

## Statutory Corporations in Israel and Parliamentary Oversight

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*This paper serves two purposes: the first purpose is to define statutory corporations (corporations formed by Knesset law for specific national purposes) and present a complete picture of the statutory corporate world that Knesset law has created through the years, and which continues to operate under the laws they were created by with a detailed account of their purposes, authorities, activities, units and sources of funding. The second purpose is to review the theoretical and practical parliamentary oversight of these corporations, identifying gaps and recommending legal amendments to reduce them.*

The **first chapter** provides the general background of statutory corporations – explaining what they are, outlining the importance of parliamentary oversight and the current tools for implementing it, and giving general recommendations for its improvement.

The **second** chapter examines statutory corporations the oversight of which is straightforward, such as the Bank of Israel and Yad Vashem World Holocaust Remembrance Center, reviewing forty-nine such corporations and presenting specific recommendations for improvement of each one's oversight. It also covers corporations that have been legislated but not established.

The **third chapter** takes on statutory corporations that are more complicated to supervise: the National Insurance Institute and the Israel Securities Authority, reviewing parliamentary oversight of these bodies and recommending specific ways to improve it.

### Summary:

Statutory corporations are corporations set up by the Knesset as legally separate entities with executive authorities for the promotion of various national policy goals. This separate legal status has its advantages, such as independence and less political pressure, and confers both duties and some legal privileges in public and private law. Currently, more than sixty such corporations operate in Israel.

While the similar government companies are governed by comprehensive, thorough regulation of The Government Companies Authority, the statutory corporations are supervised by various ministries and other regulators despite past attempts to form one governing apparatus for all.

This review largely focuses on oversight by Knesset committees and by the State Comptroller's Office, although oversight by the executive branch of government is important as well, and should be more stringent than the legislative, as statutory corporations are institutionally closer to the government, and often related to Ministers' duties and responsibilities.

Oversight recommendations are detailed for fifty-one statutory corporations based on: (i) the degree of influence the statutory corporations' tasks have on citizens' lives, (ii) the complexity of their activities and (iii) the number of employees in the corporation.

This research also includes **systemic recommendations** that will apply to all statutory corporations:

1. Every law establishing a statutory corporation should determine **which Knesset committee/committees shall have systematic, permanent oversight.**
2. After the establishment of the standing Knesset committees at the commencement of every Knesset term, all **committee members shall be presented with a list of the statutory corporations** under their legal supervision. Such presentations will include each corporation's purposes, authorities, structure, sources of funding for its operations and the various oversight duties of the committee responsible for it.
3. Every statutory corporation will be obligated to submit **an annual report in writing** to the supervisory Knesset committee, detailing its activities for the past year (an operations report), its financial situation (a financial report or yearly budget report) and its management organs' personnel (the Board of Directors and the practical administration). Furthermore, Directors and CEOs of (i) statutory corporations charged with protecting citizens' lives, health or welfare; (ii) those with direct influence on citizens' lives and health; (iii) or on the Israeli economy's operation; (iv) those employing over a certain amount of workers; (v) or managing a budget above a certain amount funded by the State treasury or by government service fees; will be required, subsequent to the reports' submission, to **appear before the committee every year** to present the main points and answer committee members' questions. The heads of other statutory corporations (with a smaller number of employees or lower budgets), will be required to appear before the committee authorized with their supervision once in three years.
4. The **statutory corporation's authority to charge fees and mandatory payments will be**, by law, **contingent on approval by the Knesset committee** or subject to its counsel, unless the rate of said fees are explicitly legislated.
5. The members of **a Knesset Committee with oversight powers must visit the corporations' facilities** at least once during the Knesset term they are serving.
6. **Every statutory corporation must operate an updated internet site** that includes information about its activities, its circumstances, and its organizational structure.
7. In cases where **a law has been legislated** regarding the establishment of a statutory corporation **but the corporation itself has not yet been so established, the Knesset must decide** by the end of 2023 **whether to demand the government take steps to establish the corporation or to cancel the establishment and annul the law.**

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