

The Reality of the Palestinian Public Debt from 2020-2024: Volume and Transparency of its Repayment Criteria

Report No. 305



2025



The Reality of the Palestinian Public Debt from 2020-2024: Volume and Transparency of its Repayment Criteria

2025



The Coalition for Accountability and Integrity (AMAN) would like to thank Mr. Yousef Al-Zomr, Researcher, for preparing this report. Thanks, are also extended to Dr. Azmi Shuaibi-AMAN's Board Advisor, and AMAN's team for supervising, reviewing and editing the report.

****All rights reserved to the Coalition for Accountability and Integrity (AMAN).**

For quotation, please cite the report as follows: Coalition for Accountability and Integrity (AMAN). 2025. The Reality of the Palestinian Public Debt from 2020-2024: Volume and Transparency of its Repayment Criteria. Ramallah, Palestine.

The Coalition for Accountability and Integrity (AMAN) has exerted great efforts to verify the information contained in this report, and hence does not assume any responsibility for using this information for purposes beyond the context and goals of the report, following its publication.

Introduction:

Public debt is defined by law as the outstanding balance of government financial obligations that are unpaid and require repayment in order to meet its commitments. External public debt: is the portion of a country's debt borrowed from foreign countries, entities and international institutions where the government is required to pay back in accordance with the law. Internal public debt is the sum of funds borrowed by the government under government bonds, or from local banks or other domestic financial institutions and is obligated to pay back¹.

Public debt laws generally set a ceiling for public debts (a percentage of the GDP) that must not be exceeded, while some laws link it to current prices others link it to fixed prices. The Palestinian law linked it to the current prices, not to exceed 40% of the GDP.

This report aims to analyze the dire current public debt situation of the state of Palestine, which has significantly worsened and is currently threatening the sustainability of its institutions and services provided. The report will examine the reasons that led to this situation and question whether they are all external factors or are there internal failures as well, or both. The external factors include: the occupation's various oppressive measures such as pirating the clearance funds (Maqassah), effects of the coronavirus, the on-going genocide war on the Gaza Strip (GS), the numerous check posts and apartheid gates, and banning Palestinian laborers from working in "Israel". The report will also look into internal factors and if there are flaws in the performance and ability of the various institutions to align necessary expenditures with the sharp decline in revenues, or if the institutions took any real austerity measures to remedy the situation. Or have the actions or lack thereof taken by the PA institutions deepened and worsened the crisis faced by the Palestinian Authority (PA)? and specifically since the beginning of the occupation's withholding of the Maqassah funds allocated for families of Palestinian prisoners and martyrs in 2019, followed by the coronavirus and the on-going assault on the GS until today.

Objectives of the Report:

1. To diagnose and identify internal causes that led to the deepening of the debt in the State of Palestine.
2. To look into the development of debt in Palestine and its link to relative indicators, such as the GDP, revenues, public debt services, examining the reality of the public debt components including arrears, their distribution, and their causes.
3. To provide practical recommendations aimed at addressing the issue of arrears, along with plans and mechanisms for repayment as well as ways to limit its accumulation.

¹ The Palestinian Public Debt Law

Methodology of the Report:

Methodology of the report relied on the following steps:

1. Gathering relative information: AMAN's reports, the public budget, the Ministry of Finance (MoF) monthly and annual reports, the Monetary Fund (PMF) annual reports, the Ministry of Health (MoH) and the Ministry of Education (MoE) reports, relative systems and procedures, and other related reports and studies.
2. Websites of relevant government entities such as: MoF, PMF, MoH, the Palestinian Central Bureau of Statistics (PCBS), and the State Audit and Administrative Control Bureau (SAACB).
3. Organizing direct interviews, phone calls and via social media means with relevant stakeholders and experts in related institutions to inquire about data and payment mechanisms. These meetings and calls included employees in the MoF, SAACB, MoH, private sector representatives (The Pharmaceutical Suppliers Union, hospitals, gas stations owners, contractors, electricity suppliers, and local Government Units (LGU).
4. Analyzing data and information at hand.
5. Provide conclusions that include challenges, obstacles and issues along with causes that have been identified; prepare recommendations and proposals to reduce spending and suggest spending mechanisms that are equitable and transparent.
6. Prepare first draft of the report to discuss it in a workshop with relevant stakeholders, and develop based on the discussion.

Focal Points of the report:

First: history of the debt crisis and the public budget's deficit; a summary

Second: Details and forms of public debt.

Third: dividing debt into three main parts:

1. Loans and banks' facilitations.
2. Salaries, quasi-salaries and the Palestinian Pension Agency (PPA).
3. The private sector, including LGUs.

Fourth: Analyzing causes of accumulation and escalation of public debt, including:

1. Analyzing reasons for the accumulation of banks' loans and facilitations and their escalation; suggested solutions.
2. Analyzing reasons for the accumulation and escalation of salary and quasi-salary debts, and suggested solutions.
3. Analyzing reasons for the accumulation and escalation of debt to the private sector and LGUs, and suggested solutions.

Fifth: Evaluating the mechanisms for settling arrears in terms of compliance with the law, fairness and transparency in the payment process.

Sixth: Conclusions and Recommendations

Historical overview of the legal framework of the Public Budget Law, governing laws and regulations for the PA's expenditures; debt accumulation, and attempts to control it

Ever since its inception, the PA has faced the dilemma of a legal framework to govern public spending in all its forms. In this regard, the late President, Yasser Arafat, issued a legislative order in 1994 for the enforcement of laws that were in effect in the West Bank and Gaza (WB&G) prior to the Israeli occupation in 1967.

And although these legislations lacked many governing regulations concerning the financial affairs of the nascent authority, the PA did not rely on the unified Public Budget Law, the Public Debt Regulation Law, or the Unified Financial System. The absence of certain legislations and regulations, along with lack of a consolidated treasury account, led to fragmenting public funds and the emergence of numerous financial centers within the PA institutions (MoF-Gaza, MoF- Ramallah, the General Petroleum Authority-GPA, the Palestinian Public Authority for Tobacco, the Palestinian Trade Co. Office of the President, the Military Financial Administration...among others).

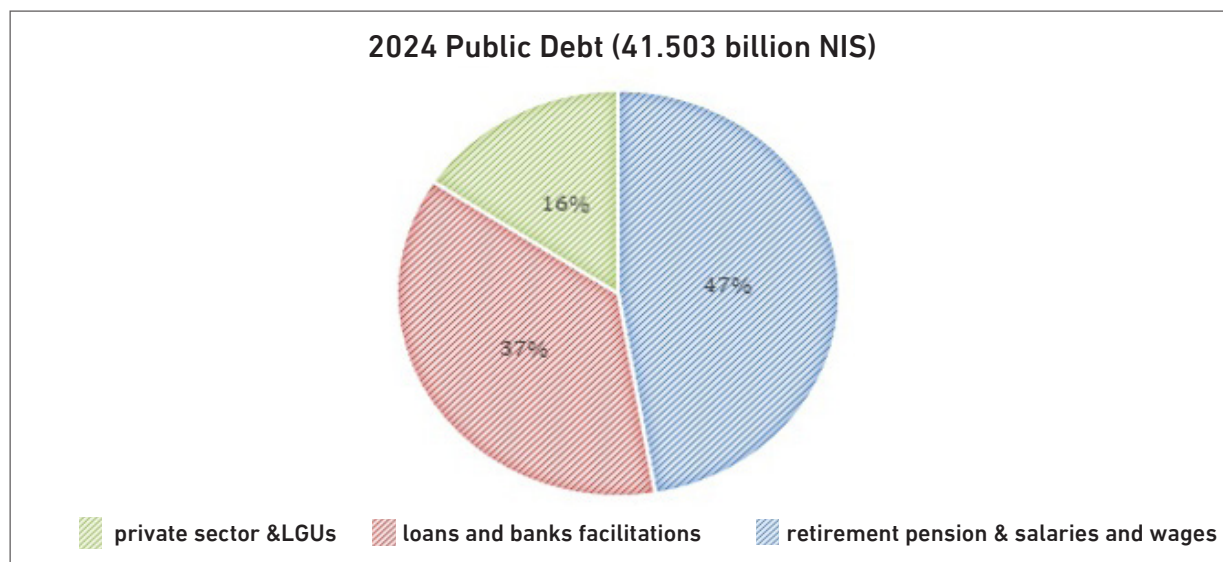
Moreover, despite approval of the Palestinian Legislative Council (PLC) of the Public Budget Law in 1998 and other laws, such as the Civil Service Law and others, the fragmentation of public funds remained until 2003. This marked the beginning for reform taking it one step at a time where first the position of Prime Minister was created, then the Palestinian Basic Law was amended, after which the financial centers were all merged. Hence, employees' salaries in the WB&GS were merged into one program at the Mo, and the General Petroleum Authority and the Tobacco Authority were also integrated into the MOF. In addition, some companies that were managed with government funds, such as the Red Sea Corporation, were dissolved, and their employees transferred to the MoF after the establishment of a computerized financial system. Salaries of the military personnel were paid by the MoF through commercial banks, rather than through the military administration through cash payment. Furthermore, a unified and binding financial system for all responsibility centers of the PA was approved, in addition to approving for the first time, a binding annual budget and a Public Debt Law.

In parallel with these developments, the technical teams in the MoF and in collaboration with international consultants, began compiling financial data from all the sectors. By 2005, and for the first time in the history of the PA, the debt data was almost complete, including arrears and loans. However, post Hamas's winning the elections in 2006, along with many measures and decisions that were taken including funding issues that arose, a decline in the financial system of the PA was noted. This included an accumulation of various forms of debt such as: liabilities were added to the public finances through off-budget employment, commitments to the private sector through agreements, and letters from responsibility centers without payment. All of which led to the accumulation of various arrears that were the highest in the history of the PA.

Hamas's winning of the abovementioned elections resulted in an internal division and the forming of a Hamas government in the GS, separate from the PA in the WB. After this development, the new WB government initiated a major financial and administrative reform process, most important of which is adherence to financial laws and regulations, including Law No. (7) of 1998 on the Regulation of the Public Budget and Financial Affairs, the Annual Budget Law, the Public Debt Law and Financial System, in addition to issuing monthly audited financial statements and closing statements, regularly.

Some of these financial reforms resulted in "partially" controlling the budget deficit. Also, some procedures brought about reasonable control over expenditures and improved revenue collection. However, the situation deteriorated quickly due to: regression in international aid, increase in Israeli pressures, the Israeli deduction of finances allocated to martyrs and prisoners' families since 2019, the emergency period that accompanies the Corona crisis in 2020, and the on-going genocidal war on the GS since Oct. 2023, all of which led to the financial decline, where the total debt reached 41.503 billion shekels (NIS) by the end of 2024², with distribution as illustrated below:

Figure 1: Public Debt-2024



Source: MoF publications- Budget Execution Directorate

Despite the Israeli assault in all its forms on the GS in 2019, which was a main contributor to the debt crisis along with the Coronavirus closures, there were also internal factors that caused the accumulation of the debt. This report will examine and analyze these factors by dividing the debt into three main sections and analyzing each section according to the related identified data:

First: Loans and banks' facilitations.

Second: The Pension Agency, salaries and quasi- salaries.

Third: The Private sector, including LGUs.

First: Loans and Banks' facilitations

Public debt has been an issue for the PA since its inception in 1994. In fact, the first loan for the PA was recorded prior to its establishment and after the signing of the Oslo Agreement. Hence being in debt, whether internal or external has become a thing of the norm for the PA. However, this debt increased rapidly after the Al-Aqsa Intifada in 2000, reaching \$1,189.61 million U.S. dollars by the end of 2001. Of this amount, the external debt amounted to 1,009.9 million dollars of which nearly half (500 million dollars) are from the Aqsa Fund, which is not a real debt, but a grant to build an infrastructure and it was considered a loan without interest by the Fund. The PA, however, used it to pay employees' salaries due to Israel's withholding of the Maqassah funds as punishment for Intifada. The ratio of external debt to the total debt amount at the end of 2004 was 71%⁴.

² MoF publications- Budget Execution Directorate

³ The PMF, 2005 data.

⁴ The PMF, 2005 data.

It is clear from the abovementioned that the reason for borrowing and also for the increased debt was the result of the emergency circumstances resulting from the Aqsa Intifada; withholding of the Maqassah funds by the occupation authorities; and money needed to mitigate the effects of the massive destruction carried out by Israel. The increase was noted to go from \$836 million in 2000 to \$1,421.7 million in 2004⁵, an increase of about \$585.7 million. Moreover, government expenditures increased in 2005 due to undertaking infrastructure projects and compensating citizens' losses, in addition to the massive increase in the number of employees, and the application of the civil and military laws during that period. All of the above factors contributed the debt increase reaching 1,602.19 million dollars by the end of 2005, 63%⁶ of which are attributed to external debt.

Also, after Hamas won the legislative elections and until December 2007, the PA's financial situation deteriorated at all levels and debt accumulated significantly, both for government employees and for the private sector, including banks, due to the accumulated installments and non-payment of public debts services.

After the internal division, the new Palestinian government identified the arrears due to be paid, which had amounted to 2.88 billion dollars. Salaries constitute 47% amounting to (\$1.35 billion); private sector accounts for 23%, which is (\$662 million), with loans and facilitations constituting 1,439.4 million. With the total amount reaching 3,451.4 million dollars⁷. The government repaid these arrears during 2007 and 2008 through revenues and foreign grants, with a small amount remaining that paid in 2009. By the end of 2009, the total debt amount was 1,736.4 million dollars, in addition to the remaining arrears, which was 1,040 million NIS (280 million dollars). Hence bringing the total debt to 2,016 million dollars.

And by the end of 2013, public debt reached 2,376 million dollars, and arrears 1,693 million NIS (463 million dollars), totaling 2,839 million dollars⁹.

And as of the end of 2019, public debt amounted for 2,795 million dollars, and net arrears 1,737.5 million NIS (476 million dollars), bring the total to (3,271 million dollars). This increase, \$432 million dollar, resulted from Israel's withholding of a portion of the Maqassah funds under the pretext of paying salaries to prisoners and martyrs.

And for the following years, 2020-2024, public debt crisis deepened in its three components, as bank loans and facilitations continued to rise, reaching at the end of 2020 around 3,649 million dollars; a significant increase over the end of 2019 (\$854 million dollars). This was due to the Israel's pirating of the Maqassah revenues under the pretext of supporting terrorism (martyrs and prisoners' allocations), the Corona crisis, and the on-going Israeli genocidal war on Gaza. By the end of 2024, public debt reached 4,204 million dollars (an increase of 555 million dollars). These increases were domestic debt, which accounted for 69% of the total public debt.

⁵ The previous source.

⁶ The PMF, 2007 data

⁷ The PMF, 2008 data

⁸ PMF publications, 2009 data.

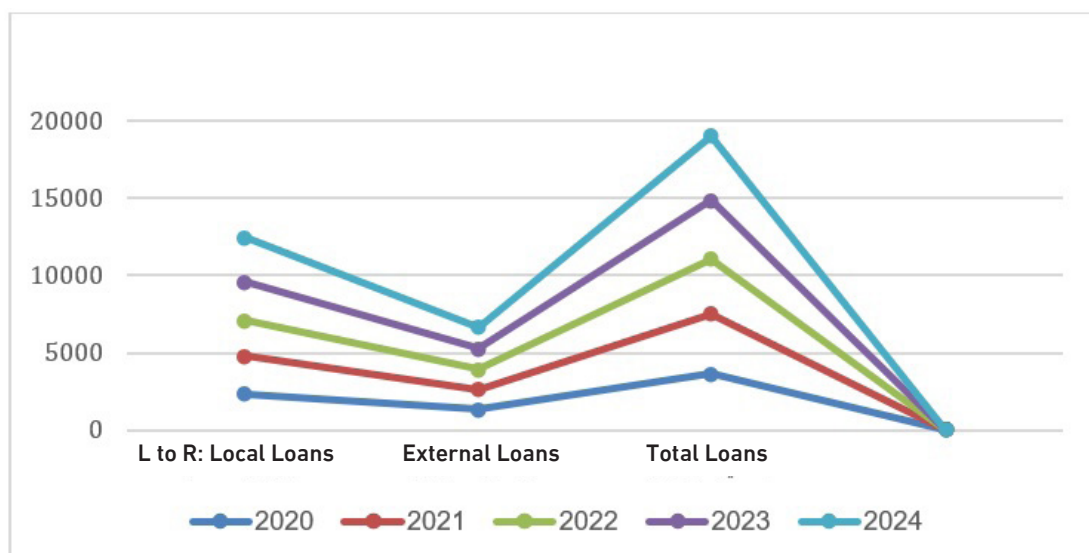
⁹ PMF publications, 2014 data.

Table 1: Loans and Banks Facilitations during 2020-2024

Million Dollars	2020	2021	2022	2023	2024
Total loans	3,649	3,848	3,543	3,782	4,204
Local loans	2,325	2,528	2,242	2,461	2,882
A. Local short- term	1,483	1,097	1,118	876	1,165
1. Bank loans	588	119	202	3	67
2. Bank facilitations	507	563	507	478	643
3. GPC loans	325	350	352	337	359
4. Other institutions loans	62	64	57	57	96
B. local long- term	842	1,432	1,123	1,585	1,716
Bank loans	842	1,432	1,123	1,585	1,716
External loans	1,325	1,320	1,301	1,321	1,322
Arab financial institutions	816	820	813	815	829
Al-Aqsa Fund	513	513	514	504	504
Arab Fund for Economic and Social Development	14	14	14	8	6
Islamic Development Bank	39	38	20	19	16
Qatar National Bank (QNB)	250	254	265	284	304
International and Regional Institutions	337	339	339	338	334
World Bank	274	276	279	281	283
European Investment Bank	38	31	25	21	16
International Fund for Agricultural Development	2	2	2	2	1
OPEC	23	22	22	22	22
German Cooperation Bank		8	11	12	12
Secondary loans	172	161	149	169	159
Spain	86	79	74	77	73
Italy	86	82	75	92	86
Equivalent in NIS assuming a fixed exchange rate at 3.65	13,318.85	14,045.2	12,931.95	13,804.30	15,344.60

Source: MoF financial data for the years 2020-2024

Figure 2: Loans and Bank Facilitations 2020-2024



It is evident from the above that the majority of borrowing was carried out to cover the PA's budgets due to failure of the revenues to cover expenses, which forced the successive governments to borrow. It is also noted that there is an increase between 2020 and 2024 of more than 2 billion NIS, all of which came from local banks. This increases the expenditure item for serving the public debt, which reached more than 462 million NIS in 2024; an increase of 90 million NIS above 2020 (372 million NIS). It also exposes the banking sector to multiple risks and limits its ability to provide facilitations to non-governmental sector. (The direct government facilitations account for 24% of the total banking facilitations in Palestine¹⁰. Added to that the facilitations granted to the government and LGUs' employees, which accounts to more than 10% and raises the risks).

Second: The Palestinian Pension Agency, Salaries and Quasi-Salaries

This part of the debt is divided into two sections: The Pension Agency and the Overdue Salaries. Prior to enacting the Palestinian General Pension Law, the Jordanian Pension Law, known as the 2% law was applied in the WB in regard to the Agency's debt. It was based on the principle that paying pension benefits is the responsibility of the public budget, same as all salaries, and hence there was no pension fund. As for the GS, the Egyptian law known as the 10% law was applied, where the Social Security and Pension Agency is independent from the public budget, and has a pension fund which all employees' retirement rights are paid, including pension salaries. The military apparatus and staff of the Palestine Liberation Organization (PLO), however, were subject to different laws depending on the branch they were serving under.

Table 2: The Total Debt Owed to the Pension Agency for the Period of 2020-2024

Million NIS	2020	2021	2022	2023	2024
Total in NIS	12,318	14,413	15,492	16,877	19,640
Retirement, employee 's share	4,684	5,257	4,740	4,892	5,191
Retirement, government's share	7,634	8,346	9,093	9,338	9,302
Due Salaries	-	810	1,658	2,647	5,147
Debt owed to the Pension Agency	12,318	13,603	13,834	14,230	14,493

Source: Data-Public Budget Department- MoF

The PLC approved the General Retirement Law at the end of 2005, which concurred with granted the Pension Agency financial and administrative independence and also with the decision to refer the entire file to the Agency. The new law applies to those aged 45 years and under, while those over 45 remain under the existing law. the MoF must transfer all employees' entitlements to the Pension Agency according to all the applicable laws.

After the internal decision in 2007, the Council of Ministers and the Pension Agency agreed to commence the implementation of the Pension Law retroactively starting from September 1, 2006. Execution of the law was determined based on the date of birth (i.e., applying to every employee born after September 1. 1961).

Action began by forming a joint accounting committee between the MoF and the Agency, where an agreement was reached with similar figures, after years of disagreement. The figure adopted by the MoF at the end of 2011 was 3 billion NIS. Also, an agreement was signed between the Agency and

the MoF on 31/12/2016 regarding the civil aspect of the retirees in the amount of 6.195 billion NIS. It is worth noting that the mentioned committee continues to work with the accounting company Earnest & Young. The MoF, on the other hand, issued statements illustrating the rise in debt from 2011-2024, which included civil and military, shown in tables 3&4 below.

Table 3: Debt increase from 2011-2020

Million NIS	2011	2013	2014	2015	2016	2017	2018	2019	2020
Total: Agency	3000	4,805	6,034	7,170	8,311	9,384	10,286	11,333	12,318
Employee's Share	1500	1,959	2,508	2,945	3,338	3,686	3,999	4,349	4,684
Govt. Share	1500	2,846	3,525	4,225	4,973	5,698	6,287	6,984	7,634

Table 4: Debt increase from 2011-2020

Million NIS	2021	2022	2023	2024
Total Debt	14,413	15,492	16,877	19,640
Total: Agency	13,603	13,834	14,230	14,493
Employee's Share	5,257	4,740	4,892	5,191
Govt. Share	8,346	9,093	9,338	9,302
Amount Due: Salaries	810	1,658	2,647	5,147

Source: Public budget and public debt data-MoF

It is evident from the numbers above that the Israeli occupation practices, from 2019 and until 2021, led to increasing the Agency's debt, with an average of one billion NIS per year. Furthermore, employees' entitlements have accumulated since 2021 until today, to exceed 5 billion NIS. This is in addition to the 14.5 billion NIS owed to the Pension Agency. Once again, the main cause of this accumulation is the Israeli occupation and its oppressive practices. However, by further studying the figures, we discover that there are other reasons which compounded the crisis. For example, nearly 3 billion NIS are caused by the law. Also, lack of commitment of the consecutive governments in transferring the monthly amounts due to the Pension Agency (the government's contribution plus the employee's portion of his/her salary).

Review of the retirees' monthly salary showed that the MoF pays 150 million NIS/month, while the Agency spends 48 million NIS/month. Clearly this shows a flaw that can be addressed by amending the Pension Law, especially since the debt increased between 2020-2024 to exceed 7 billion NIS, with the salary bill alone exceeding two billion NIS.

Table 5 below shows the increase in the five main sectors:

Table 5: Debt Increase the Five Main Sectors

Thousand NIS	2020	2024	Difference (rise)
Education	2,463,931	3,194,136	730,205
Military	2,833,104	3,378,246.06	545,142
Health	749,434	1,005,966.78	256,533
Ministry of Foreign Affairs & Embassies	44,167	186,129.89	141,963
Judiciary and Justice Institutions	78,352	186,658	108,306
Increase in the Salary Bill: 20-24 without government 's share and contribution to retirement			1,782,149
Increase, including the government share (Cost on the public budget)			2,004,918

These increases have many reasons, most important of which are: contracts between the government and unions, various salary increases, promotions, announcements for military posts, increase in employment, creating new services such as opening new kindergarten classes, hospitals and clinics.

Moreover, the government's administrative body suffers from appointment issues, such as: appointing employees to posts that are not of their specialization, specifically but not limited to (engineering). This particular distribution of engineers, as shown on the salary bill of the MoF, illustrates the following:

First: the number of engineers in the government civil service is 2053 employees.

Second: the vast majority of them are employed outside their specialization, hence indicating a lack of need for such specialization in these centers. For example, in the Ramallah-Bireh governorate, there is one engineer, while the Tulkarm governorate has 4, Silfeet 6, Jerusalem none, NGOs, 2, the PLC 4, and the Higher Judicial Council 12, etc. Table 6 below provides details:

Table 6: Distribution of Some Employees Among Jobs Outside their Specialization

Center	No.	Center	No.	Center	No.
Environment Quality Authority	28	Ministry of Women Affairs	1	The National Commission for Education, Culture & Science	1
Land Authority	31	Jericho Governorate	1	Ministry of Information	1
Ministry of Agriculture	37	Ramallah-Bireh Governorate	1	Ministry of Justice	1
Communications Ministry	77	Martyrs families Care Institution	1	Civil Society Organizations Authority	2
Ministry of Local Rule	79	Cooperative Work Agency	1	Tobas Governorates	2
Land and Water Settlement Commission	89	The Official Gazette Bureau	1	Public Prosecution	2
Ministry of Health	114	Ministry of Culture	2	The General Authority for Borders and Crossings	3

Ministry of Higher Education and Research	149	Palestinian Institution for Agricultural Loans	2	PLO Institutions	3
Ministry of Public Works and Housing	151	Ecole Nationale d'Administration	2	PLO/Commission for Prisoners & Liberated Prisoners	3
Ministry of Education	615	Cars 4 Sale	2	Minister of Council Secretariat	4
Ministry of Interior	10	SAACB	2	Tulkarem Governorate	4
Ministry of Tourism and Antiquities	12	Bethlehem Governorate	2	PLC	4
President Office	12	Wall & Colonies Resistance Committee	3	Risk Prevention and Agricultural Insurance	5
Ministry of National Economy	41	Jenin Governorates	3	Jerusalem Affairs Ministry	5
Palestinian Water Authority	44	Dar-Assalam for journalism, Printing, and Publishing	3	Ministry of Foreign Affairs & Expatriates	5
Palestinian Standards & Measurements Institution	49	Nablus Governorates	3	Palestinian News and Information Agency- WAFA	5
Ministry of Finance	52	Silfeet Governorates	5	General Authority for Industrial Cities	13
Ministry of Transport & Transportations	61	Hebron Governorates	6	Judicial Higher Council	14
Television & Radio	75	Bureau of Chief Justice	6	Ministry of Awqaf & Religious Affairs	15
Ministry of Labor	77	General Personnel Council	6	PCBS	16
Ministry of Social Development	10	Civil Affairs	7	Higher Council for Youth & Sport	17
Energy Authority	26	The Palestinian National Fund	10	Young Muslim Women	19

Exceeding the allocated payroll bill in the public budget for more than one year constituted another important flaw. In 2021-2022, the budget items for salaries and contributions exceeded 5-10% over the approved budget. This is contrary to the Public Budget Law, Article (3), which stipulates that “without prejudice to the provisions of this law, transfers between budget chapters may not be made except with the approval of the PLC”. This confirms lack of adherence to “commitment basis” accounting during implementation of the budget, which the Palestinian government obliged itself to do in 2008.

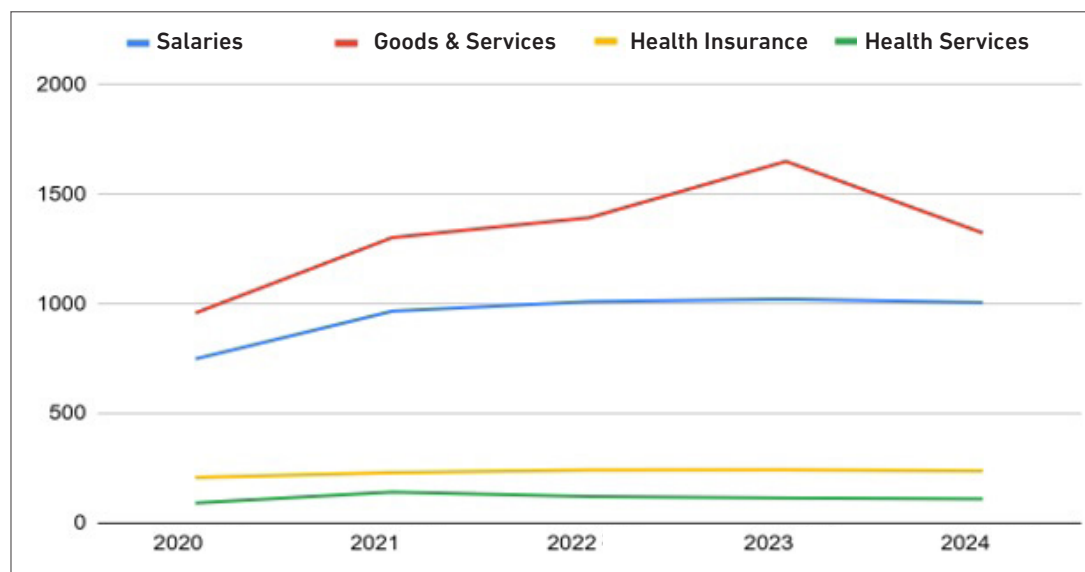
Commitment based accounting requires that no obligation be made except on the issued quarterly budget, which is determined by the joint committee between the cash management and budgeting, which is based on expectations closest to reality regarding the availability of cash fluidity. Therefore, exceeding the overall budget of the salaries item indicates that the committee is dysfunctional. In addition, editing and transferring of items is against the law and constitutes a deviation from one of the most important items of financial reform.

The health sector is one that experienced such malfunction and increased spending; illustrated in table 7 below.

Table 7: Expenditures and Revenues of the Health Sector

Million NIS	2020	2021	2022	2023	2024
Salaries	749,434	966.834	1,010.224	1,022.115	1,005.967
Goods and Services	958,690	1,302.876	1,393.920	1,650.241	1,323,482
Health Insurance	208.0	230.5	242.7	243.1	238.8
Health Services	91.3	141.3	121	113.7	109.9

Figure 3: Expenditures and Revenues of the Health Sector



A more detailed analysis of the government health insurance shows the following:

Table 8: Number of Individuals Enrolled under the Government Health Insurance, by Category:

2024	.Enrolled No	Price/Insurance Revenues
Total	1,425,530	285,240,669
Compulsory Governmental	314,781	109,489,908
Social Affairs+ Prisoners+ Martyrs	230653	52702800
Unions	179902	0
Free of Charge-Unemployed	351,553	50,306,197
Laborers-Israel	267,198	18032259
Collective- Optional	81443	19,590,259

Figure 4: Number of Individuals Enrolled under the Government Health Insurance, by Category

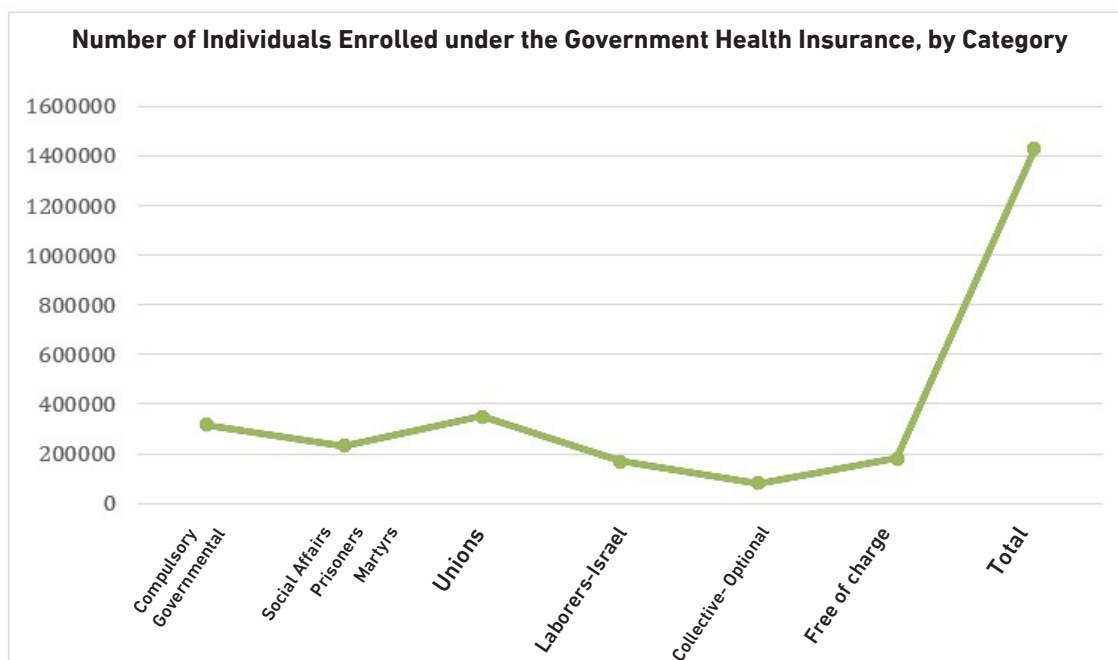
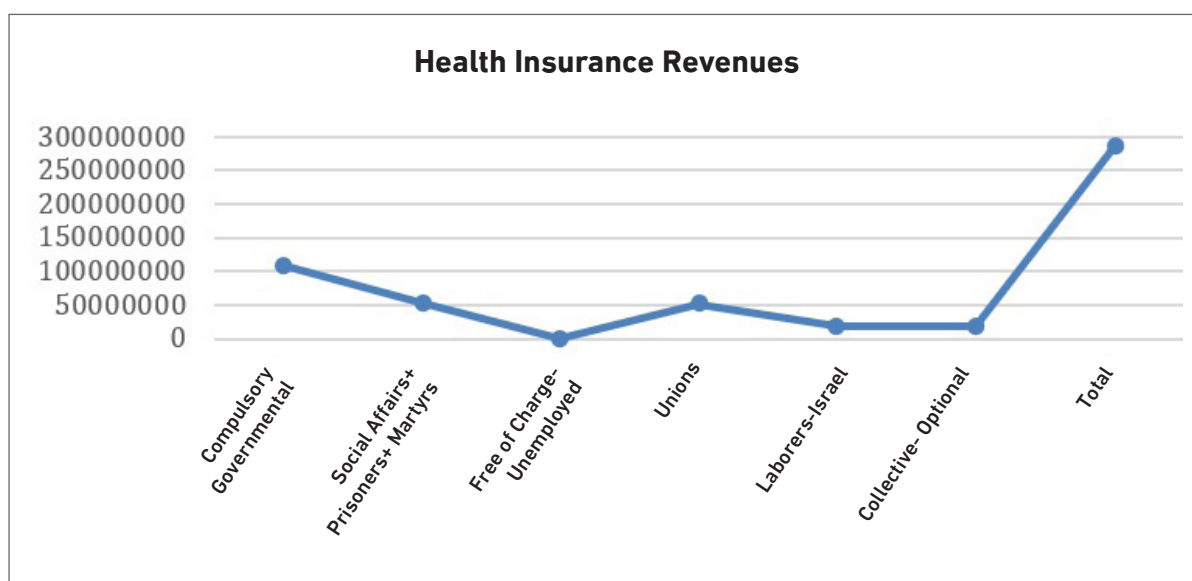


Figure 5: Health Insurance Revenues



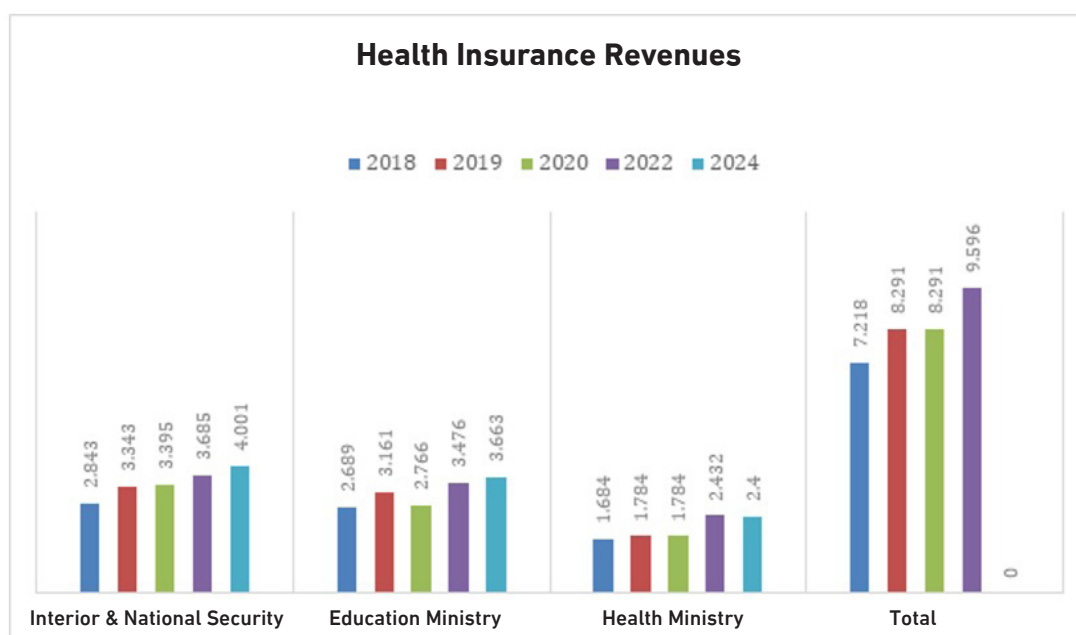
It is clear from the above data that despite increasing salaries of the health sector workers, treatment outside government hospitals continues to rise, while the revenues of this sector remain the unchanged. In this regard, the MoH 2024 report indicates that the insurance administration collection for 2024 amounts to 73 million NIS, with the remainder coming from the government and Israel, where the total health revenues amount to approximately 370 million NIS, and the expenditures amount to 2.53 billion NIS for the same year. This urgently calls for reconsideration of the policy and management of the health insurance issue.

As for the Ministry of Interior and National Security, expenditures for the 2018-2024 recorded an increase of about 1.2 billion NIS, most of which goes to salaries. Similarly, expenditures of the MoE witnessed an increase of about one Billion NIS¹¹, illustrated in the table below.

Table 9: Major Ministries' Expenditures Before and After the Crisis (2018-2024)

Million NIS	2018	2019	2020	2022	2024
Interior Ministry	2,843,450	3,342,765	3,395,448	3,685,347.32	4,009,320.16
Education Ministry	2,689,358	3,161,397	2,766,329	3,475,867.63	3,663,215.33
Health Ministry	1,683,657	1,784,499	1,846,518	2,432,378.68	2,399,728.01
Total	7,218,483	8,290,680	8,010,315	9,595,615.63	10,074,287.5

Figure 6: Major Ministries' Expenditures Before and After the Crisis (2018-2024)



It is evident from the above that the current crisis is the result of the occupation's seizure of the clearance funds (Maqassah); the war on the GS and the WB; preventing Palestinians from working in Israel; closures. Also, there are governmental performance issues, such as the increase in expenditures despite the occupation practices, and the coronavirus epidemic in 2019-2024.

Moreover, there is the Pension Agency's component (i.e., employee's share and government's share), which increased during the same period to five billion dollars¹² due to failure of the government to transfer dues to the Agency, in addition to the increase in the number of retirees. Hence, there is a real problem concerning retirees' rights and the Agency that needs to be addressed before it's too late.

¹² Data of the MoF and the Pension Agency

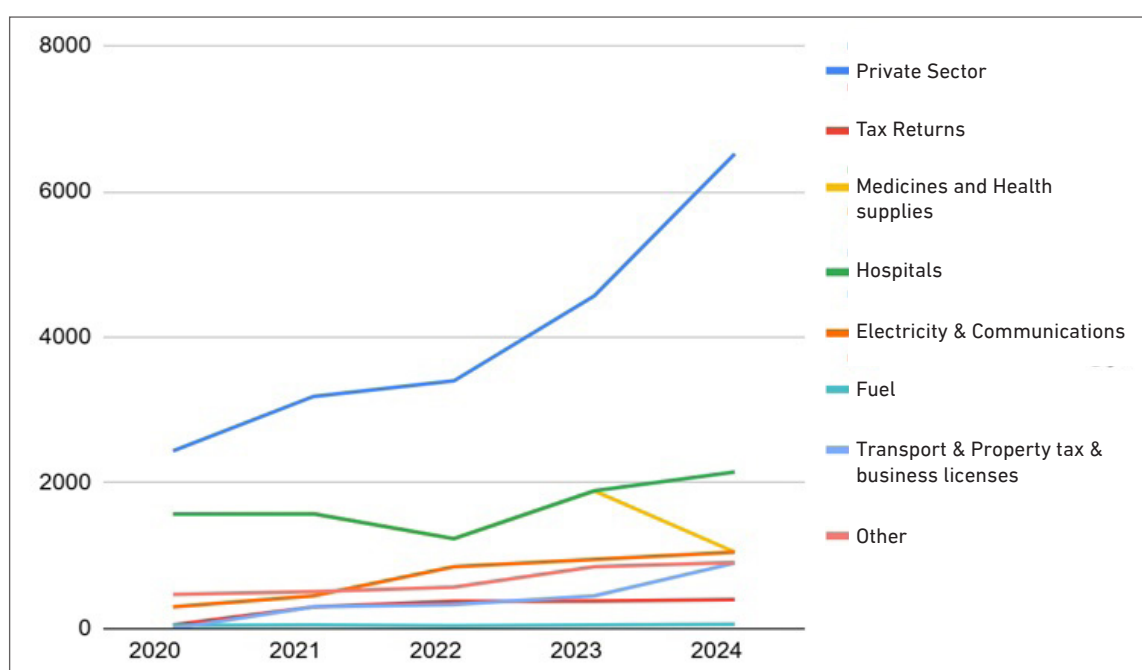
Third: The Private Sector and LGUs

Entitlements of the private sector, including LGUs are summarized in table 10 below based on the MoF's data for 2024.

Table 10: Entitlements of the private sector, including LGUs¹³

Million NIS	2020	2021	2022	2023	204
Private Sector	2,441	3,187	3,402	4,570	6518
Tax Returns	51.8	299.5	377.1	378	400
Medicines and Health supplies	1571.8	1577.8	1234.9	1892	1050
Hospitals					2150
Electricity & Communications	300	450	850	950	1,050
Fuel	45	50	40	50	59
Transport & Property tax & business licenses	3	299.7	330	450	900
Other	470	510	570	850	909

Figure 7: Entitlements of the private sector, including LGUs



As illustrated in table 10 and figure 7 above, there is an increase in the private sector dues by about four billion NIS, of which 900 million NIS are for the municipalities¹⁴ and 3.2 billion NIS for the health sector (including hospitals and suppliers).

Mr. Muhannad Habash, a member of the Pharmaceutical and Medical Suppliers Union, confirmed the figures given by the MoF, and had no comments on the mechanism for payment stating that the problem lies in the indebtedness itself, as amounts are constantly escalating, especially after the Israeli genocide war on the GS.

¹³ MoF Data/Public Debt

¹⁴ MoF data; unconfirmed by LGUs

Concerning private hospitals, Mr. Rushdi Al-Ashhab, from the Jerusalem Hospitals' Union, and Mr. Mohammad Qablan, representing Al-Razi, al-Istishari and Ibn-Sina hospitals, also confirmed that the MoF's data do not include bills that are under medical and financial audit. However, the MoF's financial statement matches their statements of invoices ready for disbursement. They too, had no objections to the payment method, but expressed concern regarding the continuous accumulation of debt.

As for the contractors' sector, there are genuine and various disagreements. For example, the Ministry of Public works and Housing (MoPH) and that of the Ministry of Local Rule, both, object to the MoF defining beneficiaries. However, the Contractors Union, (president Ahmad Al-Qadi and Nasser Hanini, member) had several reservations that can be summarized as follows:

1. The union mentions a debt that is higher than that shown in the MoF statement by 200 million NIS. This might be due to a long sequence of procedures beginning with the committee in charge receiving what is achieved from contractors, to the technical and financial auditing procedures, where error or some documents might be missing and hence transactions had to be returned for correction. All or any of the above can cause discrepancy in numbers.

2. The Union expressed objects to awarding government projects through soliciting bids from contractors who are neither classified nor union members, although the value of these projects is in the millions. The Union also rejects the inclusion of these projects within the total debts of the Union to the government, as this reduces the share of the other contractors, since the mechanism followed by the MoF is to determine an amount paid to all contractors as percentage of the total debt.

3. Due to non-payment, some contractors went bankrupt or merely withdrew from the activity, as some contractors resorted to merging in order to obtain cash by accepting what is known as "padding" for projects funded by grants. In other words, these contractors submit bids at below cost in order to obtain immediate cash. In return, they take government-funded contracts at very high prices, sometimes double the amount, hence are able to afford delays, which compelled a large number of contractors to leave the market.

As for the Information System Companies Union (Beta), union members, Khaled Sabri and Amjad Ma'an, confirmed that the debt ranges between 50-60 million NIS, not including communications companies. They further said that they have no objections to the current procedure followed that is according to the agreement with the finance department; paying 5% of the debt monthly, which is adhere to most of the time.

In summary, despite the fact that the majority of LGUs have concluded agreements with the MoF, and the figures confirmed by the private sector, except for some LGUs due to a disagreement concerning net-lending, especially in the Hebron Governorate, where the total amount demanded by the MoF from LGUs is 3.7 billion NIS¹⁵. Moreover, there is a dispute over transport's fees due to the decision issued by the Minister of Local Government in 2015, which allocated 50% of the LGUs share of road transport fees to development projects of LGUs in the various governorates.

There is another issue which is that some of this debt pertains to LGUs with no net-lending as the Ramallah-Bireh and Jericho municipalities¹⁶. Added to that, many LGUs claim that debts of LGUs owed by the citizens are continuously rising for various reasons, many of which are the government's responsibility. these debts exceed the government's receivables from local authorities by more than double, according to Abd-Alkareem Zubeidi, President of the LGUs Union.

¹⁵ The MoF & MoLR.

¹⁶ Mayor of Jericho & President of the LUGs Union.

Key Public Debt Indicators and their Effect Economy

The total public debt for 2024 amounted to 41,503 billion NIS, equivalent to 11,371 billion dollars. It is distributed as follows:

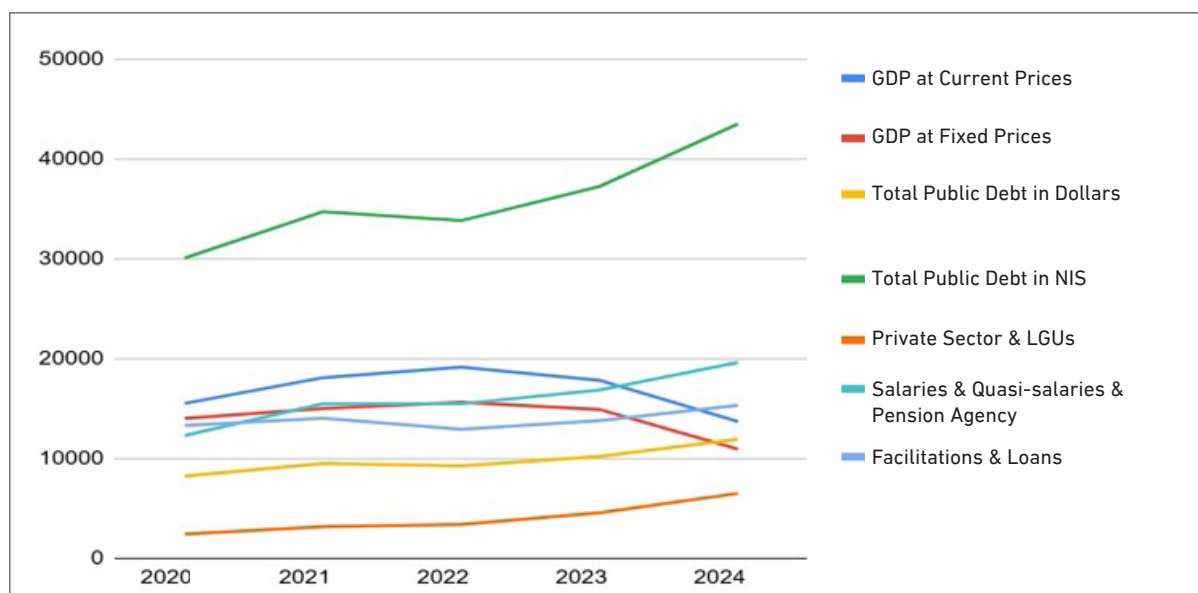
- Facilitations and loans: 15,344.60 billion NIS.
- Salaries and quasi-salaries & Pension Agency: 19,640 billion NIS.
- Private sector & LGUs: 6,518 billion NIS.

This is higher than the national income at the end of 2024, which amounted to 10,959.6 billion dollars.

Table 11: Key Public Debt Indicators for 2020-2024

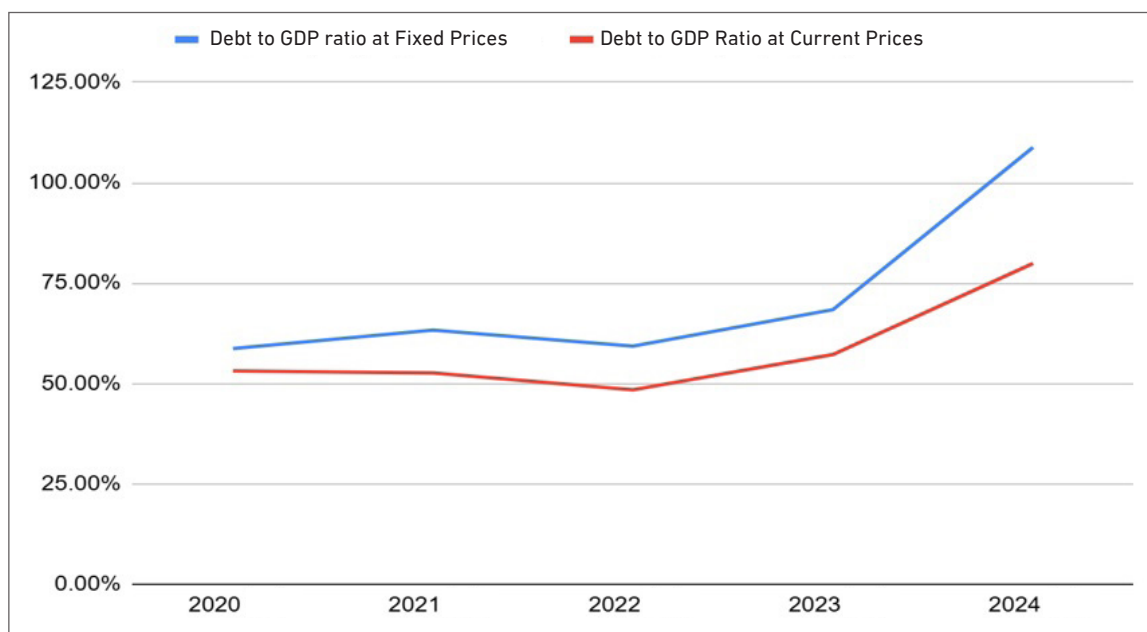
Year	Facilitations & Loans	Salaries & Quasi-salaries & Pension Agency	Private Sector & LGUs	Total Public Debt: NIS	Total Public Debt: Dollars	GDP Fixed Prices	GDP Current Prices	Debt to GDP Ratio at Current Prices	Debt to GDP ratio at Fixed Prices
2020	13,318.85	12,318	2441	30,097.85	8,246	14037.4	15,531.7	53.1%	58.7%
2021	14,045.2	15,492	3187	34,745.2	9,519	15021.7	18,109.0	52.6%	63.3%
2022	12,931.95	15,492	3402	33,847.95	9,274	15635.0	19,165.5	48.4%	59.3%
2023	13,804.30	16,877	4570	37,274.3	10,212	14922.7	17,847.9	57.2	68.4%
2024	15,344.60	19,640	6518	43,526.6	11,925	10959.6	13,711.1	79.9	108.8%

Figure 8: Key Public Debt Indicators for 2020-2024



The public debt growth rate during the period 2020 and 2024 reached 44.6%, while there was a decline in the Gross National Product (GNP) of 21.9%.

Figure 9: Rate of Public Debt Growth VS. Rate of National Income Growth



Public Debt per Capita

According to the PCBS, population in the Occupied Palestinian Territory (OPT), at the end of 2024, reached 5,500,000 people, while public debt amounted to 11,925 million dollars. Thus, the share of public debt per capita is 2,168 dollars, while this number was less than 1,500 dollars in 2020, and less than 1000 dollars in 2015.

Public Debt to Revenues Ratio

There is a significant deterioration in the PA's ability to meet its obligations. This important indicator, revealed the difficult situation of revenues to public debt in 2020, as the ratio was 253%, reaching 373% by the end of 2024, which is a dangerous sign requiring serious reform measures to be taken.

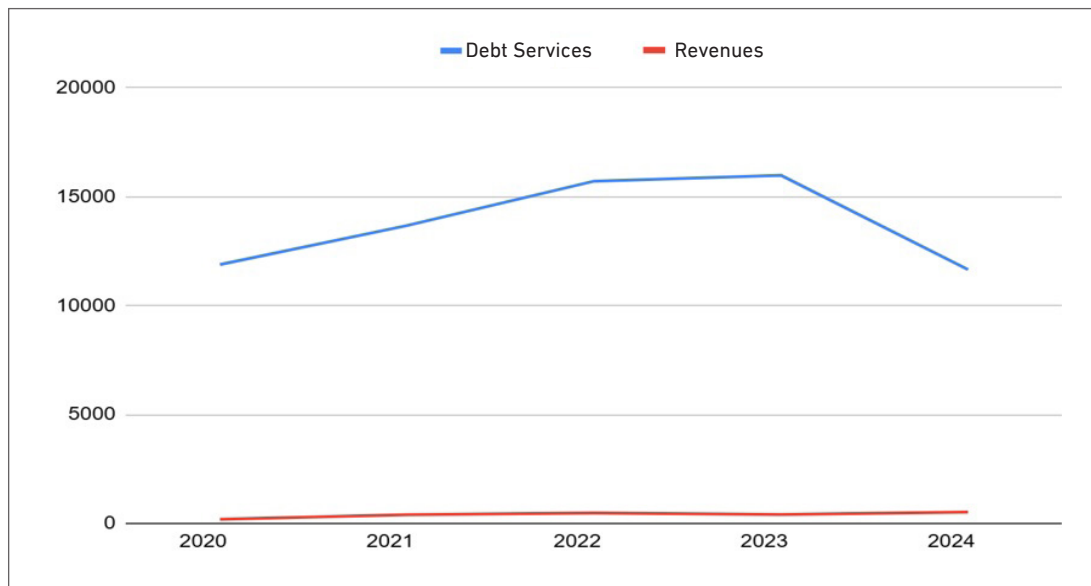
Ratio of Public Debt Services to Revenues

There is an increase in the cost of debt services. In 2020, it was less than 1.62% of revenues, and rose to 4.45 % in 2024, which drains the public budget.

Table 12: Cost of Public Debt Services in Comparison with Revenues-2020-2024

year	Revenues (million NIS)	Debt Services (million NIS)	Ratio
2020	11887.5	192.4	1.62 %
2021	13675.7	403.2	2.95%
2022	15,715.7	476.3	3.03%
2023	15,980.9	408.6	2.56%
2024	11,653.9	518.9	4.45%

Figure 10: Cost of Public Debt Services in Comparison with Revenues-2020-2024



Transparency and Fairness in Settling Arrears

Once centralization of spending ended, which was applied by the PA until 2009, and the transition to decentralization completed by giving full authority and responsibility of budget implementation to the various responsibility centers, a relative decline was noted in the MoF's interventions concerning payments to contractors and suppliers through statements approved by the Minister of Finance.

Also, in 2023, the Council of Ministers decided to return the powers to the related ministries, only to go back to the MoF again in 2024, which remains until today. Since then, a committee in the MoF identifies suppliers and contractors; determines the percentage of expense from the contractor's accumulated balance; and releases amounts to the Ministry through which the disbursement is to be made; after which the Ministry disburses the amount.

In general, withdrawing the authority from centers of responsibility concerning spending from their budgets is considered contrary to the Budget Law, which grants power to the competent minister in this regard, and not to the MoF. Moreover, regardless of the excuses put forth to justify these measures, it is possible for the MoF to maintain its goal without infringing on the powers of other ministries.

As for transparency of the disbursement procedures and setting priorities, this issue is difficult to judge. Currently, disbursement is made as a percentage of the total accumulated amount of each contractor, without considering seniority, as some transactions still have payments for more than seven to eight years.

In addition to that, some transactions still include obligations related to on-going implementations. And hence, the MoF action, by determining spending priorities without consulting the relevant ministry, can disrupt a project in progress, or cause harm to the ministry due to its violation of a contractual clause, etc.

Similarly, there is an issue with contracting tenders, and legal violations, as well, such as: contracts are awarded through requests for proposals, even if the project value requires a tender, according to the law. Also, contracts are awarded to unclassified companies and are not on the Contractors' Union lists¹⁷.

¹⁷ President of the Palestinian Contractors Union.

Conclusion

The PA's current financial situation is considered far more difficult than the period post the internal division in 2007 in terms of public debt being higher than ever. In 2007, it amounted to 3.5 billion dollars, while currently it is approximately 11.5 billion dollars (i.e., an increase of nearly threefold). In order to resolve this dilemma, there is an urgent need for comprehensive austerity and rationalization measures to be taken across multiple areas, in addition to combating tax evasion and increasing revenues in all its forms.

External support, ever since the establishment of the PA, has never exceeded the ceiling of 1.771 million dollars, which occurred in 2008. Previously, budget support amounted to \$849 million in 2001, which was an exceptional year due to Israel's suspension of the Maqassah revenues. During the following years, it began to decline, averaging 600 million during the years 2002-2005, before rising to one billion dollars in 2006, where it continued to increase until 2008. After that, it declined back to its rate of 600-800 million dollars until 2016, and in 2017, the support fell below the level of 600 million dollars.

In this regard, if we assumed that the 2007-2010 scenario was renewed, and the international community adopted support of the PA, (the total budget support was \$5,277 million, i.e., a rate of \$1,319 million), this would make the annual budget support rate to be 1300 million dollars.

Similarly, if we assumed revenues in their ideal state amounting to \$4.8 billion annually on an accrual basis, and \$4.3 billion on cash basis, as witnessed in 2023, in addition to the external support amounting to around 400 million dollars, the total revenues including budget support would be 4.7 billion dollars. In the meantime, the total expenditures including accumulated arrears reached 5.7 billion dollars. *Noting that debt cumulation for that year was nearly one billion dollars, despite that it's the highest MoF revenue data.

Therefore, assuming a support of \$1.3 billion in addition to revenues of \$4.3 billion, the total would be \$5.6 billion. This would leave us with a deficit of \$100 million without any repayment of arrears, or cost of implementing agreements that are not yet fully executed with unions. Also, without taking into consideration the international arrears of Al-Maqassah (\$513 million) included within the 2023 revenues, and any overdraft of bank facilitations (current account debit) as well as installments on loans, which will be deducted from any budget transfer.

Recommendations

Recommendations can be summarized into three main areas, as follows:

First: Rationalizing spending on recurring current expenses.

Second: Increasing revenues through improved tax collection, preventing tax evasion, and amending some non-tax laws to enhance revenue collection.

Third: developing and publishing standards applied in payment mechanisms; complying with bidding and contracting laws and ceilings set in the public budget; never carrying out transfers that violate the law; adhering to the basic budget law in terms of revenue centralization and expenditure decentralization.

First focal point: Rationalizing Spending, Especially Recurring Expenses:

Recurrent expenditures can be narrowed down to salaries and quasi-salaries expenses, which is the central dilemma facing the PA. Based on our review of the number of civil and military employees, clearly their number is inflated.

The cost for military salaries reached 260 million NIS, and for the civil cadre 510 million NIS, totaling 770 million NIS monthly. The remaining current recurring expenditures (quasi-salaries) amounted to 400 million NIS per month, and other expenses amounted to 400 million NIS; a total of approximately 1.5 billion NIS. This figure is greater than the financial ability of the PA, in terms of revenue collection and international support. Hence, reducing spending at all levels has become an inevitable necessity for the survival of the PA. and since salaries and quasi-salaries consume the larger part of the revenues, it is mandatory that this aspect be addressed immediately to include salaries of employees, retirees, and those of the social sector.

Recommendations for this section can be divided as follows:

1- Employees' salaries: here, it is important to conduct a thorough study of government jobs that link employees to services provided. Also, to prepare binding structures based on the services provided to all managements in the civil and military services assigning employees accordingly. Thus, surplus of employees is identified in the various departments, whether civil or military, and since suitable ones are assigned to positions in-line with their specialization, the remaining staff must undergo rehabilitation that prepares them for resettlement in positions where government services have shortage of staff. This calls for lifting the ban on movement between different departments including between military and civilian staff. Moreover, this must be applied for several years during which no new hiring or replacement is carried out, except where there is a service that no one from the available staff can perform.

2- Quasi-salaries, primarily, this is basically the salaries of current and released prisoners (freedom fighters): it is necessary to develop programs that limit cost and at the same time preserve the beneficiaries' income and dignity. This is feasible through job creation in partnership with LGUs, private sector and civil society institutions, with salary subsidies from the government to encourage their integration in the labor market.

3- Retirees' salaries: there is an urgent need to save the Pension Agency and rights of the retirees contributing to the Agency. The solution begins by amending the retirement law so that the Agency is only responsible for employees who have retired under the Civil Service Law. This means that the fifteen-year period specified by law is adopted as the minimum actual service, hence becoming the indicator as to who remains under the Agency's responsibility. As for the remaining employees who have not completed the minimum service, or are subject to other laws, such as: military service, diplomacy, ministers, PLC members, governors, and PLO staff, must remain under the responsibility of the MoF until other solutions are found. It is unacceptable to finance the salaries of retirees, mentioned above, from contributions of other retirees.

Moreover, it is essential to look into expenses of embassies and foreign offices aiming to reduce their expenses. In addition, all other expenditure items must be reconsidered and spending priorities redefined, with the implementation carried out within a program and plan that covers several years. The plan should be well thought out to include job opportunities creation instead of solving the unemployment problem by employing people in the government sector. The first decision the government should take is to halt hiring all together. Any requirement for a position must be carried out by transferring an employee from another entity, and not a new appointment; this also applies to contracts. It is also necessary to work on cancelling the decision to prevent transfer of military personnel to civilian personnel. Similarly, it is necessary to prevent the employment of civilian personnel in any military apparatus.

Simultaneously, efforts must be made to reduce the Interior Ministry and National Security expenditures, as their total annual spending is close to 1.1 billion dollars, an amount the treasury cannot bear.

Efforts must also be made to find alternatives and solutions to the MoE expenditures. This can be achieved by forming a national committee to study the experiences of other countries concerning management of educational sectors, from the primary stages to higher education stages. It is essential that the committee identify sectors that must be directly managed by the central government, and those that must be managed by local, charitable, or private bodies. Also, it must define the central government's role in supervising and guiding sectors, as well as clarify the extent of the central treasury's contribution to covering expenses of the various education sectors. And finally, through laws and legislation, the government must ensure that no Palestinian is deprived of compulsory education.

Efforts must also continue to improve other responsibility centers by merging and eliminating directorates and departments and replacing them with government service complexes in the governorates.

Moreover, the government must stop non-urgent development projects, since it's been noticed that despite the financial crisis, development projects funded by the PA with millions of shekels (more than 300 million NIS) were observed during 2023 and 2024.

Second focal point: Increasing revenues by improving collection, preventing tax evasion, amending some non-tax laws to enhance revenues:

1. Tax Revenues: Despite the significant improvement in tax collection, whether through the Maqassah or domestically, it still falls short of the expected. As the tax structure in Palestine relies primarily on indirect taxes, which means that any rise in prices (cost of living) must be met with rise in revenues. Within this context, Palestine continues to suffer from two main issues: the first is at the Maqassah level where imported goods are priced below their actual value. And the second is the smuggling from Israel. As for the local tax collection, there are also two central problems: the parallel market and the tax evasion.

2. Fee Revenues: The most important area to be reconsidered is the healthcare system. First, benefitting from experiences in countries that succeeded in managing health sectors, all of which started reform with health insurance. They also enacted laws requiring all residents to join in the mandatory health insurance, where participation is based on a percentage of one's income; i.e., part of the fees are paid by the worker and part by the employer. Also, a committee must be formed to study fees for services provided by the government and adjust them without affecting services provided for low-income individuals.

3. Licenses: in particular licensing fees for luxury vehicles that are lower than required, since the fundamental basis for determining the fee is the engine. For example, registration for a vehicle costing one million NIS is about 1,500 NIS, while its insurance is a minimum of 17,500 NIS (1.75% of its price). Furthermore, several countries have changed the licensing equation where the engine power is not the primary factor. This does not mean that other licenses should not also be reconsidered.

Finally: investing efforts in all the above-mentioned will increase the government revenues significantly.

Third focal point: Setting published standards in mechanisms for settling arrears

1. The government must establish standards that clarify the mechanism for settling obligations and arrears publicly within the related action plan. It must also take into consideration the difficult circumstances the Palestinian people are going through when reconsidering any reform changes and ensure that essential services which people cannot live without take priority.

2. Full compliance with applicable laws, most importantly the laws and regulations related to tenders and contracts. In addition, no government entity is allowed to purchase or implement projects without approval of the authorized central departments according to law. Also, all central tender committees and the General Supplies Directorate must comply with the laws, present the tenders, and award them to the public.

3. Responsibility centers must fully comply with the Public Budget Law and the Annual Budget Law. They must also refrain from circumventing the law through concluding special contracts and daily wages employment, nor carry out any transfers between budget items that violate the law, or exceed the budget ceiling specified by law.

4. Responsibility centers must fully commit to publishing periodic reports on time, especially financial reports. Also, they must present performance reports with a set binding publication date, two weeks after the end of the month.

The government should exert efforts to ensure that revenues cover all its current expenditures. In order to achieve this goal, the government must announce an emergency plan in participation with LGUs, the private sector, and CSOs. The plan must also be supported by the Presidential Office, and the PLO Executive Committee. And finally, the government must explain the financial situation to the public clearly and honestly.

References

1. The Public Budget Law.
2. The Public Debt Law.
3. The Public Budget Law for the years 2020-2024.
4. The Palestinian Financial System.
5. Reports and Financial Statements of the Palestinian Monetary Authority from 2002-2024.
6. The Ministry of Finance Statements from 2007-2024.
7. Data and Publications of the PCBS.
8. The Palestinian Economic Bulletin, Palestinian Policy Research Institute (MAS), August 2024.
9. The Ministry of Health 2023 Report, published in June, 2024.
10. AMAN's Report on the State of Public Debt and Private Sector Arrears, 2019.
11. The Islamic University Report: Development of Public Debt from 2000-2011. (Samir Madlala and Mazen Al-Ajla)

Interviews:

1. Mohammad Rabi'- Ministry of Finance, General Director.
2. May Fa'iq Suleiman- General Director of the Monetary Administration.
3. Tareq Mustafa-General Director of Budget Administration.
4. Qadri Bisharat-General Director of the Budget.
5. Abd-Aljabbar Salem-General Director of Salaries.
6. Samir Abu-Kamish-Director of Transfers and Checks.
7. Jaffal Jaffal- Deputy Assistant of the SAACB.
8. Na'el Zeidan- Deputy Assistant of the Ministry of Public Works.
9. Muhannad Habash - President of the Health Suppliers Union.
10. Rushdi Al-Ashhab – Commissioner of the Jerusalem Hospitals.
11. Nizar Al-Ja'bari – President of the Fuel Stations Union.
12. Muhammad "Illayan- Authorizes Representative of Jerusalem Electricity Company.
13. Majed Al-Hilo – President of the Pension Agency.
14. Mohammad Qablan- Financial Commissioner of Al-Istishari, Ibn Sina, Al-Takhassusi, and Razan Hospitals.
15. Jihad Mshaqi – Ministry of Local Rule.
16. Nasser Sharai'a – The Executive Office for Refugees.
17. Mohammad Al-Ramahi – Municipalities Fund.
18. Abd-Alkareem Al-Zbeidi – President of the Municipalities Union.
19. Ahmad Al-Qadi – President of the Contractors Association.
20. Nasser Al-Hanani –Member, Contractors Association.
21. Khaled Sabri and Amjad Ma'ani – Palestinian Information Technology Companies Association (PITA).



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.