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The Role of the Knesset in the Budget-Making Process: A Critical Analysis and Proposal for Reform

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Introduction

Enhancing the Power of the Knesset In the Budget-Making Process

This document sets forth a proposal for changing the role of the Knesset in the process of preparing and ratifying the state budget. The crux of the reform is to enhance the power of the Knesset as the body that represents the sovereign authority - the people.

Like other democracies, the Israeli system of government is structured on a separation of the three branches of government - the legislative, the executive, and the judicial. The purpose of this separation is to prevent the possibility of autocratic rule. To be effective, this separation must entail some degree of parity among the three branches.

In Israel, however, there is a worrisome imbalance among the branches, with the legislative branch significantly weaker relative to the other two. The executive branch is especially powerful. Even the judicial branch has emerged of late as an authority that does not confine itself to adjudication based on Knesset legislation, but has begun to subject laws to judicial review according to the Basic Laws, the Israeli version of a constitution in-the-making.

The relative weakness of the Knesset is detrimental to Israeli democracy, as the Knesset is the body that represents the people in all its diversity. The Knesset is intended to reflect the will and desire of the diverse segments of society. A weak Knesset means that the will and desire of the people may not be duly and fully expressed in the Israeli governmental system.

Reform of the role of the Knesset in the budget-making process affects the very roots of Israeli parliamentary democracy. The national budget is the single most important governing tool. The citizens of Israel contribute to the state treasury on the assumption that the political leaders whom they elect will take part in the decision making process affecting the use of state funds, taking into account both the broad interests of the state and the narrower interests of the individuals and groups that comprise Israeli society. This is not how things work right now, however: The state budget is prepared from beginning to end by one department of the executive branch - the Budget Division of the Finance Ministry - and the Knesset is left to ratify it virtually as submitted.

This paper seeks to enhance the role of the Knesset so that it will no longer serve as a rubber stamp for the key decisions that shape Israeli society and economy. We want to take the budget out of the "black box" where it is concealed from the public and the Knesset members. We believe that Israeli democracy would benefit significantly from this reform: if implemented, the budget-making process would cease to be a monopoly of the civil service and would become more democratic.

The reform proposed here is consistent with reform initiatives recently proposed by Speaker of the Knesset Avraham Burg and Minister Haim Ramon, and also with the proposals of teams of experts that have been submitted in recent years to the Knesset and the government.

The proposal is based on a democratic orientation which asserts that every democratic government should work for the good of all citizens of the state. Lifting the veil on what transpires in the private chambers of the Finance Ministry, increasing the transparency of the budget-making process, while carefully scrutinizing the method of allocating public resources and its efficiency, are all stages in the process of creating a society based on the principles of justice and equality.

The Adva Center has engaged in an analysis of state budget allocations since the mid-1990s. During this ongoing work, we realized, first, how little influence the Knesset has in shaping the national priorities, as reflected in the state budget; and, second, how difficult it is for the average citizen to understand the state budget and its implications from just reading the budget books. Year after year, members of the Knesset ratify the budget without really being able to reflect upon what it means, much less to critique it knowledgeably.

This proposal is based on a previous Adva Center paper: "The Budget Decision-Making Process in Israel: An Analysis and Proposal for Reform", written by Dr. Shlomo Swirski in cooperation with Isaac Shapiro, Stephen Falk and Sam Elkin of the Center on Budget and Policy Priorities in Washington, and presented to the "Second International Budget Project Conference" held in Cape Town, South Africa in February 1999.

In writing this expanded version, recent positive developments toward reform were taken into consideration, including research by Professor David Nachmias of the Israel Democracy Institute, as well as the initiative of Knesset Speaker Avraham Burg to reform the work of the Knesset.

The Excessive Power of the Executive Branch:

The Dominant Role of the Budget Division

In Israel, the primary characteristic of the budget-making process is its over-centralization within one body of the executive branch - the Budget Division of the Finance Ministry. This division has the sole responsibility for setting the main macroeconomic parameters as well as the total level of expenditure. It prepares not just the overall national budget, but also the budgets of each and every government ministry and agency. It also has sole possession of critical information about various aspects of fiscal policy.

The unique strategic role of the Finance Ministry - particularly the Budget Division - is rooted in historical circumstance. First, during the initial four decades of Israel's history, it was the state that initiated and implemented economic development, with the Finance Ministry - partits Budget Division - the main implementing arm of the state. Second, the Finance Ministry regulated the large flow of foreign aid into Israel over the years, and controlled its allocation. Third, during various periods, the persons who served as Finance ministers were senior politicians, some of whom later became prime ministers, such as Levi Eshkol and Shimon Peres.

The Budget Division not only shapes the budget: in effect, it sets the major contours of Israel's economic policy. This is unlike the custom in many countries, where there is a clear division between an economic advisory boa, such as the U.S. Presidential Council of Economic Advisors, and the body that translates economic recommendations into detailed fiscal policy. In this sense, the Budget Division serves as a kind of default decision-maker, setting the social and economic targets of the government of Israel.

The central role of the Budget Division translates into high status for its personnel. Its officials have always enjoyed easy access to the prime ministers, either directly or through the Finance Minister. They enjoy professional status and prestige, which pave the way for them to future positions of influence, as executives in the corporate or banking worlds, for example.

The Budget Division benefits from its public image as a professional, objective, and impartial unit. This ensures it immunity from transparency and public scrutiny, regarding not only the information in its hands, but also the fundamental assumptions on which its recommendations are based.

In recent years, there has been increasing criticism of the Budget Division's virtual monopoly. It was not the professionalism of Division officials that has been called into question, nor was it claimed that partisan or irrelevant considerations led them to advocate specific economic policies. The criticism focused primarily on the strategic role of the Budget Division in social and economic policy-making. In recent years, criticism has also been voiced of the Division's consistent support, on the one hand, for downsizing the budget, and on the other, for a reduction in individual and corporate taxes.

The Budget Division has come under fire from several directions. One is the Knesset, predominantly Knesset members who seek to change the social-economic priorities of the government. But criticism has been leveled from outside the legislature as well. In fact, the most trenchant criticism was sounded by some members of the executive branch (see the Ramon Committee Recommendations in Appendix C).

In recent years, the academic community has joined the chorus critical of the role of the Finance Ministry's Budget Division. In the introduction to their paper on the role of economics and politics in the state budget, David Deri and Emanuel Sharon warn that "Preparing the state budget is not a job for amateurs, but setting national goals is not a job for clerks."

Deri and Sharon do not mince words in criticizing the dominance of the Budget Division in preparing the budget framework and allocations, noting that it undermines the delicate balance in a democratic society between the elected political echelon and the civil service (Deri and Sharon, 1994, p. 32).

Another critic, Amnon Neubach describes the over-zealousness of the Budget Division in its effort to reduce the budget deficit in the 1980s, a policy that led to a recession in the economy. Later, he notes, the Budget Division failed to grasp the economic and social impact of the large wave of immigrants from the former Soviet Union (in Deri and Sharon, 1994, p. 22).

Nachmias, Caramazin and Yironi, in their essay about structural reform in the Israeli public sector, also criticize the centralistic management style of the government ministries, noting that under these circumstances, "The fundamental values of administration in a democratic system - responsibility, authority, and accountability - lose their meaning (Nachmias et al., 1997, p. 11).

Nachmias and his team explicitly recommend limiting the involvement of the Budget Division in the process of preparing the various ministries' budgets. They also counsel that a budget framework should be based on orderly work plans, the outputs of the ministries, and government policies and targets (Nachmias et al., *Toward a Structural Reform*, 1997, p. 23).

Lack of transparency: The source of the Budget Division's power

The unique position of the Finance Ministry's Budget Division derives, first and foremost, from the lack of transparency of the budget document. This absence of transparency is the main obstacle to intelligent intervention by both the legislative branch and civil society in preparing and approving the state budget.

The State Comptroller commented years ago about the importance of transparency (from Annual Report No. 11, as quoted in Rubinstein and Medina, 1996, p. 662):

> The budget, which is a comprehensive work plan that the Cabinet submits to the Knesset for approval, has many aims: The budget sets the goals for the activity of the executive authority - the Cabinet; it serves as a framework and basis for administrative activity and a guide and direction for its work. The success of this activity depends in no small measure on the budget being inclusive and complete, prepared in a timely manner, and laying out clearly the route to be taken by the governmental administration. *The budget therefore ought to reflect the goals that the government will seek to attain using public funds, and the sources from which the state will fund activity to meet these goals*" [emphasis added].

Retired Chief Justice of the Supreme Court, Meir Shamgar, recently wrote:

> Knowledge of what is happening allows citizens to take a stand and voice an opinion. It paves the way for effective and ongoing inspection of the methods used by the government, and makes it possible to assess their nature, appropriateness, and legality. When government activity is transparent, it opens itself to public scrutiny, comprehension, and the opportunity to express opinions. Governmental transparency and openness, expressed in the obligation to disclose information and statistical data, are among the hallmarks of the democratic system, with its checks and balances, and an opportunity for citizens to become genuine participants in the democratic process [*Ha'aretz*, Literary Supplement, June 21, 2000, p.1].

The budget document becomes public in two stages: first at the end of October, when the budget bill is presented to the Knesset, and then at the beginning of the fiscal year, after ratification by the Knesset.

The budget bill submitted in October to the Knesset fills approximately twenty separate volumes. It is on the basis of hese volumes that members of the Knesset are expected to make their decisions.

In the first of these volumes, the Budget Summary, the Budget Division presents the primary macroeconomic parameters and policy targets, as well as data about the proposed total budget and the budget for each government ministry and the main government agencies. Each of the remaining volumes received by Knesset members is devoted to a particular ministry or agency. Each describes briefly the main divisions in each ministry.

At the beginning of the fiscal year, following ratification of the Budget Law by the Knesset, the Budget Division publishes a more detailed budget for every ministry, down to the level of subdivisions. These are the budgets that shape the ongoing activity of the ministries. Knesset members, however, have no access to these books during the deliberations about the budget.

Neither of the two sets of books enables the reader to relate targets to expenditures and results. It is practically impossible to examine the rationale behind the budget appropriations. This posits a severe limit on the ability of the Knesset and the Cabinet to deliberate the budget in depth, and clearly prevents NGOs or ordinary citizens from participating in the democratic process.

The High Court of Justice, in its ruling on a petition from Adalah: The Legal Center for Arab Minority Rights in Israel concerning the allocation ofunding from the Ministry of Religion, criticized the presentation of the Ministry budget. Justice Zamir's verdict is self-explanatory:

> After digging and delving into the budget of the Ministry of Religious Affairs, as if ferreting out secrets, in order to find the answer to the question of how much was allocated to Jewish cemeteries and how much to other cemeteries, I felt that I was getting lost among the numbers. One cannot find the answer in the budget lines. Because of the structure and location of the budget items, one could make one case in favor of the plaintiff and one could make another case for the ministry, and onElijah the Prophet could resolve the issue. *The budget of a government ministry should not be structured like this. The ministry budget should be clear and unambiguous to an ordinary person from outside the ministry, including a judge, and not just to Cabbalists in the Ministry of Religious Affairs or the Finance Ministry.* [emphasis added] In the final analysis, after all, the budget is the law of the state, enjoying the status and immunity of a law, and this law determines what will be done with the state assets, which belong to all its citizens. Is it not obvious that the law must be lucid? All law, including the State Budget Law, must be clear, not just so that every person can read and understand it, as incumbent in a democracy, but

> also to prevent ministry officials, of any ministry, from improper manipulation of the budget" (High Court of Justice 1113/99, Adalah v. the Minister for Religious Affairs and the Finance Minister, *Takdin,* Supreme Court CD-ROM, vol. 2000 (2), 413, 420).

Inaccessibility to information is the main obstacle that the general public runs up against: Only since 1998 have the "Budget Summaries" been posted on the internet. However, the ministry volumes published in October and the detailed budget books published at the start of the fiscal year are not distributed or accessible to NGOs or citizens at large.

Lack of transparency - Selected examples

Wages constitute the main expenditure of the Education Ministry, and yet the budget does not allow for an independent examination of this item: There appears to be no correspondence between data about the *cost* of teaching hours, the *number* of teaching hours, and the *amount budgeted* for teaching hours.

The allocation for housing assistance constitutes some eighty percent of the budget of the Ministry of Construction and Housing, and includes the government mortgage program. This program is composed of two parts - loans and conditional grants - and yet these elements are subsumed under different budget lines, and an in-depth knowledge of the program is required to understand them.

And an example from the field of health - the funding of geriatric hospitalization. The Health Ministry budget has separate allocations for public and private hospitals. But the Ministry does not know at the start of the fiscal year where these monies will be allocated, since the families of the patients decide where to hospitalize their loved ones. For purposes of the convenience of the Finance and Health Ministries, the Budget Law arbitrarily divides this allocation between the two types of institutions.

Most government ministers have no part in preparing the budget

Although the focus of our discussion is the Knesset, it is important to note that most government ministers also have no role in the budget-making process. Outside of the Budget Division staff , the only political leaders who are party to the shaping of the budget are the Finance Minister and the Prime Minister. The budget bill is submitted to the Cabinet at large only after these three parties have reached agreement about it.

Although a minister is expected to be knowledgeable about the budget of his or her ministry, with regard to the overall state budget, no one minister knows any more than a regular member of Knesset. The budget bill in its entirety is submitted to the Cabinet only a short time before the deliberations begin. The discussion itself tends to be superficial in light of the sheer size of the budget bill.

The main concern for most ministers is to ensure that their constituencies or the projects they wish to promote are not adversely affected by the new budget proposed. Ministers who feel that the proposed budget is detrimental to their interests in some way will first appeal to the Finance Minister. If they fail to receive redress, they then appeal directly to the Prime Minister. Expectations still unmet could move that minister to seek out the media to galvanize public opinion before the budget comes up for ratification. In this sense, too, the minister has no more clout with the parties preparing the budget than any member of the Knesset.

Over the years, senior politicians have voiced criticism about the inadequate role of the Cabinet ministers in the budget-making process. Ehud Olmert (Likud), the former Health Minister, has been quoted as saying that the head of the Health desk at the Budget Division in the Finance Ministry has more of a say in setting national health priorities than the Health minister (Deri and Sharon, 1994, p. 33). Recently, Ran Cohen (Meretz), former Minister of Industry and Commerce, complained bitterly about the intervention of Budget Division staff in a ministry program designed to provide incentives to industry (*Ha'aretz*, 9 July 2000). In other words, criticism comes from all parts of the political spectrum.

The Weakness of the Legislative Branch

The budget-making process is an excellent example of the imbalance between the legislative and executive branches of government. The budget is prepared in its entirety within the executive branch, and brought to the legislative branch for approval only after it is complete. Moreover, while the executive branch gets help from a large professional staff, the legislature suffers from a chronic lack of professional support. The legislative branch in Israel deliberates the very intricate and complex subject of the budget without the necessary professional tools.

In our opinion, the current budget-ratification process reflects contempt for the very institution of the Knesset. The elected officials receive the state budget bill from the government en bloc and are asked to ratify it within a short time without any in-depth deliberation or real debate about the alternatives. The Knesset is left out of deliberations concerning the major macro-economic parameters that set out the contours of the budget, as well as of decisions concerning the basic structure of budgetary allocations.

It should be pointed out that the weakness of the legislature in budgetary matters is but one reflection, albeit a most important one, of the general weakness of the legislature in the Israeli political culture. Political scientists Ira Katzenelson and Kenneth Prewitt have characterized the U.S. system of government as one based on legislation and litigation, adding that "the political culture defines political power as getting a law passed" (Katzenelson and Prewitt, 1979). In Israel, in contrast, political power is perceived in terms of access to the executive arm of the state apparatus; getting a law passed in the Knesset is still considered a weaker form of political influence. In fact, one can cite quite a few laws enacted by the Knesset after prolonged debate and extensive public involvement, whose implementation has been delayed for years by government foot-dragging or its explicit refusal, via the Finance Ministry's Budget Division, to allocate the necessary funds, such as the Long School Day Law or the Free Education from Age 3 Law.

The Knesset joins the process after it is over

The foremost indication of the weakness of the Knesset in shaping national economic and social policies is the fact that its involvement in preparing the national budget begins after the budget has already been written, sealed, and bound as volumes of the budget bill.

The process of preparing the budget, obtaining government approval, and having it ratified in the Knesset is not made explicit by law (on the constitutional status of theKnesset in this regard, see pp. 16-17). In practice, the main stages in the budget process are as follows:

- The budget bill is formulated in the Budget Division of the Finance Ministry. The Division begins planning the budget at the start of the fiscal year, soon after ratification of the budget bill by the Knesset at the end of the previous year.
- Around August, the Finance Minister convenes a series of meetings and consultations about the key parameters of the budget for the coming year - the inflation target, deficit estimate, growth projection, and state revenue projections.

  Since 1992, the main actors in the Israeli economy have met annually in what is callethe "Caesarea Conference" under the auspices of the Israel Democracy Institute. In this conference, senior officials from the Finance Ministry (including the Budget Division), the Bank of Israel, the Industrialists' Association, the Ministry of Commerce, and the Histadrut (federation of labor unions) exchange ideas about economic and social issues. Budget Division officials use this forum to float their forecasts concerning the major macroeconomic parameters.

- Soon after the Caesarea Conference, the Budget Division completes its draft bill for the coming year.
- In the first half of September, the draft budget is submitted for approval to the Cabinet. One recurring criticism is that the ministers see the budget bill only several days before it is submitted to the cabinet. Another criticism is that the Finance Ministry submits only one budget option with no alternatives, which the ministers must accept or reject en bloc.
- In the final week of October, the budget bill is submitted to the Knesset, which has two months to debate and ratify it.

The special status of the Budget Law

The budget is a legislative act in every sense, and the Knesset deals with it the way it handles every other bill, with several differences. The main difference is that the plenary deliberations are conducted on a partisan basis: Knesset members vote on the budget not as individuals, but according to directives handed down by their party whip. This constraint limits the effectiveness of Knesset participation in the budget process, since partisan logic requires representatives of parties in the coalition to cast their votes in favor of the budget. However, since a coalition has been needed to form a government in Israel ever since establishment of the state, this always leaves the door open to dissension within the coalition ranks.

Such dissension has grown even more likely since the new system of elections, instituted in 1996. Under the old system, voters cast one ballot, for a party list; the party that received the most seats in the Knesset would then be called upon to appoint a prime minister and to form a ruling coalition. Under the new system, voters cast two ballots, one for a prime minister and the other one for a party list to the Knesset. As a result, parties that are members of the coalition, both big and small, can wield power over the prime minister by threatening to vote against the proposed budget bill.

Deliberations in the Knesset Finance Committee

After passing its first reading, the budget bill moves to the Finance Committee for deliberation. According to paragraph 19 of the Knesset Bylaws, the Finance Committee may propose any amendments it sees fit, so long as these do not deviate from the scope of the subject matter in the bill. The lack of clarity in this wording may be construed as an opening for the committee to wield wide powers; in fact, the actual scope of discretion of the committee is rather limited, reflecting the general weakness of the Knesset in fiscal policy.

The Finance Committee is the most important Knesset committee. It is usually headed by a senior and trustworthy member of the dominant party or by one of the senior coalition parties. Committee disagreements are generally drawn along the lines of coalition versus opposition.

The Finance Committee is ostensibly the most specialized body in the Knesset. Still, it does not retain its own professional staff, with two exceptions - an economic advisor and a legal advisor. While it is the only organ of the Knesset that looks at the budget bill prepared in the Finance Ministry's Budget Division in a systematic manner, it lacks the professional means to do this: in fact, it is Budget Division staff who serve as the primary source of information and advice to the Finance Committee during its deliberations. These officials are invited to comment at the committee hearings and clarify the details of the budget. In the absence of an independent professional source of information, Knesset members have no choice but to rely on the information provided by the Budget Division.

The Prime Minister and Finance Minister depend on the chair of the Finance Committee to push the budget bill through the committee. The chair of the Finance Committee maintains ongoing communications with the Finance Minister. For particularly difficult deliberations, the Finance Minister is personally invited to testify before the committee.

The Knesset Finance Committee struggles under an enormous burden of work, and it is not surprising that during the tenure of Professor Shevah Weiss as Knesset Speaker, he proposed dividing the committee into two: one to handle ongoing fiscal matters and the other to deal with the budget. His suggestion was rejected. This idea of splitting the workload, by the way, has been adopted by several parliaments in the west, including the German Bundestag and the Swedish Riksdag, to be discussed below.

When the Finance Committee completes its work, the bill returns to the plenary for the second and third readings.

Deliberations in the Knesset plenary

The second reading of the bill is opened by the Finance Committee chair. At this stage Knesset members can file objections as individuals. This is the time when the opposition flexes its muscles by submitting a large number of amendments. If, during the course of the second reading, the Knesset votes to introduce an amendment into the law, the bill returns to the Finance Committee. If not, the bill moves to a third and final reading. Until this moment, the Cabinet can withdraw the bill if the amendments proposed are not to its liking - rarely done - or because it believes that it cannot muster a majority to pass the budget into law.

The budget bill usually passes the second and third readings without catch or delay, thanks to the coalition majority. There are exceptions, however. In 1997, the budget bill passed the first, but not the next two readings by December 31, as required by law, because some members of the coalition itself opposed it, particularly the Gesher Party. The budget finally passed on January 5, 1998 after the new fiscal year had already begun.

In 1998, the budget bill was not ratified before the end of the fiscal year because the Netanyahu government lost its parliamentary majority. The 1999 Budget Law was finally ratified only on February 4, 1999, after Prime Minister Netanyahu managed to mobilize a majority.

The budget bill for 2001 was submitted to the Knesset on October 31, 2000. In an unprecedented scenario, the bill was not presented even for the first reading. This was due to the fact that Ehud Barak's coalition had fallen apart, and the opposition was intent on using the budget bill as an opportunity to topple the goverment. According to paragraph 20 of "The Basic Law: Government," the budget bill must be ratified by the Knesset no later than three months after the start of the fiscal year; if not, the Knesset is dissolved and new elections called. On November 28, 2000, the Knesset voted to call for early elections. This made it unnecessary for the opposition to use the debate on the budget bill as a means of toppling the government. Soon after the vote, representatives of the coalition and opposition began to discuss the possibility of joining hands in passing the budget bill, so that the governmental apparatus could function with a fresh budget, unaffected by the elections campaign.

A Knesset bypass: The Arrangements Law

The power othe Knesset was further eroded with institutionalization of the "Arrangements Law," first resorted to in 1985, in the context of the implementation of the Emergency Program for Stabilization of the Economy. This program was designed to stabilize the economy when hyperinflation had reached dangerously high levels. Implementing this program required many legislative changes. Enacting the budget law, of course, also sometimes requires the amendment of other laws, which is a multi-stage process: formulating the amendment, presenting it to the plenary for a first reading, preparing it in the relevant Knesset committee, and finally the second and third readings in the plenary. To save time, the godecided in 1985 to combine all the legislative changes made necessary by the Program for Stabilization into one package, which they named the Arrangements Law. Since that time, the creation of an arrangements law, which is actually a basket of legislative amendments, has become a customary practice and a regular appendix to the budget bill.

Since 1985, an Arrangements Law has been annually approved by the Knesset, along with the Budget Law. Like the Budget bill, it is also formulated in the Budget Division of the Finance Ministry. Both bills are deliberated jointly at all stages of the legislation process and Knesset members vote on them together, usually on December 31. For years, the Arrangements Law passed the Knesset with relative ease, primarily because it reflected the predominant policies of both major parties, and was in the interest of both.

The major problem with the Arrangements Law is that it encompasses not just technical changes, but fundamental legislative issues - sometimes single paragraphs and sometimes entire laws - without these being previously debated in accordance with the normal legislative process or the appropriate committee. This turns the legislative process into a sham. One clear example of this is the Arrangements Law of 1997, which introduced far-reaching changes into the National Health Insurance Law. These amendments, with significant repercussions for the public at large, clearly deserved a full hearing in the Knesset; indeed enactment of the original National Health Insurance Law took several years and was handled by a special committee established for that purpose. Now, when the government asked for significant amendments in that law, the Finance Ministry chose to incorporate these changes in the Arrangements Law. Thus, legislation of enormous importance was expedited under time and pressure constraints, and an issue that should have been fully aired was given only cursory treatment.

As Nachmias and Klein write in their comprehensive analysis, the Arrangements Law is a tool to reduce political costs. Because the law allows for the quick dispatch of any clause or issue, the transparency of the legislation is diminished, and significant matters are addressed in a technical or marginal way. The authors recommend rescinding the Arrangements Law and returning to the regular legislative process, or at least greatly reducing the number of paragraphs in it and changing the format of the Knesset deliberation (Nachmias and Klein, 1999, pages 38-39, 47-55).

In a paper presented to the Caesarea Conference in 2000, economists from the Finance Ministry led by Professor Zilberfarb, draw on this paper by Nachmias and Klein, yet conclude that "The Arrangements Law is an important fiscal institution that contributes to responsible fiscal policies and structural reforms that are necessary for the economy. Nevertheless, the scope of this law should be limited and subjects should be excluded that are not necessary for implementing the budget" (Zilberfarb et al., 2000, p. 22). This conclusion, reached by senior Finance Ministry economists, past and present, should not be surprising, as the Arrangements Law strengthens bureaucratic control (the Budget Division) at the expense of the Knesset.

The institutional weakness of the Knesset

Since its establishment, the Knesset has had to face the executive branch with meager institutional tools at its command.

While the executive branch can rely on a broad organizational infrastructure, the legislature has almost no independent organizational infrastructure to help it in its legislative tasks.

This hinders the effectiveness of the Knesset budget deliberations for several reasons:

1. The Finance Committee has a huge burden of work, as it must deliberate budget matters, taxation, state revenues, and all other fiscal issues.
2. The Finance Committee, which is the only Knesset body that studies the budget bill in depth, is staffed by only one economic and one legal advisor.
3. Members of the Knesset have no professional staff to advise them. Each Knesset member is allowed to hire two assistants at a low wage (approximately $1,000 gross per month).
4. The Knesset has no professional consulting service for social and economic issues. A library and small information unit are charged with preparing brief informational memos at the request of Knesset members, but they have no real research capacity. This year, the Knesset authorized establishment of a research and information center, but that is just getting underway [see Appendix 1(a)].
5. On fiscal issues, Knesset members must rely on information provided by the Budget Division of the Finance Ministry.

These constraints adversely impact not just the effectiveness of the Knesset deliberations, but also the involvement of civil society in the budget-making process. And yet the Knesset is where individuals and groups of citizens go when they wish to voice their opinions about policy issues or the budget.

In recent remarks by Avraham Burg, Speaker of the Knesset, about how the Knesset deals with the budget bill, he noted, "*Knesset work on the state budget is a public crime*…Knesset members have no real ability to affect the budget" (*Ha'aretz*, 19 July 2000, p. C2).

It should be noted that staff work has recently begun to establish an information center in the Knesset and to upgrade the parliamentary assistants. For example, each member of Knesset will in the future have two assistants - one who will serve as an administrative aide and the other, with a university degree, who will serve as a professional aide and receive a higher salary (see Galnoor Committee Report, pp. 12-14).

Strengthening civil society

In addition to the vital need for better balance among the three branches of government, another critical consideration for reform of the budget-making process concerns the economic and social implications of the budget. As the central tool of governance, which has implications for economic growth and the distribution of resources, the state budget has far-reaching consequences for all matters related to equality, economic disparities, and social justice. Budget reform is crucial not just in order to increase the transparency and rationality of the budget-making process, but also in order to democratically shape the country's order of priorities.

In democratic societies, the legislative branch is the primary access point to the political process - it is the most open and accessible arena for deliberating the national order of priorities. This is especially true for marginalized groups. Enhancing the influence of the legislative branch, and particularly its involvement in the state budget, will therefore serve not just the democratic need for transparency of government activities, but also the interest of political and social justice.

Before we elaborate our recommendations, let us examine the situation in several western democracies and how they manage the complex process of preparing and ratifying the state budget.

The Role of the Knesset in the Budget-Making Process:

Comparisons with Other Parliaments

Parliaments in other countries have developed various mechanisms for enhancing their role in the budget-making process.

In all democratic societies, preparation of the budget is the prerogative of the executive branch. Therefore, the executive branch also has the greatest access to information relevant for fiscal matters. In some countries, however, the legislative branch also contributes significant input. In these countries, the parliaments have devised mechanisms that afford them effective involvement. We believe that in light of its current weakness - particularly in comparison with other parliaments in the developed world - the Knesset should adopt at least some of these mechanisms.

The mechanisms include:

1. A constitutional mandate that entrenches the role of the legislative branch in matters of the state budget.
2. Dividing up the work of deliberating the budget between two committees: a Budget Committee to deal with expenditures (i.e., the state budget), and a Finance Committee to deal with revenues (taxation).
3. Extension of the period allotted for delibethe budget bill.
4. Creating an independent professional research capacity to serve the parliament.

Each of these will be discussed separately.

Establishing the constitutional status of the legislature in fiscal matters

In some countries, the legislative branch is explicitly named as keeper of the public treasury. This is true both for a parliamentary system such as Britain, in which there has been consensus for hundreds of years that the people's representatives, and they alone, shall decide all matters related to tax policy; and also for a presidential system like that in the United States, where the constitution grants Congress control over public funds. This combination of a Cabinet, which proposes a work plan, and a house of representatives, which authorizes the mobilization of resources required, is a cornerstone for balancing the legislative and the executive branches in a democratic system of governance.

In Israel, the status of the Knesset in budgetary matters derives from the fact that the state budget must be passed as legislation, and must therefore win Knesset ratification like any other law. But nowhere in the legal code, not even in the "Basic Law: The Knesset" or "The Foundations of the Budget Law" (1985), is the Knesset explicitly assigned a role in shaping fiscal policy. The only explicit reference to the role of the Knesset in ratifying the budget is in the "Basic Law: State Economy", where paragraph 3(a)(1) asserts that "The state budget is to be set by law". In other words, the Knesset must pass the budget as legislation, just as it enacts any other law. In subparagraph (b)(1) of the Basic Law, the date for submitting the budget bill to the Knesset is fixed at no later than sixty days prior to the start of the fiscal year for which the budget is intended.

This also implies, by the way, that it is incumbent upon the legislature to give informed consideration and weighty deliberation to the many paragraphs of the budget bill, following the normal procedure for enacting a law - the various readings in the plenary and the deliberation in the appropriate committee (currently the Finance Committee).

A constitution could be more specific, however, and authorize the legislature, where it sees fit, to introduce amendments to the budget bill it receives from the executive branch. The German constitution, for example, gives parliament the power to introduce amendments to the budget bill even without the consent of the Cabinet, so long as these amendments either increase revenues or decrease expenditures. For proposing the opposite - decreasing revenues or increasing expenditures - Cabinet approval is required. This contrasts with Britain and Australia, whose parliaments are not authorized to increase either expenditures or revenues.

In Israel there is currently no legal obstacle to the Knesset's enacting a law to increase the state expenditures or decrease its revenues (Rubinstein and Medina, p. 672). The only limitation is found in paragraph 39a of "The Foundations of the Budget Law," which requires that every bill indicate how it is to be financed. But as we have already mentioned, the Finance Ministry has been quite effective in blocking the implementation of a large number of laws that involved increased expenditures.

It should be noted that in August 2000, the Cabinet decided to request (decision #2246) that the Justice Minister and Attorney General, in coordination with the Finance Ministry, submit a private bill that would limit the capacity of members of Knesset to submit bills involving increased expenditures.

Involvement of legislative committees in fiscal deliberations

Most Knesset members are not significantly involved in the budget deliberations. The only stage at which all Knesset members are involved is the second and third readings, and here the level of participation is not high. First, the deliberation is conducted on a partisan basis. Second, the main lines of contention at this stage are drawn along coalition and opposition lines, with the rules of the game impelling coalition members to vote for the budget as a package deal, and the opposition members to express their disagreement primarily by submitting numerous objections, almost none with any real chance of passing, and hence often provocatively and even absurdly worded.

The only forum in the Knesset that can conduct a significant discussion of the budget is the Finance Committee, but this committee is overburdened with work and constrained by time.

Other parliaments have dealt with this problem in one of two ways:

- By splitting the work between a Budget Committee, which deals with expenditures (the state budget) and a Finance Committee, which deals with revenues (taxation); or
- By encouraging the members of parliament to specialize in the budgets of specific ministries.

Let us examine separately each of these options.

Dividing up the work of the Finance Committee

The German parliament has provision for two committees side by side: the *Haushaltausschuss* - Budget Committee - and the *Finanzausschuss* - Finance Committee. The Finance Committee concerns itself primarily with matters related to state revenues from taxation. It also deals with general economic and fiscal matters - the stock exchange, financial markets, corporations, etc. The Budget Committee, on the other hand, deals solely with the state budget; this allows its members a certain level of specialization and gives them the ability to focus on the issues (see Gattermann, 1988).

This division between the budget and taxation and other economic matters does not exist solely in the Bundestag. The Riksdag, the Swedish parliament, also maintains a similar division. The committee that deals with the budget is called the Finance Committee and the committee that attends to taxation and state revenues is called the Taxation Committee (see "The Riksdag at Work").

Specialization by members of the Finance Committee

Another mechanism that serves to increase the involvement of parliamentary committees in the budget deliberations is to encourage the members of the committee who deal with the budget to specialize in particular budgetary issues.

In the Knesset, Finance Committee members bring personal knowledge, accumulated over the course of their political careers, and directives from their party, which they represent in the committee. Beyond this, they are not required to demonstrate any form of expertise.

In the German parliament, in contrast, every committee member must specialize in the affairs of one government ministry, and this continues year after year. In this way, members of the legislature accumulate a real understanding of the budget books placed before them, and they can make a solid contribution to the budget deliberations. A recent example of the power of the German Budget Committee was a 1998 deliberation at which the committee redirected an allocation of 17.1 billion marks (Krafchik and Wehner, 1998, p. 11).

Extending the budget deliberations

In Israel, the budget bill is submitted to the Knesset the last week of October, and the final vote is taken the last week of December. In other words, the Knesset has only two months to deliberate and ratify the budget bill.

In the German parliament, on the other hand, budget discussions are conducted over four months, of which several weeks are devoted to deliberations in the committees of the lower ho(the Bundestag). In parallel, the upper house (the Bundesrat) devotes a month to budget discussions.

In Sweden, the government submits the budget bill to parliament in mid-April. It contains the preliminary outlines of the budget, a ceiling on expenditures for the coming three years, and a forecast of future economic development. Following this, the government prepares the detailed budget bill based on the parameters discussed in the April deliberations, and submits the comprehensive budget bill in the summary discussions held in late September (see "The Riksdag at Work").

Enhancing the research infrastructure of the parliament

The primary obstacle to the significant involvement of houses of legislature in preparing the budget is the absence of an indepebase of information and analysis about fiscal matters. The budget is first and foremost a huge pool of data and forecasts. Government ministries and agencies produce most of the data, to which the Budget Division of the executive branch has access.

When members of a legislative body grapple with a budget proposal, they generally rely on data and forecasts provided. They lack the ability to check specific data independently, or to evaluate their significance in the totality of the state budget.

Legislatures that sought to enhance their ability to participate significantly in shaping the budget have generally done so in one of the following ways:

- Establishment of an information center affiliated with the legislative library; or
- Establishment of an independent budget office, affiliated with the legislature.

Parliamentary information centers

In Germany, an information service with a staff of 85 has been established to serve the parliament. This service has nine departments including: the Department of Foreign Relations, International Law, Economic Cooperation, and Security; the Department of Constitutional and Administrative Law; the Department of Budget and Finances; the Department of Agricultural, Transportation, and Tourism; the Department of Science, Education, and Environment; etc. (see Schik and Hahn).

In Australia, a research center of similar size is at the disposal of the parliament.

In Britain, the Research Department of the parliamentary library employs some 100 staff people.

An independent budget office for the legislature

The U.S. Congress chose to enhance its role in the budget-making process by establishing an independent Congressional Budget Office (CBO). This is the model that we have in mind in proposing a way to increase the impact of the Knesset on the state budget.

The CBO, founded in 1974, made a signal contribution to increasing the transparency of the federal budget ratification process in the United States, and also to enhancing the effectiveness of the legislators by providing independent information and analysis to members of Congress.

The CBO is a large organization with several hundred employees, many of them holding advanced degrees in economics or public policy. It is managed by an executive director with a deputy director, and has the help of legal counsel. The CBO is divided into eight divisions:

- The Management, Business, and Information Services Division provides internal management and administrative support services, including human resources, computerization, library services, etc.;
- The Budget Analysis Division provides the cost estimates of bills and spending projections called for in the Budget Law;
- The Macroeconomic Analysis Division examines the effect of fiscal policy on the economy and advises Congress on matters such as employment, production, income, saving, etc.;
- The Tax Analysis Division estimates and projects tax revenues;
- The Microeconomic and Financial Studies Division analyzes a broad range of policy issues related to agriculture, energy, environment, technology, trade, and other areas;
- The Health and Human Resources Division analyzes policies and programs in the areas of health, pensions, labor markets, education, and housing;
- The National Security Division analyzes budgetary issues related to military personnel and strategic forces; and
- The Special Research Division conducts studies about budget reforms and other issues.

The CBO prepares a ten-year economic forecast and helps Congress adhere to budget targets by analyzing the economic implications of new legislation being considered.

The CBO, by producing clear and transparent reports that are made available to members of Congress and the public, enables broad public participation in the deliberations about the budget. Information from the CBO serves the media as well as many social and economic NGOs, making it possible for them to take part in shaping the national order of priorities in the United States.

The CBO has earned a solid reputation over the years. It is important to understand that analyses prepared by the CBO are not meant to replace their parallel body in the U.S. Treasury Department, but to equip the elected representatives with independent analyses when they are called upon to make budgetary decisions.

Changing the Role of the Knesset

in the Budget-Making Process

The budget-making process in Israel is in need of reform. It is unreasonable that the preparation of the state budget - the single most important socio-economic instrument of the government - should be invisible to the public eye and not involve significant input of either the public at large or even its elected representatives. Those who seek involvement are confronted with the obstacle of deciphering the budget books without the aid of independent professional counsel. To bring its members into the budget process, the Knesset needs to reform the process.

The Finance Ministry has stubbornly opposed all change. This was evident at the Caesarea Conference of 2000, when Professor Zilberfarb, who served the previous government as Director-General of the Finance Ministry, asserted, "The budget-making process . . . is fine as it is." (Zilberfarb et al., 2000, p. 22).

Our proposal in brief

A. We believe that an independent Knesset Center for Budget Affairs should be created that will have a sophisticated research capacity for the purpose of providing Knesset members with the information needed for an informed discussion about the budget, independent of the information provided by the executive branch. We suggest that the Center be staffed initially by some 10 researchers, with an emphasis on economists and experts in other social sciences. The Center should be established by an act of primary legislation.

B. We believe that the state budget, a matter so complex and crucial to the formation of economic and social policy, should be deliberated more thoroughly than is currently the case. Therefore, we propose adoption of the Swedish model cited above, in which the process is divided into two parts:

   * During April, the Knesset should deliberate the basic targets regarding inflation, the deficit, unemployment, and economic growth.

   * At the very beginning of the winter session, the budget bill should be submitted to the Knesset.

   Hence, the Adva Center supports the recently proposed bill concerning the Knesset role in approving the basic economic targets [see Appendix A]. We also support a reform proposed by the Ramon Committee that is currently under consideration in the Cabinet [see Appendix C].

C. We believe that the burden of work placed upon the Knesset Finance Committee, which is expected to deliberate all aspects of the budget in fewer than two months, should be divided up. We recommend adoption of the system used in parliaments that split the work as follows: a Budget Committee deliberates expenditures and a Finance Committee deliberates revenues, i.e., tax policies.

D. Furthermore, we believe that each member of the Budget Committee should develop expertise in one of the government ministries so that he or she can make a more significant contribution to the budget discussions. A good way to facilitate this is to see to it that the member of the Finance Committee who specializes in a given ministry also serves as a member of the Knesset committee that deals with that ministry.

E. We believe that the Knesshould demand of the Finance Ministry Budget Division that the budget be clear and transparent, and - for each of the main line items - that the budget explicitly state the relationship between the purpose of the expenditure, the size of the expenditure, and the expected output.

The Knesset Center for Budget Affairs spearheading the reform

Establishment of a Knesset Center for Budget Affairs as an independent research and analysis unit can serve to spearhead reform regarding the role of the Knesset in the process of preparing the state budget. The Knesset Center for Budget Affairs can provide the Knesset with the capacity to evaluate, contemplate, and challenge the basic assumptions of the budget bill, and the specific figures it contains. As such, the Center can contribute to the of the Knesset and the creation of a greater balance among the government branches. In parallel, the Knesset Center for Budget Affairs can empower the civil society of Israel, as it provides a tool for making the entire process more transparent, which will encourage broader sectors of the citizenry to take part.

We suggest that a Knesset Center for Budget Affairs carry out the following functions:

1. Examine alternative macroeconomic targets, and evaluate their implications for the state budget.
2. Provide information about fiscal matters.
3. Analyze the state budget bill submitted by the Finance Ministry.
4. Prepare cost estimates of proposed legislation.

Staffing the Knesset Center for Budget Affairs

The Center should be staffed by professionals from the social sciences. In the first stage, it might include some 10 full-time staff members, at least half with doctorate degrees.

The Knesset Center for Budget Affairs will need, first of all, professional economists. When hiring these staff members, attention should be paid to the fact that the community of economists in Israel is small and has been rather homogeneous over the past few decades, most of them operating from assumptions drawn from the neo-liberal paradigm, which has also been the orientation of Finance Ministry economists.

Attention should also be paid to the phenomenon of "old-boys' clubs" which have been noted in some parts of Israeli society, such as the military and security sector. As one senior IDF officer commented with regard to the idea of establishing a National Security Council, "In a small country like Israel, it is hard to create a civilian group of researchers who did not go through the IDF and are not influenced by it, thereby affecting their ability to reach independent conclusions" (*Ha'aretz*, 4 February 1999).

This is true also of economists, who tend to receive their training at the same place, usually in one of Israel's two largest universities, and to serve together in the Finance Ministry, the Bank of Israel, or perhaps one of the Israel's large corporations. Care must be taken to prevent the Knesset Center for Budget Affairs from turning into yet another forum of what the British call the "old boys' network."

In addition to economists, we believe that the Knesset Center for Budget Affairs should also hire scholars from other fields, such as political science, public policy, sociology, and social work. This is intended both to somewhat allay the above concerns, and also to encourage a broad research perspective for addressing the budgets of government ministries that deal with social issues.

The status and location of the Knesset Center for Budget Affairs

In establishing the CBO in 1974, congressional planners drew inspiration from units previously established, such as the General Accounting Office and the Congressional Research Office (Kates, 1989). While there is no such tradition in the Israeli Knesset, we are pleased to note initial efforts made since 1999 to improve the professional work of the Knesset, detailed in the Appendix.

The Knesset Center for Budget Affairs can be located near the Knesset Finance Committee (in the absence of a Budget Committee), but we believe the Center should serve all members of Knesset, not just the Finance Committee or its chair, who represent coalition interests. Therefore we propose that the Knesset Center for Budget Affairs be established as an independent unit near the Knesset Library.

Afterword

Adoption and implementation of our recommendations will contribute greatly to improving the budget-making process. It may even lead to further reform in the process of decision-making within the Finance Ministry. It can serve as an example of the professional work that is necessary and proper for national planning in other areas as well. The state budget law will be given the attention it deserves as a central axis in political life, and it will more accurately reflect the aspirations of the various groups and strata in Israeli society.

It should be emphasized that the proposed reform not only enhances the authority of the Knesset, but also imposes more responsibility on its members; when the role of the Knesset changes from rubber stamp to genuine influence, Knesset members will have to delve more deeply into the issues at hand and contend with the independent professional views of the Knesset Center for Budget Affairs.

In our opinion, the current situation in which Knesset members from both the opposition and the coalition flood the Knesset with private bills with far-reaching budgetary implications stems partially from the sense of inefficacy of the legislators with respect to the process of ratifying the budget. Bestowing greater authority also means shouldering more responsibility. Bringing the Knesset into the center of economic-budgetary decision making would therefore democratize public life in Israel and also improve practice in Israeli public life.

Appendices

A. Initiatives for Reform of Knesset Activity

Our proposal for reform is one of several recent undertakings both in the Knesset and the Cabinet that seek to empower the Knesset, particularly with respect to the budget-making process.

In the second half of 1999, Avraham Burg, Speaker of the Knesset, launched an initiative with the help of an outside consultant, Dr. Reuven Hazan, of the Political Science Department of Hebrew University. The resulting report, concerning the information and consulting services that should be available to the Knesset, is contained in the publication, "Reform of Knesset Activity."

In parallel, a committee headed by Professor Itzhak Galnoor to examine the working conditions of Knesset members submitted its recommendations in May 2000.

Both reports sought to improve and modernize the operation of the Knesset. The aims of the reform, as formulated in Hazan's report to the Speaker of the Knesset, were as follows:

1. To redraw the balance between the Knesset as the legislative and supervisory branch and the Cabinet as the executive branch.
2. To assist Knesset committees and members to carry out their functions as defined by law and bylaw.
3. To significantly enhance the power of the Knesset committees.

The proposal for the reform of Knesset activity, based on the Hazan report, includes a number of alternatives with different costs. The reform proposes to improve the professional services available to the Knesset by adding legal advisors, economic advisors, and information coordinators to the Knesset committees, by commissioning papers from outside research institutes, by consulting with outside experts, and by employing interns from research institutes. The plan also calls for the establishment of an Information and Research Center (IRC), allocated three million shekels in the budget for 2000. The 2000 budget includes a total of seven million NIS for information, research and consulting for Knesset committees.

The Galnoor Committee took the position that the amount appropriated for research and consulting for Knesset committees was inadequate. This committee therefore recommended adding to and upgrading the parliamentary staff aides to Knesset members. The Galnoor Committee suggested that each Knesset member be entitled to two staff members - an administrative aide and a professional aide - the latter to provide support in everything relatto legislation, motions for the agenda, and the like. It was further suggested that professional aides have academic credentials, and that salary levels be commeasurable with experience and academic degree.

However, the Galnoor Committee also creates a negative international precedent by providing a car to every Knesset member. And unfortunately, it defines the professional parliamentary aides as temporary staff, with limited possibilities for promotion and salary raises.

We believe that both reports are an important step in the right direction. Nevertheless, if the goal of the reform was to restructure the balance between the Knesset and the Cabinet, we are doubtful that these measures will be sufficient to reduce the gap between the professional staff available to the legislative and the executive branch, hence the gap in their decision-making ability. The proposed reform appears to better address the third goal - enhancing the power of the Knesset committees and, of course, of the Knesset members as individuals. We believe that the Knesset would be well advised to engage the services of professional assistants as permanent staff at an appropriate wage, and thus develop a cadre of professional advisors of the first rank.

B. Private bill of Knesset Finance Committee members

On July 17, 2000 seventeen members of the Knesset Finance Committee, representing the entire political spectrum of the Knesset, submitted a private bill proposing that the targets set by the Cabinet for purposes of the budget bill with regard to the level of inflation, the deficit, unemployment, and the projected growth rate require approval by the Finance Committee. The Finance Ministry, of course, opposed it.

This bill, if it passes - combined with implementation of the Ramon Committee recommendations (see Appendix C) and the recommendations of the Knesset Speaker's Report would constitute a significant reform.

C. Ramon Committee Recommendations on Reform of the Executive Branch

In June 2000, the Ministerial Committee for Coordination, Administration and Surveillance of the State, headed by Minister Haim Ramon (hereinafter "the Ramon Committee") recommended changes in the budget-making process, which promptly won the disapproval of the Budget Division in the Finance Ministry (the Finance Minister filed his objection to the Cabinet on June 14, 2000).

At the heart of this proposal, which is based on a position paper prepared by a team of experts from the Israel Democracy Institute headed by Professor David Nachmias, is realization of the need for comprehensive reform of the process of ratifying the budget. The aims of this reform, as formulated in the position paper prepared for the Ministerial Committee, were "Improvement and streamlining of the process of budgetary decision-making at the political and professional levels, and of the management of the budget. Enhancing the role of the Knesset, increasing the transparency of the state budget to the political echelon and to the public at large; strengthening the elements of authority and responsibility; and assimilating measures for evaluating achievements. Comprehensive reform of the process of national budgeting will contribute to prolonged economic growth, and to improvement and increased efficiency of the services provided to citizens of the state" (p. 7).

The Ramon Committee recommended reform after citing a number of key problems in the current budget-making process:

1. A superficial hearing in the Cabinet and the Knesset on the setting of the national order of priorities.

2. The dominance of professional staff members of the Budget Division in setting budget targets and the structure of the budget, in comparison with the input of ministers and ministry directors-general, let alone Knesset members.
3. A gap between authority and responsibility among senior ministry staff members: The directors-general have great responsibility but little authority; the ministers have broad authority but no clear definition of their responsibility.
4. A lack of output estimates in allocating resources and calculating the effectiveness of public projects.
5. Excessive complexity and lack of transparency in the budget structure as presented in the budget books (Ramon Committee, Decision TM/54, June 2000, p. 8).

The Committee recommendations:

1. As of the year 2001, Cabinet deliberations on the state budget will commence at the beginning of the calendar year, and no later than April 1.
2. The Cabinet will deliberate several alternative budgets.
3. A reform in the budgeting process will be gradually instituted, with ongoing monitoring and evaluation to determine its effects and the degree to which its goals are implemented. Four ministries will be chosen to participate in this reform, with each ministry free to decide on the maximum personnel and wage scale, such that 10% of the entire staff and budget will be set according to the ministry's definition of goals, with maximum flexibility.
4. Preparation of the entire state budget will be based on outputs. The number of line items will be reduced, both in the regular and the development budget, and goals and outputs will be defined.
5. The Arrangements Law will be reduced to include only a few necessary paragraphs.

The Ramon Committee's recommendations are clearly a significant step in the process of reforming the budget-making process. It should be noted, however, that Avraham (Beiga) Shohat, the Finance Minister, was quick to voice strong opposition to the committee's recommendations.

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