



State Comptroller
of Israel

The Socio-Economic Cabinet: during and Prior to the Swords of Iron War

▪ November 2025 ▪



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Background

1. The Swords of Iron War posed complex and, in some cases, unprecedented challenges for Israeli society and the economy. On 15 October 2023, shortly after the outbreak of the Swords of Iron War, the government decided to authorize the Ministerial Committee on Social and Economic Affairs (the Socio-Economic Cabinet, or "the Cabinet") to handle all civilian aspects related to managing the war effort. Within this framework, the Cabinet was tasked, among other things, with ensuring civilian functional continuity – including in the areas of education, health, welfare, and food security; addressing the economic needs of business owners and employees; and coordinating the handling of hundreds of thousands of residents who were evacuated or displaced from their homes – all during a period in which Israeli society and the economy were in a deep and widespread crisis, reflected, among other indicators, in the downgrade of Israel's credit rating.
2. In times of emergency, the Socio-Economic Cabinet addresses both routine matters and the long-term challenges facing the State of Israel in the social and economic spheres, some of which stem from the country's unique characteristics: a complex geopolitical environment, its nature as an export-oriented "island economy," distinctive demographic features, and economic inequality.
3. The government, in its full composition, is not able to deal with the hundreds and thousands of matters requiring decisions; therefore, under the Basic Law: The Government, it is authorized to act through ministerial committees as well. Accordingly, over the years, Israeli governments have established a Socio-Economic Cabinet at the beginning of their term of office. Prior to the outbreak of the war, the 36th and 37th governments authorized the Cabinet to deal with the following matters: (a) social and economic issues; (b) matters concerning national projects; (c) issues related to economy and wages¹; (d) approval of framework principles between government ministries and government companies²; and (e) issues relating to the state budget.
4. One of the fundamental principles of government work is that of collective responsibility. By virtue of this principle, every member of the government is a full partner in the government's decisions, including those decisions it refrains from making. This principle also applies to ministerial committees.

¹ Including decisions on matters entrusted to the government under the Civil Service (Pensions) Law [Consolidated Version], 5730-1970.

² In accordance with the Mandatory Tenders Regulations, 5753-1993.

5. Representatives of two bodies that serve as economic advisors to the government – the Bank of Israel and the National Economic Council in the Prime Minister's Office (PMO) – are regularly invited to the meetings of the Socio-Economic Cabinet. These bodies are available to the Cabinet as professional advisors, in order to advance policy and enable informed and well-founded decision-making in its areas of activity.
6. The 36th government served from June 2021 until the end of December 2022. In this government, Minister of Finance Avigdor Lieberman served as Chair of the Cabinet, and its members were Ministers Ze'ev Elkin, Tamar Zandberg, Orna Barbivai, Ayelet Shaked, Meir Cohen, Matan Kahana, Merav Michaeli, Yoaz Hendel, and Hili Tropper. The 37th government has been serving since the end of December 2022. In this government, Prime Minister Benjamin Netanyahu serves as Chair of the Cabinet, and Minister of Finance Bezalel Smotrich serves as his deputy. Upon the outbreak of the Swords of Iron War, the government decided that the Minister of Finance would conduct the Cabinet's meetings in practice and hold all powers vested in the Chair of the Cabinet (without detracting from the Chair's authority when he participates in meetings). The members of the Cabinet are Ministers Yitzhak Goldknopf, Nir Barkat, Yoav Ben-Tzur, Miri Regev, Israel Katz, Yitzhak Wasserlauf, Haim Katz, Ofir Akunis (until March 2024), Idit Silman, Avi Dichter, Miki Zohar, Shlomo Karhi, and Moshe Arbel (since April 2023). Following the outbreak of the Swords of Iron War, the following ministers were added to the Cabinet: Gideon Sa'ar (until March 2024), Hili Tropper (until June 2024), Yoav Kisch, Uriel Buso, and Ya'akov Margi.

Key Figures

A 90% decrease

in the average annual number of decisions made by the Socio-Economic Cabinet – from 52 decisions per year under the 30th government (2003–2006) to approximately 5 annual decisions only under the 37th government (serving from the end of December 2022 until the outbreak of the war)

1 Discussion

held by the Socio-Economic Cabinet during the first nine months of the 37th government, up to the outbreak of the Swords of Iron War. During the term of office of the 36th government, the Cabinet held only six discussions over approximately a year and a half until the end of its term of office

18 Decisions

Up to the outbreak of the war, the Socio-Economic Cabinet adopted 18 decisions during the terms of office of the 36th and 37th governments. Of these, 17 decisions (about 94%) were specific decisions concerning actions required by law, and only one decision (during the 36th government) – an initiative to advance policy

Only 2

out of 5 core economic topics examined (labor productivity, preparedness for population aging, credit rating, cost of living, and economic preparedness for emergencies) were discussed in the Cabinet during the 36th government, with no decisions made regarding them. During the 37th government, the Cabinet did not discuss these topics at all. However, a ministerial committee for combating the cost of living was established

Approx. 12 Months

The period (from December 2023 to December 2024) during which the Socio-Economic Cabinet – authorized by the government to handle all civilian aspects of the war – did not convene and did not make decisions concerning the war

Only 2.5 Months

The period in which the Civilian Command and Control Center (MASHLAT), established by the government to coordinate the Cabinet's wartime work, operated (from Nov. 2023 to end of Jan. 2024). After the head of MASHLAT completed his term of office in January 2024, no replacement director was appointed

Only 4 Decisions

made by the Socio-Economic Cabinet during approx. one year from the outbreak of the war, while acting within its mandate to manage the civilian aspects of the war effort

Approx. NIS 8.9 billion

The budget allocated by the government for 2023 at the end of December 2023 to finance civilian wartime needs, which the Cabinet had been authorized to oversee. However, major needs under the Cabinet's responsibility remained unresolved for an extended period, including handling of the northern communities and the shortage of workers in the economy

Audit Actions




From January to June 2024, the State Comptroller conducted an audit on the Socio-Economic Cabinet during the war and the period preceding it. As part of the audit, the following were examined:

1. The work of the Cabinet prior to the outbreak of the war.
2. The functioning of the Cabinet during the war.


The audit was conducted primarily at the Prime Minister's Office, including the Government Secretariat and the National Economic Council. Supplementary examinations were carried out at the Ministry of Finance, the Ministry of Economy and Industry (the Ministry of Economy), and the Bank of Israel.

Key Findings

The Work of the Socio-Economic Cabinet Prior to the Outbreak of the War

 **Sharp Decline in the Number of Decisions Reached by the Socio-Economic Cabinet over 20 Years** – Between the term of office of the 30th government (2003–2006) and that of the 37th government up to the outbreak of the war (December 2022–October 2023), the average annual number of decisions made by the Socio-Economic Cabinet decreased by approximately 90% – from 52 to 5.1 decisions per year. These data lead to the conclusion that the activity of the Socio-Economic Cabinet, as the government's extended arm for handling social and economic matters, has been significantly reduced over two decades. As a result, for years, the Cabinet's potential as the senior governmental forum for conducting review and decision-making processes on issues that fall under the responsibility of multiple ministries in the socio-economic sphere has not materialized. The data are as follows:

The average annual number of decisions of the Socio-Economic Cabinet during the 30th–32nd governments (2003–2013) ranged from 46.7 to 58.3; during the 33rd and 34th governments (2013–2020), the number declined to 20.5 and 18.6, respectively; under the 35th and 36th governments (2020–2022), it fell further to 6.4 and 8.9, respectively; during the 37th government (2023) – over about nine months until the outbreak of the war – the Cabinet made four decisions, equivalent to 5.1 decisions on an annual basis.

 **Increase in the Percentage of Cabinet Decisions Made Without Discussion** – The audit found a sharp upward trend – of several dozen percentage points – in the number of decisions made by the Socio-Economic Cabinet without discussion. The data are as follows:

In the 30th, 31st, and 32nd governments (2003–2013), the proportion of Cabinet decisions made without discussion ranged from 8% to 12% of all decisions adopted by the Socio-Economic Cabinet. In the 33rd and 34th governments, this proportion rose to 42% and 39%, respectively; and in the 35th government – to 100%. In the 36th government, which adopted 14 decisions, 50% of the decisions were made without discussion; and during the 37th government, over about nine months until the outbreak of the Swords of Iron War, four decisions were adopted, one of them (25%) without discussion.

According to the Guideline of the Attorney General's Office to the Government Secretariat, Cabinet decisions that are not urgent and are adopted without a meeting may generally address matters that are not fundamental or substantive. The audit found that, in addition to the sharp decline in the number of decisions made by the Socio-Economic Cabinet over two decades – from the 30th to the 37th governments, up to the outbreak of the war – the percentage of decisions made without discussion increased, and in the 35th government, all decisions were made without discussion. This reflects a dramatic erosion in the decision-making activity of the Socio-Economic Cabinets over the years – both in the number of decisions made and in the manner in which they were adopted. When a Cabinet frequently adopts decisions without discussion, the opportunity to examine fundamental and substantive issues in depth is reduced, and decisions are less likely to be based on a range of views and opinions, including those of professionals from the relevant field.



Partial Participation of Socio-Economic Cabinet Members in Discussions – The audit found that the participation of ministers in the meetings of the Socio-Economic Cabinet during the 36th and 37th governments was partial, and in some cases limited. During the term of office of the 36th government, the Chair of the Cabinet participated in all six meetings held by the Cabinet over its year and a half in office. However, most Cabinet members (nine out of ten) took part in only one or two of those six meetings. During the 37th government, in the single meeting held by the Cabinet over the nine months between the formation of the government and the outbreak of the Swords of Iron War, eight out of fifteen members (53.3%) attended. The Prime Minister, who served as Chair of the Cabinet, did not attend that meeting. From the outbreak of the war until the end of 2023, the Cabinet held five meetings. Seven of the nineteen members participated in all five (36.8% of the Cabinet members). The partial participation of the members of the Socio-Economic Cabinet in the few meetings held during the terms of office of the 36th and 37th governments is inconsistent with their collective responsibility for the Cabinet's work and its decisions.



Number of Outputs of the Socio-Economic Cabinet's Work under the 36th and 37th Governments – The State Comptroller found a trend of few decisions made by the Socio-Economic Cabinet in social and economic matters. During the term of office of the 36th government, the Cabinet adopted four decisions in these areas, and during the 37th government none at all; in matters relating to national projects, the Cabinet adopted two decisions in each of the two periods; in matters of economy and wages, the Cabinet adopted two decisions during the 36th government and none during the 37th; in matters concerning the approval of framework principles between government ministries and government companies, the Cabinet adopted six decisions during the 36th government and two during the 37th; with regard to the state budget, the Cabinet did not adopt any decisions in either period.

The audit further found that the vast majority of the Cabinet's decisions were made in response to a specific legal requirement (i.e. matters which, by law, require the approval or decision of a ministerial committee, such as approving the framework principles of an agreement between the state and a particular company, or updating the composition of a government company's board of directors) rather than as initiatives to advance policy in social and economic fields. During the terms of office of the 36th and 37th governments, up to the outbreak of the war, the Cabinet made 18 decisions in total, of which 17 stemmed from specific legal requirements, and only one (made by the 36th government, concerning the establishment of a new hospital in Be'er Sheva) represented an initiative to promote government policy in the socio-economic sphere.



The Cabinet's Avoidance of Dealing with Economic Preparedness for Emergencies – The State of Israel has been in a continuous state of emergency since its establishment, facing ever-renewed threats from its enemies, both near and far. The audit's findings in this regard are as follows:

Program for the Distribution of Financial Grants to a Broad Population in Times of Crisis – As early as 2021, the State Comptroller recommended a joint initiative involving several government bodies – the Ministry of Finance, the Bank of Israel, and the National Economic Council – to analyze the outcomes of the one-time grant programs for residents implemented during the COVID-19 crisis and to formulate a preliminary framework for a grant program to be applied in times of crisis. The Comptroller also recommended that the government discuss the lessons learned from these programs and consider establishing rules for implementing large-scale grant schemes for the public in times of crisis. It was found that during the tenure of the 36th government (from May 2021) and that of the 37th government (from the end of December 2022 until the outbreak of the war), the government did not adopt decisions regarding past grant programs or the lessons learned from them, nor did it formulate rules for implementing grant programs for the wider public during crises. The Socio-Economic Cabinet, which had been authorized by the government to deal, *inter alia*, with social and economic issues and with matters of economy and wages, likewise did not address grant-distribution programs in times of crisis, did not analyze lessons from previous programs, and did not formulate rules for their implementation during crises. The audit also found that the Ministry of Finance and the National Economic Council did not report to the State Comptroller's Office on the correction of deficiencies in this matter, as required by the State Comptroller Law.

Review of the Unpaid Leave Model for Employees During Emergencies – As early as 2021, the State Comptroller recommended a joint effort among several public bodies – the Ministry of Finance, the Bank of Israel, and the National Insurance Institute – to examine the unpaid leave (furlough) policy implemented in Israel during the COVID-19 crisis against alternative programs adopted in other countries, with the aim of identifying the model most suitable for the Israeli economy. That same year, the Bank of Israel also recommended building the infrastructure for implementing a range of

targeted support tools to assist and sustain employee income and thus expand the options available to the government for managing labor-market crises. Although a joint effort was required, it was found that during the tenure of the 36th government (from May 2021) and the 37th government (from the end of December 2022 until the outbreak of the war), the government did not adopt decisions on this matter. Likewise, the Socio-Economic Cabinet, which had been authorized by the government to deal, *inter alia*, with social and economic issues and with matters of economy and wages, did not adopt decisions regarding the unpaid-leave model in times of crisis, nor did it address alternative approaches for managing labor-market crises. The audit further found that the Ministry of Finance did not report to the State Comptroller's Office on the correction of deficiencies in this regard, as required by law.

Framework for Business Assistance During Emergencies – In light of the difficulties encountered in formulating and implementing policy during the COVID-19 crisis, as early as 2021, the Bank of Israel, recommended developing safety-net mechanisms to support businesses in times of emergency. It was found that during the tenure of the 36th government (from May 2021) and the 37th government (from the end of December 2022 until the outbreak of the war), no such mechanisms were developed or agreed upon. The government, for its part, did not adopt a decision on this matter, nor did it instruct that such mechanisms be formulated for approval. Likewise, the Socio-Economic Cabinet, which had been authorized by the government to deal, *inter alia*, with social and economic issues and with matters of economy and wages, did not address the formulation of an assistance policy for businesses during emergencies, after the need for such policy arose.

It should be noted that only during the Swords of Iron War (in 2024) did the Ministry of Finance undertake emergency-preparedness actions in the economic sphere, looking ahead to a possible northern scenario and drawing lessons from the response to both the COVID-19 crisis and the first months of the Swords of Iron War.



Limited Engagement of the Cabinet with Core Social and Economic Issues – Despite the very broad authority granted to the Socio-Economic Cabinet to address "social and economic issues," and although it has at its disposal professional advisers – experts in its fields of responsibility who regularly participate in its discussions, namely the Bank of Israel and the National Economic Council – the Cabinet's avoidance of promoting inter-ministerial government policy in the social and economic spheres stands out. Accordingly, the Cabinet refrained from addressing core issues in the social and economic fields: labor productivity in Israel, which the Bank of Israel has defined as a strategic economic issue; preparation for population aging, which the National Economic Council has defined as a strategic issue; macroeconomic issues and Israel's credit rating, a matter under the purview of the Accountant General, and in particular, the Bank of Israel's warning from April 2023 and the warnings issued by international financial institutions between April and July 2023, concerning risks

to the stability of Israel's economy and its credit rating stemming, among other things, from legislation relating to the legal system and challenges arising from global economic conditions. This issue was considered significant by the Prime Minister, the Minister of Finance, the Governor of the Bank of Israel, the Accountant General, the Budget Director, and other officials in the Ministry of Finance. The Cabinet also refrained from addressing the cost of living, a matter which it discussed during the 36th government but on which it adopted no decisions; during the 37th government, the Cabinet did not discuss the issue at all, although that government did establish the Ministerial Committee to Combat the Cost of Living. In both periods, no comprehensive government policy was established on this issue.

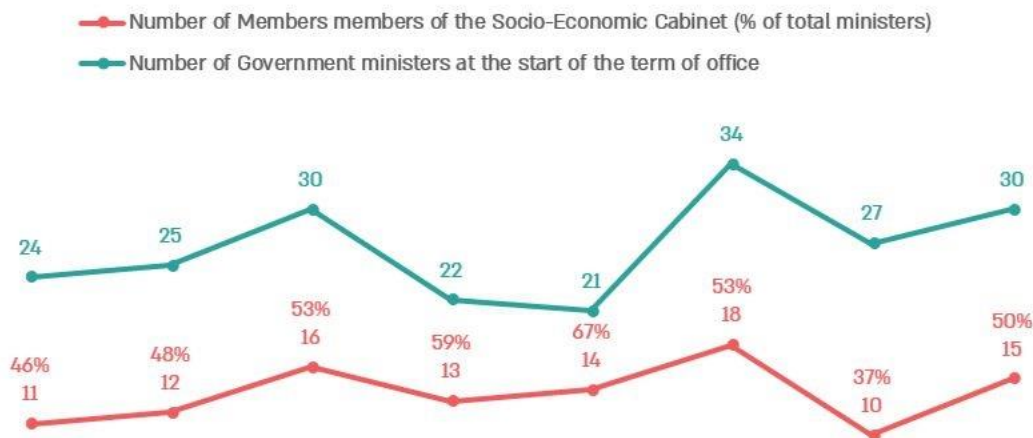
Dealing with core socio-economic issues requires close cooperation among various government ministries, as well as the formulation of government policy and inter-ministerial objectives. Accordingly, such matters necessitate the adoption of government or ministerial committee decisions in the socio-economic sphere. The limited activity of the Socio-Economic Cabinet, and its avoidance of addressing strategic issues within its areas of responsibility, are inconsistent with the broad powers granted to it and its potential as a central forum for promoting government policy in socio-economic matters. It would have been expected that the chairs of the Cabinet in the 36th and 37th governments – the Minister of Finance in the 36th government, Avigdor Lieberman, and the Prime Minister in the 37th government, Benjamin Netanyahu – would act within their authority to convene the Cabinet and set the agenda for its discussions in a way that would ensure the Cabinet met more regularly and addressed the key substantive and strategic issues on the government's agenda.

Number of Decisions Adopted by the Socio-Economic Cabinet and the Average Annual Number of Decisions, by Governments, 2003–2023 (until the Outbreak of the Swords of Iron War)



According to the protocols of the Socio-Economic Cabinet's discussions, processed by the State Comptroller's Office.

Number of Government Ministers and Number of Members of the Socio-Economic Cabinet, by Governments, 2003–2023



30th Gov't	31th Gov't	32th Gov't	33th Gov't	34th Gov't	35th Gov't	36th Gov't	37th Gov't
2003-2006	2006-2009	2009-2013	2013-2015	2015-2020	2020-2021	2021-2022	2022-

According to the protocols of the Socio-Economic Cabinet's discussions, processed by the State Comptroller's Office.

Core Economic Issues and Data on the Socio-Economic Cabinet's Engagement with Them, During the Tenure of the 36th and 37th Governments, Until the Outbreak of the Swords of Iron War

Core Economic Issue	Body that Defined the Issue as Central in the Economic Field	Cabinet Engagement – 36th Government (June 2021–Dec 2022)	Cabinet Engagement – 37th Government (Jan 2023–Oct 7, 2023)
Labor productivity in Israel	Bank of Israel	☑	×
Preparedness for population aging	National Economic Council	×	×
Israel's credit rating	Bank of Israel	×	×
Cost of living*	Bank of Israel	☑	×
Economic preparedness for emergencies	Bank of Israel	×	×

According to data from the Bank of Israel and the National Economic Council, processed by the State Comptroller's Office.

* On 4 June 2023, the 37th government established the Ministerial Committee to Combat the Cost of Living.

The Functioning of the Socio-Economic Cabinet During the War



The Cabinet's Limited Activity During the War

- The Cabinet's meetings were exceptionally few, and it ceased convening altogether in December 2023. The audit found that from the outbreak of the war until 10 December 2023, the Cabinet convened only five times, and for more than a year thereafter, until the end of December 2024, it did not convene at all. This occurred despite the great importance of holding regular Cabinet meetings, without which the Cabinet cannot fulfill its role as the governmental body in charge of managing all civilian aspects of the war effort, as was emphasized by both the Prime Minister and the acting Chair of the Cabinet during the war – the Minister of Finance.
- Substantively, the Cabinet's activity was minimal and limited – The Cabinet adopted only four decisions within its role and authority to address the civilian aspects of managing the war effort – one broad decision regarding the establishment of the Tekuma Directorate, and three specific decisions on the following matters: a property tax (Arnona) reduction for residents of evacuated communities and for those recognized as abducted or missing persons; the entry of Arab workers from Judea and Samaria – formulation of an economic recommendation to the Political-Security Cabinet; and the harmonization of criteria for the entry of Arab workers from Judea and Samaria and the examination of the integration of advanced construction methods in Israel. All four of these decisions were made following Cabinet discussions. An additional four decisions were adopted without discussion, all on specific issues unrelated to the war (for example, granting approval for a certain government company to establish a subsidiary in Germany, and approving the principles of a framework agreement between the Ministry of Education and the Community Centers Company (Hevrat HaMatnasim) for the operation of the "Culture Basket" program). In three areas that the Cabinet was authorized to address during the war, it did not adopt any decisions: providing economic assistance to businesses and workers; coordinating civilian initiatives and their connection to the government; and awareness-raising and liaison regarding the government's civilian actions. In addition, the Cabinet did not establish an inner socio-economic cabinet, as required by the government's decision.
- The Cabinet's minimal and limited activity had various effects on the government's response to the wide range of civilian needs, which increased as the war continued. In this regard, two main impacts can be identified: first, no necessary decision-making processes took place in proximity to the emergence of new needs; and second, most of the response efforts were carried out in a decentralized manner by the government ministries, without leadership by the Cabinet and without its monitoring or oversight of how the various needs were being addressed.



Establishment of an Executive Arm for the Socio-Economic Cabinet and the End of Its Activity

- The audit found that the mechanism established by the government on 15 October 2023 for the operation of the Socio-Economic Cabinet during the war – according to which the Cabinet's work was to be coordinated by the Director General of the Prime Minister's Office, in coordination with the Director General of the Ministry of Finance, with the Forum of Directors General of Government Ministries serving as its executive arm – was ultimately not implemented. Consequently, the work model designed by the Director General of the Prime Minister's Office to regulate the implementation of the government's decision was not adopted.
- The audit further found that the government's attempt, after the outbreak of the war, to establish a civilian command and control center (MASHLAT) headed by a project director – designed to coordinate the Cabinet's work, ensure functional continuity, and address home front needs during the war – failed. The Minister of Finance, who had been authorized to chair the Cabinet, set its agenda, and manage its discussions for decision-making purposes, including the establishment of the unsuccessful civilian MASHLAT, failed to exercise these powers. The Minister of Finance referred to these audit findings in his response to another report³, stating that the failure to establish the MASHLAT and the limited activity of the Socio-Economic Cabinet during the war were linked to the actions of professional officials in the Ministry of Finance, the Ministry of Justice, and the Civil Service Commission, who, according to the Minister, created significant obstacles to the establishment and operation of the MASHLAT. The Minister further stated that the powers granted to him were insufficient for the purpose of establishing the MASHLAT. Conversely, professional officials in the Ministry of Finance and the Civil Service Commission informed the State Comptroller's Office that they had assisted in establishing the MASHLAT and in carrying out its functions.
- During the period of the civilian MASHLAT's activity, particularly in its first month, the head of the MASHLAT presented to the Minister of Finance the main challenges in its work, vis-a-vis the MASHLAT's powers and work interfaces with the Ministry of Finance, the Director General of the Prime Minister's Office, and other bodies, as well as administrative difficulties within the Ministry of Finance. These difficulties were not fully resolved, and against this background, the civilian MASHLAT was closed after operating for only two and a half months, from November 2023 until the end of January 2024.
- Documents from the MASHLAT disclose that the work model developed by the head of the MASHLAT was not implemented in practice, due to the difficulties encountered during the

3 The audit findings regarding the establishment of the MASHLAT, its operation, and its closure within two and a half months are detailed in the **State Comptroller's Report, Special Audit Report – Swords of Iron War** (2025), "Government Management of the Civilian Sphere During the **Swords of Iron War**."

establishment of the MASHLAT as the executive arm of the Socio-Economic Cabinet and its short period of activity – less than three months. The MASHLAT did not conduct a structured, ongoing process that included preparing a daily situational assessment and reviewing overall civilian needs in order to identify core issues requiring Cabinet discussion. In addition, it did not carry out systematic monitoring and oversight of the implementation of Cabinet decisions, nor did it present the Cabinet with periodic reviews on the status of decision implementation. With the closure of the MASHLAT and the absence of a replacement body to serve as the Cabinet's executive arm, a fundamental and substantive gap remained in the Cabinet's areas of responsibility, including the improvement of work interfaces among government ministries; coordination of needs raised by government ministries and local authority entities; and coordination of the decision-making and reporting mechanism for all civilian matters relating to maintaining daily life during wartime. As a result, cross-ministerial, broad-based issues remained without adequate attention [see, for example, the State Comptroller's Report, Special Report: Government Handling of Northern Communities During the Swords of Iron War – The Civilian-Economic Aspect (June 2025)].



Avoidance by the Socio-Economic Cabinet of Addressing the Government's Civilian Response to Northern Communities

– Although on 15 October 2023 the Socio-Economic Cabinet was authorized by the government to address all civilian aspects related to managing the war effort, and although during the war a civilian crisis emerged and deepened in the northern region, the Cabinet did not address the crisis in a comprehensive manner. Its engagement was limited to raising specific issues and references concerning certain needs of the northern communities and their residents, and to one decision regarding the North – a property tax (Arnona) reduction for communities located within 0–5 kilometers of the border. It therefore emerges that during the period in which the crisis in the North developed and worsened, the Cabinet did not provide a systemic response to the civilian aspects relating to this region and its population, and did not adopt decisions corresponding to the situation on the ground. The government adopted its first comprehensive decision regarding the "Program for Immediate and Short-Term Assistance and the Advancement of a Multi-Year Plan for the Rehabilitation and Development of the North" at the end of May 2024, more than seven months after the outbreak of the war. As of June 2025, more than a year and a half after the outbreak of the war, a multi-year rehabilitation plan for the North has yet to be formulated.



Formulation of a Business Assistance Plan Without Cabinet Review or Decision

– The issue of economic assistance to businesses was defined by the government as one of the Cabinet's wartime responsibilities; furthermore, the Minister of Finance stated that the business assistance program would be brought before the Cabinet for discussion and approval. Despite this, and despite repeated requests by the Minister of Economy and Industry to convene the Cabinet to discuss the disagreement between the Ministry of Finance and the Ministry of Economy regarding the business

assistance plan, in practice, the Cabinet did not discuss the program, and it was therefore not approved by the Cabinet. In addition, the Minister of Finance prevented a Cabinet discussion of an alternative proposal submitted by the Ministry of Economy.



The Cabinet's Avoidance of Addressing the Issue of Foreign Workers – The shortage of workers in the economy following the outbreak of the war was a major factor affecting functional continuity, which had been defined by the government as one of the Socio-Economic Cabinet's responsibilities during the Swords of Iron War. Before the war, approximately 310,000 non-Israeli workers were employed in Israel (about half of them Palestinians and half citizens of other countries). With the outbreak of the war, economic activity was severely disrupted, particularly in the construction and agriculture sectors. The reduction in activity caused by the absence of non-Israeli workers in the construction sector alone in the last quarter of 2023 was expected to reduce GDP growth by about 0.5 percentage points for that year and to cause losses of nearly NIS 10 billion.

It was found that although at the end of December 2023, the Minister of Finance decided to convene a Cabinet discussion on the shortage of foreign workers, in practice he did not convene the Cabinet after 10 December 2023, and consequently the issue was not discussed. In May 2024, the government adopted a decision outlining steps to address the shortage of foreign workers; however, the labor shortage in the economy remained unresolved even a year after the outbreak of the war. As of October 2024, most foreign worker quotas remained unfilled (66%, or 175,000 positions). Nevertheless, the Minister of Finance did not convene the Cabinet to discuss the issue or to adopt decisions on it, despite the significant economic damage caused to the relevant sectors of the economy, particularly agriculture, construction, and industry.



The Decision-Making Process Regarding the Entry of Palestinian Workers into Israel

On 8 November 2023 and 10 December 2023, the Socio-Economic Cabinet, at the request of the Political-Security Cabinet, discussed the formulation of an economic recommendation to the Political-Security Cabinet concerning the entry of Palestinian workers from Judea and Samaria into Israel.

- Presentation of Relevant Information to the Cabinet – The information presented by the professional staff (the Head of the MASHLAT, the representative of the Chief Economist at the Ministry of Finance, and the representative of the National Security Council [NSC] in the Prime Minister's Office) to the Cabinet for the purpose of reaching an economic decision lacked relevant economic and security data necessary for making the decision. Examples of missing information include: (a) a forecast of the time required to replace Palestinian workers with foreign workers in each of the main relevant sectors, in order to determine whether such a solution was feasible in the short and medium term; (b) data relevant to the decision, such as the expected cost of the proposed security framework for employing Palestinian workers, as well as the cost of the overall

security implications; (c) information regarding possible productivity gaps between Palestinian and foreign workers; (d) the implications of the increase in the number of foreign workers, including differences in housing and accommodation arrangements; and (e) the long-term economic implications of these factors. Accordingly, the Cabinet adopted a decision of significant economic consequence on the basis of incomplete information.

- Hearing the Position of the Bank of Israel, the Government's Economic Advisor – During the two discussions held by the Socio-Economic Cabinet for the purpose of formulating an economic recommendation regarding the entry of Arab workers into Israel, reviews and positions were presented by various professional officials (the Head of the MASHLAT, the representative of the Chief Economist at the Ministry of Finance, and the representative of the National Security Council [NSC]). However, the representative of the Bank of Israel was not given the opportunity to present the Bank's professional position, including data compiled by the Bank that were missing from the information presented to the Cabinet regarding the expected timeframe for replacing Palestinian workers with foreign workers (based on previous experience) and data on the impact of reduced employment in the construction sector on housing prices.



Handling of Requests to Hold Cabinet Discussions During the War

It was found that a series of requests submitted to the Cabinet to hold discussions on significant matters reflecting urgent needs were neither addressed nor responded to:

- Request by the Director General of the Ministry of Finance – In October 2023, the Director General of the Ministry of Finance asked the Minister of Finance, who was serving as acting chair of the Socio-Economic Cabinet, and the Director General of the Prime Minister's Office (PMO), who at that time was in charge of coordinating the Cabinet's work, to convene a Cabinet discussion to address urgent needs raised by the directors general of various government ministries. These included emergency stockpiles, including infant formula, and the healthcare system. The Minister of Finance and the Director General of the PMO replied that a discussion would be scheduled at a later stage; however, the Cabinet neither discussed these issues nor adopted decisions relating to them. At the same time, the government adopted certain decisions pertaining to the electricity and energy sector – a matter raised by the Director General of the Ministry of Finance but not discussed by the Cabinet.
- Recommendations by the Head of the MASHLAT – On 22 November 2023, 29 November 2023, and 7 January 2024, the Head of the MASHLAT, in his capacity as coordinator of the Cabinet's work and head of its executive arm, recommended that the Minister of Finance convene a Cabinet discussion on the following topics: the entry of Palestinian workers into Israel, the education system, the plan for addressing the needs of northern communities, and the shortage of foreign

workers. Following these recommendations, the Cabinet convened once – on 10 December 2023, at the request of the Political-Security Cabinet, to discuss the entry of Palestinian workers. After that, the Cabinet did not convene, discuss, or adopt decisions on the other topics.

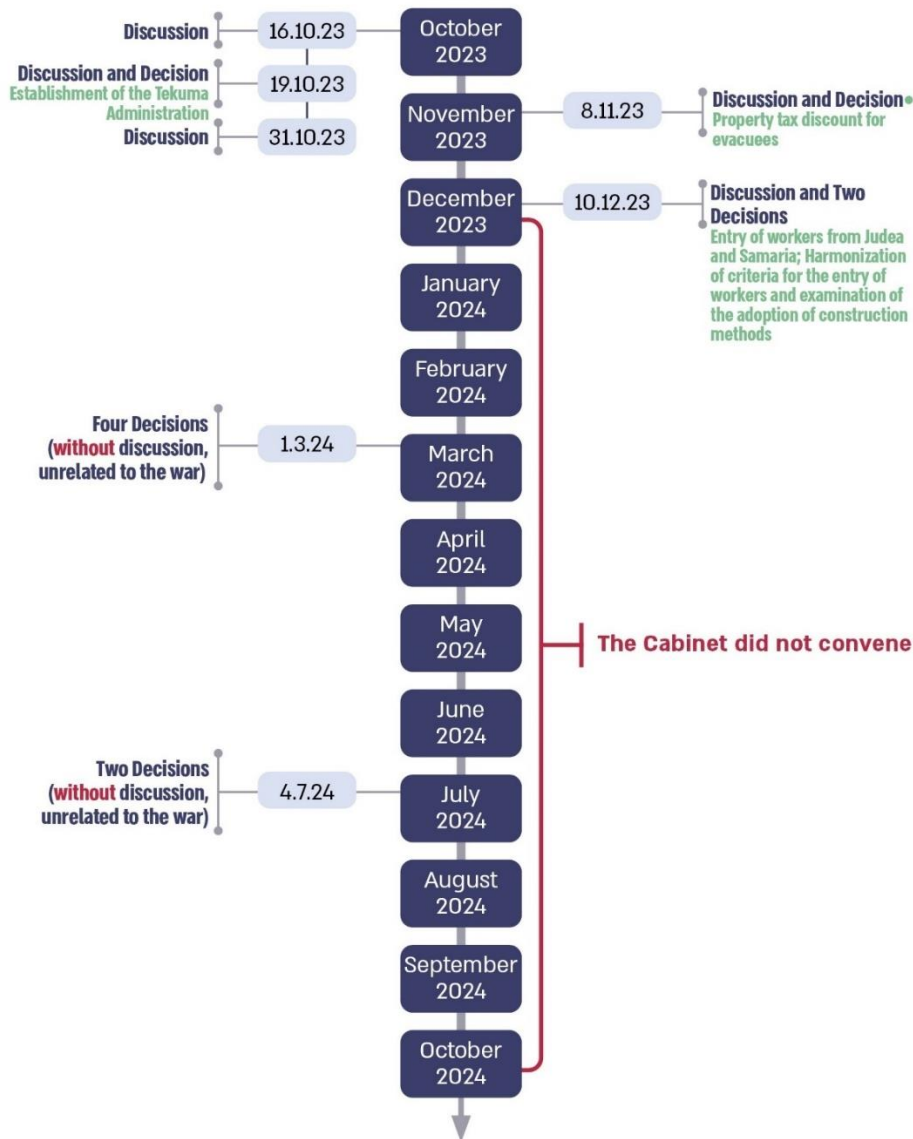
- Requests by the Minister of Economy and Industry – From October 2023 to January 2024, the Minister of Economy and Industry made repeated requests to convene the Cabinet in order to advance government action on essential economic needs during the war. The requests were sent, among others, to the Director General of the Prime Minister's Office (in October), to the Prime Minister, and to the Minister of Finance, with copies sent to the Cabinet members. According to the Minister of Economy and Industry, no response was received to his requests. In practice, the Cabinet neither discussed nor adopted decisions on the issues raised by the Minister, including a government assistance program for businesses, a national employment emergency headquarters, the introduction of foreign workers, preference for Israeli-made products, and assistance for the families of hostages and reservists.



Government Decisions During the War on Matters Within the Cabinet's Authority

Although the government's decision of 15 October 2023 authorized the Socio-Economic Cabinet to handle all civilian aspects related to the war, in practice, some of these matters were handled directly by the government without the Cabinet's involvement. Over a period of approximately six months, from the outbreak of the Swords of Iron War until the end of March 2024, the government adopted 24 decisions on issues concerning which, after the outbreak of the war, it had authorized the Socio-Economic Cabinet to act. However, the government's decisions on matters under the Cabinet's purview, as well as the budget additions allocated to government ministries in late December 2023 to fund certain civilian needs arising from the war (NIS 11.8 billion for civilian wartime expenditures, of which approximately NIS 8.9 billion were allocated for needs the government had authorized the Cabinet to handle), did not compensate for the deficiencies in the Cabinet's work. Substantive issues the Cabinet had been authorized to address remained without a comprehensive governmental-civilian response for an extended period of time. Major examples include the government's handling of the civilian aspects affecting northern communities and their populations, and its overall approach to the labor shortage caused by the war, which remained unresolved even after the expansion of quotas for employing foreign workers.

Discussions and Decisions of the Socio-Economic Cabinet During the War, October 2023–October 2024



According to the protocols of the Socio-Economic Cabinet's discussions, processed by the State Comptroller's Office.

Key Recommendations



It is recommended that the Prime Minister, as Chair of the Socio-Economic Cabinet, and the Minister of Finance, serving as acting chair, ensure the Cabinet's regular activity in routine times, including convening meetings, holding in-depth discussions on fundamental and substantive issues within the Cabinet's authority, and adopting decisions to promote them. These include core issues such as labor productivity, preparedness for population aging, credit rating, cost of living, and economic preparedness for emergencies.



All Cabinet ministers, as well as the Prime Minister (as Chair of the Cabinet) and the Minister of Finance (as Acting Chair), should ensure regular attendance at Cabinet meetings. The importance of this requirement is further underscored during wartime, when society and the economy face crises that require government attention and assistance.



It is recommended that the Chair of the Socio-Economic Cabinet (the Prime Minister) and his deputy (the Minister of Finance) act to establish a framework for effective governmental action on major social and economic issues that require inter-ministerial coordination: identifying and defining the strategic and substantive issues in the socio-economic sphere that are not addressed by the government in plenary; determining the division of responsibility for addressing these issues between the government plenary and the ministerial committees it has established, while taking into account the central role of the Socio-Economic Cabinet in this field and the longstanding practice of Israeli governments to establish such a cabinet; formulating a cross-government policy on these issues, based on in-depth discussions and comprehensive, relevant information; setting priorities for addressing these issues; adopting decisions that will lead to the implementation of socio-economic policy; and conducting follow-up and oversight regarding the implementation of these decisions. For all these purposes, and as part of its obligation to maintain a structured decision-making process, it is recommended that the Cabinet consult with the professional bodies at its disposal – the Bank of Israel and the National Economic Council.



Given the professional complexity of the core issues in the socio-economic sphere, and the need to establish a professional foundation for the work of the government and its ministerial committees operating as its executive arms in this domain – foremost among them, the Socio-Economic Cabinet – it is recommended that the Prime Minister assign responsibility for the staff work required to establish this foundation to one of the government bodies. This body would be tasked with coordinating the work of the government and its committees on socio-economic issues from a broad and integrated perspective. Its responsibilities would include mapping the

issues not addressed by the government in plenary and proposing a division of responsibility for addressing them. This should be done in accordance with principles similar to those underlying the establishment and functions of the National Security Council (NSC), which apply to the work of the government and its ministerial committees on foreign and security affairs. Such a foundation would enable the Socio-Economic Cabinet to fully realize its purpose as the government's central forum for comprehensive and in-depth engagement in socio-economic matters.



It is recommended that the Prime Minister, serving as Chair of the Socio-Economic Cabinet, and the Minister of Finance, serving as Acting Chair during the Swords of Iron War, ensure that the Cabinet fulfills its designated role – to address all civilian aspects related to the management of the war effort and to respond to the changing needs of the public, particularly in view of the war's impact. The Chair of the Cabinet should convene the Cabinet on a regular basis, provide ongoing updates on matters within its authority that require inter-ministerial coordination, and lead a decision-making process within the Cabinet to advance the government's response to the public's needs in these areas.



It is recommended that the Minister of Finance, as Acting Chair of the Cabinet, ensure that the Cabinet convenes to discuss and adopt decisions on matters within its authority, including in response to requests by any Cabinet member whose portfolio is affected by the matter under consideration. The Minister should also ensure that the Cabinet follows a proper decision-making process, including the examination of alternatives and their implications, the presentation of positions by all relevant parties, and follow-up on the implementation and outcomes of the decisions adopted. It is also recommended that the body coordinating the Cabinet's work and the professional entities submitting their positions to the Cabinet ensure that all relevant economic implications and aspects are fully presented.



In light of the government's failure to establish the Civilian Command Center (MASHLAT) and its difficulties in fulfilling its role as the executive arm of the Cabinet, the government and the Prime Minister should make advance preparations, during routine times, to coordinate the government's management of the civilian sphere in times of emergency. This should include designating a body with overall authority and responsibility for managing the civilian aspects of emergency situations and defining its modes of operation. Advance preparedness is likely to prevent the need to carry out, under pressure, the actions required to establish an administrative body – deciding on its establishment, setting it up, determining its resources, appointing its staff and leadership, and integrating it among the relevant government entities. Additionally, the functioning of the mechanism for managing civilian aspects should be regularly drilled during routine periods, to ensure effective performance in times of crisis. The government should maintain an orderly

process of oversight and follow-up regarding the implementation of its decisions on this matter. Given the ongoing state of war in Israel and its impact on the public, the Prime Minister should address this issue without delay, to ensure that the needs of civilians are met.

Summary

The Government of Israel faces fundamental and long-term challenges in the social and economic spheres, including a complex geopolitical environment, unique demographic characteristics, and economic inequality. In view of these challenges, the Socio-Economic Cabinet serves as the government's executive arm for addressing, examining in depth, and deciding upon socio-economic issues. Shortly after the outbreak of the Swords of Iron War, the government significantly expanded the powers of the Socio-Economic Cabinet by assigning it responsibility for managing all civilian aspects of the war effort. In doing so, the government positioned the Cabinet as the central governmental forum for decision-making and for shaping the response to the needs of the home front during the complex and exceptional period following October 7.

1. The findings of this report indicate that over many years prior to the war, the Cabinet's activity had been significantly eroded, with a 90% decrease in the number of decisions adopted; a rise in the percentage of decisions made without discussion (from 8% under the 30th government to 100% under the 35th, and 50% under the 36th); partial attendance by ministers at meetings; and the Cabinet's avoidance of addressing and adopting decisions on strategic core issues within its authority, such as labor productivity in Israel, preparedness for population aging, Israel's credit rating, the cost of living, and economic preparedness for emergencies.
2. As part of the review of the Cabinet's activity prior to the war, the audit found that the chairpersons of the Socio-Economic Cabinet – the Minister of Finance in the 36th government, Avigdor Lieberman, and the Prime Minister of the 37th government, Benjamin Netanyahu – did not address the issue of the Cabinet's emergency preparedness, despite recommendations by the State Comptroller and professional bodies to do so.
3. During the war, the Cabinet, authorized by the government to lead the management of all civilian aspects of the war effort, was headed by the Minister of Finance, Bezalel Smotrich. In this period, the Cabinet's activity was limited; it ceased convening entirely in mid-December 2023 and, consequently, did not fulfill the functions assigned to it by the government. The government failed in establishing the Civilian Command Center (MASHLAT), which was created in the Ministry of Finance as the Cabinet's executive arm during the war. The MASHLAT encountered significant difficulties during its brief period of operation (less than three months) and was unable to fulfill its purpose. The Cabinet's infrequent

meetings created difficulties in shaping the MASHLAT's work and establishing its activity, and the head of the MASHLAT raised a series of operational difficulties with the Minister of Finance.

The Minister of Finance stated that the failure to establish the MASHLAT and the limited activity of the Socio-Economic Cabinet during the war were linked to the actions of professional officials in the Ministry of Finance, the Ministry of Justice, and the Civil Service Commission, who, according to the Minister, created significant obstacles to the establishment and operation of the MASHLAT. Conversely, professional officials in the Ministry of Finance and the Civil Service Commission informed the State Comptroller's Office that they had assisted in establishing the MASHLAT and in carrying out its functions.

The Cabinet's failure to fulfill its functions during the war was reflected, among other things, in its refraining from providing a systemic response to the communities and residents along the northern front, who, due to the prolonged security threat, faced an economic and social crisis as well as personal hardship in many cases, requiring a comprehensive government response: effective assistance in the immediate term and optimal rehabilitation over the medium and long term. In the absence of a response from the Cabinet, responsibility for addressing the northern region shifted among various government bodies. A government decision to implement a comprehensive program intended to provide broad assistance to the northern communities was adopted only at the end of May 2024, more than six months after the outbreak of the war. As of June 2025, more than a year and a half after the outbreak of the war, a multi-year rehabilitation plan for the North has yet to be formulated.

The Minister of Finance, Bezalel Smotrich, who had been authorized to head the Cabinet, set its agenda, and preside over its discussions for the purpose of decision-making, did not exercise these powers. Consequently, the Cabinet did not fulfill the functions assigned to it by the government at the beginning of the war. Given that the Cabinet ceased to convene as early as December 2023 and did not operate throughout the many months of the war, the Prime Minister, Benjamin Netanyahu, should have intervened to ensure that the civilian aspects of the government's wartime response were complete and effective. This, however, did not occur.

More than a year after the outbreak of the war, a range of civilian aspects related to the war still required government attention. The Chair of the Cabinet – the Prime Minister or, in his absence, the Minister of Finance – should act to exercise the Cabinet's powers and ensure that it functions as a leading governmental forum, supported by continuous staff work, in order to receive up-to-date information, conduct ongoing situation assessments, and make decisions in response to evolving needs.

In addition, for the Socio-Economic Cabinet to function fully and effectively both in routine times and in emergencies, the Prime Minister and the Minister of Finance should act to give substantive content to the Cabinet's work and to its engagement with key social and economic issues. In view of the need to establish a professional foundation for the work of the government, the Cabinet, and other ministerial committees in the socio-economic sphere, it is recommended that the Prime Minister assign responsibility for the staff

work required to build this foundation to a designated government body. This body would be in charge of coordinating the work of the government and its committees on these issues from a broad and integrated perspective. This should be done in accordance with principles similar to those underlying the establishment and functions of the National Security Council (NSC), which apply to the work of the government and its ministerial committees on foreign and security affairs. Such a foundation would enable the Socio-Economic Cabinet to fully realize its purpose as the government's central forum for comprehensive and in-depth engagement in socio-economic matters.