Ministry of Finance

Spokesperson Unit

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Press Release

Directive Issued by Accountant General Today Will Lead to NIS 150 Million Increase in Budgetary Resources for Non-Profits

Today (Sunday), Ministry of Finance Accountant General **Shuky Oren** will issue a temporary order concerning a substitute for bank guarantees in social-service tenders. The new temporary order will aid budgeted non-profit associations by eliminating the costs of interest and fee payments required of the non-profits in order to obtain bank guarantees, and releasing the amounts of the guarantees for use by the non-profits. The state's waiver of the bank guarantees will increase budgeted non-profits' budgetary resources by approximately NIS 150 million.

Accountant General **Shuky Oren** commented, "The Ministry of Finance has made the decision to ease conditions for budgeted non-profits, in view of the global crisis, which also affects their activity, due to a decrease in donations raised in Israel and abroad. As part of the general effort to assist all sectors of the Israeli economy, we have decided that these organizations too can be helped by removing bureaucratic barriers and reducing the guarantees."

Currently, non-profit associations providing services to the state must provide guarantees at a rate of 5-10% of the amount of the contractual engagement; in other words, they must deposit a sum of money with a bank for the duration of the agreement, as a guarantee against the state budgets provided for their activity. The Accountant General's order will allow this requirement to be replaced by a letter of obligation from the non-profit to the state, granting the state permission to deduct the payment of the guarantee in the event of a violation of terms. For example, a non-profit engaged in welfare-related activities, providing services to the Ministry of Social Affairs at a cost of NIS 10 million, which it receives directly from the budget of the Ministry of Social Affairs, will be able to release its bank guarantee and provide the state with a letter of obligation instead. The release of the guarantee will free up to NIS 1 million for the non-profit, allowing it to expand its activity.

Note that the implementation of the temporary order increases the state's exposure to bankruptcy or breach of terms of the agreements with these organizations; the decision was therefore made to apply the order for a trial period of two years, and reach a decision concerning its extension after examining the results.

In general, the state contracts with non-profit associations in two ways: **"Budgeted non-profits"** – Non-profit associations providing services to the state, funded directly from government ministries' budgets, according to their area of activity. **"Supported non-profits"** – Non-profits active in the community in various fields not within the government's legal obligations, and supported by state budgets (this support is estimated at NIS 2 billion). **The Accountant General's current order applies to the budgeted non-profits.**