

Monitoring report

Public Finance Management Policies, National Reform Strategies and Action Plans 2017-2022





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AMAN
Transparency Palestine



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► Introduction:

The Palestinian National Authority (PNA) launched the National Policy Agenda (NPA) 2017-2022 simultaneously with the Public Finance Management Strategy (PFMS) 2017-2022. NPA identified national issues and priorities to improve and develop the management of public funds and enhance finance governance. When the eighteenth government overtook its responsibilities the National Development Plan 2021-2023 was launched, entitled "Resilience, cluster development and disengagement from the occupation". Furthermore, the government adopted the Public Finance Management Strategy 2021-2023 and the Reform Agenda 2022, which focused on five priorities including "reforming public finance". Several policies were adopted to ensure more effective management of public finance, rationalization of expenditure, and maximization of revenues.

Objective of the Report:

Monitor, review and assess the implementation of the public national plans, public finance management strategies, and government public finance reform plans 2017-2022; formulate recommendations to promote governance of public finance and ensure success of the financial reform.

Methodology

An analytical empirical methodology was adopted in the preparation of the report via the analysis of the national plans and strategies of public finance management and the financial reform plans in the period from 2017 to 2022. An assessment of the progress in the achievement of these policies and plans' objectives was carried out based on the financial reform plans and relevant SAACB reports, mainly audits of the closing account. Other pertinent literature and studies were consulted to measure progress indicators, identify challenges, and formulate implementable recommendations.

Documents reviewed:

- National Policy Agenda 2017-2022 "Citizen First"
- Public Finance Management Strategy 2017-2022.
- National Development Plan 2021-2023 "Resilience, Cluster Development and Disengagement from the Occupation"
- Public Finance Management Strategy 2021-2023
- Government Reform Agenda 2022
- General Budget Statement 2022
- General Budget Actual Spending Reports 2017-2022
- Relevant SAACB (State Administrative Audit and Control Bureau) reports, mainly audits of the closing account in 2018 and 2019.
- Relevant reports, mainly those of the Civil Society Team for Enhancing Public Budget Transparency(CSTPBT)

Report Paradigms:

- Comparison of the reform policies included in the national plans, public finance management strategies, and the reform agenda with the actual policies implemented on the ground.
- Analysis of the policies, their content, and ability to achieve the public finance management reform.
- Identification of the gaps in the declared policies and of the challenges and obstacles to compliance with the policies, mainly the financial reform agenda. For this purpose, the analysis focuses on the following themes:
 1. Net lending.
 2. Payroll
 3. Medical referrals.
 4. Public debt
 5. Tax justice
 6. Public budget transparency
- Recommendations to reform public finance management.

► Chapter One: General Review of Public Finance Management National Plans, Public Policies and Reform Agenda from 2017 to 2022

Since its advent, Palestinian National Authority adopted several national development plans, including:

- Palestinian Reform and Development Plan 2008-2010
- National Development Plan 2011-2013 “Establishing the State, Building our Future”
- National Development Plan 2014-2016: “State Building to Sovereignty”

Before these plans, the PNA, established in 1994, launched other plans such as the Three-year development plan 1998-2000, the five-year development plan 1999-2003, and the socioeconomic stability restoration plan 2004-2005.

National Policy Agenda 2017-2022

In harmony with its vision to achieve SDGs 2030, the PNA adopted the National Policy Agenda 2017-2022 early 2017 under the title of “Citizen First”. NPA focused on three pillars: Road to independence, reform and improvement of service quality, and sustainable development¹.

National Development Plan 2021-2023 (Resilience, cluster development, and disengagement from the occupation)

Following the advent of the 18th government, the National Development Plan, entitled “Resilience, Cluster Development, and Disengagement from the Occupation” was launched. The Plan was called “Public Policies”, which included three pillars: ending the occupation, excellent public service provision, and sustainable development². The 12th National Policy included “Effective, Efficient Management of Available Resources”, which focused on the following interventions: macroeconomic management, fiscal policy, management of public debt, and procurement³

Public Finance Management Sectoral Strategy 2017-2022:

The Ministry of Finance (MoF), in cooperation with local and international public finance management partners, prepared the Public Finance Management Sectoral Strategy 2017-2022, which was consistent with the public expenditure and financial accountability (PEFA) standards and aimed to achieve systematic reform of the public finance management. The strategy proposed a realistic and implementable strategy, which aimed to respond to the aspiration of citizens and internal and external oversight bodies in terms of improvement of public finance management.

Public Finance Management Sectoral Strategy 2021-2023⁴:

Preparation of this strategy started as part of the process aiming at updating the sectoral and cross-sectoral strategies 2017-2022. It adopted a vision that “public finance shall be managed efficiently and effectively in accordance with the financial and economic framework in force and consistent with the international public financial management standards. It aims to establish a stable financial system that can promote the economy to enable it to finance and provide public services up to the expectations and aspirations of the Palestinian people”

Government Reform Agenda 2022:

In 2022, the Palestinian government launched the Government Reform Agenda⁵ and presented it to donors in May 2022. The agenda focuses on five pillars and 21 reform steps that cover the following:

- Administrative reforms
- Public finance reforms
- Economic reforms
- Social reforms
- Security and public order reforms⁶ .

1 National Policy Agenda, 2017-2022, p. 25 <https://t.ly/Rte8>

2 National Development Plan 2021-2023 (Resilience, Disengagement, Cluster Development Towards Independence), p. 9. <https://t.ly/oxWj>

3 Idem, p. 69

4 See, Sectoral Public Finance Management Strategy <https://t.ly/2RQA>

5 There isn't an Arabic version of the Government Reform Agenda 2022, the only version is in English, and it is the version used to prepare the present report.

6 REFORM AGENDA - Economic and Financial Recovery, Strengthening Resilience, and Restoring Trust- May 2022

**2022 Budget:**

The 2022 general budget was ratified on 31/3/2022⁷, following which the Council of Ministers announced a public finance reform package that focuses on promoting revenues and rationalizing expenses, mainly on salaries and quasi-salaries, net lending, and medical referrals.

For further details on the plans, strategies and their goals and policies, please refer to the detailed annex attached to the report.

⁷ Law by Decree No. (19) of 2022 on the Public Budget 2022, issued on 31/3/2022

► Chapter Two: Implementation of the public national policies and public finance management strategies and the financial reform agenda on the ground

Six years after the launch of the National Policy Agenda (2017-2011), the Public Finance Management Sectoral Strategy (2017-2022), and one and a half years after the launch of the National Development Plan (2021-2023) “Resilience, Cluster Development and Disengagement from the Occupation” together with the Public Finance Strategy (2021-2023) and the Reform Agenda (2022), which focused on four areas of reform including public finance reform, this report presents monitoring and analysis of the public finance management policies based on the relevant national plans and strategies and the reform agenda. The analysis focuses on the key policies rather than a thorough analysis of the entire goals, policies, and procedures stated in the plans and strategies. It focuses on the following areas:

- Net lending
- Salaries and wages.
- Medical referrals.
- Public debt
- Tax justice
- Transparency of the public budget.

The present report also highlights the findings of the SAACB audit report of the closing account of the years 2018 and 2019.

Matrix of policies and procedures related to the public finance management and implementation progress

Objective/ policy	Procedure	Plan/ framework	Implementation progress
Public finance management effectiveness and efficiency	Promote public finance management and ensure financial stability	National Policy Agenda (2017-2022) National Development Plan (2021-2023)	Public finance has endured a chronic financial crisis for years, which was exacerbated in 2021 to the extent that the Public Treasury could not fulfill its obligations toward public servants or payment of services purchased from the private sector. Arrears have been accumulating.
	Mobilizing external support	Public Finance Management Sectoral Strategy (2017-2022)	External assistance declined sharply to reach only NIS 1.8 billion in the 2022 budget while in 2010, it stood at NIS 7.268 billion ⁸ .
	Rationalize expenditure	Public Finance Sectoral Strategy ((2021-2023	Several expenditure rationalization plans were prepared, but achievement in key areas remains limited, especially relating to (net lending, payroll and quasi-salaries, and medical referrals)
	Establishment of public services provision bodies, mainly for water and electricity		The National Electricity Company was established but some local authorities continue to establish direct contracts with the Israeli companies. The National Water Company has not been established yet.
Management of Public Debt	Efficient control, management and reduction of public debt.	National Policy Agenda (2017-2022) National Development Plan (2021-2023) Public Finance Management Sectoral Strategy (2017-2022) Public Finance Management Sectoral Strategy (2021-2023)	Quantitative data show that these policies have not been implemented. Indeed, public debt increased from NIS 9,599.2 million in early 2017 ⁹ to NIS 11,657.6 million ¹⁰ in early 2022, which represents an increase of 22%.

⁸ Coalition for Integrity and Accountability (AMAN), Assessment of Foreign Grants and Aid to the General Budget 2010-2019. Ramallah-Palestine. 2020.

⁹ Actual cumulative spending report December 2017, MoF, issued on 24 January 2018

¹⁰ Actual cumulative spending report, December 2021, MoF, issued on 2 February 2022

Objective/ policy	Procedure	Plan/ framework	Implementation progress
Improve the medium-term financial framework	Public expenditure is planned and budgeted in an integrated, effective and efficient manner.	Public Finance Management Sectoral Strategy (2017-2022) Public Finance Management Sectoral Strategy (2021-2023)	Currently being implemented. The three-year general pre-budget is prepared (Medium framework), but the obstacle to implementation is mainly the difficulty to predict in the Palestinian context.
Update public finance legislation	Prepare a draft bill to amend the existing Public Budget Law	Public Finance Management Sectoral Strategy (2017-2022) Public Finance Management Sectoral Strategy (2021-2023)	Not implemented although stated in the public finance management sectoral strategies (2017-2022) and (2021-2023).
Increase revenues	Focus on expanding the tax base and improving collection mechanisms of different taxes and excises.	National Policy Agenda 2017-2022 National Development Plan 2021-2023 Public Finance Management Sectoral Strategy (2017-2022) Public Finance Management Sectoral Strategy (2021-2023)	There is a significant increase in government revenues in recent years. For example, the net revenues in the first half of 2021 reached NIS 6,789 million ¹¹ , while in the first half of 2022, it reached NIS 7,978.1 million ¹² , marking a rise of 17.5%.
Budget implemented as planned	Budget implemented as planned	Public Finance Management Sectoral Strategy (2017-2022)	There are problems in implementing the budget as planned with gaps between the projected and actual expenditure, such as the cash assistance program.
Compliance with transparent, comprehensive and international-standards compliant accounting systems; promotion of transparency in government work including the right to access information	Publication of all budget documents upon submission of the budget.	Public Finance Management Sectoral Strategy 2017-2022	Not all the required documents are published and when published only in parts.
	Promote oversight by the civil society via engagement of relevant civil society organizations in the preparation and implementation of the budget	Public Finance Management Sectoral Strategy 2021-2023	Civil society participation in all four phases of the budget preparation cycle is not institutionalized.

11 Actual cumulative spending report, June 2021, MoF, 25 July 2021.

12 Actual cumulative spending report, June 2022, MoF, 28 July 2022

Objective/ policy	Procedure	Plan/ framework	Implementation progress
Computerization of tax transactions and processes on RMS		Public Finance Management Sectoral Strategy 2017-2022	Work is ongoing at the Ministry of Finance and tax departments
Sectoral and cross-sectoral strategies approved as per the guiding manuals and financially directly linked to budget programs tree	Preparation of sectoral and cross-sectoral strategies. Preparation of budget programs linked to the strategies and fiscal portfolios.	Public Finance Management Sectoral Strategy 2021-2023	Sectoral and cross-sectoral strategies 2021-2023 were prepared.
Update and develop effective laws and legislation to amend tax brackets and rates for all economic sectors	Reform the tax system, including laws, policies, and procedures using ICT.	Public Finance Management Sectoral Strategy 2021-2023	A draft VAT Law was prepared but not adopted. A draft customs law was prepared but not adopted.
	Promote social justice in the tax system.	Reform Agenda 2022	The Palestinian Tax System does not fulfill the requirements of tax justice.
	Eliminate tax evasion and tax avoidance		Work is ongoing, but the results are below aspirations.
Reform Government Revenue system	Assess and restructure fees systems	Reform Agenda 2022	Fees were modified but without consultation with the community and stakeholders
	Adjust general budget auditing processes and management of development projects and cash flows		The Directorate General for General Budget Management Performance was established and is expected to produce its reports this year.
Reform Medical Referrals and Health Insurance Systems	A full assessment of the health sector based on reliable statistics to inform the financial and administrative health sector reforms	Reform Agenda 2022	Still uncompleted
	Develop a sustainable computerized system to manage medical referrals and an inclusive mandatory health insurance system	Public Finance Management Sectoral Strategy 2021-2023	Still not completed
	Establish and operate a mandatory and inclusive health insurance system, which is administratively and financially sustainable		Still not completed
	Gradually phase out medical referrals to hospitals outside the government health system		The budget allocated was reduced but the alternatives to safeguard the right of citizens to treatment were not established.
	Audit and follow up patients referred by a competent unit. .		Ongoing.

Objective/ policy	Procedure	Plan/ framework	Implementation progress
Promote government systems to minimize net lending	Activate the unit responsible for net lending monitoring with relevant bodies to put an end to the problem of net lending	Reform Agenda 2022 Public Finance Management Sectoral Strategy 2017-2022.	The unit was established, but quantitative data do not show that net lending has been controlled. Actually, net lending in 2022 was projected at NIS 957 million, but already NIS 633.1 million have been spent under this item in the first half of the year ¹³
	Activate the mechanism that compels local authorities to pay their water and electricity bills in order to access projects.	Public Finance Management Sectoral Strategy 2021-2023.	The financial impact on net lending is still invisible as figures are escalating.
	Give a broader role to the municipalities that are capable of collecting fees and taxes, including the property tax		Municipalities were mandated with the collection of property tax following a Council of Ministers' Resolution in its session No. (168) on 25/7/2022
Reforming electricity and water sectors	Assess the financial and legal frameworks of water sector monitoring, including the different utilities and components of the system.	Reform Agenda 2022	No specific outcome
	Start operating the National Water Company.		Not yet established.
	Build solar energy projects in all governorates to generate energy and reduce environmental pollution.		There are projects but no incentive packages to citizens.

¹³ Actual cumulative spending report June 2022, MoF, 28 July 2022

I. Detailed assessment of the key parameters of public finance policies

Parameter 1: Net Lending

It is the sums deducted by Israel on the tax and customs clearance revenues to settle the debts of Palestinian municipalities, and distribution companies and facilities to the Israeli electricity, water and sanitation providers and repay other items.

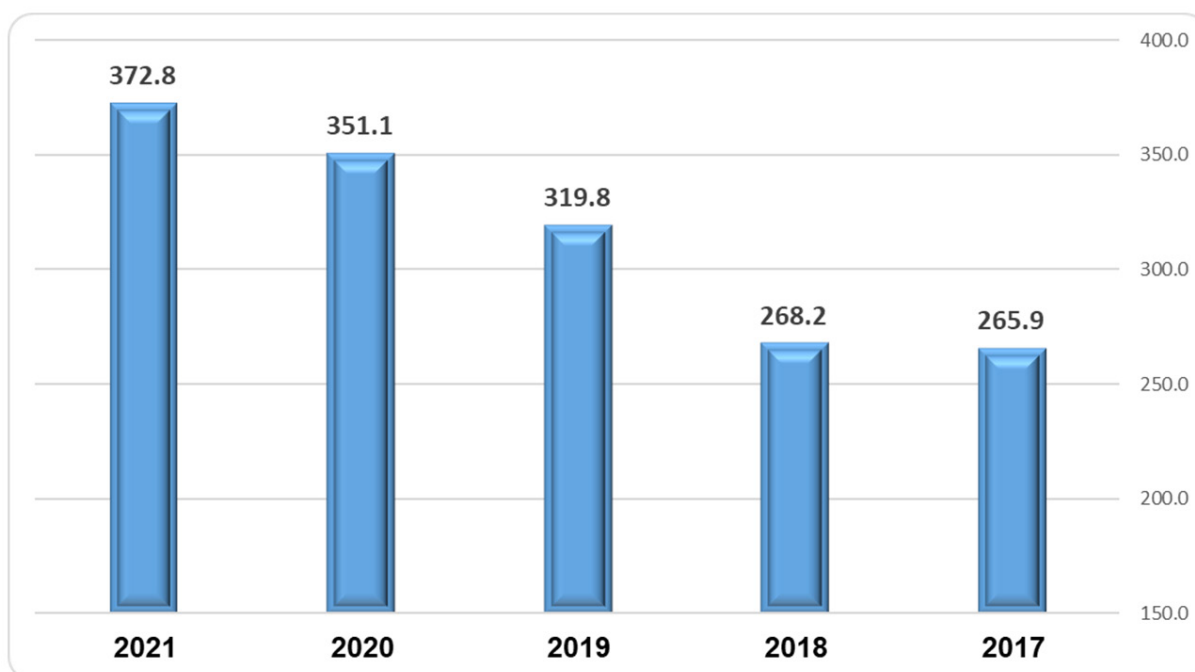
The Ministry of Finance (MoF) defines net lending as “direct net lending paid by MoF and net lending deducted on the clearance revenues”

Net lending is the term used since the creation of the Central Treasury Account (CTA) in 2022 to refer to the sums deducted by Israeli on the clearance revenues to repay Palestinian municipalities’ and distribution companies’ debt to Israeli electricity and water providers¹⁴.

Although all national plans and public finance management strategies and government reform plan intensively addressed this item with a view to curbing and reducing it, especially from 2017 until the preparation of this report (2022), and although it is included as a separate item in the Government Reform Plan 2022, quantitative data indicate that these policies and efforts are unsuccessful. Indeed, according to Palestinian Monetary Authority (PMA) data, total actual expenditure on net lending from 2003 to 2021 amounted to \$5,689.7 million, averaging \$ 300 million annually.

A review of the actual net lending expenditure data during 2017-2021 shows a steady rise, which is contrary to all government public financial management policies¹⁵. It is also on the rise in the estimated budget. It was estimated at \$ 229 million in 2021¹⁶, but the projections increased to \$295 million, equivalent to NIS 957 million in 2022¹⁷.

Actual spending on net lending in the period 2017-2021 - \$ million



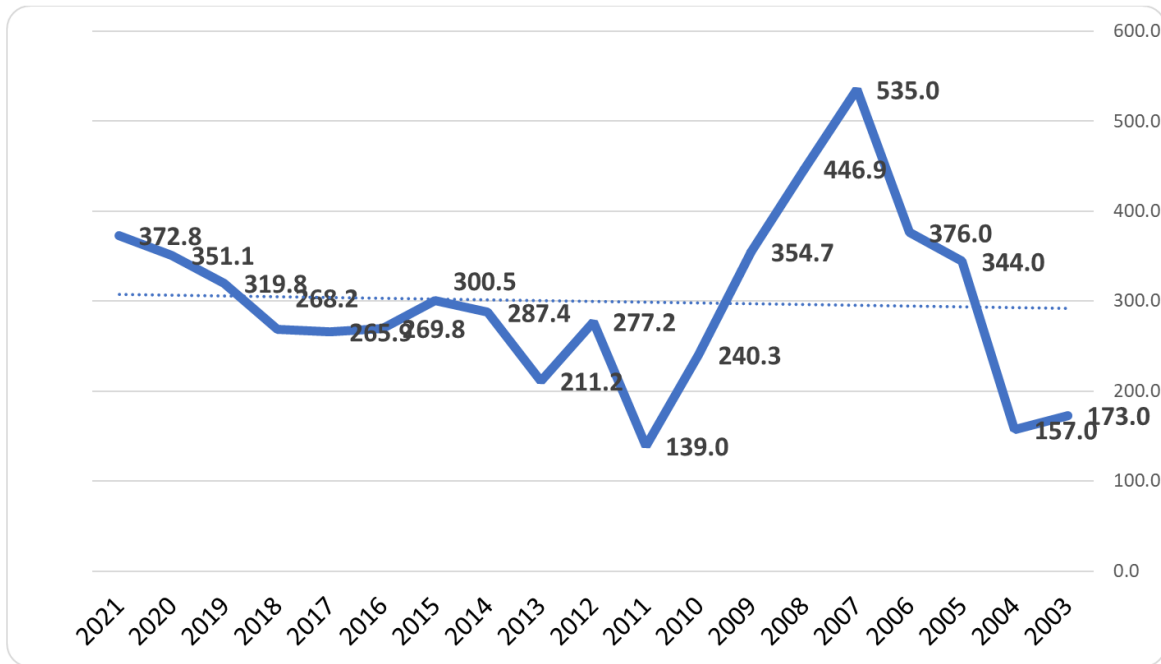
14 Coalition for Integrity and Accountability (AMAN), Net Lending: Impact on Budget Deficit and Public Fund Waste, Ramallah – Palestine. 2017

15 Revenues, Expenditure, and Source of Funding of the PNA, PMA 2022

16 Law by Decree No. (12) of 2021 on General Budget for the Fiscal Year 2021, issued on 31/3/2021

17 Law by Decree No. (19) of 2022 on General Budget for the Fiscal Year 2022, issued on 31/3/2022

Figure showing actual spending on the net lending during the period 2003-2021¹⁸ - \$ million



Parameter 2: Salaries and wages

Public finance management plans and government reform plans included rationalizing expenditures via the control of salaries, wages, and quasi-salaries, which drain almost all domestic revenues. The payroll bill, including social contributions in 2021, amounted to NIS 8,121 million¹⁹, other than the cost of quasi-salaries. On the other hand, salaries and wages in the 2022 budget were estimated at NIS 8,272 million²⁰. In the draft general budget of 2022, the Palestinian Government announced its plan to address the payroll and wages issue by staff downsizing and a review of the Civil Service Law²¹.

Since November 2021, until the preparation of this report, the Government has been paying 80% of the salaries and wages of civil servants, which resulted in an accumulation of arrears. This measure does not solve the financial problem and does not represent a policy to manage and control the payroll bill in a scientific way with clear foundations. It only escalates the crisis and delays any handling thereof.

It is, therefore, necessary to reset the payroll on empirical bases, in order to safeguard and avoid compromising the rights of civil servants. The Civil Service Law, and its amendments, need to be reviewed to bridge the gaps between the senior and junior posts in the civil and security institutions. Quasi-salaries problems must be addressed, especially for the employees outside the approved organizational structures, who are not committed to specific work.

The cuts on the staff pay do not represent a solution to the financial crisis, but rather export the problem to the future since staff entitlements are accumulated in arrears, which the government is compelled to pay in all cases.

¹⁸ Revenues, Expenditure, and Sources of Funding of the PNA, 1996-2022, PMA, 2022.

¹⁹ Actual cumulative spending report, December 2021, MoF, 2 February 2022.

²⁰ Law b Decree No. (19) of 2022 on General Budget 2022. Issued on 31/3/2022

²¹ Draft Public Budget Law No. 2022, Council of Ministers.

Parameter 3: Medical Referrals

Medical referrals deplete around NIS 1 billion of the general budget every year. Based on the annual statistical report of the Palestinian Ministry of Health (MoH) in 2021, the purchase of the service outside the Ministry's establishments reached NIS 974,782, 080²².

Although national plans, public finance management strategies, and government reform plans address this issue in detail, and in spite of the reduction of the budget allocations to medical referrals from NIS 850 million in 2021 to NIS 500 million in 2022, this measure does not solve the problem. On the contrary, it compromises citizens' right to healthcare, especially the poor and marginalized groups. The solution must start with a mandatory and inclusive health insurance system that is capable of providing health services locally and contributing to covering health services costs in Palestine

Parameter 4: Public Debt

Public Debt: The outstanding balance of the Government's obligations, which entails several payments to fulfill these obligations. It is divided into:

External Public Debt: The government's outstanding financial liabilities to repay its loans to foreign countries, organizations, and institutions in accordance with the law.

Domestic Public Debt: Government's outstanding financial liabilities to repay loans in the form of treasury bonds or to local banks and other local financial institutions²³.

According to Article (30) of the Public Debt Law regulating outstanding liabilities, "the outstanding public debt may not at any time exceed 40% of the GDP at current prices during the last year for which data are available ²⁴." A review of MoF reports shows that public debt at the beginning of 2017 reached NIS 9,559.2 million²⁵, dropped to NIS 8,623.1 million²⁶ in 2018, and amounted to NIS 8,562.1 million²⁷ at the beginning of 2019 before it rose again in 2020 to reach NIS 9,897.9 million²⁸. At the beginning of 2021, it increased noticeably to reach NIS 11,743.3 million²⁹ while it accounted for NIS 11,657.57 million³⁰ at the beginning of 2022.

Although the public debt reported by the Ministry of Finance does not exceed 40% of the GDP, the total government liabilities, such as its debt to the Pension Fund and other funds together with other debts, ring the bell about the levels of public debt in Palestine and its economic repercussions. Furthermore, the size of public debt reveals problematic government policies in the national plans, public finance management strategies and reform agenda towards the control and reduction of public debt.

22 Annual Statistical Report, MoH 2021. 2022

23 Public Debt Law No. (24) of 2005, Article (1)

24 Idem, Article (30)

25 Actual cumulative spending report December 2017, MoF, issued on 24 January 2018.

26 Actual cumulative spending report December 2018, MoF, issued on 27 January 2019.

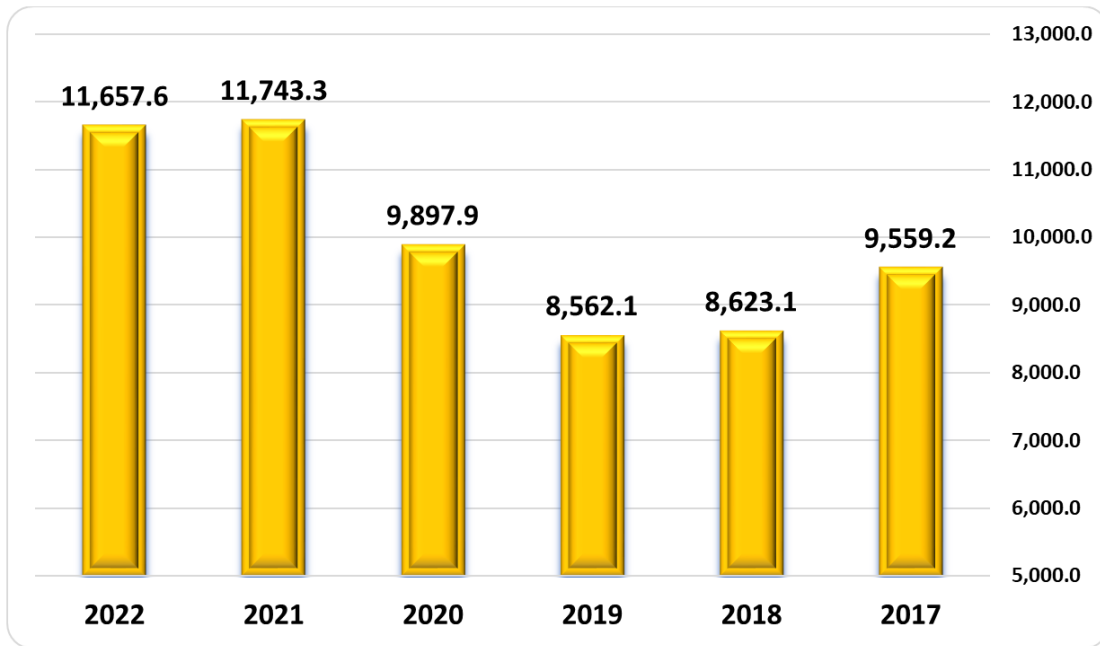
27 Actual cumulative spending report December 2019, MoF, January 2020

28 Actual cumulative spending report December 2020, MoF, issued on 14 February 2021

29 Actual cumulative spending report December 2021, MoF, issued on 2 February 2022

30 Actual cumulative spending report June 2022, MoF, issued on 28 July 2022

Evolution of public debt from 2017-2022 in NIS million



Parameter 5: Tax system and tax justice in Palestine

The Palestinian tax system comprises two types of taxes: Direct and indirect taxes. The direct taxes are income tax (personal and corporate income tax), and property tax. The liability is personal and related to a certain person or entity and cannot be transferred from one taxpayer to another.

The indirect taxes are imposed on consumption, production, and trade activities. They include the Value Added Tax (VAT), purchase/production tax, fuel tax, and customs and excise. These taxes are borne by the final consumer and added to the overall price³¹.

A quantitative reading of the Palestinian tax system reveals loopholes that are contrary to the very concept of tax justice. For example, the Value Added Tax (VAT) represents around 25.7% of the tax revenues, accounting in 2021 for NIS 3.2 billion³², whether through local tax revenues or clearance revenues. It is a “blind” tax that indiscriminately affects all social groups. It represents 16% of the sales value and is connected to Israel as per the Paris Economic Protocol, which grants a small flexibility margin of 2% to the Palestinian Authority despite the significant disparity in income and living standards between Palestinian and Israeli citizens. The problem with VAT is that it must be paid by the poor for goods and services including basic commodities like flour, sugar, milk, oil, and others. In other words, the poor are obliged to pay this tax even for the purchase of essential goods and not only luxury goods.

Furthermore, the income tax has other gaps that are contrary to tax justice. While it is important in redistributing wealth between rich and poor, its share has not exceeded 7.8% of the total tax revenues from local or clearance taxes. It accounted for NIS 982.4³³ of a total of NIS 12.5 billion of tax revenues. Compared to other countries in the region, the proportion of income tax to the total tax revenues in Palestine is much lower.

31 Tax Justice Index, Miftah, 2018

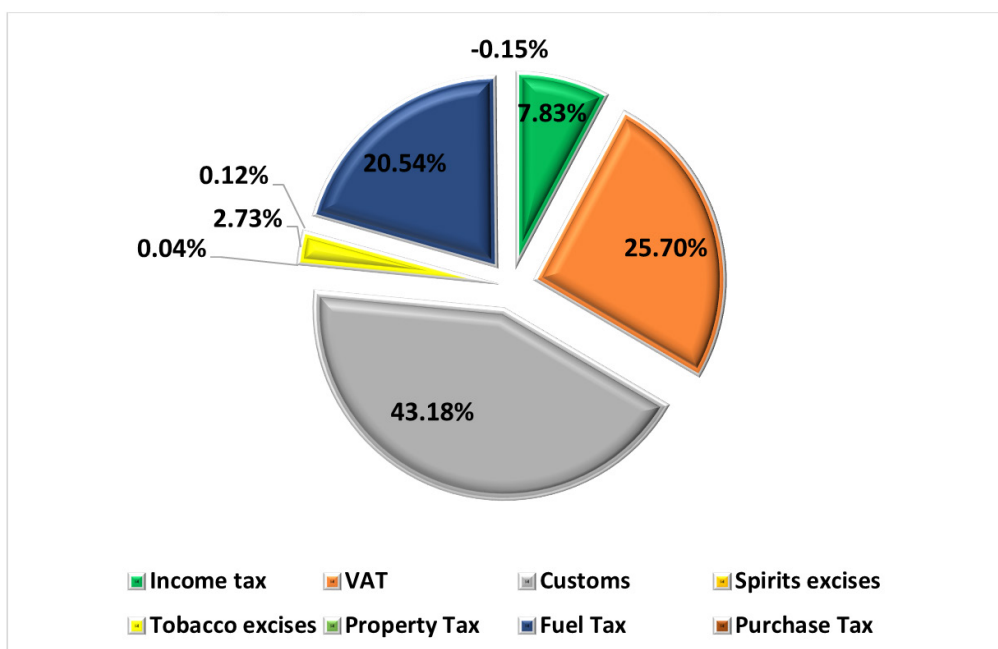
32 Actual cumulative spending report, December 2019, MoF, issued on 28 January 2020

33 Actual cumulative spending report December 2021, MoF, issued on 2 February 2022

Table showing the types of tax revenues and their sources in 2021 (NIS million)³⁴

Tax	Local revenue	Clearance	Total	Percentage
Income tax	722.4	260.0	982.4	7.83%
VAT	1,199.4	2,026.2	3,225.6	25.70%
Customs	936.4	4,483.0	5,419.4	43.18%
Spirits excises	4.9	-	4.9	0.04%
Tobacco excises	343.2	-	343.2	2.73%
Property Tax	15.1	-	15.1	0.12%
Fuel Tax	-	2,577.9	2,577.9	20.54%
Purchase Tax	-	-18.4	-18.4	-0.15%
Total	3,221.4	9,328.7	12,550.1	%100.00

Figure showing tax revenue ratios according to source



The previous presentation shows that indirect taxes represent the vast majority of tax revenues. These taxes are paid by consumers or final users, and they are contrary to the principle of tax justice. The Palestinian Ministry of Finance (MoF) has prepared a draft value-added tax law, which includes the principles of tax justice, but it has not yet been adopted. Thus, the existing tax system does not contribute to the redistribution of wealth to ensure tax equity, but rather deepens the blind tax on poor and marginalized groups.

Furthermore, the current income tax law does not fulfill the requirements of tax equity since it shrinks the taxpayers into three brackets. It also stipulates a uniform tax rate for all companies (15%) with the exception of monopolies whose tax rate is up to 20%³⁵.

³⁴ Actual cumulative spending report December 2021, MoF, issued on 2 February 2022

³⁵ Law By Decree No. (8) of 2011 on Income Tax, as amended

Parameter 6: Public Budget Transparency

The National plans and public finance management strategies 2017-2022 and 2021-2023 stipulated compliance with transparent, holistic, and international standards-compliant accounting systems as well as promotion of transparency and accountability and ensuring enforcement of the right to access information. Palestinian laws, mainly the Palestinian Basic Law and the General Budget Law No. (7) of 1998 and other relevant laws, referred explicitly to the obligation to publish the public budget documents. For example, the General Budget Law stipulates in Article (38) that “the General Budget Law shall be published for general information for the public upon its approval by the Legislative Council³⁶”

The International Standards and Guidance on Budgeting Transparency provide that governments must publish at minimum a number of documents as follows:

- Pre-budget report
- Draft general budget
- Approved general budget
- Citizen budget
- In-year reports (monthly and quarterly)
- Mid-year report
- Annual report (closing accounts)
- Audited report³⁷

Document	Status of publication	Remarks
Pre-budget report	Green	Published
Draft general budget	Red	Not published
Approved general budget	Yellow	Published without itemization
Citizen budget	Green	Published
(In-year reports (monthly and quarterly)	Green	Published
Mid-year report	Red	Not published
(Annual report (closing accounts	Yellow	Published in figures without details
Audited report	Yellow	Published, but until 2019 only

The above table shows that MoF has published two out of eight basic documents required by international standards. It has not published two of these documents and published three others only partially. This is contrary to the declared policies in national plans and public finance management strategies, which stipulate transparency and publication of relevant general budget and public finance management documents.

³⁶ Law No. (7) of 1998 on the Organization of Public Budget and Fiscal Affairs, Article (38)

³⁷ Public Budget Monitoring Index, IBP, 2013

II. SAACB Reports on Audits of Closing Account

Closing account and the audit report:

- Closing account:

"The account prepared in accordance with accounting principles and the unified accounting system, and which includes a budget account statement, as well as the actual and real figures at the end of the fiscal year³⁸".

- SAACB audit report:

"The report issued by the State Administrative Audit and Control Bureau (SAACB) after auditing the closing account of the Palestinian National Authority (PNA) published by the Ministry of Finance in accordance with the law³⁹.

The closing account is regulated in several laws due to its importance:

- Palestinian Basic Law:

Article (62) of the Palestinian Basic Law, as amended, provides that "the final accounts of the National Authority's budget shall be presented to the Legislative Council no later than one year after the end of the fiscal year. The Council shall vote on the final accounts title by title⁴⁰."

- General Budget Law

Article (66) of Law of the Organization of the General Budget and Public Finance No. 7 of 1998 provides that "The Ministry shall, on the basis of the preliminary accounts set forth in Article 65, prepare the draft closing account, submit it to the Council of Ministers for approval, and refer it to the Legislative Council within one (1) year from the end of the fiscal year. It shall submit a copy of the draft to SAACB⁴¹.

- SAACB Law

Article (34) of the Law No. (15) of 2004 on the State Administrative Control and Audit Bureau states that "On the basis of the preliminary accounts set forth in Article 33, the Ministry of Finance shall prepare the draft of the final account and submit it to the Bureau within one (1) year from the end of the fiscal year, for examination and submission of the Bureau's remarks thereon to the Legislative Council⁴²."

- Financial regulation of ministries and public institutions, issued by resolution of the Council of Ministers No. (43) for the year 2005

Article 149.6 of the Financial Regulation of Ministries and Public Institutions stipulates that "MoF shall prepare the draft final account and submit to SAACB within one year from the end of the fiscal year⁴³."

Article 150.3 of the same regulation provides that "MoF shall prepare the PNA closing account with all the data that reflect its actual revenues and expenditure during the elapsed fiscal year⁴⁴."

- International standards

The International Budgeting Transparency standards, based on the International Budget Partnership provide that the final accounts shall be issued and published within a period that does not exceed one year from the end of the fiscal year. The standards also stipulate that the audit report must be issued and published within a period that does not exceed 18 months from the end of the fiscal year, i.e., within six months from the date of issuance of the closing account⁴⁵.

SAACB issued a consolidated audit report for 2018-2019 presenting a "qualified" opinion⁴⁶

38 Law No. (7) of 1998, *ibid*, Article (1)

39 SAACB, Annual Report, 2015

40 Palestinian Amended Basic Law, 2003, Article 62

41 Law No. (7) of 1998, *ibid*, Article (66)

42 Law No. (15) on SAACB, Article (34)

43 Council of Minister's Resolution No. (43) of 2005 adopting the Financial Regulations of Ministries and Public Institutions, Article (149.6)

44 *Idem*, Article 150.3

45 Public Budgets Monitoring Index, IBP, 2013.

46 SAACB, Annual Report 2021, P. (20)

A review of the report shows that the qualified opinion is based on several remarks, the report states that:

“We respond to our other moral responsibilities in accordance with these requirements; we believe that the audit exhibits and evidence obtained were sufficient and adequate and represent a sufficient basis for our qualified opinion. The reasons for this qualified opinion are explained in the report.”

The report explains that the financial data issued by the Ministry of Finance in the years 2018-2019 are the responsibility of the current cabinet (18th government), indicating that SAACB expresses a qualified opinion regarding MoF compliance with the International Public Sector Accounting Standards (IPSAS) and IPSAS-cash basis in its final accounts in the years 2018-2019⁴⁷.

The report mentions the following points:

- Limited financial resources in Palestine and lack of liquidity.
- Increasing borrowing from banks
- Widening funding gap following a drop in grants and assistance.
- Increased deductions from the clearance funds
- Exceeding the delay for issuing the consolidated closing account.
- Reservations on the local tax revenues.
- Reservations on the clearance revenues.
- Reservations on property and absentees' property tax revenues.
- Reservations on the revenues of public institutions.
- Reservations on the licensing fees.
- Reservations on the withheld receipts.
- Reservations on the data relating to grants and assistance.
- Reservations on the clarifications relating to the public debt.
- Reservations on salaries and wages.
- Reservations on non-wage expenditure
- Reservations on credit
- Reservations on compliance with laws and regulations.

The “qualified” opinion and findings of the audit report of the closing accounts of 2018-2019 indicated problems in the management of public finance in Palestine and pertinent policies. The problems must be addressed especially since SAACB does not possess the legal tools to hold MoF and other centers of responsibility accountable for the deviations in the closing account. According to the law, SAACB submits the audit report to the PLC, which in turn exercises its role of oversight and accountability of public finance. These findings reiterate once again the importance of having an elected legislative council to relaunch official accountability in Palestine.

47 SAACB, Annual Report 2021, P. (29)

► Chapter Three: Findings and Recommendations

I. Findings

- The problems in the implementation of the public finance management policies in Palestine in accordance with the national plans and sectoral policies may be classified into the following categories:
 - **First “fiscal gap”**: The unbridgeable huge fiscal gap between revenues and expenditure, which perpetuates the financial crisis with its adverse effects, including accumulation of arrears, postponing the payment of liabilities, and non-implementation of policies and programs as planned.
 - **Second “Israel’s control of revenues from clearance”**: Revenues from tax and customs duties clearance with Israel represent almost two-thirds of the public revenues. They are subject to Israeli blackmailing via seizure and deductions of all or part of the funds under multiple pretexts, which deprives the public treasury of such revenues.
 - **Third “decrease of external support”**: External assistance to the public budget has dramatically dropped to both the treasury and developmental expenses. As a result, many projects and programs that depend on this assistance were hurdled including the cash assistance program and developmental projects of ministries and other centers of responsibility.
 - **Fourth “high expenses”**: Due to the structural malformation of the public budget, the expense item is constantly increasing, mainly since the payroll bill consumes the lion’s share of the budget. Thus, the increase in revenues remains insufficient to solve the financial crisis.
 - **Fifth “tax evasion, leak, and avoidance”**: This deprives the treasury of considerable tax revenues every year entailing a significant loss of revenues.
 - **Sixth “net lending”**: This item should not be part of the general budget, but it drains around NIS 1 billion annually. It must be controlled and resolved, and there is the political will to do so.
 - **Seventh “medical referrals”**: They deplete the general budget by NIS 1 billion per year and need to be resolved via an improved health insurance system. Therefore, it is necessary to enact a law on a comprehensive, mandatory, and cooperative health insurance system. The government tried to cut down on the projections of medical referrals in 2022, but this measure could not resolve the problem; on the contrary, it compromised citizens’ right to health services.
 - **Eighth “good governance and administration”**: Based on SAACB’s reports, there is a waste of public funds that may be avoided via good governance and administration.
 - **Ninth “plans vs reality”**: There is a wide gap between the plans and reality, which hinders the achievement of the goals and policies stated in the public finance management plans.
 - **Tenth “tax justice”**: The Palestinian taxation system contradicts the principles of tax justice because it mainly comprises indirect taxes. The system must be reformed via the promulgation of a new VAT and customs law and the amendment of the income tax law since income tax’s contribution to the tax revenues is minimal while VAT contributes three folds. This situation does not facilitate the redistribution of wealth in a manner that ensures tax justice. Rather, on the contrary, it focuses on blind taxes, which are imposed on poor and marginalized groups as well.
- Some of the policies and goals of the public finance management strategies were achieved, including increasing revenues via improved collection, medium-term budgets, and preparation of draft VAT and customs laws... It is, however, necessary to make further progress to achieve the strategic vision and goals.
- Although the public finance management strategies provided for compliance with transparent accounting systems compliant with the international standards, transparency is still below aspirations while the publication of budget documents remains limited and not responsive to international standards.
- The audit reports of the closing account of the years covered still show a qualified opinion, which does not conform with the reform orientations in the public finance management strategies.
- Net lending continues to drain the general budget by NIS 1 billion annually. Policies aiming at cutting on this item have clearly failed although they were part of the reform plans, strategies, and agendas. More radical steps are needed.

- Although the reduction of public debt is one of the goals of public finance management strategies, quantitative data show that public debt is on the rise.
- The government dispersed 80% of the salaries of public servants, accumulating thus further arrears on this item. The measure was an attempt to overcome the financial crisis, but it does not resolve it. It rather shifts it to the future and generates societal unrest.
- Despite SAACB's qualified opinion on the consolidated closing account 2018-2019, SAACB is not vested with the legal tools to hold MoF or other pertinent centers of responsibility accountable. This situation reiterates the importance of the legislative council.

II. Recommendations:

- Conduct general elections to redeem the legislative power by setting a new date for general "legislative and presidential" elections in the near future in a manner that ensures broad citizen participation. The election of a new legislative council means the resumption of official oversight of the government to ensure its accountability in the management of public finance.
- MoF must be more open to civil society, academia, and think tanks to enforce national plans and strategies of public finance management, especially in terms of transparency of policies and measures including the government reform agenda and its goals.
- MoF needs to carry out an empirical and accurate assessment of the level of enforcement of public finance management strategies, especially with the commandment of preparation of the new strategy 2024-2026. The present report may inform the new strategy since it identifies the implementation gaps and obstacles. It presents the necessary strategic analysis to evaluate the previous phase of the strategy and build on the findings to prepare the new one. MoF further needs to publish a detailed progress report on the status of implementation of the public finance management strategies 2017-2022 and 2021-2023.
- MoF must comply with SAACB's recommendations regarding public finance management, which are detailed in the audit report of the closing account. This is particularly necessary for good governance to overcome the financial crisis.
- The pillars of public finance reform must be enforced in an empirical and systematic manner to achieve tangible results, especially in relation to net lending. For this purpose, essential measures must be implemented to resolve the debts of municipalities and distribution companies, with consensual agreements on the electricity services in the camps.
- The payroll bill must be controlled and filtered to resolve the problem of employees who are not placed in the organizational structures. Furthermore, the gap between the salaries of senior and junior servants must be resolved via the enactment of a new civil service law that safeguards the principles of equity.
- MoF needs to adjust the Palestinian tax system to ensure tax justice for all social groups and accelerate the promulgation of VAT and amended income tax laws that are more responsive to tax equity.
- MoF needs to address the revenue loopholes including tax evasion and avoidance, and financial leaks, and implement a realistic expenditure rationalization plan.
- MoF needs to resolve public debt, especially since it is skyrocketing entailing additional interests and pressure on the public budget to service the debt.
- Address medical referrals without jeopardizing the rights of citizens to adequate health service and by applying a comprehensive medical insurance system.

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Public finance national plans, public policies and strategies and reform agenda 2017 - 2022

Since it was established, the PNA has launched several national development plans, including:

- Palestinian Reform and Development Plan 2008-2010.
- National Development Plan 2011-2013 “Ending the Occupation, Establishing the State”
- National Development Plan 2014-2016 “State-Building to Sovereignty”

Prior to these plans, the Palestinian National Authority, established in 1994, issued other plans including the Three-Year Development Plan 1998-2000, Five-Year Development Plan 1999-2003, and the Socio-economic Stabilization Plan 2004-2005

In 2015, United Nations members adopted the Sustainable Development Plan 2030 and its 17 Sustainable Development Goals (SDGs)⁴⁸.

All countries, including the State of Palestine, have started to devise the necessary national frameworks to achieve the 17 SDGs by 2030. To this purpose, Palestine formed the Sustainable Development National Team and the SDGs Advisory Committee to follow up on the enforcement of SDGs by 2030.

SDG 16 focuses on “Peace, Justice and Strong Institutions”, it comprises several targets, including:

- Promote the rule of law and national and international levels and ensure equal access to justice for all.
- Substantially reduce corruption and bribery in all their forms
- Develop effective, accountable, and transparent institutions at all levels.
- Ensure public access to information and protect fundamental freedoms, in accordance with national legislation and international agreements.
- Promote and enforce non-discriminatory laws and policies for sustainable development⁴⁹.

National Policy Agenda 2017-2022

Consistent with its vision to accomplish the sustainable development goals of 2030, the PNA launched its National Policy Agenda 2017-2022 in early 2017. The agenda was called “Citizen First” since it focused on three pillars: The road to independence, reform and improvement of the quality of services, and sustainable development⁵⁰.

The National Policy Agenda included the national vision, which states that “Palestine is an independent Arab state with sovereignty over the West Bank and Gaza Strip on the pre-June 1967 occupation borders and with East Jerusalem as its capital. Palestine is a stable democratic state that respects human rights and guarantees equal rights and duties for all citizens. Its people live in a safe and secure environment under the rule of law, and it promotes equality between men and women. It is a state with values highly its social capital, social coherence, and solidarity, and identifies itself with Arab Palestinian culture, humanistic values, and religious tolerance. It is a progressive state that values cordial relationships with other states and people in the global community. The Palestinian government is open, inclusive transparent, and accountable. It is responsive to citizens’ needs, delivers basic services effectively, and creates an enabling environment for a thriving private sector. Palestine’s human resources are the driving force for national development. The Palestinian economy is open to other markets around the world and strives to produce high-value-added, competitive goods and services, and, over the long term, to be a knowledge-based economy⁵¹.

48 SDGS website: 2030 www.un.org/sustainabledevelopment/ar/development-agenda

49 SDG 16, <https://www.un.org/sustainabledevelopment/ar/peace-justice/>

50 National Policy Agenda 2017-2022, p. 5

51 National Policy Agenda 2017-2022, p. 16

NPA also included ten national priorities distributed across its different pillars. The second pillar “Reform and improvement of the quality of public services” focuses on the fifth national priority “effective government”, which includes national policies 9 and 10 that provide “promotion of accountability and transparency and efficient and effective public finance management⁵²”. The tenth national policy “efficient and effective public finance management” provides for the following policy interventions:

- Ensure fiscal sustainability van improve public financial management, with a particular focus on strengthening macroeconomic/ fiscal policy, public debt management, and procurement.
- Mobilize revenue by expanding the tax base, enhancing tax collection, restoring foreign aid levels, and rationalizing expenditures.
- Reform the public sector pension regime.
- Reform and restructure Palestine’s public institutions to increase efficiency and improve service quality.
- Establish Palestine’s utilities, prioritizing the electricity and water sectors⁵³.

National Development Plan 2021-2023 (resilience, disengagement, and cluster development towards independence):

With the advent of the 18th government the “National Development Plan”, entitled resilience, disengagement, and cluster development towards independence, was launched. It covered three pillars: Ending the occupation, excellent public service provision, and sustainable development⁵⁴.

The National Policy Agenda stipulated the national vision of “Ending the occupation” as a long struggle without any clear time framework. Indeed, from the declaration of independence in 1988 and the promulgation of the Amended Basic Law of 2003 up to the preparation of the National Development Plan “resilience, disengagement and cluster development towards independence”, the final goal was defined clearly, being achieving our most noble objective of freedom and independence⁵⁵.

The National Development Plan included ten national priorities distributed across the different pillars. They include the second pillar of Excellent Public Services, which responds to the national priority 4 “citizen-centered government”. This priority aims to achieve national policies 7, 8, and 9, which provide for Responsive local government, improving services to citizens, and Reforming and developing the land sector⁵⁶.

The fifth national priority is “Effective and less bureaucratic government”, under which there are national policies 10, 11, and 12, which stipulate “strengthening accountability, integrity, and transparency and fighting corruption, enhancing the efficiency of public institutions, and effective and efficient management of available resources⁵⁷.”

National policy 12 “effective and efficient management of available resources” focuses on macroeconomic and fiscal policies, management of public debt, and procurement⁵⁸.

This national policy addresses issues related to public financial management including revenues, control of expenditure, minimizing arrears, general pension system, reduction of the percentage of arrears, net lending, and the formation of public institutions.

Public National Policy 12:

Effective and efficient public financial management via the following policy interventions

*** Ensure fiscal sustainability and improve public financial management, with a particular focus on strengthening macroeconomic/ fiscal policy, public debt management and procurement.**

*** Strengthen the public procurement system to ensure transparency and accountability.**

Mobilize revenues by expanding the tax base, enhancing tax collection, and restoring foreign aid levels.

Reform the public sector pension system.

Establish Palestine’s utilities, prioritizing the electricity and water sectors.

*** Rehabilitate, improve and rationalize the management of public utilities⁵⁹.**

52 Idem, p. 26

53 Idem p. 34

54 National Development Plan 2021-2023 (Resilience, Disengagement and Cluster Development Toward Independence), p. 9

55 Idem, p. 29

56 Idem, p. 52

57 Idem, p. 52

58 Idem, p. 69

59 Idem, p. 70

Public Finance Management Sectoral Strategy 2017-2022

MoF, in collaboration with partners in public finance management at the local and international levels, has prepared the Public Finance Management Sectoral Strategy 2017-2022, which is consistent with the standards of public expenditure and financial accountability (PEFA). The Strategy aims to pursue systematic reform in public finance management by preparing realistic and achievable strategic plans. The strategy aims to respond to citizens' rights and aspirations as well as to the requirements of internal and external control bodies in order to improve the management of public funds.

The vision of public financial management 2017-2022 stipulates, "Effective and efficient public financial management based on the best financial and economic framework available in a manner consistent with the best international practices regulating the management of public finance. The purpose is to achieve a stable financial system that is capable of funding public services in a manner responsive to the needs and aspirations of the Palestinian people". The mission provides "a legally and regulatorily coherent comprehensive system of public financial management that collects public resource with efficiency and equity. Preparation of realistic medium-term program-based general budgets consistent with national policies and sectoral strategies with an effective, transparent, and efficient public spending system that allows for public oversight and accountability⁶⁰."

Strategic objectives of Public Financial Management Strategy 2017-2022

- Strategic objective 1: Organize public spending based on the program-based sectoral strategies and the medium-term spending plan.
- Strategic objective 2: apply transparent and comprehensive accounting systems that are compliant with international standards and subject to effective internal and external control and audit systems.
- Strategic objective 3: Efficient, effective, and equitable public revenue collection.

Public financial management sectoral strategy 2021-2023:

Preparation of the strategy started with the updating of all sectoral and cross-sectoral strategies from 2017-2022. The strategy adopted the vision of "effectively and efficiently managed public finance under the best financial and economic framework possible in a manner consistent with international public financial standards in order to create a stable financial system with a positive effect on the economy and the ability to finance public services in a manner responsive to the entitlements and aspirations of the Palestinian people." The mission stipulates "a legally coherent comprehensive financial management system based on efficient and equitable management of all public resources and realistic medium-term program-based public budgets consistent with the National Policy Agenda and sectoral strategies. An effective public expenditure system based on the programs and managed with efficiency, effectiveness, and transparency with public oversight and accountability⁶¹."

Public Financial Management Strategic Objectives 2021-2023

- Strategic Objective 1: Plan and spend public funds according to program-based sectoral strategies and the medium-term expenditure plan.
- Strategic Objective 2: Public financial management based on a transparent and comprehensive accounting system, which complies with international standards and is subject to effective internal and external audit and control systems.
- Strategic Objective 3: Collection of public revenues with efficiency, effectiveness, and equity⁶²."

⁶⁰ Public Financial Management Sectoral Strategy 2017-2022, p. 9

⁶¹ Idem, p. (22)

⁶² Idem, p. (24)

Reform Agenda 2022:

In 2022, the Palestinian government prepared its reform agenda⁶³, which was submitted to donors in May 2022. The Agenda included five pillars and 21 reform measures covering the following areas:

- Administrative reform
- Public finance reform
- Economic reform
- Social reform
- Security and public order reform⁶⁴.

The Reform Agenda provides that the government shall endeavor to reform public finance and promote equity, transparency, and efficiency of revenue collection. It shall also safeguard vital services like education and health and shall develop the infrastructure and aid the poor. Immediate reforms will be introduced to the payroll bills, medical referrals, net lending, and revenue collection during this year to mitigate the financial crisis, achieve stability, and decrease the arrears of salaries and other invoices due to the private sector.

In the long term, the government will reform the medical insurance system and funding of local governments to improve public services. It will cooperate with partners to boost economic development priorities and reinforce cooperation in combatting money laundering and other illicit financial activities.

The public financial reform plan focuses on the following priorities:

- Reform state revenues and rationalize expenditure.
- Reform medical referral and health insurance systems.
- Improve government systems to minimize net lending.
- Build the capacities of the local government units (LGUs).
- Reform the water and electricity sectors.
- Establish a system to combat money laundering and financial crimes.
- Maximize the effect of international aid⁶⁵.

I- Reform state revenues and rationalize expenditure

The measures include:

- Reforming the tax system, including laws, policies, and procedures, and the use of information and communication technology.
- Assess and restructure service fees.
- Amend public budget audit systems, manage development projects and cash flows and devise specific and clear expenditure mechanisms.

Expected outcome: Increase government revenues, informed rationalization of expenditure to ensure the ability to fulfill obligations taking into account the economic condition and citizens' continuing resistance against the occupation.

63 There isn't any version in Arabic of the Reform Agenda, the only version is in English and it is the version used in the present report

64 REFORM AGENDA - Economic and Financial Recovery, Strengthening Resilience, and Restoring Trust- May 2022

65 REFORM AGENDA - Economic and Financial Recovery, Strengthening Resilience, and Restoring Trust- May 2022 : Page (9)

II- Medical referral and health insurance reform

The measures include:

- Conduct a thorough assessment of the health sector based on credible statistics to inform the financial and administrative reform of the health system.
- Develop a sustainable computerized medical referral system and a compulsory comprehensive health insurance system.
- Establish and operation a financially and administratively sustainable compulsory and comprehensive health insurance system
- Gradually phase out referrals to hospitals outside the government health system.
- Assign a special unit to follow up and audit the referrals of patients to other systems
- Invite experts to work in government hospitals to save on the cost of referrals.
- Establish a joint MoF – MoH committee to ensure compliance with the budget approved for medical referrals.
- Organize an awareness media campaign on the government health insurance system to encourage citizens to subscribe to the system.

Expected outcome: Finalization of regulations of medical referrals and health insurance to ensure the government's ability to fulfill the needs of the Palestinians on an equitable basis by a qualified medical team in partnership with the private sector.

III- Improve government systems to minimize net lending

The measures include:

- Form a special unit to follow up on net lending with relevant parties and put an end to the problem.
- Enforce a mechanism that compels local authorities to repay their water and electricity debt to be eligible to development projects.
- Promote legal and administrative performance and financial audits of local government units.
- Ensure that the Municipal Development and Lending Fund (MDLF) achieves its goals in terms of granting loans to municipalities to enable them to take part in the development process on a sustainable basis.
- Grant a larger role to competent municipalities in the collection of fees and taxes including property tax.

Expected outcome: Resolve the water and electricity debt problem, ensure that LGUs receive their full legal entitlements from the public treasury, improve fees collection via LGUs and resolve the accumulated net lending problem.

III- Improve government systems to minimize net lending

The measures include:

- Preparation of a uniform administrative and financial regulation to be adopted by all LGUs.
- Revisit the criteria of eligibility of LGUs for MDLG assistance programs
- Finalize the national spatial master plans and zoning of residential areas to preserve green areas.
- Define the relationship with the local government sector (between the Ministry of Local Government, Association of Palestinian Local Authorities, and Municipal Development and Lending Fund), with a focus on development issues.
- Promote infrastructure of LGUs and provide mandatory capacity-building training to LGUs staff.
- Promote local economic development and build partnerships with the private sector and civil society organizations.

Expected outcome: elected and effective LGUs that respond to citizens, comply with the law and expand local development coverage and social accountability in addition to proper zoning of built-up and green areas.

V- Reform the water and electricity sectors

The measures include:

- Evaluate the financial and regulatory frameworks to devise measures to control the water sector, including all utilities and other components.
- Operate the national water utility.
- Establish regional water utilities.
- Establish solar energy projects in all governorates to save energy and reduce environmental pollution.
- Improve energy supplies via the installation of an accurate and reliable grid in a manner that allows for the purchase of energy from independent local and regional producers and use of alternative sources of energy.
- Establish the necessary infrastructure to minimize waste.

Expected outcome: well-organized and environment-friendly water and electricity sectors and financial savings.

VI- Establish a system to combat money laundering and financial crimes

The measures include:

- Build the capacities and resources needed to investigate, prosecute and litigate financial crimes.
- Promote local cooperation among stakeholders to combat money laundering and other financial crimes.
- Commence international cooperation between specialized Palestinian organizations and their international counterparts.

Expected outcome: Palestine is free of financial crimes and enjoys a solid and transparent banking system.

VII- Maximize the effect of international aid

The measures include:

- Establish an aid framework based on institutional cooperation between the government and its partners in consultation with key stakeholders.
- Publish periodic reports to monitor the effectiveness and effect of aid.
- Activate the Aid Information Management System (AIMS) for all assistance projects.
- Enforce the conditions and tasks of the local aid coordination meetings.

Expected outcome: International aid is well oriented and used to serve Palestine's development priorities to fully implement the Palestinian Development Plan. Create harmony between the non-governmental organizations and programs of aid to the private sector and the government⁶⁶.

2022 Budget

The 2022 budget was ratified on 31/3/2022⁶⁷. The Council of Ministers announced a package of public finance reforms via increase of revenues, rationalization of expenditure with a special focus on salaries and quasi-salaries, net lending, and medical referrals.

⁶⁶ REFORM AGENDA - Economic and Financial Recovery, Strengthening Resilience, and Restoring Trust- May 2022: Page (24)

⁶⁷ Law by Decree No. (19) of 2022 on Public Budget 2022, issued on 31/3/2022.



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.