



19 Heshvan 5777
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Government Procurement Data for 2017

Background

The Government Procurement Administration at the Accountant General is honored to present in this publication procurement data of ministries in 2017, following the first report on the subject published for 2016 data. The publications by the Government Procurement Administration make it possible to learn about the processes and scope of procurements by ministries, including tender-exempt contract processes, 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)

The data in this document are retrieved from the government ministry-wide comprehensive ERP system (hereinafter: "the system"), which is the government-wide system of all ministries and subordinate units, except for the Ministry of Foreign Affairs, the State Comptroller, defense bodies (police, the Ministry of Defense, and others), and government hospitals. The procurements and data are fed into this system by employees of the different ministries, and the analysis mentioned below is performed on the basis of the information present in the system. The analysis is carried out in two stages:

The first stage is building the databases. The data presented are from the system's logistics module, which has a scope of around NIS 50 billion. The analysis only handles government procurement defined above, excluding activities that do not constitute procurement, such as budget transfers and mandatory payments, for example, local property tax (*arnona*) and electricity. Government procurement is therefore approximately NIS 34 billion. We have also excluded from this document contract data that ministries classify as "other" procurement in the system, in view of the fact that they cannot be precisely classified. The agreements amount to around 13% of the total data in the system (i.e. NIS 4.3 billion), compared with 17.6% in the previous year. We seek to reduce use of the term "other" procurement, and we expect that this figure will continue to fall in future publications.

The second stage is an internal analysis of the procurement data, which shall be shown below. To analyze the nature of ministries' agreements, it is necessary to distinguish between

agreements made by public tender, agreements made in a non-public tender competitive process, and agreements that are exempt from tenders or another competitive process. The grounds for agreements that are not subject to a tender or competitive process are detailed in Section 3 of the Mandatory Tenders Regulations, 5753-1993. Regulations 4 and 5 of the Mandatory Tenders Regulations list agreements that must undergo a competitive process that is not a public tender. The Accountant General Department has also published instructions as guidelines for ministries pursuant to its powers under Regulation 24 of the Mandatory Tenders Regulations (regulations, finance, economy) were prescribed for cases in which, even though the regulations permit tender-exempt agreements, it is necessary to undertake a non-public tender competitive process (an agreement pursuant to Regulation 3 (1) of the Mandatory Tenders Regulations).

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".

Continuity and comparability

As mentioned, this is the second annual publication. It is important to note that, following the publication of the report for the previous year, work has been undertaken to improve the quality of the data and the analysis methodology, and a number of major changes have been instituted, which have greatly improved the quality and reliability of the data on the one hand, but do not make a comparison with data from the previous year possible on the other hand. The main changes are the development of a designated report that optimally retrieves data and makes it possible to retrieve the number of orders (in contrast to the number of lines in orders in 2016), and changes in the classification methodology that include, among other things, precision in the definition of procurement, and, as a function of that, analysis of financial expenditures in the system that constituted procurement.

Government agreements - government ministry-wide comprehensive data system

Below is a summary of the commitments and number of orders in 2017

	Procurement in terms of financial scope in 2017 in millions of NIS	Percent of the total	Number of orders	Percent of the total
Total procurements	34,223	100%	161,300	100%
Total other	4,315	13%	13,754	9%
Total procurements without other	29,908	87%	147,546	91%

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

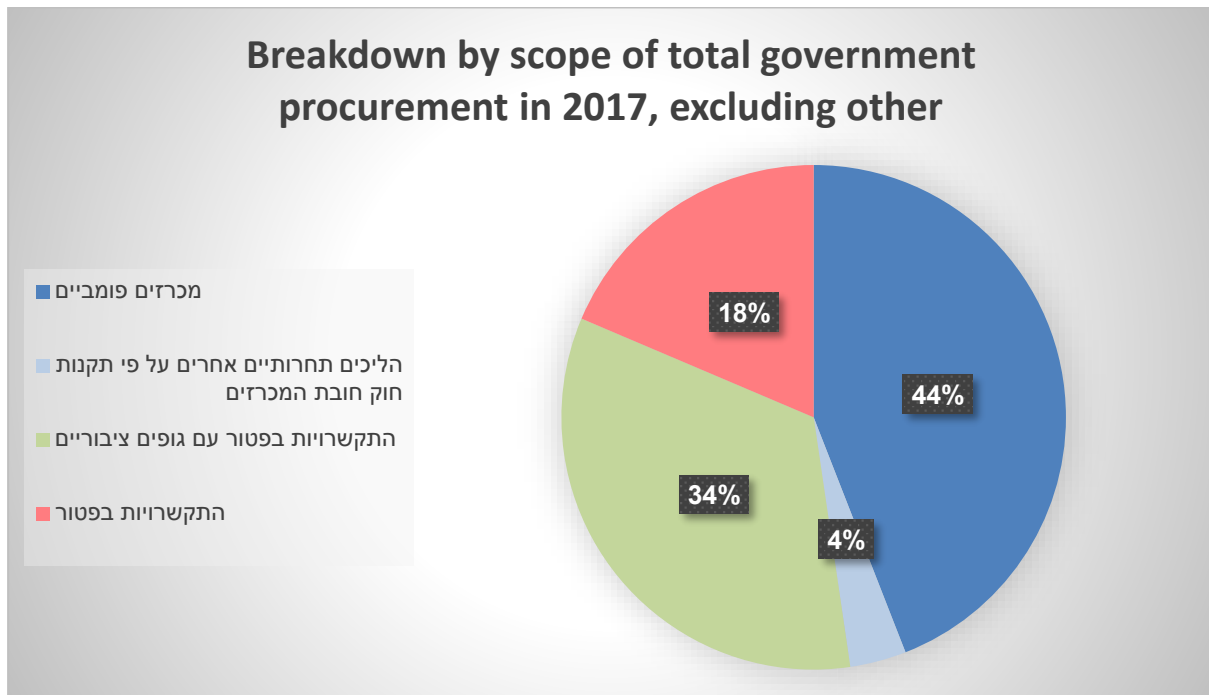
Table 1: Breakdown of government procurements, without other, according to the nature of the agreement in financial scope for 2017

	<u>Financial scope in millions of NIS</u>	<u>Percent of total</u>
Public tenders	9,735	32.55%
Exercise of option choice	3,445	11.52%
Request for bids up to NIS 50,000	501	1.67%
Closed tender	163	0.54%
Agreement with experts	417	1.39%
Exempt agreements with bodies of a public nature ¹	407	1.36%
Exempt agreements with public bodies	9,677	32.35%
Exempt – defense	18	0.06%
Exempt – follow-on agreements	2,465	8.24%
Exempt – non-profit joint venture	595	1.99%

¹ Including the following regulations: 3 (6) agreement with a corporation for the transfer of tasks; 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

Exempt – urgent and special circumstances	256	0.86%
Exempt – other classifications ²	399	1.33%
Exempt – single supplier and agreement with a foreign resident	1,465	4.90%
Exempt – land purchase for ministries	269	0.90%
Exempt – pharmaceuticals and scientific research	45	0.15%
Exempt – appointment of committee members	53	0.18%
Total	29,908	100%

² Including the following regulations: 3 (11) cultural and artistic affairs; 3 (12) agreements by the Government Publications Office; 3 (14) granting or receiving credit; 3 (22) agreement to appoint medical experts; 23(b) no bid was submitted in a tender.

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

[text in chart: Public tenders; Other competitive processes pursuant to the regulations of the Mandatory Tenders Law; Exempt agreement with public bodies; Exempt agreements]

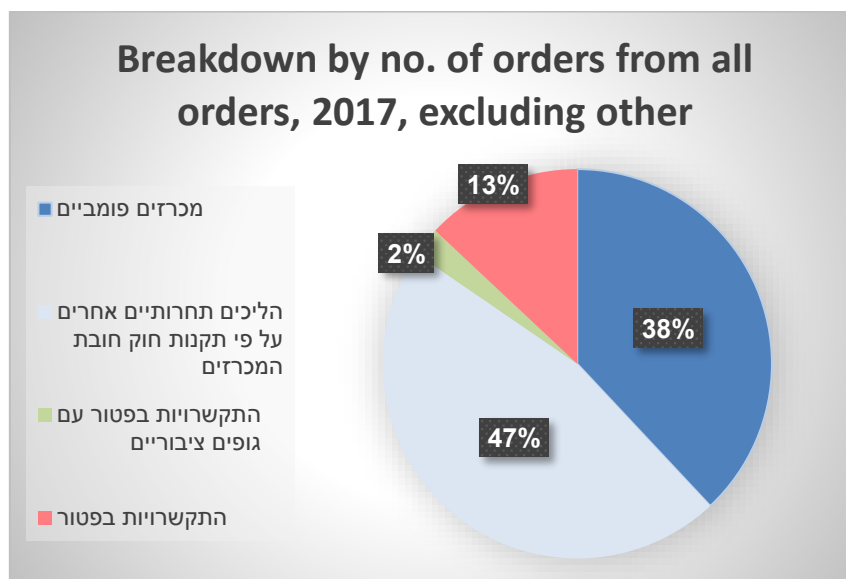
Table 1 details the different kinds of agreements that constitute procurement, pursuant to the regulations of the Mandatory Tenders Law.

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 44% of all agreements** in terms of scope in 2017. It can also be seen in the table that 32% 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 56% of all agreements, in view of the analysis mentioned above, **the figure for exempt agreements out of total agreements in terms of scope in 2017 was just 18%**. It is important to note in this context the different in figures for 2016 (the previous report that the Government Procurements Authority published), which is derived from the change in methodology. In that year, the "credit/resource allocation in a competitive public process was classified under public tenders. These allocations were not agreements by the government under the Mandatory Tenders Law, but allocations of a public resource by means of a competitive public tender. Therefore, when it is not procurement, the allocations were not included in these figures.

Table 2: Breakdown of government procurements, excluding other, by agreements in quantities, 2017

	No. of orders	Percent of total
Public tenders	53,370	36.17%
Exercise of option choice	2,732	1.85%
Request for bids up to NIS 50,000	63,579	43.09%
Closed tender	252	0.17%
Agreement with experts	4,832	3.27%
Exempt agreements with bodies of a public nature	83	0.06%
Exempt agreements with public bodies	3,506	2.38%
Exempt – defense	55	0.04%
Exempt – follow-on agreements	1,899	1.29%
Exempt – non-profit joint venture	127	0.09%
Exempt – urgent and special circumstances	154	0.10%
Exempt – other classification	1,079	0.73%
Exempt – single supplier and agreement with a foreign resident	4,643	3.15%
Exempt – land purchase for ministries	117	0.08%
Exempt – pharmaceuticals and scientific research	4,663	3.16%
Exempt – appointment of committee members	6,455	4.37%
Total	147,546	100%

Graph 2: Breakdown of government procurements, by agreements, quantities, 2017



[text in chart: Public tenders; Other competitive processes pursuant to the regulations of the Mandatory Tenders Law; Exempt agreement with public bodies; Exempt agreements]

It can be seen in Table 2 that public tenders constituted 38% of the number of orders in 2017.

It can also be seen that 43% 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 1.67% in terms of scope. **The number of**

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exempt agreements, which did not include a competitive process for the selection of a supplier constituted 13% of total agreements in 2017.

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 is emphasized in this context that in order to publish data that is 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 13% today.

Sincerely,

Gal Amir

Director, Government Procurement Authority