

# Has Netanyahu's Government Become More Cohesive and Stable?

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Position Paper 65

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## Introduction

Israeli Prime Minister Benjamin Netanyahu has worked in recent weeks to put his government coalition in order, reintegrating Foreign Minister Gideon Saar and his Official Right (HaYamin HaMamlakhti) Party into the ranks of the Likud Party, as it joined the governing coalition. Netanyahu also resumed the war on Gaza, sacked the head of the Shin Bet, initiated the process of dismissing the attorney general, and brought back Minister of National Security Itamar Ben-Gvir—who had resigned from the government earlier—and his Jewish Power Party into the coalition. He also succeeded in persuading the rabbis of the United Torah Judaism Party not to oppose the budget bill in the Knesset, after pledging, once again, to work on a law regulating the exemption of seminary students from military service, as well as earmarking large budgets for the benefit of Haredi groups and institutions.

After stabilizing the coalition and announcing the decision to dismiss Shin Bet chief Ronen Bar, the government succeeded in passing the budget law at the end of March 2025, thus ensuring—at least in theory—the stability of the coalition until the end of the legal term of the current Knesset, scheduled for October 2026, without being subjected to serious blackmail by the components of the coalition. With the approval of the budget, the government coalition returned to passing the legislation for its plan to limit the powers of the judiciary, which was announced by Minister of Justice Yariv Levin in January 2023, but which stalled then after widespread popular protests and internal opposition from some members of the Likud Party itself.

This position paper examines the main challenges still facing the Netanyahu government, despite the aforementioned "successes." These successes do not mean that Israel has overcome its economic crises, or that the government has been able to implement all the provisions of its plan to reform the judiciary, or to extend its full control over the security services—including the appointment of a new head of the Shin Bet who would cater to Netanyahu's wishes. There remain internal, judicial, and political opposition challenges that may hinder the implementation of the government coalition's desired projects. Thus, the cohesion and stability of the government coalition cannot be considered an irreversible reality.

## Dismissal of Shin Bet Chief

Prime Minister Netanyahu informed Shin Bet chief Ronen Bar on March 16 of his decision to dismiss him from office.<sup>1</sup> In a short video posted after the decision was announced, Netanyahu explained it to the Israeli public, "We are in the midst of an existential war, fighting it on seven fronts. At times like these, the prime minister must put his full trust in the head of the Shin Bet. Unfortunately, the situation is the opposite; I don't have that kind of trust." He added, "As the head of the government in charge of

the Shin Bet, I am sure that this step is necessary to rehabilitate the service, achieve all the goals of our war, and prevent the next catastrophe.”<sup>2</sup>

The use of the trust issue in this context is a cover for deeper differences between Netanyahu and Bar (appointed during the Lapid-Bennet Government), differences that did not begin with the security failure of the October 7, 2023, attack. These differences have been worsening since early 2023, especially after Bar opposed the government’s plan to limit the power of the judiciary.<sup>3</sup> It was exacerbated by the major failure on October 7, 2023, for which Netanyahu tried to hold the security services and the army fully responsible in order to completely exonerate himself.

Moreover, neither Netanyahu nor the Shin Bet leadership hid their differences over the management of the negotiations with Hamas, which eventually led to the replacement of the negotiating team that included Mossad chief David Barnea, Shin Bet chief Bar, and Minister of Strategic Affairs Ron Dermer, who is very close to Netanyahu and headed and managed the team.<sup>4</sup> Unlike Netanyahu, the Shin Bet, like the rest of the security services and the army, supported an exchange agreement with Hamas because they gave the release of Israeli abductees in Gaza paramount importance.

Bar also disagrees with Netanyahu on the importance of establishing an official investigation committee into the events of October 7, 2023, and not postponing it. In presenting its findings from its internal investigation in early March 2025, the Shin Bet reiterated the importance of establishing an official committee to look into those events and those leading up to them, including the role of the political establishment and government decisions, especially Netanyahu’s, considering that they contributed to the failure.<sup>5</sup> This reportedly greatly upset Netanyahu.<sup>6</sup>

The differences between Netanyahu and Bar did not stop at general issues related to national security and the conduct of negotiations, but reached matters and suspicions that may affect the prime minister personally. The Shin Bet recently began investigating employees of his office on suspicion of leaking classified documents to the foreign media.<sup>7</sup> The Shin Bet also began investigating a number of Netanyahu’s advisers for their work, according to the Israeli media, for American companies on contract with the Qatari government in the field of public relations and marketing, which has come to be called "Qatar-Gate.”<sup>8</sup>

Following Netanyahu’s dismissal of Bar, a petition was filed with the Supreme Court to block the implementation of the decision, claiming that the prime minister had a conflict of interest that made him ineligible to fire the Shin Bet chief, even if the law granted him such power. The reasoning was that because the Shin Bet is conducting an investigation into employees in the prime minister’s office that could implicate Netanyahu personally, he may have a direct interest in the outcome. On March 21, 2025, the Supreme Court issued a temporary stay of the decision, barring Netanyahu from appointing a successor to Bar until the case is finally decided. The court reiterated its decision on April 7,

affirming the stay until a final ruling is made on the petition.<sup>9</sup>

## **Passing the 2025 Government Budget**

Following the decline of the Israeli economy in the last two years as a result of Israel's wars on several fronts,<sup>10</sup> the government coalition succeeded in mid-March 2025 in passing the 2025 state budget that amounted to about 755.9 billion New Israeli Shekels (\$207 billion), with an increase in spending of about 20.6 percent. This increase is mainly attributable to more spending on security due to the war on Gaza and other fronts. The debt repayment budget is about NIS 136 billion.<sup>11</sup>

The fiscal deficit, initially promised by Finance Minister Bezalel Smotrich not to exceed 4.0 percent, has risen to 4.7 percent and is likely to reach 4.9 percent. If the war expands, the deficit could rise to more than 5 percent during the remainder of the current year (2025).<sup>12</sup>

## **Increase in Military Spending**

The budget of the Ministry of Defense is included in the budget proposal for 2025, amounting to about NIS 109.8 billion, an increase of more than 30 billion shekels compared to last year's basic budget.<sup>13</sup> There is a high probability that the escalation of the war on Gaza will require additional spending—which could lead to an increase in the already high fiscal deficit.

This is the largest security budget in the history of the State of Israel and represents the greatest burden on the Israeli economy in the coming years. Israel's military budget ranks thirteenth globally in terms of size,<sup>14</sup> while it ranks second globally in terms of its percentage of GDP, about 6.5 percent in 2025. Only Ukraine is ahead of Israel, allocating about 22 percent of its GDP to the military budget, while NATO countries, on average, spend about 2.7 percent of their GDP on the military.<sup>15</sup>

The budget of the Ministry of Education comes in second, receiving about NIS 92 billion, followed by the budget of the Ministry of Health, which amounts to about NIS 59 billion. The budget also includes NIS 56 billion to pay interest on loans and external debt, which has increased significantly in the past two years, and the interest rate has risen due to the decline in the credit rating of the State of Israel.<sup>16</sup>

## **Burdens on the General Public**

The new budget places additional burdens on citizens, as income tax cuts have been frozen, value-added tax has increased by 1 percent to 18 percent, and the national insurance taxes have been raised. Public sector wages have also been frozen, and cuts in employee wages have been made.<sup>17</sup>

In addition, the budgets of all government ministries were cut by about NIS 3.6 billion,

which means a decline in the level of government services in various fields, including the ministries of education, health, and social welfare. For example, government subsidies for medications have been reduced, as have budgets for reconstruction in southern and northern towns.<sup>18</sup>

Analysts and economic experts have widely criticized the budget proposal. They believe that it does not contain any ingredients to stimulate economic growth and does not augur well for Israel's exit from its economic crises that began with the government's plan to restrict the judiciary in early 2023, and worsened after the events of October 7, 2023.<sup>19</sup>

Making matters worse, critics say, was the allocation of NIS 5.6 billion to the so-called "coalition budgets" that government coalition parties can use for their own purposes in accordance with the coalition's agreements. The ultra-Orthodox parties have received the largest share of these budgets, while significant funds have been allocated to support settlement activities and to strengthen the state's Jewish religious character.<sup>20</sup>

Success in passing the budget law does not mean that the Israeli government has overcome potential economic and budgetary crises; rather, the new budget may itself be one of the main factors causing the next socio-political crisis.<sup>21</sup> The source of these crises is not limited to purely economic factors, nor to the war on Gaza; it is also linked to political reasons that the current government evades or refrains from addressing. Among the most prominent is the policy of budget extortion practiced by the Haredi parties, in addition to their refusal to integrate Haredi youth into the labor market and military service. Additionally, the issue of enacting a law to arrange for the exemption of seminary students from military service, as demanded by the Haredi parties, has not yet been decided. A decision has been postponed into the coming months, along with a potential new crisis in the coalition.<sup>22</sup>

The above conclusion regarding the economic crisis was anticipated in two important recent reports on the Israeli economy and its future prospects. The first was issued by the Organization for Economic Cooperation and Development (OECD),<sup>23</sup> and the second was the annual report of the Bank of Israel.<sup>24</sup> According to the OECD, Israel is approaching a critical crossroads in which it will have to make a strategic choice. It will either have to make fundamental economic and social changes that would ensure the continuity of growth within the framework of an advanced economy, namely improving the level of education in the ultra-Orthodox community and increasing the level of participation of the Haredi community in labor market. Or Israel will have to abstain from such moves, a position that will lead to a significant rise in state debt and expose the economy to a long-term decline that could accelerate in the event of a new deterioration in the security situation.

The conclusions of the Bank of Israel's report, published at the end of March 2025, were in line with the recommendations of OECD, as the bank warned that if there were no additional adjustments to the budget—whether through spending cuts or tax increases—

Israel would not be able to stabilize the level of public debt, exposing the economy to additional risks in the medium term. The Bank of Israel report also stated that "the higher military expenditures in the coming years the greater the need to recruit the Haredim and make other difficult decisions."<sup>25</sup>

## **A Return to Restricting the Judiciary**

The approval of the state budget and the expansion of the government coalition increased the appetite of the participants to add provisions to the original plan of early 2023 to control the judiciary. Generally, the plan aims to impose right-wing control over the judiciary and turn it into a model of a "conservative judiciary" that refrains from interfering in the work of the legislative and executive branches.<sup>26</sup> When announced, the plan led to widespread protests in Israeli society.

Justice Minister Yariv Levin's proposal at the time included several items, most notably the enactment of the "Reasonableness Law," which gives the Knesset the power, with a mere 61-member majority, to re-enact a law that the Supreme Court had invalidated on the grounds of its unreasonableness. In other words, the government coalition can, with a simple majority, override the Supreme Court's decisions without the need for outside support. This may restrict the Supreme Court's ability to intervene to repeal laws or provisions thereof, if such laws or provisions conflict with the Basic Laws of the State of Israel.

Indeed, the Knesset approved the amendment to the "Reasonableness Law" in July 2023,<sup>27</sup> but the Supreme Court repealed this amendment in a decision issued on January 1, 2024.<sup>28</sup> This decision set a historic precedent, as this was the first time the Supreme Court had ever intervened to overturn an amendment to a Basic Law.

Another aspect of the plan is the abolition of the seniority system used in the appointment of the Chief Justice of the Supreme Court. According to the proposed amendment, the government would be able to appoint a court president, even from outside its member justices, if the necessary majority within the Committee for the Appointment of Judges is secured. Achieving this goal requires amending the law to change the composition of the committee and the distribution of power within it.

The current government has not succeeded in changing the seniority system in place in appointing the Chief Justice at this stage. After a delay of nearly a year since the end of the term of the former president of the court, Esther Hayut, Judge Yitzhak Amit was appointed president, according to the principle of seniority, despite government opposition. The government expressed its dissatisfaction with the decision by boycotting the new president's inauguration ceremony: both the minister of justice and the prime minister were absent, an unprecedented development since the establishment of the State of Israel.<sup>29</sup>



On the other hand, the minister of justice continued his efforts to amend the Law on the Committee for the Appointment of Judges in order to enable the government in effect to control its composition. This amendment aims to reduce the role of judges and the Bar Association in the process of appointing new judges, in exchange for strengthening the representation of the executive and legislative branches, which means increased political interference in the selection of judges, especially those on the Supreme Court. In the end, Livin esucceeded in doing that when, at the end of March 2025, the Knesset approved a proposal to amend the Basic Law of the Judiciary, which changes the composition of the Committee.<sup>30</sup> According to the amendment to the law, the Committee for the Appointment of Judges will include six members (out of nine) as representatives of political authorities, three of whom are members of the coalition. The move would enable politicians to appoint judges even without the consent of Supreme Court representatives.<sup>31</sup> The amendment passed the second and third readings in the Knesset by 67 votes in favor to one opposed. Opposition members left the chamber ahead of the final vote, reflecting its failure to prevent the law from being enacted.

Furthermore, the rule on the majority required for the appointment of judges to the Supreme Court has been amended. According to the new formula, it would be sufficient for a candidate to have the support of five members of the Committee, without requiring one of them to be a judge. This is in contrast to the previous version, which required a special majority of seven members (out of nine), which necessitated a broad consensus among judges, politicians, and representatives of the Bar Association.<sup>32</sup> The simple majority currently adopted, together with the new composition of the Committee, allows politicians to appoint judges even without the support of Supreme Court representatives. In addition, the amendment replaces representatives of the Bar Association with two members of the "public" who would be elected by the Knesset, reinforcing the dominance of the political echelon within the Committee.<sup>33</sup>

Levin's plan also sought to limit the powers and status of legal advisers in government ministries, including by modifying the status and powers of the Attorney General.<sup>34</sup> In this context, the government has not yet succeeded in amending the law or changing the legal status of judicial advisers in ministries. Instead, steps have been taken to dismiss the Attorney General of the current government, Gali Bahrav-Miara, on the grounds that she obstructs the implementation of government decisions and policies and is hostile to the government coalition.<sup>35</sup>

## **Conclusion: Partial Success Produces New Crises**

More than 18 months after the events of October 7, 2023, the government coalition has become more stable and cohesive. It has returned to trying to resolve last year's pending issues, which is contrary to previous expectations that the major failure of October would weaken the government coalition and postpone the resolution of many issues. This stability is mainly due to the ideological cohesion among the partners in the coalition, their desire to maintain a right-wing government that expresses their political



convictions and serves their financial interests, the weakness of the parliamentary opposition, and Israeli society's preoccupation with the war and the fate of prisoners and abductees.

The coalition has achieved considerable success in the past two months by passing the state budget and preventing any possibility of dissolving the Knesset, at least in the short term. In parallel, there is partial success in the government's attempts to control the judiciary and undermine its independence, as well as partial successes in attempts to control state institutions, law enforcement, and intelligence services.

Despite these successes, it is hard to assume that the government will overcome all crises and be able to prevent new ones. The new budget remains shrouded in serious doubts about its suitability and ability to pull Israel out of its economic crises that are expected to arise in 2025. Netanyahu's battle with the security and judicial establishments, meanwhile, remains open; the Supreme Court issued a precautionary order suspending the dismissal of the Shin Bet chief until a final decision is issued within weeks. The attempt to dismiss the Attorney General will not pass easily, and the Supreme Court is expected to interfere in the case against. These complications could thus turn into a constitutional crisis and a serious confrontation between the executive and the judiciary.

Right-wing attempts to resolve domestic political issues—including the government's plan to limit the judiciary's independence, attempts to control security institutions, and efforts to arrange for the exemption of seminary students from military service—may fuel a serious protest and opposition movement within Israeli society, especially in light of escalating tensions between the authorities and the decline in confidence in governing institutions. In addition, the Haredi parties again threatened that if, in the next Knesset summer session, a law is not enacted to arrange for the exemption of seminary students from military service, and if budgets are not allocated to seminaries and ultra-Orthodox community institutions, they might withdraw from the governing coalition. Thus, the cohesion and stability of the government coalition cannot be considered inevitable.

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