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Policy Analysis Evolution in Israel: Building Administrative Capabilities

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Introduction

This chapter examines how policy analysis has evolved in Israel over time in relation to governmental public administration. The main question we will address is how policy is formulated and policy-making capabilities have evolved over time in Israel, despite the relative dearth of policy analysis as formalized practice in the public sector. We address this question by examining governmental public administration in its broadest meaning, focusing mainly on the civil service for which government ministers have ministerial responsibility.

The civil service is first and foremost a state institution, and due to its permanence and continuity it is in some ways even more representative of “the state” than elected institutions. In the Israeli context this raises several questions: Is the weakening of the state also evident in the civil service? Has the relationship between the civil service and the political echelon changed over time? Is the Israeli civil service capable of making an autonomous, professional contribution to better policy-making?

Since the governmental civil service plays a key institutional role in making and executing policy decisions, this chapter begins by examining the evolution of its role and functioning. We first review the basic elements of public administration in Israel, and then contextualize this description in comparative perspective in order to assess the changes that have taken place in Israel since the founding of the state. Subsequently, we review shifting sector boundaries between the public, private and civic spheres. A consideration of these boundaries provides the context of the trend toward privatization, meaning the shifting of responsibility from the governmental-public sector to other spheres. To consider privatization and its limits, two cases in the 2000s are considered

– the attempt to start the privatization of the prison system, and the tender for international consultants to outline a strategic plan for Israel’s socio-economic future. Since these cases are so recent to the time of this writing, the assessment of their ultimate impact on policy change is necessarily speculative in nature. Yet, these examples serve as useful windows for gaining insight about key factors that have influenced the evolution of policy analysis in Israel, and will continue to do so in the foreseeable future. The chapter concludes with a consideration of how administrative capabilities in Israel can be developed in the years to come.

Even though it is beyond the scope of this chapter to add to the literature that attempts to define the term “policy analysis” (cf. Howlett & Wellstead, 2011, 613), a definitional note is in order. The evolution of policy analysis in Israel in this chapter is analyzed through the lens of the evolution of the administrative capacities of public institutions and public officials who are charged with the responsibility of policy analysis and implementation, broadly defined. This scope is intentionally broad, drawing on recent insights that the work of high-quality policy analysis is not generally conducted by technocrats using formal policy analysis techniques (such as cost-benefit analysis) but rather by “process generalists” working in an institutional environment that develops individual skills and organizational learning over time (Howlett & Wellstead, 2011).

An Overview of Public Administration in Israel¹

It has been claimed that politics is the art of the possible; if this is so, then public administration is the institutional mechanism which makes politics possible (Galnoor

¹ This section is based on Galnoor (2011).

2011, 12). We should therefore begin with an overview of this mechanism. In a democratic system, it is the elected officials – the politicians and no one else – who are accountable to the public for carrying out collective missions, and for producing public goods. To carry out the public functions for which elected officials are ultimately accountable, executors are required, and these are the civil servants.

A prime area of commonality between politics and public administration is that in democratic regimes the legitimacy of the political system, as well as its management mechanism, is rooted in efforts to achieve common goals. In addition, “politics” in the conventional sense also exists within public administration since bureaucrats in public offices are not immune from managing conflicts. However, two simple distinctions are crucial for understanding how politics and public administration differ. First, political and administrative processes are fundamentally different due to the fact that politicians are elected, whereas civil servants are appointed. Second, power struggles in the political realm are more external and directed at mobilizing support, whereas power struggles in the realm of public administration are primarily intra-organizational.

In Israel, the civil service performs three main functions. First, to participate in the process of policy-making and to take responsibility for its implementation. Second, to provide services to individuals, groups and organizations. Third, to establish and implement the regulatory function of overseeing tasks performed by others in order to protect the public interest and safeguard individual rights. While the “civil service” narrowly defined as state employees still plays a central role in carrying out these three functions, one of the main developments in Israel over time is that organizations outside of the confines of the governmental civil service ministry are increasingly carrying out all the above listed functions. A useful distinction for our purposes is to assess to whom the organization is accountable in political-administrative terms.

Three main categories of organizations must be taken into account in order to understand the political-administrative capacity of the state in context. The first of these three categories – public sector organizations – are further delineated in Table 1. In particular, this table demarcates the distinction between governmental public administration organizations in the executive branch which together constitute the civil service, as distinct from public sector entities that are not part of the executive branch.

Table 1: Public Sector Organizations in Israel

Governmental public administration (civil service)

Governmental ministries and subsidiary units
 Statutory authorities
 Government corporations
 Service provision to individuals, groups and organizations

Nongovernmental public administration²

Office of the President
 State comptroller
 Knesset administration
 Bank of Israel

Public administration in local authorities³

Departments
 Municipal corporations

Table 1 shows that the civil service is only one part of the public sector. It is therefore necessary to have a broader picture of the institutions which constitute the "public sector" outside the executive branch. Namely, nongovernmental public administration and the local authorities are both prominent public sector organizations in Israel that operate beyond the boundaries of the civil service. This categorization is intended to provide a framework for understanding the different bodies that are responsible for governmental public administration, broadly defined.

² This category sometimes includes the "national institutions" – the Jewish Agency, World Zionist Organization, Jewish National Fund, Keren Hayesod / United Israel Appeal and its affiliates – as well as the institutions of higher learning, health funds, and religious institutions.

³ In addition, there are municipal nonprofits as well as associations formed by several local authorities for purposes of sharing services.

The Development of the Civil Service in Israel

Understanding the evolution of the relationship between policy analysis and the civil service over time requires a clear snapshot of the civil service at its inception in Israel. Initially, the civil service was part and parcel of the political-party structure, which created inherent difficulties in fulfilling the distinction between politics and public administration. The close connection between political parties and the civil service at the founding of the state has, by necessity, impacted on the civil service's complex and subdivided organizational structure. It also affected civil service performance in all three functions of government described in the previous section – policy-making, service provision, and regulation. In short, professional non-ideological policy analysis was rather rare in that period (Galnoor & Blander, 2013).

In the early years of the state, the Israeli civil service dealt with almost every task, similar to new states whose social and economic institutions are evolving, but even more so due to a number of special circumstances: integrating scores of new immigrants, building an army, constructing new towns, developing and managing water resources, promoting industry, and providing services to an ever-growing population. Even as these tasks kept governmental departments extremely busy carrying out state functions, senior public bureaucrats also assisted political leaders with their policy-making tasks.

Despite its structural stability, the Israeli civil service has undergone significant changes since its inception that have emerged from two transformations in Israeli society. First, the standard of living in Israel has increased dramatically to be on par with other developed nations, which has led to increased demands from citizens for better services from government ministries. Second, the state and its institutions have

weakened over time. Consequently, the political-bureaucratic system that dominated the state in the early years and penetrated all social spheres has gradually surrendered its monopoly to new institutions – the economic market as well as social organizations.

In some senses, the weakening or contraction of the state and its institutions is characteristic of the evolution of a state-in-the-making. An example of a policy area that has experienced a contraction of state involvement is the reduced direct governmental involvement in handling immigration and the absorption of new immigrants. Initially, this task was the responsibility of governmental ministries, the Jewish Agency, and the Histadrut. In the 1990s, the public coffers still bore the cost of absorbing the wave of immigrants from the former Soviet Union and Ethiopia, but the task was increasingly handled by nongovernmental and social organizations, as well as the local authorities. Yet, in the 21st century, it is clear that the central government still affects all aspects of the lives of Israeli citizens, and therefore the importance of its policy-making capacity has not diminished. For example, a glance at the State Budget Law reveals that it deals with a vast range of issues, in addition to the classic tasks of the state of maintaining the rule of law, defense, and taxation.

Contraction of the Israeli Civil Service and the State: Changing Sector Boundaries

Despite the continued involvement of the state in a broad range of policy issues, the scope of activity of the governmental civil service in Israel has contracted significantly over time. State expenditure constituted some 30 percent of GDP in the 1960s, reaching a high of approximately 80 percent after the Yom Kippur War in 1973 (Galnoor, 2011, 44). Public expenditure decreased significantly by 1990, to 56 percent of GDP, but even with this steep decline Israel still placed second highest (behind Sweden) on the rate of state expenditure in comparison to 23 OECD countries. However, public expenditure

as a percentage of GDP in most OECD countries has grown in recent years, whereas in Israel it has continued to decline to 45 percent in 2010, which was lower than 16 of the 23 nations surveyed (Ben-David, 2011, 57-58).

Concurrent with this decline in public expenditure, a major institutional shift has taken place in the division of labor in comparison to the first three decades when public activity was shared by the government, the Histadrut and the Jewish Agency, with these three partners comprising about 50 percent of the national product (Barkai, 1964, 25). The turning point took place in 1985 with a new economic plan, after which a process of privatization began as part of overall reform of the government- market structure (Galnoor. 2014).

An important component of the new economic plan in 1985 was “The Arrangements Law”, which was designed to allow the Finance Ministry to take drastic measures to overturn policy made by the Knesset in order to ensure economic stability at a time of unprecedented financial crisis. Though instituted as a short-term fix to an unusually dire economic situation, the Arrangements Law was never revoked, and over time the Finance Ministry has consistently used it as a powerful tool for instituting or cancelling policies by bypassing regular processes of democratic legislation. Structural changes instituted through this law have at times included matters only tenuously related to the Arrangements Law’s stated purpose of facilitating long-range efficiency. The ascendance of the Finance Ministry as a policy actor following the economic crisis of 1985 went hand in hand with an ideological effort to enhance the market economy at the expense of the welfare state.

The state contraction is clearly reflected in the human resources employed by the governmental public sector. Between 1950 and 2005, the number of civil servants increased from 22,885 to 60,527, but the number per capita decreased by a factor of

2.2 (Galnoor, 2011, p.25). Since the 1980s, ministries have shrunk due to contraction of the core civil service, while other components have simply been eliminated. These numbers however can be partly misleading because some employees of government ministries were transferred to authorities or government corporations, and because the number of nonpermanent civil servants employed through contractors has increased considerably. Still, the overall picture is clear: government ministries accountable to ministers have significantly diminished in size over the years. In addition, some public services are now provided jointly with private and third sector organizations, so even the label “public sector” has become less clear. Some praise this change on the grounds that it reflects greater efficiency, while others view it as damaging to the scope and quality of services provided by the state to citizens.

In sum, since the 1980s, public policy-making in Israel has taken the same direction as in Western democracies writ large: reduced involvement of the state in the economy at the expense of public welfare services. The push for this change came from a number of factors, including public pressure to improve services in exchange for taxes, globalization trends that created pressures on governments to open the economy to competition, an increased tendency to rely on market mechanisms for the provision of public services, and the rapid development of technology that enabled new administrative processes (Galnoor, Rosenbloom & Yaroni 1999, 117). Differences between countries aside, Israel has experienced changes in public administration which have been prevalent in advanced democracies in general, including the following:

- ✓ **Ideologically**, the monopoly of the state has been increasingly challenged in all arenas.

- ✓ **Institutionally**, independent organizations created to carry out state functions, known as “quangos” (quasi-NGO’s), have become more common and more prominent.
- ✓ In terms of **state budgets**, governmental funds have been transferred to private business firms and nonprofits to provide services on a contractual basis, leading to the increased prevalence of extra-budgetary public authorities and government corporations.

The main implication of these changes for policy-making is that the boundaries between the public, private and third sectors have become blurred in terms of the responsibility and capacity for deciding upon, designing, and implementing policy. In the 1960s in Israel, sector boundaries between the government, society, and the private economy were almost non-existent, given the strong presence of a centralized government, a developing business sector, and a very weak autonomous civil society. Over the years, political parties lost their pivotal position in shaping the public agenda, and in their place came influences of public-bureaucratic mechanisms, the media, and a variety of interest groups (Nachmias & Sened 1999, 28). In the current era, the boundaries have shifted: the scope of state tasks continues to narrow given the contraction of a traditional welfare state; the economic market has become increasingly dominant, both ideologically and practically; and civil society and the third sector have prospered and have replaced government services in many fields.

All of these shifts have taken place to some degree in most advanced democracies in recent years. In Israel, however, they have been fairly dramatic and rapid given the initial dominance of the governmental public sector. While the growth of civil society worldwide in recent decades has been referred to as an “advocacy explosion” (Berry & Wilcox, 2007) and an “associational revolution” (Salamon, 1994),

the relatively vibrant civic life in contemporary Israel is particularly remarkable in comparison to Israel merely thirty years ago. Independent extra-parliamentary activity was not encouraged in the early years of the state, and a series of unsuccessful attempts to pass a law governing associational activity shows governmental efforts to control civic activity (Hermann, 1996; Yishai, 1991). Yet, the government's tendency to restrict the right of association has been challenged over time by civil society activity on behalf of freedom of association (Kabalo, 2006).

The subsequent liberalization of civic associational regulation led to a rapid increase in the number of civic associations beginning in the mid-1970s, and an increased willingness to challenge the state (Yishai, 2003). A new generation of Israeli political activists came of age which led to the appearance extra-parliamentary activity in the 1970s, along with the Black Panthers Movement in the early 1970s, post-1973 War protests, and the prevalence of mass rallies on a range of social and economic topics (Gidron et al., 2004; Hermann, 2002). Although the degree of autonomy and influence of Israeli civil society is open to debate, its capacity for democratic engagement has increased considerably since the founding of the state (Oser, 2010; Silber & Rosenhek, 2000).

The summer protests of 2011 are a recent and prominent example of the call from citizens and social groups for changes in the social-economic policy. Indeed, these protests exemplified objections to the contraction of the state and support for reinstating welfare services as well as opposition to the private sector influence on governmental policy-making. The public outcry led to the establishment by the government of the Trajtenberg Commission in the wake of the protests (Hermann et al., 2012, 69).

The policy claims of the protesters were wide-ranging, as was the list of policy changes recommended by the Trajtenberg Committee. Protesters demanded a decrease

in the cost of living for middle and lower classes, increased investment in public housing and education, health and welfare, and the reversal of the growing regressive tax system. In addition, more general claims were raised to strengthen the welfare state, to stop privatization and outsourcing, and to take social solidarity into consideration in establishing national policy. The Trajtenberg Committee's recommendations directly related to many of the protesters' claims, and the government confirmed the report in October of 2011. Yet, as of this writing in early 2014, few of these recommendations have been implemented, and the ultimate impact of the protests on subsequent policy-making is yet to be determined. What is clear, however, is that the protests evidenced changes in the perceptions of the public regarding citizens' direct participation in policy-making, and their demands for a stronger presence of the state in policy-making regarding central issues of social and economic policy (Galnoor & Paz-Fuchs, 2015).

Privatization – Examples of Changing Boundaries and Policy Implications

The reason for discussing privatization here is that one of the assumptions underlining this policy is that rather than building policy analysis and administrative capabilities, it is better to shift responsibility to the non-governmental sectors, either private or non-profit. Yet, the governmental sector and its policy-making capacities in Israel are not simply “crowded out” by the increased capacity and breadth of the private sector and civil society. Rather, privatization is a deliberate attempt to change the public policy-making structure and processes. Policy analysis is of course still performed when policymaking responsibility is shifted to the nongovernmental sector, and the primary authorities for conducting the analysis become the private or nonprofit actors who have gained responsibility as a result of privatization. Without sufficient governmental accountability, however, the public sector may lose the capacity to weigh in on policy

change over time, and to regulate these nongovernmental actors accordingly. Therefore, in addition to providing an overview of general trends of Israeli privatization policy, this section also presents two examples that test the boundaries of state responsibility: the attempt in the 2000s to begin privatizing Israeli prisons and the growing trend to outsource Israel's socio-economic planning to international consultants.

Privatization is the most meaningful, wide-ranging, and consistent reform in the political-administrative system in Israel since the 1980s, with major implications for policy-making and policy analyses (Galnoor, 2015). Privatization can be understood as the redefinition of the responsibilities of the state, by shifting the public sector boundaries, in one or more of the following elements: transferring assets, goods and services from the management or the financing of state organizations to profit or to non-profit organizations through the transfer of ownership (e.g. selling a government corporation); canceling or decreasing financing from the state budget (e.g. institutions of higher education); canceling supervision over selling a product (e.g. foreign currency); or changing regulation practices (e.g. cell phone regulation) (Galnoor, Paz-Fuchs & Zion, 2015). Without opening here the broad (and rather ideological) discussion on whether functions of the state should be privatized, several cases in Israel have raised the question of whether privatization has in effect begun to cede significant areas of inherently governmental functions, including policy-making and implementation, to non-governmental bodies with inadequate or nonexistent government oversight.

The first example is the attempt to privatize a prison in Israel in the 2000s.⁴ Prisons in Israel operate within the framework of the Ministry of Interior Security, and

⁴ The claim was presented by the Human Rights Clinic of the Academic Center for Law and Business of Ramat Gan in the High Court of Justice claim 2605/05, Academic Center of Law and Business and others versus the Minister of Finance and others.

prison workers – like police officers – are civil servants subject to ministerial responsibility. In 2004, the Ministry of Finance initiated a legislative amendment aimed at establishing a pilot private prison. The Israeli variant of prison privatization proposed by the government was among the most complete in ceding state authority to a private business company including financing, planning, building and management – a model copied from the prison system in Texas in the United States. The government proposed several potential benefits to privatization, including the improvement of prisoners' conditions along with budgetary savings. The pilot was legislated by the Knesset, but it was challenged by a petition to the Supreme Court in which the petitioners claimed that even if the government's positive expectations were fulfilled, the prison system is a special public good which must remain under the complete responsibility and governance of the state (Galnoor, 2015).

In 2009, the Supreme Court of Israel made a precedent-setting decision by ruling that a private prison in Israel was illegal, thus positing that the imprisonment of citizens and the protection of their rights is the responsibility of the State. In essence, much like the public good of collecting taxes and running a court system, it would simply not be possible to write out a contract that would completely detail how privatized prison workers must operate in each situation that would arise. Privatization of this sort could potentially lead to an undesirable influence of financial interests over decisions of citizens' rights. The Supreme Court's decision clarified that a main concern regarding the potential implications of the privatization would be ceding policy decisions on preserving prisoners' rights – a sensitive state function – to for-profit companies. The profit motive of these businesses would potentially clash with the public's interest of taking responsibility for prisoners who are inherently vulnerable and marginalized members of society.

Beyond the specific details of this case, what could be the impact of the Supreme Court decision on policy analysis in Israel and perhaps elsewhere? First of all, it requires a much wider vista of state responsibility than mere economic cost-benefit calculations. When scholars who opposed prison privatization warned against the emergence of private "prison industry" (Timor, 2006) the predictions of deregulation, reduced supervision and longer prison terms seemed entirely imaginary. The so-called "kids for cash" scandal that erupted later in a Pennsylvania county in the USA showed the dangerous outcome of the prison privatization policy. Juvenile offenders were punished for minor offences with incarceration rather than community service or suspended sentences to provide "customers" to the private prisons (Ecenbarger, 2009). Eventually two judges were sent to prison for receiving bribes for their good services from the private prisons companies.

Secondly, the lesson from this case is that privatization does change the method of structuring the relevant information for policy analysis and limits the scope of the choices for policy makers (Gill & Saunders, 1992). When the overriding assumption is that governments do not know how to manage and therefore the first (and sometimes only) choice is to contract out, there is no more room for public policy analysis. In Israel, the Supreme Court ruling led to the specific act of closing the door to prison privatization. At the same time, this ruling led to the more general act of opening a new door for facilitating the discernment of overarching principles that determine whether or not an inherently governmental function is suitable for privatization.. Moreover, even though the Supreme Court decision by definition could not create a general policy for other areas, it established a precedent that the burden of proof for the economic and social worthiness of privatization rests on the shoulders of the state.

The second example of testing the boundaries of the state was a tender in 2011 for an international consultant firm to prepare Israel's socio-economic strategic plan. This example raises fundamental questions regarding policy analysis and policy-making. Vigoda-Gadot and Cohen (2011) describe this tender as the "privatization of policy-making", and ask whether the privatization of the process of developing strategic plans and thus formulating or even determining policy is in fact "one step too far".

In addition to the general influence of business practices on public sector in advanced democracies within the framework of the New Public Management, Hood and Jackson (1991) coined the term "consultocracy" to describe the increased power of external management consultants over democratic governmental systems and decision-making. In other words, there has been an increased reliance on private consulting companies for the purpose of receiving advice – and often guidance as well – on public policy-making and implementation. In the above-mentioned tender Israel's government has joined other countries in embracing this approach.

The use of international consulting firms is not a new phenomenon in the Israeli public sector. For example, in 1988, the Israeli government adopted a "Master Privatization Plan" which was developed by "First Boston Bank", an American investment bank. This plan suggested criteria and techniques for privatizing governmental corporations. In just a few years, this plan served as a basis for the privatization of 25 governmental corporations, including some of the largest and most prominent companies in the Israeli economy (for additional examples of the extensive involvement by international consulting companies see Deloitte and Touche, 2001).

In March 2011 the Prime Minister's Office published a tender for the sum of 3.5 million NIS requesting consulting services for the development of the state of Israel's socio-economic strategy (Ben Simhon-Peleg, 2011). The tender by definition

limited the potential applicants to international consulting companies by establishing the requirement of prior experience consulting to a foreign government or an international state corporation or entity like the European Union. The “Rand Corporation” won this tender, and is expected to develop a two-pronged long-term plan: first, to improve the processes of strategic economic planning with a particular focus on increasing long-term planning capacities; and second, to assess the strengths, weaknesses, threats and opportunities that face the Israeli economy in the 15 years to come (Vigoda-Gadot & Cohen, 2011, 8).

The decision to "privatize" such high-priority domestic tasks can be seen as a move to overcome internal and external criticism of the lack of long-term thinking and strategic development in Israel compared to other advanced democracies. To be sure, there is also external pressure, such as the demands of the OECD to carry out certain reforms in order to meet minimal standards to gain membership into the organization. However, the decision to outsource Israel's socio-economic strategic planning raises a number of questions regarding the long-term development of public policy in Israel, including responsibility for setting the agenda, and the degree of oversight of consultants over the policies they suggest. In fact, critics of the tender have noted that it bypasses the institutional responsibilities of existing governmental bodies to supplement the strategic planning of public institutions such as the National Economic Council with the kind of uncoordinated advice sought in this tender (Vigoda-Gadot & Cohen, 2011). Likewise, the Governor of the Bank of Israel who is legally mandated to serve as an advisor to the government on economic matters was not invited to assist in this plan and has not participated in it (Hazani, 2011). The act of bypassing such central public institutions brings us full circle to the opening overview discussion of public administration in Israel, and the delineation of specific public sector organizations in

Israel in Table 1. As in any organizational bypass action, the implications for the public sector organization include weakened authority, lessened organizational experience, and decreased budgetary and operational capacity. Each case in which these key public sector organizations are bypassed in favor of private actors, this results in the weakening of public sector organizations at the same time that private actors are strengthened.

The cases of privatization efforts reviewed above are by no means unique in the Israeli context. An additional example is the call from the Minister of Improvement of Government Services to a number of consulting firms to propose standards of service in governmental units. Hiring international companies for preparing a strategic plan implies an orientation which will necessarily be international and global (Ben Simhon-Peleg, 2011) and there is no guarantee that the perceptions of the advisers will reflect the needs and socio-economic context of the Israeli society. It can be claimed that even with the use of international consultants on the strategic development of a project this sensitive in nature the government remains ultimately responsible for making decisions. Yet, outsourcing the public discussion of such a central governmental responsibility to private consultants is akin to outsourcing Israeli democracy with an emphasis only on the final product.

This kind of privatization of strategic advice is by no means unique in other countries as well. In response to these kinds of privatization efforts in New Zealand, Jonathan Boston (1994) reviewed a number of key theoretical considerations about the “limits to contracting out” when nations choose to purchase policy advice. Although concerns for efficiency or effectiveness are often invoked as the motivating factors behind the choice to contract out such advice, Boston reviews a range of potential pitfalls that must be considered, including the potential lack of relevant expertise and/or

trust, the risk of opportunistic behavior, and higher “transaction costs” of hiring external experts. Even though this important topic has received relatively little attention by scholars in the field, a recent study of outsourcing strategic policy advice in Estonia (Raudla, 2013) is particularly informative for the Israeli case. In addition to fleshing out how the problems reviewed by Boston (1994) manifested themselves in a single case study, Raudla (2013) identified an additional problem that is highly relevant to Israeli policy analysis: the difficulty of contracting out for strategic advice in small countries, in which the potential market for actual competition is greatly reduced, thereby increasing the likelihood of opportunistic behavior and/or lack of appropriate expertise. The Estonian case highlights another key problem that is highly relevant to the concern of building administrative capacities: contracting out for advice led to a fragmented and inconsistent reform plan that also hindered the public service’s capacity to learn from past iterations of the policy process in order to manage and lead necessary reforms.

In sum, as boundaries between the governmental-public, business-private, and civil society-nonprofit sectors have shifted in recent years, there is greater need to clarify the responsibility for policy-making and implementation in contemporary democracies. Extensive privatization can be beneficial in terms of short-term results, but can also create problems in terms of the long-term capacity of public administration to develop policy analysis writ large. It could hinder the development of internal policy-making mechanisms, and is therefore likely to leave the public sector lacking in terms of the skills, experience, and the capacity to carry out this work on its own. In the examples above the state has evaded its responsibility for core areas of its activity under the pretense of being merely assisted by others or by experts, while retaining the final say for the outcomes. States that do not perform such inherently governmental functions

cannot regulate them well, simply because the public interest is gradually removed from the policy-making equation.

Conclusion

In comparison to the unusually strong state-centered model regarding the responsibility for policy analysis and implementation at the founding of the state, it can be argued that Israel is now more similar to other advanced democracies in the more balanced roles of different sectors. The presumption that policy is set and carried out only by official public authorities is no longer valid, when in practice many organizations in all three sectors carry out complicated policy-related activities. However, Israel still lacks the policy-making capacities that would accompany an effective civil service with a clear division of responsibilities between the political and administrative echelons.

It is not incidental that the review of policy analysis evolution in this chapter paid close attention to recent cases of privatization. In many ways, the shift of governmental responsibility and activity to the private sector – to both business and nongovernmental organizations – is the main way in which policy analysis has evolved in Israel in recent years. Israel is on par with other advanced democracies regarding increased privatization since the mid 1980s. However the Van Leer research project cited above shows that privatization has been a consistent policy, regardless of which party has been in power, even in the absence of any evaluation of the results of this policy. Moreover, the process of privatization in Israel was rapid without complementary steps to strengthen regulatory governance in order to guard the public interest. The resulting “regulatory deficit” is likely to harm the Israeli government’s policy-making capacity to advance the welfare of its citizens (Levi-Faur, Gidron, & Moshel, 2015).

While reforms instituted in most western democracies since the 1990s have emphasized the effective management of public institutions as an integral part of administrative capacity-building (Fukuyama, 2004, 122), attempts at overall reform in public administration have not yet succeeded in Israel (Galnoor, 2011; Galnoor, Rosenbloom, & Yaroni, 1999). We therefore conclude by proposing a number of reforms that would strengthen the capacity of the state in conducting policy analysis and implementation.

Past failures at civil service reform have led to a vicious circle of doubts regarding the feasibility of broad reform: an unstable political system leads to controversial political decisions, causing frequent changes of ministers and directors general, which in turn contribute to lowered standards and diminished public trust in politicians and administrators, alike. With the backdrop of increased privatization, this vicious circle leads to an erosion of administrative capacities.

The first prerequisite for implementing civil service reform would be the creation of an agency within the executive branch that would be granted the authority to launch and sustain reform for a significant period of time – at least ten years. We suggest the establishment of a Public Administration Department headed by a minister with extensive authority over the civil service and public sector reforms. Restructuring the civil service to build administrative and policy-making capacities would entail four key elements:

1. **Legislation:** enacting a “Basic Law: Civil Service” in order to constitutionally anchor the civil service in the executive branch, and to integrate existing laws and fill in gaps where necessary.
2. **Structural changes:** redefining the basic structure and ministerial responsibilities in the executive branch, in government ministries, in

statutory authorities, and in government corporations. The reforms would create autonomous executive agencies, and set clear guidelines for regulation and deregulation.

3. **Deregulation of authority:** decentralizing the current structure by delegating authority from the Finance Ministry divisions to other ministries, and from these ministries to executive agencies and local authorities.
4. **Budgeting:** ending the Budget Division's monopoly over the budgeting process to increase transparency in all stages of the process, foster discussion about the alternative options for socioeconomic policies, ensure the professional contribution of the ministries, and abolish the arrangements law.

Considering the changing role of the Finance Ministry in Israel over time, it comes as no surprise that two of the elements reviewed above (deregulation of authority and budgeting) are directly related to balancing the growing power of the Finance Ministry with other administrative capacities of the state. Delegating authority would arguably reduce wasted resources by producing sounder ministerial planning, and increasing incentives for creative and effective policymaking and public management. Structural reform in the budgeting process as suggested above would reform the processes and tasks related to the budgeting process, as well as the public perception of lack of transparency and democratic accountability in the budgeting process.

A necessary step in carrying out these structural changes to build administrative and policy-making capacities will be to redefine the civil service itself, and transform ministries into professional policy units. Central to the success of this transition would be the creation of a cadre of senior civil servants as a professional corps that would

include the directors general, and the directors of statutory authorities and the echelons below them. The training and development of this kind of an elite corps of public administrators would break the current departmentalization within the civil service and increased general administrative and policy-making capacities. In an era where the sharp distinction between public and private management has come to a close, the collaboration between sectors described by Donahue and Zeckhauser as “collaborative governance” (2011) requires advanced training and ongoing professional development of civil servants throughout the public sector. In the face of increased privatization in Israel in recent years, however, this kind of broad proposal for public sector reform has become a necessity for building the policy capacity of the state.

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