

**NOTE****OFFSET**

1. Having regard to general policy considerations Israel may operate provisions which require the limited incorporation of domestic content, offset procurement or transfer of technology, in the form of objective and clearly defined conditions for participation in procedures for the award of procurement, which do not discriminate between other Parties. This shall be done under the following terms:

- a. Israel shall ensure that its entities indicate the existence of such conditions in their tender notices and specify them clearly in the contract documents.
- b. Suppliers will not be required to purchase goods that are not offered on competitive terms, including price and quality, or to take any action which is not justified from a commercial standpoint.
- c. Upon entry into force for Israel of the revised GPA, for procurement above the threshold of 3 million SDR, offsets in any form may be required up to 20 per cent of the contract.
- d. Starting from the sixth year after coming into force for Israel of the Agreement, for procurement above the threshold of 3 million SDR, offsets shall no longer be applied by entities covered under Annexes 1, 2 and 3, excluding the following entities which will continue requiring offset up to 20 per cent of the contract, until the beginning of the ninth year, after which they will apply offset up to 18 per cent:

**Annex 1**

1. Ministry of Agriculture and Rural Development;
2. Ministry of Construction and Housing;
3. Ministry of National Infrastructures excluding Fuel Authority;
4. Ministry of Finance;
5. Ministry of Health;
6. Ministry of the Interior;
7. Ministry of Transport.

**Annex 2**

1. Local Government Economic Services Ltd.

**Annex 3**

1. Israel Airports Authority;
2. Israel Ports Development and Assets Company Ltd.;
3. Association of Better Housing;
4. Ashod Port Company Ltd.;
5. Haifa Port Company Ltd.;
6. Eilat Port Company Ltd.;
7. Arim Urban Development Ltd.;
8. Eilat Foreshore Development Company Ltd.;
9. Old Acre Development Company Ltd.;
10. Israel Railways Ltd.;
11. Israel Postal Company Ltd.;
12. The Israel Electric Corp. Ltd.;
13. Mekorot Water Co. Ltd.;
14. All entities operating in the field of urban transport, except those operating in the field of bus services.

- e. Starting from the eleventh year after coming into force for Israel of the revised GPA, for procurement above the threshold of 3 million SDR, offsets shall no longer be applied by entities covered under Annexes 1, 2 and 3, excluding the following entities which will continue requiring offsets up to 18 per cent of the contract:

Annex 1

1. Ministry of National Infrastructures excluding Fuel Authority;
2. Ministry of Finance;
3. Ministry of Health;
4. Ministry of Transport.

Annex 2

1. Local Government Economic Services Ltd.

Annex 3

1. Israel Airports Authority;
2. Israel Ports Development and Assets Company Ltd.;
3. Ashod Port Company Ltd.;
4. Haifa Port Company Ltd.;
5. Eilat Port Company Ltd.;
6. Israel Railways Ltd.;
7. Israel Postal Company Ltd.;
8. The Israel Electric Corp. Ltd.;
9. Mekorot Water Co. Ltd.

- f. Starting from the 16<sup>th</sup> year after coming into force of the revised GPA, the requirement for offsets will not be applied with regard to covered procurement.

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