Report No. 253

Report on:

The performance of the 2022 General Budget

2023

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Contents

Introduction:

The Civil Society Team for Enhancing Public Budget Transparency (CSTPBT) has been preparing this report for the seventh year at the end of every financial year, addressing the way the government in general and the Ministry of Finance (MOF) in particular, manage the General Budget. The Palestinian Legislative Council (PLC) should pass the General Budget, which the President should approve. Then, it should be published in the Official Gazette (Al-Waqa'e). Unfortunately, since 2008 the President has been exercising the relevant powers of the PLC. He issued 2022 Budget Law on 31 March 2022, and it was published in the Official Gazette, Issue No. 190, on 12 April 2022. The Team had pointed out in its semi-annual report their reservations towards the continued breach of the provisions of the General Budget Law, pertaining to budget preparation and approval. In this report, the Team shall address budget implementation towards the end of 2022, discussing 2022 revenues and expenditures, in comparison with the allocations in the Law, identify financial and administrative deviations on one hand, and the extent to which the budget meets the financial reform agenda on the other hand.

Since early 2022, the government started with a financial crisis, and continued piracy of the clearance money by the occupation, the decrease in grants and aid, the continued payment of 80 % of the teachers' payroll and postponement of payment for the private sector suppliers.

To address the financial crisis, the Palestinian government pledged to control expenditures, through adopting policies that aim to achieve a package of financial reforms, which the Minister of Finance announced, addressing three major aspects that aim to reduce the payroll, the cost of the health system (treatment abroad) and net lending. The government also pledged to implement the reform agenda submitted to the donors during the Donor Conference in Brussels. The agenda included a package of reforms comprising several financial and administrative reforms, in addition to economic reforms, social reforms, and reform in the security and public order system, with sub-aspects under each major aspect. It is worth noting that this agenda has not been published on the Palestinian Authority (PA) official websites until the time of preparing this report.

Survey on the transparency of general budgets

A review of the MOF website to track the level of compliance with the minimum international standards for transparency in the General Budget, as identified by the International Budget Partnership, and which consists of eight basic documents, revealed that MOF has published six documents, not 8, as indicated in the following table:

Document	Published	Not published
Pre-Budget Statement (PBS)	Published	
Executive Budget Proposal (EBP)		Not published
Enacted Budget (EB)	Published (summary)	
Citizens Budget (CB)	Published	
In-Year reports (IYRs)	Published	
(Mid-Year Review (MYR		Not published
Year-End Report (YER) 2021	Published	
2021 (Audit Report (AR	Published	

There has been relative improvement in publishing documents, with 6 out of 8 published. However, there are specific standards for the published data, including inclusiveness, and quality of the published, data, timeliness of publishing and accessibility to data. Accordingly, the following is noted:

- The Pre-Budget Statement (PBS) has been published on MOF website.
- The Executive Budget Proposal (EBP) has neither been published nor presented to or discussed with the representatives of the civil society.
- The Enacted Budget (EB) has been published in the Official Gazette in a very brief form, with no detailed budgets of the centers of responsibility.
- The Citizens Budget (CB) has been published on MOF website after 8 months of the year had passed.
- Monthly reports have been published on MOF website, but with no compliance with the specific dates of publishing.
- The Mid-Year Review (MYR) of the current year has not been published "since MOF publishes a cumulative report for half the year, which does not meet the criteria and standards of Mid-Year Review (MYR), which should include an analysis of the performance of the first half, the policies of the second half and other requirements, and not only expenditure figures".
- Year-End Reports (YER) are published on MOF website for 2020 and 2021.
- The Audit Reports (AR) of YER for 2020 and 2021 have been published on MOF website as well as the website of the State Audit and Administrative Control Bureau (SAACB) in early February 2023.

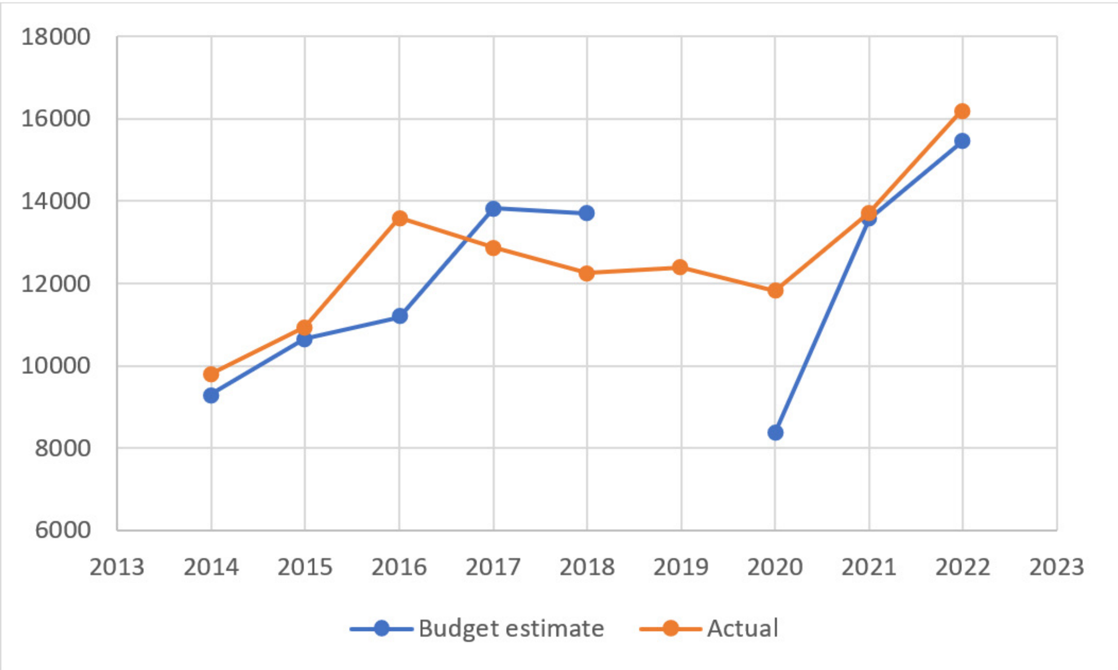
2022 Public revenues

The 2022 General Budget Law estimated the net revenues at (15.4) billion Israeli Shekels (ILS), while the actual commitment based net revenues amounted to (16.2) billion ILS, 105% of the estimate, and the highest compared to the actual revenues during (2014-2021).

Table (1): Comparison of total actual revenues during 2014-2022 (million ILS)

Total net revenues	Budget estimate	Actual
2014	9,311	9,817
2015	10,658	10,931
2016	11,188	13,598
2017	13,821	12,880
2018	13,691	12,256
2019		12,383
2020	8,358	11,832
2021	13,579	13,714
2022	15,457	16,216

Chart (1): Comparison of total actual revenues during 2014-2022 (Million ILS)



The above table and chart indicate an increase in actual revenues over the years (except 2020, the Covid-19 year), which reflects improvement in tax collection. However, the leap in 2022 by around 3billion ILS from 2021 does not only reflect improved tax collection, but an increase in the prices of imported goods, because of the Ukraine-Russia war and the increased cost of the global supply chain, which raised collected customs and taxes. According to the Palestinian Central Bureau of Statistics (PCBS), the Consumer Price Index reached 3.74% in 2022, a sharp increase from 2021.

Local revenues (which PA collects directly)

The 2022 Budget Law estimated the local revenues at 5.6 billion ILS, while the actual local revenues reached 5.9 billion ILS, an increase of 106% from the estimate.
The local revenues include tax revenues, amounting to 3.8 billion ILS, non-tax revenues (fees and licenses), at 1.5 billion ILS and specialized collections amounting to 0.5 billion ILS.

Table (2): Actual commitment-based local tax revenues compared with estimates for 2022 (million ILS)

	Actual 2022	Estimate 2022	Rate of actual to estimate
Local tax revenues	3840.2	3750.1	102%
Income tax	938.3	810.8	116%
Value Added Tax (VAT)	1422.0	1374.7	103%
Customs	1103.4	1162.7	95%
Alcohols excise tax	5.2	383.7	94%
Cigarettes excise tax	354.9		
Property tax	16.5	18.2	91%

The above table shows an actual local tax revenue of 102% of the estimate for this year, with VAT tax making the highest actual revenues at 1.4 Billion ILS, an 18% increase from the actual revenues of 2021. It is followed by the actual Customs at 1.1 billion ILS and Income tax at 938 million ILS, with 116% increase from estimate and a significant increase (30%) from the previous year.

The financial statements reveal an improvement in local tax collection, because of a partial improvement in expanding the tax base, network connection between the different tax departments, as well as the price increases and the accompanying increase in VAT revenues. According to the (unpublished) reform agenda, "efforts shall be exerted to reform the public revenue system and rationalize expenditures, through reforming the tax system, VAT, customs and property tax systems". Those reforms have not been introduced until the time of writing this report. During 2022, several draft laws for VAT and customs were developed but not approved yet. Despite several reviews of the VAT tax draft law and several amendments introduced by experts and civil society organizations, however the law has been stalled.

Clearance revenues

The clearance revenues are the taxes, customs and fees that Israel collects at the international border-crossings on behalf of PA, with 3% deduction as management fees, in accordance with the Paris Protocol.

The clearance revenues amounted to 11.1 Billion ILS, 107% of the commitment-based estimate for the year. The Customs revenues were the highest, followed by the Petroleum tax, then VAT tax. Moreover, actual revenues increased in 2022 compared to 2021, particularly Petroleum and VAT taxes, whose increase is attributed to the increase in the prices of fuel and products.

Table (3): Actual commitment-based clearance revenues compared to the estimate (million ILS)

	Actual 2022	Estimate 2022	Rate
Total clearance revenues	11,502.00	10,423.60	110%
Customs	5,151.90	4,777.30	108%
VAT	2,795.20	2,563.90	109%
Purchase tax	-3.6		
Petroleum Tax	3,364.50	2,968.60	113%
Income Tax	194	113.8	170%
3% deduction	345.9	322.4	107%
Total clearance revenues After 3% deduction	11,156.10		

Public expenditures

The public expenditures include (wages and salaries, social contributions, operational expenses, transfer expenditures, capital expenditures, interest and net lending). The total 2022 expenditures and net lending were estimated at 16.5 billion ILS, while the 2022 total actual expenditures and net lending amounted to 17 billion ILS on commitment basis, i.e. 103% of the budget, and 14 billion ILS on cash basis, which reveals 3 billion ILS (arrears) to be added to the financial commitments of the government.

Table (4): Total actual commitment based expenditures compared to actual cash based expenditures and the allocated budget (million ILS)

	Actual commitment based	Actual cash based	Estimate 2022	Rate of actual commitment based to estimated expenditures for the year
Total expenditures	17,077.40	14,003.40	16,596.50	103%
Wages and salaries	8,114.10	6,872.60	7,556.00	107%
Social contributions	791.1	1,050.6	716	110%
Operational expenditures (consumption of goods and services)	2,723.80	1,216.3	2,394.00	114%
Transfer expenditures	3,086.00	2,806.10	3,778.80	82%
Capital expenditures	99.5	45.3	216.9	46%
Interest	476.3	339.7	486.8	98%
Net lending	1224.6	1,224.6	957	128%
Earmarked Payments	562	448.3	490.9	114%

The above table reveals that the value of the actual expenditures increased from the estimate by 480 million ILS, and is close to the actual during the past years, reflecting that no serious effort has been exerted to reduce the expenditures and address the financial crisis.

Wages and salaries: The commitment-based expenditures on wages and salaries amounted to 8.1 billion ILS, while the cash-based expenditures amounted to 6.8 billion ILS, with 1.3 billion ILS difference, resulting from failure to pay full wages. Throughout the year, 80% of the wages were paid, in addition to 5% of arrears. There are 140,000 employees in the public sector, 88,000 civil employees, 55,000 in education, 15,000 in health, around 18,000 in the public administration[1], in addition to 52,000 in the military.

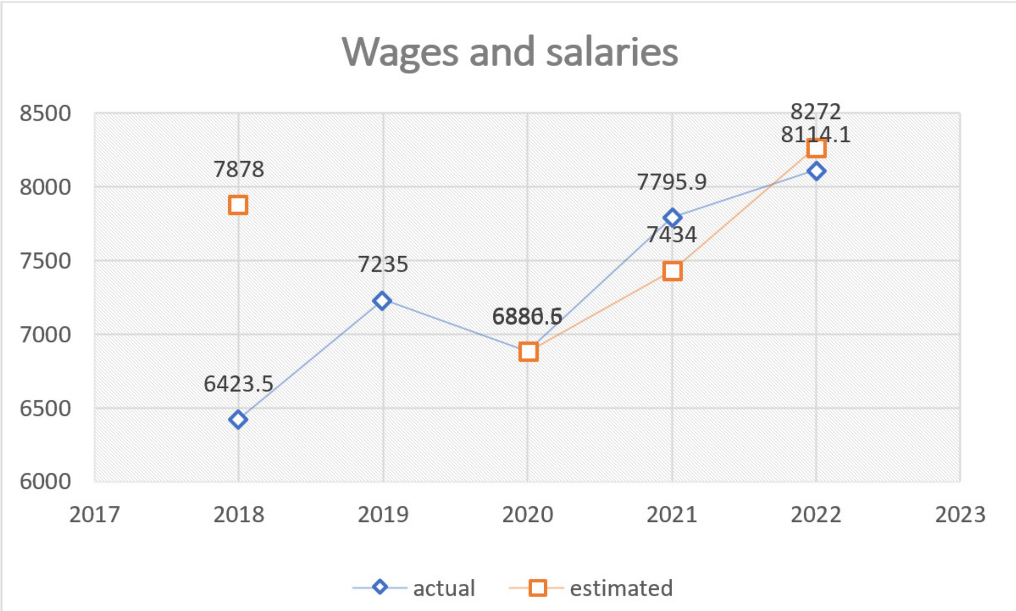
The reform plan identified several interventions to reduce the payroll, including:

- Regulating the governmental positions and put in place public sector early retirement regulations.
- Restructure and re-identify the role of the government institutions and the employees in the digital age.
- Adopt and apply successful international models of institutional reform based on competition, and performance and distinction in all the government institutions.
- Review the Civil Service Law and its Amendments.

1 State of Palestine, Council of Ministers (palestinecabinet.gov.ps)

However, the financial data does not indicate that those interventions have been implemented, since 1500 employees have been appointed in the security sector during the year[2], in contravention with the approach to reduce expenditures.

Chart (2): Wages and salaries (2018-2022)



The above chart reveals continuous increase in the wages and salaries, increasing by around 2 billion ILS from 2018 to 2022. It also reveals that they exceeded the allocated amounts in the budget laws throughout the years, except in 2020, although the budget laws provide that "it is inadmissible to pay any expense or disburse any advances that have no allocations in this Decision by Law, and it is inadmissible to commit to any amount that exceeds the allocations identified in this Decision by Law".

Social contributions: They consist of the contributions of the government for employees, which should be transferred to the Pension Fund to ensure its sustainability in paying the pensioners' salaries. While the government did not pay the employees' wages fully, the actual social contributions amounted to one billion ILS on cash basis, higher than the actual on commitment basis, because of the agreement reached between the government, the Pension Fund and the European Union (EU), in which part of the EU grant was paid for the Pension Fund. It is worth noting that the value of the accrued government debts for the Pension Fund amounted to around 8 billion ILS.

Operational costs (use of goods and services): In 2022, the actual commitment based operational costs amounted to 2.7 billion ILS, i.e.14% increase from the year's estimate, while the cash based actual operational costs reached 1.2 billion ILS. This means that 1.5 billion ILS constitute commitments on the government, i.e. private sector arrears added to the total accumulated arrears.

Transfer costs: The actual transfer costs amounted to 3 billion ILS, constituting 82% of the year's estimate. Those costs amounted to 2.8 billion ILS on cash basis, with a difference of 200 million ILS from the actual commitment basis. Those constitute obligations on the government for the beneficiaries of the transfers, which include quasi salaries.

2 See Council of Ministers statement No. 155 on 4/4/2022 http://www.palestinecabinet.gov.ps/portal/meeting/details/51984.

Capital expenditures: The actual commitment based capital expenditures amounted to 99 million ILS, i.e. 46% of the year's estimate, while the cash based expenditures amounted to 45 million ILS.

Net lending: Net lending expenditures amounted to 1.2 billion ILS, i.e. 128% of the estimate. According to MOF report, the net lending item includes the amounts deducted from the clearance, the payments for municipalities and local councils, and the amounts lent to other institutions". In the reform plan, the government identified several specific interventions to address the net lending item. However, the financial statements do not reflect achieving those reforms. It is worth noting that in early 2022, a specialized financial unit was set up to address and follow up net lending and ensure the sustainability of local councils and service provision to citizens.
The clearance deductions (including net lending) amounted to 1.7 billion ILS, distributed in the following manner:

Table (4) details of the clearance deductions (million ILS)

details of the clearance deductions	Million ILS	Rate of deductions
Electricity	881.7	51%
Water	375.1	22%
Wastewater	114.1	7%
Hospitals	189.3	11%
Courts	22.2	1%
Courts Refund	-18.5	-1%
Other Deduction (Amortizing loans)	164.8	10%
Total	1728.7	

The above table reveals that 51% of the deductions go to the electricity supply companies, while 22% of the deductions go to the water supply companies, and 7% to wastewater services. The Director-General of the General Budget explained in a special meeting (with AMAN team) that 60% of the electricity deductions, i.e. around 528 million ILS, pertain to the electricity allocated to Gaza Strip. The table also shows that 11% of the deductions, i.e. around 189 million ILS, go to Israeli hospitals (medical transfers). Israel is persistently not transparent with respect to the details of the medical treatment bill, and does not adhere to the requirement that the patients have official referrals from the Ministry of Health (MOH). So far, MOH cannot verify that all the Israeli bills and claims on Palestinian patients admitted to Israeli hospitals belong to Palestinian patients, referred to the Israeli hospitals with a medical referral document issued by MOH Referrals Service Department. Furthermore, MOH cannot verify and audit the accuracy of the amounts deducted on a monthly basis, or verify the accuracy of the bills and claims issued by the Israeli hospitals.

The deductions for water and wastewater are not audited, and their legality is not verified. The lack of transparency in the financial relations between several local councils and MOF complicates matters, as those councils claim that MOF is not regularly transferring their payments, particularly the taxes and revenues that belong to the local councils (90% of the property taxes and 50% of transportation taxes).

Moreover, other deductions amounted to 164 million ILS, comprising 10% of deductions, with no accurate details and no invoices. For example, the deductions include the compensations paid for the families of the settlers killed in the West Bank. Other aspects that led to reservations in SAACB report on the 2020 and 2021 aggregate Year-End Reports were related to doubts on the correctness of the amounts deducted by the Israeli side, placed under the hospitals, electricity, or water items. The report pointed out several reasons that led to reservations on the correctness of the amounts that the Israeli side deducted, including:

- MOF, in coordination with MOH, did not audit and review the correctness of the amounts deducted on a monthly basis and verify the correctness of the invoices and financial claims issued by the Israeli hospitals.
- MOH did not follow up the cases referred to the Israeli hospitals
- The electricity cost of operating the Israeli wells is added to the water bill issued by Mekorot.
- Penalty interests on monthly water bills are deducted from the Palestinian taxes in favor of Mekorot, although there is no delay and the bills are deducted monthly from the clearance revenues.

Development costs

MOF and the government continued to exaggerate flows of foreign aid and grants, as development expenditures for 2022 were estimated at 2.47 billion ILS, more than double the actual throughout the years, half (1.4 billion ILS) of which will be financed by the public treasury, while the rest (972 million ILS) would be financed by foreign aid and grants.

The 2022 commitment based development expenditures amounted to 906 million ILS, i.e. only 37% of the estimate, while the cash based development expenditures amounted to 605 million ILS, i.e. 25% of the 2022 estimated development expenditures. The reason is to attribute the deficit to the lack of commitment of the donors in general, although its impact is insignificant.

Table (5): The development expenditures (thousand ILS)

	Development expenditures	Rate of spending from total development expenditures
Ministry of Education	177,601.05	20%
General Administration for Borders and Crossings	120,199.72	13%
Palestinian Water Authority	104,774.20	12%
Ministry of Local Government	89,170.89	10%
Ministry of Interior and National Security	79,230.39	9%
Ministry of Agriculture	47,597.13	5%
Financial sector	37,003.72	4%
Energy and Natural Resources Authority	30,483.49	3%
Palestinian official media sector	30,106.97	3%
Ministry of Public Works and Housing	28780.07	3%
PLO institutions	28,654.83	3%
President's Office	17,584.22	2%
Ministry of Health	17,200.45	2%
Other institutions and ministries	98,461.48	11%

The distribution of the commitment based development expenditures over the centers of responsibility reveals that the highest share of actual commitment based development expenditures went to the Ministry of Education (MOE) at 177 million ILS (20 %), followed by the General Administration for Borders and Crossings at 120 million ILS (13 %), then the Palestinian Water Authority at 104 million ILS (12%).

The development expenditures of the Ministry of Interior and National Security amounted to 79 million ILS (10%), while that of MOH reached 17 million ILS (2%), in contravention with the declared goals of the government, to develop the government health services and reform the health system, the referral system and the health insurance.

The value of development expenditures financed by the Public Treasury amounted to 277 million ILS (19%) of the estimate. The largest share, 27 million ILS, went to the project of "rehabilitation of the security services", noting that 73 million ILS were spent on this project (46 million ILS from external financing and 27 million ILS from PA development expenditures).

Moreover, 14 million ILS were spent from the Public Treasury to support "the political and security program of the President", while 8 million ILS were spent on the "Jordanian Security Officers Housing Project", 5 million ILS to build and furnish the premises of the Anti-Corruption Commission, and 2.5 million ILS to rehabilitate the Presidential Palace in Bethlehem.

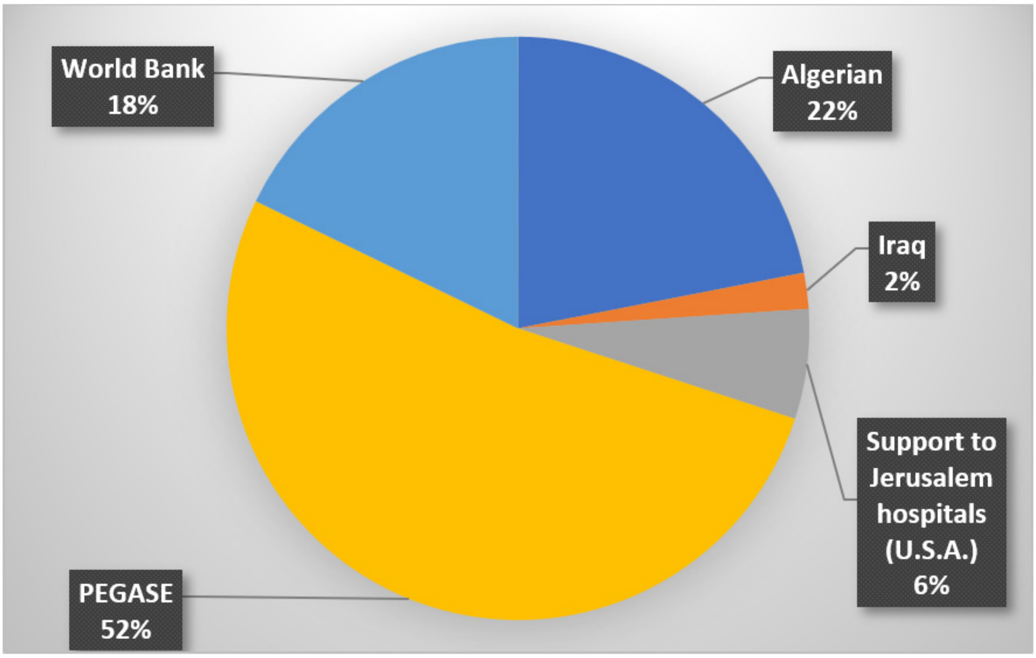
Grants, aid-deficit, and financing

The total deficit before financing is estimated at 3.6 billion ILS, while external financing is estimated at 1.78 billion ILS. Hence, the Budget Law kept a financing gap of 1.8 billion ILS. While the budget deficit for 2022 before financing amounted to 1.7 billion ILS, while total external funding amounted to 1.17 billion ILS, i.e. 66% of the estimate, distributed as follows: external budget support, 818 million ILS and development financing, 355 million ILS. Hence, the 2022 budget deficit amounted to 593 million ILS.

Table (6): External support to the budget (million ILS)

	Amount in million ILS	Rate of financing from external funding to the budget
Algeria	179.66	22%
Iraq	16.33	2%
Support to Jerusalem hospitals (U.S.A.)	49.78	6%
Palestinian-European social and economic support and aid mechanism (PEGASE)	427.12	52%
World Bank	145.86	18%
Total	818.75	

Chart (3): Sources of external financing-support to the budget



The total cumulative arrears for 2022 amounted to 3.37 billion ILS, i.e. 189% of the year's estimate of 1.78 billion ILS. The net cumulative arrears amounted to 11.2 billion ILS as of the end of 2022, excluding the Pension Fund debts, consisting of the public sector employees' subscriptions and the government's contributions to the Pension Fund, not transferred in accordance with the law, and which amount to 8 billion ILS.

The accumulating arrears and postponing payments led many private sector service providers to refrain from submitting tenders. The accumulating arrears led some private sector suppliers to settle them for outstanding taxes (Income and VAT) through a clearance process with the PA payable amounts, which SAACB had reservations against in the 2020-2021 Year End Report.

Public debt

The public debt reached 11.9 billion ILS towards early 2022. MOF data indicate an increase in public debt towards the end of 2022, amounting to 12.5 billion ILS, of which 7.9 billion ILS is local debt and 4.6 billion ILS is external debt.
The local debts include:
- Bank loans: 4.6 billion ILS
- Credit facilities: 1.7 billion ILS
- Petroleum Commission loans: 1.2 billion ILS
- Loans from other institutions: 201 million ILS

The financial report does not clarify all the loans, as it does not show the accumulated government debt to the Pension Fund, resulting from failure to transfer all the deductions from the employees' salaries and the government's contributions to both systems of the Pension Fund. Nor does the table show the outstanding amount to the Palestinian Investment Fund (PIF) from MOF[3].

Despite the difficulty in estimating the accumulated financial obligations of the government, because of many hidden obligations, such as deferred payment bonds, the employees' arrears resulting from paying 80% of the salaries only. However, it is possible to estimate the total financial obligations at around 30 billion ILS, consisting of 12.5 billion ILS as public debt, 8 billion ILS to the Pension Fund and 11 billion ILS as arrears.

The reservations in 2020-2021 SAACB report included the fact that MOF did not declare its financial status to the Palestinian Deposit Insurance Corporation (PDIC) regarding the outstanding government's contributions in the monthly public debt reports, which amount to 24 million ILS for 2020, and 23 million ILS for 2021. The report also had a reservation on the incorrect disclosure about indirect foreign loans in the financial statements of 2020-2021, because of mismatching indirect loans, in addition to other reservations for inaccurate records, incorrect disclosures and mismatch of balances with records.

3 SAACB opinion report on YER of the State of Palestine for the year ending 2020, 2021.

▶ Allocations of ministries: Health, Social Development, Education, Interior and National Security, Agriculture

• Ministry of Health

The Ministry of Health (MOH) 2022 budget was estimated at 2.36 billion ILS, i.e. 13.7% of the total expenditures in 2022 General Budget, while MOH expenditures amounted to 2.4 billion ILS, 103% of the year's estimate.

Table (7): Actual commitment based MOH expenditures compared to estimated budget (thousand ILS)

MOH	2022 Estimated Budget	2022 Actual commitment based expenditures	Rate of actual expenditures to the estimated budget
Total expenditures	2,368,634	2,432,378	%103
Wages and salaries	963,300	933,632	%97
Social contributions	76,014	76,591	%101
Goods and services	1,150,000	1,393,920	%121
Capital expenditures	29,320	11,033	%38
Development expenditures	150,000	17,200	%11

The rate of wages and salaries expenditures reached 97% of the estimate of the year, while the rate of social contributions reached 101% of the estimate. Wages and salaries plus social contributions constitute 41% of MOH budget.

The commitment-based operational costs (use of goods and services) amounted to 1.3 billion ILS, an increase of 21% from the estimate. According to MOH 2021 report, the operational costs consist of buying services from outside MOH, medications, consumables and laboratory substances. Buying external services, i.e. medical referrals, constituted 37.5% of the total MOH expenditures, amounting to 974 million ILS during last year, while medications, consumables and laboratory substances constituted 19% of total expenditures.

Actual commitment based capital expenditures amounted to 11 million ILS, i.e. 38% of the estimate for the year, while the actual commitment based development expenditures amounted to 17.2 million ILS, i.e. 11% only of the year's estimate. According to the 2022 General Budget Law, 65 million US$ have been allocated for MOH development budget (47 million US$ treasury financing, 18 million US$ donor funding), while MOF monthly expenditure report for December 2022 did not mention any MOH developmental projects financed by the Treasury.

According to 2022 General Budget Law, medical and health insurance fees cover 16% only of total MOH expenditures, which reflects the continued crisis of the health insurance system and its inability to meet the needs of the insured. Consequently, the reform agenda has identified a set of interventions to reform the health care system, including the following actions:

- Conduct a comprehensive review of the health sector.
- Develop an automated and financially sustainable referral system in addition to an inclusive and mandatory health insurance.
- Develop and operate an inclusive, mandatory and financially and administratively sustainable health insurance system.
- Seek to decrease gradually medical referrals outside the government hospitals.

The Budget Law also included developing governmental services and some specialized sections, such as cardiac surgery, oncology, hematology and infant incubators. However, the financial data show that those developmental projects have not been implemented, but MOH continued to buy services from outside the governmental hospitals. This sheds doubts on how serious is the approach to reduce medical referrals, and reflects an absence of the will to reconsider the existing health insurance system, since several influential parties are investors in external hospitals.

Ministry of Social Development

The budget of the Ministry of Social Development (MOSD) was estimated at 827 million ILS, i.e. 5% of the total public expenditures, and less than the estimated budget for the previous years. Since MOF report added spending on the Institution for the Welfare of the Families of the Martyrs and the Wounded, comparison shall be made between the total estimated budget of MOSD and the estimated budget of the Institution for the Welfare of the Families of the Martyrs and the Wounded. The commitment based expenditures of MOSD and the Institution for the Welfare of the Families of the Martyrs and the Wounded (the Welfare Institution) amounted to one billion ILS, i.e. 70% of the estimated budget (for both MOSD and the Welfare Institution).

Table (8) MOSD expenditures compared with estimated budget (thousand ILS)

	MOSD	Institution for the Welfare of the Families of the Martyrs and the Wounded	Total budget for MOSD and Institution for the Welfare of the Families of the Martyrs and the Wounded	Actual commitment based expenditures 2022	Rate of actual expenditures to the estimated budget
Total expenditures	827,133	602,051	1,429,184	1,005,291	%70
Wages and salaries	55,380	7,640	63,020	61,956.58	%98
Social contributions	5,910	724	6,634	6,434	%97
Use of goods and services	8,107	1,613	9,720	8,394	%86
Transfer expenditures	751,430	592,000	1,343,430	920,745	%69
Capital expenditures	200	75	275	156	%57
Development expenditures	6,107		6,107	7,603	%124

Expenditures on wages and salaries amounted to 61 million ILS, i.e. 98% of the estimate, while the actual operational costs amounted to 8.3 million, i.e. 86% of the estimate. The actual commitment based transfer expenditures amounted to 920 million ILS, i.e. 69% of the estimated budget. It is worth noting that only one and the half out of four payments were transferred to the poor, which indicates that the poor are harmed the most from the financial crisis. Around 116 thousand households are beneficiaries of the cash assistance program. Around 270 million ILS were transferred out of 520 million ILS allocated to the cash assistance program. Moreover, not all allocations for the 2005 employees in Gaza, around 11 thousand persons, were transferred; those transfers amount to around 230 million ILS.

It is also worth noting that the transfer expenditures of MOSD include buying services (such as shelters). During this year, the service providers have not been paid, which contributed to reducing the actual cash basis transfer expenditures.

• Ministry of Interior and National Security

The budget of MOI and National Security was estimated at 3.6 billion ILS, excluding foreign direct support, which is the highest budget among all centers of responsibility, constituting 21 % of overall public expenditures. Wages and salaries and social contributions constitute 86% of MOI and National Security budget, while operational expenditures constitute 11% and development expenditures constitute 3%.

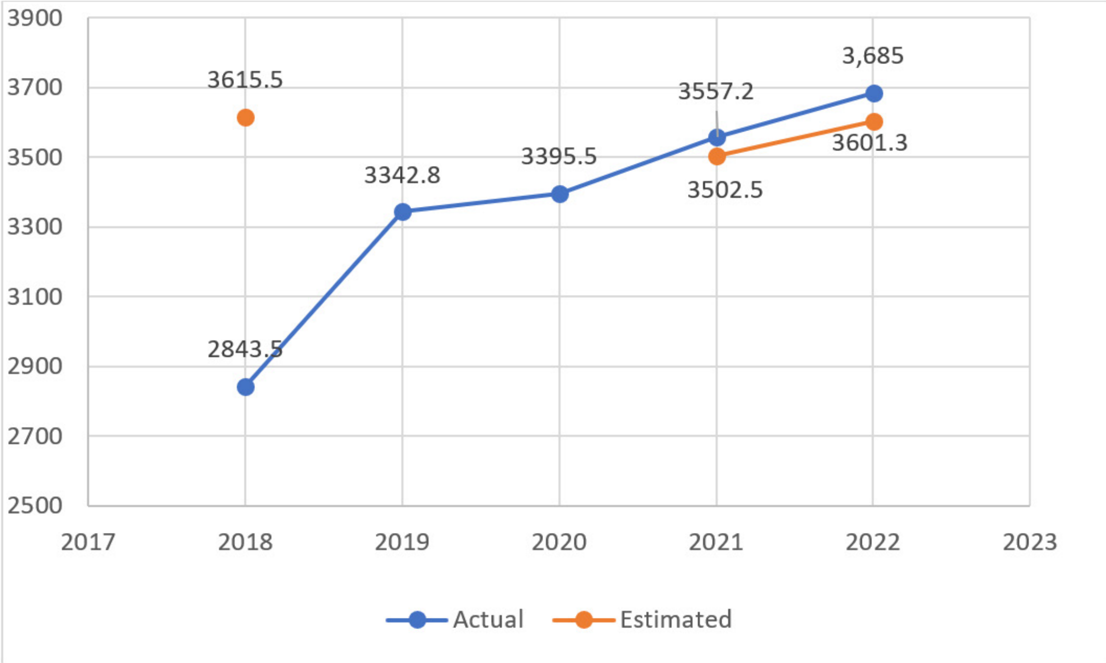
Table (9): MOI and National Security Expenditures compared to estimated budget (Thousand ILS)

MOI and National Security	2022 Estimated Budget	2022 Actual commitment based expenditures	Rate of actual expenditures to the estimated budget
Total expenditures	3,601,265	3,685,347	102%
Wages and salaries	2,808,911	2,881,788	103%
Social contributions	281,454	282,923	101%
Goods and services	409,300	434,220	106%
Capital expenditures	8,600	7,184	84%
Development expenditures	93,000	79,230	85%

The actual expenditures amounted to 3.68 billion ILS in 2022, constituting 23% of overall expenditures of the centers of responsibility in 2022; the highest share of spending was for MOI and National Security.

Wages and salaries constituted 103% of the year's estimate. Despite the approach to "reform the inflated staff", 1500 employees were appointed in the security sector. Tracking the expenditures of MOI and National Security during the past years reveals an increase in expenditures.

Chart (4): Expenditures of MOI and National Security 2018-2022 (million ILS)



• **Ministry of Education**

The budget of the Ministry of Education (MOE), (including the Ministry of Higher Education and Scientific Research) amounted to 3.4 billion ILS, i.e. 20% of the overall public expenditures in 2022 General Budget, while the actual commitment based expenditures amounted to 3.4 billion ILS, i.e. 102% of the estimate.

Table (9): MOE expenditures compared to the estimated budget (thousand ILS)

MOE	2022 Estimated Budget	2022 Actual commitment based expenditures	Rate of actual expenditures to the estimated budget
Total expenditures	3,404,372	3,475,867	%102
Wages and salaries	2,681,714	2,738,433	%102
Social contributions	278,060	302,726	%109
Goods and services	244,916	240,645	%98
Transfer expenditures	36,747	15,824	%43
Capital expenditures	937	636	%68
Development expenditures	162,000	177,601	%110

The wages and salaries item amounted to 2.7 billion ILS, i.e. 102% of the estimate, while the actual commitment based operational expenditures amounted to 240 million ILS, i.e. 98% of the year's estimate. The above table reveals a decrease in transfer expenditures, with only 15 million ILS out of 36 million ILS, i.e. 43% of the transfers' budget. Moreover, commitment based development expenditures amounted to 177 million ILS, i.e. 110% of the budget.

- **Ministry of Agriculture**

The Ministry of Agriculture (MOA) budget (MOA, Palestinian Agricultural Disaster Risk Reduction And Insurance Fund, and Palestinian Agricultural Credit Institution) was estimated at 236 million ILS, while 65% of the estimated budget, i.e. 153 million ILS was spent. 54% of the expenditures constituted wages and salaries.

Table (10): Ministry of Agriculture overall expenditures compared with estimated budget (Thousand ILS)

Ministry of Agriculture	2022 Estimated Budget	2022 Actual commitment based expenditures	Rate of actual expenditures to the estimated budget
Total expenditures	236,852	153,321	%65
Wages and salaries	75,591	76,904	%102
Social contributions	6,501	7,126	%110
Goods and services	18,494	21,292	%115
Transfer expenditures			
Capital expenditures	1265	399	%32
Development expenditures	135,000	47,597	%35

The MOA actual total development expenditures constituted 35% of the estimated budget, i.e. 47 million ILS.

Conclusions

The General Budget performance report for 2022 generally revealed a lack of government commitment to the reform agenda, or to the statements of the Minister of Finance. Public expenditures continue to be high and exceed the estimated budget. No reform has been implemented in the identified aspects. The payroll has not been addressed and net lending is still high. The report also indicated high actual revenues, because of the relative improvement in tax collection, and the higher prices of goods, which led to higher customs and VAT. The report also revealed that the arrears continued to accumulate on the government for several parties, including service providers. The report concluded the following:

- The General Budget lacks transparency and participation. Neither the budget nor the reform agenda presented to the donor meeting held in Brussels in May 2022 have been fully published. Moreover, the expenditures of the security services are not clear.

- High local revenues and clearance revenues are attributed to the partial improvement in expanding the tax base and to the increase in taxes because of the increase in prices.

- There is a gap between the actual commitment based and cash based expenditures, indicating an increase in arrears and public debt.

- The occupation continues to freeze and deduct from the clearance funds. Net lending continues to drain the General Budget and burden the Treasury, amid the government's inability to reduce it despite many measures taken to address the situation.

- Wages and salaries still constitute 50% of the General Budget, reflecting that the government is not adopting serious measures to address the payroll item in the General Budget.

- The Minister of Finance's report shows a large gap between the allocated and the disbursed development expenditures.

- The larger share of expenditures, 23% of the actual total expenditures to the centers of responsibility, went to the security sector.

- The poor families were deprived from their allocations, as only two payments were made to those families.

- A large gap exists between the amounts allocated to agriculture and the spent amounts on the agricultural sector, including MOA during 2022, especially the development expenditures.

- Continued lack of compliance and monitoring of SAACB reservations towards the Year End Report in general and many specific items that pointed out major deviations in compliance with the provisions of the Budget Law during the recent years, as changes were introduced to the allocations without amending the applicable Law.

- Lack of commitment to develop an inclusive, mandatory and comprehensive health insurance system.

Recommendations

- Conduct general elections as soon as possible to confront the challenges that PA faces. Without a Legislative Council that approves the Budget and holds the government accountable to its provisions, the government will continue to dispose of the Budget, without the participation of taxpayers, and with no control or accountability.

- Hold the Minister of Finance accountable for failure to comply with the provisions the General Budget.

- Reform public finance management and stop carrying forward crises and increasing arrears by postponing payments to service providers.

- The government must adopt a clear plan to rationalize expenditures considering all centers of responsibility. The plan should not jeopardize the rights of the poor or social justice, match spending to the available resources, control expenditures through revising and cleansing the payroll, control and addressing net lending, develop the healthcare system through adopting an inclusive and mandatory health insurance, and develop public services.

- Comply with the General Budget Law, especially development expenditures, prioritize them according to the national priorities and develop public services.

- Reduce the expenditures of the security sector.

- The government must comply with the principles of transparency and publish information on the General Budget during its preparation, adoption and implementation. This meets the basic requirements of compliance with publishing comprehensive, accurate and timely information, to enable taxpayers and their representatives to exercise their accountability right towards the government.

- MOF must be open with the civil society organizations and consult them during budget preparation or adoption, to maximize benefit in addressing national priorities and ensure timely access to data in accordance with the provisions of the Law.

- Seek to control and put an end to net lending and comply with the goals and plans of the reform agenda on this item.

- MOF must comply with paying the allocations of the poor families and transfer the full payments to MOSD to be transferred to the eligible families.

- Review closely the agricultural sector and meet the specific commitments of the development expenditures in MOA budget to restore the sector's ability to contribute actively to the gross domestic product (GDP).

Civil Society Team for Enhancing Public Budget Transparency

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

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

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

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

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