A Study on the

“Transparency in the Financial Relationship between the Palestinian National Authority and Israel”

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March 2024
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Executive Summary

This aim of this study is to shed light on the transparency of the financial relationship between the Palestinian Authority and Israel, within its various fields, and to come up with recommendations and proposals for the development of policies and procedures in the management of public funds in dealing with Israel, the purpose of which is to improve governance of management of these funds.

The analytical scientific method was used in conducting this study. It was based on analyzing the areas of the financial relationship between the Palestinian Authority and Israel, and the legislative and procedural frameworks governing it, reviewing previous studies and conducting supportive interviews with the relevant authorities. It also included reviewing and analyzing relevant documents (national development plan and related sectoral strategies, government reform plans, public finance reports,) and collecting relevant information from reliable sources. This was followed by supportive exclusive interviews with relevant ministries (Ministry of Finance, Ministry of Local Government, Ministry of Health, Water Authority, Energy Authority, etc.) and coming up with scientific conclusions and recommendations, and proposing, adopting, and implementing mechanisms for lobbying and advocacy.

The study came to a number of conclusions, the most important of which are: In general, the level of transparency in the financial relationship between the Palestinian Authority and Israel is low in all its items and fields. That Israel clearly adopts a selective unilateral approach in the financial relationship with the Palestinian Authority and behaves as an occupying power not as an economic partner. That financial relationship between the Palestinian Authority and Israel is closely linked to the political track, therefore, cannot be dealt with from an economic view point only. And finally, that the Paris Economic Protocol, whose implementation was scheduled to span the transitional period between 1994 and 1999, is a rather loose protocol, which mainly relied on the meetings of the Joint Economic Commission, and is no longer practicable.

Still, even with all the drawbacks of the Paris Protocol, Israel does not abide by those loose terms. It has been holding back clearance (duty or tax) revues, which have become the backbone of the Palestinian government’s general budget, constituting two-thirds of public revenues, with the quantitative development of clearance revenues is steady, large and has a positive economic effect. However, clearance revenues have become a tool in Israel’s hands to punish the Palestinian people and coax the Palestinian National Authority (PNA) into complying with Israel’s unreasonable dictates by substantially decreasing the amounts transferred or completely withholding funds.

Despite the inclusion of the national development plan, sectoral strategies and reform plans for economic disengagement from Israel, quantitative data indicate the opposite, in addition to the fact that net lending continues to drain the public budget, despite government plans to rein it in, and has actually increased in the last five years.

There is also an overlap in the financial relationship between the PNA and Israel in many areas, worsening the already low transparency and adding to the disruption of the process.

Furthermore, there are many outstanding financial issues between the Palestinian National Authority and Israel. If resolved, they will provide the public treasury with respectable revenues. One of those issues is that Israel’s administration take is 3% of the clearance revenues, which is a large percentage. There also is a noticeable rise in the use of electronic invoices for the value-added tax clearing between the Palestinian Authority and Israel, which are difficult to verify. Additionally, the internal division was, and still is, a major reason for the lack of transparency in the financial relationship between the Palestinian Authority and Israel, wherein financial transactions documents between companies in the Gaza Strip and Israel are not available to the Ministry of Finance; besides, Israel does not recognize
invoices and requests for clearings transfers from Gaza, except for companies registered with the Palestinian Authority, which wastes revenues due to the public treasury.

The study came out with a number of recommendations, the most important of which are: the need to launch an integrated national strategy in order to achieve the economic, financial and usurped economic rights of the Palestinian people – findings based on a comprehensive study of all areas of the financial relationship between the Palestinian Authority and Israel. Second, the launch of a pressure and advocacy campaign for the enforcement of economic rights through a committee to manage that campaign, composed of individuals from the government, civil society institutions, the private sector and the media, and also includes individuals in the diplomatic corps and human rights institutions. And third, the need to work to improve transparency in the financial relationship between the Palestinian National Authority and Israel, especially in view of the intertwined and complex multiplicity of that relationship.

Most essential of recommendations is the one that calls for filing a violation of human rights lawsuit against Israel and its blatant embezzlement of the Palestinian people's funds, and recruiting friendly countries and human rights institutions that would support this lawsuit. Essentially as well, drawing a plan for effective economic disengagement from Israel along with a shift towards work mechanisms that guarantee the independence and rights of the Palestinian Authority to its funds and revenues, one of which could be the adoption of an independent value-added tax law that corresponds with the Palestinian reality and state laws.

For that purpose, it is vital to boost the national product, in support of the local economy, as well as enhancing domestic revenues, thus reducing dependence on clearance revenues, while simultaneously encouraging and stimulating the campaign to boycott Israeli products. It is also necessary to oblige all parties associated with the economy to be more transparent in their financial activities, even if that is done unilaterally – for instance obliging them to publish business agreements and making that sort of information publicly available.

There is also a need to unify financial files of the government’s dealings with Israel; that is, not distributing those files among various ministries and bodies where they cannot be tracked, but rather, making them publicly accessible and transparent. Espousing digital data transformation of the financial relationship through electronic clearing is also important; namely, linking electronically all transactions in all areas of financial associations with Israel, such as medical transfers, income tax for Palestinian workers inside the Green Line, electricity and water services. And lastly, the government needs to address the problem of depletion caused by net lending as it is a drain on the public budget, and makes the uncertainty of the financial relationship between the Palestinian Authority and Israel even more confusing.

For all this, there needs to be a resolute political will, with cooperation among all components of the Palestinian people; that is, the unification of efforts and actions in order to break free from Israeli control over the economic resources of the Palestinian people. This could be done with radical measures that would mobilize all energies to make that goal successful. The damage done by the situation as it is now will become more dire with time, and Israeli measures will devour more economic rights, unless action is taken expeditiously since, in reality, a robust state cannot be achieved without its own economic resources.
**Introduction**

With the signing of the Oslo Accords in 1993, the Israeli occupation sought to tighten its grip on Palestinian economic resources, and worked on making the Palestinian Authority dependent on the Israeli economy. It succeeded at preventing Palestinian sovereignty over land, resources, crossings, and borders, and, under the agreement for the interim phase, maintained its security and civil control over areas classified (C), which equal nearly 60% of the West Bank, in addition to other territories it controlled, including nature reserves, Jerusalem areas (J1) and Hebron (H2).

Despite the signing of the Paris Economic Protocol in 1994 to regulate the economic and financial relationship between the Palestinian Authority and Israel, this relationship was characterized by ambiguity and lack of transparency in most of its details in the multiple areas of the financial association between the two sides. Some of those are net lending, medical transfers, clearing files in general, among other matters. In addition, in recent years ambiguity and lack of transparency have become a constant feature in the financial relationship between the Palestinian Authority and Israel, which is also indicated by the Palestinian Authority in its various documents and in its development and strategic plans.

Clearance revenues, which are controlled by Israel, constitute about two-thirds of the public revenues of the Palestinian National Authority, and about 75% of its tax revenues. Plus, in light of the trade balance indicators, which show more dependence on clearance revenues, especially with the rapid inflation of the cost of imports, particularly commodities, versus a smaller increase in the volume of exports, it becomes clear that there is a real need for greater transparency concerning the financial relationship between the Palestinian National Authority and Israel since clearance revenues are the backbone of the general budget in Palestine and the main source of revenue for the public treasury.

The importance of transparency in the financial relationship between the PA and Israel becomes more crucial in view of the successive extremist Israeli governments. Each of these extremist governments took its turn at gouging the Palestinian people's funds under multiple pretexts and justifications, and so far, Israel's appetite for Palestinian funds does not seem to decline. This requires a firm national action strategy to manage the financial relationship between the Palestinian National Authority and Israel in a transparent manner, which should bolster Palestinian control and governance in that relationship as well as preserve the economic rights of the Palestinian people.

**Objective of the study:** To shed light on the transparency of the financial relationship between the Palestinian Authority and Israel, within its various fields, and to come up with recommendations and proposals for the development of policies and procedures to manage public funds associated with Israeli, in order to further strengthen governance over those funds.

**Methodology for preparing the study:**

The study adopts the scientific analytical method, which is based on analyzing the areas of the financial relationship between the Palestinian Authority and Israel, and the legal and procedural frameworks regulating it, reviewing previous studies, conducting and analyzing supportive interviews with reliable parties involved in the study. The methodology included the following steps:

2. The Paris Economic Protocol designated the occupied Palestinian territories and Israel as a single customs zone, for a temporary period ending in 1999, to be reviewed each period by the Joint Economic Committee (JEC), whose meetings were subsequently suspended by Israel.
- Reviewing and analyzing relevant documents and literature.

- Reviewing the national development plan and related sectoral strategies, government reform plans, and public finance reports issued by the Ministry of Finance and the Palestinian Monetary Authority.

- Collecting relevant information from reliable sources and enriching it with exclusive interviews with the relevant ministries:
  1. Ministry of Finance.
  6. Ministry of Communications and Information Technology.
  7. Palestinian Water Authority.
  8. Palestinian Energy Authority.

- Analyzing information to draw scientific conclusions.

- Deriving practical, applicable recommendations.

- Preparing a first draft of the study, discussing it with the relevant parties through a workshop in order to enhance it, and to generate participation in the recommendations and work mechanisms from all participants, then developing those ideas, and preparing the final version.

- Proposing, adopting, and implementing mechanisms for pressure and advocacy.
Less than a year after the signing of the Oslo Agreement in 1993, the Palestinian Authority and Israel signed the economic protocol attached to the Oslo Agreement in Paris on April 29, 1994, referred to since as the Paris Economic Agreement. This agreement governs the economic relationship between the Palestinians and Israel, which was scheduled for the transitional period between 1994-1999; however, 30 years after its signing, and to this day, it has not been implemented or completed.

The agreement consists of 82 clauses that would regulate economic relations between the two parties through the “Joint Economic Committee” over a period of 5 years, which is also the span of the transitional phase of the Oslo Accords that actually ended in 1999 and was not implemented due to Israel’s obstructions of the process. However, this committee only met a few times, before Israel froze it following the eruption of Al-Aqsa Intifada in 2000, and met on limited occasions after that.

This protocol forms the contractual agreement that governs economic relations between the two sides during the transitional period, and includes the West Bank and the Gaza Strip. It was to be implemented according to the stages contained in the Declaration of Principles Agreement on Transitional Self-Government Arrangements, signed in Washington D.C. on September 13, 1993, and the Agreed Minutes thereto.

The provisions of the Paris Economic Protocol were very general, and their implementation depended primarily on commitment, trust and mutual cooperation between the two parties, and also largely depended on the effectiveness of the Joint Economic Committee (JEC) and the regularity of its meetings. However, Israel stopped implementing all policies and procedures after the year 2000, and so did the work of the Joint Economic Committee. The burden of the Protocol on the Palestinian economy has become increasingly crushing due to Israel’s selectivity in implementation and its failure to execute many of the provisions delineated in the Protocol.

According to the agreement, the economic relationship between the Palestinian Authority and Israel is subject to a unified customs packet. But, because the implementation of the agreement stopped, Israel took that opportunity to strengthened its control over the Palestinian economy. After the Al-Aqsa Intifada in 2000, Israel greatly intensified its economic control over the Palestinian Authority and constrained The Palestinian economy, taking absolute control over the crossings, borders, and trade movement. The Palestinian division in 2007, and the political, economic and social problems it created, exacerbated the complexity of the situation.

In addition, Israel’s consistent violations of the Protocol’s provisions resulted in the imposition of an economic “fait accompli” upon the PA, especially with regard to clearance revenues, their collections, and their transfer to the Palestinian Authority.

The National Development Plan 2021-2023, the national sectoral strategies, and economic disengagement from the occupation

The Palestinian government launched the National Development Plan for Palestine (18 articles) for the years 2021-2023, under the slogan of “resistance, disengagement, and development,” to be implemented in gradual clusters on the path to independence. The plan included the sixth national priority, which specified the measures needed to achieve the plan for “economic disengagement and development in clusters”:

3. The Paris Economic Agreement between the Palestinian Authority and Israel, signed on April 29, 1994, Article No. (1).
• Building the components of the Palestinian economy based on cluster development.
• Providing decent job opportunities for all.
• Providing a suitable investment environment.
• Strengthening the Palestinian industry.

The sectoral strategy for the national economy 2021-2023 in its first strategic goal stipulated an independent Palestinian economy, and included anticipated results represented in a gradual economic disengagement from the Israeli economy as well as sustainable national economic growth.

As for the sectoral strategy for public finance management 2021-2023, it indicated that the Paris Protocol, which expressed a 5-year transitional phase, which the Israeli occupation has not adhered to three decades after the signing, is no longer valid nor does it meet the minimum requirements for the stability of the Palestinian economy and public finances. The Palestinian treasury has lost billions of dollars due to the Israeli occupation’s pillaging of its rightful funds.

These factors make it necessary for the Palestinian leadership to:

First: pursue with determination the plan for economic disengagement and development in calculated clusters and independent direct imports.

Second: initiating an international arbitration processes to stop the massive draining of the Palestinian people’s funds for the benefit of the Israeli occupation. It could be in areas such as reducing or completely eliminating the Israeli Clearing Department commission, which currently amounts to 3% of clearing revenues; a move that will provide the treasury with an additional income of 55 million dollars annually. Likewise, reducing or eradicating the commission for transfers related to purchasing fuel, which may increase the national revenue by no less than $26 million annually.

The arbitration process would also tackle reconsideration of control over the clearing process, basing it on actual invoices through the automation of the tax clearing system. It would also set the parameters for full and transparent disclosure of all clearing invoices, including those issued for commercial exchange with the Gaza Strip, where the financial impact of this change is expected to bring in no less than $120 million.

Furthermore, the arbitration process could enforce “End User” policies, that is, the principle of final destination for imports, as well as customs control in the “C” areas, which would provide the treasury with an additional 31 million dollars annually. It would also put into effect the terms of the agreement for the transfer of taxes for Israeli commercial activities in “C” areas in accordance with the Paris Protocol, in addition to adjudicating the proper implementation of the terms of the agreement on passenger fees at the crossings, which Israel is still withholding.

As for the reform agenda launched by the government in 2022, a number of areas for financial reform were included, most of which are related to the financial relationship with the occupation:

• Reforming the government revenue system and streamlining expenditures.
• Reforming the system of medical referrals and health insurance.
• Addressing the issue of net lending.

• Organizing the local government sector.
• Conducting a national financial assessment to combat money laundering and the financing of illegal activities.
• Maximizing the impact of international grants and assistance.
• Reforming the water and electricity sector.

A report issued by the General Secretariat of the Council of Ministers, “Follow-up Report of the National Development Plan 2022,” indicated that “despite the attempts of the Palestinian government with its various organs and executive arms to achieve gradual economic disengagement from the occupation state, there is still a long way to go to achieve this goal, as some production inputs, whose data have been monitored, indicate that the link with the occupation economy is still solid and intertwined, and that there is a need to implement more policies and exert more efforts to reach disengagement.” The report identified six main areas that are interconnected with the occupation, namely:

1. Exports and imports.
2. Palestinian workers in the occupying state.
3. Imported energy sources.
4. The amount of imported water.
5. Frequencies and communications network.
6. Medical referrals.

The annual report of the Palestinian Monetary Authority for the year 2022 referred to a number of thorny financial issues with Israel that are affecting public revenues, pointing out that “the Paris Economic Agreement signed by both the Palestinians and Israelis in 1994 established a complex state of dependence and control over Palestinian financial resources.” This agreement provided Israel with a set of channels through which economic, financial and political pressure can be exerted on the Palestinian economy in general, and on the Palestinian government in particular (i.e. clearance revenues, trade movement, Palestinian labor inside Israel and cash flow.) Although these channels may seem economic in nature, they are in fact purely political in essence and dimensions. That is because, over the past three decades, Israel has consistently battered these zones, triggering several financial and economic crises, causing deterioration and distortion in many economic indicators, which affected the overall life of the Palestinian citizen.

Over the past several years, the Palestinian government’s budget has suffered chronic structural imbalances, many of which are related to the nature of the relationship with Israel created by the Paris Agreement. Other problems were the result of Israel’s unilateral punitive measures, especially in to Area (C) of the West Bank. These problems are also compounded by Israel’s reduction and withholding of clearance revenues (customs, value-added tax, purchase tax, petroleum tax and income tax.) Under the Paris Economic Agreement, Israel assumes, on behalf of the Palestinian government, the task of collecting taxes on goods imported by the Palestinians from or through Israel, stipulating that these revenues must be transferred to the Palestinian side in the first week of each month, after deducting 3% as administrative commission.

On average, clearance revenues account for about 65% of total Palestinian revenues, which cover more than 50% of the total current expenditures and nearly the entire wage obligations to public

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8. Reform Agenda 2022, issued by the Council of Ministers / General Secretariat - Palestine - Ramallah, p. 9.
servants. However, these revenues have withered considerably over the past years as a result of Israel’s punitive unilateral measures, and it still skims 3% of those revenues for its administrative commissions. These revenues have been subjected to frequent and increasing cuts, deductions of payments in lieu of electricity Israel provides, water consumption and medical transfers. This, in addition to the withholdings and deduction of amounts for cases filed by Israelis against the Palestinian Authority, and for what the Palestinian government pays in compensations and wages to the families of martyrs and prisoners. Over the years, Israel has stopped its transfer of clearance funds to the Palestinians several times, which has plunged the Palestinian government into many financial and economic crises.

Without these revenues, the government cannot fully meet its obligations, as happened over the past two years, during which the government underwent a severe financial crisis. Israel was, and is, directly and completely responsible for those recurring crises, some of which coincided with the global pandemic and with cutbacks in foreign grants and aid. This drove the Palestinian government to borrowing even more from local banking systems to partially meet its obligations, but still compiling substantial arrears owed to various local institutions, private sector contractors and others doing business with the government10.

The Palestinian Monetary Authority (PMA) report referred to a number of financial matters in which there are problems between the Palestinian National Authority and Israel, including:

- Departure tax through Karama crossing to Jordan.
- Amendment of the commission collected on fuel tax, “blue”.
- Updating lists of tax-exempt imports.
- Israel’s strict control of a long list of dual-use materials exported or re-exported from Israel into the Palestinian territories, which prevents the development of some key economic sectors11.

The PMA report indicated that these measures, if applied on the ground, will have a positive impact on the Palestinian government’s budget, which may not be enough to get the it out of its crisis, but they will certainly prevent further deepening of this predicament.

The financial relationship between the PA and Israel can be encapsulated in the following domains:

First: Clearings, which are a set of taxes, customs and duties imposed on goods imported to the Palestinians, be it by Israel or by the outside world, through the various Israeli border crossings, which were the conditions of trade between Israel, the West Bank and the Gaza Strip stipulated in the Paris Economic Protocol12.

They include the following items:

- Customs.
- Fuel tax.
- Value Added Tax (VAT).

• Purchase tax, which is for certain Israeli products purchased by the Palestinians, and some Palestinian products purchased by Israel.

• Income tax for Palestinian organized laborers working inside the Green Line and the settlements. Income tax on the wages of Palestinian workers in Israel and in settlements was included among the types of clearing revenues, although it is not part of the clearing mechanism. Clearing operations apply only to the exchange (clearing) of invoices for purchases from abroad (customs declaration) and purchases from the Israelis to settle indirect tax accounts between them. However, the calculations of the Palestinian Ministry of Finance consider income tax one of the items of clearing revenues. This income tax on Palestinian workers in Israel and the settlements is transferred and registered in the Ministry of Finance every three to six months, not monthly, as indirect taxes do, and Israel withholds 25% of these income taxes before transferring them to the Palestinian Authority.

Second: Medical referrals, which are the cost of medical services provided to cases transferred from the Palestinian Authority to Israeli hospitals.

Third: Electricity, which is the cost of electricity supplied to the Palestinian areas by the Qatari-Israeli Electric Company.

Fourth: Water, which is the cost of water supplied to the Palestinian areas by Israeli water providers.

Fifth: Sewage, which is the price Israel collects from the Palestinian Authority in exchange for sewage that reaches it from the Palestinian areas to treatment plants.

Sixth: Deductions implemented by Israel under different pretexts – enforcement of court decisions, or decisions of the Israeli Ministry of Finance, and other reasons.

According to the Paris Economic Protocol, Israel can, and does, deduct 3% of the total monthly clearance revenues in lieu of clearing management fees.

At the end of September 2023, Israel announced economic facilitations for the Palestinian National Authority, including reducing the commission for managing the fuel tax from 3% to 1.5%. This was denied by the Director General of Customs, Excise and Value Added Tax (VAT) at the Ministry of Finance, Lu’ay Hanash, who is responsible for accounting with the Israeli side. In a special interview, Mr. Hanash stated that contrary to what is reported in the Israeli press, the current Israeli government has doubled the unilateral deductions from Palestinian taxpayers’ funds in an unprecedented manner, where now these deductions range between 240-260 million NIS, equivalent to 25% of the PA’s revenues from tax funds collected by Israel, without any specifications or clarification for these deductions.

Israeli deduction of 3% of the clearance funds as a commission for managing the clearings, which brings in a monthly average of NIS 35 million, has exceeded NIS 3 billion over the past ten years.

Mr. Lu’ay Hanash also emphasized that the Palestinians must demand the cancelation of commissions on fuel purchases. He supported his position with reports issued by the World Bank (WB) and the International Monetary Fund (IMF) on the need to cancel it since all transactions for these purchases are conducted electronically and directly between Israeli companies and the Palestinian Petroleum Authority. Hanash added that the reduction of that commission from 3% to 1.5% is not enough; it in fact shows the scope of Israeli embezzlements, therefore, it must be canceled completely. He also stressed the need to reduce the collection commission charged by Israel in general on all other goods,
to where it is based on cost, which the World Bank estimated in one of the its reports that it should not exceed a maximum of 0.6%, which again demonstrates the scope of Israeli pilfering.\(^{13}\)

### Net Lending

This has been the term used since the introduction of the Consolidated Treasury Account in 2002 to denote the amounts deducted from clearing revenues by Israel to settle debts owed to Israeli electricity and water providers to municipalities and Palestinian companies and distributors.

Also included under this heading are the amounts transferred by the Egyptian government to the Egyptian Electric Company for electricity it supplies to the Gaza Strip, Net lending also includes amounts deducted from the European Union’s aid transferred through the Pegas system to the Palestinian National Authority to prop its budget, which go to Israeli companies for money owed by the PA. It also includes what the Palestinian treasury has to pay for fuel supplied to the Palestine Electricity Company in the Gaza Strip as that company is unable to collect dues from customers in the Strip to pay the Israeli power generation company.\(^{14}\)

The Ministry of Finance and Planning issued a bulletin entitled “Financial Reforms and Challenges” in which it states that net lending is a cosmetic term proposed by the IMF and refers to the Israeli government’s deduction of amounts from granted funds, which the Palestinian Authority does not have control over and cannot verify the validity of those deductions for cost of electricity, water and sewage. In fact, the Palestinian Authority cannot recover any of those amounts even if they are fraudulent.

Many elements affect the chronic Palestinian economic problems instigated by net lending, the most important of which is Israel’s total control over all terms and conditions, while the PA has no power whatsoever to negotiate any part of the arrangements.\(^{15}\)

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**Net Lending: Amounts deducted from clearing revenues by Israel to settle debts owed to Israeli companies providing electricity, water and sanitation services to municipalities and to Palestinian companies and distributors, among other items.**\(^{16}\)

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### The origin and causes of the net lending problems

This problem is caused by the failure of local authorities, electricity distribution companies and water authorities in the West Bank and Gaza Strip to pay electricity and water bills to suppliers.

Although the trend of payment on behalf of municipalities and distribution companies emerged with the establishment of the Palestinian National Authority, the beginning of the arrangements for deducting from the clearance revenues officially began in 1997 with a letter from the Palestinian Minister of Finance at the time to the Israeli Finance Minister authorizing him to deduct from clearance revenues the sum of the Gaza Strip consumption bill. Less than a year later, another letter sent by the head of the Water Authority and the Minister of Finance asking the Israeli counterpart to deduct the total sum of West Bank water bills. At the time. The total of these deductions for Gaza electricity and water for both the West Bank and Gaza amounted to nearly 150 million dollars annually.

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The problem with all that was that the Palestinian Ministry of Finance did not issue detailed financial statements, and these intermittent clearing funds were not published. There was also a problem in how to account for these sums, so they were presented in the final balance sheets as expenditures of the relevant ministries and bodies.  

The Ministry of Finance does recover some of these losses by withholding revenues owed by local government bodies (property tax, municipal share of transport tax, etc.) but these do not compensate for dues withheld by Israel in any way, and in fact lead to disputes and confusion about finances between the MOF and local governments.

Israel’s seizure and plundering of clearing revenues

Over the thirty years of the Palestinian Authority’s existence, Israel has seized or plundered clearance revenues many times, starting in 1997, under different guises, during the tunnel uprising, and during the Al-Aqsa Intifada, which began in 2000, and continued until the end of 2002, and then in the years 2006-2007, after Hamas won the legislative elections. Israel again seized funds in 2011, in 2013, after the Palestinian Authority went to the United Nations to obtain observer state status, and in 2014-2015, after the Palestinians attempted to join the International Criminal Court.

Legalizing the seizure and embezzlement of clearing revenues

Israel has adopted a new strategy to impose its policies on clearance revenues, allegedly based on approved Israeli legislation for deducting Palestinian funds which it collects on behalf of the Authority, without notifying the PA or any legal mandate to do so under international law.

Israel arbitrarily legalized the seizure of these funds in 2018 when the Knesset approved a bill to withhold amounts equivalent to the amount of financial allocations paid by the PA to the families of martyrs and prisoners, which was enforced in early 2019.

That same year, the Foreign Affairs and Security Committee of the Israeli Knesset unanimously approved a proposal to deduct compensations from Palestinian clearance funds to Israeli settlers in the Gaza Envelope area, who allegedly suffered fire damages caused by fire-kites, launched from the Gaza Strip.

In addition, the Israeli occupation deducted $3.6 million from the Palestinian clearance funds on 15/8/2019 for the benefit of 51 Palestinians, who were accused by the Palestinian Authority of being “agents” for the Israeli occupation during a period spanning the beginning of the nineties until the beginning of the third millennium. They eventually managed to escape from Palestinian prisons to Israel in 2002 during Operation Defensive Fence, and were given sanctuary inside Israel as well as the money stolen from Palestinian clearance funds.

Add to that the dozens of deductions alleged to be compensation for Israelis injured in guerrilla attacks in the West Bank, which they refer to as “Judea and Samaria,” and around the Gaza Strip.

Following the Israeli aggression on the Gaza Strip in October 2023, the Israeli Ministerial Council for Political and Security Affairs (the expanded cabinet) decided to transfer the funds it had collected on behalf of the Palestinian government back to the Authority, but only after deducting the amounts the PA had allocated to the besieged Gaza Strip and to families of martyrs and prisoners in the occupation’s jails. This amounted to millions of shekels per month in deductions and withholdings, as the PA’s...
allocations to the Gaza Strip was about 5.5 billion shekels, which covered the cost of electricity, water and salaries of employees, especially those in the education and health sectors, and allowances for development projects related to public services (water / sewage / streets / housing.)

Quantitative evolution of clearing revenues

The volume of clearance revenues has continuously evolved since the establishment of the Palestinian National Authority, increasing from $351.7 million in 1996 to $3,146.2 million in 2022.

This indicates an increase of 895%, while the percentage of clearance revenues from the net public revenues of the Palestinian Authority increased from 54.4% to 67.2%.

<table>
<thead>
<tr>
<th>Year</th>
<th>Clearance revenues</th>
<th>Net Proceeds</th>
<th>Percentage of net clearing revenues revenues</th>
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<tbody>
<tr>
<td>1996</td>
<td>351.7</td>
<td>645.5</td>
<td>54.5%</td>
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<tr>
<td>1997</td>
<td>475.9</td>
<td>807.2</td>
<td>59.0%</td>
</tr>
<tr>
<td>1998</td>
<td>543.9</td>
<td>868.4</td>
<td>62.6%</td>
</tr>
<tr>
<td>1999</td>
<td>579.7</td>
<td>941.5</td>
<td>61.6%</td>
</tr>
<tr>
<td>2000</td>
<td>587.0</td>
<td>939.0</td>
<td>62.5%</td>
</tr>
<tr>
<td>2001</td>
<td>0.0</td>
<td>273.0</td>
<td>0.0%</td>
</tr>
<tr>
<td>2002</td>
<td>72.0</td>
<td>290.0</td>
<td>24.8%</td>
</tr>
<tr>
<td>2003</td>
<td>472.0</td>
<td>747.0</td>
<td>63.2%</td>
</tr>
<tr>
<td>2004</td>
<td>713.0</td>
<td>1,050.0</td>
<td>67.9%</td>
</tr>
<tr>
<td>2005</td>
<td>894.0</td>
<td>1,370.0</td>
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</tr>
<tr>
<td>2006</td>
<td>344.0</td>
<td>722.0</td>
<td>47.6%</td>
</tr>
<tr>
<td>2007</td>
<td>1,318.0</td>
<td>1,616.0</td>
<td>81.6%</td>
</tr>
<tr>
<td>2008</td>
<td>1,137.0</td>
<td>1,779.9</td>
<td>63.9%</td>
</tr>
<tr>
<td>2009</td>
<td>1,090.0</td>
<td>1,548.6</td>
<td>70.4%</td>
</tr>
<tr>
<td>2010</td>
<td>1,234.2</td>
<td>1,845.4</td>
<td>66.9%</td>
</tr>
<tr>
<td>2011</td>
<td>1,487.4</td>
<td>2,176.0</td>
<td>68.4%</td>
</tr>
<tr>
<td>2012</td>
<td>1,574.4</td>
<td>2,240.1</td>
<td>70.3%</td>
</tr>
<tr>
<td>2013</td>
<td>1,690.5</td>
<td>2,319.9</td>
<td>72.9%</td>
</tr>
<tr>
<td>2014</td>
<td>2,054.3</td>
<td>2,791.2</td>
<td>73.6%</td>
</tr>
<tr>
<td>2015</td>
<td>2,046.9</td>
<td>2,891.4</td>
<td>70.8%</td>
</tr>
<tr>
<td>2016</td>
<td>2,332.4</td>
<td>3,551.9</td>
<td>65.7%</td>
</tr>
<tr>
<td>2017</td>
<td>2,483.0</td>
<td>3,651.5</td>
<td>68.0%</td>
</tr>
<tr>
<td>2018</td>
<td>2,255.3</td>
<td>3,462.9</td>
<td>65.1%</td>
</tr>
<tr>
<td>2019</td>
<td>2,219.2</td>
<td>3,290.6</td>
<td>67.4%</td>
</tr>
<tr>
<td>2020</td>
<td>2,399.9</td>
<td>3,526.2</td>
<td>68.1%</td>
</tr>
<tr>
<td>2021</td>
<td>2,776.9</td>
<td>4,224.7</td>
<td>65.7%</td>
</tr>
<tr>
<td>2022</td>
<td>3,146.2</td>
<td>4,685.1</td>
<td>67.2%</td>
</tr>
</tbody>
</table>
There are several factors that contributed to the development and rise of clearance revenues, those include the decline in local production, the prevailing consumer culture in Palestinian society, plus the dependence of local production on raw materials from Israel or imported through Israel, as evidenced by the trade balance data in Palestine, which indicated the trade balance deficit in 2022 was $9.3 billion, or 48.8% of GDP\textsuperscript{20}.

**Quantitative development of net lending**

The term net lending was introduced in 2003 and has become a fixed item in the public budget in Palestine.

The value of funds deducted from clearing revenues under the name of net lending over 20 years amounted to about 6.1 billion dollars, while the average percentage of net lending during the period from 2003-2022 constituted about 10.9% of public expenditures and net lending.

Table showing the development of net lending and its percentage of public expenditures on a cash basis in million dollars 1996-2022\textsuperscript{21}
<table>
<thead>
<tr>
<th>Year</th>
<th>Net lending</th>
<th>Total expenses</th>
<th>Percentage of net lending to total expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>173.0</td>
<td>1,240.0</td>
<td>14.0%</td>
</tr>
<tr>
<td>2004</td>
<td>157.0</td>
<td>1,528.0</td>
<td>10.3%</td>
</tr>
<tr>
<td>2005</td>
<td>344.0</td>
<td>1,994.0</td>
<td>17.3%</td>
</tr>
<tr>
<td>2006</td>
<td>376.0</td>
<td>1,426.0</td>
<td>26.4%</td>
</tr>
<tr>
<td>2007</td>
<td>535.0</td>
<td>2,567.0</td>
<td>20.8%</td>
</tr>
<tr>
<td>2008</td>
<td>446.9</td>
<td>3,272.7</td>
<td>13.7%</td>
</tr>
<tr>
<td>2009</td>
<td>354.7</td>
<td>2,919.6</td>
<td>12.1%</td>
</tr>
<tr>
<td>2010</td>
<td>240.3</td>
<td>2,932.3</td>
<td>8.2%</td>
</tr>
<tr>
<td>2011</td>
<td>139.0</td>
<td>2,960.7</td>
<td>4.7%</td>
</tr>
<tr>
<td>2012</td>
<td>227.2</td>
<td>3,047.1</td>
<td>9.1%</td>
</tr>
<tr>
<td>2013</td>
<td>221.2</td>
<td>3,250.7</td>
<td>6.5%</td>
</tr>
<tr>
<td>2014</td>
<td>287.4</td>
<td>3,445.9</td>
<td>8.3%</td>
</tr>
<tr>
<td>2015</td>
<td>300.5</td>
<td>3,445.0</td>
<td>8.7%</td>
</tr>
<tr>
<td>2016</td>
<td>269.8</td>
<td>3,661.7</td>
<td>7.4%</td>
</tr>
<tr>
<td>2017</td>
<td>265.9</td>
<td>3,794.8</td>
<td>7.0%</td>
</tr>
<tr>
<td>2018</td>
<td>268.2</td>
<td>3,660.0</td>
<td>7.3%</td>
</tr>
<tr>
<td>2019</td>
<td>319.8</td>
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</tr>
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<td>2020</td>
<td>351.1</td>
<td>3,954.9</td>
<td>8.9%</td>
</tr>
<tr>
<td>2021</td>
<td>372.8</td>
<td>4,035.1</td>
<td>9.2%</td>
</tr>
<tr>
<td>2022</td>
<td>365.9</td>
<td>4,158.1</td>
<td>8.8%</td>
</tr>
</tbody>
</table>

Figure showing the development of net lending and its percentage of public expenditures on a cash basis in million dollars 1996-2022

The table and figures above show that net lending has been steadily rising in the last five years, 2018-2022, despite all government plans to rein it.
In order to objectively research the transparency of the financial relationship between the Palestinian National Authority and Israel, and to obtain updated information, the researcher conducted exclusive and ad hoc interviews with relevant ministries in order to scientifically and accurately determine the details of the financial relationship between the Palestinians and Israelis, and its level of transparency.

**The first domain: clearing**

The issue of clearing is considered a major domain in the financial relationship between the Palestinian National Authority and Israel, and is governed by the provisions of the Paris Economic Protocol. In an exclusive interview, the Director of the Central Clearing Department in the Ministry of Finance, Nazih Abu Rajab Al-Tamimi, indicated that clearing is carried out according to the following:

1. Customs: customs data is received on a daily basis. Information reaches the customs department from Israel every day about the day before, and, at the end of each month, Israel sends an aggregate transfer to the Palestinians, noting that Israel’s date of transfer is irregular, but, under normal conditions, the transfer is done on the 7th of the month for the previous cumulative month.

2. Fuel tax: which is based on the specific data of the fuel suppliers to the General Petroleum Corporation, and is calculated according to the invoices issued by the Israeli suppliers (Dor + Baz) for the previous month.

3. Value Added Tax (VAT): VAT clearing between the Israelis and the Palestinians is still operational, mostly because the electronic clearing system came into use, which was launched to operate between the two sides on 6/3/2022.

4. Purchase tax: that relates to some Israeli products purchased by the Palestinians, and some Palestinian products purchased by the Israelis.

5. Income tax: that specifically is the income tax of laborers working within the Green Line and in settlements. The transfers of the accumulated funds are irregular, done some months and others not, and usually do not contain detailed data.

As for the VAT between the Palestinians and Israel, it is processed based on different invoice forms:

First: Invoices issued by Israel to the Palestinians, which are of three types:

1. Electronic clearing invoices, consistent with the new system, which is currently being used by Israeli taxpayers who entered this system voluntarily, and whose number stood at 2,656 taxpayers as of the preparation of this study.

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22. The response of the ministries to the request for cooperation in preparing the study was varied. Some dealt with high transparency and professionalism, as with the ministries of Finance, Labor, Local Government, Health, Water Authority, and Energy Authority. Among those who did not respond to the request for cooperation to complete the study were the Authority for Civil Affairs and the Ministry of Communications and Information Technology, despite the researcher’s attempts to work with them over a period of two months.
2. Blue paper clearing invoices used by the old system, printed in accordance with the Paris Economic Agreement, and used by Israeli companies and merchants who have not entered the electronic invoice system. This is because the Israelis claim that compelling these merchants to use the automated system needs legislation with approval from the Knesset.

3. Computerized invoices issued by the major Israeli companies, which are transferred directly on the day of the clearing session. The number of these major companies is 167, one of those, for instance, is a clearance company. The revenues of those major Israeli companies add up to approximately two-thirds of the value of VAT clearing.

Second: Invoices issued by the Palestinians, which are of two types:

1. Electronic clearing invoices for all taxpayers who were using paper clearing invoices according to the Paris Agreement (green papers.) The transition to this system was made after 6/3/2022.

2. Invoices of major Palestinian companies, who are considered “Big Dealers” that use the computerized system, who number 28 companies.

The clearing session between the Palestinians and the Israelis is held at the end of each month for the previous clearing month. That involves adding up the total of purchases from Israel and subtracting the sales supplied to it. A 3% service and clearing management allowance is deducted, which goes to the Israelis, in accordance with the Paris Economic Agreement.

**The Gaza Strip**

The Clearing Department at the Ministry of Finance in Ramallah does not have any data related to the registration of companies in the Gaza Strip after the split in 2007, therefore, taxes on purchases of large Israeli companies are lost. This is because the condition for collecting tax upon clearing is the registration of Palestinian companies. Then, following the registration process in the tax departments, the statements of registered companies are sent to the Israelis.

However, there are some companies operating in the Gaza Strip which were officially registered before the 2007 split, therefore, their purchase tax is provided through clearing based on the statements sent by Israeli companies, noting that there are flaws and lack of transparency in the data the Israeli companies submit.

It should be emphasized here that the Paris Economic Protocol requires that companies be registered for clearing purposes. So, the Palestinian Clearing Department is making an effort to register some unregistered companies and enter them into the system in order to collect their tax revenues.

**Article 15 of the Paris Economic Protocol stipulates that:** The clearance revenues from all import taxes and other duties between Israel and the Palestinian Authority will depend on the principle of the final place of destination, and that these tax revenues will be allocated to the Palestinian Authority. Additionally, even if Israeli importers have the destination of their imports clearly stated on the import documents, that import company must be registered with the Palestinian Authority and be known to conduct commercial activity in the territories.

23. The Paris Economic Agreement between the Palestinian Authority and Israel, signed on April 29, 1994, Article No. 15.
The computerized system in VAT clearing

The computerized system has been in operation between the Palestinian National Authority and Israel since 6/3/2022. It is an effective automated system, where it contains auditing, follow-up, and control capabilities. There are many companies currently operating through that system, but an Israeli official decision has not been made to compel all Israeli companies to abide by it because the matter needs legislation and measures to be set by the their government – knowing as well that the system is being used on trial basis at this time, and is currently being developed, with many issues yet to be addressed.

Furthermore, there are already measures in place for comprehensive auditing and follow-up of clearing matters, and the Clearing Department at the Ministry of Finance has a high level of transparency in effect, but the Israelis are still dealing with poor levels of transparency. Moreover, the statements of Israeli companies are audited by the Clearing Department, and electronic invoices are examined and audited through the computerized system Quick Response (QR) code, in order to combat forgery – noting that there are clear instructions for the tax and customs departments on the mechanism for conducting the follow-up.

- Note: One of the advantages of electronic computerized invoices is that they detect and expose some Palestinian merchants that are not registered with tax obligations, which facilitates finding them and compelling them to register. There were in fact some fraudulent cases caught by the system, where, for instance, a Palestinian buyer was registered as a worker, and cases where a taxpayer or a company were not registered at all with the tax department²⁴.

Level of transparency

The transparency of the Israeli side with regard to clearing revenues is always a problem, so the clearing department continuously works on reviewing and scrutinizing all data. The Clearing Department at the Ministry of Finance is highly experienced, with rather advanced technical skills in clearing procedures and the governance of those procedures. But, the response of the Israelis is still below the necessary level of transparency and they deal with all matters related to clearings as an occupying power, not as a trading partner.

- Note: The 3% clearing administration commission deductions collected by Israel from clearing revenues in the first nine months of 2023 amounted to NIS 239.6 million²⁵.

²⁴. A special interview with the Director of the Central Clearing Department at the Ministry of Finance, Nazih Abu Rajab Al-Tamimi, on 1/5/2024.
The second domain: medical referrals

This is another important association in the financial relationship between the Palestinian Authority and Israel, although its relative importance has declined in recent years because of the government’s current preference to purchase services from national hospitals. For the purposes of this study and to obtain information from reliable sources, a special interview was conducted with Firas Al-Faqha, Director of Administrative and Financial Affairs in the Service Purchasing Department at the Ministry of Health, and Ismail Abu Taqa, responsible for coordinating purchases of medical service with Israeli hospitals. The following is the sum of what they stated:

- Work is being done on the issue of purchasing medical service and referrals from the Ministry of Health to Israeli hospitals, in accordance with the Paris Economic Protocol, which regulates the economic and commercial relationship between the PNA and Israel. Many modifications were done in recent years to reduce the number of medical referrals to Israeli hospitals, especially with the availability of the needed services in national hospitals, either in the Ministry of Health facilities or in private hospitals operating in Palestine.

- Referral to Israeli hospitals is carried out after a series of approved procedures, and within approved criteria, including the availability of specialized medical staff in the Ministry of Health, and where priority is given to national private hospitals. In the event that the service is not available in those hospitals, or whenever there is no possibility for provision of a special service, Israeli hospitals are contacted.

For instance, bone marrow transplant service is usually purchased from Israeli hospitals since it is not available in national hospitals.

- The Ministry of Health has service purchase agreements with several Israeli hospitals, namely:
  1. Tel Hashomer.
  2. Ikhlov.
  3. Rambam.
  5. Sha’aray Tzedek.
  6. Hadassah.

The agreements with Israeli hospitals are accessible and available to read and review. They date back to 2015, and the Ministry of Health is working to update them.

- Even though there are service purchase agreements between the Ministry of Health and Israeli hospitals, these hospitals are not committed to providing detailed reports directly to the Ministry of Health. Instead, they send them to the Israeli Ministry of Finance, which deducts funds, or through the Civil Administration in Beit El, noting that Civil Administration officers exert pressure on the hospitals providing the services to prevent them from directly communicating with the Ministry of Health.

- There is communication between the Ministry of Health and Israeli hospitals, but these hospitals are not sufficiently transparent or responsive in providing details related to the purchase of the service.
• Israeli hospitals that have agreements with the Ministry of Health sometimes work with other health service providers for patients not duly transferred from the Ministry of Health, under the justifications of humanitarian issues, or for traffic or work accidents inside Israel, which creates confusion in the follow-up of these cases.

For example, if a Palestinian injured in a traffic or work accident arrives at an Israeli hospital, he is treated, and the PA bears the cost of this, although there are procedures for the cost of such expenses that could be covered by insurance. In other words, Israeli hospitals are quiet lax with financial issues related to the purchase of the service.

• Israeli hospitals seeks to obtain the cost of services directly from clearing revenues or by direct transfer from their own Ministry of Health to those hospitals. The validity of these deduction is suspect since they lack transparency, and even more so because the deductions are made before the Palestinian ministry obtains the necessary details and reports.

An example of the uncertainty of the financial relationship and the Israeli lack of transparency is that the estimated cost of purchasing service from Israeli hospitals is NIS 12-15 million per year, but in practice, Israel deducts about NIS 25 million. In other words, the deductions are highly exaggerated and have become Israel’s routine method of billing the PA.

• The Service Purchase Department checks the data and invoices of Israeli hospitals as soon as they are sent to the Israeli side within the clearing sessions, or through Beit El, but these documents and reports are usually late, and in practice only one hospital, Tel Hashomer, has been committed to sending invoices and reports.

• There are some exceptions to the purchase of service from Israeli hospitals, but they are limited.

• There is a need to initiate a direct computer link between Israeli hospitals and the service procurement department for better transparency and control of financial transactions.

Level of transparency:

Transparency of the financial transactions for medical referrals is very problematic. There is no computer link or direct relationship through transparent and periodic reports and invoices between the service procurement department in the Ministry of Health and Israeli hospitals, and Israeli hospitals do not abide by the signed agreements.

• Note: In 2022, the number of service purchases from Israeli hospitals reached 6,521 cases, i.e. 5.88% of purchased health service from outside the facilities of the Palestinian Ministry of Health.

26. A special interview with Firas Al-Faqha, Director of Administrative and Financial Affairs in the Service Purchasing Department at the Ministry of Health, and Ismail Abu Taqa, responsible for Israel’s settlements in service purchasing, dated 1/15/2024.
The third domain: services to local authorities and service providers (electricity / water / sewage allowance)

These services are the main reason for the emergence and growth of net lending, which drains the public budget by more than one billion shekels annually. The Director General of Control and Guidance at the Ministry of Local Government, Raed Al-Sharabati, explained in an exclusive interview, that:

The financial relationship between local authorities and Israel ever since the occupation of the West Bank and the Gaza Strip began has been based on the need of local authorities for services, such as electricity, water and sewage. This relationship initially was within the agreements between local authorities and Israeli suppliers, which continued with the advent of the Palestinian National Authority in 1994. Companies provided such services to local authorities, and sometimes to private bodies or persons, and collected fees and costs for those services directly from those customers, as is the norm in commercial dealings.

At the time when the PA was formed, there was no intervention from the Palestinian or Israeli Ministry of Finance in that relationship. But, in 1998, the PA and the Israelis agreed to that the Israeli Ministry of Finance will deduct service allowance for local authorities from the clearing funds, and that is when the net lending department began operation. Later, it became a customary practice and an easy way for Israeli companies to collect their service payments directly from clearing revenues through the Israeli Ministry of Finance, leaving the issues of clearing and accounts to be dealt with between the Israeli Ministry of Finance and the Palestinians, and between the Palestinian Ministry of Finance and local authorities and companies.

Several electricity companies have been established in Palestine since, but many local authorities have continued to deal directly with Israeli suppliers. The current number of electricity connection points is 250, of which 114 are benefiting 260 local authorities, and the rest are for supplying companies and private groups.

The annual cost of electric consumption is about 3 billion shekels, and the rate of repayment for local authorities was high before the current war and aggression on the Gaza Strip, but it decreased after the war due to the economic conditions.

In point of fact, Israel is deducting about 80 million shekels per month from the clearing funds for cost of electricity, divided into 40 million shekels for the Gaza Strip and 40 million shekels for the West Bank. This procedure is carried out by the Israeli Ministry of Finance for the benefit of the Qatari-Israeli electric company at the beginning of each month, at the end of each month when the clearing between the National Authority and Israel is supposed to take place. Therefore, the data and figures provided by the Qatari Electric Company to the Israeli Ministry of Finance at the time of clearance between the PNA and Israel is essentially inaccurate. In general, it is difficult within the current situation to obtain accurate and clear figures for financial transactions between Israeli companies providing services, especially electricity, and the various local authorities.

Among the issues that exacerbate the lack of transparency is that the Qatari-Israeli Electric Company has connected some Palestinian industrial or commercial sectors, especially in areas classified (C), to a special connection point, and is deducting the cost of their consumption from clearing revenues through net lending.

In addressing the failure of local authorities to pay their dues to Israeli companies, the Ministry of Local Government is working to maximize and increase the revenues of local authorities in order to provide alternative resources instead of relying on clearing funds it allocates to pay for water, electricity and sewage services to Israeli suppliers; of these:
1. Transferring the task of collecting property tax to local authorities, and that responsibility has currently been transferred to qualified 15 out of 88 local authorities.

2. Supporting and strengthening economic development units in local authorities in order for them to generate revenues, and approving the partnership system between local authorities and the private sector, decision No. (27) of 2022.

3. Giving technical support to local authorities to improve their revenues.

4. Strengthening control and guidance for local authorities in order to correct disbursement matters and to have them commit to paying dues instead of compiling them.

However, there are many challenges facing the Ministry of Local Governance in obliging local authorities to pay their dues to Israeli service providers, the most important of which are:

- The large amounts of expenditures in local authorities, which force them to use the money collected in lieu of electricity or water services to pay their other obligations instead of paying the Israeli service providers.

- The system of decentralized work in local authorities in terms of disbursement and expenditure limits the Ministry of Local Government’s control over expenditure.

- Weak governance in some local bodies.

- The problem of refugee camps in some local authorities, where the cost of services are not collected.

- Periodic elections in local bodies, which result in electing presidents and councils of local authorities whose goal is to achieve their electoral agendas and implement projects, and who do not necessarily commit to paying dues from funds collected for cost of electricity, water, and other services.

Transparency of the financial relationship between the Palestinian National Authority and Israel, specifically for services delivered to local authorities and service providers:
The relationship is complex and intertwined, and the level of transparency in the financial relationship for services provided to local authorities is low, especially with the presence of a large number of local authorities that deal directly with Israeli companies. That, on top of the intentional ambiguity and murky details of discounts and fines submitted by Israeli companies providing services to local governments. All those factors cost the PNA losses, adding to that the large number and dispersion of local authorities that benefit from and pay for those services, all without a unified system detailing the services received or the payments made by each local body, which further confounds the problem of transparency of the financial relationship between the PA and Israel.

- Note: The value of net lending in the first nine months of 2023 amounted to 1,261 million shekels.


The fourth domain: electricity

The issue of electricity is one of the fundamental problems in the financial relationship between the Palestinian National Authority and Israel.

Israel is the main source of electricity for all areas of the Palestinian National Authority, which is an essential and indispensable service. In an exclusive interview, Mr. Maan Rashed, Director General of Projects at the Palestinian Energy Authority clarified the issues:

• The relationship between the PNA and Israel regarding to the energy sector (electricity) is somewhat dispersed among the different centers of responsibility, therefore, coordination is poor because of the numerous authorities involved, when, in reality, coordination of electric services must exclusively be through the specialized authority to achieve the required efficiency and effectiveness.

• Political circumstances play a major role in the relationship between the PNA and Israel, especially with regard to electricity.

• The National Electricity Company was scheduled to receive additional connection points, and the Energy Authority is ready for this, but the agreement was never signed for political and technical reasons.

• There are too many connection points, whether for local authorities, distributors, or even for the private sector, which detracts the work and costs the PNA additional expenditures it has to shell out to the Israeli supplier company.

• Some local authorities fail to pay their electricity bill to the Israeli supplier, which leads to Israel’s deduction of those dues from the clearing revenues, which further complicates the state of dispersion. So, there necessarily must be a financial controller in local authorities directly connected to the Israeli electricity provider who would ensure payment of dues.

• The Energy Authority believes that it is necessary to enforce the use of prepaid meters in all Palestinian areas, which ensures immediate payment for electric consumption.

• The problem of refugee camps that are exempted from payment still stands, but efforts are being made to install solar energy panels in fields around the areas of the camps, which would reduce the consumption of high-cost electricity. However, there are technical obstacles related to the availability of spaces and in obtaining financing those projects.

• Some local bodies are refusing to work together in single power connection points, which hinders the efforts to unify power linkages.

• Some local authorities have electric dues, but since the start of current war on Gaza, the rate of payment decreased. Also, the issue of camp electricity and electricity used by exempt government institutions still causes problems.

• Israel continues to deal with the logic of an occupying power, even in the electric services business transactions, it constantly imposes its own ideas and policies on that relationship.

• The Energy Authority has worked to provide modern meters for connection points to control, monitor and screen data as well as enhance transparency, but they have not been installed due to the current war situation, and there is no sign as to whether the installations would happen any time soon.
• Some electricity is purchased from Jordan, the quantity of which was increased to about 80 megawatts. Some electricity was also purchased from Egypt, but that has been disrupted due to the ongoing war on Gaza and the precarious security situation in Sinai.

• The Energy Authority offers incentive packages for the use of solar energy to produce electricity, offering soft loans, for instance, and providing tempting benefits to companies who buy surplus panels, in order to reduce dependence on electricity from Israel.

• Electric loses, both black (theft or non-payment) and technical (loss through defective power lines) are still high, amounting to a loss of 20-25%, but the Energy Authority is making great efforts to reduce these losses.

• An average of NIS 80 million is deducted monthly from the clearance funds for payment to the Israeli electric company, about half of which is for the Gaza Strip.

The State National Natural Gas Company, which was established based on the decision of the Council of Ministers in 2021, is responsible for the management of gas facilities in Palestine. It has the authority to enter into contracts for gas purchases from various sources. But, because of the current political circumstances, the company is unable to do anything at this time.

Note: The Energy Authority is a member of the National Natural Gas Company’s board of directors.

The Energy Authority believes that it is necessary to address and follow up all issues related to the energy sector through them, and not to disperse this responsibility among several centers or committees, essentially reducing existing interferences. In addition, the Authority believes it should be responsible for monitoring the payment of electricity bills, for pursuing legal cases for theft of electricity, enforcing government decisions related to energy and electricity issues, and connecting electric linkage points in order to control them efficiently. The Energy Authority also believes that is should be provided with allocations hat would be sufficient for it to implement its development projects to advance the quality of production and operation of the electric sector.

The disruption of purchasing electricity through the National Company deprives the Palestinian Authority of obtaining preferential prices.

Electricity tariff

The electricity tariff is the main source of revenue for electricity distribution companies. It covers the anticipated return on their investments and the recovery of their operating costs for the expenses of undertakings stipulated in the distribution license. Therefore, when calculating the tariff, they take into account any external factors that arise and directly affect the tariff rate, such as the increase in the purchase price from the Israeli side.

The Palestinian Electricity Regulatory Council (PERC), through its supervisory and regulatory role, studies and determines the electricity tariff for all different sectors and segments and reviews them periodically, in accordance with the provisions of the General Electricity Law Decree No. 13 of 2009 Article (9) Item No. (7)31, which states that the Council is responsible for “recommending to the Power

30. Special interview with Mr. Maan Rashed, Director General of Projects at the Energy and Natural Resources Authority, dated: 1/4/2024.
Authority the tariff methodology and pricing, subscription fees, allowance for the costs of extensions, insurances and other services necessary to deliver electricity to the consumer after consultation with the relevant authorities, taking into account the approach used in determining prices for the various governorates of the country.”

The tariff calculation is based on the electricity distribution companies’ performance indicators achieved in the previous year and the expectations reflected in these results for the coming year, and then recommended to the Palestinian Energy Authority for approval. In determining the tariff, the Council takes into account the protection of consumers from price monopolies, the costs of technical losses, service efficiency, acceptable returns on invested capital, incentives to improve service and methods of work and considerations for the use of alternative energy. The tariff for consumer segments may vary depending on the quantity and time of consumption and may change between peak time and other times of use.

The electricity tariff is announced annually by decision of the Council of Ministers based on the recommendation of the President of the Energy and Natural Resources Authority, and the recommendation of the Electricity Regulatory Council, and is published on the PERC’s website.

Transparency of the financial relationship between the Palestinian Authority and Israel in the electricity sector

There is no adequate transparency in the transactions of the Israeli company providing the electricity service, especially with the number of connection points, where some are obsolete, and the Israeli company’s estimates of the cost of operating others. The Israelis are also rather indistinct about fines charged on bills, the dispersal of the electricity sector, and other problems. This, in addition to the problems and murkiness in the relationship between the Jerusalem Electricity Company and the Qatari-Israeli Electric Company, where the Qatari company deducts clearing amounts and fines from Palestinian clearings, which are uncertain, and are not approved by the Jerusalem Electric Company.

• Note: The funds deducted by Israel from clearance revenues in the first nine months of 2023 in lieu of electricity costs amounted to 716.6 million shekels.

32. The website of the Electricity Sector Regulatory Council https://perc.ps/perc/
33. Cumulative monthly financial report for September 2023, issued by the Ministry of Finance on September 25, 2023, Table (4B)
The fifth domain: water

Water is one of the vital issues affecting the financial relationship between the Palestinian National Authority and Israel. In an exclusive interview, the President of the Palestinian Water Authority, Minister Eng. Mazen Ghoneim, explained that the issue of water is a political, vital and strategic issue in the relationship with Israel; it is not only a matter service, but is one of the five files to be resolved in the process of the final solution. Because it is a political matter associated with the goal of Palestinian independence, Israel deals with it as such, not as a commercial commodity, and does not automatically or easily respond to the requests of the Water Authority to increase the quantities of purchased water.

Israel’s transparency in dealing with the water file is rather poor and murky, be it in terms of water supplied by Israeli companies or in terms of sewage processing fees. To resolve that problem, the Water Authority is working on installing water meters with which it can verify Israeli figures by placing them parallel to Israel’s water meters as well as installing meters that would monitor the flow of transboundary water.

The wholesale prices of water purchased from Israel are known, they are stated openly, and have not changed for many years.

There is a special committee for water.

- The National Authority has water debts owed to the service providers amounting to 1.9 billion shekels.
- Israel deducts NIS120 million annually in lieu of cross-border wastewater fees.
- The Water Authority is working to enforce the law through a strategic plan to establish water facilities within the reform plan for the Gaza Strip.
- The relationship between the Palestinian Authority and Israel in the water sector is generally coordinated by the Palestinian Water Authority.
- There is a problem in paying water bills in local authorities, also do not fulfil their role as required, so the Water Authority works in several ways to collect monthly water dues and debts accumulated by local authorities, since the Palestinian Authority is the one responsible for them.

These methods include:

1. Making local authorities commit to paying the monthly bill and scheduling payments of previous debts.
2. Linking project funds granted to local authorities with commitment to scheduled payments.
3. Deducting part of the water prices accumulated by local authorities from road transport fees.
4. Based on the Council of Ministers Resolution No. (17/215/17/M.W/R.H) of 2018\(^{34}\), the Water Authority has been tasked with:

   a. Encouraging local authorities to install prepaid water meters within the technical requirements for those meters, on condition that the installation costs are deducted from the debts owed by local authorities.

   b. Developing a follow-up mechanism with water service providers, whose loss rate exceeds 30%, by making the necessary rehabilitation to reduce the losses, on condition that the costs of rehabilitation are deducted from the debts of the local authority.

• Some water loss is due to technical problems and other losses are due to thefts. The percentages of loss varies depending on to the geographical region, but there are efforts to control and reduce the losses.

• The Water Authority is in search of solutions to water problems, but a comprehensive solution is contingent upon the establishment of an independent Palestinian state which has control over the land. However, the reality is that the issue of water is a strategic matter with far-reaching political dimensions\(^{35}\).

<table>
<thead>
<tr>
<th>Transparency of the financial relationship between the Palestinian National Authority and Israel regarding the issue of water:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transparency on the part of Israel is problematic, be it in for the water supplied by Israeli companies or for wastewater fees.</td>
</tr>
</tbody>
</table>

• Note: The funds that Israel deducted from clearance revenues in the first nine months of the year 2023 for water bills amounted to 285.9 million shekels, while 85.4 million shekels were deducted for wastewater services\(^{36}\).

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\(^{34}\) Palestinian Council of Ministers Resolution No. (17/215/17/M.W./R.H.), dated 8/7/2018, regarding organizing and controlling water sector revenues and expenditures.

\(^{35}\) A special interview with the head of the Palestinian Water Authority, Minister Eng. Mazen Ghoneim, dated 2/14/2024.

\(^{36}\) Cumulative monthly financial report for September 2023, issued by the Ministry of Finance on September 25, 2023, Table (4B).
The sixth domain: Income Tax for Palestinian laborers working inside the Green Line and in the settlements

The issues of Palestinian laborers working inside the Green Line and in the settlements were addressed in a specific provision of the Paris Protocol. Article (35) of the Protocol, paragraph (d), stipulates that “Israel shall transfer to the Palestinian Authority an amount equal to 75% of the income taxes of Palestinian workers from the Gaza Strip and the Jericho area who work in Israel, as well as the full amount of income tax collected from Palestinians from the Gaza Strip and the Jericho area working in settlements.”

These collected income taxes are supposed to be transferred monthly into the clearance revenues to go to the Palestinian Ministry of Finance, but Israel is highly irregular in making those transfers; add to that the fact that there is no adequate data on the exact number of organized workers, the amount of their monthly wages, their tax withholdings, and how much of those funds is the Palestinian National Authority’s share.

**Transparency of the financial relationship between the Palestinian National Authority and Israel regarding income tax for laborers working within the Green Line and in the settlements: Israeli transparency regarding this matter is rather poor.**

According to data from the Ministry of Finance, the totals of income tax transferred through clearing in 2022 amounted to 194 million shekels, which were transferred in four installments:

- (35.6) million shekels in the month of 3/2022.
- (35.5) million NIS in the month of 6/2022.
- (81.4) million NIS in the month of 10/2022.
- (41.4) million shekels in the month of 11/2022.

In the first nine months of 2023, the total amount of income tax transferred through clearing was 81.4 million shekels, which were transferred in two installments:

- 42.5 million NIS in the month of 3/2023.
- 38.9 million NIS in the month of 7/2023.

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The seventh domain: Miscellaneous Financial Issues

- Fees derived from travel through Al Karama Crossing:

The Paris Economic Agreement stipulated a specific arrangement for sharing travel fees the Israelis collect from travelers departing through the Karama crossing to Jordan, which the agreement had set at $26 per passenger. These funds are supposed to be divided equally between the two sides, with one dollar deducted from the Palestinian share that goes to the Israelis in exchange for services they provide (maintenance and development of the crossing.) This means that the Israeli side takes $14 million and the Palestinians get $12 million. The agreement set this division based on the annual number of travelers who pass through that crossing, which has been calculated at 750 thousand travelers annually, divided between the Israelis and the Palestinians. Whenever the number of travelers exceeds this figure, the division becomes $16 for the Palestinian side and $10 for the Israeli side.

However, the Israelis have unilaterally raised these fees several times since 1994, allegedly because of the changing exchange rate of the dollar against the shekel. They raised their cut from $26 to $36 in 2008, to $44 in 2013, and it currently stands at $50 per traveler. Those Israeli arbitrary increases in fees, and despite the increase in the total number of passengers, were not reflected in commensurate increases in revenues transferred to the Palestinian government; they even failed to transfer the entire Palestinian total share of fees of the original $26 per traveler specified by the agreement, which has caused a perpetual dispute between the parties over these dues.

• Note: Hoping to get more information on this matter, and over a period of two months, between 12/2023 and 2/2024, the researcher tried to communicate with the Civil Affairs Authority to get more information, it being the official party dealing with the Israelis in this matter. However, the Authority did not respond to the researcher’s requests until the completion of this study.

Transparency of the financial relationship between the Palestinian National Authority and Israel regarding the departure toll through the Karama crossing, According to the available information, the level of transparency on the part of the Israelis regarding the departure fees through the Karama crossing is very poor, aside from the unilateral measures they take to raise departure fees.

– Electronic frequencies and communication networks

Israel controls all Palestinian natural resources, including Palestinian space and air electronic frequencies. The Palestinian government has tried to keep pace with global technological developments and harness them in the development of government services provided to citizens by applying them to electronic government services and developing the digital economy. But, these attempts failed as a result of the occupation’s control over this field since any development in this area requires approval of the occupation. While the countries of the region are accelerating the development of the fifth generation services, Palestine is still using third generation technology, making the technological generation gap between Palestine, the occupying power, the countries of the region and the world very wide.

The occupation’s control of electronic frequencies has also allowed Israeli cellphone companies to encroach on Palestinian zones with their own cellphone services, since the geographic distance between Israel and the Occupied Palestinian Territories is narrow, and where some Palestinian citizens desire the advanced technological services provided by those Israeli companies.

40. Annual report of the Palestine Monetary Authority for the year 2022, issued in June 2023, p. 20.
Note: Over a period of two months, between 12/2023 and 2/2024, the researcher tried to contact the Ministry of Communication and Information Technology to get more information, since it is in charge of dealing with the Israelis in this matter. However, the Ministry did not respond to the researcher’s request until the completion of this study.

Transparency of the financial relationship between the Palestinian National Authority and Israel regarding frequencies and communication networks. Based on available information, it seems that the level of transparency in matters of frequencies and communication networks between the Palestinian Authority and Israel is rather low.

- Multiple deductions from clearing income

Israel deliberately deducts from the clearance revenues, under different guises and numerous arguments. Some deductions are demarcated as net lending, some as commission allowance and fees for managing clearance revenues, and others are withheld funds equivalent to the payments the PA makes to families of martyrs and prisoners, and later, supposed expenses of the Gaza Strip. In addition to all of the above, money is deducted based on decisions of Israeli courts, or decisions of the extremist Israeli Minister of Finance, or debt allowance for the Palestinian private sector, or medical services for traffic or work accidents. The reality is, no sufficient financial data is available on these deductions, and Israel’s transparency with these figures is virtually non-existent, which makes Palestinian funds constantly vulnerable to Israeli embezzlement.

Transparency of the financial relationship between the Palestinian National Authority and Israel regarding the issue of multiple deductions from clearance revenues:

The level of transparency in this matter is very low, and no clear data is available for the reasons, the nature and quantity, of those the multiple deductions.

Note: According to data in the financial report for the year 2022, issued by the Ministry of Finance, the total clearance revenues amounted to 11,502 million shekels, of which the following were deducted:

<table>
<thead>
<tr>
<th>Number</th>
<th>Item</th>
<th>Deducted amount/in million shekels</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>clearing management commission 3%</td>
<td>345.9</td>
</tr>
<tr>
<td>2</td>
<td>electricity</td>
<td>881.7</td>
</tr>
<tr>
<td>3</td>
<td>water</td>
<td>375.1</td>
</tr>
<tr>
<td>4</td>
<td>waste water treatment</td>
<td>114.1</td>
</tr>
<tr>
<td>5</td>
<td>hospitals</td>
<td>189.3</td>
</tr>
<tr>
<td>6</td>
<td>courts</td>
<td>22.2</td>
</tr>
<tr>
<td>7</td>
<td>court deductions refunds</td>
<td>18.5-</td>
</tr>
<tr>
<td>8</td>
<td>other deductions</td>
<td>164.8</td>
</tr>
<tr>
<td>9</td>
<td>withheld clearance revenues</td>
<td>603.3</td>
</tr>
<tr>
<td>10</td>
<td>Total deductions</td>
<td>2,677.9</td>
</tr>
</tbody>
</table>

Note: According to data in the financial report for the year 2022, issued by the Ministry of Finance, the total clearance revenues amounted to 11,502 million shekels, of which the following were deducted:

42. Cumulative monthly financial report for the month of 12/2022, issued by the Ministry of Finance on January 29, 2023, Table (4B)
In other words, the discounts amounted to 23.2% of the total clearing funds, knowing that this percentage does not include the deductions and seizures for expenses on the Gaza Strip, which could eventually increase the percentage of Israeli deductions and embezzlement to more than 50% of the clearing revenues.

In comparing the funds deducted or withheld by Israel of the clearance funds to the external monetary support of the public budget in both parts, to the public treasury and developmental funds, we find the following:

- External support to the public treasury in 2022: NIS 818.7 million.
- External development support in 2022: NIS 355.3 million.
- Total external support in 2022: NIS 1,174 million.
- Total amounts withheld or deducted by Israel in 2022: NIS 2,677.9 million.

In other words, Israel deducts and withholds Palestinian funds equivalent to 2.3 times the external support of the public budget.

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43. Cumulative monthly financial report for the month of 12/2022, issued by the Ministry of Finance on January 29, 2023, Table (4B).
**Conclusions**

- In general, the level of transparency in the financial relationship between the Palestinian National Authority and Israel is low in all its items, fields and domains. This study has made it clear that Israel adopts a selective unilateral approach in the financial relationship with the Palestinian Authority, and deals with financial matters as an occupying power, not an economic partner.

- The financial relationship between the PA and Israel is closely linked to the political track and cannot be dealt with from an economic standpoint only, that is because Israel makes of any dispute with the Palestinians a tool of blackmail at every political stage.

- The Paris Economic Protocol, which was scheduled for the interim period 1994-1999, is a slack protocol. Its terms were set through the meetings of the Joint Economic Committee, but it is no longer valid at this time. With all its drawbacks for the Palestinians, still, Israel did not, and does not, abide by its terms, and has taken every opportunity to violate many of its clauses.

- Clearance revenues have become the backbone of the general budget, constituting two-thirds of public revenues, and 75% of the total tax revenues. The quantitative development in clearance revenues is steady, large and positive, which requires higher transparency in this essential file.

- Clearance revenues have become a tool in Israel’s hands to punish the Palestinian people and coerce the PA, through arbitrary deductions, withholdings and/or seizure of funds, which, before the current aggression on Gaza, amounted to 23.2% of the total clearance revenues. With the Israeli deductions of supposed expenses related to the Gaza Strip, the total withholdings have increased to more than 50% of the clearance revenues, and Israel’s appetite to embezzle yet more Palestinian funds is growing by the day.

- Although the National Development Plan 2021-2023 (sectoral strategies for the management of public funds and the national economy, reform plans, etc.) includes a strategy for economic disengagement from Israel, quantitative data indicate the opposite.

- Net lending is still draining the general budget, despite government plans to curb it, and has in fact increased in the last five years.

- The relationship between the PA and Israel is full of entanglement and overlaps in many areas, which makes the already poor transparency and fragmentation even worse, as in the cases of electrical interconnection points, which total 250 points, for local authorities, distribution companies and the private sector.

- There are many outstanding financial issues between the PNA and Israel; if resolved, they will provide the public treasury with substantial revenues that will alleviate the financial crisis the PA is experiencing.

- Israel collects 3% of clearing revenues as an administration allowance, a substantial percentage that was approved in 1994, at a time when clearing revenues were limited and transactions were manual and done on paper. However, they do not commensurate with the present increase of clearance revenues (more than 8 times since 1994) or the decrease in management hours with the digital conversion of clearing revenue. According to the World Bank’s estimates, the cost of clearance revenue management does not exceed 0.6%, meaning that Israel is netting 500% more than the estimated fair value of clearing revenue management.
There has been a marked development in electronic invoicing for VAT clearing between the PA and Israel, but the computerized system is still incomplete because it is not a mandatory requirement for Israeli companies.

The internal division is a major reason for the lack of transparency in the financial relationship between the Palestinian Authority and Israel, especially since the documents of financial transactions for companies in the Gaza Strip and Israel are not available to the Ministry of Finance. Additionally, Israel accepts only transfer of invoices and clearing for companies registered with the Palestinian Authority, and after receiving statements of registered companies, following their registration in the Palestinian tax departments. This complicated process actually causes much loss of due clearing revues to the Palestinian treasury.

**Recommendations**

**First: Recommendations for the financial relationship with Israel**

- Preparing and launching an integrated national strategy for the realization of the economic and financial aspirations, as well as all rights of the Palestinian people usurped by Israel. The plan should be based on a comprehensive study of all areas of the financial relationship between the Palestinian Authority and Israel. Also launching a campaign of pressure and advocacy for the implementation of Palestinian economic rights, through a committee to manage that campaign, composed of individuals form the government, civil society institutions, the private sector and the media, as well as the diplomatic corps and human rights institutions.

- Working to increase the transparency of the financial relationship between the Palestinian National Authority and Israel, which has a significant impact on the financial sustainability of the Palestinian National Authority, expressly because of the complexity of that relationship and the multiplicity of the areas of financial interactions.

- The need to file a lawsuit with the International Court of Justice against Israel for its many violations of Palestinian human rights and its blatant embezzlement of the people’s funds, and to recruit friendly countries and human rights institutions to join in support of this lawsuit.

- Working towards an effective economic disengagement from Israel, particularly the restrictions of the Paris Economic Protocol, especially since Israel does not abide by its terms, and to move towards concrete mechanisms that would secure the independence and rights of the Palestinian people and the Authority to funds and revenues. One such change could be a value added tax law that is appropriate to the Palestinian conditions and other relevant legislations that disconnect from the restrictions of the Paris Protocol.

**Second: Recommendations for the Palestinian internal financial affairs**

- Bolstering national production to support the national economy and boost domestic revenues, decreasing dependence on clearance revenues and galvanizing the movement to boycott Israeli products.

- Addressing the trade imbalance with Israel, which intensifies dependence on clearing revenues, by setting new governmental policies that would stimulate the local economy and national products.
• Obligating all parties (official and unofficial) involved in the financial relationship between the PA and Israel to be transparent with all interactions, even if that is done unilaterally, beginning with publishing agreements, making them visibly accessible, and not withholding information related to those agreements.

• Unifying all financial files the government has with Israel under one official body, and not dispersing them among ministries, authorities and various bodies, so they are not scattered here and there, and making sure that information in these files is clear and transparent.

• Adopting digital conversion for the financial transactions between the Palestinian Authority and Israel through the new automated electronic clearing system, linking all dealings electronically in all areas of the financial relationship; such as, medical transfers, income tax for Palestinian workers inside the Green Line, electricity and water services, and the like.

• Completing the computerized clearing system between the Palestinian National Authority and Israel for the value-added tax, as it is a system that has capabilities for auditing, follow-up and control, all of which enhance transparency.

• Addressing the hemorrhaging of net lending, as it is a drain on the public budget and confounds the uncertainties in the financial relationship between the Palestinian Authority and Israel.

• Appointing a financial controller in local bodies that are directly linked to the Israeli electricity provider, but are not committed to paying dues, and that controller would ensure they pay their service bills.

• Enforcing the government’s decisions related to linking local authorities in unified electric connection points, and not granting any exceptions, in order to lessen the dispersal of this sector and enhance its governance.

In conclusion, these recommendations cannot be implemented without political will, cooperation among all components of the Palestinian people, and the unification of work for liberation from Israeli control over the economic resources of the Palestinian people. To accomplish all these goals, revolutionary measures need to be taken, along with international pressure and advocacy campaigns and the mobilization of all energies in order to achieve success.

A proposal for a pressure and advocacy plan to achieve the economic rights of the Palestinian people and their various resources.
In light of the results and recommendations of the study, there is an urgent national need to launch a pressure and advocacy campaign to reclaim the rights for the Palestinian people to their resources and economic independence. Some suggested measures are:

- Initiating a national strategy to achieve the economic rights of the Palestinian people and their various resources, starting with an in-depth study of all areas of the financial relationship between the Palestinian Authority and Israel, and the identification of usurped rights and areas of action to reclaim them.

- Launching a pressure and advocacy campaign to achieve the economic rights of the Palestinian people and reclaim their various resource through the strategy's objectives and procedures, and forming a specialized committee that includes representatives of the government, civil society institutions, the private sector, as well as the individuals in diplomatic corps, the media, unions and coalitions, to achieve those objective.

- Recruiting allies for the pressure and advocacy campaign, be those of states and governments, or international human rights, economic and financial affairs institutions as well as various United Nations institutions.

- Among the measures in the action plan would be filing a lawsuit against Israel for pillaging Palestinian funds, violating the Paris Economic Protocol, in addition to pressuring the countries sponsoring the agreement, in particular, the United States of America and France, to oblige Israel to cease plundering Palestinian funds and violating signed agreements.

- Working with the sponsors of the Oslo Accords, donor countries, the United Nations, and the Aid Coordination Committee for the Palestinian People, to reformulate the Paris Economic Protocol so it is in line with the current reality and in ways that guarantee the economic rights of the Palestinian people.

- Using the pressure and advocacy strategy to bring about economic disengagement from Israel through internal measures; that would be, for instance, strengthening the national production and self-reliance through supportive national legislation, such as the value-added tax law, the customs law, and other laws, in addition to rehabilitating specific production sectors, such as agriculture and industry.

- Periodically reviewing and evaluating the national strategy to ensure that it achieves its objectives.
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- Decree by the General Electricity Law No. (13) of 2009, Article No. (9), item No. (7).


Exclusive interviews

- An exclusive interview with the President of the Palestinian Water Authority, Minister Eng. Mazen Ghoneim, on 14/2/2024.

- An exclusive interview with the Director of the Central Clearing Department at the Ministry of Finance, Nazih Abu Rajab Al-Tamimi, on 5/1/2024.

- An exclusive interview with Firas al-Fiqah, Director of Administrative and Financial Affairs at the Service Procurement Department at the Ministry of Health, and Ismail Abu Taqa, Coordinator with Israeli Hospitals for the purchase of the service, on 15/1/2024.

- An exclusive interview with the Director General of Control and Guidance at the Ministry of Local Government, Raed Al-Sharabati, on 27/12/2023.

- An exclusive interview with Eng. Maan Rashid, Director General of Projects at the Energy and Natural Resources Authority, on 4/1/2024.

- An exclusive interview with Abdul Karim Mardawi, Director General of External Employment at the Ministry of Labor, on 28/2/2024.

Websites

- Website of the Electricity Sector Regulatory Council https://perc.ps/per
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 Ab 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 CSTPBT 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.