

מדינת ישראל

משרד האוצר

חטיבת נכסים רכש ולוגיסטיקה - מינהל הרכש הממשלתי

Government Procurement Data for 2016

Background

The Government Procurement Administration at the Accountant General is honored to present in this publication procurement data of ministries¹ (hereinafter: government procurement) for 2016. Government Procurements Administration publications make it possible to learn about the processes and scope of procurement by ministries, including tender-exempt agreements, subject to the Mandatory Tenders Law and its regulations.

What is government procurement

Government procurement is a central pillar of ministries' operations. In effect, almost all government activity depends on the procurement of goods and services. Agreements with suppliers to undertake procurements are subject to the Mandatory Tenders Law. The main challenge facing the government in the matter of government procurements is how to ensure that an equal and transparent process is kept, while simultaneously ensuring efficiency and protecting the government's performance capability.

Methodology (explanations and definitions)

In order to analyze the nature of agreements by ministries, it is necessary to distinguish between agreements carried out by an equal competitive process and agreements that do not undergo this process.

It is usual to refer to agreements that do not carry out a competitive process as tender-exempt agreements, but an examination of the reasons for the exemption, which were prescribed by the legislature, show that, in addition to an open competitive process (open tender) and exempt agreements, the regulations mention other competitive processes.

The grounds for an exempt agreement or an agreement by a competitive process that is not a public tender are prescribed in Sections 3, 4, and 5 of the Mandatory Tenders Regulations, 5753-1993. Administrative directives, published by the Accountant General Department, also instruct ministries (regulations, finance, economy instructions) the regulations permit tender-exempt agreements, but an administrative directive requires the presence of a competitive process for selecting the winner.

We shall refer to "exempt" in the government procurements analysis only for agreements that not include a competitive process to select a supplier.

Except for competitive processes and non-competitive process ("exempt"), the government enters into agreements with public bodies. The basis for the uniqueness of these agreements is that they agreements with bodies on which the obligation of tenders apply.

We shall represent these agreements as "exempt agreements with public bodies".

¹ Data is presented of ministries that operate the government ministry-wide comprehensive system, excluding defense bodies, government hospitals, * the State Comptroller and the Ministry of Foreign Affairs. * This document also excludes agreement data, which accounts for 17.6% of total government procurement, because of the fact that the data requires manual improvements of thousands of figures – **ministries classifies these agreements in the system as "other"**. We expect that this figure will be significantly reduced in future publications. Excluded data has been sampled and was found that the scope of the exempted agreement does not deviate from all the data. * updated on 28/10/2018

Government agreements - government ministry-wide comprehensive data system

The scope of government procurement as a whole in 2016, from the commitments in the government ministry-wide comprehensive data system, was approximately NIS 32 billion. The aforesaid breakdown has been applied to the data below, by classification of the nature of the procurement that the ministries inputted when the agreements were established in the system.

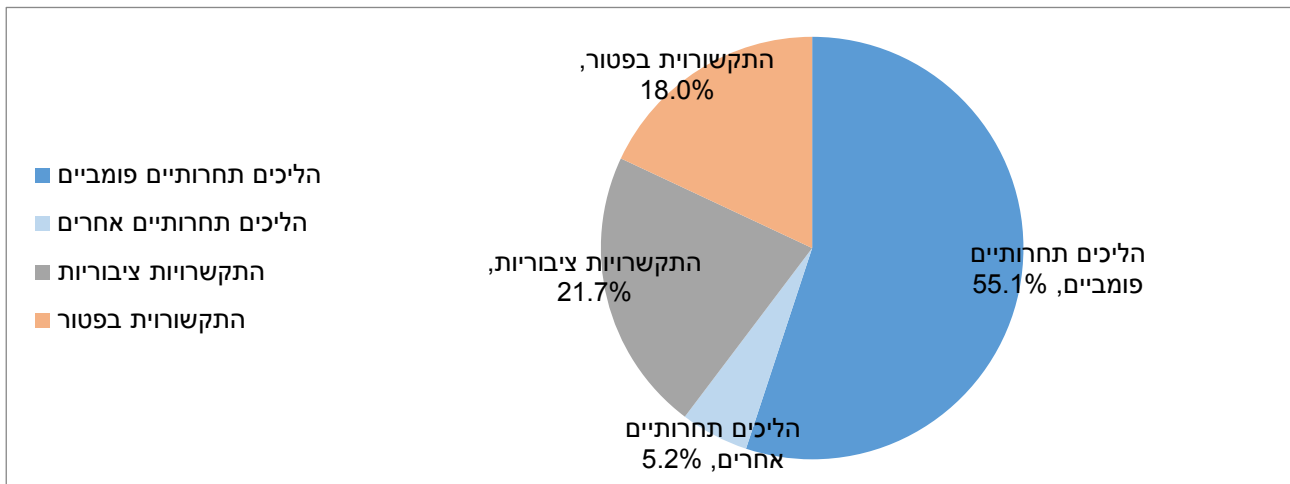
- Public tenders – marked in blue
- Other competitive processes pursuant to the Mandatory Tenders Law – marked in light blue
- Exempt agreements with public bodies – marked in green
- Exempt agreements – marked in red

Table 1: Breakdown of government procurements, without other, according to the nature of the agreement in financial scope for 2016

<u>Financial scope</u>			
Procurement classification	Classification comment	Agreement scope in 2016, in millions NIS	Percent of total agreements, without other
Public competitive process	Public tenders	9,274,780	35.1%
Public competitive process	Exercise of option choice	2,835,964	10.7%
Public competitive process	Resource allocation by public process	2,445,513	9.3%
Other competitive processes	Exempt agreement – request for bids up to NIS 50,000	498,370	1.9%
Other competitive processes	Exempt agreement – closed tender	516,563	2.0%
Other competitive processes	Exempt agreement – agreement with experts	366,049	1.4%
Public agreements	Exempt agreements - grants	920,172	3.5%
Public agreements	Exempt agreements – mandatory payments	674,776	2.6%
Public agreements	Exempt agreements with public bodies on which tenders apply	4,135,811	15.6%

Exempt agreements	Exempt agreements with special character bodies ²	540,101	2.0%
Exempt agreements	Exempt – defense	11,162	0.0%
Exempt agreements	Exempt – follow-on agreements	1,746,841	6.6%
Exempt agreements	Exempt – appointment of committee members	43,339	0.2%
Exempt agreements	Exempt - land	296,309	1.1%
Exempt agreements	Exempt – other classifications ³	2,064,747	7.8%
Exempt agreements	Exempt – pharmaceuticals and scientific research	62,597	0.2%

Chart 1: Government procurement breakdown by method of agreement, scope 2017



[graph key: Public tenders; Other competitive processes; Public agreements; Exempt agreements]

[text in chart, clockwise: public competitive processes: Other competitive; Public agreements; Exempt agreements]

Table 1 details the different kinds of agreements that constitute procurement, pursuant to the regulations of the Mandatory Tenders Law.

Chart 1 provides an overall perspective of the kinds of government procurement agreements.

It can be seen that public tenders, including the exercise of options, **accounted for 35% of all agreements** in terms of scope in 2016. Public competitive processes in general constitute 55.1% of all agreements in terms of scope in 2016.

² Including the following regulations: 3 (6) agreement with a tasks transfer corporation; 3 (18) agreement with the Jewish National Fund and Joint Israel under certain conditions; 3 (19) multiple agreements with the Jewish Agency and the World Zionist Organization and their institutions, United Jewish Appeal under certain conditions

³ Including the following regulations: 3 (11) cultural and artistic affairs; 3 (12) agreements by the Government Publications Office; 3 (2) urgent agreement to prevent real damage; 3 (28) special circumstances; 3 (29) single supplier; 3 (30) joint venture; 3 (31) agreement with a foreign resident; 3 (14) granting or receiving credit; 23(b) no bid was submitted in a tender

It can be seen in the table that 21.7% of total government procurements were for bodies that must apply tenders; in other words, government companies, statutory corporations, municipalities, and the like. Although, pursuant to the pure structure of the law and regulations, exemption processes accounted for 44.9% of all agreements, in view of the analysis mentioned above, **the figure for exempt agreements out of total agreements in terms of scope in 2016 was just 18%.**

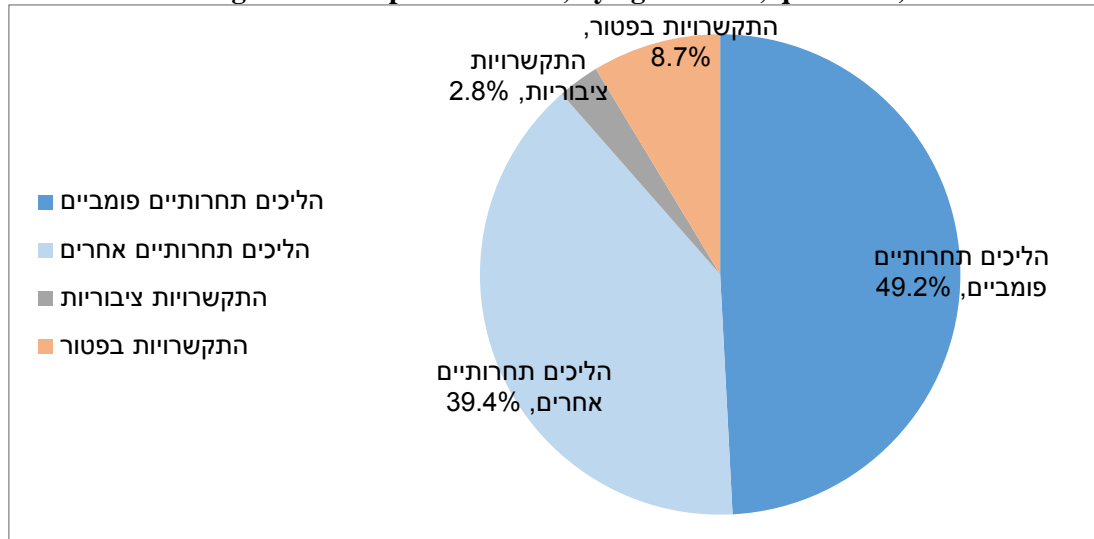
As mentioned, the "exempt" figure includes only agreements that do not have a competitive process to select the supplier.

Table 2: Breakdown of government procurements, excluding other, by agreements in quantities, 2016

<u>Quantities</u>			
Procurement classification	Classification comment	Agreement scope in 2016, in millions NIS	Percent of total agreements, without other
Public competitive process	Public tenders	180,901	46.7%
Public competitive process	Exercise of option choice	9,233	2.4%
Public competitive process	Resource allocation by public process	177	0.0%
Other competitive processes	Exempt agreement – request for bids up to NIS 50,000	137,047	35.4%
Other competitive processes	Exempt agreement – closed tender	1,421	0.4%
Other competitive processes	Exempt agreement – agreement with experts	13,872	3.6%
Public agreements	Exempt agreements - grants	1,939	0.5%
Public agreements	Exempt agreements – mandatory payments	4,213	1.1%
Public agreements	Exempt agreements with public bodies on which tenders apply	4,699	1.2%
Exempt agreements	Exempt agreements with special character bodies ⁴	580	0.1%
Exempt agreements	Exempt – defense	126	0.0%
Exempt agreements	Exempt – follow-on agreements	5,424	1.4%
Exempt agreements	Exempt – appointment of committee members	3,206	0.8%
Exempt agreements	Exempt - land	489	0.1%
Exempt agreements	Exempt – other classifications ⁵	13,452	3.5%
Exempt agreements	Exempt – pharmaceuticals and scientific research	10,221	2.6%

⁴ Including the following regulations: 3 (6) agreement with a tasks transfer corporation; 3 (18) agreement with the Jewish National Fund and Joint Israel under certain conditions; 3 (19) multiple agreements with the Jewish Agency and the World Zionist Organization and their institutions, United Jewish Appeal under certain conditions

⁵ Including the following regulations: 3 (11) cultural and artistic affairs; 3 (12) agreements by the Government Publications Office; 3 (2) urgent agreement to prevent real damage; 3 (28) special circumstances; 3 (29) single supplier; 3 (30) joint venture; 3 (31) agreement with a foreign resident; 3 (14) granting or receiving credit; 23(b) no bid was submitted in a tender

Graph 2: Breakdown of government procurements, by agreements, quantities, 2016

[text in graph: Public tenders; Other competitive processes; Agreements with public bodies; Exempt agreements]

[text in chart, clockwise: public competitive processes: Other competitive; Public agreements; Exempt agreements]

It can be seen in Table 2 that public tenders constituted 46.7% of the number of orders in 2016. All public processes constituted 49.2% of agreements in 2016.

It can also be seen that 35.4% of the total number of orders in the system were executed by an abbreviated competitive process by a request for proposals of up to NIS 50,000, but, as mentioned, these agreements constituted just 2% in terms of scope. **The number of exempt agreements, which did not include a competitive process for the selection of a supplier constituted 8.7% of total agreements in 2016.**

Conclusion

The Accountant General attaches paramount importance to an equal and transparent procurement process. On the basis of these values, the Government Procurement Authority analyzed all the ministries' commitments in the government ministry-wide comprehensive, most of which are published for the public as raw data once per quarter on the Freedom of Information website.

Analysis of the data is, first and foremost, intended to enable the Accountant General to obtain a clear snapshot of government exemptions; the objective is for the ministries to reduce them.

It can be seen from analysis of the data presented above that when all the regulations, which are not public tender executed, are taken into account, exempt agreements constitute 44.9% of ministries' agreements. More than half of the annual financial scope of all government agreements (55.1%) were executed through a competitive public process, in terms of financial scope.

In-depth analysis of these regulations indicate that the de factor exemption rate (processes that do not include competitive processes and agreements with public bodies, as mentioned in the

methodology chapter above) are just 18% in terms of financial scope and 8.7% in terms of the number of agreements.

It is emphasized in this context that, for the purpose of publishing data that are as accurate as possible, ministries work hard to improve the data regularly inputted into the system. This improvement is expressed by a significant reduction in procurement agreements classified as "other" from 65% at the start of the process in 2013 to just 17.6% today
