poison Permit.

***Recommendation of the council on traffic limitation and low-cost improvement of the urban environment – [C(74)218]***

145. Israel accepts this Recommendation with the following observation:

Israel accepts the recommendations in the document and will work to implement these recommendations.

146. Explanatory comment:

The existing situation is consistent with the recommendations in terms of policy and legislation.

The Traffic Ordinance (New Version), 1961, authorizes traffic magistrates to enforce those provisions of the Abatement of Nuisances Law, 1961 which involve motor vehicles. Regulations promulgated under this ordinance prohibit the registration of a vehicle unless it conforms to inspection standards for emissions, including European Union standards. Regulations on Prevention of Air Pollution from Vehicles on the Road, 2001, prohibit driving a vehicle unless it meets specified technological standards.

In regard to implementation, the situation is partially consistent; the principles are implemented by the Ministry of Transportation and by a small number of local authorities.

The new Clean Air Law will give authority to the Environmental Protection Ministry to control air pollution from vehicles.

## **IX. PRTR**

### ***Recommendation of the council on implementing pollutant release and transfer registers – [C(96)41]***

147. Israel accepts this Recommendation with the following observation:

148. Explanatory comment:

Current regulations under the Business licensing Law require reporting to the Environmental Protection Ministry and/or the local authority on some pollutant release and transfer and new regulations under the Freedom of Information Law will make such information available to the public. However, implementation of this Recommendation will require new legislation and the establishment of the necessary reporting mechanism, to be established over a six year period (2009-2014).

## **X. IPPC**

### ***Recommendation of the council on integrated pollution prevention and control – [C(90)164]***

149. Israel accepts this Recommendation with the following observation: Israel is in the process of implementing this Recommendation. The existing legislation enables the Authorities to bring installations to achieve BAT technologies wherever it is required, through Special Conditions in their Business License, air emission permit, waste discharge permit and Poison Permit.

The Environmental Protection Ministry intends to build the appropriate platform for IPPC, define parameters and ensure compliance and enforcement, over ten years period (2009-2018).

## **XI. Policy and Planning**

### **Public Environmental Performance**

#### ***Recommendation of the council on good practices for public environmental expenditure management – [C(2006)84]***

150. Israel accepts this Recommendation.

151. Explanatory comment:

The principles of the document are acceptable to Israel on the policy level and are being incorporated into Decisions on budgeting and economic instruments in the ministries of Environment and Finance. A joint committee on Green Taxation submitted recommendations to the government on taxation related to transport, and is currently preparing a second set of recommendations to the government.

***Recommendation of the council on improving the environmental performance of public procurement – [C(2002)3]***

Israel accepts this Recommendation.

152. Explanatory comment:

Government purchasing in Israel is carried out in accordance with the Mandatory Tenders Law, 1992, and is subject to guidelines of the Accountant General at the Ministry of Finance. The law does not currently include mandatory guidelines which would grant preference to “green purchasing.” However, the social-economic ministerial cabinet chaired by the Minister of Finance, approved on July, 22, 2008 an amendment to the Tenders Obligation Regulation. According to this decision, the Accountant General will set directives for the encouragement of purchasing products and services which are accredited by an environmental standard, Israeli, international or an internationally accepted practice, acceptable to the Ministry of the Protection of the Environment.

Environmental criteria are already incorporated into the public procurement of several products and services through the Governmental Purchasing Administration, including: a) collection of used toner; b) recycled paper; c) Collection of wastepaper; d) office's needs (including purchasing recycled products); e) computer screens (the supplier who wins the bid is compelled to carry out 'trade in' for the existing screens and to take care of a worn-out product according to the directions of the Ministry of the Protection of the Environment; f) hybrid vehicles;

g) printers (including the requirement for two-sided copies; h) control of costs of electricity and water; i) a system for regulation of goods and amortization (the system will enable

computerised management of the governmental stock in order to avoid new purchases and encouraging the recycling of unnecessary equipment); j) desalination plants.

The Governmental Purchasing Administration recently established a forum chaired by an official of the Ministry of Protection of the Environment with the following aims: a) to examine the addition of environmental aspects for central tenders which are expected to be published in the near future; b) to identify environmental subjects which justified the carrying out of a central tender on the subject; c) to prepare guidelines for public procurement of products and services which will include environmental criteria.

***Recommendation of the council on improving the environmental performance of government – [C(96)39]***

153. Israel accepts this Recommendation.

154. Explanatory comment:

The policy in the document is acceptable to Israel.

Implementation does not necessarily require a new mechanism but rather the integration of environmental considerations in existing mechanisms. Environmental Impact Statement on all development projects is an integral part of the planning system as required by the Planning and Building Regulations (Environmental Impact Statements), 1982, revised in 2003. Agreement between the Environmental Protection Ministry and the Ministry of Finance on incorporation of environmental considerations in Government contracts and purchasing is already partly implemented e.g. on desalination plants. A recent Government decision on green procurement has been approved.

There are no current requirements for reporting on the environmental performance of governmental operations and facilities.

A government decision of 2003 requires each Ministry to prepare a strategy for Sustainable Development.

A government decision currently in preparation will require each Ministry to take steps to improve energy efficiency.

### **Transport and Environment**

#### ***Recommendation of the council on assessment and decision making for integrated transport and environment policy – [C(2004)80]***

155. Israel accepts the principles of the document.

156. Explanatory comment:

The policy is acceptable to Israel. All major transportation projects are subject to Environmental Impact Statements according to the Planning legislation. There is partial consistency in regard to legislation and implementation: Several actions indicate that Israel is implementing parts of this recommendation, including Metropolitan Transport Planning, environmental assessment of transport projects and measures to improve public transport and to reduce subsidies to the use of the private car. Improvements will be needed for the assessment of the environmental implications of transportation projects prior to government decisions and before the allocation of funding.

***Recommendation of the council on traffic limitation and low-cost improvement of the urban environment – [C(74)218]***

157. Israel accepts this Recommendation with the following observation:

Israel accepts the recommendations in the document and will work to implement these recommendations.

158. Explanatory comment:

The existing situation is consistent with the recommendations in terms of policy and legislation. In regard to implementation, the situation is partially consistent; the principles are implemented in part by the Ministry of Transportation and by some local authorities.

**Resource Productivity**

***Recommendation of the council on material flows and resource productivity – [C(2004)79]***

***Recommendation of the Council on Resource Productivity – [C(2008)40]***

159. Israel accepts this Recommendation.

160. Explanatory comment:

The fundamental policy of the documents is acceptable to Israel but its practical implications are not yet clear and will require further clarification. Israel is studying how to implement these recommendations. Israel would welcome assistance from OECD on the implications of these Recommendations and identifying how they could be best applied in Israel.

### **Environmental Information**

#### ***Recommendation of the council on environmental information – [C(98)67]***

161. Israel accepts this Recommendation.

162. Explanatory comment:

New regulations expanding the availability of environmental information to the public are due to be submitted for approval by the Parliament. They will require a wide range of environmental information on pollution, emissions and wastes, held by public authorities to be accessible to the public without request or payment. At present periodic reporting by enterprises to the Environmental Protection Ministry are not made available to the public.

No systematic State of the Environment (SOE) periodic report is prepared; however, occasional reports can be found on the Web site of the Ministry. The CBS publishes annually selected indicators on air, water and waste in its statistical yearbook, which is available on its internet site.

Environmental disclosure is required by Israel's Securities Authority on environmental risks which could constitute financial risks and is available to the public on its Web site.

The Central Bureau of Statistics will prepare data as required by OECD questionnaire, will check availability of such information and will make it available to the public on its internet site ([Central Bureau of Statistics](#)).

***Recommendation of the council on reporting on the state of the environment – [C(79)114]***

***Recommendation of the council on environmental indicators and information – [C(90)165]***

163. Israel accepts these Recommendations with the following observation: Israel accepts the principles of the document.

164. Explanatory comment:

There is no periodic report on the state of the environment. The Environmental Protection Ministry has published environmental statistics on the Net but it is not updated. The Central Bureau of Statistics (CBS) published two reports, on the state of the environment (2001, 2006) in the framework of the MEDSTAT project. The latter contains indicators regarding land, biodiversity, air and sustainable development and is available on the CBS website. A review was undertaken of sustainable development indicators relevant to Israel's national and local conditions in collaboration with the CBS and the Jerusalem Institute and consequently it is intended to publish a joint publication. The Central Bureau of Statistics will prepare data as required by the OECD questionnaire, will check availability of such information and will make it available to the public on its internet site ([Central Bureau of Statistics](#)).

***Decision- Recommendation of the council concerning provision of information to the public and public participation in decision-making processes related to the prevention of, and response to, accidents involving hazardous substances - [C(88)85]***

165. Israel accepts this Decision-Recommendation with the following observation.

166. Explanatory comment:

New Regulations, expanding the availability of environmental information to the public, are due to be submitted for approval by the Parliament, which will oblige the authorities to make information on pollution, emissions and wastes available to the public. Possible ways of extending information to the public concerning hazardous substances will be examined, subject to national security considerations. To date public participation is not incorporated into the decision-making processes.

**Environmental Impacts**

***Recommendation of the council on the assessment of projects with significant impact on the environment - [C(79)116]***

***Recommendation of the council on the analysis of the environmental consequences of significant public and private projects – [C(74)216]***

167. Israel accepts these Recommendations.

168. Explanatory comment:

Israel's position is consistent with the recommendations in the documents. All major development projects are approved through the Planning and Building Law, 1965 which includes regulations requiring environmental impact assessment (EIS), enacted 1982 and updated 2003. The Regulations cover all major development projects. The EIS system includes tailor made guidelines for each project, preparation of the Statement by the developer, review by the Environmental Protection Ministry or the Ministry of Interior who then submit an opinion to the planning authority prior to its decision. However this system needs to be expanded to projects which

do not require planning permission or where a decision is taken prior to submission for planning permission.

### **Environment and tourism**

#### ***Recommendation of the council on environment and tourism – [C(79)115]***

169. Israel accepts this Recommendation.

170. Explanatory comment: The situation in Israel is highly, but not fully, consistent with the recommendations.

A revised national plan for tourism, incorporating environmental considerations (National Outline Plan 12/1) is awaiting approval. Tourist development is frequently subject to environmental impact assessment under the Planning and Building Law, 1965, and to approval by the Coastal Environment Committee and to approval of the National Parks and Nature Reserves Council under the National Parks, Nature Reserves, National Sites, and Memorial Sites Law, 1998.

### **Declarations**

#### ***Declaration on "Environment: Resource for the Future" – [C(85)11]***

171. Israel accepts this Declaration.

172. Explanatory comment:

The Environmental Policy and the tools for its implementation meet the Declaration which is very general in content.

#### ***Declaration on Anticipatory Environmental Policy – [C(79)121]***

173. Israel accepts this Declaration.

174. Explanatory comment:

The Environmental Policy and the tools for its implementation meet the Declaration. Environmental conditions are incorporated into the Land Use planning system under the Planning and Building Law, 1965. Planning authorities at national and regional levels include representatives of the Environmental Protection Ministry and of environmental organizations. National and regional master plans include measures for protection of resources and prevention of pollution.

***Declaration on Environmental Policy – [C/M(74)26]***

175. Israel accepts this Declaration.

176. Explanatory comment:

The Environmental Policy and the tools for its implementation match the Declaration which is very general in content.



## Financial Markets

### Recommendations

***Recommendation of the Council on Principles and Good Practices for Financial Education and Awareness – [C(2005)55/REV1]***

177. Israel accepts this Recommendation.

178. Explanatory comment:

Israel's policy in this area is consistent with the principles in the document.

There is extensive activity in this area in Israel. The Israel Securities Authority (ISA), in cooperation with the Tel Aviv Stock Exchange (TASE), held a campaign to educate investors, focused on providing basic knowledge about the capital markets and on increasing the public's awareness of the rights of financial consumers. The ISA set up in 2007 a unit for enhancing investors' understanding of the financial markets.

The Capital Market, Insurance, and Savings Division, together with the Ministry of Education, have formulated a financial consumer education program based on the principles of the OECD document.

***Recommendation of the Council concerning the Minimum Disclosure and Procedure Rules to be Complied with before Securities may be Offered to the Public – [C(75)198]***

179. Israel accepts this Recommendation.

180. Explanatory comment:

Israeli disclosure requirements, both with respect to prospectuses and ongoing reporting are in compliance with the international standards established by the OECD and IOSCO.

Israel's disclosure regime is based on reporting in prospectuses at the time of initial public offering; ongoing reporting of financial information; information regarding a company's corporate officers and other (non-quantitative) business information.

***Recommendation of the Council concerning Regulations for the Public Offer and for Stock Exchange Listing or Quotation of Foreign Securities – [C(74)157]***

181. Israel accepts this Recommendation with the following observation:

Israel accepts the recommendations in the document, subject to the retention of the present requirements for the recognition of dual listing.

182. Explanatory comment:

Israel's policy in this area is consistent with the principles in the document.

Foreign Companies are required to publish in Israel a prospectus prior to the listing of their securities for trade on TASE and are subject to disclosure and reporting

requirements identical to those applicable to Israeli companies<sup>22</sup>.

Israel allows dual listing of securities issued in countries and on stock exchanges where disclosure requirements and the quality of supervision have been examined and recognized by Israel as providing adequate protection for the investors. In 2000, the Securities Law was amended with the purpose of encouraging dual listing on TASE of companies whose securities are traded in foreign countries, by granting an exemption from the listing requirements. The meaning of this exemption is that reliance is placed on the regulation and supervision of the foreign regulators (in this case, in the United States and in London), and that the costs usually involved in dual listing can be avoided.

Nevertheless, the dual listing arrangement is permitted only with regard to those stock exchanges and countries in which Israel has examined the disclosure requirements and the quality of the regulation and supervision and has found them to be appropriate. The arrangement is used with regard to companies whose shares have been offered on the NASDAQ, AMEX, NYSE and LSE Main Market Primary Listings.

The intention of the ISA is to move towards reaching mutual recognition agreements with other national regulators - such that Israel will recognize the regulation of another country and that country will recognize Israel's regulation, for the purpose of listing companies' securities for trading.

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<sup>22</sup> Israel's adoption of the international financial reporting standards (IFRS), beginning on 1 January 2008, makes it easier for foreign companies wishing to offer their shares in Israel.

On January 2008, the ISA and the French regulator, AMF signed a Memorandum of Understanding opening their respective capital markets to trade in securities issued by both Israeli and French companies. The agreement is based on mutual reliance of both Authorities on the regulation existing in the other's country. Once implemented, the effect of the MoU will be that an Israeli company will be entitled to have its shares admitted to trading on a French regulated market using its Israeli prospectus. The same will apply to a French company wishing to list on TASE.

This is an unprecedented step for the EU. For the first time a European regulator recognizes as equivalent a regulatory regime outside Europe.

***Recommendation of the Council concerning Disclosure Requirements and Procedures to be Applicable to all Publicly Offered Securities – [C(74)156]***

183. Israel accepts this Recommendation.

184. Explanatory comment:

Israel's policy in this area is consistent with the principles and standards detailed in the IOSCO document, "Principles for Ongoing Disclosure and Material Development Reporting by Listed Entities" (Oct. 2002). As noted above with regard to document C(75)198, Israel fully complies with the disclosure requirements stipulated in the OECD documents.

***Recommendation of the Council concerning the Review of any Restrictions which Member Countries Impose on Portfolio Investment in Unlisted or Unquoted Securities - [C(74)61]***

185. Israel accepts this Recommendation.

186. Explanatory comment:

Israel's policy in the area in question is consistent with the principles in the document.

In general, no restrictions are imposed in Israel on the purchase of securities not traded on the stock exchange. The few restrictions that exist are imposed in order to protect investors. The agencies responsible for supervision of the securities market do not attempt to influence investors' investment decisions in any way and do not attempt to present securities traded on the stock exchange as "approved" securities. There are no restrictions on foreign investments by Israeli citizens or residents.

***Recommendation of the Council concerning Standard Rules for the Operations of Institutions for Collective Investment in Securities – [C(71)234]***

187. Israel accepts this Recommendation.

188. Explanatory comment:

Israel's policy in the area in question is consistent with the principles in the document. Mutual funds are tightly supervised in Israel, in line with the principles in the document. This supervision is carried out by the Israel Securities Authority, pursuant to the Joint Investment Trust Law, -1994. Foreign mutual funds interested in marketing units in Israel are subject to all requirements applicable to local funds. Israel is in the process of changing legislation in

order to facilitate the marketing of units by foreign mutual funds in Israel.

A new legislation was recently enacted which enables the establishment of an Israeli "fund of foreign funds" which will invest most of its assets in foreign funds. This arrangement will enable the Israeli public to have actual access to foreign funds, and will allow the managers of foreign funds to have access to the Israeli public. It is important to note that under the current system there is nothing preventing Israeli fund managers, pursuant to the Joint Investment Trusts Law, from investing all of the assets in the funds that are under their management in foreign securities, nor does anything prevent them from transferring the management of their funds' portfolios to foreign portfolio managers.

According to a proposed amendment to the Joint Investment Trust Law known as Amendment 13, (which has passed its first reading in the Knesset and it is hoped will become law during 2008) the Finance Minister upon the ISA's recommendation, will be authorized to stipulate provisions that if fulfilled shall allow the ISA to permit the offer of foreign funds in Israel based on their local regulation without further need to comply with Israeli regulation. The said provisions will be included in secondary regulation and their parameters have not been finalized. However they might relate, *inter alia*, to the fund's country of origin, the law under which the fund was established, standards of supervision of the fund, fund investment policy and characteristics of the fund's manager.

***Recommendation of the Council on International Security Issues – [C(71)176]***

189. Israel accepts this Recommendation.

190. Explanatory comment:

Israel's policy in the area in question is consistent with the principles in the document. There are no restrictions imposed in Israel on the purchase of foreign securities by residents of Israel. Following a tax reform, as of 2005 there is no discrimination in the taxation of income derived from investments in foreign securities versus local securities. Further, in general there are no restrictions imposed on the purchase of Israeli securities, including the purchase of government bonds, by citizens of foreign countries.<sup>23</sup>

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<sup>23</sup> Subject to the provisions of the Prohibition on Terrorist Financing Law, 2005. As there are no limitations regarding the purchase of foreign securities, there are also no limitations on Israeli companies who wish to offer their shares abroad. Thus there are 278 Israeli companies that/[whose securities] are listed for trading on stock exchanges outside of Israel: 205 companies are listed for trading in the United States and 73 are listed for trading on European stock exchanges.



## Fiscal Affairs

### Recommendations

***Recommendation of the Council on the Use of the OECD Model Memorandum of Understanding on Automatic Exchange of Information for Tax Purposes – [C(2001)28]***

191. In this stage Israel does not accept this Recommendation.

Israel transfers information regarding taxation on an ongoing basis to those countries with which it has entered into tax treaties. The transferred information extends to all areas, including information of all types. The information is transferred on the basis of a request from the other country. Israel does not currently provide information to other countries on an automatic basis.

192. Explanatory comment:

Israel routinely transfers information on taxation topics to countries with which it has conventions for the prevention of double taxation. The information transferred encompasses all areas, and is transferred on the basis of requests from the other country. Israel does not currently provide information to other countries on an automatic basis.

The transfer of information is subject to Israeli domestic law which establishes the circumstances in which information is to be transferred, including restrictions on entities that will receive the information and on the use that may be made of it. (See sections 231-235 of the Income Tax Ordinance; Income Tax Circular 17/03 "Transfers of Information Between Treaty Parties."). In exploring the possibilities of implementing the recommendation, it will be necessary to examine the adjustment required for the general Israeli law

with respect to issues such as protection of privacy. Information may be transferred to a foreign tax authority only by virtue of an exchange of information clause included in a tax treaty between the two parties. Israel's tax conventions do not refer to automatic transfers of information. Moreover, the transfer of information by request according to Israel's tax conventions is, in some cases, permitted only in connection with information related to the treaty's implementation. The adoption of the OECD documents in this area will require the amendment of Israel's tax conventions and the amendment of cooperation agreements in the areas of VAT and customs duties (according to the Import and Export Tax Law (Assistance to Foreign Countries) 5752-1992).

Note that there are three countries (Iceland, Australia and New Zealand) among the 30 OECD countries, with which Israel has not signed any tax conventions, and the transfer of information to these countries will therefore be subject to the prior signature of tax conventions with them.

The construction of a system for collecting information and transferring it on an automatic basis to 30 OECD countries, on the one hand, and on the other hand, for receiving information on an automatic basis from all 30 OECD countries, analyzing it, processing it and making use of it, will involve the use of all the tax authority's systems relating to international activity, and this will require the allocation of appropriate budget. It will be necessary to prepare technologically for the collection, absorption, analysis, and processing of information and for its transfer in a magnetic format, in accordance with the recommendations in document C(92)50. (The appendix to the above-mentioned document specifies the standards for the magnetic media to be used, including uniform data fields.) It will be necessary to train

personnel, both within the Tax Authority and outside of it – i.e., among the parties that provide the information (the banking system, the National Insurance Institute, etc.). It will also be necessary to review the establishment of a special unit within the tax authority that will handle the subject through the allocation of a sufficient number of personnel. (Currently, information exchange [on a per request basis] regarding income tax issues is handled on a low profile level, and it is divided between the tax authority's international tax division and its professional division, and the international department at the customs authority).

***Recommendation of the Council on Implementing the Proposals contained in the 1998 Report on Harmful Tax Competition - [C(2000)98]***

193. Israel accepts this Recommendation.

194. Explanatory comment:

Israel's policy in the area in question is consistent with the principles in the document. See reference to document C(98)17.

***Recommendation of the Council on Counteracting Harmful Tax Competition – [C(98)17]***

195. Israel accepts this Recommendation.

196. Explanatory comment:

Israel's policy in the area in question is consistent with the principles in the document.

In recent years, Israel has adopted a series of tax reforms intended to promote the issues specified in the document. To the best of our judgment, nowadays there are no harmful tax regimes in Israel Tax system. Below, in brief, are examples of Israel's implementation of the recommendations.

- a) The legislation and practice provide the Israel Tax Authority with access to all types of information, including banking information (Sections 99 and 35(4) of the Income Tax Ordinance). Israel exchanges information with the tax authorities of foreign countries pursuant to exchange of information clauses in tax conventions.
- b) Israel's treaty policy strives to limit the granting of tax benefits through its tax conventions. The policy is to include "Limitation of Benefits" clauses in the conventions in order to prevent their abuse by those who are not entitled to benefit from their provisions.
- c) According to Israeli legislation and practice, it is possible to implement norms in domestic law against tax planning, in order to frustrate the use of improper tax planning based on tax conventions.
- d) In 2002, a tax reform was enacted (in Amendment No. 132 to the Income Tax Ordinance, which entered into effect in 2003). In the context of this reform:
  - o Israel's tax system changed over to a system in which Israeli residents were taxed on worldwide income on a personal basis.
  - o Reporting requirements were imposed with respect to all of Israeli residents' income from abroad.
  - o Detailed provisions for dealing with CFC's were enacted;
  - o Provisions dealing with authorization to act regarding transfer pricing were enacted.
- e) In 2005, an additional tax reform was enacted (in Amendment 147 to the Income Tax Ordinance), in the context of which:

- o Provisions dealing with taxation of income produced through the use of local and foreign trusts were enacted, and expanded reporting requirements were imposed.
  - o Detailed provisions were enacted, imposing a requirement to report to the tax authority with regard to a series of transactions that have been determined to be reportable tax planning.
  - o Provisions were enacted establishing procedures for obtaining pre-rulings from the tax authorities (sections 158b and 158f);
- f) Beginning in 2006, the institution has published summaries of tax rulings and thus increases the transparency of the rulings, for the benefit of all taxpayers.
- g) Provisions were enacted dealing with the issue of participation exemptions, including limits and conditions that conform to the OECD position regarding this issue (sections 67b –67k of the Income Tax Ordinance).
- h) Detailed regulations were enacted regarding transfer pricing.

For further discussion, see the comment to document C(77)149 below.

***Recommendation of the Council concerning the Model Tax Convention on Income and on Capital – [C(97)195]***

197. Israel accepts this Recommendation with the following observation:

Israel accepts the recommendation subject to the stipulation that Israel reserves the right to diverge from the OECD Model Tax Convention (e.g., the incorporation of the new Article 26, Language in Tax Treaties), in accordance with considerations of bilateral negotiations.

In addition to the above mentioned the use of the information received by a contracting party: Israel signs the "Convention for Avoidance of Double Taxation" with respect to taxes on income and capital for direct taxation purposes only. The provisions of Article 26 to the Model Tax Convention permitted the use of exchanged information for "taxes of every kind," e.g., indirect taxes. On this subject Israel uses other agreements and other laws, e.g., Import and Export Tax Law (assistance to foreign countries) 5752-1992.

Our view is that the use of information based on the tax convention on income and capital should be restricted to the taxes covered by the convention.

198. Explanatory comment:

Israel's policy in the area in question is consistent with the principles in the document.

Israel adopts the OECD model as a basis for signing conventions for the prevention of double taxation.

Israel's policy is to endeavor to comply with the key substantive conditions underlying the OECD model tax convention.

For a small number of clauses in its tax conventions, Israel adopts a format and language, which is not completely identical to the OECD Model. In principle, the several variations do not reflect a different policy concerning the key substantive conditions underlying the OECD model tax convention – instead, they are derived from adjustments needed in accordance with the bilateral relations in each negotiation.

***Recommendation of the Council on the Granting and Design of Tax Sparing in Tax Conventions – [C(97)184]***

199. Israel accepts this Recommendation.

200. Explanatory comment:

In recent years, Israel has usually avoided including tax-sparing sections in its conventions. The situation in Israel is consistent with the principles in the document in regard to policy and implementation.

Israel has a number of conventions that do include a tax-sparing clause, most of them are old. Out of the 48 conventions that Israel has signed, 16 include a tax sparing clause.

***Recommendation of the Council on the Use of the Revised OECD Standard Magnetic Format for Automatic Exchange of Information – [C(97)30]***

201. Israel accepts this Recommendation with the following observation:

Israel accepts the recommendations in the document, subject to the statements in document C(2001)28.

202. Explanatory comment:

Israel's policy in the area in question is partially consistent with the principles in the document.

See reference to document C(2001)28.

***Recommendation of the Council on the Use of Tax Identification Numbers in an International Context – [C(97)29]***

203. In this stage Israel does not accept this recommendation.

204. Explanatory comment:

Israel does not currently assign an identification number for tax purposes to non-residents.

Israel assigns tax identification numbers to its own residents and legal personalities. It is mandatory for non-resident recipients of Israel source interest to provide to the bank (the payer) their identification number (usually passport number). However, it is not a mandatory requirement for non-resident to disclose their residence country tax identification number. It is a mandatory requirement for the banks (the payers) to pass on the information to the Israeli Tax Authority.

***Recommendation of the Council on the Determination of Transfer Pricing between Associated Enterprises- [C(95)126]***

205. Israel accepts this Recommendation.

206. Explanatory comment:

Israel's policy in the area in question is consistent with the principles in the document. Legislation in Israel is consistent with the OECD recommendations and guidelines of 1995.

***Recommendation of the Council concerning the Attribution of Income to Permanent Establishments with respect to the Model Tax Convention on Income and Capital – [C(93)147]***

207. Israel accepts this Recommendation.

208. Explanatory comment:

In general, Israel's policy in the area in question is consistent with the principles in the document.

In most of its conventions, Israel adopts Section 7 of the model convention and the interpretation thereof by the OECD.

***Recommendation of the Council concerning an OECD Model Agreement for the Undertaking of Simultaneous Tax Examinations – [C(92)81]***

209. Israel accepts this Recommendation with the following observation: Israel accepts the decisions and recommendations in the document in regard to policy.

Israel has no objection in principle to entering negotiations concerning agreements of this type.

To date, Israel has not signed agreements in the format specified in the document.

210. Explanatory comment:

Israel has many cooperation agreements with other countries in regard to taxes.

In the area of indirect taxes, the cooperation is based on bilateral agreements, under the Taxation of Imports and Exports (Assistance to Foreign Countries) Law, 5742-1992.

In the area of direct taxes, Israel maintains cooperation with countries with which it has signed the "*Convention for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income and Capital*"; however, no simultaneous investigations have been carried out to date.

***Recommendation of the Council concerning a Standard Magnetic Format for Automatic Exchange of Tax Information – [C(92)50]***

211. See Recommendation C(2001)28

***Recommendation of the Council concerning Tax Treaty Override - [C(89)146]***

212. Israel accepts this Recommendation.

213. Explanatory comment:

Israel's policy in the area in question is consistent with the principles in the document.

Israel participates in various international forums dealing with problems relating to tax conventions (OECD, UN, IFA, and others). According to Israeli tax law, the provisions of tax conventions over-ride the provisions of domestic laws: section 196 of the Income Tax Ordinance provides that once the Minister of Finance has issued an order giving force to a tax treaty, the provisions of the treaty will over-ride the domestic law. Israel's policy and practice are to refrain from making changes in domestic legislation that contradicts commitments given pursuant to tax conventions.

***Recommendation of the Council concerning the Avoidance of Double Taxation with respect to Taxes on Estates and Inheritances and on Gifts – [C(82)64]***

214. Israel accepts this Recommendation with the following observation: Since the early 1980s, there have been no taxes on gifts, estates, and inheritances in Israel; the policy in the document is therefore irrelevant for Israel.

***Recommendation of the Council concerning a Standardised Form for Automatic Exchanges of Information under International Tax Agreements – [C(81)39]***

215. See Recommendation C(2001)28

***Recommendation of the Council concerning Mutual Administrative Assistance in the Recovery of Tax Claims – [C(80)155]***

216. Israel accepts the principles of this Recommendation with the

following observation: Israel is not currently a signatory to agreements concerning mutual administrative assistance in the recovery of tax claims.

***Recommendation of the Council on Tax Avoidance and Evasion – [C(77)149]***

217. Israel accepts this Recommendation.

218. Explanatory comment:

Israel's policy in the area in question is consistent with the principles in the document.

Legislation, rulings, and practice in Israel allow effective handling of inappropriate tax avoidance.

Israeli tax law includes various anti-planning provisions, which give the authorities the power to ignore a transaction or act which is artificial or which has, as one of its main purposes, the improper evasion or reduction of taxes (Section 86 of the Income Tax Ordinance; Section 84 of the Land Taxation Law (Appreciation, Sale and Purchase), 5723-1963; Section 10 of the VAT Law).

The Israeli courts have recognized the tax authorities' power to classify a transaction in a manner different than that presented by the parties to the transaction, and to tax it in accordance with its economic substance.

In recent years, Israel has taken significant measures to strengthen the effort to combat inappropriate tax evasion:

- o In this context, expansive provisions were enacted in 2003 to deal with controlled foreign companies (CFC's) along with provisions preventing the abuse of domestic law by establishing foreign branches of companies (sections 75b and 5(5) of the Income Tax Ordinance).

- In 2006, a chapter was added to the Income Tax Ordinance, dealing with the taxation of income produced through the use of local and foreign trusts, and which includes the imposition of expanded reporting requirements (section 75(c) – (r) of the Income Tax Ordinance.)
- The legislation imposes a duty to report to the tax authority with regard to a series of transactions that have been determined to constitute reportable tax planning, including transactions with related bodies, payment of debts to related bodies, the purchase or holding of control of companies that are resident in countries with which Israel does not have a tax convention or the receipt of funds from such companies, as well as the purchase or holding of the means of control in companies that are resident in countries with which Israel does have tax conventions and most of whose assets are located in Israel, or the receipt of funds from such companies.
- Israeli law provides for the careful examination of transactions and actions are carefully examined during the assessment process. Israeli law provides that the assessing officer may ignore artificial or fictional transactions or transactions the main purpose of which is the inappropriate avoidance or reduction of tax.

## **Other Instruments**

### ***Convention on Mutual Administrative Assistance in Tax Matters***

219. Israel accepts the principles of the Convention subject to Art. 30 of the Convention and with the following observation: Israel would consider signing the Convention subject to

reservation as stipulated in Art. 30 of the Convention (e.g. Israel partially accepts the forms of assistance as mentioned in the Convention see Recommendation C(2001)28, Recommendation C(97)195, and Recommendation C(80)155).

220. Explanatory comment:

Israel is a signatory to agreements for administrative cooperation in the area of indirect taxes.

However, in regard to direct taxes, to date Israel has not signed unique conventions concerning mutual administrative assistance.



## Information, Computer and Communications Policy

### Recommendations

#### *Recommendation of the Council on Electronic Authentication – [C(2007)68]*

Israel accepts this Recommendation.

221. Explanatory comment:

In various sectors there is reliance on secure authentication in line with the recommendation; however, a greater level of standardization and awareness is needed. The Government of Israel does not have a uniform policy on this subject, and this issue has been regulated mainly on a sector specific basis.

The standardization activity recommended in this document, to enable cross-sector smart online identification, has not been fully addressed to date in government activity.

The E-Government Project at the Ministry of Finance promotes high-level electronic identification, both internal (government employees) and external (businesses) in government information systems for various projects. The project is based on standard PKI smart card based technology.

The deployment of advanced authentication in the private sector is not uniform.

In Israel's developed high-technology market, sophisticated, advanced identification products for secure online authentication are available to consumers in the market and can be easily deployed. In the information security market there are some leading Israeli vendors who also promote development and use of advanced authentication means.

The Electronic Signature Law (which is similar in many aspects to the European Directive 1999/93/EC) creates a legislative and technological framework for online identification at a very high level when electronic signatures are used in accordance with the law. The Ministry of Justice and the Ministry of Industry, Trade, and Labor are working to achieve international cooperation in these areas to reach mutual recognition of Israeli electronic signatures.

***Recommendation of the Council on Cross-border Co-operation in the Enforcement of Laws Protecting Privacy – [C(2007)67]***

222. Israel accepts this Recommendation.

223. Explanatory comment:

Israel has a long-standing, stable legal infrastructure for the protection of privacy. The infringement of privacy under the law, in specific circumstances, is a criminal offense; law enforcement agencies (Police, State Attorney) deal with these offenses in course of regular law enforcement activities.

With regard to protection of personal information kept in electronic databases, the Databases Registrar has supervisory authority over compliance with the provisions of the data protection chapters (B and D) of the Protection of Privacy Law, 5741-1981. The Databases Registrar is part of the new Law, Information and Technology Authority (ILITA) that is being established at the Ministry of Justice.

A privacy-experts committee headed by the Deputy Attorney General (Legislation) recommended major modifications in chapter B to the Protection of Privacy Law 5741-1981. Among the modifications recommended were the re-enforcement and update of the Databases Registrar powers. The Ministry of Justice is currently working to implement the

recommendations, and a major update to the Law (enacted in 1981 and updated with regard to databases in 1996) is currently underway. The legislative change is expected to provide, among other amendments, more effective means of enforcement to the Databases Registrar. The current version of the law does not address all of the principles in the OECD documents

The establishment of ILITA will speed up the formalization of international cooperation with data protection enforcement bodies in other countries and with international organizations such as the OECD.

***Recommendation of the Council on Cross-Border Co-operation in the Enforcement of Laws against Spam – [C(2006)57]***

224. Israel accepts this Recommendation.

225. Explanatory comment:

In terms of legislation and implementation, the situation in Israel is partially compatible with the principles in the recommendation. New legislation in Israel in this matter is expected to be adopted in a short time.

This legislation is an amendment to the Communications Law (Telecommunications and Broadcasting) (Amendment 33).

The draft bill is based on extensive criminal and civil sanctions in order to deter spammers, and promote private enforcement. The bill includes the use of statutory damages which do not require proof of damage. Nevertheless, the proposed bill in its present form does not empower a new enforcement agency in this matter, beyond the regular criminal law enforcement system.

Israel is working to promote cooperation with other countries in this area; <sup>24</sup> however at this point there is no specific legal basis for such cooperation except insofar as another criminal offense is involved in the activity; this may not be wholly consistent with some of the principles set forth in the recommendation.

***Recommendation of the Council on Broadband Development – [C(2003)259]***

226. Israel accepts this Recommendation with the following observation:

Israel accepts the recommendations in the document, subject to the explanatory comment below with regard to technological protection measures.

227. Explanatory comment:

In general, by international standards, the rate and pace of broadband penetration in Israel are relatively advanced. In Israel there are two competing broadband infrastructures (ADSL and Cable Modem), offering services country-wide. In addition, the three major mobile companies offer broadband services (3 & 3.5 Generation) with increasing geographical coverage.

Israel protects intellectual property rights according to international standards, including in the technology domain, but does not have in place a specific so called "Technological Protection **Measures** regime", also known as "anti-circumvention regime". Nevertheless, interference with technological measures in computer data may be a violation of the Computer Law. Israel is studying this constantly

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<sup>24</sup> International cooperation of enforcement agencies may be possible when Israel joins the Council of Europe Convention on Cybercrime, which is currently under examination by various state entities.

evolving field, as it is in constant technological and commercial evolution.

***Recommendation of the Council Concerning Guidelines for the Security of Information Systems and Networks - Towards a Culture of Security – [C(2002)131]***

228. Israel accepts this Recommendation.

229. Explanatory comment:

Israel's policy in the area in question is consistent with the principles in the document.

Legislative provisions in Israel address information-security issues in specific contexts, such as in the regulation of databases, the safeguarding of sensitive computer systems, and specific laws and regulations. However, coordination and advancement in this area require more than legislation alone. The establishment of ILITA as an authority that specialize in the various legal aspects of data security should contribute to improvement in this area.

***Recommendation of the Council concerning Guidelines for Cryptography Policy – [C(97)62]***

230. Israel accepts this Recommendation.

231. Explanatory comment:

Israel's policy in this area is consistent with the principles in the document, subject to the following:

Supervision of means of encryption is regulated by the Israeli legislation and is public. There are some areas in which the policies and implementation in Israel differ from the guidelines.

The Electronic Signature Law implements commonly used encryption methods to create a legal substitute for a signature through technological means. As part of its work on this law,

the Ministry of Justice is also promoting international cooperation with the corresponding government agencies in Europe.

***Recommendation of the Council concerning Guidelines Governing the Protection of Privacy and Transborder Flows of Personal Data – [C(80)58]***

232. Israel accepts this Recommendation.

233. Explanatory comment:

Israel's policy in the area in question is consistent with the principles in the document, subject to the comments regarding this issue as stated in the Schoffman report. This issue is covered in the Privacy Protection (Transfer of Data to Databases Abroad) Regulations, 5761-2000.

**Other Instruments**

***Declaration on the Future of the Internet Economy – [C(2008)99]***

234. Israel accepts this Declaration.

235. Explanatory comment:

In Israel there are two competing broadband infrastructures (ADSL and Cable Modem), offering services country-wide. In addition, the three major mobile companies offer broadband services (3 & 3.5 Generation) with increasing geographical coverage. Israel protects intellectual property rights [see Recommendation C(2003)259]. Israel has a longstanding, stable legal infrastructure for the protection of personal information in the online environment [see Recommendation C(2007)67]. Regarding enforcement authorities in the areas of improving cyber-security, combating spam as well as protecting privacy consumers and minors, the Knesset has

passed a law banning "spam" activities which incorporates best practices learned from the documents of the OECD task force on spam. [See Recommendation C(2006)57]. Recently, a public committee, whose task is to set the main objectives of regulatory policy for the near future, emphasized the implementation of the following items: truly high-speed internet access at affordable prices; development of fiber-optics networks; increasing importance of bundles of telecommunications services, access for competitors to incumbent networks in line with European Commission directives, and other similar trends.

***Declaration on Authentication for Electronic Commerce  
– [C(98)177]***

236. Israel accepts this Declaration.

237. Explanatory comment:

Israel's policy in the area in question is consistent with the principles in the document. The situation in Israel in terms of legislation and implementation is also consistent with the recommendations in the document, subject to the comments above concerning document C(2007)68.

***Declaration on Consumer Protection in the Context of  
Electronic Commerce – [C(98)177]***

238. Israel accepts this Declaration.

239. Explanatory comment:

Israel's policy in the area in question is compatible with the principles in the document. Israel is working to advance the protection of the privacy of parties as it relates to electronic commerce.

***Declaration on the Protection of Privacy on Global Networks – [C(98)177]***

240. Israel accepts this Declaration.

241. Explanatory comment:

Israel's policy in the area in question is consistent with the principles in the document with regard to the operational recommendations.

***Declaration on Transborder Data Flows – [C(85)139]***

242. Israel accepts this Declaration.

243. Explanatory comment:

There is consistency in regard to policy, legislation, and implementation, within the limits of the directives regarding international data transfers stipulated in the Protection of Privacy Regulations (Transfers of Data to Databases Outside State Borders), 5761-2001. These limits refer to commonly accepted rules in the international sphere; Israel can therefore be said to comply with this legislation.

## Insurance and Private Pensions

### Recommendations

*Recommendation of the Council on Good Practices for Financial Education relating to Private Pensions C(2008)23*

*Recommendation of the Council on Good Practices for Enhanced Risk Awareness and Education in Insurance Issues C(2008)22*

244. Israel accepts these two recommendations.

245. During the last several years Israel has broadened its activities and accessibility to the financial education area, as growing consciousness of its importance has become apparent. Most of the information is passed on to the public through the website. This is accomplished in either of the following two ways: By the supervising bodies' website which is bound by the division's circulars (The Capital Movements, Insurance & Savings Division–CMISD) to publish detailed information regarding activities and rights of savers and counterparts, or through the Division's internet website which contains financial information regarding insurance companies and pension funds. The website also contains regulations concerning insurance companies and pension funds, advice for a solid choice of an investment channel and a link to the annual Reports which contain extensive knowledge on supervised institutions. The CMISD acts further with the Ministry of Education to incorporate financial contents in the educational programmes of the local schools.

***Recommendation of the Council on OECD-IOPS  
Guidelines on the Licensing of Pension Entities C(2008)18***

246. Israel accepts this recommendation.

247. Explanatory comment:

The situation in Israel is almost fully consistent with the directives in this document. The existing differences are minor and mainly concern the fact that the minimum capital requirements of pension management companies are fixed, and not risk based calculated.

The Israeli licensing Guidelines are laid out in the control of financial services (Provident Funds) Law – 2005, and in the control of financial services (Insurance) Law – 1981. The Commissioner also published the licensing procedure at the CMISD website. This procedure, published in 2005, is in the process of revision in order to meet the updated legislation which permits management companies to manage both provident funds and pension funds.

***Recommendation of the Council on Guidelines on  
Funding and Benefit Security in Occupational Pension Plans –  
[C(2007)8]***

248. Israel accepts this Recommendation.

249. Explanatory comment:

The situation in Israel is consistent with the principles in the document in regard to policy, legislation, and implementation. The guidelines laid out in the document C(2007)8 are being fulfilled in Israel, to the extent that they are relevant to Israel. In some cases, the prevailing norms in Israel are stricter than the standards in the document.

***Recommendation of the Council on Guidelines on Pension Fund Asset Management – [C(2006)7]***

250. Israel accepts this Recommendation.

251. Explanatory comment:

The principles of pension-fund management in Israel are compatible with the guidelines in the document.

The following is a description of the relevant regulation:

- The Control of Financial Services Regulations (Insurance) (Board of Directors and its Committees), 5767-2007 (hereinafter: "The Board of Directors Regulations") provide that the board of directors of a pension fund must establish an overall investment policy, and must establish guidelines for the management of the investments and a hierarchy of powers and they can grant advance approval of certain transactions, regarding investments of a size larger than an amount to be established by the board of directors.
- In addition, the Control of Financial Services Law (Provident Funds) 5765 -2005 (hereinafter: "the Provident Funds Law") provides, *inter alia*, that the board of directors of the company must appoint an investments committee, most of whose members are external representatives.
- The Provident Funds Law provides that the investments committee must establish an investment policy for the pension fund in the context of the overall investment policy established by the board of directors, and must establish categories of transactions that require advance approval from the investments committee prior to their execution, as well as rates of holdings of certain types of securities that require such approval prior to their acquisition.
- The Income Tax Regulations (Rules for Approval and Management of Provident Funds) 5724-1964 (hereinafter: "The Income Tax Regulations"), establish detailed limits on

investments, the manner in which a pension fund's assets are to be valued, and provisions regarding transactions with related parties.

- Regulation 41e7 of the Income Tax Regulations refers to sections of the Regulation of Investment Counseling Law that prohibit pension fund workers who are engaged in the management of investments from investing for themselves.
- A circular regarding the roles of a risk manager and the set of relations between the risk manager and other functionaries, requires the identification of the significant risks faced by those insured by the pension fund and to which the management company is disclosed, the assessment of their potential impact, and periodic reporting to the board of directors and to the management.

***Recommendation of the Council on Guidelines for Pension Fund Governance – [C(2005)46]***

252. Israel accepts this Recommendation.

253. Explanatory comment:

The situation in Israel is almost fully consistent with the directives in this document and in document C(2005)45. Following the structural reform in the capital markets (the Bachar Reform) in 2005, a comprehensive reform was carried out that relates to the corporate regime of insurance companies and of pension-fund management companies - The Bachar reform brought about the consolidation of the Capital Market Division's handling of the issue of corporate governance. Arrangements were established concerning issues relating to internal auditing; issues relating to the organs of a pension fund and/or insurance company (actuary, risk manager, internal auditor), and the work of the board of

directors (composition of the board of directors, its functions and the qualifications of its members). It should be noted that the statutory amendments that were made provided that a new license may not be issued to an insurer or to a provident fund or pension fund management company which is not an incorporated company. (In the past, entities that were not incorporated were given such licenses, but during recent years, in light of the financial changes and the additional importance that the Capital Market Division has given to the dictation of norms for corporate governance among the entities that it regulates, incorporation other than as a company has been forbidden). Note that according to section 85 of the Control of Financial Services Law (Insurance), a company or cooperative association which was incorporated in Israel and which prior to the entry into force of that law had been properly engaged as an insurer will [still] be entitled to a license as an Israeli insurer. A similar provision is included in section 86(g) of the Control of Financial Services (Provident Funds) Law. Note that following the Bachar Reform, almost all the Israeli pension funds were purchased by insurance companies, such that all the organs i.e., the actuary, risk manager and internal auditor are mentioned above that are meant to control the insurance companies are those which will control the pension funds.

The existing differences are minor and mainly concern the reporting duties of auditors; Israel is currently in the process of formulating a directive and a legislative amendment concerning this issue.<sup>25</sup>

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<sup>25</sup> The following are the main differences between the situation in Israel and the document's recommendations:

***Recommendation of the Council on Guidelines for Insurers' Governance – [C(2005)45]***

254. Israel accepts this Recommendation with the following observation:

Israel accepts the recommendations in the document, with the exception of the requirement to separate audits in life insurance and general insurance.

255. Explanatory comment:

No such requirement exists in Israel due to the corporate structure of insurance companies in Israel. The situation in Israel is almost fully consistent with the guidelines in this document and in document C(2005)46, with the exception of the separation of internal audits (in life insurance and general insurance).— some of the Israeli insurance companies are mixed insurance companies (companies that are engaged in providing both life insurance and general insurance). The Control of Insurance Law does require that accounts be separated, and the separate identification of the size of assets, premiums, expenses, re-insurance, etc., but there is no express requirement of a separation, in terms of internal

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- External auditing – as of the current time, the Israeli Control of Insurance Law provides that the auditor needs to report only regarding a violation of the law or of the Director's directives as published in his circulars issued pursuant to that law, and even such reporting is done only after the auditor has reported to the CEO and received a response from the CEO and that response did not satisfy the auditor. A proposed statutory amendment which has been published would apply more extensive reporting rules, including a requirement to report with regard to circumstances in which the auditor believes that there is a doubt regarding the continuation of the insurer's operation as an active business. These more extensive proposed rules are thus more or less comparable to the OECD requirements. The proposal has not yet been submitted for the Knesset's approval.
  - Regarding the auditor's use of an actuary's services, Israel does not yet have an official requirement that such services be used, but Israel is currently in the last stages of formulating a directive that would require the auditor to use an actuary's services for the purpose of assessing insurance obligations. We are aware that some of the companies' auditors do this even though they are not yet expressly required to do so by the Capital Markets Division.

auditing, between life insurance and general insurance. The Commissioner of Insurance has required that the insurance companies establish permanent internal auditing systems. The internal auditing systems are headquarter units which carry out audits at all stages of the insurance companies' activities.

***Recommendation of the Council on the Establishment of a check-list of Criteria to define Terrorism for the Purpose of Compensation – [C(2004)63/REV2]***

256. Israel accepts this Recommendation.

257. Explanatory comment:

The situation in Israel is consistent with the recommendations in the document.

Legislation in Israel that standardizes the compensation granted by government agencies to victims of terrorism is in line with the general criteria in the document.<sup>26</sup>

Along with government compensation, terrorism risks are also covered in Israel by private policies, priced according to the risk level, in a manner consistent with the general criteria established in the document.

The regulation by the Supervisor of Insurance in the area of terrorism is derived from and determined by state laws and is consistent with international criteria, including OECD documents.

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<sup>26</sup> Israeli legislation involving compensation due to [acts of] terrorism:

- a. The Property Tax and Compensation fund Law, 5721-1961, regulates compensation from the State for property damage due to acts of hostility. Through the framework of the law, it is also possible to increase in advance the amount of the compensation, for the payment of property tax. The classification of an incident as an act of hostility is done by the Minister of Defense; similarly, the Minister of Finance, with the approval of the Knesset Finance Committee, can declare an area as having been damaged by an act of hostility.
- b. The Compensation to Victims of Acts of Hostility Law, 5730-1970 regulates the receipt of compensation from the state for personal injuries resulting from acts of hostilities.

***Recommendation of the Council on Good Practices for Insurance Claim Management – [C(2004)62]***

258. Israel accepts this Recommendation.

259. Explanatory comment:

Regulation in Israel addresses a considerable part of the topics in the document in detail and does not contain directives that contradict the procedures specified in the document. However, some of the procedures in the document are not yet explicitly expressed in legislation, and not all of the procedures detailed in the document are implemented in practice by insurance companies.

The Supervisor of Insurance intends to expand regulation in this area through the circular "Fair Settlement of Claims," which is to be formulated in reference to the OECD document, with the necessary adjustments to the local market. The high level of regulation required for this issue and the potential dynamism in the area of the payment of the claims requires an involvement with details that do not belong in legislation; instead, they need to be dealt with in secondary legislation and in circulars. The "Fair Payment of Claims" Circular will include provisions that conform to the standards appearing in the document, and upon its publication, the Israeli insurance market will be provided with minimum conditions for the fair resolution of claims, which will comply – as stated – with the standards presented in the document. The Circular will establish, *inter alia*, more detailed rules regarding the manner in which claims are to be paid, such as the establishment of detailed time schedules and a specification of forms regarding the payment of a claim which are to be provided to the insured when the insurance is purchased and at the time the claim is made.

***Recommendation of the Council on Core Principles of Occupational Pension Regulation – [C(2004)41]***

260. Israel accepts this Recommendation.

261. Explanatory comment:

There is consistency in regard to policy and partial consistency in regard to legislation and implementation.

On the implementation level, the recommendations in document C(2004)41 are being fulfilled in Israel, with the exception of the section referring to personally tailored occupational pension plans. Note that the weight of occupational pension plans in the total Israeli pension market is quite negligible and stands at approximately 8 percent (as of November 2007).

***Recommendation of the Council on Assessment of Reinsurance Companies – [C(98)40]***

262. Israel accepts this Recommendation. **[See C(2002)134]**

263. Explanatory comment:

Israel's policy in the area in question is consistent with the principles in the document.

There are currently no Israeli reinsurers, and no such companies are expected to exist in the future.

The Capital Market Division is examining the nature of the contractual engagement between Israeli companies and foreign reinsurers.

The legislative infrastructure, from which the recommendation can be implemented, exists in Israel. Israel is working to expand its cooperation and exchanges of information with entities overseas in the field of insurance.

***Recommendation of the Council concerning a Common Classification of the Classes of Insurance Recognised by the Supervisory Authorities of the Member Countries – [C(83)178]***

264. Israel accepts this Recommendation with the following observation:

- a) The existing classification in Israel is not fully consistent with the classification recommended by the OECD.
- b) Changing the classification in Israel will require the examination of sectoral classification systems adopted by other markets that do not use the OECD's proposed classification (Australia, Canada, and the US), and will require investments of extensive resources in the industry, updates to computerized systems, and legislative and regulatory changes related to the sector's licensing procedures.

265. Explanatory comment:

There is partial consistency in regard to policy, legislation, and implementation. The overall classification and division of insurance sectors in Israel is similar, though not fully matched, to that recommended by the OECD. The main difference is in the vehicle sectors, which in Israel are divided into property damage and bodily injury, whereas OECD recommendations distinguish between personal damage and third-party damage. The differences stem from the unique characteristics of the Israeli economy and insurance market (including the existing laws and the obligations arising from such laws). Israel has changed several sectoral classifications in recent years.

***Recommendation of the Council concerning Institutional Co-operation between Authorities of Member Countries Responsible for Supervision of Private Insurance – [C(79)195]***

Israel accepts this Recommendation.

266. Explanatory comment:

Legislation in Israel allows transfers of information to authorized government agencies in foreign countries that supervise insurers or insurance mediators in those countries, subject to confidentiality duties, provided that the information is required for the fulfillment of the duties of the authorized agency.



## International Investment and Multinational Enterprises

### Decisions

#### ***Decision of the Council on the OECD Guidelines for Multinational Enterprises – [C(2000)96]***

267. Israel accepts this Decision.

268. Explanatory comment:

Israel's policy in the area in question is consistent with the principles in the document. Israel joined the OECD Declaration on International Investment and Multinational Enterprises. In this context, Israel adheres to the document.

#### ***Decision of the Council concerning National Treatment - [C(91)147]***

269. Israel accepts this Decision.

270. Explanatory comment:

Israel's policy in the area in question is consistent with the principles in the document. Israel joined the OECD Declaration on International Investment and Multinational Enterprises. In this context, Israel adheres to the document.

#### ***Decision of the Council on Conflicting Requirements being imposed on Multinational Enterprises – [C(91)73]***

271. Israel accepts this Decision.

272. Explanatory comment:

Israel's policy in the area in question is consistent with the principles in the document. Israel joined the OECD Declaration on International Investment and Multinational Enterprises. In this context, Israel adheres to the document.

***Second Revised Decision of the Council on International Investment Incentives and Disincentives – [C(84)92]***

273. Israel accepts this Decision.

274. Explanatory comment:

Israel's policy in the area in question is consistent with the principles in the document. Israel joined the OECD Declaration on International Investment and Multinational Enterprises. In this context, Israel adheres to the document.

**Recommendations**

***Recommendation of the Council on the OECD Benchmark Definition of Foreign Direct Investment [C(2008)76]***

275. Israel accepts the Recommendation.

276. Explanatory comment:

In order to bring its statistical methodology in line with the "OECD Benchmark Definition of Foreign Direct Investment-4th edition," Israel has already taken steps related to improvements in the industrial and geographic breakdown of Foreign Direct Investments.<sup>27</sup>

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<sup>27</sup> **Flows** – Data related to Outward and Inward FDI flows by industries, are partially available and compiled from the ITRS and the industrial classification reported by companies. We are currently engaged in the planning of a systematic compilation and publication of these data, according to the classification by the CBS/VAT offices (*Based on the "Standard Industrial Classification of All Economic Activities"-1993-Second Edition-Published by CBS-Israel (very close to ISIC)*).

**Positions** – Industrial classification of Outward FDI positions is available for direct reporting companies, with coverage of approximately 80% of the total. For Inward FDI positions, industrial classification is also available for reporting companies, which covers only 50% of the total. We are currently working on improvements in the compilation of data and methodology related to Inward and Outward FDI positions.

A recent decision was adopted by the Bank of Israel, which will compel the reporting of all direct investment enterprises, above a threshold of 20 million dollars, which is expected to bring coverage to approximately 80% of total Inward FDI flows.

- **Breakdown by main partner countries**

With respect to additional items in the new Benchmark, Israel is planning to improve compilation of data and methodology, in order to have FDI estimations in line with the recommendations. A commitment for the full implementation of the new Benchmark of the year 2010, cannot be confirmed at this stage - although the said year can be considered as a target.

***Recommendation of the Council on Principles for Private Sector participation in Infrastructure – [C(2007)23]***

277. Israel accepts this Recommendation.

278. Explanatory comment:

Israel's policy in the area in question is consistent with the principles in the document.

***Recommendation of the Council on Member Country Exceptions to National Treatment and Related Measures concerning Access to Local Bank Credit and the Capital Market – [C(89)76]***

279. Israel accepts this Recommendation.

280. Explanatory comment:

Israel's policy in the area in question is consistent with the principles in the document. Israel joined the OECD Declaration on International Investment and Multinational Enterprises. In this context, Israel adheres to the document.

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**Flows and Positions** – Breakdown by countries of Outward and Inward FDI – flows and positions - is currently available only for direct reporting companies. The coverage of this reporting is the same as mentioned above (*Breakdown by main sectors – Positions*). We are likewise working on improvements in the compilation of data and methodology of estimations, related to the breakdown by countries of FDI flows and positions.

***Recommendation of the Council on Member Country Exceptions to National Treatment and National Treatment related Measures in the Category of Official Aids and Subsidies – [C(88)131]***

281. Israel accepts this Recommendation.

282. Explanatory comment:

Israel's policy in the area in question is consistent with the principles in the document. Israel joined the OECD Declaration on International Investment and Multinational Enterprises. In this context, Israel adheres to the document.

***Recommendation of the Council on Member Country Exceptions to National Treatment and National Treatment related Measures concerning the Services Sector – [C(88)41]***

283. Israel accepts this Recommendation.

284. Explanatory comment:

Israel's policy in the area in question is consistent with the principles in the document. Israel joined the OECD Declaration on International Investment and Multinational Enterprises. In this context, Israel adheres to the document.

***Recommendation of the Council concerning Member Country Exceptions to National Treatment and National Treatment related Measures concerning Investment by Established Foreign-Controlled Enterprises – [C(87)76]***

285. Israel accepts this Recommendation.

286. Explanatory comment:

Israel's policy in the area in question is consistent with the principles in the document. Israel joined the OECD Declaration on International Investment and Multinational Enterprises. In this context, Israel adheres to the document.

***Recommendation of the Council on Member Country Measures concerning National Treatment of Foreign-Controlled Enterprises in OECD Member Countries and Based on Considerations of Public Order and Essential Security Interest – [C(86)55]***

287. Israel accepts this Recommendation.

288. Explanatory comment:

Israel's policy in the area in question is consistent with the principles in the document. Israel joined the OECD Declaration on International Investment and Multinational Enterprises. In this context, Israel adheres to the document.

**Other Instruments**

***Declaration on International Investment and Multinational Enterprises – [C(76)99]***

289. Israel accepts this Declaration.

290. Explanatory comment:

Israel's policy in the area in question is consistent with the principles in the document.

Israel joined the declaration in 2002.

***Convention on the Protection of Foreign Property***

291. Israel accepts this Convention.

292. Explanatory comment:

Israel's policy in the area in question is consistent with the principles in the document.

The matters standardized by the convention are the main matters that are currently standardized by investment-protection agreements (e.g., expropriations, compensation, property transfers, and resolution of disputes).

***Guidelines for Multinational Enterprises***

293. Israel accepts these Guidelines.

294. Explanatory comment:

Israel's policy in the area in question is consistent with the principles in the document. Israel joined the OECD Declaration on International Investment and Multinational Enterprises. In this context, Israel adheres to the document.

## Nuclear Energy

### **Recommendation**

***Recommendation of the Council concerning the Operation of a Nuclear Power Plant Incident Reporting System – [C(83)6/Final]***

295. Israel accepts this Recommendation with declarations.

296. Explanatory comment:

Declarations:

- Currently there are no nuclear power plants in Israel.
- As a party to the 1986 Convention on Early Notification of a Nuclear Accident Israel is committed to the obligation specified therein.
- Should it become relevant in the future, Israel will be ready to exchange information on safety-related incidents occurring in nuclear power plants, through the Nuclear Power Plant Incident Reporting System operated by NEA, subject to its national legislation.



## Public Management

### Recommendations

#### ***Recommendation of the Council on OECD Guidelines for Managing Conflict of Interest in the Public Service – [C(2003)107]***

297. Israel accepts this Recommendation.

298. Explanatory comment:

The situation in Israel is consistent with the recommendations in the document in regard to policy, legislation, and implementation. In Israel, especially as set in the Civil Service Code, there exists a statutory infrastructure that guarantees appropriate handling of the issue of conflict of interests in the civil service, as provided in the OECD recommendation. The principle prohibiting a civil servant from being in a situation that presents a risk of conflict of interests in his public duty, is a fundamental principle in the Israeli law, and is well anchored in the case-law. Since the amendment of the Civil Service Code and the addition thereto of Chapter 13.6 which establishes a duty to make arrangements to prevent conflict of interests, there has been a recognizable increase in the enforcement of this principle.

#### ***Recommendation of the Council on Improving Ethical Conduct in the Public Service Including Principles for Managing Ethics in the Public Service – [C(98)70]***

299. Israel accepts this Recommendation.

300. Explanatory comment:

The situation in Israel is consistent with the recommendations in the document with regard to policy, legislation, and

implementation. There are several legislative acts in place in Israel which regulate various aspects of ethical conduct in the public service as following:

- The Rules for preventing conflict of interests among ministers and deputy ministers.
- The Rules for Ethics for Members of the Knesset (the Israeli Parliament).
- The rules for preventing conflict of interests among elected representatives of the local authorities.
- Provisions of the Civil Service Code and the rules of ethics of civil servants. The State Attorney's Guideline regarding arrangements for the prevention of conflict of interests among civil servants.
- The Code of Ethics for Judges 5767-2007.
- The State Attorney's Guideline regarding the receipt of gifts by civil servants.

#### Protection of employees who expose corruption

- The Protection of Employees (Exposure of Offences of Unethical Conduct and Improper Administration) Law, 5757-1997. The law protects employees who have exposed corruption. The State Comptroller Law, 5718-1958, in chapter seven- dealing with the Civil Service Commission and the submission and investigation of complaints from the public- grants special powers to the State Comptroller in his role as the Civil Service Commissioner which allow him to offer protection to a civil servant who has exposed an act of corruption.
- There are provisions in the Civil Service Code dealing with the prevention of harassment of employees who expose acts of corruption. (Chapter 43.5).

### Relations between Public Officials and the Private Sector

- The Civil Service Law (Limitations after Resignation), 5729-1969 sets forth prohibitions and restrictions regarding the transition from employment in the civil service to employment in other sectors.
- The Civil Service Law (Gifts), 5740-1979 sets forth prohibitions and restrictions regarding the receipt of gifts by civil servants.
- Civil Service Notice 64/9 (and the accompanying Civil Service Code pages), and Civil Service Notice 66/10 establish guidelines regarding the receipt of gifts, as well as various other benefits, in the civil service,.

In addition, various activities are conducted to advance this topic:

#### Activities aimed at encouraging ethical conduct in the civil service

A Government resolution provided for the establishment of an inter-ministerial team designed to encourage ethical conduct in the civil service. The team was charged with formulating a program for strengthening ethical conduct of civil servants, which would include, *inter alia*: training activities and publicizing rules and methods for dealing with specific incidents. In the context of the team's activity, various steps were taken to promote the issue of ethics in the civil service, including:

- Preparation of training materials;
- Conferences and discussions for senior officers within the civil service on the issue of "Ethics in Public Service";
- Establishment of the "Advisory Committee for Ethics in the Civil Service";
- Special emphasis was placed on the ethical challenges presented by online administration, and on advanced

measures of identification in place in the civil service, such as - biometric applications, other strong electronic authentication measures, and the protection of users' privacy.

- The promotion of the drafting of an international ethical code regarding the field of intrusive technologies in public service.
- Formulation of basic documents according to which it will be possible to inculcate principles and values to improve the ethical conduct of civil servants.
- Publication of papers and ethical codes dealing with the statutory provisions, court rulings, government resolutions, procedures, rules, articles and recommendations from the State Comptroller's reports. The material published focuses on the following fields with respect to civil servants: financial disclosure, private business activity, political activity, gifts and benefits, restrictions after retirement, contractors and external employment, protection of information and privacy.

#### Declarations of Property

Section 35 of the State Service Law (Appointments) 5719-1959 (hereinafter- the "State Service Law" or the "Law"), requires senior state employees to submit a declaration of property and debts, including those of spouse and children, in the manner and times prescribed by regulations enacted under the law.

In coordination with the State and Internal Audit Department at the Prime Minister's Office and the Ministry of Justice, the Civil Service Commission has prepared amendments to the original regulations (dating from 1960) implementing the aforementioned section of the State Service Law, in order to

require timely and updated disclosure declarations, as well as to ensure the protection of privacy granted to such disclosures through the establishment of a secure data-base within the Civil Service Commission.

The regulations have been approved and await the signature of the Prime Minister in accordance with the Law.

Once in force, the new regulations aim, *inter alia*, to substantially enhance the efficiency of implementation of the provisions set forth in section 35 of the Law.

***Recommendation of the Council on improving the quality of government regulation\_– [C(95)21]***

301. Israel accepts this Recommendation.

302. Explanatory comment:

The situation in Israel is consistent with the recommendations in the document with regard to policy, legislation, and implementation.

There is no single code in Israel that contains all of the principles specified in the document; however, these principles guide the actions of the government and public administration in general and are expressed in the guidelines of the Attorney General and included in the legislation of the government ministries.

However, it shall be noted that some Israeli legislative reforms since 1985 have been carried out pursuant to the Arrangements Law for an Emergency in the State Economy, 5745-1985, under which there are expedited legislative procedures, in comparison to the regular procedures, which shorten the public hearings procedures. In recent years, there has been parliamentary and public opposition to the use of this special arrangement and as a result there has been a substantial decrease in the use thereof by the government.



## Scientific, Industrial and Technological Policy

### Recommendations

#### ***Recommendation of the Council on Quality Assurance in Molecular Genetic Testing – [C(2007)48]***

303. Israel accepts this Recommendation.

304. Explanatory comment:

Israel's policy in this area is consistent with the principles in the document.

The Genetic Information Law requires appropriate certification from laboratories that provide genetic testing. The Laboratory Department at the Ministry of Health issues a certification on basis of accepted international standards regarding the best practices for genetic testing.<sup>28</sup>

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<sup>28</sup> In Israel, the issue of genetic molecular testing is covered by the Genetic Information Law, 5761 -2000. As a consequence of the Law's requirements, the Ministry of Health published a Medical Authority Circular entitled "Guidelines for Genetics Laboratories in Israel" – Circular Number 2002/4, dated January 6, 2002.

The Israeli requirements conform to the OECD document, as described below:

General principles and best practices for molecular testing:

As stated, no identifiable DNA sample may be taken from a human person, either to run a genetic test or to provide results of genetic tests for a medical diagnosis, other than in accordance with the provisions of the Genetic Information Law, which are in accordance with the principles described in the document.

Quality assurance systems and proficiency testing:

In order to carry out DNA tests in Israel, a laboratory must be recognized by the Ministry of Health pursuant to established criteria, and such laboratories are regulated by the Ministry, including the execution of PT.

Quality of results reporting

There is a special emphasis regarding the form of reporting from the laboratory, and the manner in which reports are to be delivered to the individual.

Education and training standards

There are detailed requirements for personnel working in a laboratory, [which they must meet] in order to begin working, and regarding continued compliance with such requirements.

***Recommendation of the Council concerning Access to Research Data from Public Funding – [C(2006)184]***

305. Israel accepts this Recommendation.

306. Explanatory comment:

Israel's policy and legislation<sup>29</sup> in this area is consistent with the principles in the document. Israel will work towards application of these principles.

Research data obtained from research conducted through public funding, is generally accessible.

***Recommendation of the Council on the Licensing of Genetic Inventions – [C(2005)149/REV1]***

307. Israel accepts this Recommendation.

308. Explanatory comment:

Israel's policy in the area in question is consistent with the principles in the document.

The Genetic Information Law regulates an individual's right to confidentiality and protection of privacy with regard to genetic information gathered for research or treatment. In the framework of the Encouragement of Research and Development Law, 5744-1984 (the R&D Law), there are procedures that regulate the support of companies that develop know-how at the basis of which are other research entities, most of which have know-how licensing agreements

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<sup>29</sup> In the context of the Freedom of Information Law, 5758-1998, the Ministry of Science, Culture and Sport maintains a website which publishes statistical data and data regarding characteristics of the various programs carried out in Israel during the year (i.e., regarding the financing of national and bi-national studies, scholarships and various projects.) The Ministry also publishes data regarding the various programs and studies that it has approved, and the budgets allotted for such during the course of the year, in a pamphlet which is published each year and delivered to the target audience. During the coming year, the Ministry is planning a system that will enable the submission of new research proposals through the Internet – and will thus enable easier on-line public disclosure of the collection of statistical data.

between them. These procedures contain nothing which contradicts the recommendations in the document.

From the perspective of protection of intellectual property, it appears that the provisions of the document are in complete conformity with the Israeli statute dealing with patents (the Patents Law, 5727-1967, especially sections 84-93, which deal with the registration of patents for inventions and the licensing thereof) and [with the statute] dealing with commercial secrets – (Chapter 2 of the Commercial Torts, 5759-1999).

***Recommendation of the Council concerning Principles for Facilitating International Technology Co-operation Involving Enterprises – [C(95)182]***

309. Israel accepts this Recommendation.

310. Explanatory comment:

The situation in Israel is consistent with the principles in the document in regard to policy and implementation.

Extensive activity is conducted in Israel which is in the spirit of the recommendations.<sup>30</sup>

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<sup>30</sup> For example, in the area of small and medium enterprises (SME), there are a number of means of support which provide assistance to small and medium businesses.

The ***T'nufa (Momentum) Project*** provides assistance to inventors, entrepreneurs and starting companies regarding their first steps towards realization of the idea. The project participates in [the financing of] a grant [which is given] for the following items: preparation of patent, construction of a preliminary archetype for the purpose of a demonstration and/or proof of readiness, preparation of a business plan and efforts to carry out a first mobilization of funds.

**Technological incubators-** the incubator constitutes a supportive framework for an enterprise, which allows it to transform a technological idea with economic-marketing potential into a product which is of interest to investors in the context of an independent company.

**The Magnet Program** – This program is designed to carry out pre-competition research and development in the context of a consortium that includes a number of industrial companies, as well as researchers from at least one academic research institute. The research [must be] focused on the development of innovative pre-competition (generic) technologies, which constitute an infrastructure for the development of especially innovative products.

***Recommendation of the Council concerning a General Framework of Principles for International Co-operation in Science and Technology – [C(88)60]***

311. Israel accepts this Recommendation.

312. Explanatory comment:

The situation in Israel is consistent with the principles in the document in regards to policy, legislation, and implementation.

Section 2(d) of the recommendation recommends that basic results of research be distributed. We note that Israel complies with the criteria and that there is no restriction regarding publication. Also, until the enactment of Amendment Number 3 to the R&D Law in 2005, it was prohibited to transmit abroad any know-how that had been developed with State financing in the context of the said law. The transmission of such information remains forbidden after the amendment, in principle, but the amendment makes it possible to obtain approval from the Research Committee which operates pursuant to the R&D Law for the transfer of know-how developed in a State-supported research program and of development which was supported, in whole or in part, by the Chief Scientist. Such approved transfer will be subject to payment (the size of which is derived from the scenario in which the transfer of the know-how is required, and from a calculation of various parameters). There is a similar policy in other countries, in different variations.

Israel has various programs, some of them within the framework of the R&D Law (such as research and

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**The Nofer Program** – The purpose of this program is to support the preliminary stages of practical technology in an academic framework which has not yet been directed at a specific product and which has already aroused the interest of a business entity.

development agreements for parallel support and bi-national research and development funds) and some of them outside of it (such as the Sixth Framework Program, with the European Union), in the context of which international support for research and development is provided and in which there are no restrictions on transfer of know-how outside of Israel or for which transfer is permitted under certain conditions. (Regarding the exception in the R&D Law that allows for deviation from this obstacle – see the above discussion of the last amendment.)

***Recommendation of the Council concerning Safety Considerations for Applications of Recombinant DNA 1) Organisms in Industry, Agriculture and the Environment – [C(86)82]***

313. Israel accepts this Recommendation.

314. Explanatory comment:

The situation in Israel is partially consistent with the principles in the document.

The following are a number of examples of Israel's work to control and maintain safety regarding the applications of genetically engineered organisms:

Regulation is carried out through the licensing of laboratories involved in genetic engineering. This licensing is carried out by the Laboratory Licensing Authority in the Ministry of Industry, Trade and Labor, pursuant to the National Laboratory Licensing Authority Law, 5757-1997. Any factory that produces appliances for use by human beings must obtain approval from the Ministry of Health.

The Prohibition of Genetic Interference Law (Human Cloning and Genetic change in germ-line gene) 5759-1999 prohibits, *inter alia*, the execution of germ-line gene therapy. Medical

experiments in the field of genetics require approval from a central ethics committee (the Supreme Helsinki Committee).

The Seeds Regulations (Genetically Engineered Plants and Organisms), 5765-2005, were enacted in 2005. The arrangements established in the Regulations conform to the OECD recommendations regarding the issue.

Section 2(a) of the recommendation mentions the phrase "Good Industrial Large-Scale Practice." The term refers to the control of manufacture and of processes related to manufacturing, in terms of environmental and personal safety. There is appropriate regulation in the areas of agriculture and health – the clear directives (relating to regulation and grants of approvals) of the Ministry of Agriculture in coordination with the Ministry of Health, with respect to engineered plants and food, respectively.

## **Other Instruments**

### ***Declaration on Fostering the Growth of Innovative and Internationally Competitive SMEs – [C(2004)135]***

315. Israel accepts this Declaration

316. Explanatory comment:

The situation in Israel is consistent with the principles in the document.

In accordance with its objectives, the Ministry of Industry, Trade and Labor acts to promote small businesses in the following areas:

1. The primary treatment of small businesses, throughout the country, is provided through the Small Business Administration and through the network of 24 Enterprise

Development Centers which are spread out all over the country. The EDC's work to provide assistance to small entrepreneurs and businesses – through courses, training, detailed counseling and constant accompaniment. The Ministry transfers budgetary allocations to the EDC's through the Small Businesses Administration, which serves as the Ministry's executive arm in this area. The Administration initiates research and projects, primarily for the social and physical periphery. The projects are primarily carried out through the various EDC's.

2. The Ministry of Industry, Trade and Labor supervises the Administration's and the EDC's operations. In light of the importance of this subject, the Ministry is constantly working to increase the budget dedicated to the Administration and to the EDC's.
3. The Ministry of Industry, Trade and Labor has established a variety of programs to assist small businesses, in order to upgrade and develop small businesses and the traditional industries. The programs deal with apprenticeships, quality management, design and innovation.
4. In order to improve the access of small businesses to sources of financing, a State guaranteed (70% State guaranteed) loan fund for small businesses has been established. The fund began to operate in October of 2003. Through the end of September, loans in a total amount of some NIS 800 million have been distributed to some 2700 small businesses. We are constantly working to expand the scope of the Fund's activity.
5. The Office of the Chief Scientist has an annual budget of more than \$300 million, which is designated for [covering the Chief Scientist's] participation in the research and development expenses of high tech companies. Most of the

budget is given to small businesses. Beginning in 2007, special attention has been given to the development of research and development programs for traditional industries.

6. A committee has been established, together with the Office of the Accountant General which is to examine the existing registrars regarding the access that small businesses have to government tenders. The committee's conclusions were published at the beginning of the year and are currently at the stage of implementation.
7. In order to remove the obstacles blocking access to the global market, the Ministry of Industry, Trade and Labor operates a number of programs whose main purpose is to provide assistance to combinations of groups of exporters with regard to their activity in the world market, marketing assistance to small businesses and State-guaranteed loans to small exporters.
8. The Ministry of Industry, Trade and Labor has started to carry out a program to assess all the Financing Authority's programs, together with an external company. This is the Ministry's first program of this kind. The assessment program is being carried out in cooperation with and with the assistance of the OECD's working group on small businesses (the WPSME).
9. The Ministry of Industry, Trade and Labor has a Professional Training Division which provides courses that give professional training to entrepreneurs and to workers in the required professions.

***Declaration on Access to Research Data from Public Funding – [C(2004)31/REV1]***

317. Israel accepts this Declaration.

318. Explanatory comment:

Research data obtained from research conducted using public funding is generally accessible.

Consistency exists with regards to policy and legislation. With regards to implementation, there is partial consistency with the principles in the document.

***Declaration on International Science and Technology Co-operation for Sustainable Development – [C(2004)31/REV1]***

319. Israel accepts this Declaration

320. Explanatory comment:

Israel's policy in this area is consistent with the principles in the document.

Israel joined the declaration in 2004.

***Declaration on Future Policies for Science and Technology – [C(81)51]***

321. Israel accepts this Declaration

322. Explanatory comment:

Israel's policy in this area is consistent with the principles in the document.

Israel complies with and surpasses the sections of the declaration.

***Declaration - Bologna Charter on SME Policies – 15 June 2000***

323. Israel accepts this Declaration

324. Explanatory comment:

Israel's policy in the area in question is consistent with the principles in the document.

Israel is a member of the Bologna Charter.

There are no financial barriers in Israel to the establishment of start-up companies as stated in the recommendations in the document.

Israel provides incentives and grants for at-risk participation in research and development as stated in the recommendations in the document.

## Shipbuilding and Maritime Transport

### Recommendations

#### *Recommendation of the Council concerning Common Principles of Shipping Policy for Member countries – [C(87)11]*

325. Israel accepts this Recommendation.

326. Explanatory comment:

Israel's policy in this area is for the most part consistent with the principles in the document.

Israel fully adheres to the principle stating that auxiliary maritime services provided on a commercial basis should be granted without discrimination with respect to access to the services.

In 2004, Israel has implemented a port reform<sup>31</sup> in order to generate competition and increase efficiency in the sector.

The ports reform strives to increase free competition in the area of maritime support services at ports. Improvement has been made in this area. However, not all objectives of the reform have been attained at the present time, and services at each port are still provided by a single entity without real economic competition.

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<sup>31</sup> The Ports Authority was traditionally one of the strongest and most significant monopolies in Israel with centralized operations, assets and control of all of Israel's ports. On July 22, 2004, the Israeli Parliament – the Knesset - passed a law to close the Ports Authority, and to incorporate and divide its operations and duties between three Government Companies to be established and which would operate the Haifa, Ashdod and Eilat ports (Haifa Port Company Ltd., Ashdod Port Company Ltd., Eilat Port Company Ltd.). An additional government company would hold and manage the ports' assets and lease them to the three port companies operating the ports and other port operators. In February 2005, the Port Authority was closed and four successor commercial companies commenced operations.

***Recommendation of the Council concerning  
Substandard Ships – [C(77)117]***

327. Israel accepts this Recommendation.

328. Explanatory comment:

The conventions mentioned in the document are fulfilled by the Israeli laws.

## Tourism

### Decision-Recommendation

#### *Decision-Recommendation of the Council on International Tourism Policy – [C(85)165]*

329. Israel accepts this Decision-Recommendation with the following reservations:
- a) Tour guides must be residents of Israel and hold an Israeli tour guide's license.
  - b) Regulation of organizers and retail agents of tourism packages – at the moment there is no regulation of the travel agency industry.
  - c) Securing finances of travel agency clients – A guarantee fund is in the process of being established in Israel.
  - d) Imports of spare parts for tour buses – If the parts arrive together with the buses, no import taxes are charged. However, there is no exemption from import taxes for parts that arrive separately.
330. Explanatory comment:
- The situation in Israel is highly consistent with the recommendations in the document on the legislation and implementation levels. Israel is working to reduce formal requirements related to the entry and exit of tourists to and from Israel and to promote international agreements in tourism.
- Regarding Annex I Obligations accepted by Member countries relating to: Customs facilities for travellers, international circulation of private road motor vehicles, camping cars, caravans and trailers, and the temporary importation of items involved in tourism-related industries - on October, 30, 1957

Israel deposited its instrument of accession to the UN Convention concerning customs facilities for touring.

Regarding Article F (temporary entry of persons engaged in providing international tourism related services) of the ANNEX II (guidelines concerning certain aspects of facilitation) see Code of Liberalisation of Current Invisible Operations Section directly related to tourism

## **Recommendations**

### ***Recommendation of the Council concerning Information and Protection of Tourists in Connection with Air Package Tours – [C(79)162]***

331. Israel accepts this Recommendation with the following observation specified in the comment below.

332. Explanatory comment:

Most of the requirements of the document are set in Israeli legislation, mainly in the Tourism Services Law, 5736-1976; the Tourism Services Regulations (Due Disclosure Requirement), 5763-2003; the Aviation Services Licensing Regulations (Charter Flights), 5742-1982; the Uniform Contracts Law, 5743-1982; the Consumer Protection Law, 5741-1981; and in contract law in general.

In regard to policy and implementation, the situation in Israel is highly, but not fully, consistent with the recommendations set forth in the document.

***Recommendation of the Council on Government Action to Promote Tourism – [C(65)85]***

333. Israel accepts the recommendations in the document, subject to the observations specified in the comment below.

334. Explanatory comment:

In regard to policy and implementation, the situation in Israel is almost fully consistent with the recommendations laid out in the document, with the exception of the following matters:

- **Recommendation 7.** Institution of low travel prices for tourists – Not applicable in Israel.
- **Recommendation 8.** Supervision of travel agencies – Full professional and financial supervision of travel agencies by the Ministry of Tourism was in place for many years. The decisive majority of the Ministry of Tourism's authority on this matter was revoked a few years ago, as part of a free-market policy. However, the Ministry of Tourism will strive to implement the recommendations of the Council in this respect.



## Trade

### **Recommendations**

***Recommendation of the Council on Common Approaches on the Environment and Officially Supported Export Credits (The "Common Approaches") – [C(2007)65]***

335. Israel accepts this Recommendation.

336. Explanatory comment:

Israel's policy in the area in question is compatible with the principles in the document.

Israel does not currently examine the environmental implications of projects abroad for which Israeli exports are designated and does not require declarations from exporters, in accordance with the recommendations in the document.

***Recommendation of the Council on Procedure for Labelling Pharmaceutical Specialities – [C(63)57]***

Israel accepts this Recommendation.

337. Explanatory comment:

Israel's policy in the area in question is consistent with the principles in the document.

Israel complies with all components of the recommendation, with the exception of Section 4 of the Appendix, which seeks to include marketing authorization numbers on labels.

In Israel, this information is provided in patient package inserts rather than on packages.

***Recommendation of the Council on Administrative and Technical Regulations which Hamper the Expansion of Trade – [C(62)108]***

338. Israel accepts this Recommendation.

339. Explanatory comment:

The situation in Israel is consistent with the principles in the document in regard to policy, legislation, and implementation.

***Recommendation of the Council on Procedure for the Registration of Pharmaceutical Specialities – [C(61)106]***

340. Israel accepts this Recommendation.

341. Explanatory comment:

Israel's policy in the area in question is compatible with the principles in the document.

Israel does not act in accordance with Section 3(b) of the document. After Israel joins the OECD, the Ministry of Health will be willing to expand the list of "recognized countries" to all OECD member countries.

**Other Instruments**

***Declaration on Trade Policy – [C(80)104]***

342. Israel accepts this Declaration.

343. Explanatory comment:

Israel's policy in the area in question is consistent with the principles in the document.