

The Semi-Annual Public Budget Report 2025

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AMAN
Transparency Palestine



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Introduction:

For the second year, the genocidal and starvation war against the Gaza Strip continues for the purpose of displacement. The occupation continues its on-going crimes in the West Bank in addition to the settlers' mad war and daily attacks against Palestinians, settlement expansion and legitimization of settlement posts, in addition to pastoral settlements and the theft of land and resources. Those practices culminate in theft, as for the fourth month in a row no transfers were made from the clearance funds. This piracy had started in 2019, when the Israeli Knesset decided to deduct around 52 million Israeli Shekels (ILS) on a monthly basis, claiming that those were the allocations of the families of martyrs and prisoners, until the frozen funds exceeded 10.5 billion ILS.

Because of the continuous war and its adverse economic repercussions, the Gross Domestic Product (GDP) decreased, and with the drying up of financial resources, and the decrease in external support, the financial crisis deepened, and the Palestinian government approved the 2025 Emergency Public Budget at 20.6 billion ILS, with a financing gap of 6.9 billion ILS. The Decision by Law on 2025 Public Budget also identified the following three basic principles that govern the Budget:

- 1- Adopting conservative projections that simulate cumulative decline in GDP.
- 2- Adopting the principle of monetary rationalization and identifying the foundations of spending based on priorities identified by the government.
- 3- Providing the required liquidity to maintain stability in the essential sectors (health, education, security and social protection).

Several financial reforms have been identified, including rationalizing institutional structures. This involves reviewing and amending organizational structures, and merging and abolishing unnecessary institutions to reduce expenditures, as well as working to amend the Civil Service Law and adopt a job rotation policy, and to address the problems resulting from staff inflation in the security sector by restructuring security services and organizing human resources. Furthermore, it involves reforming the tax system, which has already started with the approval of the Value-Added Tax Law, and pledging to review and amend the Income Tax Law, and other reforms in the tax system. Work has also continued on the austerity measures announced last year, including halting acquisitions and car purchases, reducing operational and capital expenditures, and stopping the disbursement of any benefits or bonuses not stipulated in laws and regulations.

This report reviews the performance of the Public Budget during the first half of 2025 by comparing the estimates of the 2025 Public Budget decision By Law with the realized budget during the first half of the year, according to the actual expenditure reports issued by the Ministry of Finance (MOF) as of 30 June 2025. It also reviews the Budget performance compared to the adopted goals and policies, to track the implementation of the identified goals for 2025 by reading the financial data, decisions, and government measures taken during this period. The report provides an overview of transparency in budget implementation and compliance with publishing the Public Budget data for the first half of the year, in addition to providing necessary recommendations to improve public financial management and enhance transparency in the Public Budget.

Public Budget Transparency Tracking survey

Despite the apparent improvement in openness and participation in the declared government policy, the approval of the Public Budget was delayed, as the Public Budget Law was approved on 31 March 2025 and published in the Official Gazette on 27 April 2025. Upon tracking compliance with the international standards necessary to achieve Public Budget transparency, as defined by the International Budget Partnership, adopted by the National Team for Enhancing Public Budget Transparency, and which consists of a minimum of eight core documents, it turned out that MOF has complied with publishing seven documents, as shown in the table below:

Document	Published	Unpublished
Pre-Budget statement	Published	
Budget proposal summary	Published	
Approved and adopted Public Budget	(Published (partially	
Citizens' budget	Published	
(Periodic reports (monthly and quarterly	Published	
Semi-annual report		Unpublished
End of year(Closing accounts) report 2023	Published	
Audited Report 2023	Published	

The table above indicates that 7 out of 8 documents were published. However, upon examining what was actually published against the core criteria of publication, comprehensiveness and quality of the published data, adherence to publication deadlines, and ease of access to the data, the following is evident:

- The Pre-Budget Statement was published on MOF website.
- For the first time, the draft 2025 Public Budget Law was published on the legislation platform of the Ministry of Justice. MOF also presented and discussed the draft with representatives of a number of civil society organizations and the National Team, and allowed for feedback on the draft law through the platform. However, only one week was given to submit comments.
- The approved Budget Law was published on MOF website and in the Official Gazette, but only partially and without clarifications of the detailed budgets of the centers of responsibility.
- The Citizen's Budget was published on MOF website. It included most of the requirements of best practices, such as the government's financial and economic goals and approaches, clarification of concepts, macroeconomic indicators, revenue sources, the expenditure structure, and the general sectoral distribution of the Public Budget. It was also published as a video summarizing the Public Budget Law. However, according to best practices, the Citizen's Budget should be published concurrently with the presentation of the draft Public Budget Law to the Legislative Council or representative bodies. It should also include mechanisms for communication and feedback. The published version did not include any contact information or feedback mechanisms, nor did it include a summary of deviations of actual revenues and expenditures from approved budgets in previous years. Furthermore, it did not provide clarification on the public debt.

Its publication was limited to MOF website, but was not published or even announced in local newspapers and radios, or on social media, hence it did not achieve the required dissemination and accessibility.

- Monthly reports were published on MOF website, but they are still published in PDF format, which hinders and complicates data analysis. The standard practice is to publish them in multiple formats, including Excel, to facilitate data analysis and community auditing.
- The Semi-Annual Report for the current year has not been published. MOF publishes a cumulative semi-annual report, which does not meet the conditions and standards for a semi-annual report. The required report should include an analysis of performance during the first half, policies for the second half, and other requirements, not mere spending figures.
- The 2023 audited report of the State Audit and Administrative Control Bureau (SAACB) was published. It raised a number of reservations that do not differ from the reservations noted in the audited reports for the last three years.

Public Revenues for 2025

Net revenues for the 2025 fiscal year were estimated in the Budget Law, before Israeli deductions, at 15.8 billion ILS. This is 8.9% higher than the realized revenues for 2024. Although this expectation is relatively ambitious, it results from an increase in non-tax revenues due to the collection of revenues worth \$192 million, approximately 700 million ILS, from collecting 4th generation licenses for telecommunications companies and collecting the franchise fee from Ooredoo Telecommunications Company.

Revenues consist of clearance revenues expected to reach 10.2 billion ILS, and domestic revenues estimated at 5.8 billion ILS, and which include locally collected tax revenues estimated at 3.3 billion ILS, in addition to 1.98 billion ILS as non-tax revenues, along with 439 million ILS in earmarked collections¹.

The total net public revenues realized for the first half of the year were 7.5 billion ILS on a commitment basis, representing 47% of the 2025 estimated revenues, while the value of revenues realized on a cash basis was 6.9 billion ILS, according to the financial report issued by MOF. However, the actual figure is lower, since not the full clearance revenues for the months of May and June were transferred. Consequently, the revenues realized on a cash basis amounted to around 6.4 billion ILS (without adding the deductions related to net lending), representing 40% of the estimated revenues.

Domestic revenues (collected directly by the Palestinian National Authority)

The value of domestic revenues realized during the first half of the year was 2.5 billion ILS, including 1.4 billion ILS in tax revenues, 957 million ILS in non-tax revenues, and 163 million ILS in earmarked collections².

Table No. (1): Comparison of realized domestic tax revenues on an accrual basis during the first half of the year compared to estimates (in million ILS)

	Realized during the first half of 2025	Estimates for 2025	Ratio of realized to estimated
Domestic tax revenues	1,405.30	3,387.00	41%
Income tax	482.8	1,100	44%
VAT	545.7	1,400.00	39%
Customs	192.1	388	50%
Alcoholic drinks excise	3		
Cigarette excise	157.8	482	33%
Property tax	24.1	17	142%

1 Earmarked collections and payments are taxes and revenues that belong to the local authorities, 90% of property taxes and 50% of transport taxes.

2 Earmarked collections and payments are taxes and revenues that belong to the local authorities, 90% of property taxes and 50% of transport taxes.

Realized domestic tax revenues amounted to 1.4 billion ILS, constituting 41% of the estimate, and lower than the realized revenues for the same period last year, because of deteriorating economic conditions and the decline in GDP. This was evident in the decline of realized customs revenues, which did not exceed 200 million ILS because of the decrease in imports.

Income tax achieved 44% of the estimate, while the value of value-added tax (VAT) reached 545 million ILS, representing 39% of the estimate for this year.

Overall, the decline in tax revenues reflects the general economic situation, stifled by the Israeli side, the fragility of the Palestinian economy, and its inability to cope with the repercussions of the war. This indicates a potential decline in revenues during the second half of the year and a failure to achieve the estimated tax revenues.

The problem of Shekel accumulation also affected domestic revenues, due to the difficulties that the companies and individuals faced in paying their obligations to the government, such as various taxes, because the Palestinian banks restricted receiving cash, especially in the second quarter of 2025.

Clearance Revenues

The value of clearance revenues amounted to 5.04 billion ILS, constituting 49% of the estimate for this year on a commitment basis. However, on a cash basis it was 3.9 billion ILS, representing only 38% of the estimate. It is worth noting that it is even lower, if the deductions, whether included in the so-called net lending or deducted by the occupation under other pretexts, are accounted for.

Furthermore, the revenues realized on a commitment basis are also lower than the revenues realized during the same period in previous years, due to the deteriorating economic conditions.

Table No. (2): Realized clearance revenues on a cash basis during the first half of 2025 (in million ILS)

Clearance revenues	January	February	March	April	May	June
	2,308.00	717.9	495.8	407.7	0	0

According to the table above, clearance revenues realized on a cash basis amounted to 3.9 billion ILS. However, this amount was not received in full for the following reasons:

- In January, the value of clearance revenues before deductions was approximately 800 million ILS, while the debts owed by the Jerusalem Electricity Company amounted to 1.5 billion ILS. Consequently, an agreement was reached with the Jerusalem Electricity Company for it to pay 500 million ILS to the government, while the remaining 1 billion ILS were offset against debts that the government is supposed to pay for consumption in camps, public institutions, and others. Therefore, only 500 million ILS in cash were actually received, in addition to around 350 ILS shekels as clearance revenues after deductions.
- The amounts mentioned for February, March, and April are before deductions; therefore, they were not received as actually stated. The deductions will be clarified in the following table.
- Clearance funds were not received for May and June.
- The income tax of the laborers inside the Green Line and the settlements increased, because of the transfers for previous years, and labor related settlements.

Table No. (3): Clearance revenues achieved on a commitment basis during the first half of the year compared to the estimate, adding a table showing the deductions (amount in million ILS)

	Realized during the first half of 2025	Estimated for 2025	Ratio	Realized during the first half of 2024
Total clearance revenues	5,167.40	10,234	50%	4,469.90
Customs	2,170.70	4,543	48%	1,956.70
Value Added Tax	1,187.00	2,301	52%	983.3
Purchase Tax	-28			13.7-
Petroleum Tax	1,704.70	3,377	50%	1,515.60
Income Tax*	133	25	532%	28
3 % Deduction	121.6			104.4
Total clearance revenues after 3% deduction	5,045.80			4,365.50
Clearance deductions (net lending and others)	2,545.30			1,195.90
Clearance after deduction	2,500.50			3,169.60
Clearance revenues after all deductions (collected in cash)	1,951.10			1,376.70
Clearance revenues withheld during the first half of 2025	549			1,792.90

The above table reflects the overall clearance revenues realized during the first half of the year on a commitment basis, i.e. what the Palestinian government should receive, and indicates that the overall revenues that should be received after deducting the 5% administrative commission amounts to 5 billion ILS, prior to the lawful or the unlawful deductions. The realized clearance revenues increased in comparison with those realized during the same period of last year, despite the deteriorating economic conditions. For example, customs increased, indicating the continued importation from Israel, and VAT increased, indicating the continued purchase of Israeli products. Hence, the increase in the clearance revenues compared to the decrease in domestic revenues reflects the fragility of the Palestinian economy, the decline in domestic products, the continued dependence on the Israeli economy, and the continued importation of products, both those imported through Israel and those produced in the Israeli market.

Since clearance funds constitute about 68% of total revenues, the occupation's piracy of clearance funds, freezing and withholding those funds critically affects the government's performance. It should be noted that the increase in clearance funds has been accumulating gradually, and is the result of the increase in the dependence on Israel for imports and the ease of obtaining revenues through customs and through taxes on basic resources including electricity, fuel, and petroleum. Furthermore, during the first half of 2025, Israel implemented new, illegal deductions related to customs and wastewater treatment fees, using arbitrary estimates.

The value of deductions from the clearance funds, including net lending (i.e., water, electricity, wastewater and hospital bills) in addition to other deductions, amounted to 2.5 billion ILS. This is higher than the amount deducted during the same period last year, due to the increase in the value of other deductions, which reached 1.7 billion ILS (excluding water, electricity, wastewater and hospitals). Moreover, the withheld clearance revenues during the first half of the year amounted to 549 million ILS, as the allocations designated for the families of prisoners were frozen, in addition to what was allocated for the Gaza Strip. However, this amount, compared to the volume of deductions, is less than the estimated monthly deduction of 328 million ILS, because at the beginning of the year, 1.5 billion ILS of the frozen funds were used to pay the debts of the Electricity Company.

By the end of August 2025, the total funds withheld since 2019 exceeded 10.5 billion ILS, and Israel continues to deduct clearance funds, some of which go to compensate Israeli families under the pretext of their being harmed by Palestinian operations.

Expenditure Analysis

The total 2025 expenditures and net lending were estimated at 19.3 billion ILS, while the realized total expenditures and net lending during the first half of the year amounted to 8.5 billion ILS on a commitment basis, representing 44% of the budget. This shows a relative improvement in reducing expenditures, especially operational expenditures, although the total estimated expenditures are higher than the estimates for previous years.

In the 2025 budget, MOF committed not to increase total expenditures (excluding net lending and public debt service) beyond 18,867 million ILS. Practically, the total expenditures (excluding net lending and public debt service) were estimated at 18,854 million ILS . Based on an analysis of the actual spending for the first half of 2025, the total expenditures (excluding net lending and public debt service) amounted to 7,782.5 million ILS , i.e. 41.2% of the estimate, which is a positive trend to control and reduce expenditures. Generally, the reduction in expenditures for the first half of the year does not align with the broader decline in revenues for the same period, which deepens the budget deficit.

³ The 2025 Public Budget Statement.

⁴ The cumulative actual expenditure report for June 2025, issued by MOF on 31/7/2025.

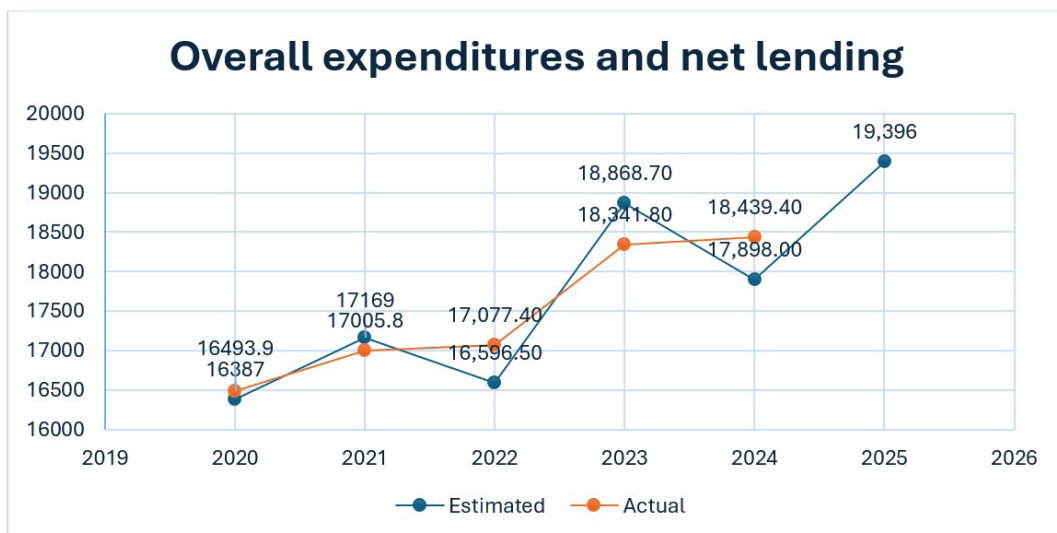
Table No. (4): Overall realized expenditures on a commitment basis during the first half of the year compared to the realized on a cash basis, and the estimate for 2025 (in million ILS)

Item	Realized for first half of 2025 on a commitment basis	Realized for first half of 2025 on a cash basis	Estimated for 2025	Rate of realized (commitment) to this year's estimate	Realized for first half of 2024 on a commitment basis
Total Expenditures	8,539.00	6,748.40	19,396	44%	8,435.70
Wages and Salaries	4,176.50	3,485.70	8,622	48%	4,109.40
Social Contributions	421.6	457.4	850	50%	413.4
Use of Goods and Services	1,157.10	413.5	3,103	37%	1,045.70
Transfer Expenses	1,383.50	1,056.90	3,661	38%	1,306.30
Fuel subsidy	459.3	452.1	820	56%	360.3
Capital expenditures	20.5	7.9	123	17%	12.2
Interest	263.5	278.5	578	46%	95.7
Net lending	493.6	493.6	1,200	41%	912.4
Earmarked payments	163.4	102.7	439	37%	180.4

The overall expenditures realized during the first half of the year on a cash basis amounted to 6.7 billion ILS, i.e. less than the amount realized on a commitment basis, with a difference of 1.7 billion ILS that become financial obligations on the government.

A review of the expenditures on a commitment basis compared to the estimate, comparing them to the amount realized during the first half of 2024, indicates that 44% of the estimated budget for 2025 was realized. It should be noted that the estimate was higher than that of last year and higher than the estimates for previous years. Furthermore, the expenditures realized in the first half of the current year are higher than the expenditures realized during the same period last year.

The following chart shows the overall expenditures and net lending, both estimated and actual, for the past five years:



The chart reveals a rise in overall expenditures and net lending over the years, noting that for years, the Palestinian government has been grappling with a financial crisis that intensified in 2020 when deductions from clearance funds began. While plans for expenditure control, rationalization, and austerity are repeated every year, the data indicates that expenditures have increased from 2020 to 2025, according to the estimated budgets, by more than 3 billion ILS, a 15% increase over the 2020-estimated budget. It is worth noting that the critical factor in the expenditure increase is the significant rise in the wages and salaries bill during the years 2020-2025.

The following observations were made upon tracking the structure of expenditures realized during the first half of 2025:

- **Wages and Salaries:** Expenditures on wages and salaries on a commitment basis amounted to 4.1 billion ILS, while wages and salaries on a cash basis amounted to 3.4 billion ILS, a difference of 690 million ILS, because of the continued practice of paying only a portion of the salary to public sector employees. It is worth noting that the value of government arrears owed to employees has exceeded 6 billion ILS.
- **Social Contributions:** These are the contributions owed by the government, which are supposed to be transferred to the Pension Fund in addition to the deductions from employees' salaries as their contribution to the Pension Fund, according to the Pension Law. In this context, 457 million ILS were actually transferred, constituting 53% of the estimate. The Pension Fund's allocations were transferred to pay part of the accumulated debts, whose value reached around 14 billion ILS, leading to the Fund's inability to pay retirees' full entitlements. This threatens the future stability and sustainability of the Fund. Furthermore, settlement attempts with the MOF regarding these debts are still underway and have not yet been finalized.
- **Use of Goods and Services:** The value of operational expenditures realized during the first half of 2025 on a commitment basis was 1.15 billion ILS, constituting 37% of the estimate for this year. However, the operational expenditures realized for the first half of 2025 are close to those realized in the same period of 2024. It is also worth noting that there are attempts to reduce operational expenditures in general through decisions made by the government. The impact of these measures will become clearer by the end of the year when observing the amounts spent under the realized operational expenditures item.

The actual expenditures realized (on a cash basis) amounted to 413 million ILS, meaning there are 743 million ILS in arrears owed to the private sector and service providers. The total arrears to the private sector have exceeded 6 billion ILS, which has reduced the ability of service providers to supply goods and services, as observed in shortages in medicines and the decline in other delivered services.

- **Transfer Expenditures:** The transfer expenditures realized during the first half of the year amounted to 1.3 billion ILS, representing 38% of the estimate for this year, and less than the realized expenditures for the same period of 2024. Thirty percent of transfer expenses go to the social sector (Ministry of Social Development and the Foundation for the Care of the Families of Martyrs), while 53% go for pension. Realizing 44% of the overall expenditures estimated for 2025 came at the expense of reducing transfer expenses that benefit a third party, including assistance to poor families, who are among the least privileged groups. Moreover, no cash assistance has been transferred to families in the Gaza Strip since the cash assistance program has been suspended following the war, and aid was restricted to relief assistance.

- **Interest:** The rise of public debt and the accumulation of financial obligations on the government, urged the government to increase borrowing from banks to help secure employee salaries, thus relying on short-term loans. This has led to a rise in interest costs, reaching 263 million ILS, or 46% of the estimate, much higher than the realized interest costs in past years. A sharp increase is expected by the end of the year because of the government's tendency to finance through debt.
- **Capital expenditures:** The capital expenditures realized during the first half of the year on a commitment basis amounted to 20.5 million ILS, representing 17% of the estimate for this year, while on a cash basis they amounted to 7.9 million ILS. These figures indicate the government's commitment to refrain from purchasing buildings and real estate, alongside reducing capital expenditures, which is a positive trend.
- **Net Lending:** The net lending expenditure item amounted to 493 million ILS, constituting 41% of the estimate for this year, which was 1.2 billion ILS. During this year, the Palestinian government successfully conducted financial settlements and clearances with around 105 local authorities in addition to the five electricity distribution companies. The government conducted financial clearances, and scheduled the accumulated debts of municipalities, so that the municipalities would commit to repay. It is still working on completing settlements with the remaining municipalities.

Development expenditures during the first half of the year

The value of development expenditures was estimated at 1.2 billion ILS, constituting 6% of overall expenditures. The value of development spending during the first half of the year on a commitment basis was 337.7 million ILS, representing only 27% of the estimate. However, the actual development spending, i.e., on a cash basis, was 171.9 million ILS, representing only 14% of the total development expenditures estimated for 2024.

The above data indicates that very limited development projects have been implemented, because of the financial crisis, existing challenges, and the lack of liquidity, which impeded the implementation of development projects. However, many costs that could be reduced depend on developing existing services. For example, reducing medical referrals and purchasing services from abroad depends on developing the existing health services in government hospitals, which requires the allocation of development budgets. Therefore, reducing development spending generally because of the financial crisis must take into account the specific needs of each responsibility center, and the priorities and urgent needs under the current circumstances.

Grants, Aid-Deficit and Financing

The budget deficit before grants was estimated at 4.7 billion ILS, while grants and aid were very limited and estimated at 1.7 billion ILS, i.e. 1.2 billion ILS less than the realized in 2024. The deficit after the estimated grants is expected to reach about 3 billion ILS. Added to this is the value of the estimated illegal Israeli deductions of 3.9 ILS, bringing the deficit to 6.9 billion ILS, which constitutes 33% of the total 2025 Public Budget.

The financial deficit in the Public Budget for the first half of the year was 1.3 billion ILS on a commitment basis before financing, representing 29% of the estimated deficit before grants. This is because the realized expenditures are lower than the estimate, and the estimated expenditures were high compared to last year.

The value of external financing was 1.2 billion ILS, representing 68% of the total estimated external fund for 2025. This includes 1.06 billion ILS as budget support and 147 million ILS for development. During the first half of the year, the deficit after external financing was 157 million ILS on a commitment basis. Added to this are the illegal Israeli deductions during the first half of the year, which amounted to 549 million ILS, causing the deficit to exceed 706 million ILS. This means it is likely to double by the end of the year, which will be reflected in increased debt and financial obligations on the government. It will also lead to the continuation of the decline in the public service-provision and the part-time work schedule that public sector employees have been experiencing since the beginning of this year.

In fact, these figures do not reflect the current situation, as the existing figures, i.e. the value of revenues and expenditures, were calculated on a commitment basis, while the Palestinian Authority has not received the clearance funds for the months of May and June. Moreover, expenditures have not been paid as they are on the commitment basis. Therefore, in light of withholding clearance funds, the reality indicates graver financial consequences and crises, due to the exacerbated financial obligations on the government and its inability to meet payment commitments.

The budget support of 1.06 billion ILS is distributed as follows: 673 million ILS through the Palestinian-European Mechanism for supporting and managing social and economic aid (PEGASE), 290 million ILS "programmed" through the World Bank, and 101 million ILS from the Kingdom of Saudi Arabia.

Public Debt and Arrears

Towards the beginning of 2025, the value of public debt amounted to 15.3 billion ILS, the highest amount in several years. Public debt is defined by law as, "the outstanding balance of government financial obligations, which are unpaid and due to settle its commitments." Public debt is divided into internal and external debt. External public debt is defined as, "the financial obligations incumbent on the government to pay in settlement of funds it has borrowed from foreign countries, bodies, and international institutions in accordance with the law". Internal public debt is defined as, "the financial obligations incumbent on the government to pay in settlement of funds it has borrowed through government bonds or from local banks or other local financial institutions".

Data from the Palestinian MOF indicate that public debt rose by the end of June 2025, reaching 15.4 billion ILS.

In addition to public debt, there are financial obligations that do not appear in the calculation of public debt in MOF reports, including:

- **Arrears:** The cumulative net arrears by the end of the first half of 2025 amounted to 17.6 billion ILS. This includes private sector arrears amounting to 6.5 billion ILS, employees' arrears, and the government and employees' shares owed to the Pension Fund.
- **Pension Fund (not mentioned in MOF report):** The value of financial obligations owed by the government to the Palestinian Pension Commission amounted to 14 billion ILS.

Consequently, the total financial obligations incumbent on the government exceeded 47 billion ILS. These obligations have reached an unprecedented level, threatening the government's ability to meet its commitments and necessitating urgent action to develop serious plans to address them and stop their accumulation.

Ministry Allocations: Health, Social Development, Education, Interior and National Security

• Expenditures of the Ministry of Health during the first half of 2025

The 2025 Ministry of Health (MOH) budget was estimated at 2.9 billion ILS, representing 15.6% of overall expenditures. This is the highest estimated MOH budget over previous years.

The total spending on the MOH during the first half of the year was 1.16 billion ILS, representing 40% of the estimate for this year.

Table No. (5) Ministry of Health expenditures during the first half of the year compared to the estimated budget

Ministry of Health	2025 Estimated budget	Realized spending on a commitment basis during the first half of 2025	Ratio of realized spending to estimated budget
Overall expenditures	2,893,071,000	1,163,184,520	40%
Wages and salaries	955,558,000	456,229,340	48%
Social contributions	84,164,000	41,514,650	49%
Use of goods and services	1,683,349,000	631,156,180	37%
Capital expenditures	40,000,000	6,568,970	16%
Development expenditures	130,000,000	27,715,390	21%

The table above indicates the expenditures realized on a commitment basis for the first half of the year. It also shows that the decrease in expenditures compared to the estimate appeared mostly in operational expenditures, capital expenditures, and development expenditures.

The value of operational expenditures realized during the first half of the year was 631 million ILS, representing 37% of the 2025 estimate. Operational expenditures include purchasing services from outside MOH, medicines, consumables, and laboratory supplies.

This decrease is attributed to several reasons, including the reduction of workdays in government clinics, as the Health Professions Union announced a reduction of workdays in government health facilities to only two days per week. Furthermore, measures were taken to reduce operational expenditures, including suspending exceptions for granting medical referrals pending the approval of a new referral system, controlling the use of government vehicles, halting the purchase of new vehicles, and a series of other measures implemented to control operational spending.

Although the decisions to control operational expenditures aim at reducing costs, imposing a ceiling on operational expenditures for all responsibility centers alike does not serve the public interest. For example, the operational expenditures and needs of MOH are entirely different from other responsibility centers. Imposing a cap on fuel usage for vehicles, for instance, might conflict with the needs of ambulances belonging to public medical centers. Therefore, operational expenditure control should be tailored to each responsibility center according to its needs and the services it provides.

Furthermore, reducing workdays negatively impacts the quality of services delivered to citizens. Moreover, reducing operational expenditures, which include medical transfers and purchasing services from abroad, is linked to the development of government services. The financial data does not reflect any development in government services, as spending in the first half of the year did not exceed 21% of the allocated budget.

• Expenditures of the Ministry of Social Development during the first half of 2025

The budget for the Ministry of Social Development (MOSD) for 2025 was estimated at 869 million ILS, constituting 5% of total expenditures, with an increase of 300 million ILS over the estimated budget for 2024.

The MOF report adds the spending on the Foundation for the Care of the Families of Martyrs and Wounded and the Ministry of State for Relief Affairs (a new ministry established during the current government, with an estimated budget of around one million ILS for 2025, half of which is wages and salaries). The comparison will be made with the total estimated budget for MOSD plus the estimated budget for the Foundation for the Care of the Families of Martyrs and Wounded and the Ministry of State for Relief Affairs.

The spending on MOSD, the Foundation for the Care of the Families of Martyrs and Wounded and the Ministry of Relief amounted to 486 million ILS on a commitment basis, representing only 31% of the estimated budget (for MOSD, the Foundation for the Care of the Families of Martyrs and Wounded, and the Ministry of Relief).

Table No. (6): Expenditures of the Ministry of Social Development during the first half of the year compared to the estimated budget

	Total budget for MOSD, Foundation for the Care of the Families of Martyrs and Wounded, and the Ministry of State for Relief	Realized spending on a commitment basis during the first half of 2025	Ratio of realized spending to estimated budget
Overall expenditures	1,508,387,000	468,907,010	31%
Wages and salaries	62,567,000	31,013,310	50%
Social contributions	6,572,000	3,219,990	49%
Operational expenditures	10,158,000	3,714,040	37%
Transfer expenditures	1,427,000,000	426,843,530	30%
Capital expenditures	90000	1400	2%
Development budget	2,000,000	4,114,740	206%

The table above indicates that the decrease in MOSD expenditures is a result of the decline in transfer expenses directed to needy families and the families of martyrs. There are several reasons for this decrease. During this year, a policy of monthly transfers was adopted, and due to the financial crisis, only four monthly payments were disbursed during the first half of the year to families in the West Bank only.

Around 31,000 families benefit from the cash assistance program in the West Bank. No transfers were made to the Gaza Strip, in which around 90,000 families were part of the program prior to the genocidal war. Due to technical obstacles, assistance has not been transferred to these families through this program, noting that their number has doubled and most families in Gaza have become impoverished.

Transfer expenses still include the payments for making 11,850 individuals full-time employees since 2005, at a monthly rate of 1500 ILS, i.e. around 106 million ILS during the first half of the year. Intensifying efforts to provide needy families with assistance under the current circumstances of deteriorating economic conditions, in which many citizens lost their jobs or sources of income, most laborers who used to work in the Israeli market are unemployed, and the number of families falling into poverty has risen, is of utmost importance. Nevertheless, many parties continue to provide aid outside the Unified Assistance Platform. This platform is the unified regulatory body for all entities providing assistance. Providing assistance outside the platform contributes to fragmenting efforts and increases the chances of duplicating assistance to some families, and depriving others.

The table also shows a decrease in operational expenditures because of the general conditions that require reducing operational spending, cutting workdays, and other measures. In the first half of the year, operational expenditures constituted 37% of the estimated budget for this year.

It should be noted that development expenditures increased due to development grants allocated to the Ministry of State for Relief Affairs.

• Expenditures of the Ministry of Interior and National Security Forces during the first half of 2025

The budget for the Ministry of Interior (MOI) and National Security Forces (NSF) was estimated at 3.9 billion ILS, i.e. 193 million ILS higher than the 2024 estimate, representing 21% of total expenditures. It includes 3.4 billion ILS in wages and salaries and 400 million ILS for operational expenditures.

In fact, the budget for the security sector was not reduced, and operational expenditures even increased compared to the 2024 estimate. The security budget continues to claim the largest share of the budget. Despite the government's stated approaches to review expenditures in the security sector, the estimated budget does not reflect a trend towards reduction or review. It is noted that the number of employees in the security services is inflated, with around 53,000, of whom 17,000 are in the Gaza Strip and 36,000 are in the West Bank. This means that almost 5% of the workforce in the West Bank and Gaza Strip work in the security sector.

Table No. (7): Expenditures of the Ministry of Interior and the National Security Forces during the first half of the year compared to the estimated budget

Ministry of Interior and the National Security Forces	2025 Estimated budget	Realized spending on a commitment basis during the first half of 2025	Ratio of realized spending to estimated budget
Overall expenditures	3,944,517,000	1,893,852,440	48%
Wages and salaries	3,166,985,000	1,514,372,080	48%
Social contributions	307,980,000	151,823,050	49%
Use of goods and services	406,621,000	182,557,880	45%
Capital expenditures	8,780,000	934,430	11%
Development expenditures	54,151,000	44,165,000	82%

The table above indicates that the expenditures realized during the first half of the year amounted to 48% of the estimated budget, since more than 88% of the budget is allocated to wages, salaries, and the associated social contributions. Despite the "zero net hiring" policy, except for the education and health sectors, and job rotation measures, several job vacancies in the security sector were announced this year, including for the Palestinian Presidential Guard and drivers, in addition to announcements for recruitment into the NSF. Consequently, the payroll budget for the security sector has not decreased.

Over previous years, the amounts estimated in the Budget Law for the security sector have been exceeded, with spending higher than allocated. This suggests that spending on the security sector will exceed the amount allocated in the Budget, as in 2024, the realized expenditures for the security sector exceeded the estimate by 7%.

The table indicates an increase in development expenditures of the security sector, as 82% of the estimated development budget has been spent during the first half of the year. It is worth noting that the overall realized development expenditures for all ministries did not exceed 27% of their respective budgets.

• Expenditures of the Ministry of Education and Higher Education during the first half of 2025

The 2025 budget for the Ministry of Education and Higher Education (MOEHE) amounted to 3.5 billion ILS, constituting 19.3% of the overall public expenditures in the 2025 Public Budget. Meanwhile, the expenditures on a commitment basis during the first half of the year reached 1.7 billion ILS, representing 50% of the estimated budget.

Table No. (8): Expenditures of the Ministry of Education and Higher Education during the first half of the year compared to the estimated budget

Ministry of Education and Higher Education	2025 Estimated budget	Realized spending on a commitment basis during the first half of 2025	Ratio of realized spending to estimated budget
Overall expenditures	3,576,651,000	1,776,160,090	50%
Wages and salaries	2,899,496,000	1,458,081,110	50%
Social contributions	323,174,000	160,502,230	50%
Use of goods and services	258,380,000	101,178,820	39%
Transfer expenditures	30,000,000	5,086,630	17%
Capital expenditures	100,000		0%
Development expenditures	65,500,000	51,311,320	78%

The table above indicates that 50% of the wages and salaries, and the social contributions for the first six months of the year were disbursed, the entire amount allocated to the Ministry, while only 17% of transfer expenses were spent, noting that those include the allocations for scholarships.

It is worth noting that the estimated developmental expenditures refer to the developmental expenditures from the Treasury, while actual spending also includes external funding. During the first half of the year, the funds collected through the Joint Financing Arrangement (JFA) basket fund designated for the education sector were spent. It is important to note that the JFA basket fund is specifically dedicated to providing developmental support to MOEHE. On 13 May 2025, an agreement was signed to support education through this basket fund for the years 2025-2027.

Due to the financial crisis and the failure to commit to paying teachers' salaries during 2025, the working hours for teachers in public schools were reduced to 3 days out of 5, representing 60% of the regular schedule.

Conclusions

The budget performance during the first half of the year reveals the success of the Palestinian government in reducing total expenditures, with realized spending amounting to 44% of the estimated budget, specifically in operational and transfer expenditures, resulting from some measures. However, upon scrutiny, it becomes evident that the core issues requiring remedy have not yet been addressed. The payroll remains high, accounting for over 50% of the budget; no work has been done to reduce spending on the wages and salaries item.

Although overall expenditures decreased, scrutiny of the decreases shows they were concentrated in transfer expenditures, which include assistance to poor families, allocations for the families of martyrs, pensioners, and other transfers benefiting third parties. This means the reductions came at the expense of citizens and the poor, affecting the services they receive. On the other hand, operational expenditures were reduced by cutting workdays and other measures such as not paying for public service costs, which affected the quality of services citizens receive, in addition to reducing capital expenditures, although their overall estimated amount is not significant.

The report also revealed the following conclusions:

- The report showed an improvement in openness and transparency, as the Budget Proposal was presented to some representatives of civil society organizations, including members of the Civil Society Team for the Enhancement of Public Budget Transparency, and was published on the legislation platform prior to approval.
- The overall funds that Israel withholds exceeded 10.5 billion ILS, while it continues to deduct clearance funds, some of which go to compensate Israeli families under the pretext that they were harmed by Palestinian operations.
- Israel has withheld all clearance revenues since May 2025, depriving the Treasury of 68% of its resources.
- The total financial obligations incumbent on the government amount to around 47 billion ILS, posing a real threat to the government's performance and to the funds it manages, such as the Pension Fund. Furthermore, the accumulation of arrears in the absence of mechanisms or repayment plans threatens the government's ability to meet its obligations.
- Operational expenditures in MOH decreased during the first half of the year, reaching 37% of the 2025 estimate. Operational expenditures include purchasing services from outside MOH, medicines, consumables, and laboratory supplies. There are several reasons for the decrease in these expenditures, including the reduction of workdays in government clinics following the Health Professions Union's decision to reduce workdays in government health facilities to only two days per week.
- Reducing expenditures on MOH under the current circumstances and amid the genocidal war on Gaza does not necessarily reflect the required budget, as numerous interventions that require increasing MOH's budget are necessary because of the current situation. Those include the necessary reconstruction, providing health supplies in Gaza Strip hospitals, reconstructing health facilities at both Jenin Government Hospital and Jenin Health Insurance building, and replacing damaged ambulances, in accordance with the government's emergency plan.

- The decrease in the expenditures of MOSD resulted from the decline in transfer expenditures directed to needy families and the families of martyrs. This decrease is attributed to several reasons, including the adoption of a monthly transfer policy and the disbursement of only four monthly payments during the first half of the year because of the financial crisis, and only to families in the West Bank. The number of families benefiting from the cash assistance program in the West Bank is approximately 31,000 families, while no transfers were made to around 90,000 families in Gaza, registered prior to the genocidal war. Due to technical obstacles, transfers were not made to these families through this program, although their number has doubled and most families in Gaza have become impoverished.
- Unlike other ministries, the security sector budget was not reduced, and operational expenditures increased compared to the 2024 estimate. Security spending still claims the largest share of the budget (21%). Despite the "zero net hiring" policy, except for the education and health sectors, and job rotation measures, several job vacancies in the security sector were announced this year, including for the Palestinian Presidential Guard and drivers, in addition to announcements for NSF recruitment. Consequently, the payroll for the security sector has not decreased.
- The financial crisis deepened in 2025, especially as Israel withheld all clearance revenue transfers, heralding a structural collapse in public services, for which indicators include reduced workdays in public institutions, reduced school days to 60%, and reduced workdays in MOH.
- Public debt servicing increased significantly in 2025 and is expected to continue rising given the size of the public debt and government obligations, placing an additional burden on the Treasury.

Recommendations

- Intensify campaigns to pressure Israel to release Palestinian funds, including appealing to international courts and friendly countries to lobby with Israel and demand it releases Palestinian financial rights.
- Control spending in several areas, including developing serious plans to address the inflated payroll bill through multiple pathways, ensuring social justice, complying with the Reform Agenda's zero-hiring policy, seeking to resolve the Pension Fund's debts, and stopping appointments under the contract system to help stop the payroll inflation.
- Reform the tax system by adhering to the Reform Agenda, broaden the tax base without increasing the tax burden on taxpayers, amend the Income Tax Law, enforce the Value-Added Tax Law while considering social justice standards, activate governance in Property and Education taxes, and combat tax evasion and tax and customs avoidance.
- Review quasi-salaries and implement programs that reduce their cost on the Treasury while maintaining the income and dignity of the beneficiaries of government support programs.
- Address the indebtedness to the Pension Commission by amending the Pension Law, so that the Commission becomes responsible only for employees retired under the Civil Service Law. Other employees who have not served the minimum years of service shall be subject to other laws (such as military and diplomatic services, ministers, legislative council members, governors, and PLO staff), and shall remain the responsibility of MOF until other solutions are found.
- Develop a serious plan for a gradual disengagement from the Israeli economy, implementing projects that support increasing local revenues, replacing imports from Israel by supporting local production, and adopting a strategic approach towards expanding the production base and transitioning to alternative energy.
- Support the policy of redefining priorities in the budget to address existing challenges and strengthen steadfastness, providing specific budgets to ensure social protection for the most vulnerable groups, and enhancing the steadfastness of citizens, especially in the Jordan Valley and areas (C).
- Adopt a comprehensive and mandatory health insurance system to provide revenue for the health insurance fund.



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.