INITIAL SCAN OF THE ISRAELI PUBLIC SECTOR INNOVATION SYSTEM

This report and its findings was developed by the OECD's Observatory of Public Sector Innovation (OPSI) as an outcome from a fact-finding mission from March 11-13th, 2019. The mission was coordinated and sponsored by the Elka Partnership – A Partnership between 7 Israeli ministries (Prime Minister Office; Ministry of Finance; Ministry of Health, Ministry for Social Equality; Ministry of Interior; Ministry of Labor, Social Affairs and Social Services; Ministry of Education) and The Elka Institute for Leadership and Governance, JDC Israel.

Exploratory Scan of the Israeli public sector innovation system

Executive Summary

As societal challenges become more complex and interconnected, the speed of change accelerates, and new futures and possibilities become harder to predict, the need for the public sector to rely on innovation becomes more critical. As trust in governments is decreasing across the world, the public sector needs to look to new models, approaches, and tools that can help government better respond to the challenges of today and the future. Governments are already innovative in some capacity, but often not at the level needed to respond to the challenges of today and the future.

Israel is long recognised as an innovative nation. Its private sector is considered one of the most innovative in the world, and the public sector has played a key role in developing and nurturing the innovation ecosystem. While innovation is still occurring in the public sector today, it often seems lacking in ambition and missing a systemic approach – instead relying on bespoke activities that rarely connect to Israel's complex, societal challenges. As Israel looks at inequality, population growth, and other challenges, they will all have unexpected and dramatic effects on the system.

While the specific effects of the ever-changing realities in Israel is unknown, the public sector must start to reflect on its own preparedness and ability to respond to the challenges. The public sector needs to look at the collective innovation system to ensure that the public sector is able to properly face the unknown and unpredictable. Israel's public sector already has some advantages in its system. Its budgeting system and its engagement with civil society organisations like JDC Israel create interesting possibilities to try new things. However, it seems Israel is lacking the mindsets and mechanisms for the public sector to deal with horizontal challenges and also lacks a systemic approach to ensure that civil servants across the public sector understand what innovation is, how to engage with it, and their role within the innovation system.

This commentary is authored by the OECD's Observatory of Public Sector Innovation (OPSI) and seeks to provide an initial analysis of the public sector innovation system in Israel. The report was developed in partnerships with The Elka Institute for Leadership and Governance at JDC Israel. This document provides an overview of OPSI's latest thinking of public sector innovation and using OPSI's public sector innovation system model to provide initial observations and questions for further research regarding Israel's public sector innovation system. Lastly, this piece charts a path forward for further work and collaboration between OPSI and Israel to support Israel and its public sector innovation ambitions.

Introduction

OECD's Observatory of Public Sector Innovation (OPSI) collaborated with The Elka Institute for Leadership and Governance at JDC Israel to produce an initial exploratory scan of Israel's public sector innovation system. The JDC institute views the subject of innovation in the public sector as a systemic challenge and, as such, is now working on promoting solutions that will better it.

The observations outlined here are based on an intensive three-day mission focused on innovation within the social sector that included interviews with the public, private and third sector. This document is not meant to be conclusive or comprehensive, nor does it represent a formal assessment of the status of public sector innovation within the Israeli government. It is intended to provide an initial understanding of the key issues related to the use of public sector innovation in Israel, and to identify questions and areas of further exploration.

Israel is known as the "start-up nation" that is innovative, agile, inventive, and creative. While the perception is that Israel's private sector drives the country's high level of innovation, it is actually the public sector which created the foundation for much of the ecosystem today[1]. However, despite a history of public support to innovation, interviews revealed a perception from public servants of limited degree of innovation *within* the public sector of today. The differences between how the private and public sector are perceived in terms of innovation capacity creates a strong contrast that affects both societal trust and internal morale. That is not to say that innovation is not currently occurring in the public sector, but that the ambition and pervasiveness of innovation in the public sector does not seem to be at the level that society and the public service expect.

Why is innovation needed?

The world is in the midst of an unprecedented technological revolution that is transforming economies, governments and societies in complex and unpredictable ways. For instance, digital transformation, automation and exponential technological shifts are taking place, with hard-to-predict impacts on industry, productivity, housing, jobs and wellbeing. Policy issues are increasingly interconnected, requiring sophisticated joined-up responses from governments. In this context, governments must innovate if they are to remain effective.

Specifically, Israel is facing complex social issues where new approaches are sought or required. Israel is facing a unique and dramatic shift in the growth and distribution of different population groups in the territory (e.g. Ultra-Orthodox and Arab)[2].

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[1] http://oecdobserver.org/news/fullstory.php/aid/3546/Start-up_nation:_An_innovation_story.html
[2] https://read.oecd-ilibrary.org/social-issues-migration-health/measuring-and-assessing-well-being-in-israel_9789264246034-en

Projections of population distribution for Israel, 2009-59
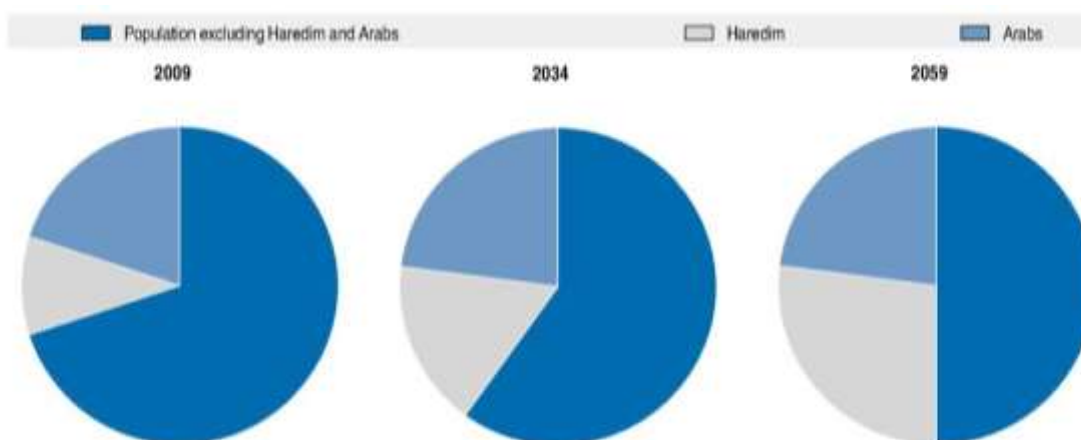
Source: Central Bureau of Statistics (CBS) (2012).

These issues directly affect the economy, labour market and social programmes. In the November 2017 OECD Better life initiative "How's Life in Israel?" Israel was in the bottom third of OECD countries for household income equality[3] and the 2019 Labour Market Report [4]by the Israeli Ministry of Labour, Welfare and Social Affairs also highlights the low employment percentages and high wage gaps for ultra-Orthodox men and Arab women compared to the rest of the population. This population shift can put further strain on a society that is already facing high wage inequality and large amounts of low-income workers.

Israel has many low-income workers and a high level of wage inequality
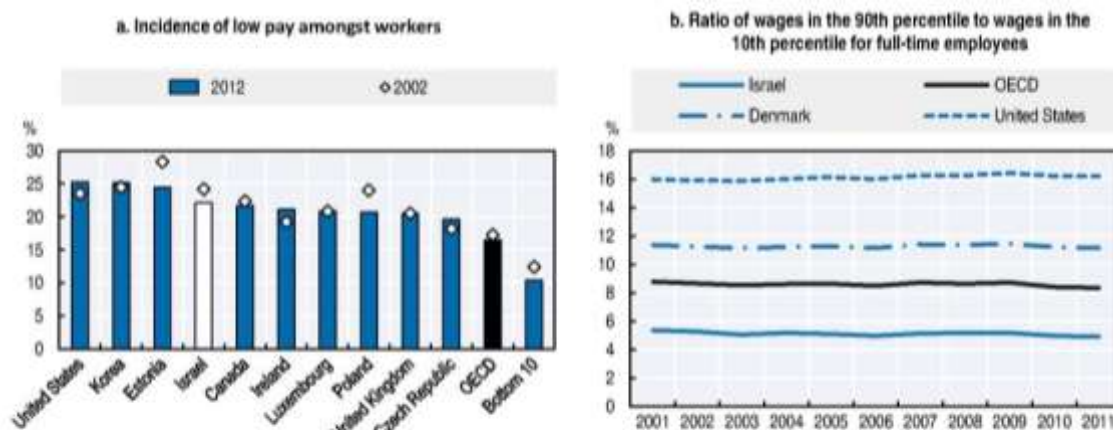
Note: Incidence of low pay is defined as the share of full-time workers with earnings less than two-thirds of gross median earnings of all full-time workers.
Source: OECD Database on Earnings Distribution.

From OECD's discussions with the Ministry of Finance and the National Economic Council, Israel is also dealing with increasing population density and lower productivity outside of the high tech industry[5]. These are just some of the current and future issues that could help shape and transform Israel in complex and unpredictable ways.

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[3] https://www.oecd.org/israel/Better-Life-Initiative-country-note-Israel.pdf
[4] http://graphics-lapam.org.il/clients/avoda/doh2018/4/#p=87
[5] From OECD interviews during mission

OPSI defines innovation as having three characteristics:

- It is novel to the context
- It involves implementation rather than just invention
- It leads to impact.

Governments around the world are already innovating, however they are increasingly recognising that they can, and need to, go even further in using innovation to get better outcomes. Yet innovation, as both a process and act of 'going against the status quo', is fundamentally challenging. Dedication to innovation is crucial for strengthening government capacity to respond to current and possible future challenges for the benefit of the people they serve.

Innovation is important for the public sector for a number of reasons. Finding and learning about new ways of doing things can help the public sector:

i. Deliver on political commitments and promises, realising new means to achieve public ends (such as the Sustainable Development Goals)

ii. Improve the efficiency of government and its operations and services

iii. Improve service delivery and achieve higher quality results and outcomes for citizens and service users

iv. Build more effective, reflective and proactive institutions and public sector organisations that are suited to a changing environment and evolving and emerging needs.

In short, innovation is an important (but not the only) mechanism by which the public sector can do better for people. At the same time, while innovation can help the public sector achieve and realise significant benefits, it is not an automatic good.

Why a systemic approach is needed

As the world changes faster and faster, innovation becomes more and more important. The operating context and the needs of citizens are changing more often, in more ways and to a greater extent, meaning that innovation is becoming ever more relevant and essential. The past tendency of the public sector has been to rely upon innovation as a by-product of other processes, rather than putting specific focus upon it. This is increasingly untenable. If the world is continually changing, then the public sector needs innovation to be a deliberate, continual, consistent and reliable resource, rather than the ad hoc, reactive, opportunistic or serendipitous process it has often been. Such a shift demands a systemic approach to public sector innovation.

However, in order to take a deliberate approach, it is first necessary to identify and make explicit the public sector innovation system - the actors, assets, relationships and flows of information, technology and resources that influence or determine the ability for innovation to be generated within the public sector. It is difficult to improve something that remains ambiguous, undescribed or that is not apparent. Only once the system and its dynamics are understood and appreciated, does a strategic approach become possible. Until then, innovation will remain governed and shaped by factors unknown, and thus stay as something seemingly random or unmanageable.

A deliberate approach must also be a pervasive and ubiquitous one. No area of government is immune from the need to ask whether they are still doing what is best; nor can any area be immune from the need to explore innovative options in case they might be better than the current ones. And if the need for innovation may strike anywhere, and if no area is immune from having to ask itself whether new options might be better, then individuals and organisations everywhere must have

some capacity and readiness for innovation. A deliberate approach should also have regard to the ecosystem in which it takes place: the actors and the organisations within or connected to the public sector innovation system, and how they may contribute to generating and implementing innovative outcomes.

In short, there is a need for explicit attention to national public sector innovation systems and their functioning – i.e. the ability of a country to consistently and reliably develop and deliver innovative solutions that contribute to achieving the goals and priorities of the government and the citizenry.

In its inaugural public sector innovation system study looking at the Public Service of Canada[6] in 2018, the OECD introduced a new model for understanding the underlying determinants of innovation. This 'determinants model' provides a framework for understanding the forces that shape whether and to what extent innovation occurs, and in turn, how those forces may be influenced. The model thus contributes to working towards a public sector innovation system that can consistently and reliably develop and deliver innovative solutions that contribute to the achievement of the goals and priorities of the government and the citizenry.
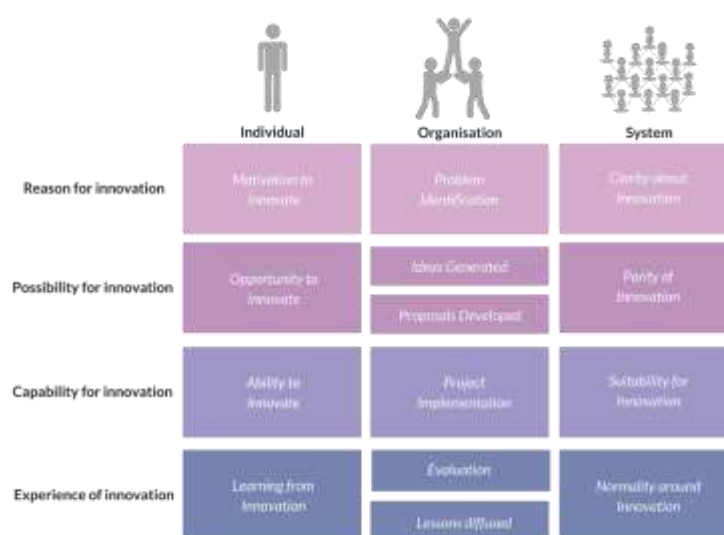
The determinants model distinguishes between innovation activity at three different levels.

- The individual: individuals, on their own or with others can undertake innovation activity. Often individuals will be better attuned to when there are changes in the environment or new possibilities or issues arising where innovation may be needed, being better able to shift their perspectives than organisations. Such innovation will often be focused on specific projects.

- The organisational: organisations will often have a range of innovative initiatives going on at the same time. Organisations can marshal resources and coordinate efforts in ways that individuals rarely can, and are generally built around specific purposes such as health or education.

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[6] https://www.oecd.org/gov/the-innovation-system-of-the-public-service-of-canada-9789264307735-en.htm

- The system: the public sector as a whole involves multiple government agencies, interactions with citizens and businesses. Innovation at this level relates to how collective aims and needs can be met by ensuring a diversity of activity involving

The value of these three differing levels of consideration is in helping consider how innovation as a process and activity plays out differently depending on the scale at which it occurs. Innovation carried out by a single person is very different to a whole-of-country level. Each needs to be supported, encouraged and enabled in different ways.

However, if the innovation system is not explicit, then the focus of innovation will shift to the organisation. i.e. the innovation that occurs will be driven by particular organisations, either in reaction to crises or as a means of pursuing particular organisational priorities. Yet if this occurs, the innovation is going to be shaped by a siloed perspective, rather than with attention to more collective aims or needs. In the cases where there is not even a deliberate approach to innovation by organisations, then the focus of innovation activity will fall to the individual.

The determinants model also outlines four core determinants of innovation:

- Reason: innovation acts against the status quo and incumbent options, which are usually well entrenched or established. Therefore, there needs to be a reason for innovation to occur, whether it be a specific problem, a crisis, a disruption, or a change in context. At the system level, this manifests as a need for clarity about what innovation is, why it matters, and how it relates to other priorities.

- Possibility: just because there is a reason for innovation to happen, this does not mean that it will actually be possible, as the existing practices and interventions have a degree of inertia from already being in place, and are thus hard to shift. Therefore, there needs to be the possibility for innovation to occur, whether it be from new resources being made available, the removal of resources making the existing option unfeasible, or because there has been a political commitment that something new will be tried. At the system level, this manifests in terms of whether there is parity between innovative options and existing, traditional, well-understood options when it comes to decision-making.

- Capability: even if there is the possibility of innovation happening, this does not mean the capability to actually undertake it will exist or be available, as innovation involves doing something new or doing something differently. Therefore, there needs to be the capability for innovation, whether it be the technological options, the necessary expertise or skills, the processes and structures necessary to enable or support it, or the relevant systems and infrastructure. At the system level, this manifests itself as a question of suitability for taking up the new options that may arise.

- Experience: while there might exist the capability for innovation, this does not mean that it will automatically succeed or become embedded into, or integrated with, other programmes, policies and processes. There needs to be some form of reinforcement or payoff. Therefore, a positive experience of innovation helps reinforce innovation, whether that experience be the introduction of feedback loops that help a relevant innovation improve, the getting of insight into how to improve an innovation, or progress in scaling an innovation. At the system level, this manifests itself as normality – whether innovation is seen as linked to normal business, or whether it is seen as a frolic or something unusual.

Innovation is already happening

Today, Israel is nicknamed the "startup nation" with a strong innovation ecosystem. According to the OECD's 2018 Economic Snapshot of Israel[7], the high-tech sector employees 12% of the business sector, more than double the OECD-country median. It is makes up 11.4% of GDP. The success of innovation has been supported by R&D spending at 4.1% of GDP – the second highest in the OECD. Additionally, Israel's The Ministry of Finance highlights that the VC investment per capita is highest in the world with over 6,500 innovative companies[8]. The World Economic Forum's 2018 Global Competitiveness Report ranks Israel 16 out of 140 in Innovation Capability[9]. Overall, innovation is considered a core competency of Israel.

While Israel's present-day innovation culture is often discussed in terms of the private sector, its foundation is steeped in public sector innovation. Israel has dealt, and continues to deal, with high uncertainty and constant change. In its relatively short history, Israel has not only had to quickly develop as a country, but adapt and react to challenges like mass immigration, and the ever-changing geopolitical context.

In fact, much of the innovation in Israel's private sector is due to the contributions of the public sector. Whether through elite military units that train innovators during military service or the history of innovation funds for start-ups through the Office of the Chief Scientist (now known as the Israel Innovation Authority), Israel's public sector has been recognised as a breeding ground for innovation[10]. Within the public sector, innovation may not be occurring at the levels necessary or expected, but examples did present themselves during mission interviews. These examples were diverse, but reflected a system where innovation activity was primarily focused at the organisational and individual level, with few systemic approaches:

- Enhancing social development in East Jerusalem – Many interviews cited the government's first large-scale grant to support East Jerusalem with an over €500 million investment. This fund is seeing stronger collaboration between the Municipality of Jerusalem, the national government, the private sector, and the third sector. While a fund does not necessarily imply innovation, it is the first time such a mechanism was used in East Jerusalem and has the potential to lead to even more innovation to improve the quality of life in East Jerusalem.

- Development and testing of innovative social programs by the Joint Distribution Committee – These programmes are created through a partnership between government and the JDC and use a design methodology (called "DNA") to test and design new social programmes.

- Using innovation to develop a cross-cutting approach to health – Overall, the Health Ministry seemed to be actively promoting and seeking innovation from all levels of the organisation. Taking a holistic approach to "health" is opening doors to explore new possibilities.

- Improving access to social benefits in B'nai Brach, the largest ultra-orthodox community in Israel – The local government of B'nai Brach faces a difficult task of supporting a community that lacks digital interest in a country where digital is a defining characteristic.

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[7] https://read.oecd-ilibrary.org/economics/oecd-economic-surveys-israel-2018_eco_surveys-isr-2018-en
[8] From OECD interviews during mission
[9] http://reports.weforum.org/global-competitiveness-report-2015-2016/competitiveness-rankings/
[10] http://oecdobserver.org/news/fullstory.php/aid/3546/Start-up_nation:_An_innovation_story.html

The government is bringing new solutions to the community to ensure its members receive the proper social services and benefits.

- Increasing citizen-centricity through approachable language – Kol Zchut is a non-profit website that attempts to simplify and clearly explain the necessary process, rules, and laws around the most common life events in Israel. Various government agencies started to realise the popularity of the website and started to engage with Kol Zchut to ensure their information was accurate and updated. Two years ago, they signed formal partnerships with the Justice Ministry, Social Equality Ministry, and Joint Distribution Committee. Now, governments encourage citizens to check the website for the most updated and accurate information.

Potential gaps in the innovation system

While innovation is clearly occurring in the Israeli public sector, interviews conducted by the OPSI team indicated that the level of innovation seems unlikely to be sufficient to meet many of the social challenges today or in the future. Examples of cross-ministry or government-industry (or third sector) sector collaboration to solve complex problems were rarely identified or put forward by interviewees. Given the limited scope of the interviews, OPSI was unable to determine the issues within the system that are discouraging or blocking the horizontal work necessary to tackle complexity, but this could be something to explore in more extended and in-depth activities with the Israeli government.

Using the determinants model, OPSI has started to identify potential gaps in the public sector innovation system of Israel. To reiterate, these are initial observations that would require more research to unpack and to explore their implications.

Clarity - Reason for innovation

Overall, interviews pointed to a lack of collective understanding of what innovation is and how it can be utilised in the public sector. When OPSI asked how individuals defined innovation, it ranged from small, iterative changes to transformative change where the idea or solution was new to the world. Because of this, there was a large discrepancy in opinions if the Israeli public sector was even innovative. There was no clear or shared understanding of what innovation is, when to use it, and what approaches are appropriate. In some cases, there even seemed to be a reluctance to use the word innovation, which can make it difficult to make the necessary space, create a strong practice, and improve.

One reason for the fragmented understanding of innovation could be the lack of a clear stewardship for the public sector innovation system. The interviews provided no clear view on the exact role government actors played in the system. The interview with the Prime Minister's Office revealed a formal responsibility for public sector issues, but it seems the role of the Prime Minister's office in relation to innovation, is limited to specific and targeted initiatives such as hiring programmes that provide new opportunities to recruit individuals with innovative capabilities. Without system leadership, the responsibility of leading innovation falls to organisations (sometimes occurring – like the Ministry of Health) or to individuals (most often). Innovation activities framed by individuals and organisations can help solve specific problems within their remit. While this can create immediate impact within a specific programme, this approach can rarely solve systemic issues that challenge government and society.

Innovation leadership issues also arose during a self-assessment exercise conducted with many social sector government leaders. Using the Innovation Matrix (Kastelle),

participants indicated that leadership commitment varied dramatically between leaders and organisations while skills and competencies for innovation are limited.

Kastelle Model from OPSI-Israeli public sector innovation workshop
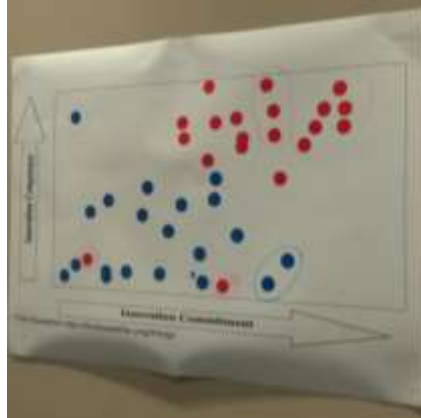
In the picture above, workshop participants were asked to label their organisation along two axis – Innovation Commitment (horizontal) and Innovation Competency (vertical). The blue dot represents the "as-is" and the red dot is where individuals think their organisation should be. Reflecting on the results, there was a clear understanding that the current innovation competence is somewhat limited, but that there is high variability regarding commitment.

Interestingly, because of Israel's strong ties to the high-tech industry, most conversations about innovation revealed a bias towards digital solutions regardless of the identified problem. Framing solutions in terms of digital can be reductive as it narrows exploration of other possible tools and methods (e.g. process and behavioural change).

Regarding the public sector digital agenda, there seems to be some overlap of roles and competition among organisations. While Digital Israel and the ICT Authority have clear mandates and missions regarding digital innovation, both view themselves as the stewards of digital innovation. As these organisations are due to merge in the near future, there is an opportunity to have a strong and clear message for digital innovation.

Clarity-related questions and areas for further study:

- Narrative – The story and narrative for innovation in the public sector was unclear. Is there a narrative regarding innovation? And if so, what does it say about who should be innovating? Why? When? And how?

- Stewardship – Is there a steward currently responsible for the innovation system in Israel? If not, what would that look like and how would it improve the system?

- What does innovative commitment look like in Israel? What does support look like for innovation at an organisational and system level?

- Is there a clear link between innovation and government priorities?

- How does the digital priority affect how innovation is understood in the system?

Parity – Possibility to Innovate

There seems to be a continuous exploration of new ideas in the Israeli public sector, but little evidence of tackling complex and systemic issues emerged during the discussions. One individual summed up the programme based approach as:

> *"We have over 200 programmes a year and are barely moving the needle on major issues."*

The system appears to provide paths to exploring new ideas, but it is highly variable and opportunities do not appear to be evenly distributed across the public sector. Additionally, the ease by which new programmes can be created appears to have created its own unique challenges.

While many public servants in OECD countries perceive the lack of funding to try new things as an obstacle, this was not a major challenge cited during interviews. One reason may be the position of JDC as a partner in implementing social innovation. The JDC holds a unique place in the social innovation system in Israel. It is a non-profit that acts as a public sector sandbox for new programmes and innovation. The JDC has its own independent funding and special partnership rules with the government - the government and JDC jointly decide on projects and funding decisions without going through traditional procurement. This model can help government be stronger stewards of taxpayer monies by using JDC, and its independent funds, to test new programmes and ensure they are effective before the government takes them over.

 JDC applies its own "DNA" design methodology for social innovation projects with the government. These projects are co-designed and co-created with ministries with the intention, if the programme is successful, of the government taking ownership of the project as the final part of the process. Interviews of JDC and the government suggest that the transfer of project ownership to the relevant ministries after an initial incubation period was limited, resulting in the projects remaining limited in scale. The lack of project transfer can also have downstream effects. For instance, JDC staff discussed their capacity constraints for new programmes and how promising programmes may need to be stopped to make space for new opportunities. Further investigation will be required to assess the factors playing a role in limiting project transfer and its effect on the social innovation system, but initial interviews indicate a combination of time, money, people, or skills as intervening factors.

Within government, the centralised budgeting system creates opportunities for new ideas to be tested. Government officials discussed the budgeting system that allows for the Ministry of Finance to fund new and innovative programmes. While the budget system needs to be explored more closely, the other general impression from interviews was about the relative discretionary power that the budget analysts from the Ministry of Finance enjoy in resource allocation to innovative projects. If the budget analyst responsible for a ministry's budget has a high level of trust in the ministry leadership and believes in innovation, it seems relatively easy to fund new initiatives and programmes. Conversely, if there is a lack of trust between the analyst and the ministry, or the budget analyst does not believe in innovation, then doing new things will be a challenge and the flexibilities within the system will not be available to the ministry.

Parity is not just about the new, but also about being explicit about when to continue and grow a programme, or conversely, when to stop an ineffective programme. There must be clear drivers and structural forces for these explicit conversations about programmes to decide what to continue and when to stop. It is unclear what the specific drivers and

structural forces are in the Israeli public sector. While the creation of new programmes was cited often, interviewees could not recall programmes that were successfully shut down. Combining these two conditions - the ease to create new programmes with the lack of shutting down ineffective programmes – interviews cited human capital capacity issues as a key structural challenge moving forward.

The lack of actionable data was a factor that was frequently mentioned by public servants to help solve the problem of continuing ineffective programmes. Based on the frequency of which this issue was brought up, it appears the demand for data-driven decisions is gaining momentum, but it was also seen as "the solution" for much of what ails the public sector. While data can support better decisions, it does not fix culture, leadership, or other systemic issues. There is no "one solution" for government problems and Israel should approach data as an opportunity and tool, but not as the only solution.

Finally, the conversations around risk seemed underdeveloped, especially how to properly discuss the "the risk of not doing anything vs. the risk of doing something new." Since new programmes seem relatively easy to create without having to stop something else, these conversations may not be prevalent. The risk conversation was more prevalent when discussing shutting down programmes (and how that could affect citizens using the programmes).

Parity-related questions and areas for further study

- Structural Forces – With future challenges somewhat well-defined, what structural drivers can be leveraged to push innovation before challenges become crises?

- Budgeting – How does Israel's budgeting process and execution affect innovation at a system level?

- Data-driven public sector – With data becoming an ever-increasing priority, how can it be used to create a stronger understanding for what works?

- Risk – How does Israeli currently view the risk of the status quo vs. the risk of something new?

Suitability – Capability to innovate

Suitability is about having the knowledge, skill, experience, infrastructure, and mechanisms to innovate. Governments must collectively be fostering a public sector that is fluent and capable across a spectrum of tools and methods so that governments can apply the appropriate tool or methodology at the right time.

While public sector systems and organisations seem to build support for innovation by using a specific methodology to frame innovation and get public servants familiar with new ways of working, interviews did not reveal a dominant methodology across the Israeli public sector. Innovation was framed as an unclear and limited concept focused on generating new ideas. Conversations rarely discussed innovation as a discipline with defined methods and mindsets. The only evidence of innovation methodologies witnessed was the digital organisations and JDC (design methodology). This is not to say that other methods and mindsets do not exist in the Israeli public sector, and further exploration would be required to fully understand the tools currently available and being used by public sector innovators in Israel.

Additionally, digital work is occurring across ministries. Digitisation was consistently mentioned, but many of the conversations were focused on digitising current, in-person

services. There was limited discussion about new business models and methodologies that reflect the more digital world and that can be used to increase public value.

During the innovation workshop at the JDC, this gap between improving the status quo and exploring new models and methodologies was further reinforced. By asking participants to create a list of current public sector innovative projects and place them on OPSI's innovation facet model, almost all innovations were "enhancement" (improving the as-is) and adaptive (bottom-up reacting to a changing reality) innovations. There were few mission (ambitious and cross-cutting) and anticipatory (making sense of the unknown, like AI) innovations.

One of the reasons countries may lack certain types of innovation is a limited skills capacity. Without building ample capacity for all innovation types, innovation will always be limited. Governments, including Israel, are developing programmes to increase capacity and it appears to show some early returns.

JDC Elka Institute for Leadership and Governance partners with the government to develop solutions to systemic challenges which limit the ability to provide effective and efficient social service. For example, interviews reflected leadership programmes, like the JDC Leadership and Digital Leaders programmes, have helped leaders better drive innovation in their organisations. OPSI research has found that leaders often affect the level of innovation within a team or organisation and improving leadership's capacity to lead innovation can help create space for more innovation to occur. B'nai Brach was an example of taking digital mindsets to drive change in a difficult environment.

While there are programmes focused on improving the capacity for innovative leadership, public servants also need to have the capabilities necessary to execute innovation. Along those lines, OPSI learned about hiring programmes similar to the United States Presidential Innovation Fellows (PIF) that are being developed to make the public sector more enticing to innovators in the private sector as well as shrink the skills gaps in government.

Suitability-related questions and areas for further study

- Digital Innovation - Is digital innovation focused only on digitisation, or is it opening conversations, reflections, and sharing for how digital can challenge business models, norms, and methodologies?

- Learning Culture - Does the Israeli innovation system ensure there is a learning culture which makes space for learning and testing new tools and methods in the public sector?

- Innovative Leadership - What is expected of leaders in Israel in regards to supporting innovation and exploring complex challenges and new solutions?

- Building capacity - There are many initiatives to help train and recruit individuals with innovative skills. Are these self-reinforcing? Or duplicative? Are there any gaps? Is it at the level necessary to drive long-term change across the Israeli public sector?

Normality – Experience innovating

There are generally two broad versions of how the overall public sector internalises the innovator's journey in the public sector:

- The public sector sees how innovation successes are celebrated. Leaders encourage and reward innovation. In this instance, the system and its leaders challenge public servants to be innovative and challenge the norm. There are celebrations for innovations, awards, and often promotions.

- The public sector sees how the system reacts when innovation fails. Once innovation fails, leaders verbally encourage innovation while discouraging new ideas and limiting their personal ties to the failed idea. In this case, leaders abandon their support for the project, the media gets involved, and people are punished.

In today's public service, both of these journeys can be true in the same system. Often, governments work to improve the first journey. They focus on incentives for innovating without addressing the dis-incentives that exist in the system. OPSI has observed that public servants are more fearful of punishment than motivated by the reward.

This determinant is the hardest to unearth in a short-term engagement. Interviews revealed a rules-based culture where trying new things, outside of creating new programmes, was considered a risk that most seemed unwilling to take. Many interviews cited the Remedia Scandal as an example of repercussions for not doing exactly what was in the law. Other interviews discussed having formal interviews with the police regarding a co-worker's wrongdoings during their career.

There was also a lack of any strong recognition about innovation during the mission. There was no mention of awards or celebrations. This does not mean they do not exist, but it is telling that they did not come up during the discussions. This could stem from the lack of data and understanding success. The public sector may not have a good model for what innovation success looks like, which ends up with scattered innovation efforts through new programmes without understanding impact.

Normality-related questions and areas for further study

- Absorptive Capacity – If Israel's social sector is outsourcing a lot of experimentation and learning to JDC, how are those lessons fed back and made meaningful within government? Feedback loops and learning journeys are critical to the development of innovation within government.

- Practice – How is the practice of innovation developing within government?

- Connected Ecosystem – How can the public sector more systematically learn and engage with the innovation and work of the private and third sector?

- Are there dominant experiences which shape how public servants view and understand innovation?

- What are the behaviours that are being encouraged, reinforced, and discouraged in the system and how does that relate to the level and types of innovation?

Opportunities for further engagement with OPSI

Since the mission, Israeli government and JDC's engagement with OPSI has intensified showing potential for further collaboration. In the first two months after the mission:

- OPSI held a lecture for the London School of Economics and JDC leadership programme in Paris for Israeli public servants

- Provided guidance to the Israel government on their unique hiring programmes that are modelled after the Presidential Innovation Fellows (PIF) in the USA and the Government Digital Services (GDS) in the UK

- Connected individuals working on indigenous communities with individuals tackling similar issues in other countries

- Introduced JDC to the innovation units in Finland to help JDC improve their work

- Reviewing and advising the Civil Service Commission on their R&D Strategy

Reflecting on the mission, interviews, as well as the Israeli government and JDC's ambition and interest, OPSI has identified a set of possible activities which could provide optimal value to the to both the Israel Government and JDC. These activities include:

- Become part of the community –Contribute to OPSI international database of case studies and share its innovation cases and practices.

- Participate in global events and expert discussion on public sector innovation - including through dedicated OECD networks such as the Network of National Contact Points.

- Increasing capacity to master innovation processes – participating in workshops to increase civil servants' ability to understand and apply an action-focused system thinking approach to complex challenges. These programmes have a central challenge or mission and focuses on understanding the system and developing solutions.

- Support leadership to engage with innovation – building tailored training modules on innovation skills, systems thinking, mission-oriented innovation, and innovation facets. These modules and trainings bring a broad and unique perspective as well as international best practices.

Annex A: Organisations Interviewed

Organisations Interviewed

OPSI attempted to get the most comprehensive view of the system during the mission. As such, OPSI interviewed representatives from:

- The Prime Minister's Office
- The National Economic Council
- Ministry of Finance
- Government ICT Authority
- Health Ministry
- Israeli Governmental Procurement Administration
- Digital Israel
- Ministry of Social Equality
- Ministry of Justice
- Ministry of Interior
- Ministry of Welfare
- Ministry of Education
- Municipality of Jerusalem
- Municipality of Tel Aviv-Jaffa
- Bnei-Brak Municipality
- Civil Society organisations
- 3rd Sector organisations working with government
- Technology industry
- Joint Distribution Committee Institute for Leadership and Governance