**The Financial Impact of the Decision-By-Law Law on the Early Retirement of Officers Holding the Rank of Brigadier General in the Palestinian Security Forces**

The wage bill constitutes more than half of the general budget, aside from quasi-wages and various cash transfers to different social groups. Given the limited revenues, the ongoing Israeli piracy of clearance funds, and a financial deficit in the 2025 budget of 6.9 billion Shekels, amounting to a third of the entire budget, the Palestinian government is facing serious challenges in meeting its obligations. This has pushed it to adopt several measures, including partial salary payments since November 2021, reduced working hours for employees, and other steps that often affect workers' rights and reduce the quality of public services provided to taxpayers, especially in vital sectors such as education, health, and social protection.

Recognizing that a major issue in the general budget is the inflated wage bill, which continues to grow year after year despite limited recruitment, the Civil Society Team for Enhancing Public Budget Transparency and the Coalition for Accountability and Integrity (AMAN) have offered several recommendations to the government and the Ministry of Finance (MOF) to clean the wage bill, including implementing an early retirement law to ensure social justice. Indeed, the current government has already taken several decisions to rationalize and control spending, including the President's endorsement of the Decision-By-Law referring the officers in the Palestinian security forces holding the rank of Brigadier General, born on or before 1 May 1970, to early retirement under specific conditions.

This Decision, that aims at restructuring human resources in the security forces to align with plans for developing and enhancing their effectiveness while also reducing the wage bill, brings with it several important facts that the Civil Team hereby highlights:

- According to the 2025 Budget, the security sector's wage bill is 3.166 billion Shekels, i.e. 36% of the total wage bill. Around 52,000 personnel work in the security forces, including around 1,400 Brigadier Generals.
- Official estimates reveal that around 1,000 officers will be affected by this decision. The cost of their salaries and allowances is roughly 14 million Shekels monthly, i.e. 168 million

Shekels annually, constituting about 5% of the security sector's total wage bill, and 1.7% of the overall wage bill.

- The Decision includes officers who are only 55 years old, under the retirement age, as well as those born on or before 1 May 1970, meaning they have not yet reached the legal retirement age of 60. As such, the Treasury will be responsible for covering the "complementary period", i.e. the contributions to the Pension Fund of the additional years until the officer reaches retirement age. According to Article 5, Paragraph 2, “The complementary period until reaching mandatory retirement age for officers affected by this Decision-By-Law shall be added to their actual service and included in the pension calculation, provided that the pension does not exceed the 80% cap. The Treasury shall cover this complementary period”. This incurs a relatively small additional financial burden on the Treasury.
- Another financial burden is the 120 million Shekels estimated as the end-of-service pay. According to the Retirement Law, upon retirement, employees are entitled to an end of service pay calculated as follows: (6% per month × 12 months × years of service × weighted salary of the last 3 years). So far, 850 officers have already been referred to retirement, with their total end of service pay estimated at 120 million Shekels, an amount that is currently unavailable in the Pension Fund, since MOF failed to transfer social contributions regularly over the years. This shortfall will worsen the financial crisis and pose a new challenge for MOF. Hence, to ensure the success of any salary reform plan, the financial relationship between the MOF and the Palestinian Pension Agency must be settled.
- While the decision is significant, it should also be enforced on the officers holding the ranks of Colonel, Lieutenant Colonel, and Major, since these senior ranks receive high salaries and make up a large portion of the security forces, which means that their wage bill is high. However, it is important to ensure that those officers have completed the necessary years of service to avoid overburdening the Treasury with paying the additional contributions to the Pension Fund.
- Article 4 of the Decision-By-Law provides that, "Exempted from Article 3 of this Decision are Brigadier Generals who hold key leadership positions within the organizational

structure, based on a decision issued by the Supreme Commander of the Palestinian Security Forces”. However, this exemption lacks clear criteria, which may open the door for the commanders of the security forces to use it according to personal interests, loyalties or to settle personal disputes. Thus, there is a need to define fair, transparent, and publicly announced criteria for exemptions to prevent corruption, abuse of power, and ensure fairness and equal opportunities, while avoiding conflicts of interest.

- As of the end of March 2024, the government owed 11 billion Shekels to the Palestinian Pension Agency, based on official figures released when the 19th government took office. The financial relationship between the MOF and the Pension Fund remains unclear regarding debts. Referring around 1,000 high-ranking security officers to retirement will add further strain on the Pension Fund, particularly since the MOF is not transferring contributions regularly.
- In general, several reforms are needed to reduce the wage bill without compromising social justice or employee rights. Those include cleaning the wage bill and eliminating any remaining "non-working" employees, or those not placed on the approved organizational structure. Those employees should either be officially placed on the structure of the centers of responsibility, or referred to early retirement, or have their services terminated after thorough review. A systematic policy of employee rotation should be implemented, transferring staff to other departments based on actual needs, available vacancies, and if those meet the requirements of qualifications and experience.
- Stop hiring employees, consultants or advisors through temporary contracts. This should be strictly limited, and only allowed if funds have been allocated for this purpose in the budget. These appointments should be fixed-term, and those temporary employees should not be automatically prioritized for permanent jobs.