



**Position Paper on:**

**Budget Law for the year 2024**

**Civil Society Team to Enhance Public  
Budget Transparency**

**August 2024**

Seven months into the fiscal year, and after the extension of the 2023 budget expired at the end of July, as an exception to the provisions of the Public Budget Organization Law No. (7) of 1998, **the President issued a decree law on the general budget for the fiscal year 2024, on July 22, 2024, which was recommended by the Council of Ministers.**

The National Team to Enhance Budget Transparency emphasizes that despite its previous positions rejecting these constitutional violations and the legislation governing the preparation and approval of the public budget, the draft budget was not presented and discussed with civil society, contrary to the current government's pledges to adopt a policy of openness and participation.

The Law Decree on the General Budget for 2024 defines four basic principles that govern the work of the budget:

- 1) Adopting conservative projections that mimic the decline in GDP and projected income.
- 2) Adopting the principle of monetary rationing and determining the bases for spending based on the priorities set by the government.
- 3) Providing the required liquidity to maintain stability in the health, education, and security sectors.

- 4) Continuing to work on the 2023 staffing organization while maintaining the policy of hiring one employee for every two retirees, and stopping appointments on the 2024 budget.

The government adopted policies that the previous government had targeted, such as continuing to reform the revenue system, correcting the approach to granting tax exemptions, localizing the medical service, rationalizing health insurance fees, reducing medical transfers, reforming the medical system, and reducing net lending, in addition to taking austerity measures to reduce expenditures, including reviewing and amending administrative structures to reduce salary and wage expenditures, halting acquisitions and car purchases, reducing operational and capital expenditures, and merging and eliminating non-operational institutions.

The budget for 2024 was estimated at ILS 19.4 billion, a 7.6% decrease from the estimated budget for 2023 (which was estimated at ILS 21 billion). The following projections were made:

- Current and capital expenditures, estimated at ILS 17.8 billion, being ILS 500 million less than what was realized for 2023.
- 1) **Salaries and wages**, the value of salaries and wages (not counting semi-salaries) was estimated at NIS 8.4 billion, 44% of total expenditures, i.e. NIS 113 million higher than realized for 2023, and social contributions were estimated at NIS 830 million, 4% of total expenditures, noting that social contributions are the contributions the government owes to employees, which are supposed to be transferred to the pension fund to ensure its sustainability and the transfer of retirees' benefits.
  - 2) **Operating expenditures**, estimated at NIS 2.5 billion or 13% of total expenditures, a 21% decrease from the NIS 3.1 billion operating expenditures realized for 2023.

- 3) **Transformation expenditures**, estimated at NIS 3.2 billion, 17% of total expenditures, and 6% higher than the 2023 realized expenditures.
- 4) **Net lending**: Net lending was estimated at NIS 1.2 billion, accounting for 6% of total expenditures, but was lower than the NIS 1.3 billion realized for 2023.
- 5) **Other expenditures**, including capital expenditures, fuel subsidies, interest, and ad hoc payments, constituting 8% of total expenditures.

–**Development expenditures**: Development expenditures were estimated at NIS 1.5 billion, or 8% of total expenditures, which is NIS 165 million higher than what was realized for 2023. NIS 968 million of the development expenditures will be provided by the public treasury, while NIS 545 million will be funded from foreign grants and aid.

## **Revenues:**

Net revenues in the 2024 budget law were estimated at NIS 13.9 billion, which is 21.4% less than in 2023, due to the deteriorating economic situation resulting from the genocide war, the ongoing Israeli aggression on the Gaza Strip and the West Bank, in addition to the occupation's continued piracy of clearing funds, which constitute 66% of revenues.

Revenues consist of revenues generated through clearing, estimated at NIS 9.3 billion, in addition to local revenues estimated at NIS 4.7 billion, including locally collected tax revenues estimated at NIS 3.03 billion, NIS 1.29 billion in non-tax revenues, in addition to allocated collections amounting to NIS 382 million.

## The 2024 budget deficit and public debt

Based on the current circumstances and the serious challenges facing the PA and its ability to cope and based on estimates of the decline in revenues in light of the current challenges, the budget deficit before grants was estimated at NIS 5.4 billion, while the value of grants and aid was estimated at NIS 2.5 billion, one billion shekels higher than the estimate for 2023, so the deficit after grants will amount to NIS 2.9 billion, to which is added the value of illegal Israeli deductions estimated at NIS 3.8 billion, for a total deficit of NIS 6.8 billion.

The government's total financial obligations amounted to approximately \$11 billion<sup>1</sup>, or approximately NIS 42 billion including:

- **Public debt**, which at the end of 2023 amounted to NIS 13.6 billion, up 9% from 2022, is divided into NIS 8.8 billion in domestic debt and NIS 4.7 billion in external debt.
- **Arrears**: The cumulative balance of arrears at the end of 2023 amounted to NIS 13.7 billion, including NIS 4.5 billion in private sector arrears, NIS 9.2 billion in employee arrears, and arrears of the government's share and the employee's share to the pension authority.
- **Pension Fund**: The government's liabilities to the Palestinian Retirement Authority amounted to NIS 11 billion.
- **Other financial obligations**: Includes the government's financial obligations to other funds and other liabilities.

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<sup>1</sup> The financial reality of the Palestinian government, Palestinian News Agency (Wafa), 5/5/2024 , <https://www.wafa.ps/Pages/Details/94857> .

**Estimated budgets for the ministries of health, education, social development and security:**

- **Ministry of Health:** The Ministry of Health's budget was estimated at NIS 2.4 billion, accounting for 14.3% of total expenditures, of which 42% were salaries and wages, 49% were operational expenditures, including the cost of medical referrals, 8% were development expenditures, and 2% were capital expenditures. Despite numerous attempts to reduce the bill for medical referrals, and reform agendas and plans to reduce this item, this did not happen, and the cost actually exceeded one billion shekels, meaning that the Ministry of Health's operating expenses go towards paying for medical referrals and purchasing medicines.
- **Ministry of Education and Higher Education:** The budget of the Ministry of Education and Higher Education was estimated at 3.5 billion shekels, or 20.5% of total expenditures, more than 90% of which goes to the bill for salaries, wages, and social contributions.
- **Ministry of Social Development:** The budget of the Ministry of Social Development is estimated at NIS 570 million, or 3% of total expenditures. It is lower than the estimated budget for 2023, which was estimated at NIS (827) million, due to the reduction in the budget for the cash assistance program, which was estimated at NIS 250 million, about half of last year's estimate (it was estimated in 2023 at \$144 million, or about NIS 500 million). which is about NIS 500 million), noting that during 2023, only two out of four payments were made to poor families, numbering 120,000 families, about 75% of them in the Gaza Strip, and it is expected that only two payments will be made during the current year.

- **Ministry of Interior and National Security:** The budget of the Ministry of Interior and National Security was estimated at 3.7 billion shekels, which still accounts for the largest share of the budget at 21%, most of which is spent on salaries and wages for the 53,000 employees of the security services.

**In light of the above facts, the civil society team emits its reservations about the delay in approving the budget law without any constitutional justification and contrary to the provisions of the Public Budget Organization Law No. (7) of 1998,** especially as emergency circumstances have become a characteristic of the Palestinian situation, especially the occupation's continued piracy of confiscated funds and the subsequent deterioration of the economic situation. The NCG considers that the preparation and approval of the budget before the participation of civil society representatives contradicts the government's stated policy of following a participatory approach. The NCG believes the following:

- The dissolution of the Legislative Council, the failure to hold general elections, and the continued disregard for the provisions of the 1998 Budget and Financial Affairs Law impede the success of plans to reform the management of public finances and weaken the chances of achieving the strategic objectives.
- During the current year, measures were taken by the government to reduce operational expenditures, and spending was controlled in some areas, including a complete halt to the purchase of furniture and new vehicles, and controlling expenditures in the use of communication lines, travel expenses, and rents. However, controlling expenditures in these areas is not sufficient to address the budget deficit crisis. What is required is to expand the scope of spending reduction and control, and address the core issues in the general budget, which drain the largest share of the budget, including the bill for salaries and similar salaries in the civil and security sectors, medical transfers, and net lending.
- The Civil Society Team believes that successive governments have not succeeded in reducing the wage bill and reducing the number of employees. On the contrary, the wage

bill continues to rise steadily, which indicates that there are no deliberate mechanisms to address this issue.

- The reports issued by the civil society team indicate that there is a state of chaos in the management of the personnel file in the public sector, as there are no clear and published figures, and there are many differences between the numbers of employees<sup>2</sup>, which requires expediting the adoption of a new civil service law that addresses many of the gaps and issues in the public sector and contributes to improving the reality of public employees and developing their performance, and working on the adoption of an early retirement law to rationalize the public administration.
- The issue of reducing net lending needs a practical plan to address the accumulation of debts of local authorities and distributed companies that collect electricity and water service fees in advance from citizens, especially since net lending reached record levels of NIS 912 million in only 6 months of 2024.
- The civil society team reserves its opinion on the ways of reforming the health system that did not include reforming the health insurance system, by working to pass a comprehensive and compulsory health insurance law, which the team considers essential for reforming the health system, and that any attempts to reform while maintaining the current health insurance system will not contribute to getting out of this dilemma.
- The expected budget deficit requires international legal pressure campaigns demanding the Palestinian right to recover the funds frozen by the occupation, especially since they amounted to about 6 billion shekels, and pressure on the occupation to abide by the Paris Protocol and Article (35), which emphasizes that no amount may be deducted from the clearing revenues, except by providing invoices that are disclosed at the time of deduction, but the occupation ignores this clause and continues to use the clearing funds as a punitive tool.

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<sup>2</sup> Coalition for Integrity and Accountability (AMAN). Gaps in the Public Service “Numbers of Employees and Salary Levels in Positions of Responsibility”, 2023