

## Policy Paper

# Policy Units - An Instrument for Navigation

### Executive Summary<sup>1</sup>

1. In response to the Prime Minister's Office (hereinafter PMO) initiative to establish policy units in government ministries, the Reut Institute proposes this document as a conceptual framework for their implementation. The proposal integrates the unique Israeli context with the findings of a comparative study of different policy units in a number of leading countries.
2. Policy units world-wide vary in their structure and functions depending on the challenges faced by each country and the unique policy challenges of the individual ministries.
3. The Reut Institute proposes that policy units serve as a navigation tool for decisions makers. The units' structures and function will need to adjust to serve the ministries' goals and the key decision makers.
4. To satisfy these requirements, policy units should plan and synchronize.
  - Planning – The policy unit is responsible for formulating a strategy to deal with the short, medium, and long-term threats and opportunities facing the ministry.
  - Synchronizing – The policy unit is responsible for synchronizing the work of the public sector actors involved in implementing the ministry's strategy according to their shared mission.

### Introduction

1. The Reut Institute operates according to the ISRAEL 15 vision which aims to place Israel among the world's fifteen leading countries in terms of quality of life of its citizens. The realization of this vision requires a socioeconomic 'leapfrog' which is the result of a top-down process driven by government policies, and the bottom up mobilization of mayors, social entrepreneurs, philanthropists, business people and the world Jewry.<sup>2</sup>
2. Due to the government's role in fulfilling the vision, the Reut Institute researches trends in public administration that can promote Israel's socio-economic development.

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<sup>2</sup> See Reut Concept: [Israel 15 Vision](#).

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3. The Policy Planning Division in the PMO is advancing the creation of policy units in government ministries to improve their planning capabilities.<sup>3</sup>
4. Policy Units belong to a group of capacity building institutions, such as the 'central mind'.<sup>4</sup> Their establishment could contribute to improving the government's carrying capacity<sup>5</sup> and to a socio-economic leapfrog by integrating long-term considerations into the government's work.<sup>6</sup>
5. To identify institutional and functional aspects of Policy Units that Israel could adopt in order to improve the planning capabilities within the ministries, the Reut Institute examined policy units in ministries in Britain, Canada, New Zealand, Australia, Denmark, Sweden, Finland, Holland and South Korea.<sup>7</sup>
6. This document offers conceptual approaches for the design of policy units in Israel in light of the unique challenges of the planning environment in Israel's government and the findings of a comparative study. Examples from the study findings are given in the footnotes and in a summary table.<sup>8</sup>

## Background: The Challenge of Planning in the Public Sector

Any successful implementation of policy units must account for the idiosyncrasies of the Israeli decision making process.

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<sup>3</sup> A policy unit is a ministerial department that supports planning by formulating work plans for various time horizons, researching relevant issues, evaluating the success of existing policy, and suggesting budgetary priorities.

<sup>4</sup> The 'Central Mind' maintains a systematic understanding of the policy environment from the PMO's perspective and leads the discourse between sectors (See Reut concept: [Partnership](#)).

<sup>5</sup> Carrying capacity is the ability to make decisions and implement them (See Reut concept: [Carrying Capacity](#)).

<sup>6</sup> Establishing policy units are a part of the recommendations that included in the report "Israel 2028 – Vision and socio-economic strategy in a global world". The report notes that the aim of the units is to assist decision makers in responding effectively to the challenges they face. For this reason, the units will assemble issues of planning, research, policy analysis, and evaluation in all of the ministries. See ['Israel 2028 – Vision and socio-economic strategy in a global world'](#) (Hebrew only), 2008, p.78.

<sup>7</sup> The comparative study included:

- Analysis of academic literature that relates to policy units in ministries around the world. The information assembled on these issues can be reviewed at the [Reut Institute](#) website.
- A comparison of nine countries and focusing on seven government ministries:
  - a. Leading countries – All of the countries that were examined outperform Israel in the quality of their public sector in the World Economic Forum's Global Competitiveness Index. The index is comprised of three sub-indexes: basic requirements, efficiency accelerators, innovation and sophistication. The study took into account countries that are ranked above Israel within the basic requirement sub-index, which includes variables such as institutional efficiency and the required infrastructure that is needed for economic development. For more information on this issue, see: [Global Competitiveness Index](#), [Case Study: Incorporating the Global Competitiveness Index in Policy Planning](#).
  - b. Civilian ministries – The seven ministries that were chosen deal with civilian issues and are similar in their responsibilities to their Israeli counterparts. The ministries include: the PMOs Office, environment, agriculture, welfare, education, health and transportation.
    - In-depth interviews with ministry representatives from ten policy units within the chosen countries.

<sup>8</sup> See [Summary table of Policy Units](#) (Hebrew Only).

## The Decision Making Process in Ministries

7. **Negative incentives for long term thinking** – The high turnover of ministers that results from short-lived governments promotes short-term thinking.<sup>9</sup>
8. **Budgeting inflexibility: The lack of planning perception** – the governmental system lacks a tradition of planning, methodology and common principles for policy planning.<sup>10</sup>
9. **Institutional blur between execution and planning** – In Israel, as opposed to leading countries,<sup>11</sup> there is no clear structural distinction between planning and implementation. Two consequences are that the Israeli system allocates too many resources to policy execution, and that there is no systematic framework for oversight of such execution.
10. **Management culture that lauds implementation and improvisation** – There is a preference in Israel for implementation at the expense of planning.<sup>12</sup> Policy makers prefer to improvise 'facts on the ground' rather than have an arranged decision making process which includes analysis and a thorough examination of alternatives.
11. **An active and influential civil society** – Israel's civil society is very involved in the execution of policy. Its involvement influences the decision making process in the ministries. This is due to the fact that these organizations formulate alternative agendas, promote legislation and are involved in the national conversation.<sup>13</sup>

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<sup>9</sup> Since its establishment 60 years ago, Israel has had 31 administrations. Only two governments have served the full term of four years. From 1996 the average tenure of a minister has been 16 months. For more information on this issue see [Citizens' Empowerment Center in Israel](#).

<sup>10</sup> "The budgeting process in Israel is unusually centralized, in all of its stages. This can be seen from an analysis of the decision-making process in Israel, especially in regard to the role of every institution in the budgeting process. At the stage of preparing the budget and summarizing the government's position, Israel chose to grant strategic power to the Finance Minister and the PMO, rather than full cooperation with the spending ministers (the Cooperative Model). These decisions contribute greatly to preserving fiscal discipline, but they exact a price. The near exclusion of the spending ministries, in which much knowledge and expertise are concentrated, is likely to impair the desired public priorities and the efficiency of public services."  
See Avi Ben -Bassat, Momi Dahan, The Balance of Power in the Budgeting Process, The Democracy Library, The Israel Democracy Institute, 2006 (P. 29-30, In Hebrew Only).

<sup>11</sup> Most countries that were examined initiated a number of comprehensive reforms in their governmental system. Within these reforms, an effort to separate the functions of execution from the functions of planning, evaluation and coordination was stressed. As a result, execution agencies were established whilst the ministries focus on giving strategic direction and dealing with evaluation and supervision.

For more information, see the reforms in the public sphere in Britain, Sweden and Holland.

Pollit C. & Bouckaet G., **Public Management Reform**, (Oxford University, 2004) pp .270-277 ,285-292 ,292-296.

<sup>12</sup> On this issue, see: Sharkansky, I., and Zalmanovitch, Y., Improvisation in Public Administration and Policy Making in Israel, **Public Administration Review**, Vol. 60, No. 4 (Jul.- Aug., 2000), pp. 321-329.

<sup>13</sup> According to the [Israeli Center for Third-Sector Research](#) at Ben-Gurion University, the third sector has substantial economic weight which amounts to almost one tenth of the economic activity of the Israeli market. The number of its employees is 17.5% of the entire market (as of 2004) and its share of the GDP is constantly growing (the share of the third sector in the gross domestic product has risen from 6.5% in 1995 to 7.2% in 2002).

The importance of the global trend of the politicization of influence groups alongside the diversity of Israeli society has also contributed to the growth of the third sector's scope of activity where most of its resources are geared at supplementing the government's services. See: The Israeli Center for Third-Sector Research, [The Review Committee](#)

## Planning in the Ministries

12. **No accepted framework for planning** – Israel's bureaucracy lacks a tradition, theory, and common principles for policy planning.
13. **Absence of planning divisions in ministries** – In ministries without planning divisions, responsibility is delegated ad hoc. In some offices, the Chief Scientist is responsible while in others, the Director General's personal assistants manage the process. Consequently, planning lacks a systemic view of the ministry's activities and influence.
14. **The existing planning units lack influence**

15. **Budgeting is planning** – In the absence of planning, the annual budget becomes the ministry's work-plan. As a result, the focus is on the size of the budget instead of policy outcomes.

## The Government's Response: Institutionalizing Planning

16. In response to the challenge of planning in Israel, the PMO is in the initial stages of formulating a comprehensive planning framework for all ministries.<sup>14</sup>
17. As a part of this process, the PMO policy unit is establishing policy units within the various ministries. These units are supposed to improve the management of the ministries by developing planning skills.

## Key findings of the cross-country study of policy units

In order to enrich the perception that stands at the base of the governmental response, the Reut Institute conducted a comparative study<sup>15</sup> on policy units in various ministries world wide. The main findings of the study are:

18. There is structural and functional diversity among the units examined:
  - **No one-size-fits-all structure within a given country** – Planning units from different ministries in the same country are not identical.<sup>16</sup> South Korea is the sole exception.<sup>17</sup>

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[of Government Policy Towards the Third Sector in Israel](#), 2003, p. 25. "Data on the Israeli Third Sector", Dr. Hagai Katz, Yael Elon, Avital Schlanger, Raviv Schwartz, Ben Gurion University of the Negev, March 2006.

<sup>14</sup> In December 2007 the PMO published the [Governmental Planning Guide](#) (Hebrew Only) which establishes the long-term planning principles in the ministries. The guide presents an annual activity period which combines status evaluation, planning, budgeting and performance evaluation. Moreover, the PMO has led the process of formulating and publishing annual work plans within the ministries which include outcome and output indicators. For more information about the different initiatives offered by the PMO see the [Director General of the PMO's goals for promoting governmental tasks](#).

<sup>15</sup> See [Summary table of Policy Units](#) (Hebrew Only).

<sup>16</sup> The Reut Institute interviewed directors of Policy Units in three ministries in Britain: Department for Environment, Food & Rural Affairs (DEFRA), the Department for Transport and the Ministry of Health. Each unit has a different role and a different structure. DEFRA focuses on research, the Ministry of Health focuses on real-time decision support and the Department for Transport does not have the structure of a unit but is rather an ad-hoc team which formulates the department's work plan.

<sup>17</sup> The policy unit in South Korea assembles and coordinates plans for different sectors while taking into account the national objective framework. See: [Analysis of National Strategies for Sustainable Development](#).

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- **No one-size-fits-all structure for a given issue** – Among the ministries examined, there is no set structure for policy units in the welfare ministry in different countries.<sup>18</sup>

19. **There is no 'best model'** – There is no universal model for a policy unit.<sup>19</sup> The policy units' different structures are affected by:

- **The national context** – The policy units of the various ministries confront different national challenges. The policy units' tasks and structures are contingent on the environmental, social and economic challenges of each country.<sup>20</sup>
- **The ministry's tasks** – The functions of the policy unit are contingent on the ministry's role. The unit's functions reflect the unique challenges that derive from the ministry's tasks and the environment in which it operates.<sup>21</sup>

Despite this diversity, policy units share some common principles.

20. **The units are directly subordinated to the ministry's management**<sup>22</sup>

21. **The policy units have a weak link to the administrative ministries** – The policy units that were examined are not subordinated directly to the administrative ministries, such as the PMO, the Treasury or the Ministry of Justice. The PMO establishes general guidelines as a source of reference and not as a source of authority.<sup>23</sup>

22. **The policy units do not deal with budgeting** – The policy units conduct a dialogue with the budgeting units, but the responsibility lies elsewhere.<sup>24</sup>

23. **No formal connection to civil society** – Most of the policy units that were examined do not coordinate or supervise civil society organizations.

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<sup>18</sup> Another example: the roles and structures of the Policy Units at the Department for Environment in Britain, Holland and Sweden are different. In Britain and Holland, the units deal with decision support research and its employees are researchers that are not directly subordinate to the ministry. In Sweden, the unit deals with budgeting and the evaluation of the outputs of its executive agencies and has a permanent staff.

<sup>19</sup> The international institutions (e.g. OECD, the World Bank, UN, and the European Union) that deal with developing settings and structures that support decision making in the public sector, do not give focused information on policy units. They only provide information on few functions concerning the policy units, budgeting or policy assessment.

See: **Society at a Glance: OECD Social Indicators**, OECD Publishing, 2006 and **Performance Budgeting OECD Countries**, OECD Publishing, 2007.

<sup>20</sup> For example, New Zealand deals with the challenges of an island country, the Netherlands deals with the danger of floods and Finland deals with an extended winter. The missions of the ministries of agriculture and environment in these countries derive from these unique contexts. The policy units develop accordingly.

<sup>21</sup> E.g. while policy units of transportation ministries deal with long-term planning, agriculture ministries tend to focus on research and short term planning.

<sup>22</sup> E.g. the policy unit of the ministry of education in New Zealand coordinates and supervises among the various executive agencies and reports to the minister. See [Summary table of Policy Units](#) (Hebrew Only).

<sup>23</sup> In the UK the PMO supplies planning methodology and common planning principles but does not obligate the ministries to follow them. In New Zealand the PMO establishes governmental strategic directions and the ministries define their strategic plan according to those directions. See the declaration of intent of the policy units of the ministries of social affairs and agriculture of New Zealand.

<sup>24</sup> The policy unit's representatives that were interviewed were asked about the meaning of budgeting regarding strategic planning. In general, budgeting is not a significant issue in the strategic planning discourse, as it is in Israel.

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24. **The policy units have soft power**<sup>25</sup> – The units' power flows from their relevancy as a source of knowledge and from their abilities derived from planning.<sup>26</sup>

## Policy options regarding the establishment of policy units

The following are policy options that were formulated as an outcome of the examination of a number of policy units in leading countries. The options suggested consider the unique planning challenges in Israel.

### Conceptual Framework

25. **The policy unit serves the mission of the ministry** – Policy units are required to provide a work-plan that is relevant to the ministry's mission. Its structure and functions should match the environment in which the ministry operates and the needs created by its unique area of activity. The comparative study of policy units indicates that leading countries provide their ministries with the flexibility to adjust the structure and functions of their policy units to these unique needs.
26. **The policy unit as the ministry's 'GPS'** – The policy unit identifies the path forward and warns if the ministry has digressed. To do so, the unit plans and synchronizes the ministry's activities.<sup>27</sup>
27. **The unit serves the decision maker** – As opposed to execution units that serve the citizens, the policy unit is an administrative unit whose sole purpose is to enable effective management. It assists the decision maker in determining the ministry's goals and promotes policy to attain them.

### Structure and basic functions

Two basic functions derive from the conceptual framework: planning and synchronizing. These functions complement each other and enable the balance between the ambition to fulfill the ministry's goals and the need to react to the ever-changing reality.

28. **Planning** – Planning in the ministry is the response to the challenges of reality. Its goal is to formulate a strategy to deal with the threats and opportunities that the ministry faces in the short, medium and long term. The policy unit:
- Maps the environment in which the ministry operates to create a coherent picture.
  - Recommends directions of action that can be translated into concrete objectives.
  - Examines the strategic implications of events, including urgent issues, and addresses them in light of the ministry's goals.

29. **Functions derived from planning** – The policy unit carries out a number of functions aimed at supporting planning in the ministry, among them work plans, focused research, evaluation, etc. These planning products serve the planning function alone and are not meant to replace the ministry's research or supervision departments.

<sup>25</sup> Soft Power is the ability to use cultural and ideological means to engender cooperation – an attraction to shared values and the justness and duty of contributing to the achievement of those values.

See: Nye., J., Soft Power, (New York: Public Affair, 2004), pp. 5–15.

<sup>26</sup> The status enjoyed by policy units in the Netherlands is due to the scientific value they contribute to the decision making process.

<sup>27</sup> See details in paragraphs 28-33.

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30. **Synchronizing** - Synchronization is the coordination of the relevant actors around a share goal. It is meant to implement the abstract principles of the planning process into the organization's activities by harnessing the partners to achieve common goals. The policy unit synchronizes within the ministry and between the ministry and other bodies.
31. As part of synchronizing within the ministry, the policy unit:
- Turns planning into a continuous discourse inside the ministry.
  - Initiates focused research regarding the gap between planning and its implementation.
  - Proposes changes in the ministry's conduct to achieve the ministry's goals.
32. As part of Synchronizing between the ministry and other bodies, the policy unit:
- **Does not budget but "speaks the language of the Ministry of Finance"** – The policy unit doesn't have to deal with technical aspects of budgeting but it is required to be acquainted with the principles of budgeting in Israel and to be able to conduct a dialogue with the Budget Department in the Ministry of Finance.<sup>28</sup> Therefore, the policy unit must acquire knowledge and skills in budgeting without diverting itself from its focus.
  - **Guided but not subordinated to the PMO** – The policy unit is a tool for each ministry's management and is aimed at serving the ministry's mission. Nevertheless, because the unit is in charge of planning the ministry's policy it must receive a planning framework from the PMO.
  - **Maintains a reciprocal connection with non-governmental bodies** – The policy unit maintains connections with NGOs and the business sector that can help achieve the ministry's goals. The importance of NGOs requires knowledge and skills aimed at incorporating them in the ministry's activities.<sup>29</sup>

33. **Functions derived from Synchronizing** – The policy unit deals with organizational aspects of turning planning into reality. To do so, the unit is required to recruit other units in the ministry, other ministries and NGOs to achieve the ministry's goals. Likewise, the unit coordinates the ministry's activities with the Ministry of Finance and the PMO.

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<sup>28</sup> The policy unit is not supposed to be involved with the technical aspects of budgeting or to become a budgeting unit of the ministry.

<sup>29</sup> As a result of the above the Ministry has to develop the ability to supervise and inspect in order to fulfill the new policy regarding NGO's and business sector. This new policy was approved by the Israeli government in February 2008. According to it, the NGO's and the business sector are the government's partners in action enabling the government to focus on directing, coordinating, supervising and reducing its direct involvement. See (In Hebrew) The Government of Israel, [The Civil Society and Business Community, Partnership](#), Empowerment and Transparency, February 2008.