

Biannual Report on the Public Budget 2022



2022



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Transparency Palestine



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► Introduction:

During this year, the Palestinian Government pledged through the Minister of Finance to adopt policies aimed at achieving a package of financial reforms in three key areas. The three key areas to achieve a reduction in are: The payroll and the healthcare system (bill for treatment abroad) and net lending as mentioned in official statements by the Minister of Finance last April. The Government pledged to work on a reform agenda that was delivered to donor countries during the Palestinian National Authority's Donor Conference in Brussels Last May. The agenda included the work on financial reforms, as well as administrative reforms, economic reforms, social reforms, security and public order reforms with several sub-areas in each area. The agenda has not yet been published on the Palestinian Authority's official websites, and there is no Arabic version of it until the time of the preparation of this report.

President Mahmoud Abbas, after three months into the new fiscal year, and on the last day granted to him by the law as an exceptional case to ratify the Public Budget, ratified a Decree Law concerning the Public Budget for the fiscal year 2022. An abridged version was published containing no explanations for expenditures on responsibility centers, and with complete disregard to civil society organizations constantly demanding to be included in the discussion and prioritization of budget expenditures. The role of an elected Legislative Council, the body representing the taxpayers that finance over 85% of the budget, continues to be ignored, not to mention the failure to publish the Citizens Budget for 2022 which constitutes a breach of statutory and constitutional rules. The Ministry of Finance has not issued a detailed financial report for the first half of the year till the date of the drafting of this report.

20% of the total budget was allocated to the social protection sector, 20% to the education sector and 14% to the health sector accounting for 54% of the total public spending. The social protection sector included all social protection interventions (Ministry of Social Development, detainee's allowances, Foundation for the Care of Families of Martyrs and the Wounded) in addition to the allocations of the Ministry of Women's Affairs and the National Committee for Summer Camps), while the Ministry of Social Development accounted for only 5% of total expenditure. 21% of the total budget is allocated to the security sector.

The draft budget that was reviewed did not include the final account for the previous period. The Ministry of Finance only published the final audited account on its website only in English for the years 2018-2019. It was later reviewed by the State Audit & Administrative Control Bureau (SAACB) following its publication. The Bureau expressed several reservations to the financial statements received from the Ministry of Finance. These reservations include legal irregularities, violations of accounting standards, reservations regarding many amounts, the absence of many necessary clarifications, and other reservations.

This report aims to present the realities of revenues and public expenditure during the first half of the year compared to the allocations made, especially for the social and agricultural sectors, and to monitor financial and administrative deviations, and the extent to which the financial reform agenda has been realized based on the monthly financial reports and the Budget Law for the year 2022.

► Survey tracking the transparency of public budgets:

By reviewing the website of the Ministry of Finance and compliance with international standards necessary to achieve transparency of the Public Budget outlined by the International Budget Partnership through the following 8 key budget documents:

Document	Published	Unpublished
Pre-Budget Statement	Published	
Summary of the Budget Proposal		Unpublished
Ratified and adopted Public Budget	(Published (abridged version	
Citizens Budget		Unpublished
(In-Year Reports (monthly and quarterly	Published	
Mid-Year Report		Unpublished
Year-End Report "Final Account" for 2020		Unpublished
Audited Report 2020		Unpublished

3 out of 8 documents were published. Worth noting here is that publishing such documents requires specific criteria for published data, which include comprehensiveness and quality of published data, commitment to publication within designated dates, and ease of access to data. We can therefore include the following remarks:

- The Pre-Budget Statement was published on the Ministry of Finance's website.
- No summary of the Budget Proposal was published, nor was it presented to, or discussed with, representatives of the civil society.
- An abridged version of the Law concerning the ratified and adopted Public Budget was published on the website of the Ministry of Finance with no detailed clarifications on budgets of responsibility centers.
- The citizens budget was not published on the website of the Ministry of Finance.
- The monthly reports were posted on the Ministry of Finance website, but the deadlines for their publication were not adhered to.
- The mid-year report for this year was not published "since what the Ministry of Finance publishes is a cumulative half-year report, which does not meet the requirements and criteria of the mid-year Report, which should include a performance analysis during the first half, policies for the second half and other requirements, not just expenditure figures".
- The final account for 2020 was not published. What was published is the year-end report for 2020, which is a short report containing deaf figures that do not reflect performance over the past year, objectives achieved and programs implemented.
- The 2020 Audited Report, the Final Account, were not published, noting that it should be issued and published in a period not exceeding 18 months from the end of the fiscal year, that is, within 6 months of the Final Account being issued.

► Public revenues for the first half of 2022

The total net revenues in the Budget Law for the year were estimated at NIS 15.4 billion, an increase of 13% from what was estimated in the 2021 budget, and higher than in the years (2016-2021).

General revenues consist of; (1) Domestic revenues, which include tax revenues and charges levied by the Palestinian Authority which were estimated in the Budget Law for 2022 at NIS 5.6 billion. And (2) clearing revenues, namely taxes, customs and duties levied by Israel on international crossings on behalf of the Palestinian Authority, of which 3%, estimated at NIS 10.4 billion, is deducted by Israel as administrative charges in accordance with the Paris Economic Protocol, and tax refunds estimated at NIS 594 million.

Total public revenues for the first half of the year amounted to NIS 7.9 billion on a commitment basis, representing 52% of projected revenues for 2022. Domestic revenues amounted to NIS 3.09 billion and revenues derived through clearing NIS 5.3 billion, while tax refunds amounted to NIS 454 million. Given that the majority of revenues come through indirect taxation, higher revenues are attributed to a partial improvement in the expansion of the tax base, as well as higher taxes resulting from the rise in prices, with the first six months of the year witnessing higher prices for energy, raw materials, fertilizers, fodder and basic products.

• Domestic revenues (collected directly by the Palestinian National Authority)

The table below indicates that 55% of this year's estimated domestic tax revenues were achieved. VAT accounted for the highest revenues during the first half of the year, amounting to NIS 734 million, up 26% compared to the same period last year¹. Income tax revenues amounted to NIS 592 million, while customs value amounted to NIS 529 million. Data received indicates an improvement in domestic tax collection compared to the same period last year of NIS 1.6 billion, achieving more than half of what was estimated for the first half of the year.

Table No. (1): Commitment-based domestic tax revenues during the first half of the year compared with estimate (NIS 1 million)

	Achieved during the first half of 2022	Estimated for 2022	Percentage achieved of the estimate
Domestic tax revenues	2,025.40	3,750.10	54%
Income tax	592.3	810.8	73%
VAT	734.3	1,374.70	53%
Customs	529.2	1,162.70	46%
Customs on beverages	2.4	383.7	40%
Customs on cigarettes	154.1		
Property tax	13.2	18.2	73%

¹ VAT achieved locally during the first half of 2021 amounted to NIS 578 million

According to the reform agenda (unpublished), the reform of the Government's revenue system and the rationalization of expenditures will be pursued through reforming the tax system, VAT, income tax, customs duties and property tax. However, reforms in the tax system and tax laws have not yet been approved.

As stated in the unpublished Public Budget Law, there is a Revenue Development Strategy (2022-2024), which encompasses, inter alia, combating tax evasion, amending tax laws, developing the tax system (sectoral transformation) by reviewing the sector's tax percentages, and developing legislation and regulations for the e-commerce sector... etc. However, and during the first half of the year, the indicators did not indicate the implementation of the said developments and amendments. This indicates that the increase in tax revenues is partly attributable to the rise in prices, particularly for production raw materials, in addition to the fact that some taxes are usually paid at the beginning of the year to take advantage of a discount for paying in the first three months of the year, not to mention the partial improvement in the expansion of the tax base and the electronic interconnection between tax services' departments.

• Clearing revenues

Revenues derived through clearing amounted to NIS 5.3 billion at 51% of this year's estimate on the basis of commitment, with revenues derived from customs constituting the largest share, followed by petroleum tax and the VAT. An increase is noted in the value of revenues earned during the first half of the year compared to the same period last year, especially petroleum tax and VAT, which is attributable to the rise in the prices of fuel and higher prices of products. The table below indicates higher income tax revenues resulting from an increase in the number of workers and the regulation of the laborers' financial relationship between the Palestinian and Israeli side².

Table 2: Commitment-based clearing income for the first half of the year compared with estimate. (amount in NIS million).

	Achieved during half of 2022	estimate 2022	Percentage
Total clearing revenue	5,498.80	10,423.60	53%
Customs	2,597.50	4,777.30	54%
VAT	1,272.90	2,563.90	50%
Purchase tax	-5.60		
Fuel tax	1,562.80	2,968.60	53%
Income tax	71.2	113.8	63%
Other			
deduction 3%	165.5	322.4	51%
Total clearing revenue after 3% deduction	5,333.30		

² The number of workers in Israel increased by 9 thousand, reaching 182 thousand in the second quarter of 2022, compared with 173 thousand in the first quarter 2022 Press_Ar_LFSQ022022A.pdf (pcbs.gov.ps) and compared to 153 thousand workers last year Press_Ar_15-2-2022-LF-ar.pdf (pcbs.gov.ps) (Arabic)

Despite the 2019 preliminary agreement reached between the Palestinian and Israeli finance ministries based on the principle that "The Palestinian Authority" shall purchase fuel at the original price without paying the Blue Tax (excise tax). However, this agreement has not been implemented, and the Blue tax is still collected through clearing with a deduction of 3%. If the fuel is purchased from Israeli companies without tax, and the tax is imposed and collected locally, the 3% will be saved and it will contribute to increasing tax revenues. This was mentioned in the report issued by the State Audit & Administrative Control Bureau concerning the Final Account for 2018-2019, where one of the reservations was that "The sums received for fuel customs and VAT on fuel and gas purchases are recognized as clearing revenues, noting that these sums are payments to fuel suppliers by the General Directorate of Petroleum, and 97% of these sums are recovered within clearing revenues, and do not subscribe to the definition of revenues collected through clearing, as the General Directorate of Petroleum's purchase of petroleum and gas including excise and VAT ends up costing the treasury large amounts in interest as a result of borrowing from banks to repay suppliers, and weakens the treasury's liquidity. 3% of excise and VAT are also deducted by the Israeli side as collection fees".

Despite the losses incurred by the State of Palestine as a result of the financial leakage which has already been reported by the Civil Society Team for Enhancing Public Budget Transparency in a detailed report identifying the various forms and areas of financial leakage, including import through Israel, it does not have a serious and effective policy to stop such forms of financial leakage. Import through the Israeli side continues, and customs achieved through clearing still constitute about 5 times the customs achieved locally.

Expenditures Analysis

Total expenditures and net lending for 2022 were estimated at NIS 16.5 billion, while total expenditure and net lending during the first half of the year amounted to NIS 8.1 billion on a commitment basis, representing 49% of the budget.

Table No. (3): Total expenditure on commitment basis achieved during the first half of the year compared with cash realization, estimated for 2022, NIS 1 million

	Achieved for the first half of 2022 on a commitment basis	Achieved for the first half of 2022 on a cash basis	Estimate for 2022	Percentage of this year's achievement on the basis of commitment
Total expenditure	8,124.80	6,129.40	16,596.50	49%
Payroll and wages	4,004.40	3,266.80	7,556.00	53%
Social contributions	387.3	343.5	716	54%
Operational expenditures	1,099.80	459.8	2,394.00	46%
Transfer expenditures	1,453.40	1,240.40	3,778.80	38%
Capital expenditures	12.9	4.8	216.9	6%
Interest	179.6	100.1	486.8	37%
Net lending	633.1	633.1	957	66%
Earmarked payments	354.6	80.9	490.9	72%

Total expenditures during the first half of the year on a cash basis amounted to less than that achieved on a commitment basis, with a difference of NIS 1.9 billion, indicating the continuation of the Ministry of Finance's procrastination policy regarding reimbursing expenditures leading to debt and arrears accumulation. It is also evident that expenditures were not reduced during the first half of the year, as what was achieved is close to that what was achieved during the same period last year.

Payroll and wages: Payroll and wages expenditures on a commitment basis amounted to NIS 4 billion, while payroll and wages on a cash basis amounted to NIS 3.2 billion, a difference of NIS 737 million, resulting from non-payment of full salaries, as only 80% of salaries' value was paid. The evidence also shows that there was no adjustment to the payroll bill during the first half of the year, as it is an close to what was achieved for the same period last year³. This is an indicator that the reform plan and set of interventions to remedy the issue of the payroll and its reduction was not implemented. In addition, this approach stands in contradiction with the Council of Ministers' decision to appoint 1,500 staff members in the security sector⁴. It has been noted that no adjustments to the estimated budget have been formally made, not only during this year, but in the last three years, despite the issuance of numerous decisions for staff relocations requiring an amendment law for the budget, specifically with regard to the payroll bill, quasi salaries and salaries of a number of employees working outside government institutions, some of whom are under the designation of General Personnel Council institutions. This state of ambiguity was one of the reasons for the reservations by the State Audit & Administrative Control Bureau. The Bureau referred to "the existence of examples of staff relocations where a relocation was made from one responsibility center to another, in contradiction to article 9 item 7 of the Budget Law, and where no decree law was issued to amend the budgets of the said responsibility centers".

Social contributions: These are the Government's contributions for the benefit of employees, which are supposed to be transferred to the pension fund to ensure its sustainability, and for it to effectively remit pensioners' benefits. NIS 343 million have effectively been transferred, a percentage of 47% of what was estimated. The Government's accumulated debt to the pension fund amounted to about NIS 9 billion.

Operational expenditures: Operational expenditures achieved during the first half of the year on a commitment basis amounted to NIS 1.09 billion, representing 46% of this year's estimate, while operational expenditures realized effectively amounted to NIS 459 million. This means that NIS 640 million remained as a financial obligation on the government, i.e. arrears to the private sector.

Transfer expenditures: Transfer expenditures during the first half of the year amounted to NIS 1.4 billion, i.e. 38% of this year's estimate, while on a cash basis they amounted to NIS 1.2 million, a difference of NIS 213 million over what was achieved on the commitment basis which remain as financial obligations on the Government.

Capital expenditure: Capital expenditures during the first half of the year on a commitment basis amounted to NIS 12.9 million, 6% of this year's estimate, while on a cash basis they amounted to NIS 4.8 million.

Net lending: Net lending expenditures amounted to NIS 633,⁵ 66% of this year's estimate. According to the report by the Ministry of Finance, "net lending includes deductions from clearing, clearing amounts, municipal and local authorities' payments and loans to other institutions."

3 Expenditure on the payroll and wages on a commitment basis amounted to NIS 3.8 billion during the first half of 2021.

4 See Cabinet Meeting Statement No. 155 of 4/4/2022 <http://www.palestinecabinet.gov.ps/portal/meeting/details/51984> (Arabic)

5 Report

In this report, for the first time, deductions from clearing were shown (which also include net lending) amounting to NIS 769.2 million, and these are as follows:

Details of deductions from clearing	Million Shekels	Percentage of deductions
Electricity	431.6	56%
Water	178.4	23%
Wastewater	53.3	7%
Hospitals	88.3	11%
Courts	16.5	2%
Court deductions' refunds	-9	-1%
Other clearing sums withheld	10	1%

The above table indicates that 56% of deductions go to electricity suppliers, although the Government has set up a government company exclusively to import electricity. This requires the completion of the necessary infrastructure, particularly the power relay stations, of which 4 have been completed (Jalama, Sarra, Qalandia and Tarqumia). Five of these stations remain uncompleted (Qalqilya, east of Nablus, Tulkarm, north of Ramallah, south of Hebron). This in addition to the persistent problems of local authorities' related debts related to electricity bills.

23% of deductions are for water supply companies, and 11% for Israeli hospitals. And though addressing the issue of the accumulation of net lending is one of the items of the Public Finance Management Strategy 2021-2023 and the objective «to establish a Net Lending Service Department operating under the supervision of the Public Accountant to follow up on this issue, in order to reduce net lending by at least 20% annually» has been determined, the net lending item still drains over NIS 1 billion annually. One of the objectives of the reform agenda issued last May stressed the necessity to enact the special unit to follow up on the net lending of the relevant authorities and eliminate the problem of net lending. This raises a question with regard to the seriousness of applying fiscal reform strategies and agendas.

Israel still does not deal transparently with the details concerning the value of the bill pertaining to treatment of Palestinian patients' in Israeli hospitals. The Ministry of Health is still unable to verify that all invoices and claims issued by the Israeli side are in fact for Palestinian patients admitted to Israeli hospitals on the basis of a medical referral issued by the Service Procurement Department of the Ministry of Health, not to mention the Ministry of Health's inability to audit and review the validity of monthly deductions, and verify the validity of invoices and financial claims issued by Israeli hospitals.

The failure to audit and verify the legality of the sums deducted from water and sanitation bills persists. The matter is further exasperated due to the lack of transparency of the fiscal relationship between several local authorities and the Ministry of Finance. Local authorities claim that the Ministry of Finance does not remit their financial dues on a regular basis, particularly those related to taxes and revenues (90% of property tax, 50% of transportation taxes). Ministry of Finance data confirms that the earmarked payments made during the first half of the year on a commitment basis amounted to NIS 354 million, i.e. 72% of this year's estimated expenditures, while on a cash basis they amounted to NIS 80 million, or only 16% of this year's estimate.

► **Developmental expenditures during the first half of the year**

Developmental expenditures for 2022 were estimated at NIS 2.47 billion, more than double those achieved over the years. Of these, NIS 1.4 billion will be financed from the public treasury, while NIS 972 million will be financed through grants and external aid. Developmental expenditures during the first half of the year on a commitment basis amounted to NIS 354.3 million, representing only 14% of the estimate. Actual development expenditures, i.e. on a cash basis, amounted to only NIS 191 million, representing only 8% of the total estimated developmental expenditures for 2022. By tracking the distribution of developmental expenditure based on commitment to the responsibility centers, it becomes evident that the higher share of developmental expenditures achieved on the basis of commitment was that of the Ministry of Education at the value of NIS 64 million representing 18%, followed by the Palestinian Water Authority NIS 49 million representing 13%, the Ministry of Local Government NIS 36 million accounting for 10%, and the Ministry of Interior and National Security NIS 33 million representing 9%.

Ministry of Health's developmental expenditures amounted to NIS 9 million representing 2%, contradicting the stated objectives of reforming the health system, reforming the medical referral system and health insurance, and developing government services.

► **Grants and aid – deficit and financing**

The total pre-financing deficit was estimated at NIS 3.6 billion, while external financing was estimated at NIS 1.78 billion. Therefore, the Budget Law kept NIS 1.8 billion as a funding gap. The fiscal deficit in the Public Budget for the first half of the year was NIS 501 million on a commitment basis for 2022, external financing was NIS 262 million, representing 15% of the total estimated funding for 2022.

Data also indicates that gross revenue earned on a commitment basis and on a the basis of cash is convergent, while the difference is noticed in the comparison of expenditures on a commitment basis and on a cash basis, reflecting the deficit in the above paragraph, and emphasizes the increase in the government's arrears.

The total accumulated arrears for the first half of the year amounted to NIS 2.15 billion, 121% of this year's estimate, with arrears estimated at NIS 1.78 billion.

It is worth noting that the total accumulation of arrears amounted to NIS 10.9 billion at the end of June 2022, not including pension fund debts (i.e. public sector employees' contributions and government contributions to the pension fund that are not transferred regularly as prescribed in the law) estimated at NIS 9 billion.

► Public debt

At the beginning of 2022, the public debt amounted to NIS 11.9 billion. According to the data by the Palestinian Ministry of Finance, public debt rose at the end of June 2022, reaching NIS 12.1 billion, including NIS 7.6 billion in domestic debt, and NIS 4.5 billion as external debt.

The Ministry of Finance's financial report lacks clarification regarding all public institutions that were borrowed from. It also lacks clarifications on borrowing mechanisms and interest rates. The report also fails to inform on the government's debt to the pension fund. The State Audit & Administrative Control Bureau, upon auditing the Final Account (2018-2019) noted several reservations regarding some clarifications related to public debt. Reservations include:

- The Ministry of Finance failure to disclose its debt owed to the Palestinian Pension Agency within the amounts owed by the public treasury resulting from the non-transfer of the amounts deducted from government sector employees and the government's contribution to the Agency's contribution and benefits systems, which also include the amounts deducted from security sector personnel.
- The amount owed by the Ministry of Finance to the Palestinian Monetary Authority, amounting to NIS 10.3 million at the end of 2019, was not disclosed.
- The amount owed by the Ministry of Finance to the Palestine Investment Fund amounting to NIS 358 million was not disclosed (end 2019).
- The amounts due by the General Directorate of Petroleum to fuel supply companies amounting to NIS 737 million in 2019 were not disclosed.

► Ministries' allocations: Ministry of Health, Ministry of Social Development, Ministry of Education, Ministry of Interior and National Security, and the Ministry of Agriculture

• Ministry of Health expenditures during the first half of 2022

The Ministry of Health budget for 2022 was estimated at NIS 2.36 billion, or 13.7% of the total public budget expenditures in 2022. Total expenditures on the Ministry of Health amounted to NIS 1.07 billion, or 45% of this year's estimate.

Table No. (5) Ministry of Health expenditures during the first half of the year compared with the estimated budget (amount in thousand NIS)

Ministry of Health	Estimated budget for 2022	Commitment-based expenditure during the first half of 2022	Percentage of expenditure achieved from the estimated budget
Total expenditures	2,368,634	1,072,192	45%
Payroll and wages	963,300	457,635	48%
Social contributions	76,014	37,353	49%
Operational expenditures	1,150,000	565,816	49%
Capital expenditures	29,320	1,668	6%
Developmental expenditures	150,000	9,719	6%

Expenditure on salaries and wages amounted to 48% of this year's estimate, and social contributions during the first half of the year amounted to 49% of the estimate. Operational expenditures (goods and services) during the first half of the year on the basis of commitment reached 49% of this year's estimate. According to the report by the Ministry of Health for 2021, operational expenditures are apportioned for the purchase of service from outside the Ministry of Health, medicines, consumables and laboratory materials. The purchase of the service, i.e. medical referrals, accounted for 37.5% of total spending on the Ministry of Health NIS 974 million over the past year, while medicines, consumables and laboratory materials accounted for 19%.

Capital expenditures during the first half of the year on a commitment basis amounted to NIS 1.6 million, or 6% of this year's estimate. Developmental expenditures realized amounted to NIS 9.7 million, i.e. only 6% of this year's estimate.

Although a range of interventions have been determined to reform the medical referral system through the development of government services and the development of some specialized departments such as catheterization and cardiac surgery, surgical oncology and hematology and pediatric incubators, financial data for the first half of the year do not indicate the start of these development projects.

• **Ministry of Social Development expenditures during the first half of 2022**

The social protection sector's budget was estimated at 20% of the total budget, including all social protection interventions (Ministry of Social Development, detainees' allowances, and the Foundation for the Care of Families of Martyrs and the Wounded) in addition to the allocations of the Ministry of Women's Affairs and the National Committee for Summer Camps, while the Ministry of Social Development budget was estimated at NIS 827 million, 5% of the total general expenditure, which is less than the budget estimated for previous years.

Since the report issued by the Ministry of Finance adds expenditures to the Foundation for the Care of Families of Martyrs and the Wounded, the comparison will be made with the total estimated budget of the Ministry of Development with the estimated budget of the Foundation for the Care of Families of Martyrs and the Wounded. Expenditures of the Ministry of Social Development in addition to the Foundation for the Care of Families of Martyrs and the Wounded amounted to NIS 390 million on the basis of commitment, i.e. only 27% of the estimated budget (Ministry of Social Development and the Foundation for the Care of Families of Martyrs and the Wounded).

Table No. (6) Ministry of Social Development expenditures during the first half of the year compared with the estimated budget (NIS 1,000)

	Ministry of Social Development	Foundation for the Care of Families of Martyrs	Total budget of the Ministry of Social Development & the Foundation for the Care of Families of Martyrs	Commitment-based expenditure during the first half of 2022	Percentage of expenditure achieved from the estimated budget
Total expenditures	827,133	602,051	1,429,184	390,091	27%
Payroll and wages	55,380	7,640	63,020	31,091	49%
Social contributions	5,910	724	6,634	3,249	49%
Operational expenditures	8,107	1,613	9,720	3,597	37%
Transfer expenditures	751,430	592,000	1,343,430	349,128	26%
Capital expenditures	200	75	275	5	2%
Developmental expenditures	6,107		6,107	3,017	49%

Expenditures on salaries and wages amounted to NIS 31 million, 49% of the estimate, while operational expenditures during the first half of the year amounted to NIS 3.5 million, 37% of the estimate, and transfer expenditures on a commitment basis NIS 349 million, or 26% of the estimated budget, which is NIS 112 million lower than the same period during the past year, indicating that the reduction in spending was at the expense of the impoverished.

It is worth noting that up until the report was issued, only one payment was made from the allocations for the impoverished, noting that Some 116 thousand families benefit from the cash assistance program, and allowances for the families of martyrs were also not transferred in full (only 80% of their allowance have been transferred monthly).

The Minister of Finance's letter stated that there was a need to reform the payroll and quasi-salaries' bill. Among the quasi-salaries is what is spent on the staff of the "2005 appointments" which number 11,850 at an average of NIS 1,500 per month, i.e. about NIS 214 million per year spent from the budget allocated to the Ministry of Social Development. Hence the amounts allocated for transfer expenses include impoverished families, and the families of martyrs and the wounded and employees falling under the category of the "2005 appointments".

• Ministry of Interior and National Security expenditure during the first half of 2021

The budget of the Ministry of Interior and National Security was estimated at NIS 3.6 billion, the highest budget among all responsibility centers, at 21% of the total public expenditure. Salaries, wages and social contributions constitute 86% of the budget of the Ministry of Interior and National Security, 11% for operational expenses and 3% for developmental costs.

& Ministry of Interior National Security	Estimated budget for 2022	Commitment-based expenditure during the first half of 2022	Percentage of expen- diture achieved from the estimated budget
Total expenditures	3,601,265	1,727,154	48%
Payroll and wages	2,808,911	1,410,603	50%
Social contributions	281,454	140,236	50%
Operational expenditures	409,300	141,431	35%
Capital expenditures	8,600	1,320	15%
Developmental expenditures	93,000	33,563	36%

Expenditures during the first half of the year amounted to NIS 1.7 billion, representing 23% of total expenditure on responsibility centers for the first half of the year, and 48% of the Ministry of Interior and National Security's estimated budget for 2022.

Expenditures on salaries and wages amounted to 50% of what was estimated for this year, bearing in mind that the number of employees in the security sector has reached 53,000. Despite the inclination towards reform of "staff inflation", this year 1500 staff were appointed in the security sector. By comparing the payroll bill for the first half of the year with that of the same period last year⁶, a rise by NIS 68 million can be noted, and it is unclear what security sector reforms have been achieved in terms of rationalization, public order and civil peace, the rule of law and a sense of social security.

• Ministry of Education expenditures during the first half of 2022

The budget of the Ministry of Education (including the Ministry of Higher Education and Scientific Research) amounted to NIS 3.4 billion, representing 20% of the total public expenditures of the Public Budget 2022, while during the first half of the year, the commitment-based expenditures amounted to NIS 1.6 billion, representing 50% of the estimated budget.

Table No. (8) Expenditures of the Ministry of Education during the first half of the year compared with the estimated budget (NIS 1,000)

Ministry of Education	Estimated budget for 2022	Commitment-based expenditure during the first half of 2022	Percentage of expen- diture achieved from the estimated budget
Total expenditures	3,404,372	1,694,556	50%
Payroll and wages	2,681,714	1,357,545	51%
Social contributions	278,060	145,538	52%
Operational expenditures	244,916	119,916	49%
Transfer expenditures	36,747	6,643	18%
Capital expenditures	937	33	4%
Developmental expenditures	162,000	64,879	40%

⁶ Expenditure on salaries and wages for the Ministry of Interior and National Security during the first half of 2021 amounted to NIS 1.34 billion.

Expenditures on salaries and wages amounted to NIS 1.3 billion, or 51% of the estimate, and operational expenditures on a commitment basis amounted to NIS 119 million, 49% of this year's estimate. The above table also indicates a decrease in transfer expenditures, with only NIS 6.6 million spent out of 36, i.e. 18% of the transfers expenditures' budget, and developmental expenditures were estimated at NIS 162 million, of which NIS 64 million were spent, or 40% of the budget.

• Ministry of Agriculture expenditures during the first half of 2022

Although the Ministry of Agriculture's budget was estimated at NIS 236 million (1% of the total budget), it is distributed between salaries and wages which constitute 35%, and operational expenses 8%. While developmental expenditures were estimated at 57% of the budget, the implementation of the budget does not indicate the adoption of a fiscal policy to achieve the objectives based on the developmental budget, where only 14% was committed.

Table 9 Total expenditures on the Ministry of Agriculture during the first half of the year

Ministry of Agriculture	Estimated budget for 2022	Commitment-based expenditure during the first half of 2022	Percentage of expenditure achieved from the estimated budget
Total expenditures	236,852	67,681	29%
Payroll and wages	75,591	38,103	50%
Social contributions	6,501	3,563	55%
Operational expenditures	18,494	7,706	42%
Transfer expenditures		3	
Capital expenditures	1265	6	0%
Developmental expenditures	135,000	18,299	14%

Expenditures of the Ministry of Agriculture during the first half of the year amounted to NIS 67 million, 29% of the estimate, as only NIS 18 million of the allocated developmental expenditure of NIS 135 million were spent, i.e. 14% of the estimate.

During this year, a series of development projects were identified (complementing those of previous years): The Agricultural Cluster Development Plan, the greening of Palestine, improvement of agricultural cluster services, assistance to marginalized areas affected by the Separation Wall, and the construction and rehabilitation of agricultural roads. It should be noted that last year's estimated budget for development expenditures was NIS 121 million, but only NIS 48 million were spent on a commitment basis (about 40% of what was earmarked).

► Conclusions

Overall, management of the Public Budget for the first half of this year shows continued poor transparency in the Public Budget management, and weak implementation of the reform policies announced by the Palestinian Government and Ministry of Finance. Financial reform plans remain unacted, especially in the area of public spending rationalization and the continued risk of accumulating burdens for future generations without finding core solutions to the social and economic problems faced by successive Palestinian governments. The report drew the following conclusions:

The state of lack of transparency and participation in the Public Budget. It has not been fully published, nor has the reform agenda presented to the May 2022 meeting of donor countries in Brussels been published.

- There is a gap between commitment-based and cash-based expenditures, indicating increased arrears and public debt.
- The Israeli occupation continues to withhold and deduct amounts of clearing funds. The net lending item continues to drain the Public Budget and constitutes a burden on the public treasury in the light of the government's failure to reduce it despite the development of many measures to address it.
- The payroll and wages' item still constitute 50% of the Public Budget, which indicates that the government has not taken serious steps to balance the payroll item in the Public Budget.
- The Public Budget deficit continues to worsen year after year, with no serious solutions that contribute to closing the fiscal deficit. The commitment-based budget deficit was NIS 239 million.
- Total accumulated arrears for the first half of the year reached NIS 2.15 billion, i.e. 121% of this year's estimate.
- The Ministry of Finance report shows a significant gap between what was allocated to developmental expenditure, and what was spent during the first half of the year.
- The largest expenditures allocated remain for the security sector at 23% of the total expenditures realized for responsibility centers, and the payroll and wages item continue to receive the highest percentage (86%) of the security sector's budget.
- impoverished families are deprived of their allocations, as only a one payment of their dues has been made.
- There is a wide gap between what was allocated for the agricultural sector and what was spent during the first half of the year on the agricultural sector, including the Ministry of Agriculture, in particular the item concerning developmental expenditures.

► Recommendations

- It is imperative that the government's commits to working under the principles of transparency by publishing public budget information during the preparation, adoption and implementation phases in accordance with the basic requirement of commitment to publish comprehensive, accurate and timely information and data to allow taxpayers and their representatives to exercise their right to accountability.
- The Ministry of Finance should open up to, and consult with, civil society organizations whether during the preparation of the budget, or when it is adopted in order to achieve greater benefit in addressing national priorities, as well as the need for timely publishing of data and access in accordance with the law.
- The need to abide by the Public Budget Law, particularly in developmental spending, and to prioritize developmental spending in line with national priorities, and to develop public services provided to citizens.
- Adapt expenditures according to available means, and work to control expenditures by reviewing and purifying the payroll bill, processing and adjusting the net lending item, and work to develop the health system through the adoption of the universal and mandatory health insurance system and the development of government services.
- There is a need to seriously reform the management of public funds and stop deferring crises and increasing arrears and deferring payments.
- There is a need to control and eliminate the net lending item by obliging local authorities to commit to paying electricity bills as it is the largest component of the net lending item, and to address other net lending items.
- The government should adopt a clear plan for rationalizing expenditures that takes into account the realities of each responsibility center, and does not impact the rights of the impoverished or prejudice social justice.
- There is a need to commit to paying allowances to the impoverished, and to transfer the full payments by the Ministry of Finance so that the Ministry of Social Development can further deliver them to beneficiaries.
- The need to carefully consider the agricultural sector and fulfil the commitments set out in the development budget in the Ministry of Agriculture's budget with a view to restoring the sector's capacity by making an effective contribution to the GDP.



Civil Society Team for Enhancing Public Budget Transparency

AMAN has worked to establish a civil team to support the transparency of the public budget, representing a number of Palestinian sectoral civil organizations, namely: Aman Foundation, Miftah Foundation, Center for Democracy and Workers 'Rights, Hydrology Society, Creator's Teacher Center Development work - together, the Union of Agricultural Work Committees, the Federation of Food Industries, the Federation of Pharmaceutical Industries, the Federation of Chambers of Commerce, Agriculture and Industry, the Palestinian Federation of Local Authorities, the Network of NGOs, the Economic Policy Research Institute (MAS), the Law Center Ah Civil Society Development, a forum of intellectuals Charity Association, Conscience Foundation, Al-Haq, the Institute of Development Studies) Birzeit (University, Jerusalem Center for Legal Aid and the Jerusalem Center for Social Rights and the Economic Commission national civil organizations Palestinian, as well as some economic experts.

AMAN performs secretarial work for CSTPBT, through providing logistical and technical support to it in light of insufficient and unstable financial capabilities. AMAN invites for CSTPBT meetings and prepares the agenda of meetings and minutes, in addition to any papers and documents related to the public budget, working as a bridge between the team and the official authorities, presided by the Ministry of Finance. With the vital support of AMAN, CSTPBT team participated in a number of training workshops to build their capacity in the public budget field.

The CSTPBT team believes in the urgent need of informing the citizens about the public budget to participate in its preparation, in order to be able to hold it accountable and follow up the management of government spending and public money. To achieve this goal and before approving the budget of 2011 specifically, the CSTPBC team submitted a proposal to the Ministry of Finance & Planning, requesting the adoption of the citizen's budget, which is one of the basic elements that guarantee the transparency of the public budget. Indeed, the Ministry adopted the proposal and instructed to manage the public budget in cooperation with the CSTPBT team in this field. The citizen's budget was issued for the first time in Palestine during the year 2011, and it was developed to become the citizen's guide during the year 2013 where the national team will work to raise the awareness on it. Moreover, Aman succeeded recently in convincing the Council of Ministers of the need to involve civil society organizations to cooperate with the ministries in discussing annual budgets before submitting them to the Cabinet for approval.

Specialized sub-committees were formulated from the members of the CSTPBT, focusing on three-main essential sectors (Health, Education, Social development). Each sub-committee has a leading organization that is in charge of it.

Aman will work in the future to establish the monitor unit, which will be specialized in following up on all issues related to the public budget, thus creating a reference for all interested citizens, researchers and various institutions.