

Opening the Budget to Citizens in Israel

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Demystifying Israel's State Budget

In 1985 Israel's economy underwent a fundamental reform, following a decade of unrestrained inflation. In order to curb government spending, the Ministry of Finance introduced an extremely centralized budgeting regime and took almost full control over the allocation and management of the ministerial budgets. The economy soon stabilized, but this practice remained and became deeply ingrained into the organizational culture of the government.¹

The Ministry thus gained a monopoly not only over the formulation of the state budget but also over budgeting knowledge. The subject of the budget evolved to be considered the exclusive professional domain of the Ministry's economists. It was rarely subjected to more than a superficial discussion or scrutiny of the Knesset, Israel's parliament, or the broader public, who in turn had little understanding of or interest in the topic. The absence of easily accessible budget data further hindered the ability of the parliament and the public to monitor these processes. Civil society, academics, politicians, and judges have been criticizing for decades this disproportionate amount of control over the planning and management of the state budget concentrated in the hands of the Ministry of Finance.²

Civic-minded hackers were instrumental in providing a solution. After a lethal fire devastated the precious Carmel Forest in December 2010, an intense public debate followed about the underfunding of firefighting units. Adam Kariv, a techie activist who would later go on to found the Public Knowledge Workshop (PKW),³ went on to fact-check public accusations made in the media. In the course of obtaining details of the state budget, he discovered files in different formats scattered across the web, virtually incomprehensible to most. He developed an Open Budget web app. In 2011, when the project was brought to the attention of Michael Eitan, the Minister of Improvement of Government Services at the time, and an ardent open government advocate he readily embraced it.

As the next step on the campaign for budget transparency, Eitan set out on a crusade to get the Ministry of Finance to publish fully detailed Excel files of the budget and its execution.⁴ The Ministry responded that there was no point in releasing the data since the public did not have the capacity to understand it, and it would be too much work to explain. Eitan leveraged his position and solicited the intervention of the Minister of Finance, Yuval Steinitz. Eventually, with more help from Udi Nissan, the head of the Ministry's Budget Department (BD), the coveted files of the upcoming 2011-2012 budget, along with historical budgets going back to 1992, were released.

This was indeed a game changer. Up until then, even the members of the Knesset were used to receiving the budget in hard copy in cardboard boxes containing thousands of pages.⁵ In only a few months, Kariv, working pro bono, built an amateur website that could showcase the data – a task that the government had estimated would cost several hundreds of thousands of shekels and take years of work. In addition, Eitan assigned the new website a gov.il domain, marking it as the first technological government-civil society collaboration of its kind in Israel.⁶

Broadly speaking, the Open Budget project was intended to provide the broader public with access to the state

1 Ben Bassat Avi and Momi Dahan. 2006 . "The Balance of Power in the Budgeting Process"

- 2 Ben Meir Yehuda. 19.04.2013. "Finance Boys disconnected". Haaretz. haaretz.co.il/opinions/.premium-1.1997366 ; Civil Society Organizations 10.5.2006. "Proposal of civil society organizations for a reform in the budgeting process, a promotion of social objectives and adoption of the fundamentals of transparency and accessibility of the government". 3 The Public Knowledge Workshop (ירוביצ עדיל אנדסה) - promotes open data and transparency by developing technological tools that present and analyze government data. hasadna.org.il/en
- 4 Yaron Oded. 15.03.2011. "The state budget available online and in open source. Haaretz. haaretz.co.il/captain/net/1.1167378
 5 Lukatch Ilan. 28.06.13. "The app that will decipher for us the state budget". Channel 2 News. mako.co.il/news-channel2/Friday-Newscast/Article-3baa722d55c8f31004.htm youtube.com/watch?v=RPo9z47mPCM [with subtitles in English]
 6 Zer-Aviv Mushon. 8.1.2015. "Follow the Money: Mushon Zer-Aviv: The Keys to the Israeli Budget". Transparency and Accountability Initiative. tech.transparency-initiative.org/follow-the-money-mushon-zer-aviv-the-keys-to-the-israeli-budget

budget, allow the budget to be monitored, to democratize and demystify it, see where public money is funneled, understand how it is distributed, accentuate the political over the professional component in budgetary planning, and increase civic participation around budget monitoring. It was intended to serve as a work tool for NGOs, activists, journalists, researchers, parliamentarians, and government officials.

Increasing Budget Transparency

Israel joined the Open Government Partnership in April 2012. In its first National Action Plan (NAP) for 2012-2013,⁷ the Ministry of Finance committed to "continue to make the state budget data accessible" by publishing it in Excel files in order to sustain the Open Budget website created by the Public Knowledge Workshop.

In Israel, OGP served as a platform for leaders who were already engaged in open government. Joining developed countries and being part of an international initiative served as one in a series of arguments for transparency. It helped Eitan push for a government resolution to join OGP, which then helped convince Finance Ministry officials to publish the budget files. In addition, conferences were reported to be helpful for knowledge exchange, inspiration, and an international network of support.

In 2012, after solemnly committing to budget-data accessibility in the NAP, the BD published retroactive data on past budgetary transfers (budget changes during the fiscal year). In 2013, for the first time the BD proactively published the budget proposal, as opposed to releasing data exclusively in response to Freedom of Information (FOI) requests.

After OGP's Independent Reporting Mechanism (IRM) published its assessment of Israel's progress in the NAP in 2014,⁸ the upcoming budgetary transfers began to be published ahead of the corresponding sessions of the Knesset's Finance Committee. In 2015, deals with budgetary implications made by parties following national elections, when forming the governing coalition were published.

The IRM report pointed out that the government only puts the data out in the open, while the task of its clarification and dissemination is left to civil society organizations. Interviews with Finance officials showed that they are seriously preoccupied with the question of publishing raw versus interpreted data.

In August 2015, in addition to Excel files of the budget uploaded to data.gov.il, the Ministry of Finance released Fiscally Digitally⁹ – its own web app for budget analysis. Two types of information are available on this site:

• Detailed annual budget, including the baseline budget, the final budget with all the changes applied during the year and budget execution. In addition, there is an economic classification of budgetary items (payroll, procurement, investment, etc.)

• The Numerator - a tool that shows a summary of the government's future budgetary commitments originating from legislation, government resolutions, court rulings, and population growth. It also includes future revenue forecasts and comparison of projected income and expenditure streams with fiscal limitations (spending and deficit limits)



EXTRACT FROM FISCALLY DIGITALLY

7 http://www.opengovpartnership.org/country/israel/action-plan

8 http://www.opengovpartnership.org/country/israel/irm

9 https://public.tableau.com/profile/mof.budget - !/vizhome/_3582/sheet4

No effort has been made however to increase transparency of the budget planning process. The planning, carried out by government offices, is not documented and not presented for public discussion. The budget is submitted to the scrutiny of the Knesset shortly before the vote, leaving the members barely any time to process it.

New Light on Budgetary Transfers and Procurement

For Kariv and his friends in the PKW, like most ordinary citizens, the state budget was the law approved by the Knesset annually (or biannually) and extensively covered by the media. They did not suspect that as much as 10% to 13% of the budget was reallocated during the budget year at the weekly hearings of the Finance Committee,¹⁰ often without any media coverage.

Even though every reassignment of funds required the committee's approval, it was only an appearance of parliamentary oversight. The members of the committee received the agenda for the upcoming hearing sometimes at the beginning of the hearing itself. It contained no clarifications of the articles subject for change, rationale for the transfer or history of previous transfers. Discussion or objection was rare.¹¹ Although membership in the committee was prestigious, attendance rates were low, especially in early mornings when the chair could unanimously pass whatever suited him that day, all while his colleagues were still stuck in traffic – sometimes billions of shekels were moved around in this way.¹²

When Yuval Admon, PKW's chief executive from 2012 to 2014, learned from Eitan how the state budget was really decided, he set out to convince the BD to publish data of past budgetary transfers. On first request the BD responded that the data was unavailable in Excel format. Admon knew it could be found in print, filed away in the Knesset archive. A small squad of volunteers went to the archive, scanned and uploaded some 2,000 pages of budget data.¹³ The PKW then addressed its supporters on Facebook, asking them to join the effort and type in as many of the scanned pages as they could. Within days the BD released all the data in Excel format.



Now that the data was out, there was still a lot to be done to make it comprehensible for the broader public.

In the political arena the prospects however were not so rosy. Eitan had been the leading visionary and executor behind Israel's adoption and implementation of Open Government policies. He was responsible for

12 Singer Roni. 16.06.14. "Again Slomianski is alone: approved regulations for transferring 20 billion shekels between pension funds". Calcalist. calcalist.co.il/local/articles/0,7340,L-3633703,00.html

13 Admon Yuval. 14.3.2012. Opening the Finance Committee - stories from the Knesset Archive. bit.ly/29GnDJz

¹⁰ Schwartz Eliezer. 24.7.2013. Descriptions and analysis of the changes in the state budget. The Knesset Research Center. knesset.gov.il/mmm/data/pdf/m03253.pdf

Zerahiya Zvi. 08.02.2015. "Playing with public funds: here is how 55 billion shekels leaked from Finance Committee pipeline". TheMarker. themarker.com/news/1.2559460

¹¹ Liel Daphna. 11.01.16. "This is how millions are transferred without the Members of Knesset lifting their heads". Channel2 News. mako.co.il/news-military/politics-q1_2016/Article-7443571a3123251004.htm

mobilizing Prime Minister Netanyahu to join the OGP and for charting Israel's first OGP work plan.¹⁴ Later he worked hard to bring the commitments to life. In 2013 he was not re-elected and his Ministry ceased to exist. His departure left a political void in the open government movement. For the Open Budget team it meant losing their person in the government. Everything became more difficult and there was no one to ask for help. Eventually the Open Budget website was removed from the official gov.il domain, because the Ministry of Finance did not want to be accountable for third-party software.

Admon and his friends eventually found a new champion in MK Stav Shaffir, elected to the Knesset in 2013. Shaffir was a former leader of Israel's powerful protest movement of 2011, which shifted public discourse from the conflict with Palestine to fairness of public resource allocation and accountability in government spending. Now, a fresh member of the Finance Committee, she used her mandate in order to embrace budget transparency as her main agenda.¹⁵

She started off by posting online scanned printouts of the upcoming budgetary transfers (unlike Admon who focused on the past data) and called for volunteers to skim through the pages and look for irregularities.¹⁶ She then demanded the BD to publish the pending transfers in advance, so that the committee members would be able to review the figures and have the option to discuss and object them. When the BD refused, Shaffir brought a case to the Supreme Court, claiming that the Ministry of Finance was using the committee to reallocate budgets undemocratically, bypassing the Knesset.

As of August 2016, the case was ongoing, but it has already created enough pressure to push the Ministry to issue a new transparency procedure.¹⁷ According to the procedure, a list of upcoming transfers with detailed clarifications is to be made public at least five days before the committee.¹⁸ While the BD has started better annotating the budgetary-transfer data, they are yet to be fully compliant with all procedures.

Also in 2013, Shaffir reached out to the Open Budget team in the PKW, asking it to design an effective tool that would put transfers in context, using the already available historic data. Soon afterwards, she was equipped with the BudgetKey, a new version of the Open Budget app that could visualize, search, analyze and share the transfers. Now she was able, for the very first time, to start making sense of the committee's votes as they were happening and to have an informed argument with the BD.

BudgetKey has become an essential tool for reporters, researchers, and civic actors who wished to delve into the budget. However, disseminating it is a slow, ongoing process. The PKW regularly organizes BudgetKey hands-on workshops for journalists, NGOs, and government agencies. Shaffir proved to be a rare early adopter, while her fellow committee members and many other members of the Knesset continue to neglect the potential of the new technology.

Social Guard, an NGO that dispatches volunteer observers to witness and report on Knesset committee hearings, is another important contributor to this campaign. Its regular reports have helped shape the public discourse surrounding the issue of budgetary transfers and their influence on the national priorities. Their indepth analyses serve parliamentarians, reporters, and civic actors alike.¹⁹

In May 2013, two years into the OGP commitment, the FOIM submitted a cross-ministerial FOI request for the receipts on all expenses of all offices for the previous two years. FOIM's request came at a very convenient time for the Freedom of Information Governmental Unit. Rivki Dvash, its newly appointed director, and a long-time transparency evangelist, chose expenditure as the subject of FOIGU's first proactive publication. She found the Accountant General department to be her natural partner, since monitoring government expenses was at its core and expenditure transparency was already part of the department's working plan for several years.

The elaboration of a protocol for data publication ensured that it was released in a standardized, machine-readable format and that it was precise – to avoid fields in the report being filled in with "other" or "miscellaneous."

14 Cabir Omer. 14.09.11. "Obama invited Israel to join the global Open Government Partnership". Calcalist. calcalist.co.il/internet/ articles/0,7340,L-3531594,00.html

16 Shaffir Stav. 3.10.2013. Labor Party Facebook page. facebook.com/havoda/posts/730621853618676

¹⁵ Darom Naomi. 21.08.2014. "When Stav Shaffir is done with her job in the Finance Committee, we all will know how our taxes are used". haaretz.co.il/magazine/.premium-1.2412086

¹⁷ Zerahiya Zvi. 06.06.2016. The Finance Committee to the Supreme Court: the Ministry of Finance does not fulfill the procedure for budgetary transfers". TheMarker. themarker.com/news/1.2966681

¹⁸ Gorali Moshe. 18.06.14. "The Supreme Court sent the Ministry of Finance and the Knesset to formulate within 90 days of a procedure for budgetary transfers". Calcalist. calcalist.co.il/local/articles/0,7340,L-3633889,00.html

¹⁹ Yanai Hovav. 4.6.2014. "The mechanism that transfers billions to improve the mood in the coalition". The Social Guard website. hamishmar.org.il/rakaz050614 ; Matan Nitza. 30.12.2013. "Budgetary Transfers Summary 2013: Why we are worried that we do not understand anything". The Social Guard website. hamishmar.org.il/haavarot2013

In fact, publishing government-expenditure data was the only point of the IRM's 2014 recommendations included in Israel's second NAP, for 2015-2017. It was mentioned as part of the commitment to Increase Transparency of Contracts Between the State and Private Bodies, assumed by the Freedom of Information Governmental Unit (FOIGU) in the Ministry of Justice. As per the commitment, FOIGU was to supervise the implementation of Government Resolution 1116 from June 2014, obligating government offices to publish contracts concerning the use of public resources or the provision of public services.

In addition, FOIGU took upon itself to continue working with the Ministry of Finance's Accountant General (AG) to improve the quality of government-expenditure information that is made accessible to the public. Consequently, in December 2015 FOIGU, together with the AG, issued a procedure for quarterly publication of procurement reports, containing precise instructions on how to use the software to accurately fill in every field and how to classify sensitive information.²⁰ This was an important step towards transparency of expenditures. When the procedure came into effect in 2016, quarterly reporting on procurement spending became mandatory for all government offices and agencies, with the Knesset Transparency Committee overseeing the implementation of the process.

With these changes, finally data on the entire volume of procurement, and not just portions exempt from tender, became publicly available. In addition, the new data included the actual sum being paid to a contractor on a quarterly basis, reflecting projects delays, cancellations and cost overruns. Having said that, the data currently published in the reports is only expenditure data and still does not include details of the contract awardees or the terms of the contracts at the time of bidding.

Changes in Policies and Practices

There is no doubt that opening the Israeli State budget is slowly helping shape public discourse on the issues of budgetary allocations and transfers and their responsiveness to national priorities. Going back to 2010, responding to the national outrage on the underfunding of the firefighters that followed the Mount Carmel fire, the government added an aerial unit to Israel's firefighting and rescue services which has since also been transformed from a municipal structure into a national force.

On the budgetary process front, in the time since Shaffir brought the budgetary transfers into the limelight, a number of noteworthy changes have been taking place. Social Guard observers, as well as the Ministry of Finance officials working with the Knesset Finance Committee and Shaffir herself, reported higher attendance of the hearings, more lively discussions, more engagement, and better understanding of the budget on the part of the Knesset, along with higher level of interest on the part of reporters.

The Ministry of Finance, sensitive to the change of attitudes and public pressure, has been continuously making an effort to add more elaborate annotations to all parts of the budget, including budgetary transfers. In 2015 it issued a new procedure, according to which the Ministry will have to provide background information for each budgetary transfer submitted to the committee for a vote. Subsequently the committee members have been able to address questions to the BD representative and receive answers before the hearing.²¹ Eventually the BD started reducing the number of transfers altogether, gradually starting to repair the budgeting process towards giving more control to the hands of the elected politicians.

The Ministry of Finance has been keen to improve its communication with the public. For the recent 2015-2016 budget, it released a series of short videos explaining its different aspects.²² Most parts of the budget are regularly uploaded in machine-readable format on the data.gov.il portal²³ or the Ministry's homepage.

Lastly, a Special Committee for the Transparency and Accessibility of Government Information in the Knesset was inaugurated on July 2015, with Shaffir as its chair. As of July 2016 the committee has held nine sessions on budget transparency, addressing issues such as the security budget, procurement, and political pre-election agreements. It works closely with transparency NGOs and demands accountability from the government.

20 Ministry of Justice. 15.12.2015. "A new procedure will obligate government agencies to publish a quarterly procurement expenditure report". justice.gov.il/Publications/Articles/Pages/NewProcedurePostQuarterlyBasisHtksroiotihnDec15.aspx 21 Millman Omri & Roni Singer. 11.02.15. "A new procedure for the budgetary transfers in the Finance Committee: MKs will know in advance." Calcalist. calcalist.co.il/local/articles/0,7340,L-3652198,00.html

22 https://www.youtube.com/watch?v=uzHkwNnovG4&list=PLRQa5Txn6pQMTegowO5-qEcJjflb1zVgW 23 http://bit.ly/2emVxYf

Civic Tech and Data Use

The PKW was strongly affected by the global movement of Civic Tech, Open Data, and Open Source, specifically the work done by Open Knowledge and My Society in the UK, and by Sunlight Foundation and Code for America in the United States.²⁴

Another, more immediate inspiration was an interactive infographic published by the New York Times that dissected President Obama's 2013 budget.²⁵ It served as the basis for a new interface of Open Budget – the second version, called the Budget Opener, which was launched as a collaborative project with Calcalist finance magazine.²⁶ In a series of 10 articles, Shaul Amsterdamski, Israel's pioneer data journalist, revealed "the secrets of the budget," illustrated by visualizations from the Budget Opener.

Several training workshops on how to read budget data have been conducted by PKW for members of the Knesset, NGOs, journalists, government officials, and school students. Every other week, one of the leading economic magazines (TheMarker or Calcalist) publishes an article based on government procurement data. There is an ongoing joint project to produce teaching material about open government, including budget transparency and the use of BudgetKey, carried out by the PKW, the Social Guard and the Center for Educational Technology (responsible for a great part of school textbooks and teaching materials in Israel).

Another budget-analyzing app, focusing on budget execution, was developed by the Citizens' Empowerment Center²⁷ and released in June 2016. In the same month, the Open Budget team came out with the Expenditure Report Index,²⁸ which ranks government offices according to their compliance with the new procedure of expenditure reporting. A similar index is maintained by FOIGU.²⁹

There has also been a notable increase in media coverage of budgetary issues. The Finance Committee drew great attention as a boxing ring for Shaffir and Nissan Slomianski, the committee's chair, quarreling over budgetary transfers. The PKW has generated a lot of media interest around tender-exempt procurement. A recent scandal around the secret costs of a farewell party for the outgoing chief of staff of the Israel Defense Forces, and the continuous preoccupation with the expenses of the prime minister's residence, have all helped to elevate the interest in the budget.

Sustainability Concerns

There are still some portions of the budget that need to be opened, mainly the data generated by the AG, such as grants, procurement contracts and more; the budgets of local authorities and the security budget which remains a black hole despite growing public demands for transparency. But, in the words of Eitan: "Transparency is a tidal wave, it's an international phenomena. You wait and see, it's irresistible."

The civil society actors however express concern over government fickleness: "They can just stop publishing the files whenever they had enough, at a whim of some officer who received a complaint, or a new head of department for whom transparency isn't their thing," notes Kariv. For example, political leadership on OGP by Eitan at the time did not translate into awareness or buy-in amongst the bureaucracy, and when it did the effects were short lived. The Ministry of Finance officials interviewed for this case study in 2016 for example had not heard about Israel's membership to OGP or the specific commitment on budget transparency.

The limited resources of civil society organizations, especially those whose work is almost entirely based on volunteers, such as the PKW, is another serious challenge to the sustainability of Open Data projects. Volunteers cannot be expected to work long hours or be fully committed to delivery schedules. Turnover is high, and someone's newly born child or a new job can grind a whole project to a halt.

The implementation of transparency relies to a great extent on technology. Eventually the publication of procurement reports was made possible through the definition of a designated form in the governmental procurement software system. The few offices that were still connected to an older system could not comply with the standard reporting form. Often transparency processes can be stalled not because of a principled

28 http://spendex.obudget.org

²⁴ Shwartz Altshuler Tehilla. 2012. "Open Government Policy in Israel in the Digital Age". The Israel Democracy Institute. bit. ly/10WzkZ8

²⁵ Carter Shan. 12.2.2012. "Four Ways to Slice Obama's 2013 Budget Proposal". The New York Times. nytimes.com/ interactive/2012/02/13/us/politics/2013-budget-proposal-graphic.html

²⁶ Amsterdamski Shaul. 17.06.13. "Slicing the cake". Calcalist. calcalist.co.il/local/home/0,7340,L-4583,00.html 27 http://budget.ceci.org.il

²⁹ http://bit.ly/foigu-nohal-index

objection, but rather due to a lack of an efficient and clear procedure, and of a software system integrated into regular workflow.

Similarly, the Ministry of Finance's Fiscally Digitally app could come to life only because a free and easy-touse data-visualization platform, called Tableau Public, became available. Otherwise, Finance officials admit, it would have taken years to allocate the budget and to build such a tool.

Still another technological challenges are posed by the impact of outsourcing software-development and the governmental bidding system. Government bidding prioritizes large corporations, with long-term contracts, who are not always innovative in their approach or particularly good at designing attractive and user-friendly interfaces. This results in clumsy websites that citizens find difficult to use. The AG's query-based interface for government grants is one example, and the website for bidding exemptions is another of how far they still have to go.

The many unnecessary complexities of the budget are yet another issue. In the many years of Ministry of Finance's unimpeded control, the budget was managed with little concern for accountability external to the Ministry. When transparency came about, the learning curve for the inner workings of the budget was too steep for uninitiated, ordinary citizens, as well as for journalists, NGOs, and often the members of the Knesset themselves. Most still do not know how to read the budget, and it is as hard as ever to keep the issue's profile high.

The gap in budgeting knowledge is directly related to the scant public interest in all of its bureaucratic technicalities. This demands a skillful reduction of this complex subject to a clear and effective message to be conveyed in the press, for the sake of readers and reporters alike.

Finally, transparency is largely a matter of the personal conviction of officials. The more they believe that the government data must be available, the more data will be published. FOIGU plays an important role in providing transparency workshops for FOI officers. Little by little, better understanding has been seen in government offices of the FOI Law and of the importance of proper collection, management, and publication of data.

Bold and lasting political leadership is probably the most important prerequisite for sustaining the reforms and continuing to advance open government objectives.

Open Government Partnership

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