



Report of the State Comptroller of Israel | May

Israel Land Authority

Allocation of Land Exempt from Tender for Industry and Tourism



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Background

Industry and tourism are tools for the country's economic development: they generate workplaces, contribute to the economy, spread the economy's risks, and enhance the state's international status. Israel Land Authority is responsible for allocating land for the state's development.

According to the Mandatory Tenders Law 1992, state bodies shall conduct their engagements by public tenders. According to the Tender Regulations, 1993 (the Regulations), public tenders are preferable to other engagements that involve real estate transactions and different types of transactions. However, the Regulations indicate cases in which the allocation of land may be considered through an exemption from tender. Israel Land Authority is authorized to allocate land exempt from the tender for industry and for building industrial structures for rent. It is also authorized to do so in national priority areas or allocate land to expand an existing factory. All are subject to the Ministry of Economy and Industry's recommendation (Ministry of Economy). In addition, the Israel Land Authority is authorized to allocate land, exempt from tender, to establish a tourism venture, subject to the recommendation of a joint committee of the Israel Land Authority and the Ministry of Tourism.

The exemption, anchored in the Regulations, is considered a benefit that the state offers the entrepreneurs so the land will be used for the purpose preferred by the state, such as advancing employment in national priority areas or promoting tourism in various regions in Israel.



Key Figures

767

requests handled by the Israel Land Authority for allocation of land, exempt from tender, for industry and tourism in 2017–2021

**42%
and 62%**

the requests' increase rate for allocating land, exempt from tender, for industry (from 132 to 188 requests) and the requests decreased rate for allocating land, exempt from tender, for tourism (from 13 to 5 requests), respectively, in 2017–2021

**4.9 million
square
meters
and –
650,000
square
meters**

the area included in the requests (in 2017–2021) for allocation of land, exempt from tender, for industry and tourism respectively

**NIS 496
million,
compared
to NIS
1,294
million**

the proceeds charged by the state for allocating land, exempt from tender, for industry and tourism, compared to the total value of lands assessments in 2017–2021 (62% discount)

82%

the requests' rate for allocation of land exempt from tender for industry, in which the process lasted over a year (from request's submission date to the Ministry of Economy until the request's approval date by the Israel Land Authority)

96%

the requests' rate, submitted to the Ministry of Economy for allocation of land exempt from tender for industry, in which the process lasted longer than the time frame set in the work plan (three months)

28%


the assessments rate in the process of allocating land, exempt from tender for industry, whose preparation took longer than required (up to 21 business days)

54%

of the processes of allocating land, exempt from tender, for tourism that was examined lasted between one to six years (from the request's submission date until the request's approval date by the Israel Land Authority)




Audit Actions


 From February to September 2022, the State Comptroller's Office examined the processes of allocating land exempt from tender for industry and tourism and their supervision. The audit was conducted at the Israel Land Authority, the Administration of Industrial Areas at the Ministry of Economy (Administration of Industrial Areas), and the Ministry of Tourism.

Key Findings




 **The Process Duration of Handling Requests for Allocation of Land Exempt from Tender, for Industry, at the Ministry of Economy** – only 4% of the requests were handled within three months – the objective time set in the Ministry of Economy's work plan for 2018 (1% of the requests were handled within 45 days, which was the time frame set as an objective in the work plan for 2019). I.e., the duration of the process for about 96% of the requests exceeded the objective. It was found that the duration of the process for 22% of the requests was three to six months, and the duration of the process for 64% of the requests was six months to two years. The process duration for 10% of the requests handled at the Administration of Industrial Areas was two to four years.








 **The Duration Process of Handling Requests for Allocation of Land Exempt from Tender, for Industry, at the Israel Land Authority** – the duration of the process for 82% of the requests was longer than three months – the time (SLA) set by Israel Land Authority; the duration of the process for 59% of the requests was three months to one year; and the duration of the process for 23% of the requests was longer than a year and, in some cases, lasted 3.5 years.



 **Working Interfaces Between the Ministry of Economy and Israel Land Authority** – Israel Land Authority has not added an interface between its information systems and the systems of the Ministry of Economy for transferring data and documents submitted by entrepreneurs in a digitally secure manner. Documents would not have to be submitted twice, and the process of filing requests and handling them would be much shorter and more efficient had such an interface been added. Therefore, filing a request still involves duplicities and is not sufficiently efficient. Israel Land Authority is not represented at the Ministry of Economy committee meetings, and the Authority does not insist on sending a representative to these meetings. This is not according to the Ministry of Economy director's general instructions.



-  **Marketing 15% of the Lands in Industrial Zones Through Public Tenders** – according to the Israel Land Council decision, Israel Land Authority should market 15% of the plots in industrial zones in national priority areas A and along the confrontation line through tenders. It was found that the Israel Land Authority does not keep collective data regarding the distribution of land allocations for industry according to each area's allocation method (through tenders or exemptions). Therefore, the Israel Land Authority and Israel Land Council cannot examine how the above decision is implemented as planned. It was further found that in the cases the audit examined, the Israel Land Authority did not initially market land to industry by public tender to assess the value of the land in those industrial zones.
-  **Assessments Preparations Duration** – 72% of the assessments were prepared within the defined time frame – up to 21 business days. However, the preparation of 21% of the assessments took 22–63 business days, a delay of up to 42 days, and the preparation of 7% of the assessments took over 64 business days, and in some cases even 462 business days – a delay of 40 days, and up to more than 400 days.
-  **Israel Land Authority's Supervision on the Usage of Land Allocated for Industry Exempt from Tender** – the annual work plans of the Land Maintenance Division at Israel Land Authority concerning the three regions – Tel Aviv – Center, Jerusalem, and South – for 2017–2021 did not include supervision over the use of the land allocated exempt from tenders. Moreover, the surveys conducted by the Land Maintenance Division in the Northern Region raised 17 violations of contracts about using the land for other purposes. Nevertheless, the Israel Land Authority began legal proceedings against the entrepreneurs only in 8 cases. Israel Land Authority does not update (except for one case) the Ministry of Economy about violations of contracts and usage of land for other purposes so that the Ministry would consider taking measures against whoever violated the contracts.
-  **Non-Usage of Land** – during a visit to two industrial zones in northern and southern Israel, the audit team found plots that were allocated years ago and on which construction has not started or has not been completed. Such plots become environmental hazards; non-usage might delay the development of nearby plots, and delayed construction might cause damage to nearby plants that were already completed due to noise, pollution, and damage to public infrastructures throughout the construction process. It was found that the Israel Land Authority does not systematically collect information regarding the plots scope throughout Israel that were allocated for industry and have not been used, and therefore does not have a comprehensive database about the usage of these plots and whether it complies with the designation of the land.
-  **The Duration of the Process of Allocating Land for Tourist Projects** – the duration of the process of 47% of the requests, from the request's filing date until the request's approval date, was up to a year. In 22% of the requests, the process lasted



one year to three years. And in 32% of the requests, the process lasted for five to six years.



Handling Requests for Allocation by the Ministry of Tourism and Israel Land Authority – filing requests to the Ministry of Tourism is not managed by a computerized system. The Statutory Planning Department opens a physical file for each request, and all relevant documents are kept in this file. However, the files do not always include all the correspondence and documents transferred to the Ministry of Tourism regarding the requests. The working interface between the Israel Land Authority and the Ministry of Tourism on the allocation of land for tourist projects is faulty, mainly concerning the updates the Ministry receives from the Authority. In some cases, handling the requests lasted for a very long time, up to six years, although the actions involved in such a process are not necessarily complicated.



Regulation of Service Provision Standards – although the Ministry of Economy set objectives to improve the service provided to the public regarding the allocation of land, exempt from tender, for industry in 2018, it did not anchor in its procedures the period for handling developers' requests to allocate land according to the objectives and did not notify the public. The Ministry of Tourism did not specify in its work plans objectives for improving the handling of entrepreneurs' requests for land allocation for tourist projects, did not specify a time frame (SLA), and did not conduct monitoring in this respect. Israel Land Authority does not monitor the duration of handling requests for land allocation, exempt from tender, for tourism and industry, and the management does not have sufficient information about the extent and reasons for delays in treatment. As for service charters, the Ministry of Economy, Tourism and the Israel Land Authority have not formed or published any charters.









The Administration of Industrial Areas at the Ministry of Economy Improving the Handling of Requests – the State Comptroller Office commends the Administration of Industrial Areas for advancing computerization and improving the process of handling requests for allocation of land exempt from tender.

Key Recommendations



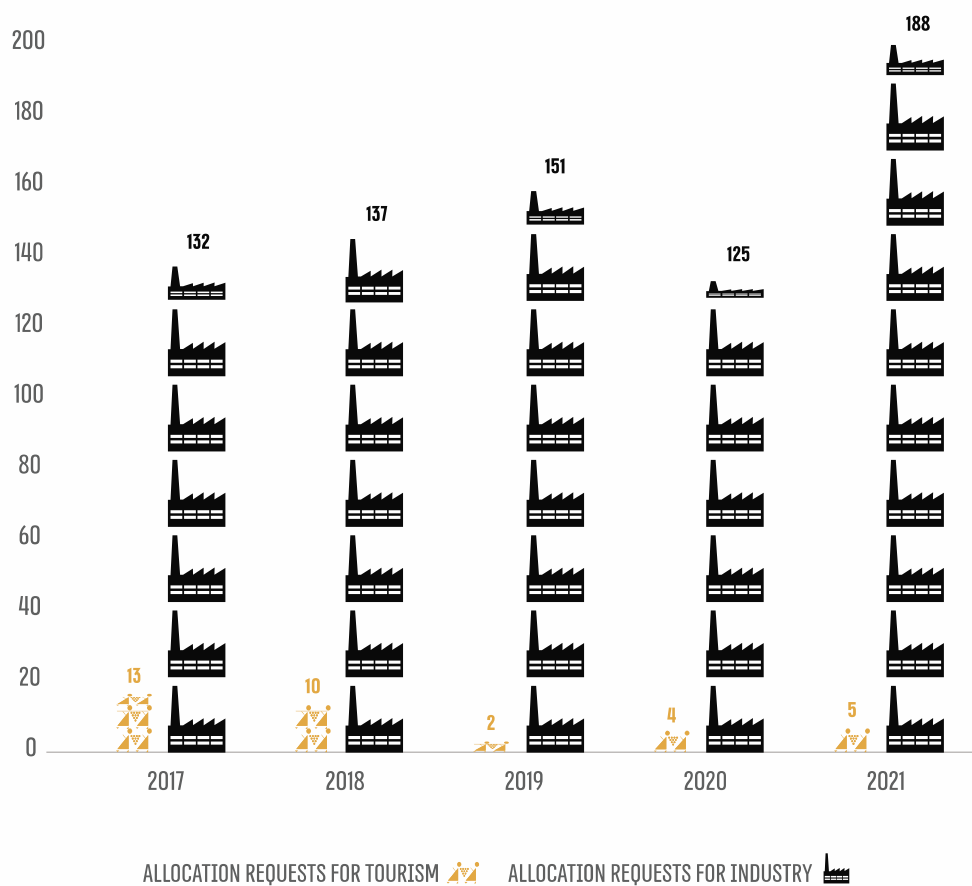
The Administration of Industrial Areas at the Ministry of Economy should shorten the process of handling requests according to the objectives set in the work plan. It is recommended that the Administration of Industrial Areas complete the additional developments in the computerized system, including a payment processing platform and an advanced mapping service (GIS).



-  Israel Land Authority should shorten the process of handling requests for the allocation of land, exempt from tender, for industry and tourism, and the standard of treatment time set in its procedures.
-  It is recommended that the Israel Land Authority, in collaboration with the Ministry of Economy, complete the interface between its information systems and the Ministry of Economy's information system concerning the filing and handling requests for land allocation, exempt from tender, for industry. It is further recommended that the Ministry of Economy and Israel Land Authority jointly examine the best way to cooperate and coordinate between them to enable early identification of barriers during the processing time of requests and reduce them.
-  It is recommended that the Israel Land Authority market 15% of the plots designated for industry, or at least some of them, through public tenders, before allocation of land, exempt from tender, to fulfill the purpose of the Israel Land Council's decision.
-  It is recommended that the Israel Land Authority set objectives and KPIs (Key Performance Indicators) for all regions in the supervision and enforcement work plan to ensure the land is used as planned. It is further recommended that the Israel Land Authority review the usage of plots allocated by the Authority and, among other things, examine whether the land is used according to its designation. It is recommended that the Land Maintenance Division at Israel Land Authority intensify its actions for locating non-usage of land or land use for other purposes. Accordingly, the Israel Land Authority should enforce the agreements or reclaim the benefits that were granted.
-  The Ministry of Tourism should manage the allocation of land for tourism through computerized systems and online services so that entrepreneurs can file online requests and track progress. The Ministry of Tourism should efficiently and effectively manage work processes, including sharing information amongst different divisions of the Ministry and outside the Ministry, computerizing documentation of documents, and shortening the entire process.
-  Israel Land Authority, the Ministry of Economy, and the Ministry of Tourism should form a service charter, publicize them and include SLA for their services, including land allocation.



Requests for Allocation of Land Exempt from Tender, According to the Allocation Purpose, 2017–2021



According to the Israel Land Authority's data, processed by the State Comptroller Office.



A Plot in an Industrial Zone in Southern Israel Which was Turned into a Landfill



Photographed by the audit team on July 24th, 2022.



Summary

The audit raised that the governmental bodies responsible for the allocation of land, exempt from tender, for industry and tourism – Israel Land Authority, the Ministry of Economy, and the Ministry of Tourism – need improvement and adaptation to the digital world: the duration of the allocation process for industry projects was longer than the duration specified in Israel Land Authority's procedure, and the Ministry of Economy's work plan and only a few of the requests were handled within the defined time frame. Furthermore, the interface between the Israel Land Authority's information systems and the Ministry of Economy's information system has not been completed. Such an interface might shorten the process of filing and handling requests, prevent duplicities, and improve the business environment for entrepreneurs. It was found that Israel Land Authority does not keep collective data regarding the distribution of land allocations for industry according to the allocation method (through tenders or exemptions) at each of the areas; therefore, Israel Land Authority and Israel Land Council cannot examine the extent to which the decision is implemented as planned, and, in addition, the Authority has not sufficiently supervised land usage.

As for the allocation of land for tourist projects, it was found that the process of handling requests was too long (the process lasted for five to six years in 32% of the requests). It was further found that the Ministry of Tourism did not set a time frame for handling requests and that the process is not conducted in a computerized system.

Israel Land Authority and the Ministry of Economy and Tourism should shorten the process, set the time frames in service charters, and publicize them. It would enhance transparency for the benefit of entrepreneurs and minimize uncertainties amongst the public that uses their services. It is further recommended that they complete the computerization of work and supervision processes. Moreover, the Israel Land Authority should enhance supervision and enforcement over lands that were allocated exempt from tenders but not used according to their designation.

