



Survey of Transparency and Inclusiveness Practices in the Palestinian Public Budget Management

July 2018



The Coalition for Accountability and Integrity (AMAN) expresses its profound thanks to Dr. Nasser Abdul Karim for preparing this report. AMAN would also like to thank Dr. Azmi Shuaibi, Consultant to AMAN's Board of Directors for Anti-Corruption Affairs, for reviewing and editing the report.

All rights reserved © The Coalition for Accountability and Integrity (AMAN)

When quoting, please cite the report as follows:

The Coalition for Accountability and Integrity (AMAN). (2018). Survey of Transparency and Inclusiveness Practices in the Palestinian Public Budget Management. Ramallah, Palestine.

AMAN has made efforts to verify information in this report. Following publication, AMAN does not assume any responsibility for using this information for purposes beyond the context and goals of the report.

Introduction

The importance of the public budget derives from the fact that it reflects an inclusive expression of the political, economic and social programme of the State's functions. The public budget is a key tool of public financial management, which has direct and indirect reflections and consequences on all living conditions of citizens. Because they are the main contributors to the public budget revenues and impacted by budgeting policies, citizens have the right to access, participate in, and monitor the implementation of, the public budget preparation. In all stages of the budgeting process, transparency and access to fiscal information are essential prerequisites to enable public participation and impact the three phases of the budget process. Both requirements are also key to promoting government accountability for informed public financial management.

The International Budget Partnership (IBP) adopts eight key budget documents, which must be published to ensure public budget transparency. The IBP started to implement the OBS in many countries. The 2017 survey evaluated 115 countries across six continents.

The Open Budget Survey (OBS) is informed by a comparative assessment of the degree of transparency and accountability practised by governments in their budget cycles. The OBS questionnaire examines the budget transparency system and assesses the three main pillars of the budget accountability system: public availability of budget information; opportunities for the public to participate in the budget process; and the role and effectiveness of formal oversight institutions.

The OBS comprises five sections: (1) Public Availability of Key Budget Documents (Pre-Budget Statement; Executive's Budget Proposal and supporting documents for the Executive's Budget Proposal; Enacted Budget; Citizens Budget; In-Year Reports; Mid-Year Review; Year-End Report; and Audit Report); (2) Comprehensiveness of the Executive's Budget Proposal; (3) comprehensiveness of other key budget documents; (4) Role and Effectiveness of Oversight Institutions in the Budget Process; and (5) Public Engagement in the Budget Process.

The OBS questionnaire consists of 142 questions designed to assess the budget transparency system, distributed to four sections (sections 2 through 5). **The questions assess the public availability and comprehensiveness of the key budget documents. The majority of the survey questions assess what occurs in practice, rather than what is required by law.**

This report assesses the practices of transparency, partnership and accountability for the Palestinian public budget management. The assessment is in line with the standards and indicators set by the methodology of the Open Budget Survey (OBS) of the International Budget Partnership (IBP). The report presents recommendations that contribute to improving and developing each of the four stages of the public budget management process (budget formulation, enactment, execution, and audit). Unless otherwise indicated, the fiscal year of the public budget is 2018.

Methodology for preparation of the report

This survey is premised on the Open Budget Survey (OBS) of the International Budget Partnership (IBP).

The methodology for preparing this assessment report involves a review of the OBS standards and indicators. These international benchmarks are compared to the Palestinian budgeting experience in practice, including the four stages of the public budget management process. To clarify the intended meaning, an OBS standard, indicator or question is quoted *verbatim* from the Guide to the Open Budget Questionnaire, together with relevant guidelines. The review and comparison are based on the key budget documents of the Palestinian National Authority (PNA), posted on the website of the Palestinian Ministry of Finance and Planning (MoFP). The process is also informed by relevant literature published by the Civil Society Team for Enhancing Public Budget Transparency, international organisations, and local research centres. It should be noted that some of the 142 questions of the OBS questionnaire do not apply to the Palestinian context. OBS indicators are modelled on the best practices to ensure budget transparency.

Stages of Palestinian budget preparation and enactment process

According to the Law on the Regulation of the Public Budget No. 7 of 1998, the public budget preparation and enactment process is as follows:

1. The MoFP develops a report on the fiscal position on 1 May.
2. The Council of Ministers compiles fiscal policies of the next fiscal year in June.
3. The MoFP prepares the economic framework of the public budget in June.
4. The MoFP issues the budget circular for all responsibility centres on 1 July.

The budget circular includes MoFP instructions on the budget process and a distribution of budget ceilings to line ministries/government bodies. These ceilings are predefined by the Council of Ministers for line ministries/government bodies (in August). Line ministries and government bodies prepare relevant budget proposals in line with their established ceilings.

5. The MoFP examines and compiles budget proposals of all line ministries and government bodies into the PNA budget proposal. The latter is presented to the Council of Ministers on 1 October.
6. The Council of Ministers examines the budget proposal within two weeks and presents to the Palestinian Legislative Council (PLC) on 1 November.
7. The PLC Budget Committee examines and deliberates the budget proposal over a period of one month. Then, the PLC convenes in an ad hoc session to approve and enact the budget proposal in the form of a law.
8. The President endorses the Public Budget Law.

Key documents of the Palestinian public budget process

1. Budget Circular;
2. Budget Proposal Summary;
3. Citizens Budget;
4. Enacted Budget;
5. In-Year (Monthly and Quarterly) Reports;
6. Mid-Year Review of the Fiscal Year;
7. Year-End Report; and
8. Final Accounts Audit Report.

Assessment of the Palestinian public budget process in light of the guidelines of the OBS methodology: International good practice in the public budget management process

Section 1: Public Availability of Key Budget Documents

This section examines transparency of the budget system, with a particular focus on the key budget documents. According to international good practice, these documents must be made publicly available. This section is premised on a set of indicators, as follows:

Indicator: Public availability and timely publication of key budget documents

In line with this indicator, key budget documents include the Pre-Budget Statement; Executive's Budget Proposal and supporting documents for the Executive's Budget Proposal; Enacted Budget; Citizens Budget; In-Year Reports; Mid-Year Review; Year-End Report; and Audit Report.¹

Pre-Budget Statement

The PBS presents the executive's economic and fiscal policy plans for the forthcoming budget year and encourages debate on the budget in advance of the presentation of the more detailed Executive's Budget Proposal. The Pre-Budget Statement reflects the culmination of the strategic planning phase of the budget process, in which the executive broadly aligns its policy goals with the resources available under the budget's fiscal framework – the total amount of expenditure, revenue, and debt for the upcoming budget year. This process establishes the parameters of the budget proposal before detailed programme funding decisions are made. By laying out the budget's broad parameters, the statement can help create appropriate expectations for the Executive's Budget Proposal. The Pre-Budget Statement can also be associated with a medium-term expenditure framework, which seeks to link policy, planning, and budgeting over a multi-year period.

Best practice recommends that the Pre-Budget Statement include: macroeconomic forecasts upon which the budget will be based; major revenue and expenditure policies and priorities that will guide the development of detailed estimates for the upcoming budget; and multi-year revenue and expenditure projections.

The OBS methodology requires that for a PBS to be considered publicly available, the Pre-Budget Statement must be made available to the public one month before the Executive's Budget Proposal is submitted to the legislature for consideration.

In the Palestinian context, the Budget Circular corresponds to the Pre-Budget Statement. It is produced by the MoFP and Council of Ministers and distributed for internal purposes. However, the Budget Circular is not made available to the public and civil society organisations.

¹ Publicly available budget documents are defined as those documents that are published on the website of the public authority issuing the document within the time frame specified in the OBS methodology and that all citizens are able to obtain free of charge.

Is the PBS made available to the public? While the Citizens Budget was initially conceived as a simplified version of the Executive's Budget Proposal or the Enacted Budget, good practice is now evolving and suggests that a "citizens" version of key budget documents should be produced during each of the four phases of the budget cycle. This would serve to inform citizens of the state of public financial management throughout the entire budget cycle. While it is recognized that it may be unreasonable to expect that a Citizens Budget is produced for each and every one of those key documents, it seems acceptable to expect that according to good practice, the executive releases a Citizens Budget for each of the four stages of the budget process to allow citizens to be aware of what is happening, in terms of public financial management, throughout the entire budget cycle. Accordingly, international good practice of the public budget process requires that a "citizens" version of each budget document be published for each of the four stages of the budget process (budget formulation, enactment, execution, and audit).

Executive's Budget Proposal (EBP) and its Supporting Documents

The Executive's Budget Proposal is the government's major statement on fiscal issues for the budget year that is about to begin. This document includes detailed revenue, expenditure, and debt estimates; macroeconomic assumptions, historical and multi-year budget data; and public policy information. The EBP is one of the most important policy documents that a country issues each year, for it is through the budget that governments translate many of their key policy goals into action. The nature of the Executive's Budget Proposal can vary from country to country; sometimes it is a single document, and sometimes it is a collection of multiple documents. It is important that the Executive's Budget Proposal is transparent because its proposals determine revenues (how much citizens pay in taxes), expenditures (how government resources are distributed among citizens), and debt (how much of the cost of government is borne by current or future generations). To allow for an informed public and legislative discussion on the budget, best practice calls for the executive to provide a full explanation of its taxation, spending, and borrowing plans well in advance of its enactment.

Article 21 of the 1998 Law on the Regulation of the Public Budget provides that the draft law on the public budget will comprise, inter alia:

1. A table showing in brief the re-estimation of revenues and expenditures up to the last two years in advance of the budget year according to the chapters and parts in line with the approved sorting.
2. A table showing in brief the financial and cash position for the account of the public treasury.
3. A table showing the credits and debits or local or foreign short or long term loans of the National Authority as well as the proposed plans for its collection or settlement.
4. A table showing the contributions and investments of the National Authority in the local and none local entities and companies.
5. A brief description of the National Authority's programmes, plans and objects for the coming fiscal year within the statement of the budget which is submitted by the Minister.

When is the EBP submitted to the legislature for consideration? According to Article 3(a) of the 1998 Law on the Regulation of the Public Budget, the public budget proposal must be submitted to the PLC for consideration, approval and enactment at the beginning of November. In Palestine, the fiscal year starts on 1 January and ends on 31 December of every year. The Public Budget Law must be enacted on 1 January 2018.

The MoFP presented the 2018 Executive's Budget Proposal to ministers at the Council of Ministers' meeting on 6 February 2018. The budget proposal was also presented to some representatives of parliamentary blocs in the West Bank-based PLC in February 2018. Later, the government presented the budget proposal to some businesspeople from the private sector as well as to representatives of the donor community. The Public Budget Law of the current fiscal year was enacted on 4 March 2018. Civil society organisations, particularly the Civil Society Team for Enhancing Public Budget Transparency, were not given a sufficient opportunity to access and review the public budget proposal. The Team includes the majority of specialised civil society organisations in the budget in relation to the sectors for which they are responsible. According to the National Policy Agenda 2017-22, the government is committed to strengthening accountability and openness to citizens and facilitating public access to information. The government stresses that it provides access for, and engages, the civil society in the planning and budgeting processes. If it happens, public engagement in the budget process is formal, partial and selective, only targeting some civil society organisations.

Also, contrary to provisions of the 1998 Law on the Regulation of the Public Budget, the 2017 public budget proposal was not submitted to the PLC in early November 2016, but in January 2017. The budget proposal was presented in a meeting with a number of representatives of the private sector and civil society. However, the presentation did not maintain an inclusive approach to the budget process. Promoting transparency of the public budget requires active participation by all civil society actors. The government must be effectively committed to the principle of inclusiveness in planning and budgeting process, particularly in the absence of the PLC role.

Most often, the government does not comply with the statutory deadlines set for the public budget submission. According to the Law on the Regulation of the Public Budget No. 7 of 1998, the government must submit the budget proposal to the PLC for approval in early November of the year to which it corresponds; that is, two months in advance of the beginning of the fiscal year in Palestine on 1 January of every year.

The law allows the government to delay budget approval until 31 March. This means that administrative units (line ministries and government bodies) will work for three months – i.e. a quarter of the fiscal year – following the same of the pattern of the foregoing budget. Article 4 of the Law on the Regulation of the Public Budget No. 7 of 1998 provides that “[i]f it is not possible to pass the public budget draft law prior to the beginning of the new fiscal year, the Ministry shall have the authority to collect the revenues according to the mechanisms, conditions and rates provided for in the legislation in force and the expenditure shall continue through monthly appropriations at the rate of 1/12 (one out of twelve) for each month of the past fiscal year’s budget to a maximum period of three months.” However, the question remains: Why is not the government up to date with the approval of the budget? What does it take a relatively long time (almost a quarter of the fiscal year)? Is there a rationale or economic, social or political feasibility for such a delay?

When is the EBP submitted to the legislature for consideration? Is there a “citizens version” of the EBP? The OBS methodology requires that for an EBP to be considered publicly available, it must be made available to the public while the legislature is still considering it and before the legislature approves (enacts) it. In Palestine, a public budget proposal is not made available to the public and civil society organisations.

Enacted Budget

The Enacted Budget is a document (a budget or appropriation) that is typically approved by the legislature (Note that the PLC is currently inactive), after debating the executive's (Council of Ministers') proposed budget. The Enacted Budget is the starting point for monitoring the execution phase of the budget in terms of revenues, expenditures, programmes, and policies.

When was the Enacted Budget approved (enacted) by the legislature? The OBS methodology requires that for an Enacted Budget to be considered publicly available, it must be made available to the public three months after the budget is approved by the legislature. If the EB is not released to the public at least three months after the budget is approved by the legislature, the Enacted Budget is not released to the public. In Palestine, the Enacted Budget is published on the MoFP website within the acceptable time frame. However, publication is still late because the Enacted Budget is not approved within the statutory deadline; i.e. 1 January of the year to which the Enacted Budget corresponds.

Is there a “citizens version” of the Enacted Budget?

Citizens Budget

A Citizens Budget is a nontechnical presentation of a budget document. It is designed to reach and be understood by as large a segment of the population as possible. It is typically written in accessible language and incorporates visual elements to help non-specialist readers understand the main information concerning revenues and expenditures in the public budget. The Citizens Budget document must be issued within the time frame specified by the OBS methodology, ensuring that all citizens are able to obtain it free of charge.

Shortly before the 2011 public budget was enacted, the Civil Society Team for Enhancing Public Budget Transparency submitted a proposal to the Minister of Finance to adopt and issue the Citizens Budget. Then, the Minister agreed and issued instructions to the Directorate General of the Public Budget to cooperate the Civil Society Team for Enhancing Public Budget Transparency. For the first time in Palestine, the Citizens Budget was released in 2011 and 2012. It was further developed into the Citizens Guide in 2013. However, the Citizens Budget was not published in 2014 and 2015. The Civil Society Team for Enhancing Public Budget Transparency took the initiative and prepared the Citizens Budget in 2016.

A “citizens version” of the 2017 public budget was only published at the time the budget proposal was submitted to the PLC in January 2017. Under pressure from the Civil Society Team for Enhancing Public Budget Transparency, the government (or MoFP) published the Citizens Budget together with the enacted 2018 budget on the Ministry’s website as an online version. What is the public availability status of the Citizens Budget? The Citizens Budget is made available as an online version only on the MoFP website. A hard copy is not published nor distributed to citizens and civil society organisations, however. This means that citizens without internet access cannot visit the MoFP website and review the Citizens Budget. This is the only “citizens version” produced and made available to the public. “Citizens versions” of in-year reports are not published. These should make clear the cold numbers presented in monthly and quarterly reports which are posted on the MoFP website, ensuring they are user-friendly and easily understood by the non-specialist audience. Also, “citizens versions” of mid-year reviews are not released, let alone making them publicly available. “Citizens versions” of year-end and audit reports are further lacking.

In-Year Reports

In-Year Reports are issued during the year as the budget is being executed. They are intended to show the executive's progress in implementing the budget. They typically show actual expenditure by administrative unit (ministries, departments, or agencies), to ensure that they are held accountable for their expenditure. In some countries, the information is consolidated into one report, which is typically issued by the ministries of finance. The OBS methodology requires that for In-Year Reports to be considered publicly available, In-Year Reports must be made available to the public no later than three months after the reporting period ends.

The Palestinian executive (MoFP) is credited for publishing monthly and quarterly in-year reports on the MoFP website. However, these reports are criticised for presenting cold numbers without any attached explanations or clarifications by the Ministry, ensuring they are user-friendly and easily understandable by the non-specialist audience.

Mid-Year Review

The Mid-Year Review provides a detailed explanation of the state of the budget six months into the budget year. In order to ensure that programmes are being implemented effectively and to identify any emerging problems, the government should conduct a comprehensive mid-year review of the budget's implementation about six months into the budget year. This review should assess the state of the economy relative to the initial macroeconomic forecast and update the economic projections for the remainder of the year. The Mid-Year Review should provide updated estimates of expenditure, revenue, and debt, reflecting the impact of actual experience to date and revised projections for the full fiscal year. Revised estimates in the Mid-Year Review should also

reflect both economic and technical changes as well as new policy proposals, including the reallocation of funds between administrative units, with a comprehensive explanation of any estimate adjustments. Issues such as cost increases due to inflation or any unexpected events should be identified and appropriate counter measures should be proposed.

The public release of a Mid-Year Review is intended to promote accountability and sound management. In this context, the government can be said to have implemented any of the following options:

- Produced but made available online to the public too late (published after the acceptable time frame)
- Produced but made available only in hard copy or soft copy (not available online)
- Produced for internal purposes/use only
- Not produced at all

The OBS methodology requires that for an Mid-Year Review to be considered publicly available, it must be made available to the public no later than three months after the reporting period ends (i.e., three months after the midpoint of the fiscal year). The Mid-Year Review must be published on the website of the public authority issuing the document. It must be made available on the Internet and free of charge to be considered publicly available.

In the Palestinian context, mid-year reviews are neither issued nor made publicly available. Only cold numbers are issued and presented in aggregate monthly and quarterly reports on the MoFP website.

Year-End Report

This is a key accountability document produced and published by the executive (or MoFP). It reports extensively on the government's performance on implementing the budget during the entire fiscal year. The report ought to cover all of the major items included in the budget, explaining differences between the original budget estimates and the actual outcomes for expenditure, revenue, debt, and the macroeconomic assumptions. These reports should also review nonfinancial performance information. They can also include a financial statement.

The OBS methodology requires that for an Year-End Report to be considered publicly available, it must be made available to the public no later than one year after the fiscal year to which it corresponds. If the Year-End Report is not released to the public within one year after the end of the fiscal year to which it corresponds, the Year-End Report is considered as if it has not released to the public, or is released more than 12 months after the end of the budget year.

Annual reports published on the MoFP website covers the fiscal years 2011-2017. However, these fall short of the standards of the mid-year reports mentioned above. The MoFP reports are nothing but cold numbers, which represented the government's fiscal statistics. They are only available in Arabic for some years, namely, 2011, 2015, and 2017, for the fiscal year ending in 31 December of the year to which the reports correspond. Mid-year reports of 2013, 2014 and 2016 are published in English only. Although it is published on the MoFP website, the year-end report of 2012 is unintelligible. Contrary to the OBS methodology, all year-end reports are not made publicly available in any manner, either in hard copy or online.

Audit Report

At the end of each fiscal year, a country's Supreme Audit Institution (SAI) performs an annual audit of the final accounts. The Audit Report is a document produced by the SAI as a result of its audit activities, and evaluates the legality and regularity of the government's financial management and accounting in relation to compliance or performance.

The OBS methodology requires that for an Audit Report to be considered publicly available, it must be made available to the public no later than 18 months after the end of the fiscal year to which it corresponds. According to OECD best practices, the SAI should complete these audits within six months of the end of the budget year for administrative units.

When is the AR made available to the public? According to the OBS methodology, the Audit Report can be made publicly available in line with one of the following options:

- Six months or less after the end of the budget year;
- 12 months or less, but more than six months, after the end of the budget year;
- More than 12 months, but within 18 months, after the end of the budget year; or
- Does not release to the public, or is released more than 18 months after the end of the budget year

Only one audit report on the 2009 final accounts was published by the Palestinian State Audit and Administrative Control Bureau (SAACB). This is posted on the MoFP website. Let alone the fact that it is the last one published on the Ministry website, the report is not available to the public because it is unintelligible.

Official sources confirm that publication of audit reports for the years 2012-2016 was delayed. Finally, the SAACB published the 2017 report. However, this report is not publicly available At the time of preparation of the present survey.

General Questions

The following questions ask about government practices and laws that relate to issues of transparency and citizens' access to budget and non-budget information.

a. A limited number of websites that publish public budget data

Are there one or more websites or web portals for disseminating government fiscal information? The only website is hosted by the Palestinian MoFP.

Covering a number of previous years, fiscal data posted on the MoFP website include abstract and clod numbers, which do not provide any "citizens versions". The MoFP website does not post pre-budget statements, citizens budgets, or in-year reports of previous years. Revenue and expenditure data for the current fiscal year can be downloaded as a file. The MoFP website does not include infographics/visualisations to simplify data access and analysis. The 2018 citizens budget includes some statistical visualisations, but these are rather simple.

On these websites/portals, can revenue and expenditure data for the current fiscal year be downloaded as a consolidated file (or set of files)? On these websites/portals, can consolidated revenue and expenditure data be downloaded for multiple years in consistent formats? On these websites/portals, are infographics/visualizations or other similar tools used to simplify data access and analysis?

Through websites/portals on the MoFP webpage, revenue and expenditure data can be downloaded for the current fiscal year as a consolidated file or set of files. On these websites/portals, consolidated revenue and expenditure data can be downloaded for multiple years in consistent formats. However, these data is just abstracts of the public budget; i.e. data is not adequately detailed. Infographics/visualizations or other similar tools are not used to simplify data access and analysis on these websites/portals.

b. Lack of additional laws on access to information, government transparency and public engagement in the public budget preparation process.

There are there additional laws regulating: (1) access to information; (2) government transparency; or (3) citizens participation. Some laws have already been enacted, including the Law on Combatting Corruption No. 1 of 2005. After the Law by Decree Concerning the Amendment of the Law on Illicit Gains was approved and promulgated by the President of the Palestinian National Authority on 20 June 2010, the Commission for Illicit Gains was transformed into the Anti-Corruption Commission. The Law on the State Audit and Administrative Control Bureau was enacted in 2004.

However, there are no laws on the right of access to information, government budget transparency, and public engagement in the budget preparation process. An example is the Law on the Right of Access to Information.

Section 2: Comprehensiveness of the Executive's Budget Proposal

This section assesses the content of the Executive's Budget Proposal. The Executive's Budget Proposal typically receives more attention – from the legislature, the media, and the public – than any other budget document that the executive regularly releases. This heightened level of attention makes it essential that the Executive's Budget Proposal and any supporting budget documentation are made widely **available and provide clear and comprehensive information**. The Executive's Budget Proposal is one of the most important policy documents that a country issues each year, for it is through the budget that governments translate many of their key policy goals into action. It is important that the Executive's Budget Proposal is transparent because its proposals determine revenues (how much citizens pay in taxes), expenditures (how government resources are distributed among citizens), and debt (how much of the cost of government is borne by current or future generations). To allow for an informed public and legislative discussion on the budget, best practice calls for the executive to provide a full explanation of its taxation, spending, and borrowing plans well in advance of its enactment.

Expenditure classification in the Executive's Budget Proposal

Does the Executive's Budget Proposal present expenditures for the budget year by administrative units, functional classification, or economic classification? Does the Executive's Budget Proposal present expenditures for individual programmes for the budget year? Does the Executive's Budget Proposal present expenditure estimates for a multi-year period (at least two-years beyond the budget year)?

There are three different types of expenditure classification: (1) Administrative unit – who spends the money; (2) functional classification – for what purpose is the money spent; e.g. education and health; and (3) economic classification – what is the money spent on. The latter covers current expenditure (spending on wages and salaries) or capital expenditure (e.g. spending on capital and development projects or transfer expenditure, such as social subsidies).

Unlike classification by administrative unit, which tends to be unique to each country, functional and economic classifications for government budgeting have been developed and standardised by international institutions. Cross-country comparisons are facilitated by adherence to these international classification standards. Classification by administrative unit allows to hold administrative units to account for expenditure and how allocated money is used.

Based on the classification system used to implement the Palestinian central government budget and relevant reports, the MoFP prepared the 2018 budget in reference to administrative and economic classifications, using Government Finance Statistics (GFS). This indicates that the planning and budgeting process in Palestine has improved. It is noted that the 2018 budget presents expenditure by administrative classification on the level of responsibility centres. Data is presented on responsibility centre level in the form of an economic classification: wages and salaries, use of goods and services (operating expenditure), social contributions, and capital expenditure. The public budget also presents expenditure by functional classification (i.e. by government functions or purpose of the programmes, sector or objective for which money will be used: education, health, agriculture, security, etc.).

If the Executive's Budget Proposal or any supporting budget documentation presents expenditures for the budget year by economic classification, the economic classification must be compatible with international standards; i.e. with the International Monetary Fund's (IMF) 2001 Government Finance Statistics (GFS). Also, administrative and functional classification must be consistent with international standards. It is noted, however, that the economic classification of the Palestinian budget, both proposed and enacted, falls short of the level of international economic classification in terms of comprehensiveness and detailed content. For example, expenditures and revenues are shown as aggregate numbers, without a breakdown into their respective subcategories. On the other hand, 2018 monthly and quarterly reports (January-May) are in line with the GFS and provide comprehensive and detailed information in terms of expenditures and revenues. This positive point should be noted for the Palestinian public budget, indicating commitment to international standards set by the IMF-issued OBS.

To assess the public budget in terms of returns (benefits) and cost, the public budget should be a programme budget, where the performance of each individual programme is assessed. In this context, the Palestinian government is credited for adopting the programme budget. Expenditures are presented by programmes of each line ministry, government body or public institution. A programme can be any level of detail below an administrative unit, such as line ministry and government body). For example, the Ministry of Health's budget can be broken down into multiple programmes, including primary health care, secondary health care, mental health, and administration and governance. However, monthly, quarterly and annual reports published on the MoFP website only present total numbers, which are not aligned with relevant objectives and programmes (e.g. the latest May report on the 2018 budget). In addition, the Executive's Budget Proposal does not present expenditure estimates for a multi-year period (at least two-years beyond the budget year) by administrative unit, economic classification or functional classification. According to the OBS methodology, the Executive's Budget Proposal or any supporting budget documentation must present expenditure estimates for a multi-year period (at least two-years beyond the budget year) by any of the three expenditure classifications (by administrative, economic, or functional classification).

Revenue breakdown in the Executive's Budget Proposal

The goal is to assess the degree to which the revenue are disaggregated in the budget by category (e.g. tax and non-tax revenues); assess the degree to which the individual sources of “tax” revenue are disaggregated in the budget (e.g. taxes on personal and business income and taxes on goods and services, such as sales or value-added taxes); and assess the degree to which the individual sources of “non-tax” revenue are disaggregated in the budget (e.g. grants from international institutions and foreign governments to funds raised through the sale of government-provided goods and services). The Executive's Budget Proposal or any supporting budget documentation must present of individual sources of tax and non-tax revenues.

Revenues generally are separated into two major categories: “tax” and “non-tax” revenues. Taxes are compulsory transfers from juridical and natural persons to the State's treasury and result from government exercising its sovereign power. The largest sources of tax revenue in some (developed) countries are taxes on personal and business income (i.e. direct taxes on income) and indirect taxes on goods and services, such as sales or value added taxes.

A close look at the Law by Decree on the Palestinian Public Budget of 2018 shows that Article 1 provides estimates of budget revenues and expenditures for the fiscal year ending on 31 December 2018. However, this article only shows aggregate numbers of revenues and expenditures. Also, the summary of the 2018 baseline budget and previous budgets only presents aggregate numbers of revenues and expenditures. In other words, tax revenues are not disaggregated by their individual sources. In the best case scenario, the 2018 fiscal position of the PNA shows tax and non-tax revenues as aggregate numbers without a breakdown into individual sources. However, individual sources of direct and indirect tax revenues, as well as individual sources of non-tax revenues, are presented in monthly and quarterly reports only (e.g. January-May 2018 reports). On the other hand, the Executive's Budget Proposal and Enacted Budget do not show tax and non-tax revenues disaggregated by their individual sources.

Contrary to the OBS methodology, it is noted that property income and sales of government-produced goods and services are not available in the 2018 Budget Law by Decree, published on the MoFP website. These revenues do not appear in monthly and quarterly reports. Government held assets are presented in a financial document, titled *The Annual Questionnaire of Government Finance Statistics (Statistical Tables) of 2017*.

Although it is the only document that shows public sector expenditures and revenues, this document includes undecipherable clod numbers, including of property income and public sector sales, assets and liabilities. However, this questionnaire is an exceptional case; it has not recurred in other fiscal years.

According to the OBS methodology, the Executive's Budget Proposal or any supporting budget documentation do not present direct and indirect tax revenue estimates for a multi-year period (at least two-years beyond the budget year). Estimates for all revenue sources for a multi-year period are not shown as well. This may be attributed to a special situation. Namely, a state of political and economic uncertainty and instability prevails in Palestine due to the Israeli occupation and practices that ran counter the Palestinian economy growth and development. This situation does not prevent such estimates for a multi-year period, but for a single fiscal year. As successive Israeli governments have done, it suffices that Israel withhold clearance revenues, immediately leading to an immediate crisis in the Palestinian public finance system.

Public debt estimates

According to the OBS methodology, the Executive's Budget Proposal or any supporting budget documentation must present three estimates related to government borrowing and debt:

- the amount of net new borrowing required during the budget year;
- the total debt outstanding at the end of the budget year; and
- interest payments on the debt for the budget year.

It must also present information related to the composition of the total debt outstanding at the end of the budget year. The core information must include

- interest rates on the public debt instruments,
- maturity profile of the debt, and
- whether it is domestic or external debt.

The maturity profile indicates the final payment date of the loan, at which point the principal (and all remaining interest) is due to be paid. Government borrowing typically includes a mix of short-term and long-term debt. These factors related to the composition of the debt give an indication of whether the cost of servicing the accumulated debt is affordable by the State (or economy).

In the budget supplement, the Palestinian Budget Law of the Fiscal Year 2018 only includes total estimates of the domestic and external debt for the period 2017-2020: projected payments and interest rates in the four currencies: NIS, JD, USD, and Euro. However, these estimates are presented without a financial analysis.

Public debt is the accumulated amount of money that the government borrows. The government can borrow from its citizens and banks and businesses within the country (domestic debt) or from creditors outside the country (external debt). External debt is typically owed to private commercial banks, other governments, or international financial institutions such as the World Bank and the IMF. Net new borrowing is the additional amount of new borrowing that is required for the budget year to finance expenditures in the budget that exceed available revenues. Net new borrowing adds to the accumulated debt. It is distinct from gross borrowing, which also includes borrowing needed to repay existing debt that matured during the budget year.

With a very low interest rate of 1 percent, the majority of external public debt comes from international financing institutions or non-profit foreign governments. These include loans from the World Bank, European Investment Bank, and International Fund for Agricultural Development. Domestic debt is provided for the years 2017-2020, showing monthly interest payments, core payments, and balance (at the end of every month) of all domestic loans in the three currencies: NIS, JD, and USD.

The Palestinian Executive's Budget Proposal lists payments and interest rates of either domestic or external debt as unintelligible cold numbers. Interest rates on domestic debt are not available. Interest amounts are provided in absolute numbers. Also, interest rates do not appear as either flat or variable. Domestic debt (borrowing) sources and total debt outstanding at the end of the budget year are not shown. There is not analysis of the risk associated with the debt, particularly loans from private sources, such as commercial banks.

Macroeconomic forecasts upon which the budget projections are based and the sensitivity analysis

The Executive's Budget Proposal or any supporting budget documentation must present information on the macroeconomic forecast that focuses on the budget's revenue and expenditure estimates, asking whether "core" information related to the economic assumptions is presented. These core components include a discussion of the economic outlook as well as estimates of the following:

- nominal GDP level;
- real GDP growth; and
- interest rates.

While the core macroeconomic information should be a standard or typical feature of the Executive's Budget Proposal, the importance of some types of macroeconomic assumptions may vary from country to country. For example, the budget estimates of some countries are particularly affected by changes in the price of oil and other commodities. Beyond these core elements, some governments also provide additional information related to the economic outlook, including for instance: short and long-term interest rates; rate of employment and unemployment; GDP deflator; price of oil and other commodities; current account; exchange rate; and composition of GDP growth.

The 2018 Budget Law shows the core elements of the macroeconomic forecasts, such as real GDP growth, inflation rate, unemployment rate, investment and saving indicators, financial sector, external sector, and public finance. However, the Budget Law does not include outlooks for additional core indicators, such as components of real GDP growth, employment rates, interest rates, prices of some strategic goods with impact on revenue and expenditure items, such as the price of oil and some imported food supplies.

A **sensitivity analysis** shows the effect on the budget (revenues and expenditures) as a result of potential changes in some macroeconomic assumptions; for instance, what would happen to revenue collections if GDP growth were slower than what is assumed in the budget proposal? Or what would happen to expenditure if inflation were higher than estimated? Or how will expenditures be affected by an increase in the price of oil or some main imported food supplies? The Executive's Budget Proposal or supporting documentation must present all of the core information related to a "sensitivity analysis". In the Palestinian context, the 2018 Budget Law presents estimates for the development of core expenditure and revenue items based on historical real data of expenditures and revenues in the previous year (i.e. 2017) for the current budget (2018 budget).

A sensitivity analysis shows impact on the budget as a result of potential changes in some macroeconomic assumptions or forecasts.

The Palestinian budget presents narrative estimates and volume of the anticipated impact and reflections of new expenditure and revenue policies on the budget of the year to which it corresponds (i.e. 2018 budget). The budget projects an economic growth of 2.73 percent in the West Bank, but excluding the Gaza Strip. The growth results in a projected increase of 7 percent in new revenues in 2018 compared to 2017. Also in comparison to 2017, the budget also projects a 7.4 percent rise in domestic tax revenues thanks to the tobacco sector reform. It also expects an increase of 5 percent in clearance revenues due to government continued effort in this area. Additionally, the budget projects a 50 percent rise in income from company tax after company tax brackets have been modified.

The 2018 budget anticipates all expenditure items will increase, with the exception of net lending which is projected to drop in 2018 by 6.2 percent (from NIS 960 million in 2017 to NIS 900 million in 2018). Under other line items, however, the budget indicates that net lending will decrease by 20 percent.²

The budget projects a 14.1 percent decrease in current account deficit, but does not present projections in terms of the impact of plummeting revenue items on the budget; e.g. decrease in tax collections due to tax evasion or because of clearance revenues withheld by the Israeli government. In addition, the government does not present three scenarios (optimistic, pessimistic, most likely) for macroeconomic projections and relevant effect on expenditures and revenues. The soundness of estimates is directly related to the degree to which they have been updated to reflect actual expenditures and revenues used in the estimation. Typically, the year prior to the budget year (BY-1), also known as the current year, has ended, so the data of BY-1 does not reflect actual expenditures and revenues. Thus, the OECD recommends that data covering at least two years before the budget year (along with two years of projections beyond the budget year) are provided in order to assess fully the trends in the budget. The Executive's Budget Proposal of the PNA (or MoFP) presents expenditures of the previous year, along with more than one year before the current budget year, in aggregate numbers by economic classification of expenditures. As published on the MoFP website, these are not presented as per the programme budget. The Executive's Budget Proposal also presents revenues by category (e.g. tax and non-tax revenues) for BY-1. These are listed as aggregate numbers, not by individual sources (e.g. by VAT, customs, income tax, etc.). These revenues may be presented for internal purposes within the MoFP, albeit they are not published on the Ministry's website. In addition, the Executive's Budget Proposal or any supporting budget documentation must present:

- Expenditure estimates for BY-1 by all three expenditure classifications (by administrative, economic, and functional classification)
- Individual programmes accounting for all expenditures for BY-1.
- Expenditure estimates for BY-1 updated from the original enacted levels. The Executive's Budget Proposal or any supporting budget documentation must also present expenditures for individual programmes for more than one year prior to the budget year (that is, BY-2 and prior years). (A country must meet the good practice of having the figures for BY-2 reflect actual outcomes.)

² This is explained by the fact the government collects direct amounts from local government units. These are itemised as net lending, but deducted from revenues; hence, the real result of net lending does not appear.

Individual sources of revenue for the year preceding the budget year (BY-1), revenue by category (such as tax and non-tax) for the year preceding the budget year (BY-1), and an update of the original estimates of revenue for the year prior to the budget year (BY-1) to reflect actual revenue collections.

In most cases, the most recent year for which budget data on actual outcomes are available will be BY-2, as BY-1 is generally not yet finished when the budget proposal is drafted. So a government that has updated all its expenditure data for BY-2 to reflect what actually occurred, as opposed to estimating the outcome for that year, shows good public financial management practice.

- The core information must include the total debt outstanding at the end of BY-1; the amount of net new borrowing required during BY-1; interest payments on the debt; interest rates on the debt instruments; maturity profile of the debt; and whether it is domestic or external debt.
- The most recent year for which all revenues reflect actual outcomes. Options can be as follows;
 1. Two years prior to the budget year (BY-2).
 2. Three years prior to the budget year (BY-3).
 3. No actual data for all revenues are presented in the budget or supporting budget documentation.

Usually, the Palestinian budget presents actual expenditure and revenue data for two years prior to the budget year (BY-2). For example, the 2018 budget presents actual expenditure and revenue data for 2016 and 2017 as well as variation rates between both. However, these are presented in aggregate, undetailed numbers by individual sources. Also, the budget does not present expenditure and revenue estimates for two years after the budget year.

- Information on government borrowing and debt, including its composition, for the year preceding the budget year (BY-1).
- The most recent year for which the debt figures reflect actual outcomes. Options include:
 1. Two years prior to the budget year (BY-2).
 2. Three years prior to the budget year (BY-3).
 3. No actual data for government debt are presented in the budget or supporting budget documentation

Extra-budgetary funds

In most countries, governments engage in certain budgetary activities that are not included in the central government's budget. Known as extra-budgetary funds, they can range in size and scope. For example, countries frequently set up pension and social security programmes as extra-budgetary funds, where the revenues collected and the benefits paid are recorded in a separate fund outside the budget. Another example of an extra-budgetary fund can be found in countries dependent on hydrocarbon/mineral resources, where revenues from producing and selling those resources are channelled through systems outside the annual budget. In some cases, the separation engendered by an extra-budgetary fund serves a legitimate political purpose, and the finances and activities of these funds are well documented. In other cases, however, this structure is used for obfuscation, and little or nothing is known about a fund's finances and activities.

According to the OBS methodology, the Executive's Budget Proposal or any supporting budget documentation must present core information on extra-budgetary funds as well as some additional information beyond the core elements.

It is essential that all government activities that may have an impact on the budget — in the current budget year or in future budget years — be fully disclosed to the legislature and the public in budget documents. In some countries, for instance, entities outside central government (such as public corporations) undertake fiscal activities that could affect current and future budgets. Similarly, activities that can have a significant impact on the budget, such as payment arrears and contingent liabilities, sometimes are not properly captured by the regular presentations of expenditure, revenue, and public debt.

In the Palestinian context, the Executive's Budget Proposal or any supporting budget documentation does not provide certain information on extra-budgetary funds. The financial data posted on the MoFP website does not show these funds in the PNA budgets, probably because these funds probably do not exist. Otherwise, extra-budgetary funds tend to be obscured in order to serve, e.g. a lawful political purpose.

The core information must include a statement of purpose or policy rationale for the extra-budgetary fund. The availability of information related to extra-budgetary funds is essential for a comprehensive understanding of the government's true fiscal position. In addition to the core information, other information about extra-budgetary funds is also desirable. Such information includes a discussion of the risks associated with the extra-budgetary fund; expenditures classified by economic, functional, or administrative unit; and the rules and procedures that govern the operations and management of the extra-budgetary fund.

Detailed information about to the financial impact of policies on different groups of citizens

The IMF calls on governments to provide “detailed information about the financial impact of major policies on different income, gender, demographic or regional groups”. Similarly, the United Nations supports gender-responsive budgeting, which can include a gender budget presentation, to promote gender equity and women’s rights.

In relation to alternative displays, the alternative display can cover all expenditures or only a portion of expenditures. For instance, it can show how all program expenditures are distributed according to geographic region or it can show how selected expenditures (such as the health budget or the agriculture budget) are distributed to different regions. Similarly, if a country presents estimates of policies intended to benefit the most impoverished populations.

The *Palestinian Budget Circular: Budget Process 2018-2020* is published on the MoFP website. The first section of the budget circular provides that “[i]n compliance with the 2009 Council of Ministers’ Decision on Gender Mainstreaming, incessant efforts are being made to prepare a gender-responsive programme budget. The State of Palestine seeks to deliver public services to all citizens. Hence, planning and budgeting management groups must take account of policy, planning and budgeting requirements, which ensure public service provision to Palestinian women and vulnerable groups in particular.” According to its comprehensive and scientific concept, the gender-responsive budgeting process is a strategy that takes a gender perspective into consideration in national policy making and financial allocation by government bodies, ensuring effective gender-based expenditure. A gender-responsive budget is a tool that ensures access for marginalised groups to government services according to their needs, reflecting optimal planning of the use of public resources to meet the needs and fulfil the expectations of community members on fair grounds.

In the Palestinian 2018 budget, the Ministry of Women’s Affairs (MoWA) is the only responsibility centre, which introduces a programme for “protecting and empowering women to access equality”. This programme seeks to “achieve the political and social goals of women’s empowerment and protection by developing and mainstreaming gender issues in the government sector’s plans, policies and budgets. It also launches an awareness raising and education campaign targeting community stakeholders. After this programme is implemented, it is expected that violence rates drop and community awareness of the importance of women’s engagement increases. We will also be able to identify main gaps in, and increase women’s participation in, decision making circles.”

The MoWA budget accounted for almost NIS 6.8 million, or 0.041 percent of the total of the 2018 budget (NIS 16559 million) (See MoFP, *Uncovering the Scope of the 2018 Baseline Budget*). Other items show that public expenditures and net lending amount to NIS 18089 million. Hence, the MoWA budget is as low as 0.037 percent of the overall 2018 budget (Why is not MoWA called Ministry of Women’s Development, just like the Ministry of Social Development!).

Target 3 of the Palestinian National Cross-cutting Strategy for Gender Equality and Women's Empowerment is set to "Institutionalise and mainstream economic, social and political gender issues into plans, programmes, policies and budgets. Target 3 seeks to achieve two outputs: (1) A strategy to institutionalise and integrate gender issues in five ministries, namely, Ministry of Education, Ministry of Social Development, Ministry of Agriculture, Ministry of Labour, and Ministry of Justice; and (2) A gender-responsive budget in five ministries, namely, Ministry of Education, Ministry of Social Development, Ministry of Agriculture, Ministry of Labour, and Ministry of Justice.

Curiously, the strategies and budgets of all these five ministries have nothing to do with Target 3 of the MoWA as stated above!

Budget distribution according to geographic region in the West Bank and Gaza Strip serves as the focal point of the Palestinian fiscal policy and public budget. This has not been realistically achieved in view of the internal Palestinian political divide.

Assets held by the government

Governments own financial assets such as cash, bonds, or equities. These must present all of the core information related to all financial assets held by the government, including a listing of the financial assets and an estimate of their value. Some governments maintain balance sheets that show the value of their assets and liabilities. Governments also own nonfinancial assets. These are things of value that the government owns or controls (excluding financial assets) such as land, buildings, and machinery. The valuation of public nonfinancial assets can be problematic, particularly in cases where the asset is not typically available on the open market (such as a government monument). In these cases, it is considered acceptable to provide summary information in budget documents from a country's register of assets. In the Palestinian context, the Executive's Budget Proposal or any supporting budget documentation must present information on financial and non-financial assets held by the government. This information is not shown in the Palestinian public budget. However, government held assets are presented in a financial document, titled *The Annual Questionnaire of Government Finance Statistics (Statistical Tables) of 2017*. Although it includes clod numbers, this is the only document published on the MoFP website in 2017.

Expenditure arrears

The Executive's Budget Proposal or any supporting budget documentation must present estimates of expenditure arrears, along with a narrative discussion, for at least the budget year. Although this obligation is commensurate to borrowing, often times, it is not recorded in the budget, making it difficult to provide a full assessment of the government financial position. In addition, the obligation to pay these debts affects the government's ability to afford the costs of other activities.

Expenditure arrears arise when government has entered into a commitment to spend funds but has not made the payment when it is due. This liability is equivalent to borrowing. Expenditure arrears appear in Palestinian public budgets. Delayed arrear payment to the private sector, particularly contractors and goods and service providers, has been an outstanding problem and an almost permanent line item in the Palestinian public budget. Government contributions to the pension fund have delayed as well. Even though the 2018 budget stresses the need to develop a timetable to pay arrears, the government or MoFP does not enclose, or perhaps it has not prepared the timetable for expenditure arrears payment.

Contingent liabilities, such as government loan guarantees or insurance programmes

The Executive's Budget Proposal or supporting documentation must present for at least the budget year all of the core information related to contingent liabilities as well as some additional information beyond the core elements. Core information related to these liabilities include:

- A statement of purpose or policy rationale for each contingent liability;
- The new contingent guarantees or insurance commitments proposed for the budget year; and
- The total amount of outstanding guarantees at the end of the budget year.

Contingent liabilities are recognised under a cash accounting method only when the contingent event occurs and the payment is made. An example of such liabilities is the case of loans guaranteed by the central government, which can include loans to state-owned banks and other state-owned commercial enterprises, subnational governments, or private enterprises. Under such guarantees, government will only make a payment if the borrower defaults. Thus a key issue for making quantitative estimates of these liabilities is assessing the likelihood of the contingency occurring.

In the budget, according to the OECD, “[w]here feasible, the total amount of contingent liabilities should be disclosed and classified by major category reflecting their nature; historical information on defaults for each category should be disclosed where available. In cases where contingent liabilities cannot be quantified, they should be listed and described.”

Beyond the core information, some governments may also provide other information about contingent liabilities, including for example: historical default rates for each program, and likely default rates in the future; the maximum guarantee that is authorized by law; any special financing associated with the guarantee (e.g., whether fees are charged, whether a reserve fund exists for the purpose of paying off guarantees, etc.); the duration of each guarantee; and an estimate of the fiscal significance and potential risks associated with the guarantees. In the Palestinian context, contingent liabilities, such as government loan guarantees, do not appear in the Executive's Budget Proposal.

Government's future liabilities and the sustainability of its finances over the longer term

Good public financial management practice calls for budgets to include fiscal sustainability analyses. The IMF's draft 2013 Fiscal Transparency Code recommends that governments regularly publish the projected evolution of the public finances over the long term. Future liabilities are a particularly important element when assessing the sustainability of public finances over the long term. Future liabilities are the result of government commitments that, unlike contingent liabilities, are virtually certain to occur at some future point and result in an expenditure. A typical example consists of government obligations to pay pension benefits or cover health care costs of future retirees. Under a cash accounting system, only current payments associated with such obligations are recognized in the budget. To capture the future impact on the budget of these liabilities, a separate statement is required.

Core components of the government's future liabilities must include:

- Projections that cover a period of at least 10 years.
- The macroeconomic and demographic assumptions used in making the projections.
- A discussion of the fiscal implications and risks highlighted by the projections.

Beyond the core information, some governments may also provide other information about the sustainability of their finances, including for example: projections that cover 20 or 30 years; multiple scenarios with different sets of assumptions; assumptions about other factors (such as the depletion of natural resources) that go beyond just the core macroeconomic and demographic data; and a detailed presentation of particular programmes that have long time horizons, such as civil service pensions. In the Palestinian context, the Executive's Budget Proposal must present all core information about the government's future liabilities and the sustainability of its finances over the longer term as well as some additional information beyond the core elements.

Estimates of the sources of donor assistance, both financial and in-kind

The Executive's Budget Proposal or supporting documentation must present for at least the budget year both estimates covering all donor assistance and a narrative discussing the assistance. Such assistance is considered non-tax revenue, and the sources of this assistance should be explicitly identified. In terms of in-kind assistance, the concern is primarily with the provision of goods (particularly those for which there is a market that would allow goods received as in-kind aid to be sold, thereby converting them into cash) rather than with in-kind aid like advisors from a donor country providing technical assistance. The Palestinian budget presents financial assistance in the form of estimates of grants in support of the current budget, and estimates of grants and assistance in support of the development budget. However, in-kind grants and assistance, particularly consultants from the donor countries which provide technical assistance, are not presented explicitly in the budget. These may be translated financially, but they do not appear in separate line items in the budget.

Tax expenditures for the budget year

The Executive's Budget Proposal or any supporting budget documentation must present all information on tax expenditures, as well as some additional information beyond the core elements for all tax expenditures, for at least the budget year. The core information of tax expenditures must include:

- a statement of purpose or policy rationale for each tax expenditure,
- the intended beneficiaries, and
- an estimate of the revenue foregone.

Tax expenditures arise as a result of exceptions or other preferences in the tax code provided for specified entities, individuals, or activities. Tax expenditures often have the same impact on public policy and budgets as providing direct subsidies, benefits, or goods and services. For example, encouraging a company to engage in more research through a special tax break can have the same effect as subsidising it directly through the expenditure side of the budget, as it still constitutes a cost in terms of foregone revenues. However, expenditure items that require annual authorization are likely to receive more scrutiny than tax breaks that are a permanent feature of the tax code. Beyond the core information, some governments may also provide other information about tax expenditures, including for example: the intended beneficiaries by sector and income class (distributional impact); a statement of the estimating assumptions, including the definition of the benchmark against which the foregone revenue is measured; and a discussion of tax expenditures as part of a general discussion of expenditures for those program areas that receive both types of government support. The Palestinian budget, both proposed and approved, does not present core information on tax expenditures in line with the international concept mentioned above.

Estimates of earmarked revenues

The Executive's Budget Proposal or supporting documentation must present for at least the budget year both estimates covering all earmarked revenues and a narrative discussing the earmarks. Estimates of earmarked revenues are revenues that may only be used for a specific purpose (for example, revenues from a tax on fuel that can only be used for building roads). This information is important in determining which revenues are available to fund the government's general expenses, and which revenues are reserved for particular purposes. In the Palestinian budget, estimates of earmarked revenues are not presented, nor are government collections as trusts with other parties, such as local entities; e.g. property tax.

Information on how the proposed budget is linked to government's policy goals for the budget year

The Executive's Budget Proposal or supporting documentation must present both estimates of how the budget (both new proposals and existing policies) is linked to government's policy goals for the budget year or for a multi-year period beyond the budget year (at least two-years beyond the budget year) and a narrative discussion of how these policy goals are reflected in the budget. The budget is the executive's main policy document, the culmination of the executive's planning and budgeting processes. Therefore, it should include a clear description of the link between policy goals and the budget – that is, an explicit explanation of how the government's policy goals are reflected in its budget choices. In some countries the government prepares strategic/development plans. These plans include all the policies the government is planning to implement for the budget year and very often cover a multi-year perspective. In some cases, these plans do not match the budget documentation, and it is possible that they are completely disconnected from the Executive's Budget Proposal. So the question is examining whether government policy plans are “translated” into revenue and expenditure figures in the actual budget documents.

The budget should disclose not only the amount of money that is being allocated on a program but also any information needed to analyse that expenditure. Nonfinancial data and performance targets associated with budget proposals are used to assess the success of a given policy. For example, even when allocated funds are spent according to plan, there remains the question of whether the policy delivered the results that it aimed to achieve. Nonfinancial data can include information on:

- Inputs – These are the resources assigned to achieve results. For example, in regards to education, nonfinancial data on inputs could include the number of books to be provided to each school or the materials to be used to build or refurbish a school.
- Outputs – These are products and services delivered as a result of inputs. For example, the number of pupils taught every year; the number of children that received vaccines; or the number of beneficiaries of a social security program.
- Outcomes – These are the intended impact or policy goals achieved. For example, an increase in literacy rates among children under 10, or a reduction in rates of maternal mortality.

In addition, governments that set performance targets must use nonfinancial data for outputs and outcomes to determine if these targets have been met.

The Palestinian budget does not present estimates and a narrative discussion that show how the proposed budget is linked to government's policy goals for a multi-year period. Despite some attempts, the budget is usually separate from the National Development Plan (NDP). Recently, the Ministry of Planning was merged into the Ministry of Finance, forming the MoFP. Attempts were made to link the national development planning process to the public budget; e.g. Reform and Development Plan 2008-10 and NDP 2014-2016. The latter states: "The most significant enhancement to the planning and budgeting process underpinning the NDP 2014-16 was the adoption of programme-based budgeting and performance measurement approach across all ministries and government agencies. The NDP 2014-16 also features a consolidation of recurrent and development expenditures into a single budget, representing a shift from budgeting on a line item basis to programme-based budgeting. This has allowed further deepening of the integration of planning and budgeting, resulting in better alignment and consistency between the two functions, and ensuring that available resources are realistically allocated to various sectors in line with national priority policies."

The National Public Financial Management Sector Strategy 2017-22 was developed by the MoFP in cooperation with a national team of partner institutions and in consultation with international institutions specialised in public financial management. It was approved by the Council of Ministers in its Session 161 of 18 July 2017. However, although it is a programme budget, the 2018 budget is not aligned with a national economic and social development plan. Simply, a mid-term national development plan is lacking.

Estimates of policies (both new proposals and existing policies) that are intended to benefit directly the country's most impoverished populations in at least the budget year

The Executive's Budget Proposal or supporting documentation must present for at least the budget year both estimates covering all policies that are intended to benefit the most impoverished populations and a narrative discussion of these policies. This question concerns whether the budget highlight policies, both new and existing, that benefit the poorest segments of society. This question is intended to assess only those programmes that directly address the immediate needs of the poor, such as through cash assistance programmes or the provision of housing, rather than indirectly, such as through a stronger national defence. This information is of particular interest to those seeking to bolster government's commitment to anti-poverty efforts.

The Palestinian 2018 budget does not target combating poverty among the country's vulnerable groups and most impoverished populations. The budget does include a policy to create new employment opportunities by earmarking NIS 30 million in support of SMEs in partnerships with the Ministry of Labour and banking institutions. However, it does not indicate the volume of employment opportunities, economic sectors, and procedures and programmes needed to realise this public policy – goal. In relation to the public expenditure policy, the 2018 budget supports Jerusalemites by a package of new projects in the education sector (NIS 113 million), as well as marginalised Area C in cooperation and partnership with the Ministry of Local Government. Still, the public policies, albeit sound, do not rise up to the level of a plan that sets objectives, procedures, programmes, projects, timeframe, and financial resources needed to materialise these public policies – goals.

Certainly, the Palestinian budgets does not indicate any economic or social objectives, other than expenditure control and increased revenue collection. In other words, the Palestinian budget reflects a merely financial target, namely, how to collect revenues in order to finance public expenditures. Ever since John Maynard Keynes's *The General Theory of Employment, Interest and Money* (1936) was published, fiscal policy tools, such as expenditures, taxes and loans, have been of an economic and social nature, side by side with their fiscal purposes.

Timetable for formulating the Executive's Budget Proposal

This is a document setting deadlines for submissions from other government entities, such as line ministries or subnational government, to the Ministry of Finance or whatever central government agency is in charge of coordinating the budget's formulation. An internal timetable is particularly important for the executive's management of the budget preparation process. The executive should release to the public its timetable for formulating the Executive's Budget Proposal so that civil society is aware of the various steps in the budget formulation process, and when opportunities may exist to engage the executive, it is essential that this timetable be made available to the public.

In the Palestinian context, a timetable be made available to the public. Annex D of the Budget Circular provides a schedule of hearings for the 2018 Executive's Budget Proposal, including the name of the line ministry/government body as well as the date and time to participate in the hearings at the MoFP offices. The circular stresses the need for the chair and deputy chair of the Planning and Budgeting Management Group to attend the hearings, together with programme managers and financial director at the relevant line ministries/government body. However, relevant civil society organisations are not informed so that they can take part in the hearings. Also, the timetable of the hearings is not publicly announced. As a result, civil society actors are unaware of the schedule of hearings specified and held by the MoFP.

Section 3: Comprehensiveness of Other Key Budget Documents

This section is divided into seven subcategories, asking a set of questions for each of the following budget documents: Pre-Budget Statement; Enacted Budget; Citizens Budget; In-Year Reports; Mid-Year Review; Year-End Report; and the Audit Report.

Pre-Budget Statement

The Pre-Budget Statement, sometimes referred to as the Pre-Budget Report, presents the executive's economic and fiscal policy plans for the forthcoming budget year. Best practice recommends that the Pre-Budget Statement include: macroeconomic forecasts upon which the budget will be based; major revenue and expenditure policies and priorities that will guide the development of detailed estimates for the upcoming budget; and multi-year revenue and expenditure projections. In the Palestinian context, there is no key budget document called the Pre-Budget Statement. The statement must include the following:

1. Macroeconomic forecasts upon which the budget will be based;
2. Major government expenditure policies and priorities;
3. major government revenue and revenue policies and priorities;
4. Three estimates related to government borrowing and debt; and
5. Estimates of total expenditures for a multi-year period.

Enacted Budget

After debating the executive's proposed budget, the legislature typically enacts some form of a budget or appropriation, often referred to as the Enacted Budget. The Enacted Budget provides the baseline information for any analyses conducted during the fiscal year. In other words, it is the starting point for monitoring the execution phase of the budget. The Enacted Budget grows in importance when it differs significantly from the budget proposal. The Enacted Budget allows one to compare what was proposed by the executive to what the legislature enacted into law. In order to be considered publicly available by the Open Budget Survey methodology, the Enacted Budget must be released to the public within three months of the budget being approved by the legislature. If the Palestinian law allows to delay budget approval and enactment for three months from the beginning of the fiscal year, this means that the budget will not be enacted until midway through the year. The Enacted Budget should present the following:

1. Expenditure estimates by any of the three expenditure classifications;
2. Expenditure estimates for individual programmes;
3. Revenue estimates by category;
4. Individual sources of revenue; and
5. Three estimates related to government borrowing and debt.

Citizens Budget

The Citizens Budget reflects emerging good practices on the drafting and publication of the Citizens Budget. This type of popular presentation of budget information can take many forms, but its distinguishing feature is that it is designed to reach and be understood by as large a segment of the population as possible. A Citizens Budget is a simplified summary of the budget designed to facilitate discussion. Governments are strongly encouraged to issue such reports. The government production of a Citizens Budget serves to institutionalise the government's commitment to presenting its policies in a manner that is understandable and accessible to the public. In order to be considered publicly available by the Open Budget Survey methodology, the Citizens Budget must be released at the same time as a "publicly available" Executive's Budget Proposal or Enacted Budget.

Contents of the Citizens Budget: The core information of the Citizens Budget must include:

- Expenditure and revenue totals,
- The main policy initiatives in the budget,
- The macroeconomic forecast upon which the budget is based, and
- Contact information for follow-up by citizens.

The Palestinian MoFP published the Citizens Budget of the 2018 public budget. According to the OBS methodology, the Citizens Budget included all core information, with the exception of main policy initiatives, namely public expenditure policies and tax policy. Based on the OBS methodology, the executive should consult with the public on the content and presentation of the Citizens Budget, which is not currently the case.

The executive must have established mechanisms to consult with the public. Such mechanisms can include focus groups, social networks, hotlines, and meetings/events in universities or other locations where people gather to discuss public issues. Feedback is used to improve its management of public resources.

Disseminating Citizens Budget to the public: How is the Citizens Budget disseminated to the public? Citizens Budgets should be made available to a variety of audiences. Therefore paper versions and an Internet posting of a document might not be sufficient. The executive must use three or more different types of creative media tools to reach the largest possible share of the population, including those who otherwise would not normally have access to budget documents or information. Dissemination would also be pursued at the very local level, so that the coverage is targeted both by geographic area and population group (e.g., women, elderly, low income, urban, rural, etc.). According to the OBS methodology, this means that disseminating Citizens Budget on the MoFP website only is not sufficient.

Established mechanisms to identify the public's requirements for budget information prior to publishing the Citizens Budget: What the public wants to know about the budget might differ from the information the executive includes in technical documents that comprise the Executive's Budget Proposal or the Enacted Budget. For this reason the executive should consult with the public on the content and presentation of the Citizens Budget. In Palestine, the executive does not consult with citizens about the content and presentation of the Citizens Budget. The executive must have established mechanisms to consult with the public, and these mechanisms for consultation are both accessible and widely used by the public. Such mechanisms can include focus groups, social networks, surveys, hotlines, and meetings/events in universities or other locations where people gather to discuss public issues. In countries where Citizens Budgets are consistently produced and released, it may be sufficient for the government to provide the public with contact information and feedback opportunities, and subsequently use the feedback to improve its management of public resources. In the Palestinian context, the executive (or MoFP) does not establish mechanisms to identify the public's requirements for budget information prior to publishing the Citizens Budget.

Publishing “citizens” versions of budget documents throughout the budget process: A citizens version of at least one budget document is published for each of the four stages of the budget process (budget formulation, enactment, execution, and audit) — for a total of at least four citizens budget documents throughout the process. While the Citizens Budget was initially conceived as a simplified version of the Executive’s Budget Proposal or the Enacted Budget, good practice is now evolving and suggests that a “citizens” version of key budget documents should be produced during each of the four phases of the budget cycle. This would serve to inform citizens of the state of public financial management throughout the entire budget cycle. In the Palestinian context, Citizens Budget is published in only one of the four stages of the budget process. The 2018 Citizens Budget was published as a simplified version on the MoFP website.

In-Year Reports

In-Year Reports are issued during the year as the budget is being executed. They are intended to show the executive’s progress in implementing the budget. They typically show actual expenditure by administrative unit (ministries, departments, or agencies), to ensure that they are held accountable for their expenditure. In some countries, the administrative units issue the reports individually, while in other countries the information is consolidated into one report, which is typically issued by the Treasury. Either individual reports or one consolidated report is acceptable for responding to these questions.

Description	In-year reports (monthly and quarterly)
1. Presenting actual expenditures by any of the three expenditure classifications (by administrative, economic, or functional classification)	There are monthly and quarterly reports. These present fiscal data as cold numbers by economic and administrative classification (responsibility centres).
2. Presenting actual expenditures for individual programmes	Although the MoFP has adopted the programme budget for years, in-year (monthly and quarterly) reports of the 2018 budget do not present actual expenditures of individual programmes. These reports only present actual expenditures by economic and administrative classification only.
3. Comparing actual year-to-date expenditures with either the original estimate for that period (based on the enacted budget) or the same period in the previous year	Quarterly reports compare actual year-to-date revenues with the original estimate for the same fiscal year, but not with the same period in the previous year; e.g. January-May in the fiscal year 2018. Only Q3 2015 report is published on the MoFP website, which allows contrast with the corresponding Q3 2014. There are no quarterly reports for other years. Hence, comparison and published reports are inadequate.
4. Presenting actual revenue by category (such as tax and non-tax)	Monthly and quarterly in-year reports present actual revenues by category, such as tax and non-tax revenues. Tax and non-tax sources of revenues are presented separately.
5. Presenting collections for individual sources of revenue; e.g. tax on income and VAT	Monthly and quarterly reports present collections for individual sources of revenue.
6. Comparing actual year-to-date revenues with either the original estimate for that period (based on the enacted budget) or the same period in the previous year	Quarterly reports compare actual year-to-date revenues with the budget estimates in terms of actual achievements. However, comparisons with the same period in the previous year are not available.
7. Presenting three estimates related to actual government borrowing and debt: the amount of net new borrowing; the total debt outstanding; and interest payments	Contrary to the international classification, neither in 2018 nor in any previous year did quarterly reports show estimates related to actual government borrowing and debt: the amount of net new borrowing, the total debt outstanding, and interest payments. Quarterly reports present year-to-date volume of actual domestic and external public debt only.
8. Presenting information related to the composition of the total actual debt outstanding: interest rates on the debt instruments; maturity profile of the debt; and whether it is domestic or	Quarterly reports present the actual domestic and external debt to date only (e.g. January-May 2018 report).

Mid-Year Review

The Mid-Year Review provides a detailed explanation of the state of the budget six months into the budget year. In order to ensure that programmes are being implemented effectively and to identify any emerging problems, the government should conduct a comprehensive review of the budget's implementation six months into the budget year. This review should assess the state of the economy relative to the initial macroeconomic forecast and update the economic projections for the remainder of the year. Similarly, the Mid-Year Review should provide updated estimates of expenditure, revenue, and debt, reflecting the impact of actual experience to-date and revised projections for the full fiscal year. Revised estimates in the Mid-Year Review should reflect both economic and technical changes as well as new policy proposals, including the reallocation of funds between administrative units, with a comprehensive explanation of any estimate adjustments. Issues such as cost increases due to inflation or any unexpected events should be identified and appropriate counter-measures should be proposed. The public release of a Mid-Year Review is intended to promote accountability and sound management.

In the Palestinian context, although monthly and quarterly reports are posted on the MoFP website, mid-year reviews are not made available to the public. (Two quarterly reports can be combined to produce a mid-year review, but there is no report with this title). The Mid-Year Review must include an updated macroeconomic forecast and updated expenditure and revenue estimates of the current year budgets. It must also and explain all of the differences between the initial forecast presented in the Executive's Budget Proposal, Enacted Budget and the updated forecast. The explanation must include at least estimates of all differences; a narrative discussion is desirable but not required if estimates of all the differences are provided. Expenditure estimates for individual programmes are not presented, so are estimates of government borrowing and debt, including debt composition of the current year budget. The debt composition shows estimates related to borrowing and debt, including, the amount of net new borrowing required during the budget year; the central government's total debt burden at the end of the budget year; and the interest payments on the outstanding debt for the budget year. Core information related to the composition of government debt include: interest rates on the debt; maturity profile of the debt; and whether the debt is domestic or external. The Mid-Year Review must include an updated estimates of borrowing and debt, including its composition, and explain all of the differences between the initial estimates presented in the Executive's Budget Proposal (or Enacted Budget) and the updated estimates. The explanation must include at least estimates of all differences; a narrative discussion is desirable but not required if estimates of all the differences are provided.

Year-End Report

The Year-End Report is a key accountability document. In many countries, the executive issues one Year-End Report that consolidates information on revenue collections, debt, and expenditures for administrative units. In other countries, individual administrative units issue their own Year-End Reports. Similarly, Year-End Reports may be stand-alone documents or may be included in larger documents, such as the Executive's Budget Proposal. The form of the report is less important than its content. The reports ought to cover all of the major items included in the budget, explaining differences between the original estimates (as amended by the legislature during the year) and the actual outcomes for expenditure, revenue, debt, and the macroeconomic assumptions. These reports should also review nonfinancial performance information and other important policy areas. They can also include a financial statement.

Many of the Year-End Report questions ask whether information is provided that compares the actual outcome for the fiscal year with the original estimates. Sometimes the original estimates refer to enacted levels, and in other cases it may be estimates provided in the Executive's Budget Proposal. In order to be considered publicly available by the Open Budget Survey methodology, the Year-End Report must be released to the public no later than one year after the end of the fiscal year to which it corresponds.

In the Palestinian context, a Year-End Report that corresponds to 2017 is not publicly available. This is also the case of 2018, which has not expired yet. The 2018 budget is still under implementation. *Therefore, it is not possible to assess the elements of the Year-End Report. It is noted that The Annual Questionnaire of Government Finance Statistics (Statistical Tables) of 2010-2017 is the only document available on the MoFP website. It is available in Arabic only, covering the years 2011, 2015, and 2017. Information about other years is published in English. Although it is published on the Ministry's website, the 2012 fiscal year questionnaire is closed.*

The Year-End Report must include the following:

- The differences between the enacted levels and the actual outcome for expenditures.
- Estimates by any of the three expenditure classifications (by administrative, economic, or functional classification).
- Expenditure estimates for individual programmes.
- The differences between the enacted levels and the actual outcome for revenues.
- Revenue estimates by category (such as tax and non-tax).
- Individual sources of revenue.
- The differences between the original estimates of government borrowing and debt, including its composition, for the fiscal year and the actual outcome for that year.
- The differences between the original macroeconomic forecast for the fiscal year and the actual outcome for that year.
- The differences between the original estimates of nonfinancial data on inputs and the actual outcome.
- The differences between the original estimates of nonfinancial data on results and the actual outcome.
- The differences between the enacted level of funds for policies (both new proposals and existing policies) that are intended to benefit directly the country's most impoverished populations and the actual outcome.
- The differences between the original estimates of extra-budgetary funds and the actual outcome.

Each of the foregoing must be enclosed by a narrative discussion.

The MoFP questionnaire presents expenditures by economic classification (e.g. wages and salaries, capital expenditures, and use of goods and services – operating expenditures) as well as by functional classification (e.g. health, education, and agriculture). However, serving as an accounting statement of government operation, the questionnaire does not present the differences between expenditures in the enacted budget (estimates) and the actual outcome, estimates in the enacted budget, differences between the enacted levels and the actual outcome for expenditures, and (actual) expenditures for individual programmes, which were estimated by responsibility centres in the enacted budget. The questionnaire (Accounting Year-End Report 2017) does not present a comparison or the differences between the enacted levels and the actual outcome for revenues.

The questionnaire does present actual revenues by category (such as tax and non-tax) and by individual sources of revenue, such as income taxes and profits (divided to paid by individuals and paid by companies). It also presents taxes on salaries and workforce, property tax, taxes on goods and services (e.g. VAT and excises), and taxes on trade and international transactions. However, the MoFP accounting report (questionnaire) does not show the differences between the original estimates of government borrowing and debt, composition of the total debt outstanding at the end of the budget year, and the actual outcome for same fiscal year. Furthermore, it does not present original estimates (in the enacted budget) nor does it show the differences between the original macroeconomic forecast for the fiscal year to which it corresponds (2017) and the actual outcome for that year. The reports presents nothing but cold numbers for the fiscal year 2017, without any comparisons to the levels in the enacted budget. In sort, the MoFP report fails to rise to the level of the Year-End Report as envisaged by the OBS methodology.

Audit Report

The Audit Report, which is produced by a country's Supreme Audit Institution (SAI), is intended to evaluate the legality and regularity of the government's financial management and accounting. The SAI plays a vital role in holding the executive accountable to the legislature and the public. In its oversight role of the executive's stewardship of public funds, the SAI in many countries performs financial, compliance, or performance audits. Some names by which the SAI is known include: Auditor General, Comptroller and Auditor General, Controller General, or State Inspector. SAIs with "collegial" structures are sometimes known as Boards of Audit, Courts or Chambers of Accounts, or Commissions of Audit.

At the end of each fiscal year, the SAI performs an annual audit of the final accounts. These audits are sometimes known as a "certification of the government accounts." Accordingly, the auditor's annual report should be published and made available to the public. According to OECD best practices, the SAI should complete these audits within six months of the end of the budget year for administrative units (that is, ministries, departments, or agencies).

In order to be considered publicly available by the Open Budget Survey methodology, the Audit Report must be released to the public no later than 18 months after the end of the fiscal year to which it corresponds. The answer to all questions regarding the Audit Report is “The SAI has not conducted any of the three types of audits (compliance, financial, or performance), or has not made them available to the public.” This is the case in Palestine, where audit reports are not made publicly available.

The Audit Report must contain the following:

- All type of audits (compliance, financial, or performance) conducted and made available to the public, including:
- Financial audits are intended to determine if an entity’s financial information is accurate (free from errors or fraud) and presented in accordance with the applicable financial reporting and regulatory framework.
- Compliance audits look at the extent to which the relevant regulations and procedures have been followed.
- Performance audits assess whether activities are adhering to the principles of economy, efficiency, and effectiveness. Financial and compliance audits are more common than performance audits, which usually occur only once a performance framework has been agreed upon. In some countries, the SAI’s mandate limits the type of audit it can conduct.
- All expenditures within the mandate of the Supreme Audit Institution (SAI).
- All extra-budgetary funds within the mandate of the Supreme Audit Institution (SAI).
- One or more executive summary(s) of the report’s findings to help make the Audit Report more accessible to the media and the public.

The executive must report to the public on the steps it has taken to address audit recommendations made by the Supreme Audit Institution (SAI); i.e. whether the Supreme Audit Institution (SAI) or the legislature track actions by the executive to address audit recommendations. The purpose of audits is to verify that the budget was executed in a manner consistent with existing law, and to hold the government accountable for this execution and its future improvement. The extent to which audits achieve the latter depends on whether there is adequate and timely follow-up on the recommendations provided in the SAI's audit reports.

The Supreme Audit Institution (SAI) or legislature release to the public a report that tracks actions taken by the executive to address audit recommendations. That is, the SAI or the legislature track actions by the executive to address audit recommendations. After audit results and recommendations are discussed and validated by the legislature, the executive is normally asked to take certain actions to address the audit findings. For accountability purposes, the public needs to be informed about the status of those actions, and steps the executive has taken to address audit recommendations. In addition to the executive reporting on its actions, the SAI and legislature – as the key oversight institutions – have a responsibility to keep the public informed by tracking the executive's progress in addressing audit recommendations.

Section 4: Role and Effectiveness of Oversight Institutions in the Budget Process

This section explores the oversight role of Independent Fiscal Institutions (IFIs) in the budget preparation process. It also investigates the role of the legislature, the legislature's specialised committees in relation to the sectors for which they are responsible, and the SAI. IFIs are independent bodies which usually report to either the legislature or the executive, that analyse fiscal policy and performance. The aim of this section is to assess whether the broader institutional architecture of the budget system includes sufficiently effective checks and balances to ensure integrity and accountability in the use of public resources.

An IFI that conducts budget analyses for the budget formulation and/or approval process

In practice, IFIs come in two main forms:

1. Parliamentary budget offices (e.g., the Congressional Budget Office in the United States, and the Center for Public Finance Studies in Mexico), and
2. Fiscal councils (e.g., the Office for Budget Responsibility in the United Kingdom, and the Swedish Fiscal Policy Council).

There must be an IFI, and its independence must be set in law. In addition, it must have sufficient staffing and resources, including funding, to carry out its tasks.

Such institutions are not available in Palestine. An IFI has a role in producing the macroeconomic forecast (e.g., GDP growth, inflation, interest rates, etc.) and/or the fiscal forecast (revenues, expenditure, deficits, and debt), and if so, what kind of role it has. Macroeconomic and/or fiscal forecasting is a typical core function across IFIs, but their role in forecasting takes several forms. Some IFIs produce just a macroeconomic forecast, while others produce a complete fiscal forecast (which also typically requires an underlying macroeconomic forecast). In some cases, the fiscal forecast reflects continuation of current budget policies; such forecasts can be used by the legislature, the media, or the public to assess the projections in the executive's budget reflecting the government's policy proposals. There must be an IFI that publishes both its own macroeconomic and fiscal forecasts. Macroeconomic forecasts may include indicators relating to economic output and economic growth, inflation, and the labour market, amongst others. Fiscal forecasts may include estimates of revenues, expenditures, the budget balance, and debt. The IFI also publishes its own costings of new policy proposals to assess their impact on the budget.

In the past 12 months, how frequently did the head or a senior staff member of the IFI take part and testify in hearings of a committee of the legislature? This question concerns the interaction between two important oversight actors and assesses how frequently the IF made high-level inputs to the work of legislative committees. All IFIs interact with the legislature. This question assesses this aspect by asking, with reference to the past 12 months, how frequently the head or a senior staff member of the IFI took part and testified in hearings of a committee of the legislature. The intent is to assess the extent to which the IFI staff member in question was not only present at a meeting of a legislative committee, but was an active participant (as opposed to a passive observer, serving only as a resource when called upon).

Legislative oversight of budget execution

This assesses whether and how often a committee examined the implementation of the budget during the budget execution period (i.e., financial year) for which it was approved, and whether this resulted in an official report with findings and recommendations. This question does not apply to the ex post review of implementation following the end of the budget year as part of the audit stage, which is assessed separately. Nor does it apply to the legislature's review of the budget that it may undertake as part of the process of considering a supplemental budget during the year. In-year monitoring by the legislature will be affected by the frequency that the executive publishes In-Year Reports. A committee must have examined in-year implementation of the Enacted Budget at least three times during the course of the relevant budget year and published reports with findings and recommendations.

Because the PLC is out of session because of the internal Palestinian political divided, the Budget Committee has not examined the implementation of the budget on a periodic basis. This issue concerns legislative oversight of budget execution. The committee should have examined the execution of the enacted budget at least three times during the budget year for which it was approved and published reports on findings and recommendations.

Since the PLC was out of session, the Civil Society Team for Enhancing Public Budget Transparency has produced Mid-Year Reviews and Year-End Reports on the public budget. These audits are presented in annual conferences. Audit findings are submitted relevant bodies. Audits are performed in line with the Team's oversight role to monitor the government's performance. Comprising a number of civil society organisations, the Coalition for Accountability and Integrity (AMAN) serves as the Secretariat of the Team. The audits provided seek to bridge the gap created by years-long inaction of the PLC as well as make up for the absence of oversight and accountability for the executive's performance.

Seeking approval from the legislature prior to shifting funds between administrative units

This concerns examines whether the executive seeks approval from the legislature prior to shifting funds between administrative units, and whether it is legally required to do so. This question examines rules around shifting funds between administrative units (ministries, departments, or agencies). The conditions under which the executive may exercise its discretion to shift funds should be clearly defined in publicly available regulations or law. In addition, the amount of funds that the executive is allowed to transfer between administrative units should not be so excessive as to undermine the accountability of the executive to the legislature. The executive is required by law or regulation to obtain prior legislative approval before shifting funds between administrative units, and it does so in practice.

In the Palestinian context, the 2018 Public Budget Law does not explicitly bind the executive to seek approval from the legislature prior to shifting funds between administrative units included in the budget.

Spending excess revenue

This examines whether the executive receives approval from the legislature prior to spending excess revenue (that is, amounts higher than originally anticipated if unexpected additional revenue is collected during the year), and whether it is legally required to do so. Good practice requires the legislature to approve changes in revenue or expenditure relative to the Enacted Budget. For example, if additional revenue is collected unexpectedly during the year, which often happens in oil/mineral-dependent countries, and it was not accounted for in the Enacted Budget, there should be a procedure in place to ensure that the legislature approves any proposed use of these “new” funds. If such requirements are not in place, the executive might deliberately underestimate revenue in the budget proposal it submits to the legislature, in order to have additional resources to spend at the executive’s discretion, with no legislative control. In the Palestinian context, there is no legal provision that binds the executive (MoFP) to receive approval from the legislature prior to spending excess revenue.

Seeking approval from the legislature prior to reducing spending below the levels in the Enacted Budget

This aspect looks into whether the executive receives approval from the legislature prior to cutting spending below the levels in the Enacted Budget in response to revenue shortfalls or for any other reason, and whether it is legally required to do so. Good practice requires the legislature to approve changes in revenue or expenditure relative to the Enacted Budget. For example, if less revenue is collected unexpectedly during the year, the legislature should approve or reject any proposed reductions in expenditures that are implemented as a result. If such requirements are not in place, the executive might substantially change the composition of the budget at the executive’s discretion, with no legislative control. In this vein, there are no legal provisions binding the Palestinian executive to obtain approval from the legislature prior to reducing spending below the levels in the Enacted Budget.

Examining the Audit Report on the annual budget by a committee of the legislature

This question is about ex post oversight following the implementation of the budget. It probes whether a committee examined the Audit Report on the annual budget produced by the SAI, and whether this resulted in an official report with findings and recommendations. A key issue is how soon after the SAI releases the report does the legislature review it. This question does not apply to the legislative scrutiny of in-year implementation of the Enacted Budget during the relevant budget execution period, which is assessed separately. Also, the question is asking specifically about the SAI’s annual report on the execution of the budget, not about other audit reports that the SAI may produce. A legislative committee must have examined the annual Audit Report within three months of it being released by the SAI, and then published a report (or reports) with findings and recommendations. However, in the Palestinian context, the Audit Report is not available. The SAI has not produced the final accounts for the years 2012-2016.

The process of appointing (or re-appointing) the current head of the SAI

This question focuses on whether the legislature or judiciary must appoint or approve the appointment of the head of the SAI as a way to ensure the SAI's independence from the executive. However, if the appointment is carried out in another way that nonetheless ensures the independence of the SAI head, then that approach could be also considered. The legislature or judiciary must appoint (or re-appoint) the head of the SAI, or approve the recommendation of the executive, as a way that ensure his or her independence from the executive. A description should be provided of how the head of the SAI is appointed. In the Palestinian context, the Law by Decree No. 18 of 2017 concerning the Amendment of the Law on State Audit and Administrative Control Bureau No. 15 of 2004 was signed by the President of the State of Palestine and promulgated in Ramallah on 31 August 2017. According to the Law by Decree, Article 4 of the Original Law is amended to be become as follows:

1. The Chairperson of the Bureau shall be appointed by a decision from the President of the State based upon a recommendation from the Council of Ministers.
2. The Deputy Chairperson of the Bureau shall be appointed by a decision from the President of the State based upon a recommendation from the Council of Ministers.
3. The employees of the Bureau shall be appointed in accordance with the Law on Civil Service.

The employees of the Bureau working in control position shall be subject to the Law on Civil Service until an administrative bylaw is issued forth by the Council of Ministers concerning them, based upon the recommendation of the Chairperson of the Bureau.

Additionally, this question covers the manner in which the head or senior members of the SAI may be removed from office. According to best practices, the head of the SAI may only be removed by the legislature or judiciary, or the legislature or judiciary must give final consent before the head of the SAI is removed. For example, the legislature or judiciary may give final consent following a certain external process, such as a criminal proceeding. So while the executive may initiate a criminal proceeding, the final consent of a member of the judiciary – or a judge – is necessary to render a verdict of wrongdoing that may lead to the removal from office of the head of the SAI.

In Palestine, according to Article 7 of the Law by Decree No. 18 of 2017, Article 14 of the Original Law on State Audit and Administrative Control Bureau No. 15 of 2004 is amended to become as follows:

The Chairperson of the Bureau shall be relieved of his/her position and his/her service expires by one of the following reasons:

1. Death.
2. Expiration of his legal term of office.
3. Resignation and approval of the President of the State.
4. Removal with the approval of the absolute majority of the Legislative Council in accordance with the provisions of this Law by Decree.
5. Legal incapacity.
6. Conviction by a definitive judicial ruling in a crime or misdemeanour of moral turpitude by competent courts.

It is noted that, according to the Law by Decree, the head of the ASI in Palestine is appointed and removed by approval of the absolute majority of the PLC members. This makes very little sense as the PLC is out of session. The head of the SAI continues to be appointed or removed from office by, or remains the disposal of, the executive, particularly the President of the State and Council of Ministers.

Determining the budget of the SAI

To ensure objective audits of government budgets, another important component of the SAI's independence from the executive is the extent to which the SAI's budget is determined by a body other than the executive, and whether the SAI has adequate resources to fulfil its mandate. In this context, several options are at hand:

1. The SAI determines its own budget (i.e., submits it to the executive, which accepts it with little or no change, or directly to the legislature), or the budget of the SAI is determined by the legislature or judiciary (or some independent body), and the funding level is broadly consistent with the resources the SAI needs to fulfil its mandate.
2. The budget of the SAI is determined by the executive, and the funding level is broadly consistent with the resources the SAI needs to fulfil its mandate.
3. The budget of the SAI is determined by the legislature or judiciary (or some independent body), but the funding level is not consistent with the resources the SAI needs to fulfil its mandate.
4. The budget of the SAI is determined by the executive, and the funding level is not consistent with the resources the SAI needs to fulfil its mandate.

According to Article 3 of the Law by Decree No. 18 of 2017 concerning the Amendment of the Law on State Audit and Administrative Control Bureau No. 15 of 2004, Article 2 of the Original Law is amended to become as follows:

1. The State Audit and Administrative Control Bureau is the Supreme Audit Institution in Palestine.
2. The Bureau shall enjoy the independent juridical personality and full legal capacity to exercise all functions and activities that ensure the achievement of the duties for which it is established.
3. The Bureau shall have a special budget within the public budget of the State of Palestine and shall be subject to the approved mechanisms of control over the public budget.
4. The Bureau shall exercise its mandate of concurrent and subsequent control over audited bodies in accordance with the provisions of this Law by decree and international standards in the following manner:
 - Compliance control.
 - Financial control.
 - Performance control.

Whether the SAI has the discretion in law to undertake those audits it may wish to

This question explores the scope of the investigative powers of the SAI as prescribed in law. It asks which of the three types of audits – financial compliance, and performance – the SAI conducts. This question asks if the SAI is constrained by law (rather than by a lack of capacity or an inadequate budget) from undertaking any form of audit or investigating irregularities in any program or activity. In order to fulfil its mandate, the SAI must have full discretion in law to decide which audits to undertake.

Reviewing audit processes of the SAI by an independent agency

This assesses whether and to what extent the audit processes of the Supreme Audit Institution (SAI) are subject to review by an independent agency. The latter could be a peer SAI, an international organization, an academic institution with relevant expertise, or an independent domestic agency with quality assurance functions in the area of financial reporting. According to best practices, an independent agency must conduct and publish a review of the audit processes of the SAI on an annual basis. In the Palestinian context, the audit processes of the SAI have not been reviewed by an independent agency or a specialised unit within the SAI itself.

In the past 12 months, how frequently did the head or a senior staff member of the SAI take part and testify in hearings of a committee of the legislature?

The question concerns the interaction between two important oversight actors and assesses how frequently the Supreme Audit Institution (SAI) made high-level inputs to the work of legislative committees. Many SAIs interact with the legislature in some form, but the nature and intensity of the interaction varies. With reference to the past 12 months, how frequently the head or a senior staff member of the SAI took part and testified in hearings of a committee of the legislature. The intent is to assess the extent to which the SAI representative in question was not only present at a meeting of a legislative committee, but was an active participant (as opposed to a passive observer, serving only as a resource when called upon). Options can be as follows:

1. Frequently (i.e., five times or more).
2. Sometimes (i.e., three times or more, but less than five times).
3. Rarely (i.e., once or twice).
4. Never.

In the Palestinian context, the last option is the appropriate one in view of inaction of the PLC. Due to the internal Palestinian political divide, the head or a senior staff member of the SAI did not take part and testify in hearings of a committee of the legislature not only over the past 12 months, but over the past 12 years.

Section 5: Public Engagement in the Budget Process

Public engagement is a necessary complement to budget transparency. Providing access to budget information is only a first step, and must be accompanied, on part of all the relevant institutions (i.e., the executive, the legislature, and the SAI), by the provision of opportunities for the public to engage during each of the four phases of the budget process. This section outlines the good practices for public engagement in the budget preparation process.

Participation mechanisms through which the public can provide input during the formulation of the budget

According to best practices, the executive must use open participation mechanisms that involve the public in the formulation of the annual budget. This means that a public process is in place whereby CSOs and/or individual members of the public and government officials interact, and have the opportunity to express their opinions to each other in what can be considered a public dialogue between them (i.e., in-person and online discussion forums).

Additionally, the mechanism should be open to any civil society organisation, individual members of the public who wish to participate, and government officials. Examples include public meetings and online deliberative exchanges; e.g. a public dialogue among citizens and government officials. Other examples of mechanisms that might qualify as a “c” response include hotlines, Facebook announcements, and one-off meetings with NGOs in which there is a public record. These mechanisms may not be structured and happen only on ad-hoc basis, or not regularly.

In the Palestinian context, examples include communities adjacent to and affected by the Annexation Wall, marginalised groups (e.g. women), people in extreme poverty, farmers affected by natural disasters, and parts of the population affected by policies of dumping the local market with competitive Israeli products and boycott of work at and products of Israeli settlements. These vulnerable and underrepresented parts of the population are not consulted about the working mechanisms needed to overcome consequent challenges and their reflections on the fiscal policy and public budget.

In Palestine, the executive does not use open participation mechanisms, by which members of the public and government officials can exchange opinions about the budget execution. If the executive does not use popular participation mechanisms during budget implementation, this means that a principle of the International Budget Partnership (IBP).

The executive receives input from vulnerable and underrepresented parts of the population on the implementation of the annual budget

This question examines the executive's effort to actively reach out to citizens who are from socially vulnerable groups and/or underrepresented in national processes. The emphasis here is on the executive's efforts to seek out the views of members of the public from socially vulnerable groups and/or who are underrepresented in the process of implementing the annual budget.

The Palestinian executive (or MoFP) does not use public participation mechanisms, nor does it take concrete steps to include individuals and/or civil society organisations representing vulnerable and underrepresented parts of the population in these mechanisms.

The key topics which the executive's engagement with citizens covers during the budget implementation stage

- Changes in macroeconomic circumstances
- Delivery of public services
- Collection of revenue
- Implementation of social spending
- Changes in deficit and debt levels
- Implementation of public investment projects

Public engagement can/may cover other topics. In the Palestinian context, the executive (MoFP) does not use public participation mechanisms during the budget implementation stage. Hence, the executive does not engage with citizens in coverage any of the elements mentioned above.

The executive provides comprehensive prior information on the process of the engagement, so that the public can participate in an informed manner

This question relates to the GIFT principle of "Openness", and addresses whether the executive provides relevant information on the process of the engagement before public participation takes place, in order to help citizens engage effectively. The question addresses whether the "rules of the public engagement" are clearly spelled out, in advance and in detail, so that those members of the public who want to engage know how to do so, in terms of when they can do so, what they are expected to provide input on, by when, to whom, etc. Is comprehensive information provided in a timely manner prior to citizens engagement in both budget formulation and implementation phases?

This information should include at least three of the following elements: (1) purpose, (2) scope, (3) constraints, (4) intended outputs, and (5) process and timeline.

The Palestinian executive does not use public participation mechanisms in the phases of budget formulation, execution or audit. These mechanisms of public engagement are considered as alien to the MoFP.

Does the executive provide the public with feedback on how citizens' inputs have been used in the formulation of the annual budget?

This question examines the extent to which the executive provides information to citizens on which public inputs were received, which ones are used in the formulation of the annual budget, and how/why. The "written record" means a document that is produced and released by the MoFP that has set up and holds the participation activity. It includes:

- The inputs (e.g., a written transcript) received from the public and
- A detailed report on how the inputs were used or not used (such report should include information on which inputs were used or not used, why, and how),

The Palestinian executive (MoFP) does not use public participation mechanisms in the phase of budget execution. Hence, it does not provide the public with feedback on how citizens' inputs have been used in the formulation of the annual budget.

Does the executive provide the public with information on how citizens' inputs have been used to assist in monitoring the implementation of the annual budget?

In Palestine, the executive does not provide a written record which includes both the list of the inputs received from the public and a detailed report of how the inputs were used to assist in monitoring the annual budget.

Incorporating the participation mechanisms into the timetable for formulating the Executive's Budget Proposal

"Timetable" refers to a document setting deadlines for submissions from other government entities, such as line ministries or subnational government, to the Ministry of Finance. Does the national executive establish a clear set of guidelines that enable citizens and civil servants to understand when participation mechanisms should be used to enable citizen inputs to be incorporated into the annual budget? The timetable must be available to the public before the budget preparation process begins. This applies if the executive does not establish a clear set of guidelines that enable citizens and civil servants to understand when participation mechanisms should be used to enable citizen inputs to be incorporated into the annual budget or if the executive does not use public participation mechanisms during the budget formulation or implementation stage. This is not applicable in the Palestinian context.

The legislature and provision of public participation mechanisms in the formulation of the annual budget

This includes deliberations during the pre-budget phase (i.e., when the executive is still in the process of formulating the draft budget) and the budget discussions after the budget has been tabled to parliament and before it is approved. The participation mechanisms can involve a range of different issues, such as revenues, policy selection, and macro-fiscal planning.

The legislature's engagement with citizens during the legislative deliberations on the annual budget

This addresses the range of mechanisms currently used by the legislature to promote public participation during legislative deliberations on the annual budget. The legislature seeks input on the following topics:

1. Macroeconomic issues
2. Revenue forecasts, policies, and administration
3. Social spending policies
4. Deficit and debt levels
5. Public investment projects
6. Public services

The conditions above are not met if the legislature does not use public participation mechanisms during its deliberations on the annual budget. This is the case in the Palestinian context because the PLC is out of session.

Providing feedback to the public by the legislature on how citizens' inputs have been used during legislative deliberations on the annual budget

According to good practices, the legislature provides a written document with:

- The inputs received from the public (e.g., a written transcript) and
- A detailed report on how the inputs were used or not used (such report should include information on which inputs were used or not used, why, and how).

The conditions above are not met if the legislature does not use public participation mechanisms during its deliberations on the annual budget. This is the case in the Palestinian context because the PLC is out of session.

The legislature holds public hearings and/or use other participation mechanisms through which the public can provide input during its public deliberations on the Audit Report

A key constitutional role of the legislature in almost all countries is to oversee the government's management of public resources. While the Supreme Audit Institution is responsible for checking the government's accounts and publishing the outcome of their audits, for accountability purposes it is essential that the legislature reviews and scrutinizes those reports, and checks on whether the executive is taking the appropriate corrective actions based on the Supreme Audit Institution's recommendations.

Holding public hearings to review audit findings allows the public to learn more about how the government has managed its resources for the budget years that have ended, and demand accountability in case of mismanagement and irregularities. Reviewing and discussing those reports in public is therefore a key responsibility of a legislature. The national legislature must hold public hearings on the Audit Report, allowing members of the public to testify. In the Palestinian context, for the same reason stated above, the legislature does not use public participation mechanisms in deliberations on the Audit Report.

The SAI and maintaining formal mechanisms through which the public can suggest issues/topics to include in the SAI's audit programme

According to good practice, SAI should establish mechanisms through which the public can provide suggestions on issues/topics to be included in its audit program. This is not the case in Palestine, however.

Does the SAI provide the public with feedback on how citizens' inputs have been used to determine its audit program?

According to good practice, the SAI must provide a written document. A "written record" means a document that is produced and released by the SAI. The document includes:

- The inputs received from the public and
- A detailed report on how the inputs were used or not used (such report should include information on which inputs were used or not used, why, and how).

Does the SAI maintain formal mechanisms through which the public can contribute to audit investigations (as respondents, witnesses, etc.)?

According to OBS good practice, the SAI must provide established mechanisms through which the public can participate in audit investigations. In the Palestinian context, for the same reason stated above (that is, inaction of the PLC), the legislature does not use public participation mechanisms in deliberations on the Audit Report.

3. Recommendations

1. Adapt or align the names of Palestinian public budget documents with corresponding names of the the Open Budget Survey (OBS) of the International Budget Partnership (IBP). This would facilitate a comparison between the public budget transparency and relevant international standards.
2. Ensure that the MoFP and wider government (Council of Ministers and President of the State) submit public budget documents within statutory deadlines set by the Basic Law and Law on the Regulation of the Public Budget No. 7 of 1998. The MoFP will also be committed to stating reasons for any delays.
3. Allow an opportunity to conduct public and legislative discussions based on citizens' access to the Executive's Budget Proposal. According to best practices, the executive must engage citizens and provide a full explanation of taxes, expenditure plans and borrowing before they are approved. This requires producing and making available budget documents to the public within the specified time frame through various means. All citizens will be able to obtain these documents free of charge. Public engagement is a necessary complement to budget transparency. Providing access to budget information is only a first step, and must be accompanied, on part of all the relevant institutions (i.e., the executive, the legislature, and the SAI), by the provision of opportunities for the public to engage during each of the four phases of the budget process.
4. Improve, detail and present revenue and expenditure classifications and public debt estimates by relevant individual sources. Extra-budgetary funds and government held financial and nonfinancial assets will be disclosed. These will be constantly enhanced during the budget implementation, ensuring improved inclusiveness of content of the budget and supporting budget documentation. The MoFP will proceed with implementing the programme and performance-based budget, which the Ministry adopted or announced it would adopt in 2010.
5. According to good practice, the executive (of the MoFP) must present the Citizens Budget for each of the four stages of the budget process to allow citizens to be aware of what is happening, in terms of public financial management, throughout the entire budget cycle. In-Year Reports must be published and made available in an intelligible format, not in cold numbers which non-specialist readers cannot understand. The executive must avoid late publication of final accounts. The Audit Report (final accounts) for the years 2012-2017 have not been produced to date.

6. The Mid-Year Review provides a detailed explanation of the state of the budget six months into the budget year. In order to ensure that programmes are being implemented effectively and to identify any emerging problems, the government should conduct a comprehensive mid-year review of the budget's implementation about six months into the budget year. This review should assess the state of the economy relative to the initial macroeconomic forecast and update the economic projections for the remainder of the year. The Mid-Year Review should also provide updated estimates of expenditure, revenue, and debt, reflecting the impact of actual experience to date and revised projections for the full fiscal year.
7. The Year-End Report should be produced and published. This is a key accountability document produced and published by the executive (or MoFP). It reports extensively on the government's performance on implementing the budget during the entire fiscal year. The report ought to cover all of the major items included in the budget, explaining differences between the original budget estimates and the actual outcomes for expenditure, revenue, debt, and the macroeconomic assumptions. These reports should also review nonfinancial performance information.
8. Because the PLC is out of session, transparency and parliamentary oversight of the public budget process do not satisfy the majority of OBS standards and indicators. Hence, expedited action must be taken to hold legislative and presidential elections in both the West Bank and Gaza Strip.
9. To ensure his/her independence as well as independence of the who SAI (SAACB), the head of the SAI may only be removed by the legislature or judiciary, or the legislature or judiciary must give final consent before the head of the SAI is removed. Also, the budget of the SAI must be determined by the legislature or judiciary. To ensure objective reviews of government budgets, the funding level of the SAI will be broadly consistent with the resources the SAI needs to fulfil its mandate.
10. The SAI must be subject to review by an independent agency on an annual basis. The latter could be a peer SAI, an international organisation, an academic institution with relevant expertise, or an independent domestic agency with quality assurance functions in the area of financial reporting.



The Coalition for Accountability and Integrity (AMAN) has been accredited by Transparency International (TI) since 2006. AMAN was established in 2000 by Palestinian civil society actors in democracy, human rights, and good governance. To achieve its vision “Towards a Corruption-free Palestinian Society”, AMAN currently seeks to create and lead an community-wide anticorruption movement, contribute to producing and localising corruption awareness, and combat corruption on national, regional and international levels.

AMAN plays its role as watchdog over the national integrity system, focusing on social engagement and promoting the role of civil society organisations and media outlets in oversight and accountability exercises. AMAN also works towards creating an immunised environment and contributes to detecting and eliminating corruption crimes.

The Coalition for Accountability and Integrity (AMAN)
Ramallah

Rimawi building – First Floor – Irsal Street

P.O. Box Ramallah 339 Jerusalem 69647

Tel.: 022989506 – 022974949

Fax: 022974948

Gaza

Habboush St. off Martyrs St. – Dream Building, Ground
Floor

Telfax: 082884767 – 08288476680

Email: info@aman-palestine.org

Website: <http://www.demo.aman-palestine.org/en>

AMAN on social media