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GOV/PGC/ACS(2009)15

Organisation de Coopération et de Développement Économiques
Organisation for Economic Co-operation and Development

06-Oct-2009

English - Or. English

**PUBLIC GOVERNANCE AND TERRITORIAL DEVELOPMENT DIRECTORATE
PUBLIC GOVERNANCE COMMITTEE**

**GOV/PGC/ACS(2009)15
Confidential**

Accession Assessment Report: Israel

**40th Session of the Public Governance Committee
22-23 October 2009
OECD Conference Centre, Paris**

This document is submitted to Delegates of the Public Governance Committee FOR DISCUSSION under the item on Accession of the agenda for their meeting to be held on 22 October 2009.

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JT03271085

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PREFACEⁱ

1. In May 2007, the OECD Council at Ministerial Level adopted the *Council Resolution on Enlargement and Enhanced Engagement* and decided to open membership discussions with Chile, Estonia, Israel, the Russian Federation, and Slovenia. This resolution invited the Secretary General to set out the terms, conditions and process for the accession of each of these countries for consideration and adoption by Council. The resulting “Accession Roadmap” for each country describes the process of accession - including the Committees which will review the candidate country and how they should proceed.

2. The Public Governance Committee (PGC) is among the group of OECD bodies requested to consider and discuss the policies of candidate countries in areas where few or no OECD legal instruments exist. As indicated in each country’s “Accession Roadmap”, the PGC reviews the quality of candidate countries’ policies and institutions for public governance in eight areas: structure of government; budget practices and procedures; human resource management; integrity in the public sector; transparency and accountability; e-government; management of regulatory quality and administrative simplification; and multi-level governance relations. On the basis of its review, the PGC will provide the Council with a formal opinion on the degree of “coherence” between the policies of candidate countries and those of OECD member countries.

Purpose and organisation of the report

3. This *Accession Assessment Report* is provided by the Secretariat to delegates of the PGC to facilitate its discussion of Israel’s accession to the OECD. It is the second of two reports prepared for the PGC. It complements the first report - a short descriptive Briefing Note – by providing an in-depth look at the current practices, planned reforms, and the degree of coherence between Israel’s policies and those of OECD members in the eight thematic areas under evaluation. It is the final input into the PGC review process and, in conjunction with other information made available to the PGC, aims to provide delegates with the information they need to form and transmit to Council a formal opinion on the degree of coherence between Israel’s public governance policies and those of OECD member countries.

4. The assessment of “coherence” in this report is intended to provide an indication of how aligned the candidate country’s governance policies, institutions, programmes, etc. are with those of OECD member countries. Differences are expected as even OECD countries do not constitute a homogenous group with identical policy practices. The aim is to determine if Israel’s approach to public governance is consistent with the spectrum of experiences and good practices in OECD member countries. It is not the purpose of this report to provide policy options or recommendations regarding the public governance system in Israel, but rather to identify common trends, reform efforts and challenges experienced by Israel and OECD countries.

ⁱ This report is not intended to cover the territories known as the Golan Heights, the Gaza Strip and the West Bank. However, for technical reasons, this review sometimes uses Israel’s official statistics, which include data relating to the Golan Heights, East Jerusalem and Israeli settlements in the West Bank. In addition, certain statistics from secondary sources may have a similar scope.

5. The report is organised into eight chapters based on the Building Blocks developed by the PGC and which correspond to the themes in the Accession Roadmaps. The chapters provide two main types of information: a description of the institutions, actors, policies, and programmes in each area, and an assessment of the “coherence” between Israel’s system and policies observed in OECD member countries. It draws on Israel’s response to the 2008 PGC Accession Review Questionnaire, OECD reports and surveys (including the forthcoming *Government at a Glance*), secondary literature, interviews conducted during technical missions to Israel on 8-10 June 2009 and 6-8 July 2009, and follow-up inquiries.

STRUCTURE AND CO-ORDINATION OF GOVERNMENT

Main findings regarding coherence with OECD practices

- The structure and co-ordination of government in Israel is on par with the arrangements, initiatives, and challenges found in OECD countries. While certain characteristics make Israel unique (such as an orientation to improvisation in policy planning and implementation), other characteristics (such as the functions of the Prime Minister's Office and Government Secretariat) are similar to what can be found in the OECD area.
- Israel's recent efforts to enhance the capacity to govern in the central administration are consistent with the priorities of OECD countries: strengthening planning and monitoring capabilities, and enhancing the performance orientation of government. These efforts are relatively recent, however, and need to become better embedded in the administrative culture.
- The average tenure of a coalition government in Israel is about 22 months, making continuity potentially more difficult than in countries with fewer changes of government. The relatively low proportion of political appointees puts the civil service in a good position to facilitate continuity and inter-ministerial co-operation.
- The frequency with which Government change generates weak incentives for long-term planning. Recent and continued efforts to strengthen long-term planning capabilities can enhance alignment with the medium- to long-term orientation OECD governments hope to achieve.

Introduction

6. This chapter provides an overview of the structure and functioning of the Government of Israel. It complements information provided by the 2009 Briefing Note to the PGC. Specific attention is given to the dynamics at work in the executive branch at the Centre of Governmentⁱ, as well as the instruments and practices associated with co-ordinating the activities of the Government. The chapter concludes with an assessment of the coherence of Israel's arrangements with those found in OECD member countries. It draws on available literature, information provided during the June 2009 mission to Israel, and answers to questions provided by the Office of the Prime Minister.

Current practices

Overview of the Government (Executive)

7. Israel is a parliamentary democracy with legislative powers vested in a unicameral parliament with 120 members, called the Knesset. The country's formal head of state is the President, elected by a simple majority of the Knesset for a seven year term. He or she assigns the task of forming a new government and heading it as prime minister to the leader of the largest voting bloc in the Knesset. The President's tasks also include accepting the credentials of foreign envoys, signing treaties and laws adopted

ⁱ Centre of Government refers to "the body or group of bodies that provide direct support and advice to the Head of Government and the Council of Ministers". (James and Ben Gera, 2004)

by the Knesset, and appointing judges, the governor of the Bank of Israel, and the State Comptroller among other posts. He may also dismiss parliament at the request of the prime minister and thus call new elections.

8. The Government is headed by the Prime Minister. Ministers are appointed by and responsible to the Prime Minister and must be approved by the Knesset. Israel's system of low-threshold proportional representation in the Knesset has continually produced multi-party coalition governments, reflected in the ministerial cabinet. Many ministers and deputy ministers are Knesset members and political figures who are often selected for Government for party and political reasons. (Knesset, 2003; Freilich, 2006) Most are assigned a portfolio and head a ministry. Others take responsibility for special projects and serve without a specific portfolio. At present there are 30 ministers, including the Prime Minister and seven ministers without portfolio. The number of ministries varies according to the priorities of each new government. As a general trend, however, the size of the cabinet has increased over the years "with the creation of new ministries and the appointment of "Ministers without Portfolio" as a means of increasing the number of cabinet-level positions available for coalition formation." (Freilich, 2006: 640)

9. National elections must be held every four years but the Government's term may be shortened due to resignation, impeachment or death of the Prime Minister. In practice, coalition governments have lasted an average of 22 months.¹ (Migdalovitz, 2008)

10. In terms of policy making, the Government may address any issue which is not delegated by law to another authority. However, the Government is accountable to and supervised by the Knesset which may issue a vote of no confidence. The Knesset fulfils this role in a number of ways, particularly by:

- Approving all laws the government wishes to enact, including the budget and taxation laws;
- Requesting information from the Government, either in the context of permanent committees or in plenary sessions; and
- Reviewing reports of the State Comptroller in the State Control Committee; and debating and approving subsequent proposals presented to the Knesset plenum.² (Knesset, 2003)

The relationship between the Government and the Knesset is a tight one. In addition to the fact that ministers are also often elected members of parliament, support of 61 members is needed to form the Government. This puts a premium on coalition building and gives smaller parties influence in the governing process. The Government also has input on legislation. For each bill that is presented by a Knesset member, the corresponding/concerned minister responds prior to a vote.

Dynamics at the Centre of Government

Actors

11. The main actors at the centre of government are the Prime Minister's Office (PMO), which guides and supports the work of Government and the General Government Secretariat which manages the day-to-day work of the Government. The Prime Minister's Office includes several divisions, including the National Economic Council, the State Internal Audit Department, the Government Press Office and an internal legal department. Also within the Prime Minister's Office are the Department of Policy Planning and the Department of Policy Implementation. While the former is in charge of the planning process before government resolutions are passed, the latter is responsible for the follow-up to these resolutions, ensuring the needed co-ordination between ministries and monitoring progress. (PMO, 2009)

12. The PMO is headed by a Director General who also heads the forum of all the ministries' directors general, and manages the routine issues that arise among the line ministries and between line ministries and the core ministries, (especially the Ministry of Finance and Ministry of Justice).

13. The Government Secretariat facilitates the day-to-day work of the Government. It is an administrative unit headed by an appointed Government Secretary. Its main responsibilities include: preparing and assisting with Government meetings; assisting with Ministerial Committees (see next section); liaising between the Government and the Knesset, and between the Government and the President; acting as the Government spokesperson; and implementation and following-up of Government Resolutions. (PMO, 2009)

14. Overall the Prime Minister's Office has a permanent staff of 930 positions. Seven percent of staff is politically appointed. Of the 930 positions, 25 are housed in the General Secretariat, of which 8% are political appointments.³

Decision making

15. Decision making in Government is regulated by the "Statute of Government Operation" but the dynamics of decision making are affected by the coalition composition of the cabinet. In terms of rules, official Government meetings are held each Sunday. Ministers are able to submit proposed resolutions in advance of the meeting. Once approved by the Prime Minister they are placed on the agenda and discussed. An approved resolution is binding on ministers and must be implemented.⁴ Ministerial Committees may also pass resolutions, which become valid Government resolutions. (PMO, 2009) Government decisions are made available online (except for censored issues⁵), with government resolutions circulated to the media a week before each meeting. While this approach enhances transparency, it can also hamper the Government's ability to modify proposals if needed. (For more, see the chapter on Transparency and Accountability.)

Co-ordination and co-operation

16. In Israel, inter-ministerial co-ordination is facilitated through various committees. Ministerial Committees are authorized by the Government to address and resolve various matters. Several ministers participate on each committee, one of whom acts as the chairman. There are presently 44 such committees, some of which are required by law. Resolutions passed by Ministerial Committees become valid Government Resolutions if, two weeks after submission to Government ministers, no minister has appealed. (PMO, 2009) Other committees include director-general committees and committees comprised of professional officials. Some committees focus on policy planning, while others deal with policy implementation. Inter-ministerial committees are regularly formed to address issues touching on more than one ministry.

17. There are a variety of examples of inter-ministerial co-ordination:

- "City without Violence" (Box 1) is an example of successful inter-ministerial co-ordination. It highlights not only the role of the Ministerial Committee on Violence, but also the interaction between the national and local levels. Motivation for co-ordination is not just a central government concern. Local issues, such as violence, can lead municipalities to pressure the central government to co-ordinate and act to address the problem. It also demonstrates the role of foundations in Israel in bringing ministries together. Due to their active role in civil society, foundations can act as a catalyst to facilitate inter-ministerial collaboration. While the central government recognises the need to co-ordinate with local government and NGOs, there is also a desire to ensure that foundations remain at an arm's length from government.

Box 1. Inter-ministerial co-ordination with a local impact: City Without Violence

"City without Violence" is a national project developed in the city of Eilat in 2004 and subsequently rolled out to 11 other cities nationwide. It aims to stem citywide violence by changing the social climate and behavioural norms by bringing together multiple sectors at the municipal level (education, health, welfare, and police).

An example of inter-ministerial co-ordination, the project was led by a steering committee chaired by the Director General of the National Insurance Institute and composed of representatives from various ministries (e.g. the Ministry of Public Security, the Ministry of Education, the Ministry of Social Affairs and the Ministry of Health) and the main foundations supporting the project. At the local level, the project uses a local steering committee chaired by the mayor, professional committees for testing and planning, and professional staff for assisting with implementation as well as co-ordination between the national and local levels.

Sources : Ministry of Public Security (n.d.) "The City without Violence Program"; Innes-Kenig, O. (2008), "City without Violence" , *Innovation Exchange* No. 14, Ministry of Security.

- Another example of inter-ministerial co-ordination is the national programme for Children and Youth at Risk launched in 2008. This programme (also described in the chapter on multi-level governance) brings together five ministries: Welfare and Social Affairs, Education, Health, Immigration and Absorption, and Internal Security – as well as the central and local levels of government. An outgrowth of the inter-ministerial Prime Minister's Committee on Children and Youth (Schmid Committee), it represents an attempt to co-ordinate policies and services for children and youth distributed across multiple ministries. (Lahav, 2008) At the national level, the programme employs a shared budget among the five ministries, with Welfare and Social Affairs and Education being the largest contributors (60%). There is a high level commitment for successful horizontal co-ordination
- Finally, inter-ministerial co-operation was central to the preparation and implementation of Israel's Socio-Economic Agenda for 2008-2010. Prepared by the National Economic Council, in co-operation with various actors such as the Bank of Israel, the National Insurance Institute, and the Central Bureau for Statistics, the agenda sets two whole-of-government goals for Israel: 1) to reduce poverty while encouraging growth and 2) to create mechanisms for balanced, long-term growth. An inter-ministerial team for implementation was established as part of the Government Resolution adopting the Agenda. (PMO, 2009)

18. Inter-ministerial co-ordination has strengths and weaknesses in Israel. On the positive side, inter-ministerial committees are appointed by the Government, report to it, and there is a clear decision-making process. This provides the committee with influence and motivates participation. Also helpful is the fact that ministries have few political appointees. As a result, horizontal co-ordination relies heavily on civil servants. Because civil servants tend to be apolitical, as a group they approach day-to-day co-operation well. On the other hand, co-ordination gaps can exist among the Prime Minister's Office, the Ministry of Finance, the Ministry of Justice (including the Attorney General) and the executive offices. While inter-ministerial teams prefer to reach agreement collectively through persuasion and compromise, it is not infrequent in this situation for the decision making to be passed along to higher echelons. The "tendency to push decisions upwards rather than settle at lower levels" is not uncommon in coalition governments, including those in OECD countries. (James and Ben Gera, 2004)

19. While inter-ministerial co-ordination is challenging, no project has failed due to a lack of interdependent co-operation. However, a "whole of government" approach has proven far easier to achieve in crisis situations than on a day-to-day basis.

Planning and monitoring

20. Increased attention has been given to measurement and monitoring in the public sector in recent years, with a particular emphasis on the use of performance indicators. Key actors in this regard are the Department of Policy Planning (DPP) and the Department of Policy Implementation (DPI) housed in the Prime Minister's Office.⁶ As part of a larger overall effort to strengthen the capacity to govern, the DPP led an inter-ministerial effort which produced a 2007 planning guide to facilitate the production of annual work plans. (PMO, 2007) The timeframe for planning in Israel is three years, within which ministries produce annual work plans. Each plan includes measureable objectives, performance indicators, and targets.

21. In 2007, the Department of Policy Implementation (DPI) introduced a programme to monitor ministries' performance against the targets in their annual plans. Assessments are conducted using "Executing Government" software with the aim of quantifying overall performance, improving performance, and removing obstacles to the achievement of goals. In 2008, the assessment programme was conducted in 16 ministries. It was the first time that objectives were measured in a systematic way across multiple ministries. Overall, 69% of ministries' objectives were fully achieved, 16% were partially achieved, and 23% were not achieved at all. (PMO/DPI, n.d.) If performance appears to be "off-track", a re-evaluation of the annual work plan is undertaken. While there is general support for the monitoring activities, ministries are not always keen to comply as the programme requires time and resources. There is a limit to the influence the PMO has in this regard due to the sovereignty of each ministry.

22. The results of the monitoring programme are used in two ways. First, they are shared with the Director-General of the Prime Minister's Office, the ministerial cabinet, and to the ministries. In the future, results will be made available to the public online. Second, ministries must use this information, along with information from external stakeholders, to adjust performance targets in the subsequent year.

23. The monitoring programme was suspended in 2009 with the change of government and will resume in 2010.

24. In addition to monitoring the implementation of annual plans, the DPI also monitors the implementation of government decisions. As of January 2009, government resolutions must include clearly defined objectives, performance indicators, and a corresponding five-year budget. Performance indicators are incorporated into government resolutions that are of an operative nature and cost in excess of 30 million NIS.⁷ (Prawer, 2009) For the period from January to May 2009, 12% of government decisions were deemed to be performing at an "excellent" level, 7% at a "sufficient" level, and 47% were deemed to require further attention. 27% of government decisions that require monitoring were submitted with no measures at all. (PMO/DPI, n.d.) In these cases either the DPI develops measurements or it is done in collaboration with the planning unit in the ministry. Training regarding the use of performance indicators has been provided. In 2008, the PMO distributed software for teaching performance indicators and offered seminars and trainings to approximately 300 officials.

25. An annual report on government performance will be prepared by the end of the year.

Anticipating and preparing for future challenges - strategic planning

26. Strategic planning is the responsibility of the National Security Council, the National Socio-Economic Council and the Policy Planning Department, all of which are divisions of the Prime Minister's Office. Many aspects of strategic planning and long-range planning are also the responsibility of the Budget Division of the Ministry of Finance. To a great extent, the State Budget determines the national order of priorities.⁸ In addition, some ministries include departments for policy planning, and the

Government intends to establish planning units in the rest of the large ministries over the next three years. It is anticipated that the government resolution to establish these policy units will be accepted by the end of 2009.⁹ Finally, the influence of the ministries, often headed by individuals of different parties, can be felt in their spheres of activity. There is regular dialogue between the policy bodies in the Prime Minister's Office, and between them and the Budget Division and the planning units in other offices.

27. While efforts have been made to bolster planning capacities, long-term planning still encounters specific challenges.

- *Long-term planning is made difficult by the relatively quick turnover of ministers.* The window of opportunity for planning is narrow and focused on the short-term. Even the three year timeframe exceeds the average lifespan of a coalition government. "These short tenures compromised the ability to design and implement policy as politicians are weaker than the civil service, reforms are announced but not implemented, and long-term policies are often avoided." (Grinstein, 2009)

While the short tenure of politicians poses challenges, one mechanism can facilitate continuity government to government: the appointment of public or governmental committees to investigate an issue in depth and propose long-term policies. A number of topics were investigated in this manner recently, including: the limiting of tenures for senior government functionaries, education reform, and the implementation of the recommendations of the public committee regarding Bedouin settlement in the Negev. Other projects with widespread implications for government, such as the Merkava Initiative (see the chapter on e-government), have been sustained through changes of government due to consistency in key staff positions, multi-year planning, and the support of the Ministry of Finance and the Accountant General (Cresswell and Burke, 2006).

- *Coalition governments make planning co-ordination difficult.* Co-ordination of planning requires the facilitation of compromises between different actors, while avoiding political conflicts that can arise due to the nature of coalition governance. Major issues are frequently addressed by ministers representing different parties with weak incentives to conform to a Government agenda. (Reut Institute, 2008) Some OECD countries have a coalition council which assembles the leaders of the various parties under the prime minister in order to establish joint positions on important issues. This does not appear to be the case in Israel, although in both OECD countries and Israel the centre of government plays a critical coordinating role that smoothes out difficulties in coalition governance. (OECD, 1998)
- *Policy improvisation and implementation are more embedded in the administrative culture than planning.* Improvisation in reaction to urgent circumstances, limited resources, or limitations of existing plans is a valued trait, and while it can co-exist with effective planning, it may at present "crowd out" methodical decision making that fully considers alternatives. (Sharkansky and Zalmanovitch, 2000; Reut Institute, 2008)

There is a desire to instil a culture of planning and measurement in ministries, a step that began with the obligation being placed on ministries to prepare and publicise work plans, the adoption of the policy planning department's methodology, and the move to establish planning units in ministries.

28. On the positive side, Israel has a propensity for change that could be channelled through long-term institutional arrangements and a more adaptable planning structure.

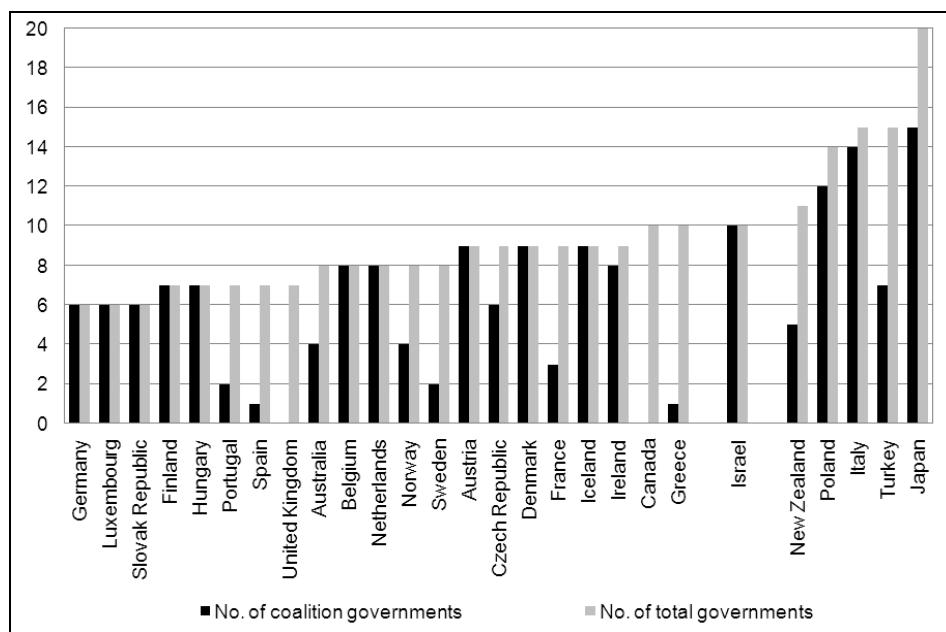
Coherence with OECD practices

29. The dynamics at the centre of government in each country are unique. The organisation and functioning of the centre of government develops over time in response to domestic factors, such as history, politics, laws, and local traditions. In Israel, this is true of the orientation to improvisation in the administrative culture. Although centres of government are “home grown”, similarities can be found among OECD member countries.

30. Like over two-thirds of OECD countries, Israel has a parliamentary system of executive power in which the head of government is usually selected by the legislature and is accountable to it. Like many OECD countries, Israel governs through a coalition. Between 1988 and 2008, Israel experienced 10 coalition governments. This places Israel on the upper end of the spectrum in terms of number of governments and number of coalition governments when compared to OECD countries (Figure 1). In Israel these 10 governments are compared to an expected 5 governments if each had served the full term between mandated national elections. These short tenures produce incentives to focus on the near term in the context of strategic planning. Efforts being made to strengthen the culture of planning in the executive branch are in line with the orientation of OECD governments.

Figure 1. Frequency of governments and coalition governments

OECD parliamentary systems and Israel, 1988-2008



Note: The number of government is defined as the number of terms served by the head of the executive branch (where a term is either defined by a change in the executive or an election that renewed support for the current government).

Sources: OECD (forthcoming), “Government at Glance”; Office of the Prime Minister of Israel (2009), “Former Governments”, Prime Minister’s Office web site

31. In OECD countries, Government Offices¹⁰ play a variety of roles. Israel’s Government Secretariat assumes traditional responsibilities such as preparing and assisting with Government meetings; assisting with Ministerial Committees; liaising between the Government and the Knesset, and between the Government and the President; acting as the Government spokesperson; and following-up and implementation of Government Resolutions. Strategic monitoring occurs in the Office of the Prime Minister by the Department of Policy Implementation. Within the OECD, such monitoring functions are often found at the centre of government, such as the Cabinet Implementation Unit in Australia. In OECD

governments there is variety in the nature of monitoring activities undertaken, ranging from tracking monitoring the passage of items in the legislative programme to ensuring sound policy design and implementation. (James and Ben-Gera, 2004; Commonwealth of Australia, 2008)

32. The emphasis placed on creating a culture of results-based decision making through the use of indicator systems is consistent with the use of performance-based tools in OECD countries. In prioritising the use of these tools, Israel's government resolution makes specific reference to the OECD: "The government of Israel sees importance in improving the planning, budget, measurement and monitoring processes in its work and in the work of government ministries, such that these processes will be, to the extent possible, participatory, accessible and transparent to the public, and aimed at achieving defined output and outcomes, in the spirit of the recommendations of the Organisation for Economic Co-operation and Development (OECD)." (Government of Israel, 2008) The PMO press release regarding the new system of indicators notes that 26 OECD countries incorporate performance indicators in decision-making. (PMO, 2008) Israel is making an effort to move away from a focus on monitoring inputs toward tracking outputs and outcomes. This, too, is consistent with monitoring in OECD countries.

33. In two-thirds of OECD countries, the Government's programme of work is co-ordinated at the centre of government. In the majority of OECD countries, the centre of government ensures that the government's deliberations on its strategic priorities take place with the benefit of a broad assessment of the overall economic, political, and social situation. Centres of government also ensure that the strategic priorities are harmonised with other strategic documents of the government, such as economic and fiscal strategies, and other key policy and reform strategies.¹¹ In Israel although planning is co-ordinated by actors in the Prime Minister's Office – it is a shared responsibility among a number of actors. Strategic planning also tends to focus on the short-term, as relatively short Government tenures hampering the medium to long-term perspective the OECD countries tend to seek.

34. In the OECD area, governments increasingly find themselves called on to engage in "whole of government" approaches. "Whole of government" is an umbrella term for the promotion of horizontal co-ordination and integration in policy design and implementation, as opposed to vertical silos. Some OECD countries have sought to increase co-ordination and integration by political and administrative strengthening of the centre of government, such as in the UK and New Zealand. Others, such as Canada, have sought to strengthen governance and accountability regimes. New units, such as the Cabinet Implementation Unit in Australia, have been created to promote collaboration among government entities. (Christensen and Lægveid, 2007) In Israel, inter-ministerial committees are frequently assembled and offer a cross-government perspective on issues affecting more than one ministry. As noted, however, a "whole of government" approach to inter-ministerial co-operation appears easiest to achieve in times of crisis.

35. A final point of comparison between OECD countries and Israel is the staffing at the centre of government. In most OECD countries, the Government Office is staffed by civil servants. The OECD has found that civil servants comprise a majority of Government Offices because of their mainly organisational and managerial functions but that nonetheless, the leadership of this office tends to be politically appointed. The vast majority of staff at the centre of government is also civil servants in Israel. Israel stands somewhat apart from OECD countries in its number of ministers. With a total of 30 ministers (including the prime minister and ministers without portfolio), it is exceeded only by Canada (38) and followed by Turkey (25 in 2008) - putting a premium on issues of co-ordination. The number of ministers does not necessarily correspond to the number of ministries, which range in OECD countries from 35 in New Zealand to 7 in Switzerland. (OECD, 2009b)

Conclusions

36. Structure and co-ordination at the centre of government in Israel is akin to arrangements found in OECD countries. The policy and co-ordination functions of the PMO and General Secretariat are found throughout the OECD area. Similar, too, is the desire to enhance the capacity to govern. Israel's recent efforts to enhance the quality of planning and monitoring processes are in line with approach to governance in OECD countries. When compared to most OECD countries, frequent changes of government in Israel stands out. This could make efforts to enhance governing capacity susceptible to change due to shifts in priorities. It also weakens the incentives for long-term planning. As a result, continued efforts to develop planning and monitoring capabilities would strengthen the alignment between governance in Israel and the practices found in OECD countries.

ENDNOTES

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- ¹ Between 1988 and 2008, for example Israel formed the 22nd (20.10.86-22.12.88) through 31st governments (04.5.06-31.03.09). (PMO, 2009)
- ² The State Comptroller is elected by the Knesset for a seven-year term. The State Comptroller functions as the Supreme Audit institution and reviews the legality, moral integrity, orderly management, efficiency and economy of government offices and all other institutions or corporations of the state, including local authorities. He also fulfils the function of Ombudsman examining individual complaints against public bodies. (Excerpt from OECD, 2009a; pp. 7-8)
- ³ Data provided by the Office of the Prime Minister, Department of Policy Planning
- ⁴ The manner in which resolutions are to be approved is provided in the “Statute of Government Operation”.
- ⁵ Decisions of the security cabinet are not available online.
- ⁶ A performance-based orientation is promoted not only through the Prime Minister’s Office, but through the Ministry of Finance as well. The 2001 recession prompted ministries to consider performance criteria to justify expenditures. While the 2008/2009 financial crisis is not as severe in Israel, the trend to consider performance as criteria for expenditures is likely to continue.
- ⁷ There are approximately three resolutions per month that have operative outcomes. (Prawer, 2009)
- ⁸ The Omnibus Law of Arrangements accompanies the State Budget and is intended to facilitate more coherent policy. Unlike other laws considered by the Knesset which address a single issue, the Omnibus Law of Arrangements is a package of legislative changes deemed necessary to implement the Government’s social and economic agenda. Source: Nachmias, D. and E. Klein (1999), “The Economic Arrangements Bill: Between Economics and Politics”, Policy Paper No. 17, The Israel Democracy Institute. Summary accessed August 2009 at http://www.idi.org.il/sites/english/PublicationsCatalog/Pages/PP_17/PP_17.aspx.
- ⁹ Two issues are being considered: 1) if policy units should be established in all the ministries at once or if they should be established gradually; and 2) how positions and budget should be distributed among line ministries.
- ¹⁰ The Government Office is a generic term that refers to the administrative body that serves the head of government and Council of Ministers/cabinet (James and Ben-Gera, 2004)
- ¹¹ Extract from a speech by Odile Sallard, Director of the OECD Public Governance and Territorial Development Directorate, given to Red Iberoamericana de Ministros de Presidencia y Equivalentes (RIMPE) in Mexico City, September 26, 2005 (unpublished).

BUDGET PRACTICES AND PROCEDURES

Main findings regarding coherence with OECD practices

- Overall, there is coherence between the budget practices and procedures in place in Israel and with those of OECD member countries, particularly in the areas of aggregate fiscal discipline, resource allocation and reallocation, service delivery, and budget transparency and accountability.
- Aggregate fiscal discipline is assured in Israel by strong institutional arrangements, including an expenditure rule and a deficit rule anchored in basic laws. The strong position of the Ministry of Finance and the Prime Minister's Office in the budget process enables these ministers to assure compliance of the annual budget with the fiscal rules. The lack of a multi-annual expenditure framework and the lack of multi-annual estimates on the basis of current policy mean that fiscal discipline is very much focused on next year's budget. In some, but not most, OECD countries the medium term perspective of the budget process is better developed.
- Resource allocation in the Israeli budget process is dominated by the Ministry of Finance and the Prime Minister's Office. In periods when the budget process focuses on savings, this is often also true in OECD countries. However, in more normal times when there are new resources to be distributed, line ministers in OECD countries generally hold more sway over the allocation of these resources than line ministers in Israel. Israel is developing plans to strengthen the position of the line ministers, not only for this purpose but also for the purposes of maintaining fiscal discipline, sectoral planning and steering of executive agencies. The flexibility of the budget during budget execution is comparable to many OECD countries. Good mechanisms exist for reallocation and carryover that are not too strict and that work smoothly.
- Mechanisms for delivering public services vary among OECD countries. Some OECD countries have a substantial private non-profit sector in health and education which is partly or wholly publicly financed. This is also the case in Israel. Other individual services and collective services are mostly provided by municipalities and the State. As far as State providers are concerned, Israel has plans to transfer more autonomy to the executive agencies, as a number of OECD countries have done, but these plans are still in an early stage of development and implementation.
- The budget is accompanied by an explanatory document that gives a good overview of the main characteristics of the budget. The budget itself is a readable document. The number of appropriations at the blue book level is moderate. The expenditures and revenues of the extra-budgetary funds, as well as a survey of tax expenditures, are included in the budget documentation. Budget execution is reported monthly and published on the website of the Ministry of Finance.
- Effective internal audit procedures assure the reliability of financial reporting through compliance and operational audits. Internal audit procedures are similar to those in OECD countries.
- Israel has an effective procedure of external audit and a well-organized external audit institution, the Comptroller General, that produces reports considered important and of high quality. Follow-up by the Audit Commission of the Knesset is considered effective, which is not always the case in OECD countries.

Introduction

37. This chapter describes key characteristics of budgeting in Israel. The first section is devoted to current practices concerning budget formulation and approval, budget implementation, accounting and

auditing. Two following sections discuss the government's reform agenda and provide a comparison of budgeting in Israel with OECD practices. This chapter is largely based on information provided during a mission of the OECD Secretariat to Israel on 6-8 July 2009. Meetings were arranged with officials of the Ministry of Finance, the National Economic Council, the staff of the Finance Committee and the Research and Information Centre of the Knesset, the Bank of Israel, and the State Comptroller's Office.

Current practices

38. Israel does not have a single formal constitution. Instead its governmental institutions are based on basic laws and judicial constitutional precedents, which together form the Israeli Constitution. In the area of budgeting, the relevant basic law is the Basic Law on the State Economy which contains fundamental provisions concerning taxation, transactions in state assets, the budget and the currency. The Basic Law on the Government Budget for the Years 2009-2010 contains specific provisions regarding the bi-annual budget for the year 2009-2010 which are different from the provisions of the Basic Law on the State Economy (and thus excludes the budget for those years from the application of the latter law). The Basic Law on the Knesset refers to the ramifications of a situation where the Knesset does not pass the annual budget (which is also a law). Apart from the abovementioned basic laws, there are two ordinary laws: the Foundations of the Budget Law, which is generally comparable to the institutional budget law of OECD countries and the Law on the Reduction of the Deficit and Limitation of Budget Spending – that contains fiscal rules for the annual budget. The Foundation of the Budget law is not a basic law and therefore must comply with the provisions of the basic laws, in the same way as the institutional budget law in OECD countries must comply with the constitution (if there is a constitution). The Israeli Supreme Court gives the Foundation of the Budget Law a semi-constitutional status, in that the annual budget law passed by the Knesset must conform to the Foundations of the Budget Law.

Budget formulation

39. The fiscal year in Israel coincides with the calendar year. The budget is a law that in normal years (not for the budget years 2009-2010) has to be submitted to the Knesset by the 1st of November, which allows the parliament two months for debate and approval of the budget. The Budget Law is accompanied by a complementary Arrangements Law (that goes by various names). The Arrangements Law is an omnibus law that collects all changes in substantive laws required to implement the budget (for instance entitlement laws that determine mandatory spending) and some other economic reforms. Table 1 provides an overview of the subsequent steps of the budget formulation process.

Table 1. Budget formulation process

Actor(s)	Role
Ministry of Finance in collaboration with line ministries	Shaping working plans
Ministry of Finance	Growth forecast and state revenue estimate
Ministry of Finance	Calculating the automatic pilot budget
Ministry of Finance	Calculating the expense limit and the deficit ceiling on the basis of the fiscal rules
Government	Decision on main budget parameters (total expenditures, revenues, deficit) and major spending priorities
Ministry of Finance in collaboration with line ministries	Finalizing the structural changes in spending programmes and the required budget accommodation
Government	Decision on ministerial ceilings
Line ministries	Preparing detailed budget (blue book)
Minister of Finance	Presentation of Budget Law and Arrangements Law to the Knesset

Source: Israeli Ministry of Finance

40. The budget process starts before the summer with the elaboration of a working plan and a forecasting exercise conducted by the Ministry of Finance. The Ministry not only estimates the macro-economic developments that are relevant for the budget (GDP, inflation, oil-price, etc.) but also expenditures based on current policies (the so-called automatic pilot budget). In the last few years it has always been the case that the automatic pilot budget is larger than total expenditures allowed by the fiscal rules, so that the budget process has become an annual savings exercise. This savings exercise is dominated by the Ministry of Finance and the Prime Minister's Office. The required consolidation measures are proposed by the Ministry of Finance and approved by the government after many adjustments in reaction to the line ministries' comments. The budget adjustment is done to a great extent with the ministries' collaboration. The resulting ministerial ceilings and their underlying suppositions are communicated to the line ministries in the budget circular. Subsequent budget requests must comply with the ceilings. Tax revenues are estimated by the Government Revenue Administration on the basis of the GDP growth assumption (split for separate GDP components) of the Economic Research Division. The stock exchange index is another important indicator. The original budget estimations for 2009 were decided at the beginning of 2008, before the world financial crisis erupted. In the present financial crisis the GDP assumption has been widely off the mark. Total tax revenues for 2009 are now expected to be 30 billion NIS lower than the original forecast, of which 18 billion NIS is due to overestimation of GDP and 6 billion NIS is due to the fall in the stock exchange index. This amounts to a short-fall of 15% of forecasted tax revenue, which is about the average shortfall in 2009 in OECD countries.

41. Israel has two fiscal rules, which are spelled out in the Basic Law on the Reduction of the Deficit and Limitation of Budget Spending. The first is a limit on the state deficit. Excluding sub-national government, extra-budgetary funds, earmarked revenues, expenditures financed by earmarked revenues and debt repayment, the state deficit has to stay below the limit of 6% of GDP in 2009, 5.5% in 2010, 3% in 2011, 2% in 2012, 1.5% in 2013 and 1% in 2014 and later years. The second is a limit on growth of central government expenses. Excluding the expenditures that are excluded from the calculation of the state deficit and calculated on an accruals basis (implying that investments are excluded but depreciation is included), the budget for central government expense can increase up to 1.7% in real terms annually (from the previous year's central government expenses), and with an added 1.35 % in both 2009 and 2010 to provide additional stimulus during the fiscal crisis. Both fiscal rules have to be complied with in any year. This means that depending on tax policy, one of the rules will provide the effective constraint. In fact the expense rule has always been the effective constraint since the adoption of the basic law (the deficit limit never being attained). For the preparation of the 2009-2010 budget the two rules were equally effective.

42. The budget and budget documentation submitted to the Knesset consists of three parts: (1) the appropriations proposals at the level of the ministry and main activity (policy area); (2) the line item estimates by programme and regulation (for mandatory spending); and (3) the draft Arrangements Law. Part (1) is called the blue book and must be adopted by the Knesset. Part (2) is called the green book and is submitted for information purposes, but does not require action by the Knesset. Part (3) must be adopted by the Knesset in order to implement the policy changes required by the budget. The budget consists of 1 736 appropriations at the blue book level and 13 379 line item estimates at the green book level.

43. The blue book and green book contain budgetary and employment estimates which are provided in four columns for every appropriation or line item: 1) a column for cash expense (the financing is provided by the state revenues and if necessary by the deficit), 2) a column for expenditure financed by earmarked revenue, 3) a column for obligations – reflecting the scope of new obligations that can be created for a multi-annual task, and 4) a column for the number of employees.

44. There are three extra-budgetary funds in Israel. The first is the Commissions Fund (about 1 billion NIS). The government of Israel provides guarantees on loans to various public and private institutions. In return for such guaranties, the State collects commissions (fees) from the institutions whose

loans are guaranteed. The commissions are used to cover the losses due to default on guaranteed loans. There is a legal ceiling on total outstanding guaranties of 10% of budgetary expenditures excluding capital expenditure (about 21 billion NIS). The second is the Compensation Fund (about 0.6 billion NIS). The Fund is financed by 10% of the proceeds of the property tax and 15% of the proceeds of the acquisition tax. The rates can be adjusted by the Minister of Finance with approval of the Finance Committee of the Knesset. The fund is used to compensate owners of real estate for damage caused by natural disaster, military operations, etc. The third is the Internal Fund for the Government's Insurances (about 1.0 billion NIS). The Fund is used to compensate damage to government property (mostly real estate and vehicles) and government liabilities vis-à-vis the public. The total sum of insured property is about 41 billion NIS.

45. The budget documentation provides an overview of tax expenditures.¹ The tax expenditure budget is around 4.5% of GDP. In the past it has been larger (more than 6.5%). The Ministry of Finance tries to limit tax expenditures, with mixed success. Some tax expenditures have been abolished or limited (capital gains and income from interest, fringe benefits). Other attempts to limit tax expenditures have failed.

46. On several occasions the tax laws were adjusted as part of the Arrangements Law. For instance the 2009 Arrangement Law was used (abused according to some officials) to implement a programme of substantial tax relief that will only come into effect over the period 2011-2016. This was done to increase certainty in the markets about long-term tax policy, although it did not directly affect the 2009-2010 budget.

Budget approval

47. The budget is considered by the Knesset in three readings. Each reading is prepared by a session of the Finance Committee. In the first reading the macroeconomic context of the budget and the main policy objectives of the budget (totals of expenditures and revenues, deficit, major tax and expenditure initiatives) are presented by the Minister of Finance and considered by the Knesset. During this reading all members of Government are present in the Knesset. In the second and third reading the appropriations of the blue book are considered. The Knesset authorises the budget only at the level of blue book appropriations (green book re-allocations are subsequently decided by the comptrollers of the line ministries with approval of the Minister of Finance).² During the second and third readings the Minister of Finance and the line minister are invited to the plenary session. Experts and ministerial staff can be invited to provide information to the Finance Committee. During the second reading amendments to separate appropriations can be proposed. Amendments can be endorsed by the Finance Committee, but amendments can also be proposed in the plenary session without endorsement of the Finance Committee. Amendments to the budget laws need to be supported by 50 members of the Knesset in order to be eligible for a vote. This support requirement will be increased by the present cabinet to 55 members. (The Knesset has 120 members so the support requirement approaches the absolute majority of the membership).

48. Every year the Knesset amends the budget for a few billion NIS, less than 1% of total expenditures. Fees as a source of non-tax revenues are not authorized by the budget laws (the expenditures financed by fees are). Instead fees have to be approved by the Finance Committee on the proposal of the Minister of Finance. The Finance Committee has also an important role in regard to reallocation and carryover of funds (see below under budget execution).

49. If the Knesset does not approve the budget before the beginning of the fiscal year (1 January), spending can proceed monthly on the basis of 1/12 of the (total) budget of the previous year, in real terms. Allocation between ministries, programmes and line items is in that case decided by the Minister of Finance, based on a general rule of precedence between expenditures, which gives the Minister large

discretion. If the Knesset has not approved the budget by 31 March, the Knesset is automatically dissolved and new elections must take place. The new elected government has 45 days to prepare and submit a new budget. If it fails to do so there has to be a new election.

Box 2. The Knesset Research and Information Centre

In 2000, the Knesset established a Research and Information Centre which provides services to all members of the Knesset as well as Knesset committees and staff of the Knesset. Its services include: provision of background documents, international comparisons, economic analyses, comparative studies, long term studies, information posters for citizens, and consultants for committees. In the area of budgeting the Centre provides independent cost estimates of major programmes or policy proposals, which may differ from the costs estimates provided by the Government. The Centre feels that its activities in the area of cost estimates have contributed to the improvement of the estimates provided by the Government, since the Government now knows that its estimates will be checked and possibly be challenged.

Budget execution and service delivery

50. In Israel the Ministry of Finance exerts not only a firm control over budget preparation but also over budget execution. Payments are made and accounts are held by the financial division of the line ministries, the head of which is an official of the Ministry of Finance: the Chief Financial Officer (CFO), an accountant who reports to the Accountant General of the Ministry of Finance. The financial divisions of the line ministries are staffed by 5-250 officials who, apart from the CFO, are employed by the line ministry. In each line ministry there are dozens of budget holders in the line directorates, who are responsible for payments authorized by one or more line items of the green book (programmes, payments based on specific regulations). Budget holders have to direct payment requests to the CFO, who checks the availability of authorized appropriations and sends the payment order directly through the financial system at the Department of the Accountant General (that can halt the payments) and executed through the main account (Single Treasury Account) in the Bank of Israel. The Single Treasury Account is controlled by the Department of the Accountant General.

51. Under the Deputy Accountant General for Managerial Information in the Ministry of Finance there is a unit which is responsible for cash management and reporting on budget execution estimates. The unit, employing a staff of four analysts, makes daily and monthly reports to the Minister of Finance on the development of revenues, expenditures and the deficit. The unit makes use of a Managerial Information System, based on the payment data of the line ministries. The unit is also responsible for the allotment of monthly cash balances to the budget holders, so-called monthly portions. Portions are based on historical cash patterns and, in special cases, on cash plans, put up by the CFOs of line ministries in co-operation with budget holders. The unit publishes monthly surveys of the development of budget execution on the website of the Ministry of Finance.

52. Reallocation during budget execution is possible under strict conditions. A shift of funds of more than 15% of the appropriated amount on a blue book appropriation and a shift of funds of more than 2 million NIS of a blue book appropriation needs the approval of the Finance Committee of the Knesset. Smaller reallocations and reallocations in green book estimates can be decided by the Budget Department of the Ministry of Finance (after checking with CFO) with a notice to the Department of the Accountant General. In practice the Finance Committee of the Knesset approves dozens of reallocations almost daily. Carryover of appropriated funds to a next budget year is possible with the approval of the Ministry of Finance and the Finance Committee of the Knesset.

53. At the national level services are mostly delivered by agencies that are integrated in the line ministries and that do not have a separate financial administration. This is different for the armed forces

and some other agencies in the area of security. Furthermore, there are a few independent agencies (not subject to ministerial responsibility) with a separate financial administration, such as the Bank of Israel, the universities, the Knesset, the State Comptroller, the Securities Authority and the National Insurance Institute. In addition the executive branch of Government includes certain authorities based on law, which have a separate financial administration and enjoy flexibility and broad freedom of action comparable to government ministries, i.e. the Israel Airports Authority, the Israel Broadcasting Authority, and the Patent Authority. Apart from these institutions, there are no agencies that have been put at a distance of the core ministries in order to provide them with large autonomy and flexibility.

54. Many tasks have been decentralised to local government. (For the organisation and financing of local government see the chapter on multi-level government.) Primary, secondary and tertiary education (including kindergartens) represent 8.3% of GDP (2008) and are funded by the central government (53%), local authorities (22%) and the private sector (parents and private funds; 25%). Health care is partially provided by private non-profit institutions and partially by the State (in both cases mostly publicly funded through social security). There are 12 non-profit hospitals and 24 state hospitals. General practitioners (family doctors) are in the private sector (but largely publicly funded).

Accounting and auditing

55. Accounts are kept by the financial divisions of the line ministries under the supervision of the CFOs (who are officials of the Ministry of Finance). The chief accountant in the Department of the General Accountant in the Ministry of Finance is responsible for the consolidated financial statements of the Israeli Government which is established on accrual basis based in accordance with the international accounting standards (IPSAS). The budget execution report is established on cash basis and presented in the format of the budget items. An additional report is established concerning the reconciliation of the financial statements with the budget execution report. All reports are submitted annually to the State Comptroller of the State of Israel and subsequently sent to the Knesset.

56. There is also a Deputy General Accountant in the Ministry of Finance who is responsible for internal audit (not the chief accountant responsible for the accounts). Internal audit is based on the Auditing Law. This law refers to internal audit only (external audit by the State Comptroller is regulated by the State Comptroller's Law). The process of internal auditing proceeds on the basis of a five year audit plan. Internal audits are mostly financial audits and operational audits. Financial audits focus on the reliability of the accounts and the compliance of the budget execution process with the applicable legislation and regulations. Operational audits focus on the quality of the administrative organisation, in particular whether it guarantees the compliance of budget execution with the applicable legislation and regulation. There are forty executive units to be audited, a bit more than the number of ministries (thirty) because some ministries comprise more than one executive unit. The Deputy General Accountant for Audit meets with the Office of the State Comptroller (the external audit institution) when needed and provides him/her all information he/she would like to receive. However, internal audit documents are not submitted automatically to the Comptroller General.

57. External audit of the government financial statements by certified accountants is not mandatory by law but the Accountant General has decided to buy services of accountancy firms to execute external audit of government financial statements. Today, 12 ministries are audited by external certified accountancy firms in a process that will gradually cover all ministries. The process is managed by the Chief Accountant. This form of external audit is complementary to the external audit by the Comptroller General (the supreme audit institution of Israel).

58. In Israel the State Comptroller (the supreme audit institution) serves simultaneously as Ombudsman (where citizens can file complaints about government that are not susceptible to litigation in

administrative or civil courts). The Comptroller audits all expenditures and revenues of the every government ministry, every enterprise or institution of the State, every person or body holding State property, every local authority, every governmental corporation, as well as a number of other institutions and corporations made subject to audit by law or, in certain cases, by decision of the Audit Committee of the Knesset or of the State Comptroller (for instance: political parties). The Office of the State Comptroller has a staff of 540 employees of which 380 are working on audit (the remainder on Ombudsman tasks). The State Comptroller conducts financial audits and performance audits. Performance audits focus on the efficiency and effectiveness of public policies. Of all audits by the State Comptroller 25 to 35% are financial audits and 65 to 75% are performance audits. Draft audits are submitted to the audited entity for comment and subsequently adjusted and approved by the Comptroller General. Most audits are published in the annual Audit Report. Audits on local government are published in a separate report. Every year some 15-20 larger audits are published in separate reports. All reports are submitted to the Knesset and published on the website of the State Comptroller in the beginning of May. For the security ministries a different time schedule applies.

59. The Audit Committee of the Knesset meets weekly. In every meeting 2 or 3 reports are tabled. The committee invites the Comptroller General's Office as well as the audited entity to its meetings. The committee is very influential. In many cases the committee asks the audited entity to take certain measures proposed by the State Comptroller and report back to the committee. The committee can invite the audited entity for a follow up meeting after two or three months to check whether the measures have been implemented. The Audit Committee is traditionally chaired by a Knesset member of the opposition (of a party excluded from the incumbent cabinet). In 2008, the performance audit on the Lebanon war of 2006 was discussed in the Audit Committee for 10 weeks.

Future policy priorities and planned reforms

60. The Basic Law on the Government Budget for the Years 2009-2010 contains special institutional provisions concerning the budget 2009-2010. The Basic Law should not be confused with the 2009-2010 budget, which is the appropriations law that contains the biannual budget for 2009-2010. The Basic Law makes it possible to extend temporary spending on the basis of the budget 2008 until 15 July 2009 and to work for 2009 and 2010 with a bi-annual budget. The bi-annual budget will contain special columns for appropriations in 2009 and 2010, but the carryover rules will be suspended (all appropriations 2009 can be carried over to 2010 without constraint). Since the Basic Law only refers to 2009 and 2010, Israel will return to an annual budget after 2010.

61. The Ministry of Finance and the Prime Minister's Office are presently considering institutional reforms to be implemented after 2010. Three areas of reform are foreseen: (1) improvement of multi-annual budgetary planning, (2) strengthening of the role of line ministries in sectoral planning and maintaining budgetary discipline, and (3) giving more financial autonomy to executive agencies.

Improvement of multi-annual budgetary planning

62. At present Israel does not develop and publish multi-annual expenditure estimates based on current policies or current law. At the beginning of the budget cycle current policy estimates are made up only for the upcoming fiscal year, as basis for the budget negotiations (the automatic pilot budget). Israel does have an expenditure rule which puts a ceiling on total expenditures in future years, but this ceiling is not divided over ministries, so that an expenditure framework in the sense of a set of medium term ministerial expenditure caps is lacking.

63. The absence of current policy estimates on the one hand and ministerial caps on the other hand has important disadvantages. It means that policy initiatives with budgetary effects in later years cannot be

assessed. If they imply expenditure increases in later years, it cannot be established whether these increases can be accommodated under the ministerial caps (because there are neither expenditure estimates nor caps). Similarly, measures that lead to savings in later years cannot be assessed to see whether they are sufficient to resolve future problems. Since it is true for most substantial savings measures that they only start to become effective in the medium term (think of measures to adjust entitlement laws), the lack of a medium term perspective means that attention is diverted to measures with short term effects, that are typically less substantial and less focused on structural reform.

64. The Ministry of Finance is presently developing plans to provide more medium term perspective to the budget process by developing multi-annual expenditures estimates at line item level and by establishing a multi-annual expenditure framework that divides total expenditures (defined by the expenditure rule) over the line ministries. This builds on efforts that have been undertaken in recent years to take the multi-annual consequences of policy changes into account (for instance policies concerning public pensions).

Strengthening the role of line ministries

65. The role of the line ministries in the budget process is weak in Israel, both in the formulation stage and in the execution stage of the process. A necessary condition for strengthening the role of line ministries is the development of an expenditure framework with ministerial caps. Ministries can only be allowed more discretion on allocation of resources between programs and line items if there is a clear medium term ministerial cap and if line ministers accept the responsibility for fiscal discipline within those caps. Another necessary condition is the improvement of the sectoral planning process. Line ministers should take on the responsibility to make medium term and long term strategic plans for the policy areas for which they are responsible. These plans should contain measurable output and outcome indicators and should be regularly updated in the light of budgetary decisions. Line ministers should be held accountable for the realisation of their plans in the Knesset and in the public policy debate. Israel has made attempts to develop sectoral plans in 2008 and a sectoral planning guide was published in 2007, but thus far the planning process is not placed in the context of a larger responsibility of the line ministers for the use of financial resources. The Ministry of Finance and the Prime Minister's Office are considering a reform of the planning process in conjunction with the introduction of medium term expenditure ceilings. In order to increase the ministries' flexibility there budget regulations have in recent years been reduced. The number of budget regulations decreased from 9440 in one fiscal year to 7980.

More financial autonomy for executive agencies

66. Israel has independent agencies (not subject to the responsibility of a line minister), such as the Central Bank and the agencies that execute the social security legislation, but it has not given a special status to the executive branches of line ministries, as is the case in a number of OECD countries. Particularly the financial administration of the executive branches of the line ministries has not been separated from that of the core ministries. This makes it difficult to assess the cost of services and to grant more autonomy to managers concerning the organisation of the production process and the input mix. More discretion for agency managers is an important condition for improved steering of agencies on the quality of services and the efficiency of the production process. Israel is considering reforms aimed at more autonomy of executive agencies, in conjunction with better steering on service quality and efficiency, possibly starting in a few pilot ministries.

Coherence with OECD practice

67. This section briefly compares the budget institutions of Israel with those in OECD countries. The coherence will be assessed by four criteria: aggregate fiscal discipline, efficient resource allocation and reallocation, effective service delivery and budget transparency and accountability.

Aggregate fiscal discipline

68. Aggregate fiscal discipline is assured in Israel by strong institutional arrangements. The fiscal rules are strictly adhered to. In practice the expenditure rule has provided the effective constraint in the last decade (the deficit ceiling never being attained). The dominant position of the Ministry of Finance in the budget formulation process makes it possible for the ministry to make sure that the fiscal rules are complied with. If necessary the Ministry of Finance can decide on savings measures in the budget of line ministries with the approval of the Prime Minister's Office without much involvement of the line ministry. The lack of a multi-annual expenditure framework with medium term ministerial caps and the lack of multi-annual estimates on the basis of current policy mean that the maintenance of fiscal discipline is very much focused on next year's budget. In a number of OECD countries the medium term perspective of the budget process is better developed. The need to provide multi-annual estimates to all proposed policy measures prevents the adoption of measures that lead to high future expenditures that cannot be accommodated within ministerial caps. Similarly, the need to provide multi-annual estimates leads to better quality savings measures which focus on structural reform.

Efficient resource allocation and reallocation

69. The allocation process in Israel is dominated by the Ministry of Finance and the Office of the Prime Minister. In theory the line ministers can put forward proposals to expand spending on programmes in their domain, but in practice the budget process in Israel has in recent years been characterized by the need to find savings in order to comply with the expenditure ceiling. Since line ministries are typically not very good in developing good savings proposals – this is true in all OECD countries, not just in Israel – this task is fulfilled in practice by the Ministry of Finance and the Prime Minister's Office. Some OECD countries have sometimes devised special procedures for the development of savings procedures (spending review, interdepartmental policy review, strategic programme review, strategic planning reviews, etc.), but in many cases the Ministry of Finance takes on this task, like in Israel. Probably the role of the line ministries will become more important if there are resources to be distributed in the budget process. It would help if by then the capacity of the financial divisions of the line ministries would have been strengthened, not only for this purpose but also for the purposes of maintaining fiscal discipline, sectoral planning and steering of executive agencies.

70. The flexibility of the budget during budget execution is comparable to that of many OECD countries. Restrictions to reallocation only apply to the 1736 appropriations at the blue book level. These appropriations are defined by ministry and policy area and their number is not significantly higher than in most OECD countries (and much smaller than in some of these countries). Furthermore, the restrictions on reallocation are not utterly severe, which makes it generally possible to achieve the reallocations wished by the government without too much delay. Carryover of resources to a next budget year requires the approval of the Finance Committee of the Knesset, but is not subjected to further restrictions such as preset caps or compensation in the new budget year.

Effective service delivery

71. In Israel delivery of (partly) publicly funded individual services is for a substantial part left to the private non-profit sector. This applies to about half of primary and secondary education and half of

hospitals. General practitioners (family doctors) are all in the private sector (but largely publicly funded). In general such an arrangement fosters good service quality and efficient production through competition. In OECD countries, practices concerning the provision of individual services vary widely between countries. Many OECD have a substantial private not-profit sector in health and education which is partly or wholly publicly financed. OECD countries that do not, often try to introduce incentive mechanisms in their public sector institutions that are comparable to those of the private non-profit sector in order to improve service quality and efficiency.

72. Collective services in Israel are mostly provided by municipalities and the state. As far as state providers are concerned, Israel has plans to transfer more autonomy to the executive agencies, as a number of OECD countries have done, but these plans are still in an early stage of development and implementation.

73. It should be noted though, that the steering and control of agencies remains an area of experimentation and reform also in those countries that have given their agencies a larger margin of discretion. It is not the case that in this area a best practice has already been established among OECD countries that can now be considered as the standard for all OECD countries.

Budget transparency and accountability

74. The institutional legislation assures that budget procedures in Israel are in accordance with the OECD Best Practices for Budget Transparency. The budget is accompanied by an explanatory document that gives a good overview of the main characteristics of the budget. The budget itself is a readable document. The number of appropriations at the blue book level is moderate. The expenditures and revenues of the extra-budgetary funds are included in the budget documentation. A survey of tax expenditures is also included in the budget documentation.

75. Budget execution is reported monthly and published on the website of the Ministry of Finance. Effective procedures of internal audit assure the reliability of financial reporting through compliance and operational audits. However, it is not entirely clear who is ultimately accountable for financial reporting. The internal auditors report both to the line ministers and the General Accountant of the Ministry of Finance, but what happens if the line minister does not want to follow up on their recommendations is not entirely clear. In most OECD countries, internal auditors report to the line minister and the line minister is accountable to the Knesset for the reliability of the financial reports on their expenditures, notwithstanding the accountability of the Minister of Finance for the accounts in general. Furthermore, in Israel internal auditors do not conduct performance audits. If they would, the accountability of the line ministers would even become more important, because the Minister of Finance cannot take ultimate responsibility for the effectiveness and efficiency of policies in line ministries.

76. Israel has an effective procedure of external audit and a well organized external audit institution, the State Comptroller that produces reports that are generally considered as important and of high quality. The follow up of the reports of the State Comptroller is also effective: the Audit Commission of the Knesset is a powerful committee that meets weekly to discuss the reports with the responsible minister and civil servants. The procedure is generally considered to be effective and leads to complete compliance with the recommendations of the Comptroller.

Conclusions

77. Overall, there is coherence between the budget practices and procedures in place in Israel and with those of OECD member countries. Aggregate fiscal discipline is assured in Israel by strong institutional arrangements, including an expenditure rule and a deficit rule anchored in basic laws. The

strong position of the Ministry of Finance and the Prime Minister's Office in the budget process enables these ministries to take the necessary measures in order to assure the compliance of the annual budget with the fiscal rules.

78. The lack of a multi-annual expenditure framework and the lack of multi-annual estimates on the basis of current policy, means that the maintenance of fiscal discipline is very much focused on next year's budget. In some but not most OECD countries the medium term perspective of the budget process is better developed. The Ministry of Finance is presently developing plans to provide more medium term perspective to the budget process.

79. The allocation of resources in the Israeli budget process is dominated by the Ministry of Finance and the Prime Minister's Office. In periods where the budget process needs to focus on savings, this is often also the case in OECD countries. However, in more normal times when there are new resources to be distributed, line ministers in OECD countries generally hold more sway over the allocation of these resources than in Israel. Currently, plans are being developed in Israel to strengthen the position of the line ministers, not only for this purpose but also for the purposes of maintaining fiscal discipline, sectoral planning and steering of executive agencies.

80. In Israel delivery of (partly) publicly funded individual services is for a substantial part left to the private non-profit sector. In OECD countries practices concerning the provision of individual services vary widely between countries. Many OECD have a substantial private not-profit sector in health and education which is partly or wholly publicly financed. This is also the case in Israel. Service provision by the private non-profit sector can have advantages from the point of view of efficiency and citizen satisfaction since it allows choice and competition.

81. Other individual services and collective services are mostly provided by municipalities and the State. As far as State providers are concerned, Israel has plans to transfer more autonomy to the executive agencies, as a number of OECD countries have done, but these plans are still in an early stage of development and implementation.

ENDNOTES

¹ A tax expenditure is an exemption to the definition of the tax base or to the regular rate of remit. The allocational effect of a tax expenditure is the same as that of a cash transfer at the expenditure side of the budget.

² Green book reallocations may be necessitated by blue book authorizations by the Knesset, but may also be initiated by the line ministers themselves.

HUMAN RESOURCE MANAGEMENT PRACTICES IN THE PUBLIC SECTOR

Main findings regarding coherence with OECD policies and practices

- Israel's large public sector employs 27% of the country's workforce. As a consequence, production costs in the public domain represent more than 25% of the GDP - higher than the OECD average.
- Israel's civil service is largely a career-based system with strong emphasis on maintaining core values and a collective culture but there is a move towards more decentralisation and individual performance, which are features of a position-based system.
- Israel has made considerable improvements in addressing corruption and conflicts of interest, strengthening the merit principle in recruitment and promotion, and maintaining a core set of values through the implementation of a senior civil service and the emphasis on managerial leadership. As in OECD countries, this has allowed Israel to separate the professional service from the political echelon.
- Like in many OECD countries, Israel faces the challenge of maintaining civil service cohesion and preserving its values while decentralising HRM authority to line ministries to increase flexibility, mobility and performance orientation. This entails changing the traditional culture of the civil service from a legalistic-procedural orientation to an output-outcome oriented approach.
- To enhance the modernisation process of the civil service, Israel could, like a number of OECD countries, reinforce its strategic workforce planning and management, give the central HRM body a more strategic co-ordination role, link the management of human resources with organisational goals to be able to assess performance, enhance diversity in the public service, and decentralise authority to local government to allow them to adapt the management of the HR to their own particular needs.
- Like OECD countries that have moved forward their civil service reform agenda, Israel may rely on: i) the good relation between unions and government which facilitates dialogue, ii) the consolidated central HRM body to supervise and assure the maintenance of core values and principles, iii) the positive perception of citizens towards the civil service, and iv) the commitment towards diversity in the public service.

Introduction

82. The aim of this chapter is to present the extent to which public employment arrangements in Israel are coherent with those of OECD countries. To that end, it is divided into three main parts. First, it presents the main characteristics of the Israeli civil service. Second, it explores, in a comparative perspective, the practice of human resource management in both Israel and OECD countries. Finally, it highlights the major challenges facing the Israeli civil service reform process.

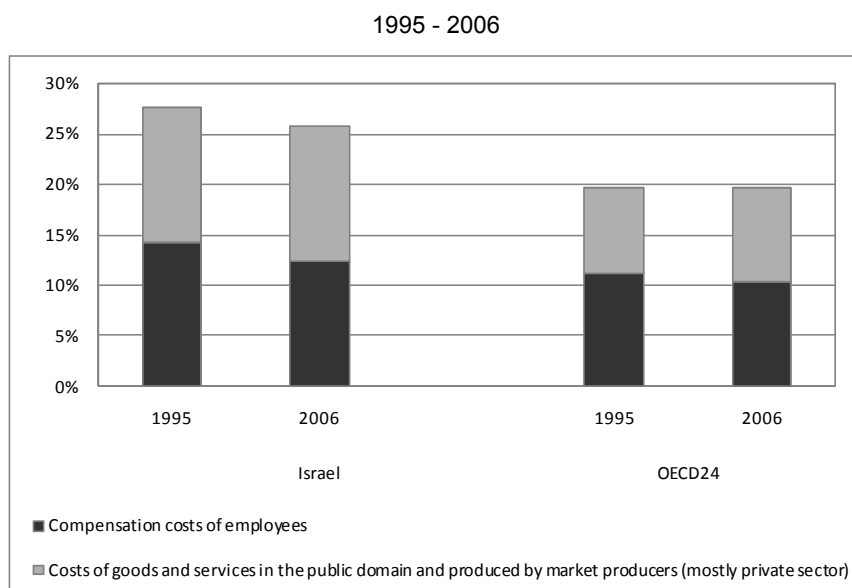
A Snapshot of Israel's Civil Service – numbers and employment framework

83. In 2007, Israel's public sector employed approximately 847 000 employees in government ministries (including security, education and part of the public service health sector¹), local authorities, subsidized corporations, government corporations, statutory corporations, municipal corporations and unions, and religious councils. This constitutes about 27% of the Israeli civilian workforce.

84. In 2006, the Israeli civil service employed around 61 059 civil servants in government ministries, administrative units, and government hospitals. This figure represents 6% of the general public service employment of which 45% work for the health sector and 55% work in ministries and government units. The number of employees at central government increased slightly between 1999 (58 115) and 2006 (61 059), but with an overall decline since 2003.² Thirty percent of central government employees were on fixed term contracts and 70% on open-term contracts.

85. Figure 2 shows that the production costs in the public domain as percentage of GDP in Israel are higher than the average of OECD countries. This means that Israel spends more in terms of direct and indirect public goods and services delivered to citizens compared to the OECD countries.

Figure 2. Production costs in the public domain as % of GDP



1. The costs and services in the public domain and produced by market producers encompass: i) intermediate consumption that correspond to the expenditure allocated to contracting out of services to be provided by government, and ii) expenditures allocated directly or indirectly to private sector for goods and services provision to citizens (social transfer in kind).
2. OECD average does not include: Australia, Greece, Hungary, Iceland, Japan and Turkey.

Source: OECD (GOV)

86. In 2007, women constituted 65% of the government workforce, occupied 45% of senior positions, and accounted for 72% of administrative positions. In the Knesset women represent 60% of the workforce and occupy most of the senior positions. At the Prime Minister’s Office women represent 75% of the staff and occupy 80% of the managerial positions. The Israeli public service workforce is relatively young with 30% of the employees aged between 25-35 years old and 23% aged between 35-44 years. However, the senior managers group is ageing rapidly, with 60% of them is over 50 years and under certain conditions they are entitled to retire from that age. The rate of unionisation is 87% and all civil servants, except members of the army, police and senior officials, are allowed to take industrial action

87. Public employment in Israel is regulated by several statutes, among them:

- The *Civil Service Appointments Law* (1959), which outlines the process for appointments by open competition aiming to ensure merit-based selection of the best qualified candidate (regardless of political ties or interests), guarantee equal opportunities, and avoid arbitrary and biased decisions. This

law does not regulate the appointment of professional and senior positions. In 1995 the statute was amended to require a suitable representation of women in the civil service. It also calls for an appropriate representation of Arab, Druze, and Circassian minorities; physically or mentally disabled people; and members of the Ethiopian immigrant community.

- The *Civil Service Discipline Law* (1963), which provides for the establishment of a disciplinary tribunal for civil servants and the disciplinary procedure. This statute may apply to people who are not civil servants but that are employed in an audited agency such as the National Insurance Institute, the Broadcasting Authority, and the Employment Service. In practical terms, under this law, the Civil Service Commission is responsible for disciplinary matters relating to some around 200 000 employees.
- The *Civil Service Regulations*, contains the rights and obligations of civil servants, and establish the conditions for the tenders and examinations, the promotion of quality, the programmes to motivate employees, issues of discipline, ethics, retirement, and work disputes, and the granting of awards for efficiency improvements.
- The *Employment of Workers by Manpower Contractors Law* (1996) which arranges the licensing of manpower companies and the terms of employment for employees of manpower contractors. Its provisions also apply to the civil service regarding equality of terms and conditions of employment. It limits the period of employment for manpower personnel to no more than nine months. It should be pointed out, however, that there has been a tendency to allow the use of manpower contractors in public service only following approval of a special committee and for no more than six months. This is the case when it is necessary to meet short-term staffing needs that are essentially technical in nature and do not entail any statutory authority. Only 2% of the civil service workforce is employed by service contractors.

88. Other statutes include: the Civil Service Restrictions on Political Party Activity and Fundraising Law; the Civil Service Retirement Law; the Civil Service Gift Law; and, the Civil Service Restrictions after Retirement Law. These regulations apply to all state officials including the Knesset, the Office of the President, and the State Comptroller's Office. The civil service laws do not apply to judges, elected officials, armed forces, police officers and prison officials. The Israeli civil service is governed by values of service, integrity, professionalism, transparency, efficiency, excellence and equality (affirmative action).

HRM in Israel and OECD Countries – comparing practices

89. All OECD countries have special arrangements for public employees as a distinctive group in charge of enforcing the law or carrying out the collective will. Nonetheless, there is not a uniform practice of Human Resource Management (HRM) across OECD countries. Differences in public employment arrangements in OECD member countries reflect the variety of alternatives to face political and economic priorities dictated by social and historical backgrounds. One clear example of such differences is the use of the terms 'civil service' and 'public service'. Whereas for some countries like Ireland and the United Kingdom they are clearly distinctive concepts, some others use them interchangeably.³ This section aims to locate Israel's public employment arrangements within the different HRM practices identified in OECD countries.

The nature of the civil service

90. There are two basic models for core public service employment in OECD countries: career-based and position-based. The selection of one system or the other reflects the country's public service culture. Whereas in career-based systems public servants spend most of their working life in the public service with

a focus on collective culture, in position based-systems the focus is on selecting the best candidate for each position by external recruitment or internal promotion with particular emphasis on individual performance. The Israeli civil service is predominantly a career-based system. Civil servants are expected to stay in the public service more or less throughout their working life. Entry into the civil service is based on academic credentials and/or entry examination. Promotion is based on a system of grades attached to the individual rather than to a specific position. OECD countries with strong characteristics of career-based systems include, for example, France, Greece, Japan, Korea and Spain (OECD, 2005). To enter into this system there must be a vacancy or an expansion of the number of posts approved by the Ministry of Finance and the Civil Service Commission in the Prime Minister's Office.

Table 2. Civil service systems in the OECD area

Predominantly Career-based system	Predominantly Position-based system
France, Greece, Hungary, Japan, Korea, Luxemburg, Slovak Republic, Spain; ISRAEL (Candidate country)	Czech Republic, Finland, New Zealand, Poland, Sweden, Switzerland, the United Kingdom

Source: OECD (GOV) Based on the 2006 survey on strategic HRM.

91. The experience of OECD countries with predominantly career-based systems suggests the promotion of collective values at entry in specific sub-groups of the civil service, like the notion of 'corps' in France. Like in OECD career-based countries, the nature of the Israeli civil service limits the possibilities for entering the civil service at mid-career and places strong emphasis on career development. Furthermore, career-based systems in OECD countries tend to generate a risk-averse culture that inhibits innovation, hamper modernisation, and provide little flexibility to adapt quickly skills and competencies to a changing environment. Indeed, in Israel rigid procedures, legalistic controls and the caution towards mismanagement have created a culture that inhibits innovation and change.

92. Israel and OECD countries do not constitute pure examples of either career- or position-based systems. There is a tendency across OECD countries to adopt some processes from the other system to compensate for the weaknesses of their own system. In Israel, for example, it is possible to conduct external recruitment when no internal candidate has the necessary skills and competencies for the vacancy. There also seems to be a move to favour individual performance and accountability, which are characteristics of a position-based system. Current discussions on civil service reform envisage a more flexible human resource management system with more emphasis on individual performance.

93. Indeed, the OECD (2005) has found that behind the formal civil service architecture there is increasingly a "contractual" shadow which is significantly position-based even in the most strongly career-based systems. At the same time, there is a tendency to create a distinctive set of employment arrangements for the senior civil service which are predominantly career-based even in the most strongly position-based systems. However, it must be pointed out that in Israel there is still a large concern to maintain government coherence and collective culture through a rather centralised system of management. The reason behind this may be to protect the core government administration from political interference and thus ensure government by law and strengthen civil service values. One example is the centrally managed Public Management Cadet Programme which trains young people willing to make career in the civil service and eventually become senior public managers. Another reason is that due to the specific political and social challenges that Israel faces to hold the country together, centralised government control and supervision makes it possible to spread common values throughout government and avoid its fragmentation.

Workforce planning and management arrangements

94. For OECD countries workforce planning and management arrangements are key elements to respond to workforce and labour market fluctuations in order to have an appropriately dimensioned and structured workforce in the short-term. It also helps to detect and prepare for future changes in organisations' needs for and access to skills in the long-term.

Employment conditions

95. Israel, like OECD member countries, has special arrangements for central government employment conditions such as recruitment procedures, career development, pay systems, and social security benefits which have traditionally been different from the private sector. However, changes to the traditional rules and arrangements for central government employment aim to ensure that government has access to the necessary skills and competencies for service delivery. In OECD countries, one movement in this respect has been the alignment of the government employment framework with general labour laws. For instance, Austria changed from a public law system to civil law system in public labour legislation. In Denmark civil service employment is being replaced by general collective agreement employment. Employment in the Israeli civil service is based on both labour and administrative laws. The reason is that many aspects of the administrative law such as employment conditions, collective-bargaining agreements, and directives issued by the Civil Service Commission have been incorporated into the general labour laws.

96. Most OECD countries have some form of formal or informal pay bargaining with trade unions. The most common arrangement is a form of centralised collective bargaining. For example, in Ireland, Luxembourg, Portugal, Spain and the Slovak Republic, these cover the entire central government. In Korea, Mexico, Switzerland, and the United States, remuneration levels are based on the recommendations of the President/Prime Minister or minister responsible for the finances. Remunerations in the Israeli civil service are determined through a collective bargaining process between government and unions, but there are possibilities of adjustment at the decentralised level. The Ministry of Finance, through the Department of Wages and Labour Agreement, negotiates salaries at both the national and the professional levels. At the national level a general wage agreement is negotiated between the government and the General Federation of Workers. At the professional level, the government negotiates detailed agreements with professional unions based on the national general agreement. The Ministry of Finance sets the wages in bodies that do not have a union and for those workers not employed under a collective agreement, but may not detract from rights and pay levels set by law or collective agreement.

97. In a majority of OECD countries, all public servants have the right to unionise with the exceptions of police, defence forces and/or judges. These countries include: Australia, Austria, Belgium, Czech Republic, Finland, Germany, Ireland, Japan, Norway, Poland, Spain, Sweden, the United Kingdom and the United States. In countries where unionization is allowed, the rate of unionization tends to be higher for lower levels of staff (e.g. Belgium, Germany, Korea, Hungary, Sweden and Spain). Similarly, in Israel there is a high rate of unionization. According to the Civil Service Commission 87% of public servants belong to a union although the figure has declined in recent years. Almost all public servants have the right to belong to a union and to take industrial action, with the exception of members of the army, the police and senior officials hired under personal contracts. According to the Civil Service Regulations public officials are not allowed to engage in political activity, take part in demonstrations of political nature, or criticise government policy publicly. In this way, the statute sets the boundaries between the professional echelon and elected officials. If a civil servant is elected to public office, he or she must resign from the civil service.

Recruitment, promotion and termination

98. As stated above, initial entry into the Israeli civil service is based on academic credentials and a civil service entry examination and not on political connections or personal ties to government officials. Thus, the status of civil servants is not affected by a change in government or minister. A very limited number of positions are filled with political appointees (0.1% approximately). The basis for the appointment of civil servants is the open competition and the principle of merit. All vacancies are advertised and all qualified candidates are encouraged to apply. As a rule, an internal competition is held first and if no suitable candidate is found, the position is advertised externally. The competition process usually includes written and oral examinations, and an interview held by an examination committee with representatives of the relevant ministry, the Civil Service Commission, and members of the public who are experts in the area. The criteria for the appointment of employees recruited through open competitions must be approved by the Civil Service Commission. The recruitment process generally lasts 1 to 3 months.

99. Open competition for civil service posts is the rule, unless an exemption is specifically stated. Some of the exemptions include the positions of "personal trust" in the minister's office that include director-generals, advisors, office managers, secretaries and drivers. Other exemptions are 75-85 senior personal positions which include the Civil Service Commissioner, Cabinet Secretariat, Accountant General, the Head of the Tax Authority, and other top officials whose posts are listed in the Annex to the Civil Service Appointments Law. Generally these posts are filled at the recommendation of the Prime Minister. To counterbalance political involvement in staffing decisions nominees must appear before an Appointments Committee headed by the Civil Service Commissioner which gives its opinion on the appointment and may stop an appointment. Cabinet approval is the final stage of the appointment process in these cases. Oversight of political involvement in staffing decisions, mainly for senior civil servants, is a priority in OECD countries. For instance, in the United States, Senate confirmation hearings are a way to oversee the recruitment process.

100. In Israel, most civil servants are employed for an indefinite term after successfully completing a probation period: 6 months for cases of internal promotion and 2 years for people new to the civil service. 30% of posts are fixed term contracts which may be extended for additional fixed terms. Employees hired to fill personal-trust positions complete their service upon termination of the service of the minister or director general in a government ministry, unless the incoming minister decides to retain them. The proportion of fixed-term contracts within the public service varies significantly across OECD countries, but is generally low in most countries, and there does not seem to be a relationship between the type of civil service system and the proportion of fixed-term contracts. Fixed-term contracts in Israel and OECD countries seem more common for senior management than for other employees.

101. Promotion in the Israeli civil service is regulated by the Civil Service Appointments Law and the Civil Service Regulations. These regulations contain the rules for promotion and progression, calculation of seniority and determination of grade, and specify the grades and promotion tracks. As a rule, there are two employment tracks in the Israeli civil service. In the first one, employment conditions are established by collective agreements and although wages are low, employees have greater job security. This is the case for the 87% of staff that belong to a union whose contracts are established under collective agreements. In the second, employer-employee relations are specified in a personal contract, and although salaries are higher, there is limited job security.

102. In Israel, civil service job progression is based on seniority and performance. Employees' performance is assessed once a year based on professionalism, effectiveness and efficiency, responsibility, involvement and initiative, discipline, and human relations. Progression is in accord with the provisions of the Civil Service Regulations which require a certain degree of seniority and success in the post. Internal or inter-ministerial tenders allow existing employees to gain promotion, except for senior staff whose

appointment is determined by the Civil Service Commission. The successful candidate is appointed for a trial period after which he or she is given a new grade. The results of the employee's annual performance evaluation are a major input for promotion. Seniority is perceived as an indicator of the professional and management experience and is, therefore, one of the most important parameters for promotion. Employees under investigation or disciplinary hearing are not considered for promotion. The Israeli practice in terms of promotion and career progression resembles the practices in Germany, Ireland, Portugal, Sweden and the United States where seniority in the public service or in the specific post does not automatically raise the grade/salary, performance assessments also need to be sufficiently satisfactory.

103. Like in all OECD countries, termination of employment in the Israeli civil service may occur due to unsuitability for the job or misconduct (individual termination), or because of economic reasons, scale back and reorganisation (group termination). In practice, it is difficult for the Civil Service Commission to terminate a contract on the grounds of unsuitability. Sometimes there is a lack of or deficiency of the evaluation records what makes it hard to lay a factual foundation proving lack of suitability. The same situation is commonly found in OECD countries.

Managing the civil service

104. Like most OECD member countries, Israel has a central body which deals with human resource management at the central level of government. The *Civil Service Commission* (CSC) is an independent and statutory body in the Prime Minister's Office is responsible for carrying out government policy with respect to the management of human resources at the central level of government. The rationale is that a directly elected Prime Minister should be accountable for administrative arrangements. The creation of the CSC in 1950 put an end to the conflicts created between management and personnel administration due to the cultural diversity among civil service employees, in which the contrasting norms of bargaining versus the rule of law and personal connections versus impersonality were also points of contention. The CSC facilitated the standardisation of procedures for the management of human resources.

Table 3. Location of central HRM bodies in selected OECD countries

Location in government	Countries
Under direct supervision of the head of government	Austria, Hungary, Japan, Korea, Luxembourg, Poland, the United Kingdom ; ISRAEL (Prime Minister's Office)
Ministry of Finance	Denmark, Finland, Ireland, Portugal, Sweden, Switzerland
Other ministry or agency	Australia, Belgium, Italy, Mexico, New Zealand, Netherlands, Norway, Spain, the United States

Source: OECD (GOV) Based on the findings of the 2006 survey on strategic HRM.

105. In most OECD countries - including Austria, Finland, Ireland, Japan, Korea, Norway, the United Kingdom, and the United States - the central HRM body has had a more strategic and less detailed managerial role. However, in Israel, the CSC centralises a large number of functions regarding the management of human resources. This includes the approval of the organisational structure and division of responsibilities between government units; the approval of permanent and temporary positions in the ministries and administrative units; the determination of career paths and promotion criteria; the determination of criteria for appointment of employees based on open competitions; the training of employees to improve their levels of education and professional expertise; the management of the senior civil service; and the building of a representative public service. In Israel, however, this centralisation may be considered essential for preventing patronage and mismanagement in HRM.

106. Although in recent years the Israeli Civil Service Commission has delegated some administrative responsibilities on HRM to line ministries and units such as the organisation of public tenders, it still

carries wide HRM authority. Israeli authorities envisage further delegation of functions for HRM as well as other managerial responsibilities from the CSC and the Ministry of Finance to line ministries in the near future. According to the CSC, the challenge is to avoid dysfunctions while giving too much independence to line ministries to decide in every aspect of HRM like in establishing staffing levels. This delegation of HRM authority in Israel may be controversial and complicated due to the cultural, political and historical background of the country, but also because further delegation will entail a change in the management system as it would have a more output-outcome orientation.

Performance management

107. OECD countries have often introduced performance management systems that link the management of people with institutional goals and strategies (OECD, 2008). This is a way of involving employees, as individuals and members of a group, in improving organisational effectiveness and achieving the desired goals. In OECD countries this system includes: planning work and setting expectations, continuous monitoring and appraising expectations, developing capacity to perform, rating performance in an adapted fashion and rewarding good performance. Nonetheless, there is no OECD model for performance management at individual level as it depends on the particular arrangements of each country. In Israel performance management is still rather weak. There is little evidence of a comprehensive performance-oriented management strategy that links the targets of the different government units to the strategic goals of general government and links the management of people with institutional goals. However, evaluating staff performance in a formal manner is becoming a more common practice in the civil service. In general, five aspects of employees' performance are assessed throughout the appraisal process: i) professionalism; ii) effectiveness; iii) responsibility and initiative; iv) discipline and ethics; v) human relations; and in the case of managers their vi) managerial skills are assessed. When performance appraisal has been implemented it has helped to encourage dialogue between manager and employee, it has been a channel to detect training needs, and change and improve the working environment. The Civil Service Commission requires managers to grade their subordinates along a wide range of grading possibilities as a way to rank employees' performance. However, the appraisal process is not compulsory and there is neither training nor incentive for managers to conduct the appraisal. Moreover, the results of the evaluation are not always used by managers in determining promotions even if they are required to do so.

108. Efforts to introduce performance-related pay into the Israeli public service have been hampered by the lack of a performance management strategy, and limited strategic workforce planning. All decisions regarding the use of PRP are decided in the collective bargaining negotiations between government and the General Federation of Workers. The method for determining the PRP is based on output/outcome and quality indicators approved by a Central Committee, integrated by members of government and unions, following the recommendation of an external consulting firm. In OECD countries PRP refers to the variable part of pay which is awarded based on performance, excluding any automatic pay increase and the various types of allowances. However, in the Israeli public service PRP refers to increases in salary due to increases in the workloads, effectively making it part of the monthly salary. 8.71% of the individual overall monthly pay is due to output premiums. OECD countries have introduced PRP as a way to improve motivation, attract and retain talented employees, facilitate management changes, control the pay bill, and increase accountability. In Israel, changes in salary aim to make public service more competitive in relation to the salaries paid by the private sector.

Managing senior managers


109. In a majority of OECD countries, there is a defined group of senior staff widely identified to be the senior management at the national level. A number of countries have even established separately managed Senior Civil Service (SCS) - a structured system of staff arrangements for the highest non-

political positions in government. An SCS is typically a career system, managed through appropriate central institutions and procedures in order to provide stability and professionalism, but also allowing a necessary flexibility to match changes in the government. In countries like Australia, Belgium, the Czech Republic, Hungary, Korea, Luxembourg, the Netherlands, Portugal, the United Kingdom, and the United States the SCS has been defined legally or through formally defined arrangements.

110. Israel has a defined group of staff in central government considered as the senior civil service. The Civil Service Commission, through the Unit for Management of Senior Staff, supervises the implementation of the policies regarding the SCS, undertakes development programmes for senior officials, and prepares personal contracts for general managers. Israeli senior civil servants are well educated (37% have BA degrees and 40% have MA degrees) and older (39% - are over 50 years old and 21% are over 60 years old). According to the Civil Service (Retirement) Law public officials may retire from age 60 with at least ten years in the civil service. This implies a significant wave of retirement in the medium term. The problem is exacerbated by the fact that senior officials with at least 16 years in the civil service, and at least 4 of them as senior staff, have the right to retire from age 50. This situation not only poses pressures for the pension system⁴ but it also means that the most experienced staff will be removed from their positions in the short term making labour productivity a priority for the Israeli public sector.

111. As Table 4 shows, in some OECD countries a clear line is drawn between senior staff appointed politically and others appointed using an administrative procedure. In other countries, senior staff is appointed by a hybrid procedure in which administrative selection criteria like merit and experience are combined with political considerations. In the United States, for instance, purely politically driven appointments coexist with administratively determined appointments. In Israel, senior officials are recruited through internal, interdepartmental or open competitions. Only Director-Generals are considered political appointees. There is also specific group of officials (up to 8 assistants, advisors, up to 5 clerical staff and certain junior positions) who are appointed by the Minister. In order to avoid conflicts of interest, staff in the first 4 of 13 hierarchical levels is forbidden to be active members of a political body or participate in elections to the Knesset.

Table 4. Appointment of the most senior levels of the SCS

More political  More administrative	Country	5 most senior levels directly below the politically appointed minister					Special political advisers outside normal hierarchy
		Level 1	Level 2	Level 3	Level 4	Level 5	
	U.S.	Political	Political	Political	Political - Hybrid	Political - Hybrid	Political
	Sweden	Political	Political	Political	Political	Adm.	Political
	Mexico	Political	Political	Adm.	Adm.	Adm.	Hybrid
	France	Political	Hybrid	Hybrid	Hybrid	Adm.	---
	Korea	Political	Adm.	Adm.	Adm.	Adm.	---
	Israel (candidate country)	Political	Adm.	Adm.	Adm.	Adm.	Political
	New Zealand	Hybrid	Adm.	Adm.	Adm.	Adm.	Hybrid
	U.K.	Adm.	Adm.	Adm.	Adm.	Adm.	Political

Source: Ketelaar, A., N. Manning and E. Turkish (2007), "Performance-based arrangements for Senior Civil Servants OECD and other Country Experiences", OECD Working Papers on Public Governance, 2007/5, OECD Publishing; and The Israeli Civil Service Senior Staff, Power Point Presentation by Yacov Berger, Vice Civil Service Commissioner, Israel.

112. Senior positions are classified into three categories: *i*) the administrative and professional positions, *ii*) senior officials, and *iii*) senior professional posts. Most senior staff is employed under personal contracts, which enables government bodies to compete with the private sector to attract qualified

staff. This practice is increasingly used in OECD countries like in Belgium, Netherlands and the United Kingdom.⁵

113. In order to strengthen the management reserves of the public service, the CSC, the ATIDIM group (Equal Opportunity through Education), and the Hebrew University of Jerusalem initiated the *Public Management Cadet Programme* referred to earlier to cultivate leadership groups and professional management in public administration, rejuvenate the public service, and improve personnel quality. The programme aims at young people from the social and geographic periphery of Israel who have completed the military service (with preference given to combat soldiers), who show academic promise, and who wish to make career in the civil service. It is expected that after 10 years of completing their studies graduates will form the administrative core of officials in positions of heads of departments and higher.⁶ Training lasts 8 years and includes practical work within the civil service. There are currently 170 participants of which 60 are working in government units. OECD countries have also implemented similar programmes to nurture their cadres for senior levels. The British government, for instance, has implemented the *Civil Service Fast Stream* programme to attract some of the country's most talented graduates for training to develop a career in the civil service. Fast Streamers are selected for their potential to become the future members of the senior civil service.⁷

Enhancing diversity and equal opportunities in the public service

114. In Israel, like in a number of OECD countries such as Australia, Canada, the United Kingdom and the United States, social heterogeneity and multiculturalism have made equal opportunities and non-discrimination in public employment a priority for government. This is because 12% of the Israeli population is new immigrants and 20% belongs to minority groups. Thus, government has established policies to enhance the integration of immigrants into Israeli society and into government in particular; promoting an appropriate representation of and equal employment opportunities for women and ethnic minorities in the civil service. For Israeli government diversity in the workplace is crucial to represent the unique values and cultural characteristics of the society; improve organisational performance and workplace relations; and increase the effectiveness of work teams. Merit assessment tools have been modified to focus on the cultural differences of job applicants.⁸ There is a similar situation in OECD countries; for example, the Canadian Employment Equity Act requires employers in federally-regulated industries to give preferential treatment to women, people with disabilities, aboriginal people, and visible minorities. The Danish government has set the target that ethnic minorities should constitute 4% of all state employees. The city of Vienna makes use of the various language skills of immigrant groups to improve public service delivery and customer services and strengthen its administration system for the requirements of a socially, culturally and ethnically diverse society.

115. In Israel, the strategy adopted by the Equal Employment Opportunities Commission (EEOC) to enhance diversity in the public and private sectors consists of engaging employers as partners; promoting co-operation with government offices; strengthening knowledge management via research and co-operation; transforming the EEOC into a source for information to employers and employees on equal opportunities and offering professional, accessible and reliable legal advice to employers and employees; and promoting public campaigns in the media to foster public awareness on the advantages of diversity in the workplace. Among OECD countries, the strategies vary in terms of focus, priorities, and expectations of what can be obtained. For instance: OECD countries, in general terms, use diversity policies to pursue social responsibility objectives like reducing gender disparities in the public service (i.e. Australia, Belgium, Finland, Germany, Netherlands, Spain, the UK and the USA); and making public employment accessible to ethnic minorities and groups considered in disadvantage (i.e. Australia, Finland, Netherlands, the UK and the USA). OECD countries also promote diversity into the public service because of the gains it may represent in terms of efficiency and effectiveness (i.e. Finland, USA).

HRM arrangements at sub-national levels of government

116. In OECD countries like Belgium, Denmark, Germany, France and Spain, there is a tendency to have the same type of employment arrangements at national and sub-national levels of government (OECD, 2008b). However, in Israel, most of the HRM policies at sub-national level of government are established as part of the collective-bargaining agreement between the Ministry of Finance, the General Federation of Workers and the Union of Local Authorities. These negotiations mostly revolve around working hours, salaries and benefits, global conditions of recruitment and dismissal, profile skills, and promotions. The Code of Conduct and the rights and obligations of local government employees are defined at the central level of government but disciplinary procedures are conducted by local discipline courts. Global conditions of recruitment and dismissal, skills profile definition, and salaries and benefits are mainly defined centrally but some discretion at sub-national level is allowed.

117. Consequently, recruitment and promotion follow the same procedures as those at national level. That means that an internal or open competition needs to be organised to hire new staff and promotion largely depends on seniority. The problem is that highly qualified individuals appear reluctant to apply for local government jobs if they are not guaranteed to get them. In order to avoid corruption and maintain open competition local authorities may thus have to select individuals that are not ideally qualified. After one year probation employees become permanent staff provided they had good performance. Israeli municipalities have very low turnover levels. People tend to spend their whole career in local government due to job stability. Although this helps to maintain institutional memory, it makes it hard for local authorities to renew the workforce and acquire new skills and competences for service delivery. In OECD countries local government capacity has also been a major concern and countries have adopted a number of measures to support them. Some, like Denmark and Finland, have introduced municipal mergers, and others like Spain have promoted formal co-operation between neighbouring local governments. Municipal mergers may not be appropriate in Israel for geographic and political reasons but joint service delivery may be an option to foster capacity.

118. Municipalities in Israel also face challenges to attract and retain qualified and specialised staff like finance experts, engineers, and even senior managers due to low salaries. Salary increases need to be approved by the Ministry of Finance and the Ministry of Interior, which limits flexibility when hiring new employees. This also reflects a lack of strategic planning of human resources at municipal level. The rigidity of central control over the management of municipalities makes it hard to reorganise the workforce to meet long term objectives. This situation, however, is not uncommon in OECD countries as Denmark, France, Iceland and Spain, for example, also rely on different types of financial controls to prevent local governments from building up debt and therefore establish budgetary restrictions (OECD, 2008b).

119. Most employees in local governments are on open contracts and subject to the terms of a collective-bargaining agreement. Other agreements are signed separately with individual unions representing particular professions such as teachers, social workers, engineers and lawyers. In general, 5% of municipal employees are on personal contracts but they are mainly in senior managerial positions. The proposed Municipalities Law helps establish conditions for granting municipalities more managerial autonomy in hiring new employees and determining salary levels. This proposal, however, is still under discussion (see the chapter on multi-level governance for additional information).

Remaining Challenges for HRM Practices in Israel

120. In Israel reforms to modernise the civil service have brought about change in at least five areas:

1. *A growing focus on the management of senior civil servants*: the implementation of the Senior Civil Service has helped to limit the influence of political interests in the selection of senior managers,

avoid possible conflicts of interest, and prevent corruption. It may be argued that this is the area where most progress has been made in civil service reform. Israeli citizens seem to have higher levels of trust in the administration than in the political level of government. Moreover, like in OECD countries, the separation of the professional service from the political echelon has enabled the selection of the right staff to enhance management capacity which is a key element to achieve better organisational performance and complement the work of the parliamentary commissions in shaping and managing the nation's policy agenda.

2. *More flexibility for some traditional staff arrangements:* changes in the employment framework have removed some restrictions on employing staff on fixed term contracts and made them more accepted at the interior of the administration. Changes have also facilitated outsourcing certain tasks that are not crucial for the civil service.
3. *Decentralisation of some HR functions:* the Civil Service Commission has delegated to line ministries some basic responsibilities regarding the management of human resources like the organisation of internal or open competitions to recruit new staff. However, most of the delegated functions are more administrative than strategic such as approving secondments, acting appointments and extension of personal contracts of employees up to the level of head of department.
4. *Sustainable leadership development:* the implementation of the Public Management Cadet Programme is allowing Israeli authorities to prepare the future managerial cadres of the civil service and secure a minimum supply of the necessary skills and competences required for leading the civil service. The OECD (2001: 18) concluded that 'Developing leaders is more important in a diversified society than in a homogeneous society, because leaders are required to transmit new values, mediate differences, and create coalitions in support of reform.'
5. *Commitment to diversity and equal opportunities in public employment:* programmes to attract and integrate members of minority groups, disable people and women into the civil service aim to ensure equal employment opportunities. This is expected to enhance the feeling of security in the workplace in order to meet the social responsibilities of the state and build a fair and stable society.

However, the Israeli HRM system faces a number of challenges to move the modernisation of the civil service forward. They are interlinked in a way that improvements in one area will be accompanied by improvements in other areas. Addressing these challenges may bring Israel closer to the practices of leading OECD countries.

- *Strategic workforce planning and management could be substantially reinforced.* Israel has improved the management of human resources but strategic workforce planning remains a gap in the HRM system. The rigidity of the HRM arrangements, the centralisation of decision-making related to skills and competencies, and a largely legalistic approach have prevented the adoption of a workforce planning and management strategy that responds to workforce fluctuations and the government's long term objectives. The current HRM arrangements do not facilitate acquiring skills and competencies with a long-term vision as decisions are more operational than strategic. Re-allocation of generalist staff based on government's priorities is complicated due to limited mobility and lack of planning. Outsourcing has compensated for the difficulties in acquiring the specialised staff, but this is a short-term approach.
- *Delegation of HRM authority could be intensified.* HRM is a centralised activity in Israel which has allowed maintaining coherence, values and a tight management of appointments to avoid political interference which are elements needed to consolidate the civil service machinery as a key factor in policy implementation. However, this tight control is undermining the capacity of the line ministries,

and other administrative units to make the necessary changes in the organisation and profile of the workforce to effectively implement reform programmes and respond to new priorities. Although the Civil Service Commission (CSC) has delegated some HR functions their impact in management is minimal as they are largely administrative tasks. Administrative units and line ministries are now able to conduct the recruitment process but they are not entitled to establish job profiles or to determine the needs for skills and competencies according to their needs.

- *Increased flexibility and mobility for workers could be beneficial.* Mobility across ministries and administrative units is rather limited. This prevents the sharing of skills and competencies and the reallocation of staff where it is most needed. Enhanced mobility may result in a more efficient use of resources by making use of the experience acquired in other sectors of government. Under the current HRM arrangements a better career management is needed to encourage and assist civil servants to move from posts and units at determined intervals to increase their experience as part of the general HRM strategy. This would avoid creating a departmental-based system where people make career in the same ministry.
- *A performance management strategy could enhance efficiency and effectiveness.* Israel has attempted to adopt performance management and performance-related pay at the interior of the civil service. However, like in some OECD countries, these efforts are undermined without *i)* strategic planning for HRM; *ii)* systematic performance appraisals or evaluations; and *iii)* wide packages of incentives to reward good performance.
- *The Senior Civil Service could be consolidated.* The SCS needs to redefine the senior staff by integrating more positions into the scheme and reducing the number of exemptions from open competition. It is necessary to strengthen training programmes for senior managers in areas like performance management and performance appraisal. Moreover, it is necessary to develop a strategy to prepare for the replacement of the retiring senior managers due to ageing.
- *HRM at the sub-national level of government could be enhanced.* Local governments in Israel lack flexibility to decide how to respond to their particular HRM priorities. The traditional HRM arrangements and low salaries make it difficult for them to decide on the best way to access new skills, and competencies to improve public service delivery.

121. Reform in these areas could be framed within a managing change strategy as they imply a cultural change at the interior of the public service. The work on the reforms may be facilitated by the good relationships and communication between government and unions and the high level of trust citizens have of the civil service. Israeli authorities anticipate future reforms in several areas of the management of the civil service. In particular, reforms are expected to focus on: *i)* increasing efficiency in the selection and hiring of civil service employees as currently it takes several months to fill a vacancy; *ii)* expanding the trial period for all civil servants as the present two year period is not considered enough for employees to fully understand the job; and *iii)* developing a cadre of management personnel and senior staff to meet the future needs of the public service. In addition, Israeli authorities, based on the experience of OECD countries such as New Zealand, Sweden and the United Kingdom, plan to create executive agencies as independent units of government ministries in charge of direct provision of services to the public, monitoring and regulating service delivery, and internal auxiliary services.

Conclusions

122. Israel has introduced a number of measures to modernise the civil service to make it more flexible, representative of society, and professional. HRM arrangements have been largely inspired by OECD countries, mainly from the Anglo-Saxon tradition, and adapted to the local context. However, Israel

may not only be a mere receptor of ideas, knowledge and experiences from OECD countries, it may also contribute to enrich the debate in public employment due to its results on establishing a senior civil service to improve management, dealing with corruption, maintaining cohesion of the civil service, and building a representative public service. The Israeli HRM system is largely career-based and, in consequence, enjoys the benefits (i.e. government coherence and collective culture) and suffers from the disadvantages (i.e. difficulties to attract specialised staff) of this type of models. This situation is, however, similar to that in OECD countries with predominantly career-based systems. Although recent reforms hint at some openness and flexibility in the management of human resources, there are still key areas of reform to be addressed if civil service modernisation is to move forward. Workforce planning, delegation of authority, flexibility and performance management may be some of the issues for consideration in a reform agenda that would bring Israel in line with practices observed in OECD countries. However, they must be carefully addressed as a sudden large delegation of HRM authority, for instance, may weaken the values and collective culture Israeli government has managed to install. Despite those challenges, the Israeli civil service is strong and counts as its main strengths its independence from political interference in appointments, the trust from citizens, good relationships with trade unions, and an educated workforce which should be the underpinnings of any future reform in public employment.

ENDNOTES

¹ Institutions of higher education are not included.

² Since 2003 there has been a scaling back in personnel due to retiring staff (more than 3 000) and a cutback of 700 workers with the agreement of the General Federation of Workers.

³ While 'civil service' refers to the core central public employment, 'public service' is a wider concept that includes, for instance, teachers and doctors working in publicly owned schools or health facilities (OECD, 2005). Due to the fact that most OECD countries use both terms interchangeably, the same logic was applied for the purposes of data collection for the accession reports. However, candidate countries were requested to specify the scope of their data. Although the terms "civil service" and "public service" are used interchangeably when referring to OECD countries, for Israel, the term "civil service" refers to government ministries and units, including government hospitals. Information drawn from the PGC accession questionnaire does not include the defense establishment and teachers. When referring to Israel's policies in the chapter, the term "public service" is used when referring employment of a broader scope than "civil service."

⁴ Since 2002 the new pension arrangements indicate that pensions are based on individual retirement account system.

⁵ For an in-depth discussion see: Ketelaar, A., N. Manning and E. Turkish (2007), "Performance-based arrangements for Senior Civil Servants OECD and other Country Experiences", OECD Working Papers on Public Governance, 2007/5, OECD Publishing.

⁶ It is not necessary to participate in this programme to make a career in the public service and reach senior positions.

⁷ For further information see www.cabinetoffice.gov.uk

⁸ This is because Ethiopian immigrants were not succeeding in obtaining a job in the public service due to cultural differences. Recruitment tools and practices had to be adapted to assess competences and skills of the different ethnic minority groups.

INTEGRITY IN THE PUBLIC SECTOR

Main findings regarding coherence with OECD policies and practices

As part of its Initial Memorandum to the OECD, Israel accepted C(98)70: Recommendation of the Council on Improving Ethical Conduct in the Public Service Including Principles for Managing Ethics in the Public Service; C(2003)107: Recommendation of the OECD Council on OECD Guidelines for Management Conflict of Interest in the Public Sector; and C(2008)105: Recommendations of the Council on Enhancing Integrity in Public Procurement. In addition, Israel has recently become a Party to the OECD Convention on Combating Bribery of Foreign Public Officials. The Convention entered into force for Israel on 10 May 2009.

- Israel's integrity framework contains many of the instruments used by OECD member countries to promote ethical behaviour and manage potential conflict of interests in the public sector. For example, codes of conduct for public officials; periodic disclosure by decisions makers of their private interests; and procedures for public officials to report misconduct and suspected violations by their colleagues.
- As in a number of OECD member countries, Israel has also introduced instruments to mitigate risks in areas at high risk for corruption such as revolving doors, public procurement and public grants to non-government organisations. Continued active monitoring and targeted investigation of suspected cases of misconduct is essential to maintain trust in the operations of government.
- Procedures support the implementation and enforcement of these instruments. For example, public officials are provided with assistance to periodically assess and identify potential conflict of interests. Internal rules outline the procedures for public officials to report misconduct and suspected violations of laws. Public officials may request exemptions to the post-public employment cooling off period.
- In the area of public procurement, Israel's Public Tenders Law and supporting regulations specify cases in which ministries and public agencies are not required to issue an open tender when procuring goods, services or works. Israel is also a signature to the World Trade Organisation's Government Procurement Agreement to open up government tenders processes to international competition.
- Guidelines have been issued on tender procedures and evaluation methodology, mandatory training is provided to members of all public tender committees and a government procurement help desk has been established to support public procurement officials. A review and remedies system provides unsuccessful bidders with a mechanism to challenge decisions taken by public authorities in awarding contracts.
- Greater structured communication of the expected behaviour of public officials, either through more targeted and monitored training activities, or regular reminders of the code could bring Israel more in line with existing good practices in OECD member countries. High professional standards of knowledge, skill and integrity with effective controls are key to balancing the discretion of Israel's public officials.
- Engaging senior public officials and individual managers in supporting Israel's integrity framework could bring Israel more in line with emerging good practices in OECD member countries. Positioning these individuals to lead by example can help ensure continued awareness of the expected behaviour, support efforts to effectively manage conflict of interest as it emerges in public official's delegated tasks.
- Scope exists for changes in co-ordination and risk management between Israel's various integrity actors to better align it with emerging good practices in OECD member countries. The Israeli government has demonstrated some awareness and already taken action in this area, for example, between the Attorney General and Israeli police. Further efforts could include the articulation of a national integrity strategy.

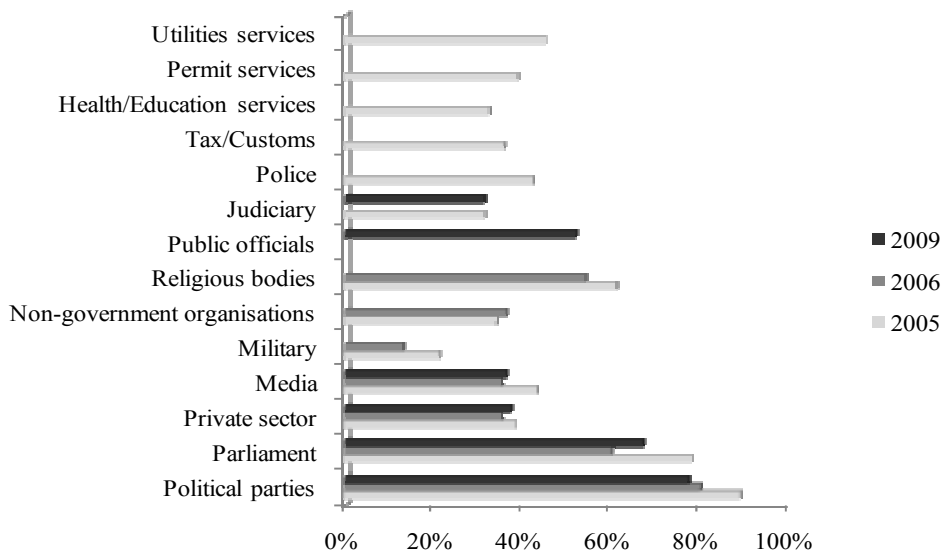
Introduction

123. This chapter examines Israel’s efforts to manage integrity within its public sector. It looks at the framework in place to define, guide, monitor and enforce the conduct of public servants. Based on this overview it forms an assessment of coherence with the policies and practices observed in OECD member countries. The chapter is based on Israel’s response to the PGC accession questionnaire, its Initial Memorandum to the OECD, and information gathered by the OECD mission to Israel on 7 to 11 June 2009. Additional documents were provided upon request by the Israeli government to the accession review team.

Overview of current perceptions of integrity in Israel’s public sector

124. Integrity in the public sector is high on Israel’s political agenda. Domestic surveys of public perception have raised concern over the government’s efforts to address corruption.¹ This has been echoed by external opinion surveys, most clearly by Israel’s drop from 16th to 33rd position in Transparency International’s Corruption Perception Index.² Public concern has also been raised both regarding integrity within political parties and the legislature (see Figure 3). Allegations of misconduct have been made to the highest political level including a number of former Israeli Prime Ministers and even forcing the resignation of Prime Minister Ehud Olmert in 2008. Indictments have been filed against a number of former ministers with respect to improper conduct.³

Figure 3. To what extent are different elements of the Israeli public sector considered by the public to be corrupt or extremely corrupt?



Notes: Data reflect public perceptions of corruption and not the incidence of corruption *per se*. The horizontal axis represents the percentage of surveyed members of the public. Respondents were given the response options on a scale of 1 to 5, one being not at all corrupt and 5 being extremely corrupt. The figure only presents the sum of options 4 (corrupt) and 5 (extremely corrupt). Data is not available for every category across all three years.

Source: Transparency International (2005, 2006, 2009).

125. A number of actions have been taken in recent years to strengthen Israel’s integrity framework. These actions have sought to deepen efforts to prevent and address the risks that exist between Israel’s political administration, civil service and non-government sector. These changes relate to legislative amendments as well as to procedural changes to better manage potential and prevent actual conflict of interest and corruption. They better align Israeli practices with those common in OECD member countries.

For example, a 2006 Attorney General Directive introduced more comprehensive evaluations for senior civil servant appointments to better detect potential conflict of interests. A 2006 amendment to the Civil Service (Gifts) Law broadens efforts to address bribery to include public officials in arms-length and independent agencies, e.g. healthcare and education institutions. In addition, Israel has recently become a Party to the OECD Convention on Combating Bribery of Foreign Public Officials. The Convention entered into force for Israel on 10 May 2009.

126. Importantly, changes to Israel's integrity framework have been driven not only by public expectations and media scrutiny but weaknesses identified through government audit and judicial processes. Annual reports by the State Comptroller and investigations of former Israeli senior officials have led to a consolidation in the Israel's integrity framework.⁴ A number of court judgments have established precedents for clear interpretation of breach of public trust with regard to conflict of interest.⁵ While it is too early to fully assess the impact of the recent changes, many challenges still remain.

Current practices and degree of coherence with OECD member countries

127. Israel does not have a national integrity or ethics strategy like in some OECD member countries (e.g. Germany, Hungary, Korea and Mexico). Responsibility for managing ethics, managing conflict of interests and managing integrity in public procurement is shared by a number of actors (see Box 3). More recently, in 2008, the Israeli government has moved to establish co-ordination, e.g. between the police and the Attorney General. These efforts are important to ensure that Israel's integrity framework is enforced. Strengthening co-ordination in training and guidance, control and audit, as well as enforcement has been recognised in OECD member countries to achieve synergies to prevent, detect and manage misconduct.⁶

Box 3. Key actors in Israel's Integrity Framework

The Civil Service Commission is responsible for implementing government policy regarding civil-service administration and personnel, devising administrative codes, improving service to the public, organising and streamlining working methods and enforcing discipline. The Commission established an Ethics Unit in 2005 to publish circulars and provide counsel on ethical conduct for all public servants.

The Accountant General, located within the Ministry of Finance, is responsible for overseeing budget execution, including public procurement, governmental accounting systems and internal government audit. It includes dedicated units on procurement, public-private partnerships and internal audit that provide guidance and training to government ministries and agencies—and in the case of procurement, a centralised acquisition process for select goods/services.

The State Comptroller conducts external audit of government ministries and state institutions; the defence establishment; government corporations and local authorities. Under the Political Parties Financing Law it also audits the financial management affairs and internal elections of the political parties. It is a member of the International Organisation of Supreme Audit Institutions and Asian Organisation of Supreme Audit Institutions.

The Office of the Ombudsman was established in 1971 under the State Comptroller to respond to complaints submitted by individuals against a public body subject to state audit. In 1991, the Ombudsman was granted the authority to protect employees who submits a complaint to disclose misconduct and suspected corruption within the public service. It is a member of the International Institute for Ombudsmen and European Institute of Ombudsmen.

The Knesset Ethics Committee is a permanent body charged with hearing and sanctioning breaches in conduct by Knesset members. It may place various restrictions on Knesset members for breach of conduct including: suspension from Plenum sessions for up to six months; revoking the right to speak in the Plenum or in a committee for up to ten meetings; and prohibiting a Knesset member from proposing a bill or making a motion for the agenda.

The Attorney General within the Ministry of Justice oversees the appropriateness of government operations in line with administrative and criminal law and serves as the head of the public prosecution. It has sole discretion with respect to the appointment of independent legal advisors to government ministries to supervise administrative procedures and provide counsel to public servants. Also located within the Ministry of Justice is the Ombudsman's Office of the Israeli Judiciary to investigate public complaints regarding judges' conduct.

Source : Israel's response to the PGC accession questionnaire

Defining and guiding the conduct of public officials

128. Defining core public values and standards of conduct is recognised as an important step to determine the expected behaviour of civil servants and promote integrity in public organisations. In OECD member countries, codes of conduct set out in broad terms the values and principles that define the professional role of the public service.⁷ In Israel core values include, among others: responsiveness and serving the public interest; integrity and honesty; confidentiality and loyalty; transparency and credibility; accountability; fairness and impartiality; equality and prohibition against prejudice. These values for the public service (i.e. the executive branch of government and the civil service) are developed and updated, as in the majority of all OECD member countries, with the involvement of public servants.⁸ Some OECD member countries go even further and solicit feedback from public officials regarding the language and coverage (e.g. Canada).

129. Standards of conduct also exist in Israel for particular positions within the public service. For example, a Code of Conduct for Judges was published in 2007 following amendments to the Courts Law to allow the Chief Justice to establish such a code. In response to public expectations, the Knesset has also begun a process to establish its own code of conduct. A recommendation to create a consolidated code of conduct was made in 2006 by the Knesset's Ethics Committee. Members of the Knesset House Committee accept the need for a code in principle. While provisions apply in existing statutes, at present there is no all-inclusive document that guides the conduct of Knesset members. Current discussions within the Knesset focus on the institutional arrangements to establish such a code.

Box 4. Examples of ethics codes and codes of conduct for public servants in OECD member countries

A large majority of OECD member countries have established written formal codes of conduct setting standards of behaviour which public servants are expected to follow on a daily basis to serve the public interest with impartiality, legality, integrity and transparency. The following are examples of ethics code and codes of conduct for public servants in some OECD member countries

- Australia: Australian Public Service Values and Code of Conduct
- Canada: Values and Ethics Code for the Public Service
- Greece: Code of Civil Servants
- Italy: Code of Conduct for Government Employees
- Korea: Code of conduct for maintaining the integrity of public officials
- New Zealand: Public Service Code of Conduct
- Poland: Civil Service Code of Ethics
- Spain: Code of Good Governance
- United Kingdom: Civil Service Code
- United States: Standards of Ethical Conduct for Employees of the Executive Branch (Office of Government Ethics)

Source : OECD

130. In Israel, restrictions on public officials are specified at length in a number of statutes. Various Civil Service Laws outline transparency and unbiased recruitment of personnel as a key principle to prevent selection based on unjustifiable preferences.⁹ Together with the Knesset and Prime Minister

Election (Consolidated) Law and the Local Authorities (Elections) Law, they serve to insulate the civil service from political influence. Moreover, the Penal Law forbids public officials to use government facilities, documents and information accessible by virtue of their position or to receive money/gifts other than the emoluments paid by the state's treasury in their capacity as a public servant. The restrictions outlined in these legal statutes are implemented through Civil Servant Regulations and directives by the Civil Service Commission and Attorney General's Office. The reflection of Israel's core values within its legal framework is in line with OECD Principles for Managing Ethics in the Public Sector.

131. Communication and training of public servants is important to ensure that codes of conduct are not simply adopted but widely understood and used in practice — and that public servants know their rights and obligations. OECD member countries adopt a variety of methods in this area including disseminating core values to individuals when they take up a new position in the public service; incorporating a statement of core values within employment contracts; and various training and education activities.

132. In Israel, the Civil Service Code of Conduct is published on the website of the Civil Service Commission and brought to the attention of every civil servant at the time of their initial appointment. Lectures and seminars are organised centrally by the Commission and open to all public servants. Training, however, is not compulsory and no figures are maintained by the Commission on the number of participants. In 2005, an Ethics Unit was established in the Civil Service Commission to publish circulars and provide counsel on ethical conduct for all public servants. Independent legal advisors positioned in government ministries that are appointed by the Attorney General constitute another source of counsel. Information has not appeared to be regular or forthcoming without active efforts by public servants.

Monitoring the conduct of public officials

133. Government policies, procedures and practices should reflect the government's codes of conduct. Israel, like many OECD member countries, incorporates consideration of conflicts of interest and past ethical behaviour in human resource management practices. Potential conflict of interest is identified in advance of public servant appointments. Annual performance assessments, where conducted also address an individual's ethical conduct and the degree to which they comply with the Civil Servant Code of Conduct.¹⁰ In other OECD member countries declarations by public servants of their private interests take place throughout policy formulation and execution. In Portugal and the United Kingdom members of the legislature must declare private interests when presenting and voting on legislation. OECD member countries commonly require public servants to declare any private interests in decision making processes and administrative procedures. It is then up to the head of unit or hierarchically superior body to decide if a conflict of interest exists.

134. Procedures place the onus upon Israeli public servants to identify potential conflicts. In Israel, the legal advisor in conjunction with personnel department officials in each ministry is responsible for examining relevant documents. Public servant self-disclosures are subsequently included in a declaration that must be signed by the relevant public servant prior to taking a post. Failure by public servants to disclose or provide false information is a criminal offence in Israel as in other OECD member countries (e.g. France and the United States). While the audit function plays a role in detecting potential conflict of interest in Israel, other OECD member countries have recognised the need to more actively involve managers in this function. In New Zealand, for example, responsibility is located in the head of the relevant government organisation. A similar approach exists in Spain, although the Office of Conflict of Interests takes responsibility for members of government and political appointees.

135. The majority of OECD member countries require decision makers in the executive and legislative branches of government to disclose their financial interests, though the content of the disclosures varies

between countries (see Table 5). Most common are requirements to disclose assets and liabilities, and the level and sources of income and loans. This information can subsequently be used to assess whether public officials have used their position within government to enrich themselves. In addition some OECD member countries make publicly available some or all of these disclosures to supplement internal controls. In Israel, decision makers are required to disclose information at least once every four years regarding their financial interests on assets and liabilities, on loans, on sources and level of income, on gifts and previous employment. Public servants in high ranking and in legal, procurement or accounting positions are also subject to more extensive reporting requirements. Full access to the data, managed by the Civil Service Commission, is available only to authorised persons or by judicial order of a civil court or disciplinary tribunal. Partial disclosures are, however, available upon demand by the media and other individuals.

Table 5. Are decision makers in the executive and legislative branch required to disclose their financial interests? (2009)

	No.	OECD Member Countries	Israel
On assets and liabilities	25	AU, AT, BE, CN, CZ, DK, FI, FR, HU, IE, IT, JP, KR, MX, NL, NZ, NO, PL, PT, SK, ES, SE, TR, UK, US	YES
On sources and level of income	22	AU, AT, BE, CN, CZ, HU, IE, IT, JP, KR, MX, NL, NZ, NO, PL, PT, SK, ES, SE, TR, UK, US	YES
On loans	21	AU, AT, CN, CZ, FI, FR, HU, IE, IT, JP, KR, MX, NZ, NO, PL, PT, SK, ES, TR, UK, US	YES
On gifts	19	AU, CN, CZ, DE, HU, IE, IT, JP, KR, MX, NL, NZ, NO, PL, PT, ES, SE, UK, US	YES
On outside positions	20	AU, BE, CZ, FI, HU, IE, IT, JP, KR, MX, NL, NZ, NO, PL, PT, SK, ES, SE, TR, UK, US	(2)
On previous employment	13	AU, CN, IT, MX, NL, NZ, NO, PT, SK, ES, SE, UK, US	YES

Notes:

(1) "Loans" are differentiated from "liabilities". Loans capture relationships issues between the lender and debtor; liabilities capture the value of an individual's financial obligations. A) Austria: "assets and liabilities" and "loans" only refers to executive branch. B) Germany: "assets and liabilities", "sources and level of income", "outside positions" and "previous employment" only refers to legislative branch. C) Netherlands: "outside positions" only refers to legislative branch. D) Poland: "sources and level of income" and "outside positions" only refers to legislative branch. E) Portugal: outside employment only refers to legislative branch.

(2) Financial disclosure on outside positions was not asked of Israel

Source: OECD questionnaire for collecting data on integrity for the Government at a Glance 2009 publication; Israel's response to the PGC accession questionnaire

136. Failure to identify administrative misconduct and suspected cases of fraud and corruption hampers integrity within the public sector. Procedures for public officials to report misconduct and suspected violation by their colleagues are a common feature in two-thirds of all OECD member countries. Whistleblower protection is often considered necessary to encourage individuals to come forward without fear possible retaliation or mistreatment by their superiors and colleagues (see Table 6).

137. In Israel, the Protection of Employees (Exposure of Offenses and Breach to Integrity or Proper Administration) Law 1997 prohibits harm to an employee, including dismissal, for making a complaint against his superiors with respect to exposing offenses. In 1991, the Ombudsman was granted the authority to protect public servants who submit such a complaint. Complaints may be submitted online or in person at any of its five municipal offices. Israel's labour courts are also empowered to nullify the dismissal and/or harm to an employee who exposes corruption together with punitive sanction to enforce provisions of the law. The sanctions result, in effect, to impose personal liability on senior officials. Israel does not, however, provide anonymity for public officials that do report misconduct and suspected violation of laws.

Table 6. Are there procedures for public officials to report misconduct/suspected violation of laws? Is protection available to public officials who report misconduct (whistleblowers)? (2009)

	No.	OECD Member Countries	Israel
Reporting procedures			
Defined by legal provision and/or	24	AU, AT, BE, CN, CZ, DK, FI, FR, DE, EL, IT, JP, KR, LU, MX, NL, NZ, PL, PT, SK, SE, TR, UK, US	YES
Defined by internal rules	16	AU, AT, CN, CZ, DK, FI, KR, MX, NL, NZ, NO, ES, SE, CH, UK, US	YES
Whistleblower protection			
Legal protection and/or	20	AU, AT, CN, CZ, DE, HU, IS, IT, JP, KR, MX, NL, NZ, NO, PL, SK, SE, TR, UK, US	YES
Anonymity	13	AU, KR, MX, NL, NZ, NO, SK, ES, SE, CH, TR, UK, US	NO

Source: OECD questionnaire for collecting data on integrity for the Government at a Glance 2009 publication; Israel's response to the PGC accession questionnaire

Responses to areas of high risk—Revolving doors and lobbying

138. Post-public employment has become an emerging priority in many OECD member countries. Integrity risks arise when public servants leave the public office, either permanently or temporarily, to work for the private and non-profit sector. Post-public employment frameworks that are effectively communicated and with procedures and criteria for appeals, among others, have been recognised as good practice. The majority of OECD member countries have a general “cooling-off” period on post-public sector employment that range from between one year (e.g. Poland) to two years (e.g. the Netherlands). A growing number of OECD member countries are also developing standards to ensure fairness in the process and accountability of exemptions (e.g. Canada).¹¹

139. In Israel, the Civil Service (Restrictions after Retirement) Law specifies restrictions on post-civil servant employment. These restrictions are contained in the Civil Servant Regulations and Code of Conduct. A “cooling-off” period of one year from the day of retirement is mandatory for public servants. The Law also prohibits for an indefinite period of time a retired public servant from representing an individual and/or corporation before the public institution in which they were previous employed on matter in which they were involved prior to their retirement. The Law also prohibits public servants from switching to a private post in another country for a period of two years following official travel to that country. A public servant seeking an exception to post-employment restrictions must obtain the approval of a committee headed by a District Court Judge appointed by the Minister of Justice.

140. Lobbying involves solicited communication with public officials to influence policy and administrative decisions—mainly in the legislature but also within the executive and sub-national governments. While lobbying does raise integrity issues it can bring valuable information to inform decision making. In this regard, a growing number of governments in OECD member countries regulate lobbyists to ensure their activities are carried out in an ethical and transparent manner and that public officials are aware of the interest’s lobbyists represent (e.g. Australia, Canada, Poland and the United States).

141. The Knesset Ethics Law as amended in April 2008 incorporates a definition of lobbyists and establishes a system for lobbyist registration along with prohibitions on their behaviour. Moreover, the Political Parties Law places a ceiling on the total amount of contributions that may be collected and limits the time for these funds to be disbursed. A complete list of contributions and donors must be published on the State Comptroller’s website for all central and local candidates and parties. Although this requirement was previously introduced as a temporary provision in 2005, it was made permanent in 2008 amendments

to the Political Parties Law. The lesson has been from OECD member countries that the greatest challenge is to ensure that lobbying legislation is that procedures are put in place and proven to be credible.

Responses to areas of high risk—Public procurementⁱ

142. Public procurement, the purchase by governments and state-owned firms of goods and services, is a major economic activity of corruption. Weak governance and opacity in public procurement also hinder market competition and raise the cost of public goods and services. OECD member countries have approved the Principles for Enhancing Integrity in Public Procurement that places emphasis on transparency, good management, prevention of misconduct, as well as accountability and control throughout the whole procurement cycle. Public servant codes of conduct, financial disclosures, whistleblower procedures and protection for individuals that report misconduct—as discussed in the previous sections—play an important role in managing and enforcing integrity. Moreover, a number of OECD member countries take a proactive approach to integrity in public procurement and conduct assessments to identify risk in the pre-tender, tender and post-award stages of the public procurement cycle.

143. Israel's Public Tenders Law and Regulations specify cases in which ministries and government bodies are not required to issue an open tender when procuring goods or services.¹² The administrative instructions issued by the Accountant General are publicly available online. The government is also a signature to the World Trade Organisation's Government Procurement Agreement to open up government tenders processes to international competition. Public tenders issued by the state are published in national newspapers and on the government's e-procurement and ministries' websites, inviting interested entities to submit bids.¹³ If a ministry tender committee decides to use a closed tender it must still publish the results and allow seven calendar days before contract award. Where a ministry's tenders committees grants exemption from public tender for contracts and/or decides that the standard tender documents are not desirable, this must be recorded in the tender committee's protocol of activity.¹⁴

144. While the majority of central government contracts are submitted for public tender, around one-fifth is made using closed tenders and direct appointment.¹⁵ Individual ministries have the authority to grants exemption from public tender for contracts below a threshold of NIS1.5 million (approximately EUR275 000).¹⁶ Above this threshold value exemption requires approval from the Central Exemption Committee within the Ministry of Finance.¹⁷ From June 2009 amendments to the Tender Obligation Regulations reduce further the number of exempt articles and give preference for public tender. The changes apply to all public entities including government ministries, arm's length and independent agencies, health care establishments, education institutions and government corporations. Proposed changes to allocate greater freedom for ministries vis-à-vis the Ministry of Finance currently under Knesset approval raise concern, including by the Accountant General, over its impact on competition and integrity in the procurement process. In comparison, OECD member countries within the European Union are required to publish over EUR133 000 for supplies and services, and over EUR5 150 000 for works.

145. A high professional standard of knowledge, skill and integrity of regulatory, management and technological developments is good procurement practice. The Accountant General's Department provides guidance and training to all government ministries and agencies on the procurement of goods, services and works as well as public-private partnerships. In some cases, ministries may also provide special training programs for their procurement personnel in both the tender and exemption committees. Committee member must participate in training within one year of their appointment must be relieved of their position. There is no certification, *per se*. A government procurement help desk is provided by the Government Purchasing Operations Division through which ministries can address questions by email. This is

ⁱ This section focuses exclusively on non-defence public procurement.

complemented by both internal and external controls, discussed later in this chapter, that identify compliance with procurement tender and payment procedures and potential conflicts of interest of tender committee members.

146. Concerns over the procurement process in Israel may be raised by unsuccessful bidders. A notice of rejected bids is sent to bidders within seven workdays from the day the tender committee announces a decision. The notice states the name of the successful bidder and contract value, the reasons an unsuccessful bidder was not awarded the contract, and the relative advantages of the successful bid. A tender committee may decide not to provide this information for reasons it must record. All decisions by procurement committees are subject to judicial review. Each individual or company that submits a bid that is rejected for failing to meet the preliminary requirements has the right to examine tender committee documents within 30 days from the day the notice of rejection is given to understand the decision. If the problem is not resolved with the ministry the supplier may contact the Accountant General or the Government Purchasing Office—though the complaints do not stop the procurement process. The Accountant General may order a ministry's tender committee and the Central Exemption Committee to examine perceived irregularities in the tender process.

147. In Israel, a maximum three year period for contracts of goods and services exists to require periodic contract review and to stimulate competition. Guidelines issued by the Accountant General outline how suppliers are to be assessed and the grounds upon which suppliers may be precluded from participating in a tender. However, these are not enforced. There is little attention to a supplier's past contract performance. The sole exception is in some labour-intensive services (e.g. security and cleaning) where suppliers may be disqualified on past contract performance. This relates, however, more to labour rights of employees rather than the services rendered by the supplier.

Box 5. Public grants to non-government organisations

One area of particular concern in Israel is the administration of public grants to non-government organisations. OECD member countries use a variety of mechanisms to provide public services (e.g. qangos) and achieve broader social objectives (e.g. civil society organisation). Procedures have been established in Israel by the Ministry of Finance and Attorney General to support fair and equal distribution of financial grants to non-government organisations. The Budget Foundation Law stipulates that such grants should be distributed according to the principle of equity. Criteria established by the Attorney General are released for public comment before receiving Ministry of Justice approval. In recent years the criteria have been amended to be more inclusive. The accountability of non-government organisations receiving public grants may be considered a weak element within Israel's integrity framework. The experience of other OECD member countries may provide some guidance to strength the management of grants in Israel. The Netherlands, one OECD member country with a long history using non-department service delivery structures, adopts a broad approach to enhancing accountability including third party audits and external reviews, benchmarking, visits by peer groups and certification.

Source: Israel's response to PGC accession questionnaire; Hoek et al (2005).

Accounting for the conduct of public officials—Control and audit

148. Internal audit provides an assurance to management of compliance with internal procedures, assurances that objectives are achieved while contributing to the continuous improvement in operations and integrity. Internal audit may examine suspected risk areas and misconduct by public officials, assess the separation of tasks and suitability of procedures that may give rise to risks, provide recommendations to management and monitor the implementation of remedial actions. While a common feature in all OECD member countries, internal audit evolved in recent years to become more strategic and targeted in its evaluation (e.g. Sweden, United Kingdom and United States).¹⁸

149. Ongoing control and audit is carried out internally with respect to budget execution by ministries through treasury commitment procedures and under the provisions of the Internal Audit Law. Each government ministry has an accountant, employed by the Accountant General's Department, who assesses compliance of commitment and payment control procedures. Every ministry also has an internal audit unit that reports directly to the Director General of the respective ministry or, where concerns exist that the minister is complicit, or directly to the State Comptroller. The decentralised characteristic of Israel's internal audit is similar to that in the Netherlands and the United Kingdom. It is distinct from the centralised approach whereby internal audit is located within an accountant general's office such as in France, Portugal and Spain.¹⁹ The existence of both an externally appointed accountant and internal audit suggests even more stringent internal controls in Israel than in many OECD member countries. It does, however, raise concerns over duplication at the expense of more targeted internal controls.

150. Israel's State Comptroller examines the operations of ministries and government organisations, including their legality and effectiveness, as well as the conduct of civil servants. Beginning from 1999 the annual audit report is submitted in two parts: first in mid-July; and second in mid-February of the following year. The report is first submitted to the Prime Minister and then to the Knesset 10 weeks later together with the government's comments.²⁰ State Comptroller reports are available to the public and receive wide coverage in Israel's media, a situation that places it high on the public agenda. Audit reports are published annually with additional reports dealing with specific subjects. Israel annual financial statements audited by the State Comptroller are published within four months of the end of the fiscal year, in line with OECD Best Practice for Budget Transparency.²¹ The State Comptroller also publishes follow-up reports in some instances but it does not maintain figures on the number of recommendations that have been rectified. There are, however, no specific periodic reports that examine the functioning of the national procurement system.

151. Outside of the formal audit channels public commissions of inquiry or government committees of examination may be established by the Knesset and individual ministries respectively to examine specific issues of public administration. These may include issues of integrity within the public sector. Israel also has a number of non-government organisations that regularly monitor government operations. These organisations use the media to raise issues on the public agenda and also file petitions in the High Court of Justice.

Enforcing conduct of public officials—Remedial and disciplinary actions

152. The Civil Service (Discipline) Law specifies disciplinary offenses, establishes a disciplinary court for public servants, and outlines the procedure for prosecuting an alleged offender and rules of due process. Section 17 classifies the kinds of disciplinary offenses and detailed provisions regarding offenses that are derived from the criminal statutes, the Civil Service Regulations and the Code of Conduct. A number of court judgments have established precedent for clear interpretation of breeches in trust with respect to conflict of interest. Various mechanisms are available to the Civil Service Commission to sanction a civil servant including warning, censure, docking of salary, reduction in grade, transfer of position, and even dismissal and reduction or denial of pension rights. A number of indictments have been made in Israel in recent years against senior public servants, including a number of former government ministers.

153. In Israel, legal redress for breaches of public conduct and trust is carried out in accordance with the law, rules of procedural and evidence, similar to every other judicial proceeding. The disciplinary court's decision may be appealed to the District Court; though beginning in 2000 the judicial review of public procurement was transferred to the court for administrative matters.²² Every defendant may be represented by counsel or, if a defendant cannot afford an attorney, the disciplinary court will appoint an attorney for him at the state's expense.

Remaining challenges for integrity management in Israel

154. Israel's integrity framework contains many aspects of the instruments used by OECD member countries to promote ethical behaviour and manage potential conflict of interest in the public sector. These include: codes of conduct to define core public sector values and the expected behaviour of public servants; requirements for decisions makers to periodically disclose their financial interests; and procedures for public servants to report misconduct and suspected violations by their colleagues. These are elaborated in penal and not just administrative codes. Nevertheless, there are a number of areas in which institutions and policies could be increasingly aligned with OECD practices. They include:

- *Ensuring continued awareness by public servants of expected behaviour.* Efforts to ensure awareness of expected behaviour of public servants is supported by the existence of a published code of conduct, training and counsel by the Civil Service Commissions, Accountant General and Attorney General. Greater structured communication of the expected behaviour of public servants, either through more targeted and monitored training activities and/or regular reminders of the code would, however, bring Israel more into line with practices of OECD member countries.
- *Managing conflict of interests as they arise in unforeseen circumstances.* Procedures in Israel help public servants to periodically assess and identify potential conflict of interests that exist, largely provided by ministries' personnel department and legal advisors. While tighter reporting requirements are required for specific procedures and positions (e.g. procurement, accounting and legal), additional emphasis on managing emerging conflict of interest more generally would bring Israel more in line with practices in many OECD member countries.
- *Active monitoring of "at risk" areas for potential conflict of interests/corruption.* Israel has taken a number of actions to mitigate risks in high-risks areas such as revolving doors, public procurement as well as public grants to non-government organisations. These actions establish practices and procedures to manage the risks and the potential for sanctions. Introducing greater risk management practices that target high risk areas have been introduced in many OECD member countries. For Israel, this would include grants to non-government organisations.
- *Balancing ministries discretion in public procurement with effective controls.* There is evidence of support for the OECD Principles for Integrity in Public Procurement, including transparency throughout the procurement cycle. Procedures are in place to document tender procedures and to regularly publish information non-public tenders before award of contract. Practices in Israel suggest higher levels of discretion given to ministries' tender committees over exemptions in public tenders than in OECD member countries.
- *Involving managers to demonstrate and promote ethics conduct.* Guidance is provided to Israeli individual public officials to identify potential conflict of interest and facilitate understanding and awareness of potential risk areas. A number of OECD member countries also place emphasis on managers to prevent, monitor and detect conflict of interest situations and, in doing so, position them to lead by example. With the emphasis of managerial leadership within Israel's civil service, as noted in the HRM chapter (paragraph 120 bullet 4), further incorporating integrity into the responsibilities of senior public officials could be an effective strategy to enhance public sector integrity.
- *Strengthening co-ordination between integrity actors.* Responsibility for Israel's integrity framework is shared among a number of actors including the Civil Service Commission, Accountant General, and Attorney General. Efforts to strengthen co-ordination in training and guidance, control and audit, as well as investigations have been recognised by OECD member countries as important to achieve synergies to prevent, detect and sanction misconduct. Scope exists for changes in this area to align

Israel more with good practices in OECD countries. Further efforts may also include the articulation of a national integrity or ethics strategy.

- *Initiating partnership with business and non-profit sectors to strengthen integrity.* Much of Israel's integrity framework is orientated to internal management of potential risks to public sector integrity, direct efforts to involve persons representing business and the non-profit sector is largely lacking. Many OECD member countries initiate partnerships to co-operate with the business and non-profit sector to understand their expectations, to solicit stakeholder involvement in setting standards and their application but also to make them aware of the potential consequences of non-compliance.

Conclusions

155. Israel is not immune from the challenges facing integrity in the public sector. Surveys of public perception have raised concern over the government's efforts to address corruption in recent years. A number of actions have been taken in recent years to strengthen Israel's integrity framework. These actions have sought to deepen efforts to prevent and address the risks that exist between Israel's political administration, civil service and non-government sector. While perhaps interpreted as a government response, a number of changes have been the result of government audit and judicial processes.

156. The mechanisms for ensuring integrity in the public sector are broadly in line with OECD Principles and Guidelines for Managing Ethics in the Public Service, Management Conflict of Interest in the Public Sector and Enhancing Integrity in Public Procurement. Recent and other proposed legislation and procedural changes are also coherent with OECD Recommendations and member country practice. Israel accepted these Recommendations in its Initial Memorandum to the OECD.

157. As in OECD countries, there are additional opportunities to further enhance integrity practices in Israel. To be increasingly aligned with good OECD practices, important steps would include: strengthening co-ordination between integrity actors; ensuring continued awareness by public servants of expected behaviour; managing conflict of interests as they arise in unforeseen circumstances; balancing ministries discretion in public procurement with effective controls; initiating partnership with business and non-profit sectors to strengthen integrity; and active monitoring of "at risk" areas for potential conflict of interests/corruption.

ENDNOTES

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- ¹ Evidence of the decline in domestic public perceptions can be seen from Transparency Global Corruption Barometer data for 2004, 2006, and 2008. The 2008 Israel Democracy Institute Survey supports the figures by Transparency International. According to the IDI survey, most Israeli's believe that Israel suffers from corruption, and half of them were of the opinion that corruption is a necessary condition for reaching the top political echelon in the country. Naturally, these assessments reflect subjective assessment more than the reality on ground.
- ² Israel was placed 16 in the 2001 Transparency International Corruption Perception Index. The country's position has gradually, but continually, fallen. It was placed 18 in 2002, 21 in 2003, 26 in 2004, 28 in 2005, 34 in 2006, 30 in 2007 and 33 in 2008.
- ³ Prime Minister Ehud Olmert resigned in September 2008 following a number of investigations being conducted against him. On August 30, 2009, the Attorney General's Office indicted Mr Olmert for "fraud, breach of trust, registering false corporate documents and concealing fraudulent earnings". Investigations against three former Prime Minister Benjamin Netanyahu, Ehud Barak and Ariel Sharon did not result in indictments being filed. Another investigation, of former finance minister Avraham Hirschson, led in June 2008 to the filing of an indictment against him on acts conducted before his appointment. An indictment was also filed against the former minister Tzahi Hanegbi with respect to illegal appointments.
- ⁴ For example, Annual Report 55B 2004 dealing with political appointments and improper appointments in the Ministry of Agriculture and Rural Development, and the 2004 report on political appointments and improper appointments in the Ministry of Environmental Protection.
- ⁵ For example, in *Crim. Reh. 03/1397 State of Israel v. Sheves*, S. Ct. Rep. 59 (4) 385 (30 November 2004) the court developed a clear interpretation of the offense of deceit and breach of trust, specified in section 284 of the Penal Law, in particular with regard to conflict of interest.
- ⁶ See for example, C(2003)107: Recommendation of the OECD Council on OECD Guidelines for Management Conflict of Interest in the Public Sector
- ⁷ Israel's responses to the PGC accession questionnaire used both the terms Codes of Ethics and Codes of Conduct interchangeably. For example, "Civil Service Code of Conduct" and "Code of Ethics for Judges". While different nuances may be associated with the different wording this chapter adopts the term code of conduct for consistency.
- ⁸ Of the 26 OECD member countries that updated their respective public service values in the last 10 years, 20 involved civil servants. See OECD questionnaire for collecting data on integrity for the Government at a Glance 2009 publication.
- ⁹ See Civil Servant (Appointment) Law 1959; Civil Servant (Appointment) (Restrictions on Relatives) Law 2007; Civil Servant (Gifts) Law 1979.
- ¹⁰ See the HRM chapter regarding the fact that performance assessments are not compulsory and for additional information on the categories of performance evaluated (paragraph 107).
- ¹¹ See OECD (2009), *Post-Public Employment Good Practices for Preventing Conflict of Interest*, Directorate of Public Governance and Territorial Development, OECD Publishing, Paris.
- ¹² The government has expanded the numbers of bodies subject to tender requirements in 2006 to include health service funds, religious councils and institutions of higher education.
- ¹³ Government ministries issue tenders in areas assigned to the ministry. The Government Purchasing Operations Division, within the Accountant General, issues central tenders for all government ministries and agents in areas such as office supplies, furniture, cars, computers and communications infrastructure. Notices specify the nature of the goods and services to be procured, preliminary requirements and the criteria to be used in

evaluating bids, the process and final date for bid submission. Standardised tender documents include the contract that will be signed, or its fundamental provisions, with the timetable for supplying the goods and services, performance criteria and any conditions of payment.

- ¹⁴ A protocol must also be kept by ministries' tenders committees to document all procedural aspects of the procurement process. The protocol includes details on the members of the tender committee, information on the examination of the bids submitted and on those that were disqualified, an analysis of the bids based on the criteria that had been set and published, the positions of the members of the committee with regard to the bids and objections, and the decisions and reasons for the final decision. Some ministries/bodies have an electronic tenders system for the management of the tenders, containing the protocols and relevant documents of each tender.
- ¹⁵ This percentage does not include contractual obligations with local authorities, government corporations and state enterprises--or those of Israel's defence establishments. Nor does it include obligations undertaken by government ministries in amounts under NIS 42,000 that do not legally require a tender, but only a few price estimates obtained from potential providers.
- ¹⁶ Ministry tender committees are composed of five members including the Director General, legal advisor, accountant and director of professional matters.
- ¹⁷ The Central Exemption Committee is composed of officials from the Accountant General's Department and the Legal Advisor of the Ministry of Finance.
- ¹⁸ For a description see Ruffner, M. and J. Sevilla (2004), "Public Sector Modernisation: Modernising Accountability and Control," *OECD Journal on Budgeting*, 4(2): 123-141
- ¹⁹ Other models of internal audit also exist such as in Germany and Sweden. In Germany internal audit is not part of the government agency control system but a component of external audit. Internal audit serves as a pre-audit function to the German Supreme Audit Institution that provides technical and professional guidance and supervision. In Sweden internal audit is located in the supreme audit institution but it operates independently from the executive. See Diamond (2002), *The Role of Internal Audit in Government Financial Management, An International Perspective*, IMF Working Paper WP/02/94.
- ²⁰ See discussion of relationship between the State Comptroller and Knesset following 1999 amendment to State Comptroller Law on State Comptroller website, <http://www.mevaker.gov.il/serve/site/english/emethod.asp>, accessed 23 July 2009.
- ²¹ OECD Best Practice on Budget Transparency requires year-end accounts should be audited by the supreme audit institution and released within six months of the end of the fiscal year. See OECD (2002), "OECD Best Practices for Budget Transparency," *OECD Journal on Budgeting*, 1(3): 7-14. Approximately half of all OECD member countries published their audited year-end accounts within six months of the end of the fiscal year. See OECD (n.d.) Budget Practices and Procedures Database.
- ²² In 2008 there were 354 procurement cases in the Administrative Courts of which 346 were concluded in 2008. The average time between the start of the procedure and the decision in the Administrative Courts in 2008 was 4½ months.

TRANSPARENCY AND ACCOUNTABILITY

Main findings regarding coherence with OECD policies and practices

- Israel has a well established legal framework for freedom of information that has been in operation for more than 10 years. This framework is similar to those found in OECD countries. A wide range of government information is in the public domain.
- In OECD countries, checks and balances are important elements of effective implementation of freedom of information. In Israel, the courts are playing an important role in challenging the government on its implementation of freedom of information. The NGO sector also acts as a watchdog to check on implementation across government.
- Sufficient resources are key to effective implementation of open and accountable government and OECD countries have found this principle the most difficult to deliver. Israel has allocated staff resources in each ministry to deal with freedom of information and there is a well resourced office of the Ombudsman to respond to complaints. Resources allocated seem to be sufficient.
- In contrast to some OECD countries, responsibilities for implementing freedom of information are spread across government and there is therefore no individual or body with an oversight role and this means that it is difficult to monitor overall performance.
- Government links with civil society are important elements of open and inclusive policy making in OECD countries. Israel has recently established round tables as a mechanism for working with NGOs.
- Research in OECD countries has identified inclusion as a key element of open and accountable government. There is therefore a need for governments to use a variety of methods to engage citizens. In using NGOs as the main vehicle for consultation through the round table process, there is a risk that Israel will be insufficiently inclusive.
- As in some OECD countries, engagement with citizens in Israel is not systematically developed across government and a limited range of engagement methods is used. The primary approach to citizen communication is information giving, with some opportunities for feedback. There are examples, in some ministries and with some communities, of more interactive methods of citizen consultation.
- Israel uses the web as a tool for open government, particularly to provide information to citizens. Much government information is now in the public domain. Looking forward, information can be made more accessible through web site simplification and use of web navigation tools. Like many OECD countries, Israel has not yet fully developed the interactive capacities of web 2.0 to introduce more interactive and ongoing forms of engagement with stakeholders and citizens.

Introduction

158. Open and accountable government is important for dealing effectively with the complex global and domestic challenges which governments face. Governments need to work with their citizens and other stakeholders to find solutions. Open and inclusive policy making has been a tool for improving democratic performance in OECD countries and a means for governments to improve their policy outcomes and the quality of services. (OECD, 2009a)

159. The guiding principles for open and inclusive policy making in OECD countries are: commitment, rights, clarity, time, inclusion, resources, co-ordination, accountability, evaluation and active citizenship. (OECD, 2009a) This chapter assesses three key elements of openness and accountability in Israel: freedom of information, government relationships with civil society and engagement with citizens,

taking account of these guiding principles. In doing so, it provides an overview of the policy and implementation frameworks and mechanisms to ensure transparent and accountable government, as well as citizen engagement and participation in decision-making. It highlights the main institutional actors and instruments, as well as the main challenges being encountered. The extent to which policies and programmes are monitored is also discussed. Throughout the chapter, effort is made to provide an indication of the coherence of Israel's practices with those found in OECD member countries

Current practices and degree of coherence with OECD member countries

Freedom of Information and access to information

Legislative and policy framework

160. The legislative framework supporting transparent and accountable policy-making in OECD countries includes several laws on issues such as access to information, administrative procedures, privacy and data protection, the institution of the ombudsman, and the use of information technology in government. Israel's legislative framework established through the 1998 Freedom of Information Law, an amendment in 1958 to the Administration law (1948), the Law on Ombudsman /Commissioner (1958, 1988) the Law on Privacy and data protection (1981) and the Electronic Signature law (2001) is consistent with OECD countries practices. However, unlike all OECD countries, Israel does not have a policy framework on e-government as part of its open government framework. (OECD, 2009a) As in OECD countries, Israel's Freedom of Information Law applies to all public authorities and establishes the right to request information and the rules of disclosure. The exceptions, like those in OECD countries, relate to national security and foreign affairs, with these given particular importance in the Israeli context, as well as

Box 6. Actors associated with transparency and accountability in Israel

A number of entities, discussed in this chapter and elsewhere in the report, play a role in ensuring transparency and accountability in public governance in Israel. They include, but are not limited to:

- *Information commissioners in each ministry:* are in charge of implementing the ministry's policy direction with regards to access to information (a single national entity does not exist). Commissioners also compile data on freedom of information requests and publish it annually.
- *Non-governmental organisations:* have a role in monitoring open government in Israel by raising questions, for example, with respect to information requests in certain areas and in supporting appeals against some exemptions.
- *The Courts:* Courts control the implementation of the Freedom of Information law, both in regard to requests for information and examination of the responses by the Executive Authority as well as in regard to fulfilling duties imposed on the authority by law. Courts also play an important role in challenging the government on its implementation of freedom of information.
- *The Department of Policy Planning in the Prime Minister Office:* In the last year the department has lead the formation of a platform of "round tables" allowing a continuous dialogue between the public sector, the Third sector and the business sector working to promote social causes.
- *The Government Secretariat:* regulates the bringing of bills and proposed resolutions up for discussion in the Government and its committees and publicizes the resolutions after.
- *The Israeli Governmental Advertising Agency:* centralizes all government advertisements and announcements. When a public body needs to pass information to the public or wants to influence its opinions through advertising or campaigns, the IGAA provides services such as planning and strategy, creative, production and acquisition of media, including studies before and after the campaign.
- *The State Comptroller:* conducts an external audit of the activities carried out by a wide range of government and public bodies. It also serves by law as Ombudsman and discharges this function in respect of all bodies statutorily subjected to audit.

Source: OECD (2009), "Public Governance Committee Accession Review Questionnaire" (Israel response), GOV/PGC/ACS(2009)1

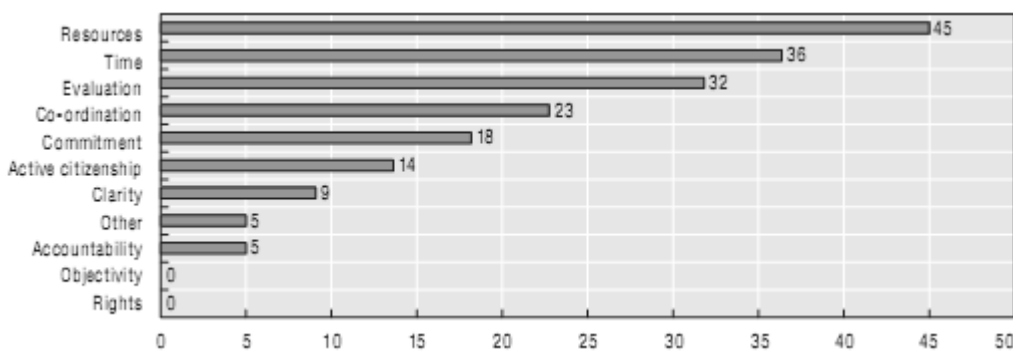
to issues of proportionality and reasonableness regarding the level of resources needed to respond to requests. Most exemptions are discretionary and they are being tested through the courts. Thus the system is still developing. Changes have been made such as widening the scope of the Freedom of Information Act to include government companies and requiring all authorities to publish environmental information and to have a web site.

Implementation

161. Effective implementation of freedom of information requires resources. In a survey conducted in 2007, OECD countries indicated that providing sufficient resources for open and accountable government was the most difficult of the guiding principles to meet (see Figure 4).

Figure 4. Principles which OECD countries find the most difficult to meet

(% of respondents ranking the option as "important" or "very important"; n=25 countries¹)



Note: (1) Respondents included 23 OECD countries and 2 non-member observers: Chile and Slovenia.

Source: OECD (2009), "Focus on Citizens: Public Engagement for Better Policy and Services", Figure 2.2 "Principles which are the most difficult to meet", pg. 35.

162. Israel does not allocate a special budget for the implementation and promotion of transparent and accountable government. Instead, resources are allocated within existing ministerial structures to implement freedom of information and related laws and respond to information requests. Multiple staff positions exist: the Prime Minister's Adviser for Public Affairs, the Commissioner for Freedom of Information Law, and information commissioners in each ministry. While information commissioners have responsibilities alongside freedom of information requests, commissioners consider there to be sufficient resources to respond to requests. Like OECD countries, Israel has set times for responding to freedom of information requests. Figures provided for 2007 for three ministries show variable performance: 70% of requests to the Ministry of Education achieved the target; for the Prime Minister's Office 75% met the target, and in the Ministry of Justice 48% of requests were responded to within the target time. Where the response time is not achieved it is usually because of a need to seek advice or further information from a third party. Within each ministry, information commissioners are supported by lawyers who can advise on complex cases and have recourse to the Ministry of Justice if high level advice is needed.

163. As in OECD countries, there is judicial review over aspects of the Freedom of Information Law's implementation: both of information requests and the fulfilment of duties. Thus an appeal to court can be made regarding any public authority's resolution and the court will examine whether the authority has acted in accordance with the law and the rules of administrative law. In Israel appeals against government decisions have resulted in challenges to some exemptions claimed by ministries, particularly those claimed on the grounds of national security. For example, in one case the Ministry of the Interior argued for an exemption for population data in the interest of national security. In response, the court ordered the Ministry to present for public scrutiny as well as publicising on the internet all of the

Population Administration's procedures and that they should be kept up to date.¹ Other court rulings have encouraged negotiations between stakeholders to strike a balance between differing needs such as commercial confidentiality and the need for transparency. Other legal judgements have aimed to balance needs such as individual privacy with the public interest. For example, a court ruled that both the names of successful candidates *and* applicants for director posts of government companies should be publicly available to ensure transparency in high level appointment processes.

164. Within government there are informal inter-ministerial mechanisms to improve the implementation of freedom of information. For example, there are annual sessions organised by the Ministry of Justice to update commissioners on court decisions, legal interpretations or any changes to the law. However, not all information commissioners are updated on the law to the same degree as it is done differently in different ministries and not all officials attend centrally organised sessions. While some ministries may be less responsive to freedom of information requests than others, overall government officials are perceived by organisations and individuals interviewed to be more willing to provide information than in the past - a cultural change towards more open government.

Monitoring

165. In OECD countries, the existence of an overarching responsible body or individual means that monitoring can be formal and systematic. In Israel, there is no dedicated senior information post such as a commissioner, such as in Canada, or an information office such as in the UK and Ireland. (OECD, 2001) The system of shared responsibilities for freedom of information makes it difficult to drive an overall policy direction, review performance and introduce necessary changes. Some activities do take place, however. Formally, all ministries compile data on freedom of information requests, such as the types of queries, response times, and appeals, and publish it annually. In some instances these data are used to identify if there is a need to put more information into the public domain (e.g. the environment). Informally, monitoring and review of how the freedom of information system is working is conducted by information commissioners from the different government departments. This has identified potential areas for change. For example there is agreement that the fees for information requests are a barrier for low

Box 7. Openness in Israel's Urban Planning Services

The strengths and weaknesses of Israel's developing approaches to open government can be seen in a recent academic study of Planning Services in Israel, Denmark and the UK. According to Altermann and Carmon (2009), appeals policies on planning applications in Israel are more open than in the two comparator countries in allowing broad social and environmental grounds for appeal, rather than narrow professional definitions. Other indicators of an open process are the longer times which Israel given for appeals and the number of appeals permitted. However, indicators of less openness are identified as the practice of requiring objectors to sign an affidavit. This is seen as bureaucratic and a deterrent to open access as people have to go to a lawyer to do this. Communication is also identified as a weak area. Although there is now more information in the public domain, according to the study, it is complex and difficult for the public to understand. There is also lack of direct communication for example through personal letters, which are standard practice in the UK and the Netherlands. The public interest and participation in planning in Israel is said to be growing, reflecting the public availability of plans on government web sites, NGOs being more active, and officials becoming more sensitive to the need for greater openness.

Another study (Vigoda- Gadot, 2007) also highlights collaborative practices with citizens in the field of urban development in Israel. The Carmelite Project in the City Of Haifa, in partnership with entrepreneurs, used a range of different consultation methods to present and discuss the potential development. These included involving school students, exhibitions, meetings and focus groups. The project involved formal feedback on public views and the responses made in developing the scheme.

Source : Altermann, R. and Carmon, D. (2009) "The Public's Right to be Heard in Urban Planning Procedures: A Comparative view of England, The Netherlands and Israel", Technion - Israel Institute of Technology, presentation to the OECD, June 2009.; Vigoda- Gadot, E. (2004), "Collaborative public administration – some lessons from the Israeli experience," *Managerial Auditing Journal*, Vol. 19, Issue 6, pp. 700 – 711.

income individuals and they therefore need to be reviewed. There has also been discussion of the need for greater co-ordination across government and whether there should be a dedicated information commissioner. This may be proposed through a private members bill. However, it is not clear if any of the changes identified will be made.

166. NGOs also play a part in monitoring open government. In Israel, they have raised questions, for example, with respect to information requests on environmental issues and have been involved in supporting appeals against some exemptions. Organisations interviewed appear satisfied with the legal framework for freedom of information and the amount of information now in the public domain. However, they identify areas for improvement as consistent implementation of open government, more accessible information, and more active interaction with citizens. Transparency International – Israel (TI) is active on a range of relevant issues and will be working with the Israeli government to develop a more open approach to the budget. This will include conducting focus groups involving local government, the private sector, and civil society. A key element of this project will be developing accessible public information on the budget. TI will also be working with municipalities on freedom of information and open government, as local government performance in this area is uneven. Some municipalities are responding effectively while others are lacking the resources to implement freedom of information.

167. Like in OECD countries, in Israel there is an increasing amount of government information now available to the public, helped by the creation of government web sites. Knesset meetings are shown on a special television channel, all cabinet decisions are available online, and there are weekly briefings to the media following cabinet meetings. Journalists have access to cabinet papers on an intranet before each meeting. There has been discussion about making cabinet papers public but currently access is limited to agreed media. Both private and government bills are published and, for the latter, memoranda of statute are disseminated to government ministries, academics, law offices and other public entities to receive public comments within a 21 day period. All laws are published on the government's web site and there is an open approach to tendering. Audit reports are also published, as are annual budgets and ministerial service plans and also annual reports from the Minister of Finance, on the income and expenditure of the state, no later than 3 months after the end of the fiscal year. Other ministries, such as the Ministry of Health, publish an annual report. A wide range of public bodies such as the Second Broadcast Authority and Water Authority publish reports on their activities, as do government companies. The growing culture of openness of information is a significant cultural change. Information is increasingly perceived by commissioners as an entitlement belonging to citizens rather than to government.

Ombudsman and Audit

168. Audit, which includes public reporting, is an important element of open and accountable government. The State Comptroller of Israel conducts an external audit of the activities carried out by a wide range of government and public bodies and has unlimited access to their accounts, documents and databases. To provide oversight of public money and accountability, the State Comptroller examines legality and regularity, savings, efficiency, effectiveness and integrity. Annual audit reports are published, as are the special reports on particular issues, such as on water and on the financing of political parties.

169. Government handling of complaints is another important indicator of open and accountable government. OECD countries commonly have a position with responsibility for investigating complaints against government. In Israel the State Comptroller also serves by law as Ombudsman and discharges this function in respect of all bodies statutorily subjected to audit.² There are substantial resources to carry out this function. The Ombudsman's Office has 60 investigating staff (all attorneys) and 30 administrative staff. The public may register complaints in writing by mail, fax or e-mail or orally at one of 5 branches of the Ombudsman Office. The office of ombudsman exists in many OECD countries including Finland, Australia and France. (OECD, 2009a) As in the OECD, Israel has clear criteria for making complaints and

processes for investigation and reporting. The Ombudsman's Office has a comprehensive database which tracks cases and is used to produce a publicly available annual report on the types of cases dealt with and their outcomes.³ This report receives extensive media coverage and is debated in the Knesset.

170. The Ombudsman's Office provides information to the public on how to make complaints. The information is available online and in local newspapers, in Hebrew, Arabic and Russian. The office also conducts outreach to particular communities such as new migrants and Arab communities to ensure that they are aware of the Ombudsman's Office and how to make a complaint. In general, officials of the Ombudsman view an increase in complaints as a positive indicator of an open approach to governance. Some ministries, such as Health, have used ombudsman complaints to develop policies and improve services, and ombudsman complaints were used to identify and remedy bad practice in recruitment to government bodies.

Civil Society/Third sector

171. A dynamic civil society is an important element of accountable governance. The OECD has identified active citizenship as a guiding principle for effective open policy making and the third sector as a key building block for active citizenship. For these reasons, OECD countries are increasing their collaboration with a range of third sector organisations and collaborating with civil society in different ways. For example, Ireland's national approach to policy development (called "Social Partnership"), provides different sections of society the opportunity to have an input into policy discussion and priority setting. The policy contains a community and voluntary pillar which involves seventeen representative civil society organisations. In Finland, the National Citizen Participation Policy Programme (2003-07) involved all active civil society organisations in a wide ranging policy debate. Countries such as the UK engage in capacity building to ensure that civil society is able to engage effectively with government and to ensure that government has the skills to engage with the third sector.⁴ The importance which OECD governments now give to the third sector is reflected in direct input from civil society organisations into recent OECD research on citizen focus across OECD countries.

172. Israel has a well developed NGO sector and tradition of philanthropy and self organisation outside of government.⁵ There are about 25 000 non-profit organisations, employing over 230 000 people, and accounting for 7.2% of GDP in 2002. Approximately half of third sector income comes from government funding. (Reut Institute, 2008) Links with Jewish communities across the world have provided an independent source of funding, particularly for the larger NGOs. In response to the growth of the scope of activity of third sector and of government funding for this sector, the government reviewed its relations with the sector and published an associated policy framework adopted as Government Decision no. 3190 in February 2008. (Government of Israel, 2008) The policy identifies three aims:

1. to strengthen co-operation and establish relations between the public, private and third sectors;
2. to increase civil society organisations' involvement in the provision of social services; facilitating processes of empowerment, professionalism; and
3. to improve monitoring and promote greater transparency in civil society.

173. The policy document sets out detailed proposals to implement each aim and the level of resources available for implementation. It also proposes the development of compacts with the third sector, drawing on models developed in OECD countries, such as the UK and Canada, and from one of Israel's municipalities, Dimona.

174. The key proposal for ongoing engagement with the third sector (and the private sector) is a model of a national round table and local round tables, bringing together the different sectors on a regular basis.

They are envisaged as a means of information exchange and a vehicle for policy discussion and consultation. This model was developed within the Prime Minister's Office, in consultation with NGOs, and one meeting was held before the resignation of the previous prime minister. There is a commitment from the current prime minister to continue the model and a second round table meeting was scheduled for July 2009. The composition of the round table and its operating processes were developed based on academic research and therefore the format and processes have credibility with the different parties involved. As this approach to involve civil society and the business sector is in the early stages, it is not yet possible to judge its effectiveness. A positive sign is that NGOs have expressed commitment to the new ways of working set out in the policy framework, including the round table models. There is practical support being provided for the process by a specialist NGO, experienced in facilitation and process management, to help develop a common agenda and a partnership approach. Civil society organisations interviewed commented on the changing attitudes of both civil society and government, to work more collaboratively. The business sector participated in the round table meeting which occurred in September 2009 led by the current Prime Minister. Three ministries - Education, Environment and Welfare - have committed to introducing their own round tables to engage civil society.

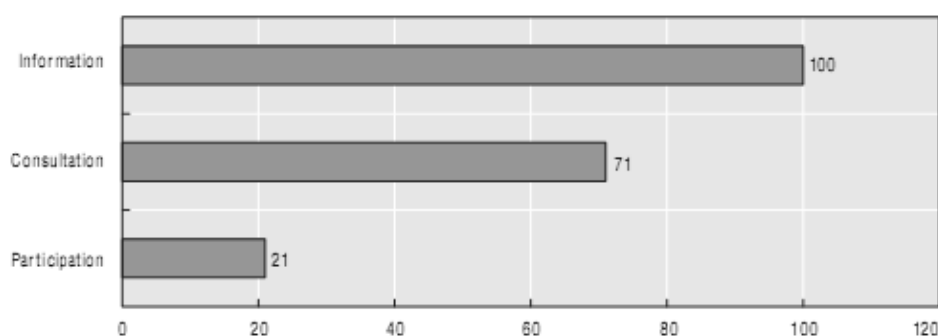
Citizen engagement and accountability

175. OECD countries have different ways of involving citizens in open and inclusive policy making and use a variety of tools. They range from the more traditional (e.g. meetings, focus groups, public hearings, production of paper information material, incorporation of the public into working groups for the drawing up of regulations) to online channels (e.g. use of e-forums or e-consultations). Examples include Finland's Citizen Participation Programme referred to earlier which has a wide reaching and strategic approach to citizen consultation. It has four key elements: active and democratic citizenship, civil society, citizen participation and the structures and practices of representative democracy. A democracy unit has been set up to work across government to promote ongoing citizen involvement and to build in evaluation. New Zealand's State Services Commission has developed on line interaction with citizens using tools such as wikis and produced a guide to online participation in 2007. Some governments such as the Netherlands have introduced standards on consultation to ensure quality and consistency.⁶

176. Israel's approach to citizen engagement is mainly at the traditional end of the spectrum. Emphasis is placed on information giving, particularly using the web to provide citizens with a wide range of information on government. As previously noted, issues of accessibility are emerging. All OECD countries report using ICTs as an information tool but some go further than Israel and use it also for consultation and participation (Figure 5).

Figure 5. How OECD governments use ICTs in citizen-government relations

(% of respondents ranking the option as "important" or "very important"; n=25 countries¹)



Note: (1) Respondents included 23 OECD countries and 2 non-member observers: Chile and Slovenia.
Source: OECD (2009), "Focus on Citizens: Public Engagement for Better Policy and Services", Figure 5.1 "OECD governments use ICT to inform more than to engage people", pg. 70.

177. In many OECD countries, consultation with citizens is not mandatory. Israel has no requirement for the government to consult citizens. While the Attorney General advises that there should be consultation for controversial issues, this is not defined, although Directive no. 1.1502 deals with appointing of public committees to consult with experts or public representatives. Such committees have been used to consider a broad range of issues and have published reports, including the Schmidt Report (2006) on children and youth at risk and the Dorner Report (2008) on holocaust survivors. There is no overall approach to or guidance for engaging with citizen and consultation does not appear to be a priority or planned in a systematic way. There is no corporate guidance or standards for inclusion of the citizen perspective in service planning, although the annual planning process begins with information gathering which includes NGO perspectives. Israel is not alone in not having clear statements and purpose relating to citizen engagement. OECD countries reported that clarity of purpose was a difficult principle to meet. (OECD, 2009)

178. Although an overarching policy is not in place, steps have been taken to open up decision making processes. For example, there is use of panels and committees drawn from different stakeholders (e.g. the advisory council to General Audit) and the round tables described in the previous section. There are also some national examples of developing practice in citizen engagement, particularly in working with disadvantaged communities. For example, in 2003 the government developed a joint venture with two NGOs to enhance the quality of life for Ethiopian communities. Called the "National Ethiopian Project", it aimed to empower the Ethiopian communities and build community capacity.⁷ The project built in involvement of the Ethiopian communities through an election process to the programme board and the appointment of an Ethiopian CEO to lead the programme. It developed a coalition of Ethiopian communities which still exists. Priorities and programmes were developed in consultation with each of the eight towns involved which had community representatives on the overseeing body. Since 2005 the project has developed programmes to address challenges faced by these communities, particularly in the areas of employment and education. It changed community perceptions of government and helped build greater trust. In 2008, a government initiative on 'economic absorption', that is the integration of new communities into productive economic activity, had input from Ethiopian NGOs to this policy planning process, made possible largely as a result of previous community engagement. This is a positive example of community capacity building and inclusion and is similar to the kinds of community engagement undertaken in OECD countries.

179. For some ministries such as Health and Environment, the practice of consultation has developed around specific issues (see Box 8). The Ministry of Health has also appointed committees to investigate complex issues such as umbilical cord banks and have used a well publicised process with public input to the evidence gathering and debate. They have also been used to review the availability of services such as radiotherapy, resulting in changes to service provision at the local level in response to user experiences. In the area of health Israel has benefited from participation of individuals in international networks, learning from practices in OECD countries such as the UK, and a strong emphasis on using the web site to give information to the public.

Box 8. Ministry of Health consultation on the “national basket” of treatments and services

The Health Ministry involves citizens annually in the process of determining which services and treatments should be included in the “national basket” to be provided to the public at no cost or at subsidised rates through the national insurance system. A committee of 16 individuals drawn from different sectors is appointed by the Minister of Health to oversee the process. The process begins with data collection, drawing on demographics, complaints information and research on the effectiveness of different treatments and the availability of new drugs and treatments. The committee invites and receives comments before and during its deliberations. Comments and suggestions are compiled anonymously so that public and professional views are given equal consideration. A journalist attends the meeting so that there is regular media reporting on discussion and progress and decisions are posted on line and comments invited. A special e-mail box for public comments to the committee exists and all comments are considered. In total, deliberations take three months. Since its launch in 1999, new approaches have been introduced as the process has developed. For example, in 2002 meetings called ‘regional parliaments’ were held in six areas to provide an opportunity for regional debate on complex issues, such as the trade off between expensive treatments which benefit small numbers of people compared with lower cost drugs which benefit large numbers of people. To enhance credibility, the process was facilitated by an independent research institute. Representatives from the parliaments reported back to the committee and views were fed into the deliberation process. More recently the public engaged in a conference on the use of certain drugs to treat osteoporosis, which led to a change for particular treatments. Asthma treatments were also changed in response to input from civil society groups.

Source : OECD Interview, Medical Technology and Infrastructure Administration, June 2009

Implementation issues

180. There is a need for overall performance monitoring of responses to freedom of information to ensure greater consistency across government. As noted previously, with respect to institutional arrangements, Israel has no dedicated senior information post as can be found in some OECD countries. While all ministries compile data on freedom of information requests, there is no ongoing, systematic monitoring of government performance in this area and court decisions may not be speedily shared. Although individual commissioners in the Israeli government understand their own service or function, they are not necessarily aware of what is happening in other areas in the government. Reports for each ministry are published separately on their respective web sites and so stakeholders and the public would find it difficult to compile an overall picture of performance. In 2007, the State Comptroller undertook an audit of the implementation of the Freedom of Information Law across government. It revealed weakness in implementation of access to information by the Ministry of Interior, an issue which has also been the subject of legal appeals.

181. While there is a general opening up of government policy making processes to civil society, the model is narrow model and characterised by a high degree of central control. There is a need for a more planned, systematic and inclusive approach to citizens and use of a range of consultation methods. At present there are risks to inclusiveness in using predominantly one approach (round tables) and only involving NGOs. Fortunately, some efforts are being made to ensure wider representativeness. First, the NGOs participating in the national round table are generally umbrella organisations which have links with other groups. Second, a third of the representatives will change each year to ensure openness and representativeness. Third, the round table will convene an annual meeting with NGOs. Finally, a web site is planned as a mechanism for involving wider constituency.

182. It is not clear how the impact of the round table will be evaluated and OECD countries have reported that evaluation has been among the most difficult of the guiding principles for open and inclusive government to implement. (OECD, 2009a) However, some countries, such as Canada and Austria, are incorporating evaluation into their citizen engagement programmes. Evaluation could help Israel to

demonstrate impact and overcome reservations on the part of some officials who remain unconvinced of the benefits of a more consultative approach to government.

183. Within the round table model, there are also potential issues of conflict of interest for some NGOs who are at the table to influence government, whilst at the same time being potential recipients of government funding. Also some NGOs are seen as having links with particular political parties. For these reasons, it is important to demonstrate that the round table process involves a broad cross section of civil society and has added value. Using a wider range of consultative methods, drawing on experience elsewhere, could help in this regard.

184. Finally, with the amount of government information available to the public increasing, Israel recognises the need to provide citizen focused information in a more accessible manner. For example, there has been investment in the design and presentation of ministerial plans to make them more accessible. Israel is also developing some feedback mechanisms, for example through an internet forum as part of the 2007/08 service planning process, although it was not well used. Israel could draw on experiences in OECD countries that highlight the importance of capacity building and systematic approaches if citizens are to be able and willing to be sufficiently engaged to give feedback.

Conclusions

185. Israel has a solid legal framework for freedom of information which is similar to that found in many OECD countries. Resources are allocated to respond to requests for information and a culture of greater openness in government is developing. While there has been some resistance to change in the Ministry of Interior, court challenges have resulted in a wider range of information in the public domain. There is a well established Ombudsman's Office for dealing with complaints against government bodies and structures and practices are similar to those in OECD countries. However, in contrast to some OECD countries such as Canada or Ireland, responsibilities for implementing freedom of information are spread across government and there is therefore no individual or body with an oversight role.

186. There is a strong NGO sector and a new policy framework which sets direction for the Israeli government to develop relationships with the third sector. Israel has been drawing on learning from OECD countries, e.g. on compacts with the 3rd sector. Round tables offer a vehicle for ongoing consultation with civil society but are in the early stages of development and offer only one model which could restrict who becomes involved. In Israel there is a risk of focusing on special projects rather than including different groups in mainstream government processes and services. This issue of inclusion is faced by many OECD countries. There is no overall policy framework for engagement with citizens. However, there are examples of citizen consultation in some parts of some ministries and with specific community groups. Citizen engagement is not integrated into mainstream processes such as service and budget planning, although there are plans to develop a more participative approach to budgeting. Israel could usefully learn from the diverse methods of engaging with civil society and citizens which exist in OECD countries and from the more strategic approaches which some countries use.

187. Israel's overall approach to its citizens is at the traditional end of the spectrum of practice in OECD countries. The government focuses mainly on giving information, with some opportunities for feedback for particular services or input from specific communities. In common with many OECD countries, Israel uses the web mainly as a communication tool and has not yet fully developed or used the interactive potential of new technologies such as Web 2.0.

ENDNOTES

¹ Appeal no 07/530 the Israeli Civil Rights association vs. the Ministry of Interior December 2007

² State Comptroller Law 5718 (1958)

³ The Ombudsman: Selected Chapters of the 34th Annual Report for the year 2007 State Comptroller and Ombudsman, State of Israel

⁴ Examples of Ireland, Finland and the UK from OECD (2009), "Focus on Citizens: Public Engagement for Better Policy and Services", pp. 145, 185, 251.

⁵ In 2006 there were 25,000 non profit organisations registered in Israel

⁶ Examples of Finland, New Zealand, and the Netherlands from OECD (2009), "Focus on Citizens: Public Engagement for Better Policy and Services", pp. 145-150, 169-176.

⁷ There are similar examples with Arab communities and Bedouins. The latter have been involved in policy planning related to land use. The former took part in a policy dialogue initiated by the Prime Minister in the form of a one day conference in June 2008 involving about 70 members of the Arab community, including Arab mayors. Three areas for discussion were identified: municipalities, economic development and education. A report of the issues from the day was posted on the government's web site. This event is seen as the beginning of a dialogue which the new Prime Minister has agreed to continue.

E-GOVERNMENT

Main findings regarding coherence with OECD policies and practices

- Israel's e-government applications and services are numerous, sophisticated and widespread across public institutions, similarly to the most advanced OECD countries.
- E-government planning and implementation in Israel is centralised (as in Turkey, Hungary, and Portugal) and under the overall responsibility of the E-Government Department in the Ministry of Finance. Auxiliary forums have been created to increase horizontal collaboration and co-ordination.
- As in the case of Denmark, the Israeli Ministry of Finance proactively exercises budgetary powers to prioritise e-government projects. This approach has proved to be successful in granting Israel the capacity to effectively plan and implement e-government projects, less so in facilitating co-ordination and horizontal collaboration.
- In line with the majority of OECD countries, Israel's most ambitious e-government project (both technologically and financially) is the implementation of its Government Resources Planning system (GRP), which is at the heart of the national ICT strategy.
- Contrary to many OECD practices, Israel's organised civil society engages with the government in only a limited fashion on issues such as e-government service provision and delivery, quality control, needs identification, and user satisfaction.
- There is no systematic planning for or monitoring of the effects of e-government policies and practices on administrative simplification.
- With the world's highest research and development intensity at 4.65% of GDP, over twice the OECD average of 2.26%, Israel's performance in the field of ICT applied to public administration will probably increase in the short and medium run.

Introduction

188. This thematic chapter provides an assessment of the status of e-government in Israel, with a focus on comparison with OECD countries. It covers the following aspects of e-government: enabling environment; planning, monitoring and evaluation; leadership and structure for co-ordination; implementation issues, and electronic service demand, provision and take-up.

Current practices and degree of coherence with OECD member countries

Enabling environment

189. Experience from OECD countries indicates that infrastructure, institutions, legislation, and budgetary frameworks are important prerequisites for the implementation of e-government policies. Unclear regulations and requirements, weak support for technical infrastructure, and budgetary mechanisms for collaborative projects can be major barriers for the successful implementation of e-government policies (OECD 2003). In this regard, Israel is an atypical case when compared to OECD

countries. In some areas its e-government and Information Society policies and practices are very advanced (i.e. infrastructure), while others have limited alignment to OECD practices (i.e. the regulatory and legal framework in general). Similarly some government agencies offer very advanced e-government services and use sophisticated interconnected applications, while others are much less involved in national ICT strategies or are on an autonomous path (i.e. Ministry of Defence). This heterogeneity in Israel is the result of an initial phase of ICT deployment in the country characterised by improvisation and the vision of individual officials more than by a common vision provided by a co-ordinated national policy. Of course geopolitical considerations and security concerns played and still play an important role in shaping Israeli policies. Overall:

- *Information society:* International indicators suggest that the Israeli Information Society has reached an advanced stage of development. The 2008 UNDESA e-Government Readiness Index ranks Israel 1st in Asia and 17th worldwide. The e-Readiness ranking of the Economist Intelligence Unit places Israel 27th worldwide and 1st in the Middle-East and Africa for almost all categories (business environment, social and cultural environment, e-Participation, etc.), except the legal environment where it is 2nd after South Africa. (EIU 2009) This is facilitated by a research and development intensity that – at 4.65% of GDP - is over twice the OECD average. (OECD Science and Technology Outlook, 2008)
- *Infrastructure:* Israel has well established centralised infrastructures permitting effective and secure exchanges of information and data, interoperability across most government agencies, and full connectivity for public employees. Security is a crucial issue and is guaranteed by a sophisticated Information Security Team, within the E-Government Department, that handles attempts to attack the electronic infrastructure and services provided.
- *Institutions:* The Israeli Government's Internet Committee was established in 1997. The committee's goal was to set working regulations for building governmental Internet sites and to assimilate information technology in governmental offices by conducting sample projects and preparing manpower training plans. The committee worked in co-ordination with the government offices through a steering committee that met regularly. Its activities, in addition to those of the Knesset special sub-committee for computerisation and information, brought a government resolution on "Israel's preparation to the information age" in 1997, which is considered the beginning of e-government reforms in the country. In 2002, the cabinet decided to better regulate and co-ordinate national e-government policies through the establishment of the E-Government Department within the Ministry of Finance's Accountant General Office. The Ministry of Finance was given the power to evaluate, approve, and eventually finance all ICT projects nationwide and implementation was specifically delegated to the E-Government Department, while many projects were outsourced. The Department has approximately 100 employees drawn largely from high-tech industries or software companies and a very consistent annual budget (guaranteed by its position in the Ministry of Finance and the political priority assigned to its task).
- *Legislation:* The basic legislation enabling e-government processes and applications is in place and regulates such areas as access to and disclosure of public information (Freedom of Information Law 1998), the recognition of the equivalence between paper and digital signatures (Electronic Signatures Law 2001) and the protection of privacy in processing personal data (The Privacy Law 1981). However, the lack of an omnibus e-government bill poses some obstacles to the smooth development of e-government in the country and forces the government to deal with obstacles as they present themselves, without the possibility of relying on an overarching legislative tool.
- *Financing:* The annual budget of the E-Government Department was 50 million NIS in 2008. The construction of a general Internet infrastructure and the development of e-services platforms are

financed by the central budget. In addition to the central budget, ministries receive an average of 500 000 NIS for e-government service delivery. Government IT expenditure is on average 1.5 to 2 billion NIS per annum, subdivided per implementation modalities according to the following per year expenditures: between 80 and 120 million NIS for projects fully outsourced; between 200 and 300 million NIS for projects partially outsourced; between 1 and 1.25 million NIS for project implemented by single Ministries. Any IT project larger than 100 000 NIS must be approved by the office of the Accountant General within the Ministry of Finance.

190. Israel, like most OECD countries (e.g. France, Italy, and the United Kingdom) started implementing basic e-government services in the 1990s with the launch of the Ministry of Finance and Knesset websites in 1996. Soon after, Israel created its own government Internet service provider “Tehila” in 1997. A more complete discussion of e-government services is provided in the section on user take-up.

Planning, monitoring and evaluation

191. The approach to e-government development and implementation varies in OECD countries, reflecting the political and administrative tradition and the structures of government decision-making. National approaches to e-government in OECD countries range from more centralised (e.g. Turkey, Hungary, and Portugal) to more decentralised (e.g. Finland, Norway, and the Netherlands). Israel’s approach to e-government is centralised, reflecting political traditions, security concerns, and demographic and geographical characteristics.

192. Since the 1970s the Ministry of Finance has played the most important role in promoting and implementing ICT reforms and e-government in Israel. This is positively perceived as it guarantees stability, availability of financial resources, good management and highly qualified officials. Following the creation of the E-Government Department, a series of auxiliary forums were created to increase co-ordination among public bodies and allowed for a more coherent structure and improved capacity to plan, monitor, and evaluate projects than in the past. These included:

- The Central ICT Committee, headed by the Accountant General, which meets every two weeks. Here projects are discussed among concerned public institutions and eventually approved and financed.
- A CIO Forum that meets once a month and is again headed by the Accountant General. It is a policy discussion forum with wide participation (it includes public agencies and relevant private sector actors) where priorities are set and lobbying activities insert additional items in the public agenda.

193. Following and – in part – as a consequence of the first round of website launches in the 1990s, Israel started streamlining its ICT policies. It accomplished this task, unlike most OECD countries, not by issuing a national e-government plan but through two sets of government resolutions, in 1998 and in 2002, which encompassed the typical elements of OECD countries’ e-government strategies. Among other things, these resolutions introduced the generalised use of e-mails and public websites. Since 2002, the e-government strategy is managed by a three year plan that clearly identifies national goals that are listed according to projects to be implemented and financial resources needed.

Box 9. The Five-Layer Model

Israel, through the work of the E-Government Department within the Ministry of Finance, has identified a “Five-layer Model” to monitor the implementation of e-government in the country. What follows is an explanation of the model (as it appears on the web site of the Ministry of Finance):

- The First Layer (Inter-governmental communication infrastructure): the recognition of the importance of having inter-governmental communication infrastructure that permits information flow within and outside the government (G2G and G2C) and gives the different governmental bodies the ability to provide services under the same technological umbrella. The “Tehila Project”, explained elsewhere in the chapter, was created for this purpose.
- The Second Layer (Horizontal applications): the importance of a governmental ERP, covering a variety of subjects, which are in the heart of the organisation: budget, logistics, manpower etc. With the Merkava Project Israel is reaching this goal.
- The Third Layer (Infrastructure for the citizens): This layer includes communication-infrastructure as well as technologies that permit government transparency and enhanced communications with citizens. The existence of layers 1 and 2 enables usage of an all-governmental, unified infrastructure for communication with citizens. The national portal and the two portals dedicated to citizens and business have been implemented under the umbrella of this layer.
- The Fourth Layer (Applications for citizen service): This layer includes “e-government” applications through which citizens can use on-line sites and perform activities. These applications are especially built for the public and are adjusted to its needs and include the e-Payments system and the Form server that is described in the section on electronic services demand, provision, and take-up.
- The Fifth Layer (Support and assimilation): A layer that consists of technologies and physical resources required for education and assimilation of ICT in challenged populations. This layer is responsible for closing the digital gap and the actual usage of the systems by the common citizen. This strategy includes the reduction of the digital divide through the “Lehava” (see below).

Source : Information Technology Website of the Israeli Government <http://www.itpolicy.gov.il/englishsite/mainpage.htm>

194. The involvement of Israeli citizens and civil society organisations in the planning and implementation of information society is limited. Civil society is not particularly active in this field and, when it is, it does so as a service provider more than as an institutional counterpart to be involved in policy making. This is unaligned with OECD practices, as member countries are going in the opposite direction and trying to increase as much as possible direct collaboration with citizens, especially in time of financial crisis. Israeli public officials seem to be aware of this situation and are actively considering various strategies to address it. Among them, the use of Web 2.0 participatory tools and applications (such as open forums, blogs, etc.) has been implemented in a limited number of government’s websites.

195. Measurement and evaluation of e-government projects is still not widespread in OECD countries with many countries having only just started to evaluate the impact of their e-government projects and policies (in 2005, only 15 out of 30 OECD countries had undertaken impact measurement). In Israel, the E-Government Department does not have any formalised monitoring and evaluation framework and related procedures in place. However, it performs some of these activities, such as verifying the number of accesses to the national portal or the uptake of a specific e-service, when requested and for specific purposes, often more technical than policy oriented (i.e. software upgrade and application development). Thus monitoring occurs only on an ad hoc basis. Establishing monitoring procedures and specific

indicators would be an important improvement for the overall management of e-government projects in the country.

196. E-government and ICT driven reforms are not systematically evaluated against their impact on administrative simplification. Moreover, administrative simplification has not been constantly taken into full consideration when planning e-service development and deployment, partially because the responsibility in this field does not lie in the E-Government Department or in the Ministry of Finance. However, in recognition of the importance of the connections between e-government and administrative simplification, there is an ongoing attempt by the E-Government Department to centralise this responsibility in the Ministry of Finance. If successful, the Department will be able to consider both aspects simultaneously, as happens in most OECD countries.

Leadership and structure for co-ordination

197. Co-ordination arrangements for e-government implementation differ in OECD countries depending on the extent of centralisation or decentralisation of responsibilities in government; on the degree of complexity of government organisational structures; and on the density of information flows across government (OECD, 2005). Different forms of co-ordination have been used by OECD countries ranging from national chief information officer positions or CIOs councils (i.e. Austria, the United Kingdom, and the United States) to more ad hoc informal sharing and voluntary agreements. In some OECD countries, budget negotiations have also been used to promote co-ordination and common development across central government, such as in Denmark where the Ministry of Finance is proactively exercising budgetary powers to prioritise and co-ordinate projects within the central government.

198. In Israel, the development and co-ordination of e-government services is performed by the E-Government Department in the Ministry of Finance. It sets the standards for the development of e-government services, co-ordinates e-government projects of ministries, and is responsible for the government intranet "Tehila" and "Merkava" ERP system. The Ministry of Finance's Central ICT committee sets overall e-government policy and monitors ongoing e-government projects. The IT departments within ministries are responsible for the e-services specific to each ministry. IT managers of the ministries participate in the CIO Forum for e-government development to devise and promote e-government plans. ICT regulations and standards are set by the Accountant General Office of the Ministry of Finance. National Standards are set by the Standards Institution of Israel.

199. Despite a lack of formalised procedures and intra-agency agreements, the E-Government Department - with its capacity to interact with all central agencies and its well-qualified staff - is efficient and effective in co-ordinating implementation. The Department makes up for the lack of co-operative implementation procedures by offering its services to all public institutions upon request. Unlike most OECD countries, the absence of a specific and comprehensive regulation in Israel enabling e-government implementation and internal procedures facilitating collaboration across central government agencies as well as across levels of government is not perceived as a challenge to optimal implementation and no changes in this direction are foreseen.

Implementation issues

200. E-government implementation in Israel has been facilitated by a very good education system, which provides numerous ICT oriented courses at both undergraduate and graduate level, and by the advanced private ICT sector that has created demand for a skilled and competitive ICT labour force. The international economic crisis has increased the willingness of ICT professionals to take up more secure, although less remunerated government positions, and the E-Government Department found itself to be particularly competitive in hiring human resources; an unusual situation for ICT public offices in OECD

countries. Importantly, well-qualified ICT professionals are constantly provided to the Ministry by the Israeli Army, especially in the security and infrastructure sectors, after completion of the compulsory three-year military service.

201. Generally, as a consequence of the above-mentioned factors, CIOs and ICT officials in public agencies tend to be well-qualified. This makes horizontal collaboration among CIOs and offices in charge of e-government development in various ministries easier. In addition, the approach of the E-Government Department to act as consultant to other public sector entities has increased the standardisation of implementation procedures and practices, spread a common e-government culture, and increased the capacity to collaborate in the central government.

202. However, notwithstanding the overall positive implementation of e-government in the country, the digital divide remains an important problem. In order to increase the spread of ICT skills in the population, the Government launched the “Lehava” project in 2002 to reduce the technological gap in Israeli society and bring ICT to low socio-economic and geographically peripheral groups in the population. The programme is organised around 15 computer centres nationwide that offer – among other things – free ICT courses, assisted Internet surfing and use of e-government services. With a total annual budget of NIS 9 million, the programme is an important but not sufficient attempt to reduce the digital divide in the disadvantaged areas of the country which, except for few highly sophisticated examples (i.e. rich municipalities like Herzeliya), is an important problem. Two main groups are left out, for different reasons: the orthodox Jewish, who are still considering their approach towards technologies in general, and the Arab Israelis, who face both a digital divide and a lack of e-government resources in their language (i.e. Israeli government websites are usually in Hebrew with only few pages, if any, in Arabic and all e-services are either in Hebrew or in English).

203. In addition, e-government implementation appears to be problematic at the local level and is clearly affected by the centralised structure of the State of Israel. The effect seems to be a combination of lack of funding, lack of competencies and skills at the local level, and lack of decentralised power to offer meaningful e-government services. According to Prof. Nachmias, Senior Fellow Emeritus at the Israel Democracy Institute (IDI) and professor of Political Science at Tel Aviv University, “The obvious conclusion is that the implementation level of Israeli local authorities' websites is at the technical level. It has not yet moved to interactive participation. Using ICT as a platform for e-participation and extending e-democracy is still in the embryonic stage.” (Nachmias and Rotem, 2007)

204. Finally, an additional important impediment to smooth implementation of e-government services in Israel is the lack of an agreement on biometric data, which is impeding the full development of more sophisticated e-government services that require strong authentication. As an example, the second generation of the national portal (personalised and transactional services) cannot be activated without the electronic Identity Card (e-ID), which in turn cannot be issued because of the controversies on where to store biometric data and because of legal problems related to the procurement process of the required smart cards.

Electronic services demand, provision, and take-up

205. Demand for electronic services by public administration and business is high and comparable to OECD standards. Citizens as well have recently looked to ICT as a way to increase accountability of politicians. Israel has responded to these requests in various ways, starting from the late 1990's.

206. First, Israel launched the Tehila project. Tehila is an acronym for the Israeli government's internet infrastructure. The Tehila project, funded and implemented by the Ministry of Finance, began in 1997 to provide services, information, and an email system to some Israeli public officials. Nowadays,

Tehila provides all government ministries and institutions with highly secure internet access and services, including giving government officials high security access to the internet from their individual workstations, secure government websites hosting to provide information and services to the public, and a secure platform upon which government applications and data can be published online. A highly trained staff maintains the Tehila servers 24-hours-a-day, 7 days a week, with maximum security. Servers are continually backed-up and back-ups are stored at an external location.

207. Second, all ministry websites have recently begun publishing updated information on budget and policy implementation, although at times the quantity of information is an obstacle to effective communication of relevant data. Second, public administration officials have at their disposal the Merkava Project. Merkava is a SAP¹-based enterprise resource planning (ERP) system providing ministries the ICT infrastructure needed to better manage financial, human resources, logistics and real estate operations across the government. Started in 1999 (and anticipated completion in 2010), with a budget of USD 150 million, Merkava will eventually be implemented in more than 80 public agencies. 60 have already been connected. The project is a very ambitious one which uses a sophisticated and comprehensive ERP system to modernise and restructure public institutional and procedural infrastructures. Merkava, once fully implemented in all planned institutions, will considerably lower transaction costs by supporting more efficient back office procedures and internal results such as integrated information, improved controls, better input for decisions, and more accountability and transparency.

208. Third, in order to address demands from the private sector for transparency and openness, Israel has launched an e-Tendering Service (Menora). The goal was to have a central solution that could cover all phases of the public purchasing process. Transparency and security are guaranteed by protected communications, strong identification of vendors through government produced and distributed smart cards², online electronic signatures and by the anonymity of the bidders throughout the process. Every private company that wants to sell its products to the government must register and use this online service, which is one of the ways used by OECD governments to enforce full take up of e-government applications.³

209. As for citizens, although Israel does not consistently measure take-up and is only now starting to investigate the phenomenon, some applications seem to be quite successful. Similar to countries like Portugal, the Netherlands, Hungary, and Mexico, Israel has established a national portal (www.gov.il) providing a single access channel for government information and services for citizens. Moreover, since 2006, the citizens' portal (www.my.gov.il) was also launched. In its first version, it provides, through soft identification (username and password), information services such as personalised alerts via SMS and some personalisation options to gather information directly from other government websites. In its second version, to be launched in 2010, the portal will move from the current informational service provision to a full transactional and customisable website. This will require a stronger authentication than username and password. Therefore it will only be fully operational after the electronic ID card (smart card) with a digital signature embedded is released to Israeli citizens. In 2006 the Gov.il portal had more than five million visits (ICA, 2006). Another parallel project, tentatively called "doing business", is about to be launched in Israel. It will also require strong identification and will provide advanced transactional and highly personalised services to business and the private sector in general.

210. To improve the efficiency of paper-based administrative processes and to help citizens manage the variety of different forms, Israel created a central electronic forms site and service by using off-the-shelf software. It currently manages almost 2 000 forms and is available through the national portal. Forms can be printed and filled in by hand, filled in online and then printed, or filled in online and submitted directly to the concerned ministry without changing websites or sending e-mails. Forms are created and uploaded by the individual agencies by using a simple toolkit developed by the E-Government Department.

Alternatively, the Department can produce the form on behalf of the institution that lacks the required technical skills to do so.

211. Another successful application is the online Payment Service, an electronic service that allows the Israeli government to manage payments online. Since 2004, the system has recorded a considerable increase in the number of online transactions, from 174 621 to more than 2.3 million in 2008, for a total value of 6.3 billion NIS collected. It involves more than 30 ministries and agencies, with an online offer of more than 1 560 payment services that cover a range of more than 200 fees and different items.

212. OECD e-government country studies and studies of national user take-up in OECD countries such as Australia, Canada, Korea, New Zealand, and the United States confirm that improving user take-up as an integrated part of improving public sector service delivery – and specifically user take-up among citizens – is a high political priority. To effectively monitor take-up, OECD research highlights the importance of accurate measurement, the development of ad hoc indicators and constant monitoring. Israel does not currently engage in consistent measurement. However, given the speed at which its information society is growing, Israel will soon find itself interested in understanding the impact of its investments on e-government services. To do so, Israel will have to look at the correlation between connectivity, availability of e-services and users' take-up more carefully and equip itself with appropriate data and analytical frameworks.

Conclusions

213. From a general perspective, Israel's Information Society is quite advanced and is rapidly improving. The country has an enabling environment for e-government similar to that of OECD member countries. It is advanced both from an infrastructure and technological point of view. In addition, if compared to OECD practices, the result is a set of generally sophisticated and diversified e-government services in the realms of government to government (G2G), government to business (G2B), and government to citizens (G2C). In addition, with the world's highest research and development intensity, Israeli performance in the field of ICT applied to public administration will probably improve in the short- and medium-term due to a high level of investment.

214. At the same time, it should be noted that the Israeli legislation could be improved by passing a more comprehensive and unified e-government bill, as it exists in various OECD countries. This would simplify execution procedures and speed up overall e-government implementation. In addition, a more horizontal and institutionally inclusive approach to e-government policy making, such as that used in Finland, Norway, and the Netherlands for example, would facilitate the sharing of planning responsibilities and increase collaboration in implementation among central government institutions. It would also improve the match between civil servants' needs and the applications provided, and would diminish the resistance to change typical of public administrations, especially when not mitigated by a participative approach.

215. Finally, an increased collaboration with Israeli civil society, shaped - for example - on the inclusive model adopted by the United Kingdom, would facilitate the development of more citizen-centric applications that would - in turn - increase user take-up. This would have an important impact on Israeli citizens' needs, which is one of the most important goals of e-government implementation in all OECD countries and in Israel as well, as suggested by the Israeli five-layer model.

ENDNOTES

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- ¹ A leading European company that produces one of the most commonly adopted enterprise resource planning software (ERP), very often used by national governments for managing their finances.
- ² The prototype of the National ID all citizens will receive as soon as pending legal issues have been resolved.
- ³ Through Menora, Israel sold government bonds for a value of USD 1.2 billion (one of the most expensive item ever sold by an electronic system in the world, according to the Israelis) and the national “Coins and Medals Corporation”.

MANAGEMENT OF REGULATORY QUALITY AND ADMINISTRATIVE SIMPLIFICATION

Main findings regarding coherence with OECD policies and practices

As part of its Initial memorandum, Israel has accepted C(95)21, "Recommendation of the Council on Improving the Quality of Government Regulation." In addition:

- Israel's current regulatory policies are not as comprehensive as some many OECD countries - but it has elements in place that would enable it to move forward and has demonstrated efforts to do so. There is evidence that Israel is moving in a policy direction consistent with the Guiding Principles for Regulatory Quality and Performance endorsed by the Council of the OECD in 2005. OECD Governments have embraced these principles which outline the key elements for the tools, policies and institutions that underpin a systematic programme of regulatory reform.
- The regulatory management arrangements of the Government of Israel are generally coherent with the practices of OECD countries based on a shared interest in the goal of improving the regulatory governance arrangements, and support a commitment to adopting a range of regulatory tools and institutions utilized in OECD countries, including regulatory impact analysis.
- Israel demonstrates a strong interest to improve the quality of its regulatory management practices in order to deliver policy objectives when these call for regulatory instruments. There are a number of policies and institutional arrangements that Israel could develop which could bring it more in line with most OECD member countries. These include an explicit, long-term and overarching regulatory quality policy which would include systematic impact analysis and consideration of alternatives to regulation, formal and consistent procedures for consultation, systematic review of existing regulations, and a programme for administrative simplification.
- Evidence suggests that Israel aims to adopt international good practice and position itself among countries which are also making efforts to improve the attractiveness of their regulatory environments. Specifically, Israel has introduced a process for regulatory impact analysis (RIA), convened a committee to recommend reforms related to permits and measures to simplify and reduce administrative burdens for businesses, and established regulatory agencies in network services. The potential exists to link administrative simplification and e-government in ways consistent with practices in some OECD countries.

Introduction

216. The OECD Secretariat has been asked to consider the extent to which the practices and policies of the accession candidates are coherent with those of OECD members in the field of regulatory management. The aim of this chapter therefore is to describe Israel's initiatives and policies to improve the quality of regulatory management and performance, and to place these initiatives in the context of OECD practices.

217. The *Guiding Principles for Regulatory Quality and Performance*¹ (the Principles) endorsed by the Council of the OECD in 2005 and the 1995 Recommendation of the Council on Improving the Quality of Government Regulation provide the basis for this evaluation exercise. The 2005 Principles were formulated on the basis of the lessons learned from more than 20 reviews of OECD countries and other studies of practices and trends in the field of regulatory management and reform. They are based on the 1995 Recommendation, which Israel formally indicated that it supports in its Initial Memorandum to the OECD (see annex 2). The Principles cover: 1) the quality and performance of administrative and political

processes for developing, implementing, evaluating and revising regulations; 2) systems through which principles of good decision making are reflected in regulatory decisions at all levels; and 3) attention to regulatory quality and transparency which could affect other countries.

Box 10. Guiding Principles for Regulatory Quality and Performance

The Guiding Principles for Regulatory Quality and Performance identify particular elements that are important for promoting regulatory management and reform. In a practical sense these include:

- Political support reflected in a high level policy on management and reform;
- Institutional support for systemic reform processes and the design of coherent programmes;
- Processes for the ex post and ex ante review of regulation to promote efficiency and effectiveness in regulatory design;
- Procedures and institutions to reduce the burden of regulation on business and citizens;
- Procedures to ensure the quality of rule making (legal drafting);
- Procedures for promoting consultation, citizen engagement, policy coherence and transparency;
- The use of e-government tools and business processes to introduce efficiency within government in achieving regulatory goals;
- Measures to target and reduce the costs of compliance and enforcement;
- Removal of restrictions on competition and the promotion of markets;
- The use of regulatory alternatives and performance-based regulation;
- Training and capacity building among regulatory staff and the provision of policy guidance; and
- The design and constitution of regulatory institutions and appeal mechanisms.

Source : OECD (2005), Guiding Principles for Regulatory Quality and Performance

Background

218. The trend in OECD countries toward regulatory governance has been shaped by the eclipse of command-and-control intervention by the state in the economy. Privatisation and other policy efforts to undertake structural reform, lift productivity, increase market openness and support competition have called for more regulation, not less. This ongoing process has drawn attention to the quality of regulation, and hence to the procedures by which regulations are developed, evaluated and implemented. In response, most OECD countries have adopted explicit policies and systematic procedures, tools for evidence-based decision-making, and institutions for regulatory quality management. OECD countries increasingly recognize regulatory quality as a dimension of their competitiveness, and as a key component of how the public sector serves business and citizens.

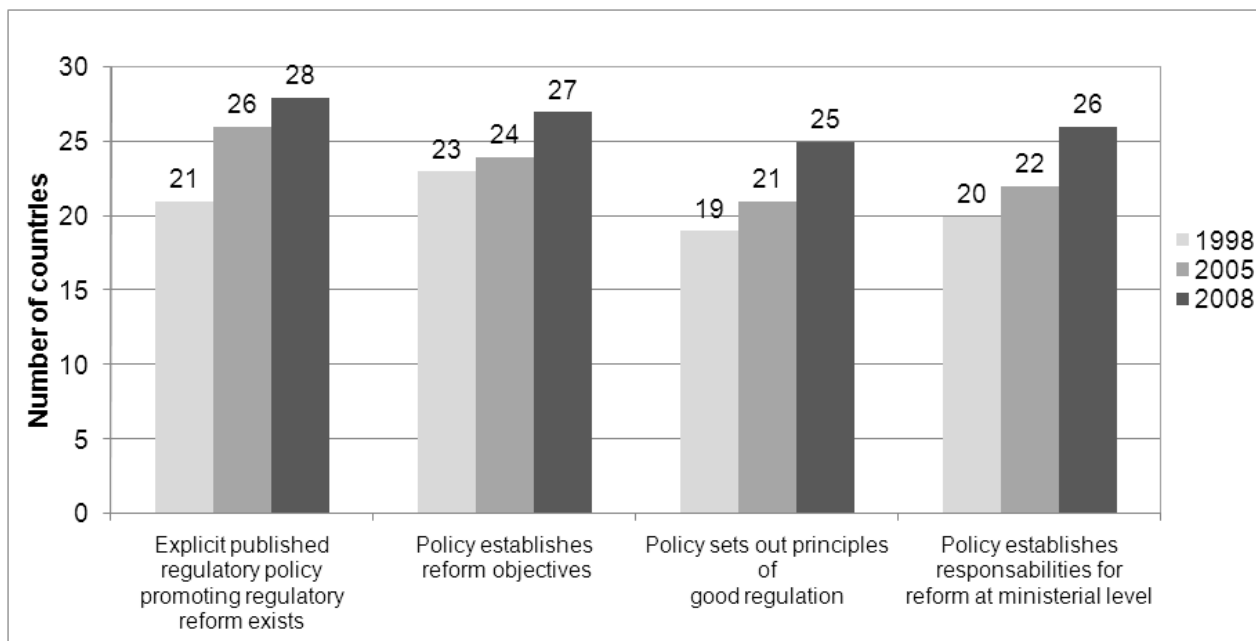
219. The changing role of the state in Israel's economy is aligned with the trend in other countries away from command-and-control intervention, and toward regulatory governance. Regulatory reform on a broad scale has tapped into the high level of human capital in Israel, to exploit competition and open markets, and the opportunities for innovation, especially in high technology (which as a sector is largely unregulated, subject to basic business law). Yet, as the subsequent analysis shows, regulatory reform has not translated into an explicit programme for quality regulation and administrative simplification, nor the creation of a formal body with responsibility for co-ordinating policies for regulatory quality to help government keep up with changing demands for better regulation. Many of the elements for such a programme however exist or are under development.

Current practices and degree of coherence with OECD member countries

An explicit policy on regulatory reform

220. Regulatory reform is a dynamic, long-term undertaking to deliver economic and social benefits. OECD countries have found that because those who stand to benefit the most from better regulation are dispersed and often unaware of what is at stake; the voices that are heard represent the interests within and outside the public administration that stand to lose in the short term. This is why strong political support is required to sustain momentum in a regulatory reform programme. A series of policy positions on law-drafting, consultation, and transparency may on their own be constructive, but they lack the visibility and comprehensiveness of an explicit regulatory policy statement. Such a policy helps to assure continuity across economic and electoral cycles (an important consideration given the typically short duration of ministerial mandates in Israel). A 2008 OECD survey revealed that 28 of the 30 OECD member countries had an explicit regulatory policy promoting government-wide regulatory reform (Figure 6). Israel does not. Accordingly, efforts in this area will help bring Israel in line with the OECD membership and will aid the advancement of its governance ambitions.

Figure 6. OECD countries with an explicit policy promoting government wide regulatory reform



Notes: The sample includes 30 countries for 2008 and 2005. For 1998, 27 countries are included as no data were available for Luxembourg, Poland and Slovak Republic.

Source: 2008 OECD Regulatory Management Systems Indicators

Key institutions and actors

221. Over 25 OECD countries have a regulatory policy body consulted when developing new regulation; all 30 have a body responsible for promoting regulatory policy and monitoring regulatory reform. At present Israel has no central body that systematically advises, oversees, promotes or coordinates reforms. There is no overarching, general policy of government on the establishment, design and functions of independent regulators in those sectors which are regulated at arm’s length from ministers. To tackle sectoral reforms, Israel has used the practice of establishing a committee, often chaired by a senior academic, and whose members include officials and people from the private sector. The Gronau

Committee, for example, generated recommendations for the communications sector which were largely adopted. The Dovrat Committee proposed a systemic approach to the reform of pre-tertiary education, to respond to a looming shortage of teachers and to wide variances in school performance. Public committees often refer to the benefits and costs of regulatory reform in their reports, but Israel has not made systematic efforts to communicate such benefits and costs.

222. Many OECD countries have ad-hoc or permanent bodies which promote regulatory reform, often from outside government, on behalf of business and citizens. While Israel does not currently have such a body, it is in the process of putting together a task force. On 21 June 2009, the government authorized the Finance Minister to establish a task force with private sector participation to recommend reforms to improve the processes of doing business in Israel in comparison with other countries (see the section on administrative simplification). Such a forum could take on such functions by raising specific proposals, including some that may not otherwise emerge from inside government. This could be a forum for an initial discussion of whether a specific body should be established in government to be responsible for regulation; whether quantitative measures of administrative burdens should be made and used as targets for cutting red tape; for promoting and evaluating regulatory impact analysis; and for communicating the regulatory process more broadly to interested stakeholders and the public.

223. Two core ministries play a central role in the development of policy and of the use of rules and laws as policy instruments. One is the Ministry of Finance. A key document is the State's draft budget, which it prepares. The second ministry with a central role with respect to regulatory quality is the Ministry of Justice, which assesses the regulations and laws presented by the Government to the Knesset. Although each ministry is responsible for primary legislation in its area of competence, legal advisors in ministries report to the Attorney-General whose approval is needed to bring a draft law to the cabinet sub-committee that approves legislation on behalf of the Government. The language of laws must be adequate for comprehension, and toward this end a sub-department in the Ministry of Justice helps to improve the quality of drafting. Translation into Arabic, when appropriate, is carried out sequentially.

224. The role of the Knesset with respect to legal drafting is limited. It has its own department on law drafting that assures the clarity of texts and its own research and information centre (part of the European network of Parliamentary Research Centres). The Centre provides analysis of pending laws from both the legal and economic points of view, but probably not deep enough to support cost benefit analysis. Recent examples include laws on land, gas and oil, banking, communications, consumer rights and comprehensive passenger transportation.

225. In Israel as in other countries, regulatory reform which changes how government intervenes in the economy and society involves a cultural change in the administration. Experience suggests that this is as much a matter of the lines of authority between core ministries (e.g. Finance, Attorney-General, Interior) and line or sectoral ministries, as it is a matter of the competences of officials and the tools and procedures they should use. It is understandable that questions may be asked about how much discretion and initiative should be given to line ministries when their capacity for regulatory management quality is inadequate, reflecting past priorities and incentives. One way to promote capacity-building is to give line ministries more responsibilities, together with training and resources for a limited time to reach an adequate level of staffing. From this perspective, current practices in Israel and scope for change are linked to other aspects of this assessment concerning the civil service, budget practices, and integrity in the public sector.

*Use of evidence-based policy analysis: towards regulatory impact analysis***Box 11. The use of Regulatory Impact Assessment in OECD countries**

The OECD Guiding Principles for Regulatory Quality and Performance state that countries should assess the impacts and review regulations systematically to ensure that they meet their intended objective efficiently and effectively in a changing and complex economic and social environment. The principles further state that, to do this, countries should: integrate RIA into the development, review and revision of significant regulations; use RIA to assess impacts on market openness and competition objectives; support RIA with training programmes and with ex post evaluation to monitor quality and compliance; include risk assessment and risk management options in RIA; ensure that RIA plays a key role in improving the quality of regulation; and ensure RIA is conducted in a timely, clear and transparent manner.

There has been rapid adoption of the use of RIA by members of the OECD since 1974. The results of a 2005 OECD survey suggested that all member countries routinely apply RIA in some form to some new regulations before they are made. However, the extent of the application of RIA processes varies throughout OECD. In particular, the range of potential impacts that are assessed in RIA may vary, as will the extent to which costs and benefits are calculated in monetary values. In 2005, Korea, Mexico, Canada, the United Kingdom, Iceland, Germany, the Slovak Republic, Poland, Greece, Belgium, New Zealand, Finland, the United States, Italy, Austria and Australia all reported having in place systems that include a number of the above elements endorsed in the OECD guidelines. Other countries with fewer elements were Turkey, Japan, Portugal and France.

Source: Jacobzone, S., C. Choi and C. Miguet (2007), "Indicators of Regulatory Management Systems", OECD Working Papers on Public Governance, 2007/4, OECD Publishing.

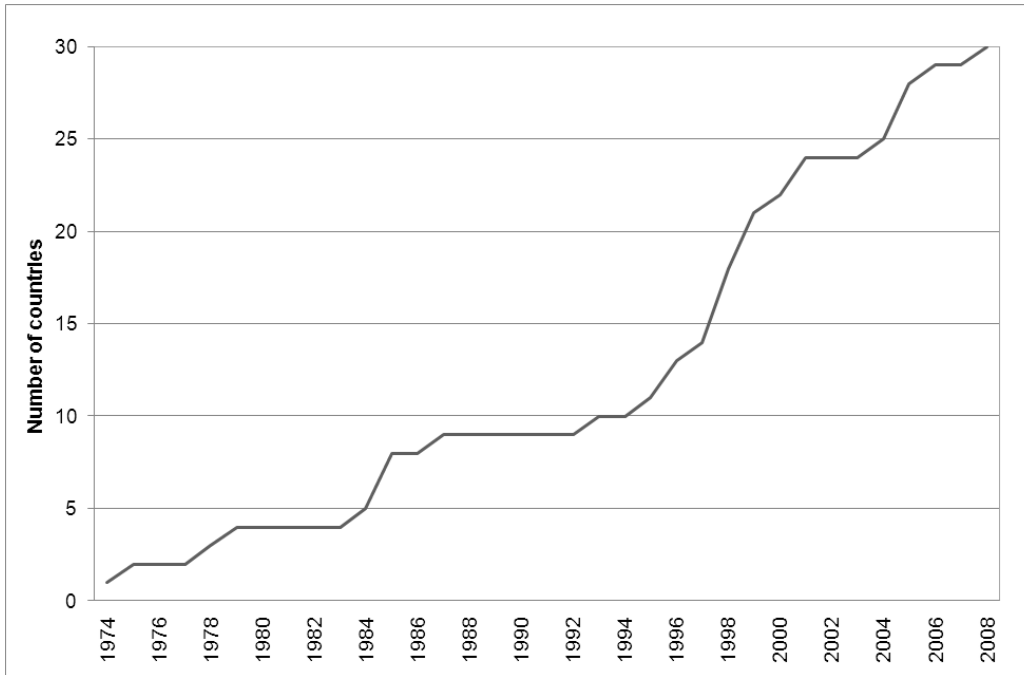
226. As Box 11 notes, the OECD Guiding Principles for Regulatory Quality and Performance state that countries should assess the impacts and review regulations systematically to ensure that they meet their intended objective efficiently and effectively in a changing and complex economic and social environment. Various efforts exist in Israel to integrate the use of evidence when making regulatory policy decisions.

227. First, as part of their normal work, officials in Israel are supposed to examine the regulations of other countries and consider alternatives to regulation when legislation is needed. But data gaps exist, making it difficult to foresee the potential impacts of regulation; without this perspective, consideration of alternatives is more difficult.

228. Second, certain evidence-based, regulatory quality practices such as regulatory impact analysis (RIA) are just being adopted in Israel. Decision No. 4085, dating from September 2008, modifies the template of a draft resolution to include a clear statement of the resolution's goals, objectives, performance indicators (processes, outputs and outcomes), and assessment of the resolution's impact (socially, economically, environmentally, etc.). This new format took effect in January 2009 for a trial period of one year, before it can be embedded in government procedure. Several firms have been engaged to assist officials to become acclimatized to the culture, language and purposes of impact assessment - a process that will take more than one year.

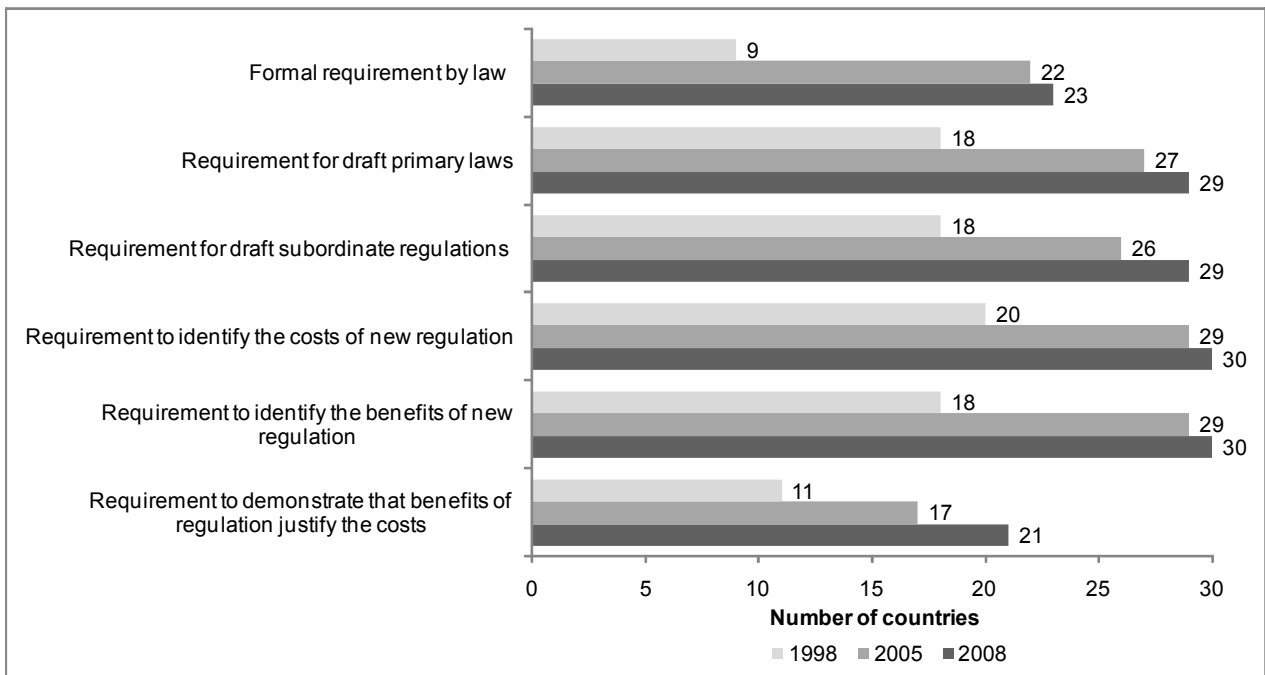
229. Third, the legal checks carried out by the Attorney-General's office concern respect of rights and the Basic Law. This inquiry may address important questions about how the government intervenes in the market. For example, precedents set by the High Court make it necessary to check that fundamental principles of property and contracts are not violated, the presumption being that the private sector should be protected from state interference. There is no formal economic assessment, but a sub-department on economic and fiscal affairs often raises questions that are in the nature of an economic impact analysis. As a result of this process, line ministries become acculturated to the type of questions that may be asked about draft regulations and laws.

Figure 7. Trend in the adoption of RIA in OECD countries



Source: OECD Regulatory Management Systems Indicators 2008

Figure 8. Countries with a requirement for RIA, 1998-2008



Notes: The sample includes 30 countries for 2008 and 2005. For 1998, 27 countries are included as no data were available for Luxembourg, Poland and Slovak Republic.

Source: OECD Regulatory Management Systems Indicators 2008

230. Some OECD countries have adopted a formal requirement to attach an impact assessment to regulatory actions sent to Parliament. This does not currently exist in Israel. Incorporating an assessment of regulatory impacts when laws are submitted to the Knesset could ensure that legal drafters have at least given consideration to this important step of looking at the costs and benefits of legal proposals. On the other hand, OECD experience shows that simply having a procedural requirement for RIA will not by itself produce the benefits of improved regulatory design. This can often become a “check-the-box” exercise. To be effective, RIA has to be incorporated early in the policy process and have the potential to influence policy outcomes.

231. The challenge is to encourage officials in ministries generating laws and regulations to see impact assessment, not as a hurdle, or as a burden imposed from above, but as a tool that can add value to their work, and improve policy outcomes. One issue is whether to make public disclosure of a RIA mandatory. Israel is just beginning its RIA process. A successful initial experience can help overcome criticism that a RIA involves unnecessary delay. Creating demand for impact analysis is easier when people see positive results. OECD countries find that the RIA process itself is evolutionary, a “work in progress” which benefits from continual evaluation and improvement. There is no single model of a RIA process, and because each country adapts RIA to its own context. The main point is to begin, as Israel has; quality and implementation will improve over time.

232. Ex-ante screening of draft laws and regulations could become the basis of regulatory impact assessment, especially on an inter-ministerial basis when laws affect more than one sector. But insofar as such assessment is presently the responsibility of the Ministries of Justice and of Finance, line ministries are under no obligation to develop the capacity to carry out such assessments.² In OECD countries this requires a continual investment in staff training, support and guidance, often led by a central agency. It bears repeating that this implies a change in administrative culture common to OECD countries. A culture of evaluation – to assess the quality of regulations ex-post – is the corollary.

233. A focus on the budget which has been the priority in recent years can lead officials to measure success by their ability to increase resources as inputs, rather than concentrate on outcomes and results. The challenge lies in promoting capacity-building in line ministries of staff interested in and contributing to economic policymaking. The introduction of evidence-based approaches or administrative simplification targets, and more attention to performance management when ministries prepare annual work plans in consultation with the Ministry of Finance, could create demand for analysis. Israel could consider how other countries use policy units embedded in line ministries to carry out impact analysis; these can be coordinated from the Prime Ministry or another body close to the centre of government often have oversight responsibilities for regulatory processes and management.

234. In 2008, Israel began moving toward a stronger framework for evidence-based decision-making supported by performance management, which will help in this direction. Nevertheless, a distinction must be made between ex-ante and ex-post impact analysis, and performance management. Impact analysis, *ex ante*, is a tool to be used as early in the policy cycle as possible to inform decision-making, and to provide a basis against which outcomes can be assessed; *ex-post* analysis helps decision-makers evaluate the quality of their original impact assessments, and come to a finding about how well a specific regulation is meeting its policy objectives. Performance management can apply to officials who carry out such assessments, as well as to those who implement regulations. Impact analysis makes clear why a regulation is being adopted, and what its impacts are likely to be, making evaluation for results easier and more compelling. Ideally, the results of *ex-post* analysis feed back into the design of future better regulations, closing the loop in the policy cycle. But the time frames for performance management are frequently shorter than those needed to assess regulations *ex-post*. In addition, performance management covers the spectrum of government interventions, whether or not they call for regulatory instruments. Implementation often encounters barriers in the form of regulations *inside* government which call for heavy reporting

requirements, strict monitoring and hierarchical controls, thus narrowing discretion, diminishing incentives for initiative and innovation. Nonetheless, the process of building and maintaining trust in government calls for measures such as these to assure that government tries to deliver value for money.

Consultation

235. OECD governments generally have come to recognize that citizen engagement and private-sector consultation are an important part of improving the design of regulations, and promoting acceptance of and compliance with them. Increased public participation can present political challenges, but it need not delay the legislative process. Accordingly, the OECD has found that guidance documents help promote a commitment to citizen and private sector engagement within the administration. Two purposes are served by such documents: they clearly express the policy commitment to and requirements of civil servants to engage in consultation; and they provide valuable technical guidance to public officials on how to design effective public consultation.

236. In Israel, general government rules for consultation cover the regulatory process. For example, before the Ministry of Justice can approve a law or regulation for consideration by the cabinet, the administration must follow steps for primary laws and subordinate regulations which are formalised in a set of instructions provided by the Ministry. These include the need to consult with interested parties. Thus, a pre-draft of legislation is made available by the Ministry of Justice on its website or by mail to interested parties. This pre-draft is also made available to all government entities and the High Court. Public committees of inquiry, which can cover regulatory reform, often consult with the public, but this practice is not mandatory. With respect to secondary legislation, the Attorney General's Directive No. 2.3100 defines the importance of consultation and early publication of regulations, but there are no mandatory procedures for doing so. The government's law memoranda are distributed to ministries and to the public for a 21-day comment period.

237. Public consultation also takes place as part of the Knesset's work but at an advanced state. When a Knesset Committee's approval is necessary, as is often the case, transparency rules apply.

238. Considerable consultation appears to take place even in the absence of a formal requirement. For example, the unit of the Ministry of Finance responsible for regulating capital markets, insurance and pensions provides all supervised bodies with electronic copies of regulations as soon as they are applicable. Citizens can subscribe for automatic delivery of regulations, and some 10 000 do so. This can be considered a good practice.

239. In OECD countries, the interface between government and the private sector may take different forms. Some countries use policy round tables, others task forces. Israel is setting up a task force or steering committee with private sector participation on regulatory issues to identify priorities especially related to administrative burdens or "red tape" and to generate suggestions to improve Israel's economy (see section on administrative simplification). This step will be welcomed by the private sector. The Israel Manufacturers Association, reflecting members' views of the most problematic factors for doing business, is in favour of quantitative measures of administrative burdens and compliance costs, and of efforts by government to improve the quality of infrastructure, including ports.

240. There is evidence in OECD countries of capacity issues in the development of the civil sector and in particular in institutional arrangements for soliciting and incorporating the views of the non-governmental sector. Israel faces similar issues and is beginning to address them with approaches such as the round table noted above.

Rules of administrative procedure for law-making

241. One of the issues that frequently arises concerns the interpretation of existing regulations. Delays which increase regulatory uncertainty are costly, and contribute to the perception, reflected in international surveys and rankings, that the courts are inefficient. Rather than let the courts decide, which could take a long time, countries permit officials to issue rulings. Israel appears to be moving in this direction. In recent years an attempt has been made to develop administrative enforcement as an alternative to criminal proceedings, which are complex and often too heavy. Administrative enforcement through separate courts would focus on specific breaches of regulations, and could lead to sanctions.

Administrative simplification and burden reduction

242. Within the regulatory management strategies of OECD countries, tools for administrative simplification have grown in prominence alongside other approaches such as the use of regulatory impact assessment (RIA) and consultation strategies. Efforts to reduce the administrative burdens in OECD countries have been driven by ambitions to improve the administrative efficiency of regulations, by reducing the amount of time and money spent on the formalities and paperwork necessary to comply with regulations. Countries including the Netherlands, the United Kingdom, and Canada have reported an emphasis on the use of explicit programme to reduce the administrative burdens imposed by government on business. Southern European countries, such as Greece, Spain, France, Italy and Portugal, together with Korea and Mexico have also put significant emphasis on this aspect of regulatory quality; Sweden, Finland, Ireland, Japan, New Zealand and the Slovak Republic appear to have given this approach a lower priority.

243. At present, Israel does not have a programme for administrative simplification which sets a baseline and a time-limited target. Nor is there an established process in Israel for reviewing and updating regulations and rules. Administrative simplification therefore is an intermediate process and somewhat improvisational. This is noteworthy as administrative burdens affect entrepreneurship, investment, and hence, job creation and innovation. In a dynamic economy such as Israel's which is open to investment, largely privatised, and demonstrates a high take-up of innovation, there is a trade-off between administrative burdens which conform to a legitimate function of government but which generate complexity and costs to business, and the flexibility needed by the private sector to respond to the market.

244. The World Bank's Doing Business survey shows that Israel ranks very high on the ease of starting a business (24), but is in a much lower position when dealing with licenses, enforcing contracts and registering property (120, 102 and 160 respectively in 2008), issues related to administrative culture (see Table 7). In fact, like some OECD countries, in Israel licenses and permits are handled in different ways according to the sector and also to the locality where the actions are taken. This variation within countries can have anti-competitive effects, and can also complicate the task for foreign investors. According to a 2006 government report for Israel: "Those providing various licenses are liable to place different, and even conflicting, demands relating to specific aspects of the business. For example, demands of the fire department and of the police regarding security aspects of the business are likely to differ. Demands of the Health and Environment Ministries are also likely to differ in respect of the same company. Thus it is possible that a business fully meets the demands of one license provider, but later receives detailed demands of another license provider, which differ from those of the previous provider (which had been met), forcing the owner to make further changes to his business, which would have been unnecessary had there been co-operation between the license providers." [Report of the Business Licensing Committee, December 2006, page 15].

Table 7. Ease of Doing Business; Ranking of countries on the Doing Business Indicators

OECD countries and Israel, 2008

Country	Starting a Business	Dealing with Construction Permits	Registering Property	Enforcing Contracts
Australia	3	57	33	20
Austria	104	46	36	13
Belgium	20	44	168	22
Canada	2	29	32	58
Czech Republic	86	86	65	95
Denmark	16	7	43	29
Finland	18	43	21	5
France	14	18	166	10
Germany	102	15	52	9
Greece	133	45	101	85
Hungary	27	89	57	12
Iceland	17	28	15	3
Ireland	5	30	82	39
Israel	24	120	160	102
Italy	53	83	58	156
Japan	64	39	51	21
Korea	126	23	67	8
Luxembourg	69	40	118	2
Mexico	115	33	88	79
Netherlands	51	94	23	34
New Zealand	1	2	3	11
Norway	33	66	8	7
Poland	145	158	84	68
Portugal	34	128	79	34
Slovak Republic	48	53	7	47
Spain	140	51	46	54
Sweden	30	17	10	55
Switzerland	52	32	13	32
Turkey	43	131	34	27
United Kingdom	8	61	22	24
United States	6	26	12	6
OECD average	52.2	52.5	53.1	35.5

Source: World Bank (2009), "Doing Business 2009 report" accessible at <http://www.doingbusiness.org/economyrankings/>

245. Although Israel does not have a specific programme for administrative burden reduction, it is taking steps to address issues in this area. Israel's priorities are to deliver one-stop-shop or seamless services, to establish or promote back office services for increased efficiency; to consolidate a register to allow sharing or reuse of data; and to increase the number of online services. Toward this end, on 21 June 2009, the Government of Israel, implementing Decision 1264 of 25 February 2007 concerning the work of the Public Committee on Improvement and Increased Efficiency for Registering Businesses in Israel, instructed the Finance Minister to appoint a steering committee to recommend reforms for the improvement and increased efficiency for the processes of doing business in Israel in comparison with the countries of the world.

246. The Finance Ministry Budget Director will chair the committee, the members of which will be the directors general of the Industry, Trade and Labour, Interior Ministry and Justice Ministries; the Director of the National Insurance Institute; the Director of the Tax Authority; the Accountant General or his representative; and two officials from economic bodies in the private sector. The committee will examine the processes of doing business in Israel today and will propose ways to improve them and increase their efficiency. The committee will consider – inter alia – the following subjects:

- Equalizing the processes of doing business in Israel to the parallel processes in other countries;
- Failures in the critical processes of doing business in Israel including those of the relevant government authorities (redundancies and shortfalls);
- Setting goals and quantitative indices for evaluating the processes of doing business in Israel, based upon indices set by the World Bank and other accepted international indices;
- Ways to improve, simplify, and increase the efficiency of, the processes of doing business in such a way as to lessen the amount of time necessary for their completion, and procedures to reduce contact with the bureaucracy;
- Establishing a central portal for online processes of doing business in Israel, via the Israel Government Portal and in co-operation with the relevant bodies.

The committee will have the authority to appoint subcommittees to examine specific areas. The committee will be entitled – inter alia – to consider: 1) establishing a new business, including receiving the necessary permits, 2) registering assets, 3) foreign trade, 4) taxation, and 5) advancing projects in the field of business infrastructures.

247. The committee will submit its recommendations to the Finance Minister, including the necessary legislative changes, no later than 31 December 2009. The Finance Minister will submit the committee's recommendations to the Government.

Regulatory agencies

248. The number of regulatory agencies in OECD countries has increased significantly in the past two decades. This growth is in response to the growing complexity of many of the services being regulated, concerns to separate policy making from operations and enforcement, a desire to improve administrative efficiency, and the provision of services in mixed private-public modes. Consistent with trends in OECD countries, regulatory agencies have been created in Israel to improve the regulatory framework for key network utilities and services which have been opened to competition. Their role and autonomy can help improve regulatory management in sectors such as power, gas, water, seaports, aviation, toll roads, telecoms, broadcasting and financial services. Land reform is also on the agenda. Israel faces the challenge of introducing competition in a small market. Issues of structural reform carried over from the previous government related to seaports and airports, electricity generation and distribution, and land use planning remain a priority.

249. Regulatory agencies have some flexibility in how they regulate. An example comes from the Second Television Regulatory Authority created in 1990, which has responsibility for regulating the content of commercials. The General Manager of the Authority is appointed by the Authority's Council on the recommendation of the Minister of Communications and is confirmed by the government; he can only be dismissed by a two-thirds majority of the Council. There are 3000 new commercials a year, in a market of 1 billion NIS. In the past, commercials had to be pre-cleared for content dealing with children, health or

sex. The risk to the industry came from investing in the design of a commercial that could not be broadcast. The position taken by the Authority generated tensions, leading to petitions to the courts, and the risk that legislation would be introduced which would impose tighter restrictions on content. In 2004, the Authority in co-operation with the market and a public committee produced a guidebook on the interpretation of rules, leading to the delegation of authority to broadcasters to patrol content, with sanctions for violations. Advertising agencies co-operating with the guidelines receive an “ethical tag”. As a result of this form of co-regulation, the number of complaints and the number of banned commercials have both declined.

250. Given the relatively short period during which most of these agencies have functioned, their overall pattern or structure is still maturing. The ministries of communications and transport have ceded many of their functions to a regulatory body. There is always the risk that regulation could be restored to a ministry. Direct regulation by a line ministry would be compromised by frequent ministerial turnover and could be a vehicle for political pressure. The experience of most OECD countries has been to invest in the human capital of regulatory agencies and strengthen their autonomy, reducing overlapping jurisdiction and clarifying roles and responsibilities.

251. Similar issues arise in the financial sector. It is clear now who regulates what, but there is a debate about the future given the variety of financial instruments. Provident funds must now have risk managers. But a coherent risk management policy may be needed for the government to replace informal risk management practices, to regulate market conduct.

Conclusions

252. The regulatory management practices of Israel reflect a commitment shared with OECD countries to improve the quality and performance of regulation. Israel has formally accepted the 1995 Recommendation of the Council on Improving the Quality of Government Regulation which provides the basis for the OECD 2005 Guiding Principles for Regulatory Quality and Performance. Together with OECD countries, Israel recognizes that this requires a long-term commitment. However, the lack of a whole-of government programme for regulatory reform may limit the impact of the government’s efforts, which will otherwise remain ad hoc. Many of the tools and institutions for regulatory quality management involve a dynamic process of change within the public administration, and a continual evolution to remain relevant in a fast-changing economy in which innovation is key. Thus, the adoption of regulatory agencies, administrative burden reduction measures, and regulatory impact analysis are all consistent with a forward-looking approach in common with many OECD countries. The experience of OECD countries is that they can advance rapidly once the commitment to a regulatory policy and to the development of the tools to implement it is taken. As it seeks to move forward in the area of management of regulatory quality and administrative simplification, Israel can benefit from and contribute to policy dialogue with OECD members. In this as in other fields of public management reform, sustaining the momentum is often a challenge.

ENDNOTES

¹ OECD (2005), “Guiding Principles for Regulatory Quality and Performance” available online at:
<http://www.oecd.org/dataoecd/19/51/37318586.pdf>

² The practice of environmental impact assessments by the Ministry of Environment however is a specific example of the use of impact analysis.

MULTI-LEVEL GOVERNANCEⁱ

Main findings regarding coherence with OECD practices

- Israel's municipalities are considered autonomous entities. This autonomy could be classified broadly as a form of "agency" relationship where the local level helps implement national level policies by adapting these to local circumstances. This type of autonomy has also been practiced in Japan and the UK. In Israel, the Ministry of Interior has a strong role with respect to oversight and control.
- As is the case among OECD members, Israel's municipalities aim to provide the highest quality of service possible to citizens. The third sector plays a significant role in this regard. This raises the possibility of variability in the type, quality, and accessibility of services provided to different communities depending on the capacities and orientations of the non-profit providers.
- Inter-municipal disparities are not uncommon in OECD countries. In Israel, wealth distribution among municipalities is uneven due in part to a municipal finance system that favours local authorities with well-performing industrial zones and business sectors. Israel appears to address fiscal weaknesses by increasing control and oversight by the Ministry of Interior. Unlike some OECD countries, fiscal equalisation is seen as contributing to municipal dependence on the central government, and further cuts to intergovernmental transfers are planned.
- OECD members perceive local horizontal co-ordination as a tool for building efficient and effective service delivery. Degrees of success in promoting such co-ordination vary in the OECD and there is no "optimal level" that can be targeted. In Israel, mechanisms for horizontal co-ordination (e.g., mergers, quasi-integration mechanisms, joint ventures, etc) exist but are largely implemented in a top-down fashion with the oversight of the central government. There is a positive attitude regarding co-operation at the local level, and as such, the opportunity and capacity for local initiatives could be better developed.
- The challenges that Israel faces in multi-level governance are shared by OECD member countries. However, along some dimensions, there are notable differences in how some member countries and Israel address such challenges, particularly with respect to structures supporting service delivery, ministerial oversight and capacity building, fiscal management, and horizontal co-ordination at the local level.

Introduction

253. This chapter describes the relationship between levels of government in Israel. It examines Israel's institutional arrangements, the allocation of competences and subsequent impact on public service delivery, fiscal relations across levels of government, vertical and horizontal co-ordination, performance measurement, and provides an assessment of the coherence between multi-level governance relations in Israel and in OECD member countries generally. The chapter also looks at reform currently under discussion.

ⁱ For technical reasons, this chapter uses Israel's official statistics, which include data relating to the Golan Heights, East Jerusalem and Israeli settlements in the West Bank. Certain statistics from secondary sources may have a similar scope.

Current practices in multi-level governance

Levels of government

254. Government in Israel is divided between the central government and local authorities throughout the country. Israel's local authorities are regulated by the Local Councils Ordinance and the Municipalities Ordinance, both originally enacted during the British Mandate in 1925. They were updated in 1964-5, and amended 115 times since (OECD 2009b). The sub-national structure is based on a system in place since 1948. Thus, the framework for the sub-national level is somewhat antiquated and complex, something recognised by both the national and local level in Israel. New bills or ordinances have been periodically passed in order to help smooth out difficulties arising as the nation grew and developed. However, deep and sustainable structural reform has not been attempted in a significant manner since 1948 (Razin, 2002).

Central level

255. The Ministry of Interior is at the centre of the relationship between the central government and local authorities. It has power in specific areas as indicated below, and is responsible for setting budget policy, overseeing local authority administration, building capacity, arranging formal legal matters relating to the functioning of local authorities, and reinforcing to municipalities that they are primarily responsible for the delivery of public services. While it establishes which basic services local authorities must provide, it does not determine how services ought to be delivered or a minimum level of quality. It is also empowered to regulate and direct such municipal issues as local level public sector salaries, approve local budgets, liens, and the purchase of public property.

256. Within the Ministry, the Local Authorities Administration acts as the regulator of local authorities. The Administration is divided into five departments:

1. *Budgeting* – evaluates the annual budget of individual municipalities. This is done through a process of regular meetings with municipal representatives and a quarterly check of fiscal performance. A report is generated at the end of the year.
2. *Companies* – oversees the approximately 2 000 municipal companies established by municipalities, 56 of which are joint ventures among municipalities for service provision particularly in the areas of fire departments, education, environmental concerns, water/sewage, museums, etc.
3. *Seashores* – inspects and is responsible for regulating the 25 municipalities along Israel's coast, particularly with respect to building/construction, security, sanitation, etc.
4. *Security/emergencies* – responsible for emergency stores of the local authorities as well as for leading the Emergency Authority which is in charge of emergency activities such as evacuations, support and mortalities during emergency times. This authority combines representatives from other ministries, from the Israel Defence Force, police, local authorities and the National Council for Volunteers.
5. *Auditing* – evaluates municipal finances and administration. The Ministry does not audit the types, quality or quantity of services provided to citizens. However, it is currently trying to establish indices to measure services.

257. For administrative and budget management purposes, the Ministry of Interior divides Israel into six regions.

258. Line ministries, such as the Ministries of Education and of Welfare and Social Services, also work directly with local authorities in their sectoral policy areas. These ministries may depend, however, on regional offices of the corresponding government ministry to supervise the implementation of specific programmes.

Local authorities

259. Israel's 252 local authoritiesⁱⁱ are independent/autonomous entities that are divided into four types: *Cities*, 77 urban communities with a population of at least 20 000 inhabitants; *Local councils*, 120 towns that are not part of a regional council and have less than 20 000 inhabitants; *Regional councils*, 53 unified authorities governing a number of villages or settlements located in close proximity to one another. *Industrial councils* are the fourth category, and there are two: one in the north for the high tech industry and one in the south for chemical plants.¹

260. Cities and local councils are single tiered structures with an elected mayor² and a council. The mayor is responsible for policy implementation. The council determines policy, approves budgets and performs its activities through committees. Professional administrative staff is recruited by open competition, and senior administrative positions are statutorily protected. Mayors are the only directly elected public representatives at the local level in Israel, and given the coalition based government structure, deputy mayor positions may be reserved for coalition members. Mayors serve for a 5 year term and can be re-elected for an unlimited number of terms thereafter. The council is voted through party lists.

261. Unlike the cities and local councils, the regional councils are two-tiered structures where each village that forms part of the regional council has a committee elected by its citizens. The committee then represents the individual municipality on a regional board that runs the agglomeration of small villages. The mayor, who is directly elected by the residents of the villages, represents the agglomeration as head of the regional board and is responsible to the board.

262. Israel's local authorities vary in size with 6% having more than 100 000 inhabitants and 45% having less than 10 000 (see Table 8). While the average Israeli municipality has a population of approximately 40 000, there are about 100 municipalities with a population of less than 1 000.

Table 8. Size of local authorities in Israel

Population Size	Number of Authorities	As a % of all authorities
100,000+	16	6
30,000-100,000	38	15
10,000-30,000	85	34
Up to 10,000	115	45
Total	252	100%

Note: For technical reasons, these figures use Israel's official statistics, which include data relating to the Golan Heights, East Jerusalem and Israeli settlements in the West Bank

Source: Ministry of Interior (2009), "Local Government in Israel", Presentation, June 2009

263. Municipal structure is based on the Municipal Council Legislation, which establishes nine functions that each municipality must have or staff in addition to the mayor: the City Council, Internal Auditor, Director General, Legal Advisor, Treasurer/Financial, Engineering, Education/Welfare,

ⁱⁱ For technical reasons, these figures use Israel's official statistics, which include data relating to the Golan Heights, East Jerusalem and Israeli settlements in the West Bank.

Ombudsman. Beyond this, other administrative functions (e.g., environmental protection, IT, HRM, logistics, culture) are at the discretion and budgetary capacity of the individual local authority.

264. Municipalities may also have municipal corporations which are intended to serve as the executive arm of the local authority, as a business entity they are more flexible. These companies are eligible for foreign grants, tax breaks and other financial benefits.

Local authority competences and public service delivery

265. Competences are assigned to local authorities by law. Despite the variety in size of local authorities, they are essentially responsible for the same set of services: providing physical infrastructure including road systems, sewage systems, parks and educational services (upper-secondary schools but not primary or lower-secondary schools). They also engage in town planning, are the main vehicle for providing social welfare services, local health care, and are responsible for environmental protection (public health, nuisances, cleanliness, etc.) (OECD 2009b).³

266. In addition to the legally ascribed competences listed above, municipalities can and do expand on their responsibilities. Such “optional” services however, must be approved by the Ministry of Interior and are funded based on the municipality’s own budgetary capacity. For example, there is no requirement to keep a municipal police force. Thus, those municipalities wishing to take responsibility for security hire individuals for security and establish a local police force in this manner.

267. Local authorities are fully responsible for the implementation of their competences and act under the supervision and monitoring of the relevant ministry. The manner in which competences are executed can vary: the municipality undertakes it directly; it establishes a corporate entity (enterprise) either on its own or in conjunction with neighbouring municipalities; or it subcontracts the service to the third sector (NGOs). Reliance on the third sector, particularly for the delivery of social services, is common among municipalities and the third sector is very active. The responsible ministry (e.g., Ministry of Welfare and Social Services) sets the capacity standards (for example, educational level attained by direct service providers such as nurses or social workers), and monitors service by evaluating inputs and processes. In essence, quality standards are not applied to the quality of the service delivered but rather on who is delivering it. There is, however, some recent effort to incorporate outcomes-based evaluation as well. For its part, the municipality provides the facilities and funds either from its own revenues or via inter-governmental transfers that generally have a matching component. There are tax exemptions for local authorities who work with the third sector as the central government wishes to encourage this relationship for service provision. There are also instances when a partnership is established between the local authority, the third sector and the central government to undertake a project.

268. In the areas that are audited by the central government – education, environment, healthcare, water, sewage – the quality of services may not be equal across local authorities but is also unlikely to vary significantly. Each government regulator (associated with a specific ministry) checks the service that is delivered: the Ministry of Interior undertakes fiscal and administrative audits, the line ministries audit their sectoral programmes, and the State Comptroller inspects the municipalities. This auditing does not extend to service quality or to those services that municipalities undertake on their own, which is the responsibility of the municipality’s own auditor. Therefore, there is the possibility for significant diversity in the menu of services municipalities offer, how these are delivered, and their quality.

269. With respect to public services that municipalities choose to provide outside the legislatively assigned competences, these are supported by the municipal budget and usually fulfilled by the third sector. Often municipal projects are led by a steering committee composed of representatives from the competent ministries (see Box 12).

Box 12. Social policy and the role of multi-level, multi-sector actors

The municipality of Ramla has established a programme for elderly care which brings together social workers and maintenance workers to provide support for the aged. Financed by a private foundation, the service is run via a call centre. In one neighbourhood eighty families with elderly members have access to the service, which can assist in the case of an emergency, send a worker to do maintenance on a house, arrange meetings for social activities, provide immediate care, or simply listen. The service is supervised by the Ministry of Welfare and Social Services which checks to make sure that the programme is working to the expectation of the foundation that is funding it. While this particular service was conceived by the municipality, other social service projects are initiatives of a Ministry and a foundation - which the local authority can elect to implement or not. In Ramla for example, on the steering committee of violence prevention programme were representatives from the local authority as well as the Ministry of Internal Security, and the NGO which funded 38% of this programme.

Source : OECD interview with Mayor of Ramla, June 2009

270. Israel's reliance on the third sector raises several issues. First, it can lead to differences in service and quality. It can also cause fragmentation, as the variety of actors delivering services is large: NGOs, private for-profit, non-profit, large and small. These actors may also actively vie for special niches and resources (2002 figures for third sector resource allocation in Israel were: 53% from public funds; 34% self-generated income; 13% contributions) (Government of Israel, 2008a). The result could be duplication where organisations are serving the same population. Simultaneously, it can result in under-coverage as some areas may not receive a particular service or service does not reach parts of the population who are also in need (Schmid, 2007). Second, the reliance of the central level on the third sector and the third sector's reliance on resources from the central government can result in a form of "capture" that can impact budgeting, as it may "...reflect the relative power of the interest groups and specific organisations that compete for resources and attempt to influence the process of budgeting." (Schmid 2007) This of course would impact the local authorities that work with the NGOs. Finally, with the financial crisis, third sector organisations and foundations are expected to receive less non-governmental funding and contributions potentially compromising their ability to operate or capacity to adequately serve a population. This would come at a time when the need for social services will likely rise. In addition, because of their own budget constraints combined with central level grant cuts (see discussion on financing below); municipalities may not be able to make up the funding shortfall. Attempts to do so could deepen municipal deficits unless the municipality runs a surplus, which few do.

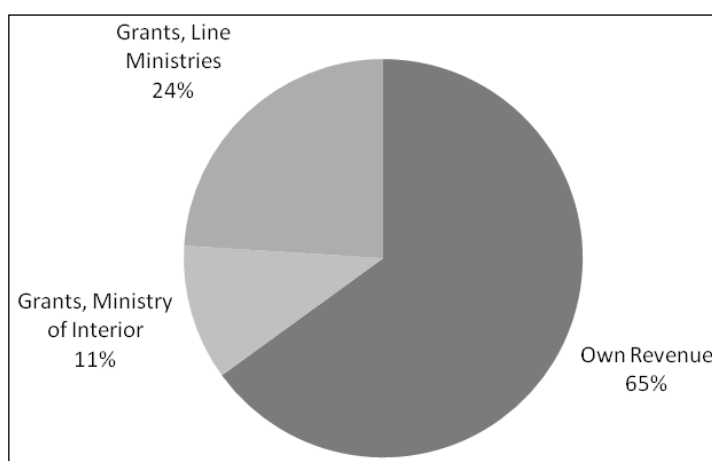
271. Another concern with respect to public service delivery is effectiveness in terms of service provision, access and quality. It is true that municipalities must deliver the competences assigned by law. However, there is doubt in academic circles, as to whether or not the current system of competence allocation enables accurate identification of which services a citizen is entitled to receive. This poses a challenge to transparency and accountability with respect to responsibilities on the part of local governments vis-à-vis their residents (Carmeli, 2008). In addition, given the disparities in fiscal capacity from municipality to municipality, and the fact that there is no defined minimum service standard, there is a risk of inequalities in the level and quality of service delivered. These disparities can be compounded by the "own-services" provided. While it is admirable that municipalities assume additional competences and try to meet the needs of their specific residents – a fundamental reason for decentralisation policy – it may be unsustainable for many, particularly in times of fiscal crisis. The central level does not seem to perceive the variability in services offered as problematic: as one official indicated, given that there is competition between municipalities, if residents of one are dissatisfied with the services provided they can move to another. This argument, however, is unrealistic for many people on a practical level.

272. While local level interlocutors clearly stated that providing the highest quality of service possible to their citizens was a number one priority, the ability to meet this by many municipalities, particularly those with weak financing may be limited.

Fiscal relations

273. Fiscal allocation for local authorities is not established by law. While competences are legislatively assigned, there is no law requiring central government funding to accompany the assignment. Central government funding for competences, therefore, "...is cared for in the process."⁴ There are two direct mechanisms for local government financing in Israel: intergovernmental transfers and own revenue. In 2007, on average 34.8% of municipal revenues came from central government grants and loans, and the remaining 65.2% from own-income.⁵ (Figure 9)

Figure 9. Sources of revenue for local authorities



Note: For technical reasons, this figure use Israel's official statistics, which include data relating to the Golan Heights, East Jerusalem and Israeli settlements in the West Bank.

Source : Ministry of Interior, "Local Government in Israel", Presentation, June 2009

274. The Ministry of Interior provides three types of intergovernmental transfers:

1. Balancing Loans
2. Balancing Grants: funds to help municipalities achieve an ongoing budgetary balance. The grant equals the difference between a municipality's normative expenditure and its potential income. The Ministry uses a formula to calculate the amount of the grant, which is done for each municipality at the beginning of the year (the Gadish Formula). The formula uses population data provided by the municipality, tax collection data and additional economic data. All but 15 of the municipalities receive the balancing grant.

A portion of a balancing grant is a "holding grant." In 2007, the Government passed Resolution No. 2899, with the purpose of raising the percentage of property taxes actually collected by the municipalities. The Resolution imposes sanctions on municipalities where the percentage of collections is significantly low. To do so, part of the balancing grant was made conditional on tax collection: 15% of the balancing grant to which a municipality is entitled is withheld until the total annual tax collection is complete. If the percentage of revenue to be collected, as defined in the Resolution, is met, the municipality receives the 15% balance, if not, they do not receive it. Since implementation in 2008, the Resolution has encouraged the municipalities to increase the collection of property taxes in order to receive the holding grant.⁶

“Balancing grants for development” are included in the category of balancing grants and are intended to help municipalities finance development projects, such as the rehabilitation and improvement of existing essential services (roads, sidewalks, sewerage systems, etc.), and in the planning and development of infrastructure and facilities to expand services (surveys and master plans, planning programs, by-laws, environmental development, development of tourism, etc.).

3. **Financial Recuperation Grants:** funds forming a recovery plan for municipalities whose budget deficits exceed 17.5% of GDP and are taking steps to recuperate. The grant value received by the local authority depends on the fiscal measures being undertaken as part of their individual recuperation plan. These grants represent 1.1% of the total grant transfers to local authorities, and there are approximately 30 municipalities receiving them.

275. Overall, municipalities have been affected by substantial declines in intergovernmental transfers. Balancing grants have been falling since 2002, from NIS 3.1 billion to approximately NIS 2 billion in 2009 (35% decline). They are expected to drop to NIS 1.8 billion by 2010 and to be eliminated by 2012. The balancing grant and the development grant were cut by approximately 15% in the last year, grants for recuperation projects have yet to be allocated, and additional grants have not been budgeted. Municipalities have also been hard hit by the broad budget cut (6.5% on average) in the areas of education, welfare, construction, immigrant absorption, and internal security. These budget cuts are attributed to two factors. The first is general cost cutting by all ministries given the current financial crisis. The second is because the central government is seeking ways for municipalities to increase own-income in order to reduce local level dependence on the central government.

276. The Ministry of Interior is striving for fiscally balanced and fiscally independent municipalities. The Ministry prefers the roles of oversight, guidance, and – in some cases - direct fiscal management rather than providing funds as a remedy for budget shortfalls or as a fiscal lifeline for municipalities. Intergovernmental transfers tend to be viewed by the Ministry as creating dependency among municipalities and incentives for poor fiscal management. This differs from the more traditional perspective of fiscal equalisation grants as a means to address fiscal disparities among sub-national authorities. The Ministry will directly involve itself in local authorities with particularly poor finances, however. When a municipality signs onto a recuperation plan, it is assigned an accountant who assists the municipality to reduce its expenditure, increase its income and improve its work procedures. They have procurement authority and the municipality cannot pay suppliers without their approval. Presently, the Ministry of Interior employs approximately 80 such accountants (in about 30% of the municipalities). In addition, under certain conditions the Minister of Interior can dismiss the serving head of the municipality and replace him with a representative of the State, who is the chairman of a committee appointed to run the municipality. This is possible only if the economic data of the municipality matches that determined in the relevant law. To date, 22 appointed committees run municipalities (approximately 9% of authorities).

277. Regional councils receive more central government-funding than cities or local councils as they are often spread over a large territory.⁷ At the same time, municipalities with high population numbers will receive less grant funding as they have a larger tax base.⁸ Israeli academics have made arguments against using population figures as a component of grant equations as studies indicate no correlation between a municipality’s population size and the probability of its having fiscal difficulties. They do however urge an equation that increases the weight of a municipality’s socio-economic level (Ben-Bassat and Dahan, 2008). There are also instances when local authorities will be given special fiscal advantages, for example when security costs are higher.

278. Municipal own revenues represent approximately 5% of GDP (and 65% of local authority revenue). Funds are generated largely via local/municipal taxes (59% of own revenue in 2007⁹), which are comprised predominantly of property and business taxes.¹⁰ Income tax revenue goes directly to the central government and there is no practice of redistribution to municipalities. Local authorities have the right to

raise taxes and impose new ones, but this is not a favoured option. The challenge municipalities face, therefore, is raising own revenue without increasing resident or business taxes and fees. In Israel, the result has been that local fiscal health is highly dependent on a municipality's ability to attract and maintain businesses, and ideally well-established, financially sustainable businesses. With the financial crisis this model becomes potentially more precarious, particularly if the goal is fiscally responsible, deficit-free municipalities, and a reduction in balancing grants.

279. Well-performing municipalities are those that generate high-levels of own-revenue, covering most of their budgetary requirements. The City of Herzliya is an example. As one of Israel's best performing municipalities, Herzliya self-generates approximately 82% of its budget requirements and does not receive balancing grants (or the "balancing grant for development" portion). A well-performing municipality is, however, eligible to receive grants for core obligations such as education and social services as well as for line ministry programmes. A less well-performing municipality could receive both balancing grants and/or other government grants (both earmarked and general).

280. In Israel, while local authorities are highly dependent on local tax collection, they face two challenges in this regard: poor tax collection rates and the impact of the fiscal crisis. First, to address the problem of tax collection, the central government established a 15% set aside for balancing grants (as noted above). Second, the fiscal crisis is impacting the own-source revenues, particularly due to the dependence on local taxes and fees. As individuals and enterprises prioritise what they pay, there is a risk that they will push paying local taxes further down the list of payables. Additionally, as business slows and merchants close, the local-business tax revenue will drop. Thus, fiscal resource problems at the local level are further compounded – already seen in the first quarter of 2009 with more municipalities experiencing fiscal problems. Meanwhile the central government is grappling with its own budget cuts.

281. The Ministry of Interior oversees municipal fiscal health by auditing their financial reports, and installing a Ministry of Interior accountant/business manager at the local level to address problems if deemed necessary. If this does not provide a desired result, the Ministry will investigate and identify where problems exist. In this way, and especially in light of the 2009 budget cuts, the Ministry of Interior is working with the municipalities to ensure no financial collapse. There are local authorities wanting to cut their deficit, but given their historical deficits they are carrying accumulated losses from the past that are difficult to surmount. It appears that there is a vicious cycle of fiscal deficit at the sub-national level that is most severe among the under-capacitated, weaker municipalities, and an inability to overcome it.

282. The lack of financial resources at the local level can directly impact public services. Quality and quantity, type and frequency become affected. For example, both the City of Lod and the Local Council of Be'ane have been experiencing severe financial distress for nine years. This has had significant repercussions on their capacity to develop and deliver services, as well as to meet financial obligations to municipal employees and suppliers. In very extreme cases, municipalities, such as Lod, fail to pay their staff. An August 2003 report by the Economic Unit of the Union of Local Authorities in Israel noted that 109 local authorities were overdue in transferring specific benefit payments to their employees; 128 municipalities had failed to pay their taxes to the central level; 24 local authorities had not paid monthly salaries to employees at all and 19 had only partially paid. This, combined with delays or cessation of payment to suppliers (e.g., third sector providers), can only result in a lower quality and quality of services provided (Carmeli, 2008).

283. Additional problems are seen in those local authorities that perform well during boom times, complement mandatory services with optional "own-services", and then when there is a general economic slow-down face into budget strains and financial difficulties. Once these optional services are provided, it can be hard for municipal governments to suspend them.

284. Compounding the financial challenge is the fact that municipalities develop and pass their budgets by the end of each November. These are approved by the central government by the end of January. A gap arises because the central government does not always notify the local authority of the full grant value allocated until after the start of the fiscal year. This affects the municipal budget since often a project or programme that is associated with central level funding will already be underway and require municipal subsidies until the central budget is approved and grant financing established, or will need local financing on an ongoing basis if there is a central budget cut. Here again, less well-performing municipalities will be more notably impacted.

285. Another aspect of the relationship concerns local administration and political organisation and might also impact the financial situation and performance capacity of some municipalities. Personal influence and connections play a strong role in the relationship between the central and sub-national governments. Thus, well-connected mayors have access to ministers or high-level ministry officials (often political appointees) and have well developed networks, while less well-connected or newer mayors have less influence given a lack of direct access to decision makers. For its part, the local level points out that it is more stable politically than the central level, evidenced by the number of times mayors are re-elected versus the level of turnover at the central government level.¹¹ At the same time, there has been an interesting shift: an increasing number of elected mayors are running on an “independent” ticket, while Council members hold their position based on votes cast along party lists. A 2008 report by the Israel Democratic Institute calls for a reduction in party fragmentation on the local authority councils as it found a “...clear connection between excessive division among factions on the local council and the prospects of a local authority falling into crisis. The smaller the party representation of the local council head [i.e., mayor] the greater the debt relative to income, apparently because he is obliged to “buy” the support of his partners through budgetary allocations to causes close to their hearts.”(Ben-Bassat and Dahan, 2008)

286. Much of the financial debate is closely connected to the issue of municipal autonomy, which is the stated objective of both the central and sub-national levels. However, it may be that the two parties – the national and sub-national levels – have different definitions of autonomy and of the capacity levels required to be autonomous. Municipal autonomy is discussed further below.

Vertical relations across levels of government

287. The Ministry of Interior is the primary central government institution in charge of relations with the local authorities. It is responsible for legal matters concerning the functioning of local authorities, for monitoring and auditing performance, and for providing training in order to improve administrative capacity. In co-operation with the Ministry of Finance, it approves the overall budget of local authorities. The Ministry of Interior alone approves the detailed budget allocations for each local authority and audits their fiscal conduct. Other ministries work with local authorities to ensure efficient provision of government services – most notably the Ministry of Welfare and the Ministry of Education. A number of laws, mechanisms of judicial review, and formal agreements help to co-ordinate relations between central and sub-central authorities – along with joint work committees between the Ministry of Interior and selected local committees and associations of local authorities.

288. In many OECD countries, including Austria, Canada, Finland, Hungary, Norway and the Netherlands, co-ordinating bodies such as municipal and/or regional associations, working groups and government agencies play a central role in facilitating the relationship between levels of government. These bodies can serve a vertical co-ordination function by representing sub-national interests at the national level, just as they can enhance horizontal co-ordination and capacity building via training programmes, workshops and promoting the development of networks at the local level. There are two main voluntary associations of local authorities in Israel. The Union of Local Authorities represents municipalities and local councils. Regional councils, given their unique challenges and structure, are organised separately through the Organisation for Regional Councils. Both associations aim to co-ordinate

activities among local authorities and represent local authorities in their dealings with the central government, for example in negotiations concerning collective wage agreements. Overall, however, neither organisation is perceived as very strong. Considered stronger than the Associations is the Forum of Fifteen Cities, which is comprised of the 20 top-performing local authorities in Israel. The body provides joint political representation vis-à-vis the central government, particularly with respect to promoting their specific economic, political, environmental and legislative goals.

289. In addition to national/sub-national co-operation, vertical co-ordination often requires horizontal co-ordination between line ministries in charge of public policy fields that have an impact at the sub-national level (OECD, 2009a). Launched in 2008, Israel's *Children and Youth at Risk Programme* provides a good example of vertical co-ordination for public service delivery at the local level that also includes strong horizontal component at the national level. (See Box 13) It also illustrates ways that other challenges – such as those posed by fiscal capacity – can be begin to be addressed.

Box 13. Vertical co-ordination at the service of children and youth at risk

The Children and Youth at Risk Programme is a cross-sectoral policy initiative led by Israel's Ministry of Welfare and Social Services. Because of the multi-disciplinary, multi-dimensional nature of children and youth at risk, five different ministries were identified to develop a programme that could address the issue and set the guidelines for service delivery at the municipal level. The associated ministries are: Welfare and Social Services; Education; Immigration Absorption; Internal Security. Two committees were established to support the programme's development – a parliamentary committee and an implementation committee – and elements were modelled after the UK's "Matching Needs and Services."

In this programme the Ministries work with the local authorities to tailor services to local needs based on demographic considerations and local capacity. Municipalities identify their specific needs with respect to children and youth at risk (e.g., treatment versus prevention) and how they wish to address them. They are presented with a "menu" of 13 possible priorities/targets to address, established by the central level, and can work with the ministries and NGOs of their choice in order to meet their goals. The programme is governed by a legally binding contract established between the local authority and the ministries. The contract details the programme objectives for the local authority and defines its role and responsibilities. Implementation capacity and service quality is built and maintained via training, manuals, guidelines and ICT systems.

Currently, there are 53 participating municipalities as the programme targets local authorities with 20,000 residents or more given that resources need to be shared. Selection of participating municipalities emphasised those municipalities with low socio-economic levels and with a high percentage of immigrants, and mixed populations.

One impetus for the initiative was the variety of local-level programmes directed to children and youth at risk, as well as their accessibility. While the Ministry of Welfare saw that local level programme proposals targeting this demographic were sound, they also saw that the application was not uniform in terms of the types of services provided, how they were provided, who was benefiting, etc. In addition, programme budgets were inflexible– causing implementation problems. The current policy design tries to overcome these barriers by changing priorities and priority setting, and by radically altering the funding mechanism. In the past, programmes such as this one were funded by matching grants, and funds were disbursed by the responsible line ministry. Now, the programme is 100% funded by the government (not matching), and funds are given directly to the municipalities. (A reporting system has been established for the use of the funds.) While the funding scheme is expected to change to a matching grant in the coming years, in order to strongly launch the project this new funding mechanism was applied.

The programme is too new to measure its success, and there are questions about uniformity of quality in application. However, the Ministry of Welfare's outlook is positive given that other ministries (e.g., Ministry of Employment) may join the initiative; that 70% of the funds were used in the first year. The Ministry of Welfare is pleased with the types of services established and feels that the planning process is being reinforced.

Source : Interview with Programme Director of Children and Youth at Risk, and representatives from the Ministry of Welfare and Social Services. Israel. June 2009

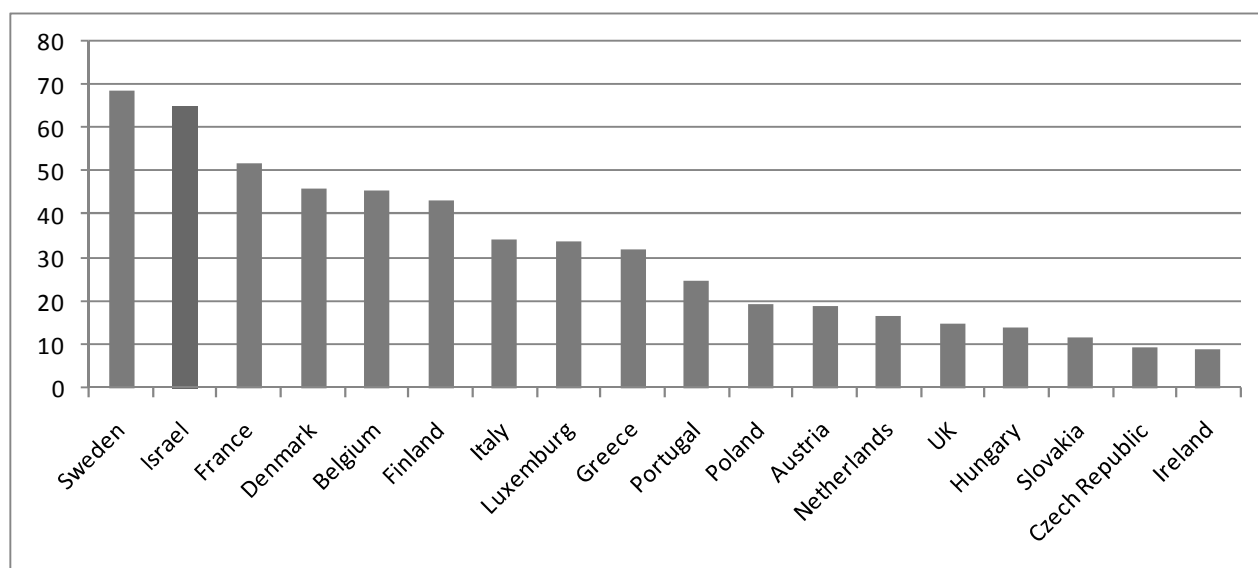
Municipal autonomy

290. In examining vertical relations between the national and sub-national authorities, there appears to be a tension regarding municipal autonomy that could stem from a duality in the relationship between the

two levels of government. On the one hand, local authorities are considered independent and autonomous, and their officials are elected in separate elections than those of the national level. On the other, the local authorities implement national level policies and programmes for example in education, welfare, and immigrant absorption. Meanwhile, the central level feels that the municipal level, with some exception, requires oversight, and hence regulates the sub-national level by setting laws and regulations; evaluating and approving local authority budgets, loan requirements and other agreements; setting the rate of city taxes; setting the rate of city employee wages; managing and/or approving real-estate transactions. This results in a feeling among local authorities, particularly the well-performing ones, that their autonomy is at best not fully recognised and at worst, compromised. In Israel, as has been the case in Japan and the UK, an agency relationship seems to predominate.¹² Such a relationship contributes to the tension felt by the local authorities as they are expected and expect to be autonomous, and at the same time, they are responsible to the central level to meet defined obligations.

291. While this dichotomy may be at found in any national/sub-national relationship in a decentralised context, given the oversight and approval processes required by Israel's Ministry of Interior and perhaps more significantly the relatively small amount of resources provided, there appears to be an underlying contradiction in the dynamic. With respect to resources for example, compared to the own-source tax levels of municipalities in OECD countries that are also EU members, the dependence by Israeli local authorities on local taxes as a source of income is second only to Sweden. It must be recalled that Sweden's municipalities also have access to a percentage of citizen income tax. (See Figure 10)

Figure 10. Municipal taxes as a percent of sub-national revenues: Israel vs. selected OECD countries



Note: Figures for OECD-EU member countries are for 2005. For technical reasons, the figure for Israel uses Israel's official statistics, which include data relating to the Golan Heights, East Jerusalem and Israeli settlements in the West Bank

Source: Government of Israel, Ministry of Interior; Dexia (2008)

Horizontal co-ordination at the municipal level

292. Promoting horizontal co-ordination among municipalities is often undertaken to build economies of scale and amass resources for better policy implementation and outcomes, particularly in service delivery. It can also help address problems of human resource and fiscal capacity at the local level. Among OECD countries municipal mergers, municipal co-operation initiatives (e.g., joint management bodies and associations), and cross-jurisdictional enterprises (such as the 56 joint ventures noted earlier) are examples of methods used to promote horizontal co-ordination. Israel has experimented with all of these options.

Yet such practices originating from municipal initiative are limited as horizontal co-ordination does not seem to be actively promoted or encouraged by the central level.

Mergers

293. In 2003, Israel passed legislation for mergers as a means to increase scale for improved provision of quality services, but the approach was difficult from a social perspective and had limited success. While 25 municipalities were merged into 11, it appears that the mergers may not “stick” as several have already “unmerged” or plan to do so. The possibility of mergers not “sticking” may be infrequent but is not unheard of. Dis-amalgamations (unmerging) in Montreal, Canada were also being explored within two years of their introduction in the early 2000s (OECD, 2004).

294. The limited success of mergers in Israel may be due to various reasons, two of which are questions of “municipal identity” and process. In cases when villages were going to merge into a regional council, this worked relatively well as the village saw that it could retain its identity. Mergers between cities, local councils, or non-Jewish villages were more difficult and not as successful. This concern of identity loss through municipal mergers is expressed by OECD countries as well. There is a range of merger methods used among OECD countries – from voluntary with incentives to voluntary with no incentives to almost mandatory. What is notable about Israel’s approach is the highly top-down method of implementation: municipalities do not appear to have had a significant role in selecting with whom to merge. Rather, the Knesset chose which municipalities should merge and with whom. Within the OECD area, while Denmark recently made municipal merges mandatory, communities were able to determine the municipality with which they wished to merge, with citizens demonstrating their preferences by means of local referenda. This open and inclusive approach may well have contributed to a smooth merger process. Israel has no immediate plans to attempt mergers again.

Municipal Co-operation

295. There are divergent views in Israel with respect to the ease of municipal co-operation. Under current law, municipalities can co-operate: the Ministry of Interior forms Associations – pursuant to the Association of Towns Law (1955) – among towns that are in close proximity to each other. These Associations provide such public services as water and sewage, fire-fighting, environmental-protection matters, transportation and education – fundamentally the competences that are legislatively devolved to municipalities. The Associations are similar to public corporations in that they are legally founded for a specific purpose, are subject to public law, and their representatives are appointed by the Ministry of Interior not elected municipal officials. Currently there are 29 such Associations.

296. Horizontal co-ordination can also originate from municipal initiatives; however, while local authorities may see the value in co-operating, they encounter obstacles with respect to practical implementation:

- *Legal/regulatory barriers:* Legal barriers may make co-operation difficult. For example joint public tenders (i.e., between two cities) for garbage collection are not permitted;
- *Administrative measures:* Once a co-operative initiative has been designed and approved by the local councils concerned, the Ministry of Interior must also provide its approval;
- *Longer-term implications:* When co-operation requires the establishment of a joint company for the provision of services, the central government can require that these enterprises be privatised after a certain period of time. This may provide a disincentive to co-operation given the start-up costs associated with such an initiative; and

- *Local pride:* Mayors want to “own” the service, programme, community centre, etc. to be able to say it is “theirs” as this is linked both to civic pride and votes.

297. Co-operation is apparently easier in some policy fields than others, such as infrastructure development, establishment of industrial zones, and cultural services, including tourism and sports teams.^{13,14} It is less prevalent in social services such as education where the Ministry of Education encourages local authorities to have their own educational facilities.

298. The general attitude in Israel regarding the value of co-operation is positive, as it can help small communities overcome the disadvantages of size. However, regulatory/legal obstacles need to be overcome and there is work to be done on changing the barriers posed by “local pride.”

Accountability and performance

299. Israel is strengthening activity in the areas of performance measurement via indicators. In 2008 the Israeli Cabinet approved a proposal requiring that policy objectives and performance indicators be added to government decisions in order to facilitate monitoring and success measurement (Government of Israel, 2008b; see the chapter on Structure and Co-ordination of Government). The Ministry of Interior is also applying this initiative in a multi-level context as a means to close the information gap¹⁵ between the national and sub-national level, and to enhance evidence-based policy making. The research division of the Ministry of Interior’s Local Authorities Administration Department is developing municipal policy that is more strongly based on data and observations, with the data provided by the municipalities. Until now, data gathering has focused on local socio-economic indicators, particularly on fiscal/financial matters rather than on specific service indicators such as those in health care or education.

300. The goal of the Ministry is to be able to inspect or audit municipalities based on management/performance criteria via the audit committees responsible for local authority auditing established in each ministry. In addition to the ministry audit committees, the municipalities as indicated earlier must have an auditor who also sits on the various committees established by the individual local authority. Using the UK as a model, the Ministry is working on constructing indicators that capture development and demonstrate municipal performance. They face the challenge of developing quantifiable indicators that are truly indicative of municipal performance.

301. In 2006, the Ministry developed and tested 100 indicators with 36 municipalities. The list was eventually shortened to approximately 40 indicators, ranging from general financial indicators to local services indicators. The list of 40 was introduced to all municipalities in early 2008 for data collection. Results of the effort have not yet been shared with the municipalities. The Ministry of Interior would like to release the results with three full years of data in order to show trends. After the launch, they will continue with this project. Once the data is released and updated annually, the Ministry expects municipalities to be able to compare their progress with that of peers. In addition, the data gathered could provide the government with additional insight into how to classify municipalities given the proposed Municipalities Bill.

302. It is not yet clear how the Ministry will use the new information obtained as a central management tool. It is clear, however, that the government views the data as a valuable accountability mechanism: it will be available to citizens as a tool to evaluate their municipality, and as a means to encourage competition at the local level.

Planned reforms

303. The Municipalities Bill represents a significant reform in Israel's multi-level governance arrangements. The Bill has three primary objectives:

1. *Greater decentralisation* for municipalities with sufficient capacity to operate efficiently and in accordance with statutory provisions;
2. *Reduced dependence* of the local level on the national level;
3. *Stronger professionalism* in local authority administration.

304. The Municipalities Bill would reduce municipal categories from three types to two: Municipalities, consolidating the cities and local councils and Regional Municipalities, which are currently the regional councils. It would also facilitate horizontal co-operation among local authorities, as larger municipalities would be able to supply services to smaller ones for a fee, thereby avoiding the need for mergers.

305. The Bill proposes to classify all municipalities based on performance and capacity. At one end would be approximately 50 to 60 "independent" municipalities. They would require few to no approvals by the Ministry of Interior for their regular operations or for budget. Following is a middle cluster formed by "Ordinary Municipalities" and "Municipalities in the Process of Improving Efficiency." The former would still require central government approval of budgets and credit-frameworks, but less central level involvement in daily operations. The objective would be to strengthen this cluster so they move up into the "Independent" category. For "Municipalities in the process of improving efficiency" (i.e., local authorities with an unsatisfactory fiscal situation), the Bill establishes parameters of action and financial management. This includes having the mayor appoint a general manager whose credentials are established by the central level. In addition, the Bill stipulates the required qualifications for high level local offices, and the Ministry of Interior would provide training. In theory if the municipality does everything according to the criteria as established by the Bill it should remain debt-free. The last cluster – "Municipalities undergoing Recuperation" – would encompass those whose fiscal situation is extremely poor. In these cases the Ministry of Interior would step in and prescribe actions to take based on the level of debt. It would appoint an accountant to work with the municipality which would have to prepare a binding recuperation plan. Failure to carry out the plan in full may lead to a disbanding of the council or the appointment of a person to run the local government's operations. Note that this does not appear significantly different from how the Ministry of Interior currently manages non-performing municipalities.

306. The Bill was prepared in consultation with municipal councils, mayors, legal advisors and general managers, and it aims to encourage municipal independence. The incentive mechanism is "freedom" from approval processes and central level control. While the classification of municipalities is based at least in part on the criteria of fiscal discipline and fiscal performance, the Bill is not a municipal finance bill, and does not alter the current financing mechanisms.

307. For well-performing municipalities this Bill is a welcome and popular initiative. For the less well-performing municipalities the Bill may not provide sufficient structural change as it fails to address the current municipal finance mechanisms, a key challenge identified by both levels of government.

308. The Municipalities Bill was introduced to the Knesset in March 2007, and is currently in Committee. It may not pass for another year or two, and there is some debate as to whether it will pass at all in its current form.

Coherence with OECD practices

309. The national/sub-national relationship in Israel may be characterised as one of uncomfortable mutual dependence. In all countries, mutual dependence between levels of government exists because complete separation of policy responsibilities and outcomes among levels of government is not possible as executing tasks, overcoming obstacles, and/or accomplishing goals requires joint effort, co-ordination and collaboration among policy actors at all government levels. In Israel, the central government is striving to reach a point where it is less closely involved with the municipalities and can concentrate on policy formulation and inspection while others (i.e., the local level, be it directly or through the third sector) manage implementation. While it is trying to distance itself from municipal management, it appears reluctant to reduce its oversight functions except in cases of well performing municipalities. Regardless of what position the central government takes or how much it reduces budgetary expenditures for municipalities, it will remain dependent on the municipalities for the delivery of certain public services, such as welfare and education. For their part, most municipalities remain dependent on the government for policy and programme guidance, for administrative approvals, and, to varying degrees, for funding.

310. While the challenges that Israel faces in multi-level governance are shared by OECD member countries, there are similarities and differences in how member countries and Israel address such challenges.

Areas of similarity

311. In keeping with OECD member country practices, such as those of Norway, Israel has a specific department at the central level – the Local Authorities Administration Department in the Ministry of Interior – that is responsible for managing relations with local authorities. In addition, on various issues in multi-level governance Israel has turned to the UK for inspiration. This is the case in the design of the Children and Youth at Risk programme, which provides a good example of successful vertical and central-level horizontal co-ordination. It is also true in the development of performance indicators. This tendency is not surprising, given that the structure of local government and the relationship framework has its roots in the period of the British Mandate

312. While the number of municipalities in Israel is less than many other OECD countries, it is comparable to Sweden with 240 municipalities (Dexia 2008).¹⁶ There is however, a significant difference in territorial size and the fact that Sweden is a two-tier system. In terms of population, 16 (6%) of Israel's local authorities have more than 100 000 inhabitants and 115 (45%) have less than 10 000. While the average Israeli municipality has a population of approximately 40 000, there are about 100 municipalities with a population of less than 1,000. These figures are comparable to Ireland where there are 15 municipalities with more than 100 000 inhabitants (13%) and on average municipalities have a population of 37 000 (Dexia, 2008). Ireland however has a territorial area approximately three times larger than Israel's.

313. Like OECD countries undertaking reform with implications for local government, Israel has also introduced reforms with its Municipalities Bill. The future of the Bill however is uncertain, and as indicated, the Bill may not be addressing some fundamental issues such as frameworks and financing.

314. In terms of vertical co-ordination, Israel utilises the same types of mechanisms as OECD members for promoting co-ordination between the central and sub-national level. These include the assignment of competences via laws and legislation; the use of formal contractual agreements that outline roles and responsibilities in the implementation of specific public policies and programmes (seen for example in the Children and Youth at Risk Programme); various methods of integration (e.g., mergers and municipal co-operation) to improve economies of scale and efficiencies for enhanced service delivery; and

co-ordinating bodies such as associations which together with Ministries also sponsor meetings and fora to exchange ideas. Horizontal co-ordination however, while appearing strong at the central level, remains a challenge at the local level. This is a crucial issue as increased horizontal co-ordination at the local level is one way to address fiscal and other capacity issues, as well as concerns over the delivery of public services.

Challenges

315. There is no “optimal” multi-level governance arrangement in OECD countries. The range of common practices is broad, and challenges are shared. Israel is not an exception. However, there are some areas where Israel’s practices vary from what is commonly observed in some OECD countries.

316. With respect to public service delivery, OECD countries aim to ensure that public goods and services are available in an efficient, equitable and sustainable manner. While Israel’s intention may align to this, there are potential weaknesses in the structures available to do so. Israel’s national and sub-national governments rely heavily on the third sector to deliver services, particularly NGOs and foundations. This can have implications for the variability in type and quality of services provided. Certainly, the third sector plays an important role in service delivery in a number of OECD countries (e.g. Belgium, Germany, the Netherlands, the US, the UK) – offering an alternative method for organising service provision, and being perceived as raising citizen satisfaction and service quality. In Israel, extensive use of NGOs to deliver services, particularly in combination with the municipal financing model could raise some concerns.

317. The concerns associated with the public service delivery framework at the local level are at least in part compounded by the municipal financing model. Intergovernmental transfers as a percentage of total sub-national financing is expected to drop in coming years given a goal to eliminate balancing grants and because of cost-cutting moves government wide, particularly in the current financial crisis. Cost cutting via a reduction in grants as a response to the current financial crisis is seen in selected instances among OECD members – such as Korea which is reducing general purpose grants, and the Slovak Republic which is reducing current expenditure earmarked grants (OECD 2009c). A decline in intergovernmental transfers would put an even higher premium on own-source revenue and Israel’s reliance on this form of municipal funding is already higher than many OECD countries.

318. A lack of financial capacity is repeatedly stated as a predominant problem for local authorities both by the central and sub-national levels. Israel addresses sub-national fiscal challenges by increasing central level control of financially weak municipalities. (Slightly more than 10% - approximately 30 - of Israel’s municipalities have Ministry of Interior accountants in place because of fiscal mismanagement.) While municipal capacity building in fiscal management seems to be a goal for Israel, there are few mechanisms in place to do so. The central government appears to “do it for them” by placing a financial manager in poorly performing municipalities rather than by actively building the capacity of local human resources. Additional approaches found in OECD countries to address sub-national fiscal challenges include structuring the equalisation grant system to minimise potentially perverse incentives, reconsidering the responsibilities of municipalities, or giving municipalities access to more revenue (e.g., a portion of citizen income tax).

319. Low levels of municipal co-operation in a country where resources are scarce and capacity a challenge can compound existing difficulties. Municipalities can and do co-operate in Israel. However, the top-down mechanism whereby the Ministry of Interior determines the Associations to be formed does not seem to encourage municipalities to engage. This same top-down, centralised logic was used with the merger initiative – the Knesset decided which municipalities were to merge. Therefore horizontal co-ordination is frequently vertically imposed and with limited success. There is little flexibility for

municipalities to pursue their own initiatives. Practices in OECD countries suggest that facilitating municipal co-operation, both from above and providing incentives for municipality-led initiatives has the potential to broaden the range of services available to the residents of various municipalities and relieve some financial pressures.

Conclusions

320. Multi-level governance in Israel, as in OECD countries, is a complex relationship of mutual dependence. In the case of Israel it could be characterised as one of “uncomfortable” mutual dependence: the central level is pulled between a desire to distance itself from municipal management and still retain strong oversight functions except in cases of well-performing municipalities; the local authorities seek to exercise autonomy but remain dependent on the central government for approvals and funding.

321. Like many OECD countries, Israel is working on reforms that address the natural tensions that arise in the relationship between levels of government. It is developing a performance measurement-indicator system, and in 2007 introduced the Municipalities Bill as a means to reorganise municipal structure and streamline oversight. In addition, Israel is using similar mechanisms to those of member countries to strengthen the vertical relationship – including laws and legislation, contractual agreements, various methods of integration, and co-ordinating bodies.

322. There are, however, differences between Israel and some OECD countries in the areas of municipal finance and horizontal co-operation. While decentralised central/sub-national fiscal relations pose a challenge for many OECD countries, this appears to be particularly the case for Israel. Incentive structures tend to be linked to degrees of hierarchical control or fiscal sanctions, rather than horizontal co-operation, building local fiscal capacity, or developing standards that could support equitable access to public services.

ENDNOTES

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- ¹ These are specially established local authorities with a mayor appointed by the Ministry of Interior, an appointed council, and no residents as these municipalities are established for chemical industries needing special environmental treatment thus they have no inhabitants. In this report, the Industrial Councils are not considered beyond this accounting with respect to total number of municipalities.
- ² Mayors have been directly elected since 1978.
- ³ OECD (2009b), "PGC Accession Briefing Note: Israel – An overview of public governance arrangements", GOV/PGC/ACS(2009)1, unpublished confidential document, pg. 8
- ⁴ In this last case, often the funding is in form of a reimbursement from the central to local level for security expenses.
- ⁵ 2007 figures used. See footnote 11 for a breakdown of own revenues.
- ⁶ The first year the law was enforced was 2008 and there is not yet final data on the amount by which local tax collection has increased.
- ⁷ The Regional Council of Yoav for example is comprised of 14 settlements spread over 230,000 acres or approximately 930 km².
- ⁸ High population numbers may not actually translate into greater revenue as individual income tax is not redistributed to the local level and municipal fiscal health is very dependent on business taxes. Therefore, more people will not necessarily translate into more real tax revenue, especially in the instances of poor municipalities with lower citizen-based tax revenue, or when residents prioritise other expenses.
- ⁹ A breakdown of local revenues and expenditures can be found in table 10.14 "Finances of Local Authorities" in the Statistical Abstract of Israel, 2009 available from the Central Bureau for Statistics. Data references here are for 2007 and were downloaded in October 2009 at http://www1.cbs.gov.il/shnaton60/st10_14.pdf
- ¹⁰ Own revenues consist of local taxes (residential and non-residential property taxes, business taxes, sales taxes, and income taxes), local levies and fees (development/construction related fees and other fees); non-tax revenues (user charges, revenues from leasing local government property, penalties, etc., capital income from sale of municipal property) and borrowing, revenue bonds. (Razin, 2008)
- ¹¹ It is not unheard of for mayors to be re-elected multiple times, remaining in office 10-20 years. This was contrasted to the number of changes in the national government and specifically to the fact that in 14 years there have been 15 interior ministers. Interview in Israel with mayor of a Regional Council. June 2009
- ¹² This links to an OECD typology corresponding to sub-national autonomy. It is divided into three general categories, all of which may be present to some extent in a country: 1) considerable sub-national discretion within a broadly defined *framework* of powers and duties; 2) emphasis on *interaction* based on discussion and mutual influence; 3) an *agency* relationship wherein sub-national governments help implement national policies by adapting them to local circumstances (OECD, 1997).
- ¹³ Examples provided in interviews with various Israeli mayors, June 2009
- ¹⁴ Two municipalities share the "ownership" of a national basketball team and managed to save 15 million NIS
- ¹⁵ The information gap is characterised by information asymmetries between levels of government when designing, implementing and delivering public policy.
- ¹⁶ With respect to Sweden, despite the difference in territorial size, Sweden is also similar in terms of average municipal size with 31,000 residents, and has 13 municipalities with more than 100,000 inhabitants.

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ANNEX 1: STATISTICAL PROFILE

Introduction

323. This annex provides data on the public sector in Israel and helps to assess the degree to which it is coherent with OECD member countries. It covers six areas:

- Public revenue and expenditures: Revenue indicators illustrate the choices governments make regarding the means of raising revenue and the degree of fiscal autonomy at the local government level. Expenditure indicators give insights into government decisions on resource allocation.
- Budget practices and procedures: These indicators provide information on the use of fiscal rules, whether a medium-term perspective is provided for in the budget formulation process, the comprehensiveness and transparency of budget documents for parliamentary approval, the flexibility and autonomy of budget authority in budget execution as well as the use and reporting of non-financial performance information. Together these practices are considered supportive of sound budget outcomes, i.e. fiscal discipline, allocative efficiency and operational efficiency.
- Regulatory management and administrative simplification: Two indicators provide information on the use of regulatory impact assessment and public consultation, which are important factors in ensuring the efficiency and effectiveness of regulations. The indicator on administrative burden reduction illustrates the practices of governments to cut red tape.
- Human resource management: The two human resource management indicators featured in this statistical annex give insights into (i) the co-ordination of human resource management and (ii) specific recruitment practices.
- Open and inclusive policymaking: This is illustrated by an indicator that describes current legislation and institutions in place to ensure accountable and transparent government.
- E-government: These indicators include measurements of e-readiness and sophistication of e-government services both for citizens and businesses. E-government is increasingly seen as a key factor in providing more coherent, user-friendly and efficient public services.

324. Effort has been made to align the indicators provided here with the information provided in the upcoming publication “Government at a Glance” (GaaG). The majority of policy areas addressed in GaaG are also covered by this statistical annex. In some cases, indicators used to describe government activity in a specific policy area are identical to indicators used in GaaG. In other cases, accession specific indicators have been developed in co-operation with the GaaG team. Overall, the indicators address the same themes that feature in GaaG whilst ensuring that data for accession candidate countries is comparable to data for OECD member countries.

325. While the intention of GaaG is to provide comparable data on government activities across OECD member countries, this statistical annex aims to help assess the degree of coherence between policies in Israel and those of OECD members overall. Accordingly, the statistical annex only features OECD averages and information on Israel. The incorporation of accession candidate country information into GaaG is anticipated for 2011.

Table 9. Revenue and expenditure indicators

	Israel	OECD Average
GENERAL GOVERNMENT REVENUE		
General government revenue per capita PPP, US dollars ¹	11,097.74	14,066.77
General government revenue as a percentage of GDP, 2006 ²	45.4%	43.2%
General government revenue, average annual growth rate, 2006/2002 ³	3.2%	
General government tax revenue as a percentage of GDP, 2006 ⁴	30.7%	27.3%
General government tax revenue as a percentage of total revenue, 2006 ⁴	67.7%	62.7%
LOCAL GOVERNMENT REVENUE		
Local government revenue as a percentage of GDP, 2006 ⁵	5.9%	12.4%
Local government revenue as a percentage of general government revenue, 2006 ⁵	8.8%	18.5%
Local government tax revenue as a percentage of local government revenue, 2006 ⁶	43.2%	40.8%
GENERAL GOVERNMENT EXPENDITURES		
General government expenditure per capita PPP, US dollar, 2006 ¹	11,308.35	13,657.47
General government expenditure as a percentage of GDP, 2006 ¹	46.2%	42.0%
General government expenditure, average annual growth rate, 2006/2002 ³	1.53	
LOCAL GOVERNMENT EXPENDITURES		
Local government expenditure as a percentage of GDP, 2006 ⁵	6.0%	12.5%
Local government expenditure as a percentage of general government expenditure, 2006 ⁵	11.5%	28.5%
Local government expenditure, average annual growth rate, 2006/2002 ³	0.6%	

Source: OECD National Accounts Statistics

Notes:

(1) OECD average (Gaag 1), data are missing for Turkey. Data for New Zealand are from 2005 and data for Mexico are from 2004.

(2) OECD average (Gaag 1), data are missing for New Zealand, Mexico and Turkey.

(3) Nominal growth rate

(4) OECD average (Gaag 1), Tax revenue is defined as tax receipts only excluding social contributions, data are missing for Canada, Mexico and Turkey.

(5) OECD average is comprised of unitary OECD countries (including Spain)

(6) OECD average is comprised of unitary OECD countries (including Spain). Tax revenue is defined as tax receipts only excluding social contributions.

(7) For technical reasons, this table uses Israel's official statistics, which include data relating to the Golan Heights, East Jerusalem and Israeli settlements in the West Bank

Table 10. Budget practices and procedures indicators¹

	Israel	OECD	
		No.	% of sample
In developing the budget, are there any fiscal rules that place limits on fiscal policy?			
No		6	20%
Yes, expenditure rule	X	16	53%
Yes, revenue rule		4	13%
Yes, budget balance (surplus/deficit) rule	X	21	70%
Yes, debt rule		17	57%
Other		2	7%
Does the annual budget documentation submitted to the Legislature contain multi-year expenditure estimates?			
No	X	1	3%
Yes, at the aggregate level		10	33%
Yes, at the ministry level		5	17%
Yes, at line item level		9	30%
Other		5	17%
Are there multi-year expenditure targets or ceilings?			
No, there are no such targets or ceilings	X	10	33%
Yes, there are aggregate targets or ceilings		11	37%
Yes, there are targets or ceilings for each ministry		3	10%
Yes, there are targets or ceilings for line items		1	3%
Other		5	17%
What types of performance information are produced to assess the Government's non-financial performance?			
None		2	7%
Performance targets	X	21	70%
Performance measures		24	80%
Evaluation reports (e.g. programme, sectoral, efficiency, or cost effectiveness reviews)		25	83%
Benchmarking		9	30%
Other		3	10%
In the presentation of Central Government budget documents to the Legislature, which of the following elements are included?			
Fiscal policy objectives for the medium term		26	87%
Macroeconomic assumptions	X	30	100%
Budget priorities	X	28	93%
Comprehensive annual financial plan encompassing all revenues and expenditures including off budget expenditures and extra-budgetary funds	X	21	70%
Comprehensive annual financial plan encompassing all revenues and expenditures for all levels of government (including regional and local)	X	8	27%
Comprehensive table of tax expenditures (exemptions, deductions and credits)	X	15	50%
Non financial performance targets for programs and/or agencies		16	53%

	Israel	OECD	
		No.	% of sample
Medium-term perspective on total revenue and expenditure (possibly in the form of a Medium-term Expenditure Framework)		22	73%
Long term perspective on total revenue and expenditure (10 or more years)		4	13%
Clearly defined appropriations to be voted by the Legislature	X	22	73%
Linkage of appropriations to administrative units (e.g. ministry, agency)	X	24	80%
Text of legislation for policies proposed in the budget	X	8	27%
Do your agencies/executive organisations receive lump sum appropriations?			
No, each agency/executive organisation receives an appropriation that specifies expenditures below the agency level	X	9	30%
Yes, each agency/executive organisation receives a lump sum appropriation for operating expenditures only, without sub-limits		4	13%
Yes, each agency/executive organisation receives a lump sum appropriation for operating expenditures only, with a sub-limit on wages		2	7%
Yes, each agency/executive organisation receives a lump sum appropriation covering both operating and capital expenditures, without sub-limits		3	10%
Yes, each agency/executive organisation receives a lump sum appropriation covering both operating and capital expenditures, with a sub-limit on wages		5	17%
Other		7	23%
Is performance against targets routinely presented to the Legislature?			
No it is not presented at all		2	7%
No it is only presented on an ad hoc basis	X	3	10%
Yes it is presented in a Government-wide report not accompanying the budget		2	7%
Yes it is presented in a Government-wide report accompanying the budget		0	
Yes it is integrated into the annual financial documents		3	10%
Yes it is integrated into the main budget documents		4	13%
Yes each ministry prepares performance reports accompanying the budget		6	20%
Other		6	20%
Missing answer		4	13%

Note: This table differs from a similar table included in previous PGC accession assessment reports because as part of a forthcoming OECD publication that analyses the content of the database, the OECD conducted extensive quality control of the responses collected in 2007 in order to secure consistency and reliability. Based on extensive dialogue with member countries in late 2008 and 2009 a number of responses regarding the year 2007 have been changed and are now available on-line (2007 database version 2). The original but now outdated database responses are still available for reference (2007 database version 1). The data still refers to the year 2007 if nothing else is stipulated.

Source: OECD's International Budget Practices and Procedures Database. Data for Israel are based on expert interviews with officials from Israel's Ministry of Finance conducted on 7 July, 2009

Table 11. Regulatory management and administrative simplification indicators

	Israel	% of OECD countries
Is public consultation with parties affected by regulations a routine part of developing draft primary laws?		
No		0%
In some cases	X	27%
Always		73%
Is Regulatory Impact Assessment formally required by law or by a similarly binding legal instrument? ⁽¹⁾		
No	X	7%
In selected cases		10%
Only for major regulation		23%
Always		60%
Is there an explicit government programme to reduce the administrative burdens imposed by government on enterprises and/or citizens?		
No	X	3%
Yes		97%
If the answer is "yes": Which of the following strategies are used? ²		
Modification and streamlining of existing laws and regulations		97%
Information and communication technologies for regulatory administration (e.g. electronic databases, online formats)		100%
Other streamlining of government administrative procedures		83%
Reallocating powers and responsibilities between government departments and/or between levels of government		62%

Sources: OECD (2009), "Public Governance Committee Accession Review Questionnaire" (Israel response), GOV/PGC/ACS(2009)7; information provided in the chapter on management of regulatory quality and administrative simplification; 2008 OECD Regulatory Management Systems Indicators

Table 12. HRM indicators

	Israel	% of OECD countries
Is there a central agency/department in charge of human resources at central/national/federal government level?		
Yes	X	70%
No		7%
Not responsible, but a central agency/department aims to co-ordinate the HR policies across departments		23%
How does one become a public servant in general?¹		
Through a competitive examination that provides for entry into a specific group of the public service	X	30%
Through direct application to a specific post and interview (with minimum degree requirement)		27%
It varies depending on the post		43%

Sources: OECD (2009), "Public Governance Committee Accession Review Questionnaire" (Israel response), GOV/PGC/ACS(2009)7; OECD Strategic Human Resource Management in Government Survey (2006)

Note: (1) Data have been reclassified into three categories.

Table 13. Open and inclusive policy making indicators

	Israel	% of OECD countries
What are country's legislative and policy measures for open government?		
Law on Access to Information and Documents	X	97%
Law on Administrative Procedure	X	83%
Law on Ombudsman/Commissioner	X	90%
Law on Privacy and Data Protection	X	93%
Law Electronic Data and Signatures	X	97%
E-Government policy		100%

Sources: OECD (2009), "Public Governance Committee Accession Review Questionnaire" (Israel response), GOV/PGC/ACS(2009)7; OECD (2008), Focus on Citizens: Public Engagement for Better Policy and Services.

Table 14. E-government indicators

	Israel	OECD average
E-Readiness	0.74	0.74

Sources: United Nations E-Government Readiness Knowledge Base (2008), <http://www.unpan.org/egovkb>, data extracted on 15 January 2009

Methodology and Definitions

Category	Methodology	Data Sources		Notes
		OECD Average	Israel	
General government revenue	General government revenue per capita PPP = $\frac{\text{General government revenue}}{\text{Population}} \times \frac{1}{\text{Purchasing Power Parity}}$	OECD average is taken from GaaG 1. Data are missing for Turkey. Data for New Zealand are from 2005 and data for Mexico are from 2004.	Revenue data are derived from the OECD National Accounts Statistics. ^a Population size is taken from the OECD country factsheet 2009. Purchasing power parity is taken from the IMF World Economic Outlook.	
	General government revenue as a % of GDP = $\frac{\text{General government revenue}}{\text{GDP}}$	OECD average is taken from GaaG 1. Data are missing for Mexico, New Zealand and Turkey.	Revenue data and GDP are derived from the OECD National Accounts Statistics	
	General government revenue, average annual growth rate, 2006/2002 = $\left(\frac{\text{General government revenue 2006}_i}{\text{General government revenue 2002}_i} - 1 \right) \times 100$		Revenue data are derived from the OECD National Accounts Statistics.	Nominal growth rate
	General government tax revenue as a % of GDP = $\frac{\text{General government tax revenue}}{\text{GDP}}$	OECD average is taken from GaaG 1. Data are missing for Canada, Mexico and Turkey.	Tax revenue data and GDP are derived from the OECD National Accounts Statistics.	Tax revenue is defined as tax receipts only excluding social contributions.
	General government tax revenue as a % of total revenue = $\frac{\text{General government tax revenue}}{\text{General government total revenue}}$	OECD average is taken from GaaG 1. Data are missing for Canada, Mexico and Turkey.	Tax revenue data are derived from the OECD National Accounts Statistics.	Tax revenue is defined as tax receipts only excluding social contributions.

Category	Methodology	Data Sources		Notes
		OECD Average	Israel	
Local government revenue	Local government revenue as a % of GDP, 2006 = $\frac{\text{Local government revenue}}{\text{GDP}}$	Revenue data and GDP are derived from the OECD National Accounts Statistics. Data are missing for Mexico and Turkey.	Revenue data and GDP are derived from the OECD National Accounts Statistics	In order to make percentages comparable the OECD average is comprised of unitary OECD countries only.
	Local government revenue as a % of general government revenue = $\frac{\text{Local government revenue} - \text{transfers (paid by other levels of government)}}{\text{General government revenue}}$	Revenue data are derived from the OECD National Accounts Statistics.	Revenue data are derived from the OECD National Accounts Statistics	To calculate the share of local government revenue in general government revenue transfers between the levels of government were excluded. In order to make fiscal decentralisation measures comparable the OECD average is comprised of unitary OECD countries only
	Local government tax revenue as a % of total revenue, 2006 = $\frac{\text{Local government tax revenue}}{\text{Local government total revenue}}$	Revenue data are derived from the OECD National Accounts Statistics.	Tax revenue data are derived from the OECD National Accounts Statistics.	Tax revenue is defined as tax receipts only excluding social contributions. In order to make percentages comparable the OECD average is comprised of unitary OECD countries only.
General government expenditure	General government expenditure per capita PPP = $\frac{\text{General government expenditure}}{\text{Population}} \times \frac{1}{\text{Purchasing Power Parity}}$	OECD average is taken from GaaG 1. Data are missing for Turkey. Data for New Zealand are from 2005 and data for Mexico are from 2004.	Expenditure data are derived from the OECD National Accounts Statistics. Population size is taken from the OECD country factsheet 2009. Purchasing power parity is taken from the IMF World Economic Outlook.	
	General government expenditure as a % of GDP = $\frac{\text{General government expenditure}}{\text{GDP}}$	OECD average is taken from GaaG 1. Data are missing for Turkey. Data for New Zealand are from 2005 and data for Mexico are from 2004.	Expenditure data and GDP are derived from the OECD National Accounts Statistics.	

Category	Methodology	Data Sources		Notes
		OECD Average	Israel	
General government expenditure	<p>General government expenditure average annual growth rate, 2006/2002 =</p> $\left(\frac{\text{General government expenditure 2006}}{\text{General government expenditure 2002}} - 1 \right) \times 100$		Expenditure data are derived from the OECD National Accounts Statistics.	Nominal growth rate
Local government expenditure	<p>Local government expenditure as a % of GDP =</p> $\frac{\text{Local government expenditure}}{\text{GDP}}$	Expenditure data and GDP are derived from the OECD National Accounts Statistics. Data are missing for Mexico and Turkey.	Expenditure data and GDP are derived from the OECD National Accounts Statistics.	In order to make percentages comparable the OECD average is comprised of unitary OECD countries only.
	<p>Local government expenditure as a % of general government expenditure =</p> $\frac{\text{Local government expenditure - transfers (paid by local level)}}{\text{General government expenditure}}$	Expenditure data are derived from the OECD National Accounts Statistics.	Expenditure data are derived from the OECD National Accounts Statistics.	To calculate the share of local government expenditure in general government expenditure transfers between the levels of government were excluded. To make fiscal decentralisation measures comparable the OECD average is comprised of unitary OECD countries only.
	<p>Local government expenditure average annual growth rate, 2006/2002 =</p> $\left(\frac{\text{Local government expenditure 2006}}{\text{Local government expenditure 2002}} - 1 \right) \times 100$		Expenditure data are derived from the OECD National Accounts Statistics.	Nominal growth rate

Category	Methodology	Data Sources		Notes
		OECD Average	Israel	
Budget practices and procedures	<p>The following questions were used to generate the information provided:</p> <ul style="list-style-type: none"> • Does the annual budget documentation submitted to the Legislature contain multi-year expenditure estimates? • Are there multi-year expenditure targets or ceilings? • Does the Central Budget Authority impose limits (ceilings) for each ministry's initial spending request? • In the presentation of Central Government budget documents to the Legislature, which of the following elements are included? • Do your agencies/executive organisations receive lump sum appropriations? • What types of performance information are produced to assess the Government's non-financial performance? • Is performance against targets routinely presented to the Legislature? 	Data are derived from the OECD's International Budget Practices and Procedures Database.	Data are derived from the OECD's International Budget Practices and Procedures Database. Data has been supplemented with information during expert interviews with officials from Israel's Ministry of Finance on 7 July, 2009.	
Regulatory management and administrative simplification	<p>The following questions were used to generate the information provided:</p> <ul style="list-style-type: none"> • Is public consultation with parties affected by regulations a routine part of developing draft primary laws? • Is Regulatory Impact Assessment formally required by law or by a similarly binding legal instrument? • Is there an explicit government programme to reduce the administrative burdens imposed by government on enterprises and/or citizens? If the answer is "yes": Which of the following strategies are used? 	Data are derived from the 2008 OECD Regulatory Management Systems Indicators Questionnaire. These data are undergoing a peer review process and are subject to change.	Data are derived from the 2008 Accession Review Questionnaire. Data has been supplemented with information gathered during expert interviews with Israeli public officials.	
Human Resources Management	<p>The following questions were used to generate the information provided:</p> <ul style="list-style-type: none"> • Is there a central agency/department in charge of human resources at central/national/federal government level? 	Data are derived from the 2006 OECD Strategic Human Resources Management in Government Survey.	Data are derived from the 2008 Accession Review Questionnaire.	
	<ul style="list-style-type: none"> • How does one become a public servant in general? 	Data are derived from the 2006 OECD Strategic Human Resources	Data are derived from the 2008 Accession	Data has been reclassified into three categories: (1) Through competitive examination that

Category	Methodology	Data Sources		Notes
		OECD Average	Israel	
		Management in Government Survey.	Review Questionnaire.	provides entry into a specific group of the public services; (2) Through direct application to a specific post and interview; (3) It varies depending on the post.
Open and inclusive policy making	The following question was used to generate the information provided: <ul style="list-style-type: none"> What are country's legislative and policy measures for open government? 	Data are taken from the 2008 OECD publication "Focus on Citizens: Public Engagement for Better Policy and Services".	Data are derived from the 2008 Accession Review Questionnaire.	
	E-Readiness	Data are derived from the United Nations E-Government Readiness Knowledge Base (2008)	Data are derived from the United Nations E-Government Readiness Knowledge Base (2008)	The UN e-government readiness index is composed of a web measure index, a telecommunication infrastructure index and a human capital index. The web measure index assesses the availability of specific e-government services, while the telecommunications infrastructure index measures the infrastructure capacity related to the delivery of e-government services (i.e. internet users per 100 persons, broadbanding per 100 persons, telephone lines per 100 persons). The human capital index combines indices on the adult literacy rate with indices on primary, secondary and tertiary education.

Note: (a) OECD National Account statistics are based on the System of National of Accounts (SNA), a set of internationally agreed concepts, definitions, classifications and rules for national accounting.

ANNEX 2: EXCERPTS FROM ISRAEL'S INITIAL MEMORANDUM**Recommendation of the Council on OECD Guidelines for Managing Conflict of Interest in the Public Service – [C(2003)107]**

1. Israel accepts this Recommendation.
2. Explanatory comment:

The situation in Israel is consistent with the recommendations in the document in regard to policy, legislation, and implementation. In Israel, especially as set in the Civil Service Code, there exists a statutory infrastructure that guarantees appropriate handling of the issue of conflict of interests in the civil service, as provided in the OECD recommendation. The principle prohibiting a civil servant from being in a situation that presents a risk of conflict of interests in his public duty, is a fundamental principle in the Israeli law, and is well anchored in the case-law. Since the amendment of the Civil Service Code and the addition thereto of Chapter 13.6 which establishes a duty to make arrangements to prevent conflict of interests, there has been a recognizable increase in the enforcement of this principle.

Recommendation of the Council on Improving Ethical Conduct in the Public Service Including Principles for Managing Ethics in the Public Service – [C(98)70]

3. Israel accepts this Recommendation.
4. Explanatory comment:

The situation in Israel is consistent with the recommendations in the document with regard to policy, legislation, and implementation. There are several legislative acts in place in Israel which regulate various aspects of ethical conduct in the public service as following:

- The Rules for preventing conflict of interests among ministers and deputy ministers.
- The Rules for Ethics for Members of the Knesset (the Israeli Parliament).
- The rules for preventing conflict of interests among elected representatives of the local authorities.
- Provisions of the Civil Service Code and the rules of ethics of civil servants. The State Attorney's Guideline regarding arrangements for the prevention of conflict of interests among civil servants.
- The Code of Ethics for Judges 5767-2007.
- The State Attorney's Guideline regarding the receipt of gifts by civil servants.

Protection of employees who expose corruption

- The Protection of Employees (Exposure of Offences of Unethical Conduct and Improper Administration) Law, 5757-1997. The law protects employees who have exposed corruption. The State Comptroller Law, 5718-1958, in chapter seven- dealing with the Civil Service Commission and the submission and investigation of complaints from the public- grants special powers to the

State Comptroller in his role as the Civil Service Commissioner which allow him to offer protection to a civil servant who has exposed an act of corruption.

- There are provisions in the Civil Service Code dealing with the prevention of harassment of employees who expose acts of corruption. (Chapter 43.5).

Relations between Public Officials and the Private Sector

- The Civil Service Law (Limitations after Resignation), 5729-1969 sets forth prohibitions and restrictions regarding the transition from employment in the civil service to employment in other sectors.
- The Civil Service Law (Gifts), 5740-1979 sets forth prohibitions and restrictions regarding the receipt of gifts by civil servants.
- Civil Service Notice 64/9 (and the accompanying Civil Service Code pages), and Civil Service Notice 66/10 establish guidelines regarding the receipt of gifts, as well as various other benefits, in the civil service,.

In addition, various activities are conducted to advance this topic:

Activities aimed at encouraging ethical conduct in the civil service

A Government resolution provided for the establishment of an inter-ministerial team designed to encourage ethical conduct in the civil service. The team was charged with formulating a programme for strengthening ethical conduct of civil servants, which would include, *inter alia*: training activities and publicizing rules and methods for dealing with specific incidents. In the context of the team's activity, various steps were taken to promote the issue of ethics in the civil service, including:

- Preparation of training materials;
- Conferences and discussions for senior officers within the civil service on the issue of "Ethics in Public Service";
- Establishment of the "Advisory Committee for Ethics in the Civil Service";
- Special emphasis was placed on the ethical challenges presented by online administration, and on advanced measures of identification in place in the civil service, such as - biometric applications, other strong electronic authentication measures, and the protection of users' privacy.
- The promotion of the drafting of an international ethical code regarding the field of intrusive technologies in public service.
- Formulation of basic documents according to which it will be possible to inculcate principles and values to improve the ethical conduct of civil servants.
- Publication of papers and ethical codes dealing with the statutory provisions, court rulings, government resolutions, procedures, rules, articles and recommendations from the State Comptroller's reports. The material published focuses on the following fields with respect to civil servants: financial disclosure, private business activity, political activity, gifts and benefits,

restrictions after retirement, contractors and external employment, protection of information and privacy.

Declarations of Property

Section 35 of the State Service Law (Appointments) 5719-1959 (hereinafter- the "State Service Law" or the "Law"), requires senior state employees to submit a declaration of property and debts, including those of spouse and children, in the manner and times prescribed by regulations enacted under the law.

In co-ordination with the State and Internal Audit Department at the Prime Minister's Office and the Ministry of Justice, the Civil Service Commission has prepared amendments to the original regulations (dating from 1960) implementing the aforementioned section of the State Service Law, in order to require timely and updated disclosure declarations, as well as to ensure the protection of privacy granted to such disclosures through the establishment of a secure data-base within the Civil Service Commission.

The regulations have been approved and await the signature of the Prime Minister in accordance with the Law. Once in force, the new regulations aim, *inter alia*, to substantially enhance the efficiency of implementation of the provisions set forth in section 35 of the Law.

Recommendation of the Council on improving the quality of government regulation – [C(95)21]

5. Israel accepts this Recommendation.

6. Explanatory comment:

The situation in Israel is consistent with the recommendations in the document with regard to policy, legislation, and implementation.

There is no single code in Israel that contains all of the principles specified in the document; however, these principles guide the actions of the government and public administration in general and are expressed in the guidelines of the Attorney General and included in the legislation of the government ministries.

However, it shall be noted that some Israeli legislative reforms since 1985 have been carried out pursuant to the Arrangements Law for an Emergency in the State Economy, 5745-1985, under which there are expedited legislative procedures, in comparison to the regular procedures, which shorten the public hearings procedures. In recent years, there has been parliamentary and public opposition to the use of this special arrangement and as a result there has been a substantial decrease in the use thereof by the government.

Recommendation of the Council on Enhancing Integrity in Public Procurement – [C(2008)105]

1. Israel accepts this Recommendation.
2. Explanatory comment:

The situation in Israel is consistent with the recommendations in the document in regard to policy, legislation, and implementation.

A. Transparency

The public procurement is arranged in Israel by the Public Tender Act 5752-1992. Beginning on June 1, 2009 new reforms in the Tender Obligation Regulations will be implemented and will contain the following substantial changes: maximization of transparency in public procurement, preference for public tender, diminution of exempt articles, obligation for using public tenders and granting competitive tools for public tenders. The reforms will apply to all public entitiesⁱ, including government ministries, their authorized units, government authorities, health care establishments, government corporations, and others. It should be emphasized that there is an obligation to publish a public tender via the press and internet-sites.

B. Good Management

The situation in Israel is consistent with this principle mentioned in the Annex to this recommendation in regard to policy, legislation, and implementation. i.e. In order to insure that the public funds are spent for their purpose, each order has undergone an approval process which includes the head of the unit who made the order, the Deputy Director-General, the accountant who is trusted to carry out the budget by the Ministry of Finance's Accountant General. Further to that proceeding, the audit unit at the Accountant General's department in the Ministry of Finance inspects actions done in financial units of Government ministries in light of proper management rules, the provisions of law and relevant procedures, and also in aspects of saving and efficiency in the management of the financial activity.

C. Prevention of Misconduct, Compliance and Monitoring

The situation in Israel is consistent with this principle mentioned in the Annex to this recommendation in regard to policy, legislation, and implementation.

In Israel there are a few mechanisms to prevent risks to integrity in public procurement: a) The Tender Obligation Regulation which determines that the Accountant General is allowed to order the tender committee to hold a discussion concerning an impairment regarding conditions of a tender and also selection or disqualification of an offer; b) An inspection on the Tender Committee's decision can be done by the participants who didn't win the bid. The Tender Obligation Regulation gives them rights of browsing in the document of the tender, the tender's committee protocols, correspondence and professional opinions; c) The decisions of the Tender Committee should be received with the presence of the Director-General, a legal adviser and an accountantⁱⁱ; d) As for the Tender Exemption Committee, the Accountant General supervises any decision. The Accountant General, together with the Director-General of the Prime Minister's Office and the Director-General of the Ministry of Finance, can order the Tender Exemption Committee to hold a discussion about a decision that was

ⁱ The Defense system has different regulations and is not included in the new reforms.

ⁱⁱ the legal adviser and the accountant should be independent and not subordinated to the Director-General

adopted, to deny their entire or partial authority if the Committee acted in an improper manner; e) Any Tender Committee decisions are published with the arguments on the website which is an additional mechanism to prevent risk to integrity in public procurement.

Concerning a dialogue with suppliers' organizations, this is done by requesting information questionnaires prior to publication of the tender, and by clarifying questions to a tender. On an a-periodic basis there are forums where government officials meet with the business sector.

Regarding the monitoring of public procurement and detecting misconduct, the Tender Obligation Regulations stipulate that the Accountant General is entitled to instruct the tender committee to hold a meeting-discussion regarding irregularities in decisions it has made on conditions of a tender that was published, and concerning selection and disqualification of an offer.

The reforms of the Tender Obligation Regulations have been binding since June 1, 2009. The reforms provide the mechanism to control and supervise decisions made by the tender committee on terms of a threshold regarding the winners in a tender.

D. Accountability and Control

Regarding accountability and control, as a rule, Israel respects the request of this element of the Recommendation, still there are certain gaps in two main aspects: a) In Israel a dialogue takes place with civil society organizations on an ad-hoc basis, which are allowed to express their position in procedure of procurement, i.e., the business sector and the civil society organizations influence the procedure in which SMEs can participate in public procurement.

During the years, the governmental process of procurement has incurred many changes in order to lead to creating a transparent, fair and egalitarian proceeding. Ad-hoc cooperation with civil organizations as aforesaid represents the amplification of the transparency, and in a small country such as Israel, it seems that there is no need to create a regular procedure in that matter.

b) In Israel, review of the procurement decisions is handled by the legal system – up until the nineties appeals were submitted to the Supreme Court. From 1991 appeals were submitted to the district court (In 1991, the Supreme Court decreed that a civil court can also deal with legality of a public tender). Beginning in 2000 the treatment of public procurements was transferred to the court for administrative matters.

ANNEX 3: OECD TECHNICAL MISSION - INTERVIEWS

326. The Israel accession review team from the Public Governance and Territorial Development Directorate conducted technical missions to Israel on 8-10 June 2009 and 6-8 July 2009. The team met with representatives from a wide variety of government ministries and other stakeholders in Israeli public governance:

- “Ma’ala” Organisation
- “Meir Panim”
- “New Horizon” Implementation Headquarters
- “Shatil” Organisation
- “Shitufim”
- Agora Policy Inc.
- Anti-Trust Authority
- Bank of Israel
 - Research Department
- Bezeq (The Israel Telecommunications Corp.)
- CBS
- City of Ramla
- Civil Servants Trade Union
- Civil Service Commission
- Department of Wages and Labour Agreements
- Division of Foreign Trade and International Relations, Manufacturers’ Associations of Israel
- Equal Opportunities Commissioner
- Equal Opportunities for women and ethnic minorities in the civil service
- Freedom of Information Supervisor
- Hebrew University
 - Department of Economics
 - Department of Political Science
- Herzliya Municipality
- Israel Democratic Institute
- Israel Human Rights Organisation of People with Disabilities
- LAHAV, Israel Federation of Independents Organisations
- Lehava Centre, Tirat Carmel
- Local Council of Yoav
- Manufacturers’ Associations of Israel
- Meitar, Liguornick, Geva & Co.
- Ministry of Communications
 - Department of Economy and Budget
- Ministry of Education
- Ministry of Environment (environmental protection)
 - Legal Department,
- Ministry of Finance
 - Budget Department

- Economic and Research Department
- E-government Department
- Insurance and Savings Department
- Legal Department
- Office of the Accountant General
 - Government Procurement Unit
 - Purchasing Administration
- Salary and Labour Agreement Department
- State Revenue Administration
- Ministry of Foreign Affairs
- Ministry of Health
 - Medical Management Department,
- Ministry of Immigrant Absorption
- Ministry of Industry, Trade and Labour
- Ministry of Justice
- Ministry of Social Affairs and Social Services
- Ministry of the Interior
 - Local Authorities Department
 - Local Authorities, Budget Policy Division
- Ministry of Welfare and Social Services
 - Department for Personal and Social Services
 - National Programme for Children and Youth at Risk,
- Nachitz, Brandeis & Co.
- National Authority for Measurement Assessment in Education
- Office of the Attorney General
- Office of the Prime Minister
 - Deputy Cabinet Secretary
 - Division for Policy Implementation
 - National Economic Council
 - Ombudsman Unit
 - Policy Planning Department
- Office of the State Comptroller
- Public Law Division. The College of Management, Rishon Le'Zion
- Public Utility Authority, electricity
- School of Public Policy, Hebrew University of Jerusalem
- Supreme Court Judge
- The Knesset
 - Director General
 - Economy Committee
 - Finance Committee
 - Research and Information Centre
 - Science and Technology Committee
 - Secretary of the Knesset
- The Second Authority for Television and Radio
- Transparency International, Israel