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Public Finance in Palestine

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Public Finance IN PALESTINE

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A study prepared for
United Nations Conference on trade and Development
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1995

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Professor Sabri is a known financial analyst, who served as a consultant on several missions with the UN firms including; the UN Industrial Development Organization, the United Nations Center for Human Settlements and the United Nations Conference on Trade and Development. In addition, he participated in Academic conferences with working papers including *The Economic Research Forum at Rabat, The European Financial Management Meeting, The Arab Management Conference at Bradford. The Experts Meeting for Development in Palestine at UNCTAD- Geneva. The International Islamic Management Seminar at Tehran. The Western Decision Sciences Conference at California. The International Accounting Seminar at Illinois, the American Accounting Association Meeting at New Jersey, and Experts Meeting in the Palestinian Economy at UNIDO -Vienna*.

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Introduction

1. Purpose of the study: This study is intended to examine in depth the public finance situation in Palestine including the West Bank and Gaza strip, in order to suggest measures for economic development. To accomplish this purpose, all laws, by-laws, policies and procedures of public finance issues have been investigated and analyzed, structured interviews were conducted with relevant public employees and budget and financial staff, relevant questionnaires were used to collect the needed data wherever it was needed, fiscal data for central and local authorities were gathered to cover all periods of the study, and finally an intensive review of the related literature was considered.

2. Public finance may be defined in a general term "as being concerned with the manner in which public services are provided¹". However, this definition is not clear in determining the activities of public finance. This is because there are various criteria that may be used to confine the framework of public finance which lead to different definitions such as;

*The source criterion, which means goods and services provided through government budget are public services.

*The goods criterion, which means that all non-marketable goods and services are considered as public services such as defense and justice.

*The consumption criterion, which means that all collective consumption goods and services are considered as public services.

*The price criterion, which means that free or subsidized goods and services are considered public services².

However, the above criteria may be considered together in stating public goods and services.

3. Framework of the study: For the purpose of this study a broad definition of public finance based upon the above mentioned criteria, may be considered as follows "goods and services which are provided by government and quasi budget, non-marketable goods and

services, collectively consumed goods and services, free and subsidized goods and services are considered public goods and services". Accordingly, this paper included authorities which play a role in one way or another in providing public services in Palestine beside the public services offered by Israeli military government as an occupying authority. This will cover various issues of public finance such as legal, administrative and fiscal aspects, in order to evaluate to what extent the present situation fulfill the functions of public finance. The functions of public finance may be classified as follows³:

- * allocation function (price mechanism)
- * Stabilization function (economic policy)
- * Distribution function (social policy)

However, the public finance in this study should consider both public services as well as the ways of financing such services and other collected revenues by the government.

4. Explanatory notes: Various explanatory notes should be indicated here as included in this study;

a- The term Occupied Palestinian Territories (Palestine) means both Palestine.

b- A fiscal year such as 1991 means a calendar year of 1991 and/or a year from 1-4-1991 to 31-3-1992 and-or 1-7/1991 to 30-6-1992 as UNRWA Budget.

c.- All financial data in this study are expressed in US \$ in current prices to facilitate comparison and analysis using the exchange rates as stated in a schedule presented in the appendix.

d.- The budget financial data for local authorities and UNRWA are the actual data, while the government data are the budgeted data which are very close to the actual and usually implemented as stated.

Dr. Nidal Rashid Sabri
1995

Chapter I

An Overview of Public Finance

Pre-1967 situation

5. Introduction: At the end of first world war, Palestine became under the British occupation, in which the British military administration conducted the area up to 1948 through direct supervision, on the contrary of other Arab mandated areas which have been run by local authorities among British advisors. To manage the public government affairs, Palestine had been divided to various districts including⁴: the Jerusalem District, comprising the Sub-Districts of Bethlehem, Hebron, Jericho, Jerusalem and Ramallah with its headquarters at Jerusalem; the Northern District, comprising the Sub-Districts of Beisan, Haifa, Jenin, Nablus, Nazareth, Safad, Tiberia and Tulkarm, with its headquarters at Haifa; and the Southern District, comprising the Sub-Districts of Beersheba, Gaza and Jaffa , with its headquarters at Jaffa.

6. The British administration issued the laws and regulations to run aspects of life including financial and public affairs. Article 28 of Palestine in council stated that "No vote, resolution, ordinance for the proportion of any part of the public revenue, or imposition of any tax shall be proposed except by the high commissioner⁵". The annual budget used to be prepared and issued by the high commissioner after consultation with the advisory council, in an appropriation ordinance form, and to be included in Palestine Gazette, among other two expenditure statements of Palestine railways and ports⁶. However, the revenues side used not to be published but to be estimated and collected under separate ordinance.

7. The annual Palestinian budget expenditures during the British mandate: It was about \$ 11 million in 1933, \$ 13 million in 1934, \$17 million in 1935, \$24 million in 1936 and \$20 million⁷ in 1937. The total expenditures for a quarter century (1920--1944) were about \$ 415 million, the expenditures per capita were from \$ 10 to 15⁸. The major expenditure items were security, defense and general administration which formed from 55%

to 68% of the total expenditure, public works formed 15% to 25%, education and health formed 9% and agriculture formed from 4% to 7%⁹. At the end of British mandate, the total expenditure budget for the year 1946 was about \$ 80 million, \$ 8.4 million for railway budget, and \$ 2.4 million for ports, about 40% of that budget expenditures were for police and military services, while 12% of the total expenditures was allocated for education, health and social welfare¹⁰.

8. It was the duty of the accounting officers who used to be headed by the general treasurer to exercise supervision over the receipts of public revenues and to secure its punctual collection¹¹. The major revenues under British mandate came from indirect taxes and limited grants from British administration as occupied authority, the total British grants were about \$ 32.4 million during the war years from 1939 to 1944¹², the total indirect collected taxes from 1934 to 1939 were about \$ 131 million, and \$ 149 million from 1939 to 1944, direct tax had been added during the war which produced about \$ 12 million. The major revenues came from customs and excise taxes 37.1%, property tax 12.5%, licenses, fees and fines 12.3%, grants 20.2%, income tax 7.7% income from government property, investment and enterprises 10.2% as it was between 1939 and 1944¹³. The collected tax revenues used to form about 14% of National income, in most fiscal years there was a budget surplus of about \$ 10 million at the end of 1939 as an example. However this was a budget surplus rather than a prosperity in economy and it was a serious need for social, health and development works¹⁴.

9. In 1948 Palestine had been divided into three parts, the West Bank of Jordan which became a part of Jordan up to 1967, Gaza strip which became under Egypt administration and the third part became a state for Jews under the name of Israel. Our concern is related to Arab parts of Palestine which includes Palestine.

10. The public Finance in Gaza during the period from 1948 to 1967 was under Egyptian administration supervision using the same Palestinian fiscal and tax legislation, and the public budget for Gaza strip used to be prepared separately from the Egyptian Budget. Summary of annual figures of expenditures, revenues and shortages are presented¹⁵ in Table. No. 1.

11. The annual budget shortages used to be covered from Egyptian ministry of defense besides offering other subsidies, the major revenues came from customs which used to be about 63% of the total revenues, while other taxes, fees, fines and licenses formed 27% and portages and other revenues formed 10%, the structure of Gaza budget for that period is summarized¹⁶ in Table No. 2.

12. During that period, the UNRWA contributed significantly to public services including education for elementary, preparatory and vocational training, university scholarships, health and social welfare activities. The UNRWA annual budget used to be from \$ 4 million to \$ 9 million for that period¹⁷.

13. In spite of the tiny size of public finance operations, yet it contributed about 9% GNP which was \$ 50 million in 1966 and came the second important sector of Gaza Strip economy after agriculture and fishing sector¹⁸. The public expenditure per capita during that period was from \$ 5 to \$ 20. The public capital investment per capita was about \$ 2 in 1960 and \$ 3 in 1966. The main function of the government budget during this period was mainly to maintain order and to supply the necessary needed public services with no attention to other budgetary functions which may stimulate and develop the local economy, this was because the budgets used to be prepared by staff employees only. However, in 1962 president Naser issued a law No. 255 which organized the Gaza Strip administration by establishing a consultation council which was the power of controlling the executive officers besides issuing laws and regulations, but the auditing function of budget and government accounts remains a job of The Egyptian bureau of accountancy in Cairo¹⁹.

14. The mechanism of public finance system in the West Bank was a little better than that in Gaza, during the same period from 1948 to 1967, in which West Bank was a part of the kingdom of Jordan. There were laws and regulations to prepare, approve, implement and control aspects of public finance and related activities. Article 112 of the constitution of Jordan stated that proposals of budgets should be offered, discussed and approved by the national assembly and the king, then to be published annually in Jordanian gazette²⁰. The budget organizing law stated that the government budget should be prepared by a special department under the supervision of finance minister, upon consultation with a special council²¹. The law of Bureau of Accountancy stated that all collected revenues transactions should be audited by the bureau, employees as well as the expenditures transactions, the

director of the bureau should report to national assembly, prime minister and minister of finance annually²².

15. Under the above mentioned laws the Jordanian government budget used to be published in the official Gazette, including estimated revenues and expenditures. However, there was no separation between the West Bank and the East Bank, therefore, adjustments may be necessary to estimate the share of West Bank in public budget and finance. The West Bank share of the gross national production of Jordan was²³ about 39%. Another study estimated the West Bank share as 36% of the gross domestic product of Jordan and 35% of total public services²⁴. Accordingly it is relevant to state the share of the West Bank in public budget as 35% of the total budget in Jordan²⁵. Therefore, the major revenues of the West Bank were as indicated in Table No. 3.

16. The above data is close to other estimations of revenues, as the economic survey which estimated West Bank revenues in 1965 at \$ 24 million²⁶, and Bregman study which estimated the revenues in 1966 at about \$27 million²⁷. However, the above data does include the obtained grants and loans which were between \$ 19 million and \$ 29 million a year or about 60% of the total government budget²⁸. The government revenues were about 34% to 40% of the GDP of Jordan during that period²⁹. The size of local municipal revenues was very small compared to central revenues, it was about \$ 3 million or 5% of the total government revenues for all 19 municipalities in the West Bank including Jerusalem in 1966³⁰.

17. Concerning the structure of the budget expenditures, Table No. 4 presents the West Bank share in government expenditures for the period. It shows that 65% of the total budget was allocated to police and defense purposes, while education share was about 9%, and health and social activities were about 4%. The total current expenditures were between \$ 24 million and \$37 million a year³¹.

18. The development expenditures budget was between \$ 6 million and 23 million with an average percentage of 24% of total budget³². It should be noted here that the role of government budget for that period was also limited to maintain order and offer social services, but was not a part of economic plan. However, Jordan for that period announced various development plans to begin in 1953, but these plans were either revised, set aside or not completed because of the June war of 1967³³.

Post-Occupation Development

19. At the moment of occupation, the public units became in a complex situation, because the majority of Palestinian public employees refused to work under the new occupying authorities, and continued to consider themselves as Jordanian employees. However, after a period of irregular services the local Palestinian leader as well as the Jordan government accepted the idea of resuming works in the vital public services such as education and social works, while other public sectors such as police and justice departments were excluded, later on only courts had been accepted as vital services³⁴. At that period the public services had been divided to three parts. First the health, education, social and justice services part, in which Palestinians worked under the supervision of Israeli officers but at minimum interference. Second, police and interior affairs are operated by Israeli officers and employees only. Third, Al-Wakf departments, Islamic courts, and Arab education system in Jerusalem continued to work under Jordanian supervision without any interference or relationship with Israeli military authority. The disconnection of East Jordan from the West Bank prevented Palestinian citizens from attending various higher education institutions, therefore, the Palestinian leaders established in late seventies their own institutions which now work legally as non-profit organizations, and may be considered as independent public units.

20. The public services in the Gaza Strip faced a similar situation in 1967 with a major difference, that is the ties with Egypt did not continue as those between the West Bank and Jordan, with a few exceptions. Therefore, the whole public services became under Israeli supervision. Gradually the public services in both the Gaza Strip and the West Bank had been shaped as the occupying authority demanded in order to maintain order and offer the minimum needed social services. The local authorities including municipalities and village councils continued to work as they used to in 1967. However, several changes had been introduced lately in laws, regulations, and budget affairs by the Israeli military authority.

21. The public sector in Palestine continued to work at a low level but in stable condition up to 1981³⁵. The major policy was nonintervention in local Palestinian affairs as much as possible with the exception of security matters. This situation known as the Dayan's noninterventionist policy³⁶, was changed in 1981, when a military order No. 947 was issued in October 1981 to establish the so called civil administration in the West Bank. Another military order was issued in the Gaza Strip to establish a similar administration as stated in the

military order No. 725³⁷. It separated civil activities from military functions, but once again put it under the supervision of military authority. The major changes were; creating a new organization structure which divides the civilian function to three divisions. First, economic branch which includes agriculture, tourism, and insurance units. Second, the interior branch which includes housing, welfare, education, health, water, postal services, telecommunications, electricity and interior affairs. Third, infrastructure branch which includes public work, archeology, natural reserves and land units³⁸. Identical organization structure had been adopted in Gaza. Many of temporary military orders transferred to permanent laws³⁹. In addition selected Israeli employees were appointed as representatives of Israeli ministries⁴⁰. In spite of the claim that the purpose of establishing the civil administration was to offer better public services for the well being of population, it created critical situation to public sector on both central and local levels.

22. The reaction of Palestinians was sharp, the majority of elected mayors of municipalities resigned as well as many senior Palestinian employees, because they felt that establishing the civil administration was a transformation from temporary occupation to a permanent one⁴¹. The public services became more and more under Israeli supervision and interferences. This situation had increased rapidly since 1988 when the leaders of the Intifada (Uprising) asked the majority of Palestinian public services to resign. The majority of specific public units resigned such as tax departments employees, traffic departments and other senior employees.

23. Budget organization: Budget preparation is a job of Israeli employees in both Palestine since 1968. It is prepared by military officers based on last years figures and other special forms which are usually filled out by various public units. The budget unit which contains six Israeli employees collects the estimations from various officers and conducts technical calculations, and sends it to the general coordinator of the occupied territories to be presented as a part of Israel state budget⁴². The budget unit is a section of finance department which follows directly the head of civil administration in both Palestine. The finance department includes the budget unit, accounting, payroll, real estate, loans and foreign currency units⁴³. The preparation, implementation, controlling and auditing of budget in Palestine are in the hands of Israeli employees. The situation in both Palestine are identical in this regard, as a matter of fact, they are compiled in one section under item 17 of Israel state budget.

24. Controlling of Budget: In 1967 the military authority issued military orders to keep all previous laws in both Palestine as they were until further changes by the military authority. However, none of the military orders had been issued concerning budget affairs except that related to a change in the fiscal year from the calendar year to a year starting on the 1st of April and ending on 31 March, as indicated in order No. 192 in the West Bank and No. 170 in Gaza Strip⁴⁴. All other previous laws, bylaws of budget affairs had been ignored only without a need to issue the legal instructions of that. The controlling, supervising and auditing of Palestine are also completely in the hands of Israeli officers working according to Israeli regulations and on the contrary of what previous budget laws had stated. However, a part of auditing procedures is now conducted by Palestinian employees of bureau of accountancy in both Palestine. The military authority established local accountancy department in 1968 from Palestinian employees who used to work with Jordan accountancy department.

25. A similar department had been established in Gaza Strip, and these units are chaired by Israeli officers. The main function of these accountancy units was to audit the government accounts, revenues and expenditures and to compare the actual with the stated budget figures. Gradually these two units had been neglected from the Israeli officers, and now they do not audit any of public units accounts which became a job of Israeli employees from the office of Israeli general control with participation of other Israeli accountants. The employees of accountancy units now work only in municipalities and village councils accounts, and they do not use standard procedures nor follow specific directions or offer any standard reports for their work⁴⁵.

26. Publishing of the budget; The occupying military authority never published the budget of either West Bank or Gaza Strip as previous laws stated. From 1968 to 1973 budget statements used to be available formerly to head of departments only. However, the actual budget figures for this period have been included in a special military report published in Hebrew⁴⁶. After that, the budget of the occupied territories started to be a part of Israeli budget and not to be published or distributed even to the head of public units or to the employees of bureau of accountancy. From 1975 the budget of Palestine is considered a part of the Israel State budget under item 16 for 1975, and under item 17 for year 1976. From 1976 up to 1984 the related pages of Palestine budget used to be extracted from the whole budget

before being distributed to public, keeping total figures and others related to the contribution of Israel government⁴⁷. However, from 1984 up to now the expenditures statements for Palestine were included and only revenues statements were extracted. Finally, the completed budget statements of revenues and expenditures for both Palestine are included in the Israel State Budget which is available only in Hebrew , since 1987/88 budget.

27. Palestine budget is organized as follows⁴⁸:

1. No. 50: Security & Police expenditures
2. No. 54: Regular budget for the West Bank
3. No. 55: Development budget for the West Bank
4. No. 64: Regular budget for Gaza Strip
5. No. 65: Development budget for Gaza Strip
6. No. 66: Revenues budget for Gaza Strip
- 7 No. 67: Revenues budget for West Bank
8. No .69. Government contribution and labor tax deductions (for both West Bank and Gaza, at one item).

CHAPTER II

The Performance of the Fiscal System

The Performance of Central Government:

28. The size of governmental military budget expenditures of the West Bank was about \$ 22 million in 1968, and increased to \$ 40 million in 1978, to \$ 65 million in 1980 up to \$ 170 million in 1988. As compared to 1966; the size of West Bank budget reached the same point only in 1978⁴⁹. The size of budget had been increased rapidly since 1981 because of the high increase in tax collections and the notion of improving living conditions under the new civil administration. The total revenues budget was about \$ 8 million in 1968, it increased to \$ 42 million in 1979, to \$ 133 million in 1984, to \$ 170 million in 1988/89. Matching annual revenues and expenditures produced from \$ 1 million surplus to \$ 20 million shortage. The shortage is covered from labor tax deductions who are working inside the green line. Table No. 5 presents the West Bank total budgets for the period from 1468 to 1988/89⁵⁰.

29. The West Bank expenditures budget is divided into two parts, the first part is related to regular (current) expenditure items, the second is related to development (investment) expenditure items. The regular budget includes from 20 to 30 items for the different years, each item is related to one public unit such as education, justice, health etc., the development budget includes from 8 to 18 items for different years such as grants to local authorities, investments in roads, telephones, etc. The ratio between development budget and

regular budget is about one to four or about an average of 20% of total budget. Table No. 6 summarizes the distribution of West Bank budget expenditures for selected years from 1968 to 1988.

30. The major income of the West Bank comes from indirect taxes which forms about 61% of the total revenues, and ranges between 40% and 81% for different years. Income tax is the next major revenue item which forms about 22%, while other revenues and fees form about 17% of the total revenues. The budget revenue statement for West Bank includes eleven items such as direct tax, indirect tax and other nine non-tax revenue items such as health fees, postages, etc. Table No. 7 indicates the income distribution ratios of West Bank budget revenues for selected years from 1968 to 1988.

31. The general situation of Gaza Strip budget is similar to that of West Bank, but the size of budget is smaller, it is about one half or less of the West Bank budget. The total expenditure was \$ 9 million in 1968, it increased to \$ 20 million in 1973, to \$ 40 million in 1980 and \$ 62 million in 1984 up to \$ 81 million in 1988. The total expenditures trend is somewhat similar to the same trend of West Bank expenditures, the major increases occurred after introducing civil administration and in the last two years before the intifada. The budget revenues were \$ 1.3 million in 1968, and increased to \$ 10 million in 1973, to \$ 53 million in 1984 to \$ 65 million in 1988. The shortage of annual budget ranged between \$ 4 and \$ 16 million, and it used to be covered by tax deductions of labors who were working inside the green line. Table No. 8 summarizes the Gaza Strip total budgets for the period from 1968 to 1988/89 expressed in million dollars.

32. The distribution of budget expenditures in Gaza strip follows the same order of the West Bank budget, it divides expenditures to regular (current) and development expenditures, the regular budget includes about 20 items such as education, health, justice, etc., However there are minor differences between expenditure items of Palestine because the

number of public units in the West Bank is bigger than that in Gaza Strip, other things are identical. The ratio of development budget was about one-third of the total budget for the first eight years, but later on it decreased to about 20%, the average ratio was about 23% which is similar to the West Bank budget. Table No. 9 presents the Gaza Strip budget expenditures distribution for selected years between 1968 and 1988.

33. The Gaza Strip budget revenue is divided as in the West Bank to income (direct) taxes which form about 28% of the total revenues, the indirect taxes which form about 35% of the total revenues, and the other revenue items which form about 37% of total revenues. However, the indirect taxes used to contribute more than half of the total revenues in the first four years, but because of the increase in income tax collections and other revenues and fees, the indirect tax contribution had been decreased to 23%. Table No. 10 presents the distribution of Gaza Strip budget revenues for selected years from 1968 to 1988.

34. According to the annual budget of Palestine, the Israeli officials claim that they contribute to Palestine budget annual amounts that range between \$ 10 million and \$ 58 million for different years, the highest amount was the contribution to 1981/82 budget when the civil administration was introduced. The average annual contribution during the period was \$ 30 million. However, these contributions among the tax deductions of labors are supposed to cover, first the annual shortage of Palestine budget and second; the expenditures of police and other civil administration activities. However, in several years most of the contributions were allocated completely to police and security items, either because there was no shortage and/or because the shortage had been covered by the tax deductions of labors, e.g., the police and other security activities budget for Palestine was about \$ 60 million, while the contribution amount was about \$ 48 million in 1988, the same item budget was \$ 23 million while the contribution amount was only \$ 16 million⁵¹ in 1987. It should be noted here that the police and other security activity budget is not part of West Bank or Gaza Strip

budgets, but it is part of Palestine budget which appears under item 17. Summary of the total contributions of Israeli government to Palestine budget is presented in Table No. 11.

35. The transfer of tax deductions of labor working inside the green line supposed to be a major income to Palestine, the Israeli government claims frequently that these deductions are to be transferred to Palestine budget annually⁵². Officially, the Israeli government never announced the size of these deductions or the transferred amounts to Palestine budget, except in 1984, 1986 and 1987 budgets under item tax deductions from Palestinian workers, other year budgets did not include such item. The amount for 1984 budget was \$ 22 million, for 1986 budget was \$ 39 million and for 1987 budget was \$ 26 million⁵³. However, the estimation and transfer of tax deductions is a contradictory issue between Israeli government and researchers who believe that the amounts are higher than that, especially when there are about 100,000 workers who pay an average tax deductions of 20% of their total payrolls. A researcher estimated that the collected deductions from citizens of Gaza Strip have exceeded Israel payments resulting in a net transfer of money from Gaza into Israel of about \$ 8 million in 1983 and \$ 2.6 million in 1984⁵⁴. Another estimated the whole amount since 1970 at about \$ 800 million and believed that at least \$ 250 million were retained by the Israeli treasury and used for Israeli government⁵⁵. However, most of the estimations are around \$ 30 to 50 million a year. Such revenues are supposed to be added to Palestine budget according to Israeli government decision in 1970.

36. To consider the total revenues of both Palestine, the announced contributions of Israeli government and the tax deductions of Palestinian workers, will produce annual revenues that exceed the annual expenditures as indicated in Table No. 12. which shows that there is a surplus of \$ 30 million to \$ 34 million. However, this surplus had been transferred annually to cover the police and other security budgets .

The Performance of Local Authorities

37. The local authorities in the West Bank include; first, the municipal councils which include 25 municipalities in addition to Jerusalem, 80 village councils and about 300 mukhtar villages. However, mukhtar villages have no financial affairs. These local authorities are distributed in seven sub-districts including Jinin, Nablus, Tulkarm, Ramallah, Bethlehem, Jerico, and Hebron⁵⁶. Ramallah is the largest sub-district which includes seven municipalities, while Tulkarm sub-district includes the largest number of village councils, many of these municipalities and village councils are established as early as 1934 when the British municipal corporation ordinance had been issued, such as Jerusalem, Tulkarem, Bethlehem, Hebron, Jinin, Nablus and Ramallah⁵⁷. Other municipalities and villages had been established after 1948.

38. The local authorities in Gaza Strip as they do now (in 1991), include Four municipal councils including Gaza city, Khan Youns, Rafah and Deir El-Balah and eleven village councils including; Jabalia, Beit Lahia, Beit Hanoun, Bani Suhaila, Absam El-Kabra, Absan Al-Soghra, Kheza'a Zawaida, Kara, Nuseirate, and Maghazi. And there are two local committees in the refugee camps of Bureij and Al-Dhanya⁵⁸. Some of the municipal and village councils had been established since 1934 such as Gaza and Khan Younis⁵⁹. While other councils had been established during the Egyptian administration such as Rafah and Dier Al-Balah. In 1976 the military authority started to establish what they call local committees inside the refugee camps when they issued military order No. 456 to establish local committees in places outside the areas of local councils⁶⁰. In 1980, there were eight local committees in eight refugee camps⁶¹, beside the seven villages and the four municipalities. The refugee camps local affairs usually rely on UNRWA supervision. However, later on four of the local committees had been promoted to village councils, other two committees were eliminated leaving the local committees to only two⁶². Other changes had been implemented by the military authority such as establishing districts councils in order to organize the living conditions of Jewish settlers⁶³.

39. The legal situation of local authorities (Municipal councils) in the West Bank is based on:

a) The Jordanian law No. 29 of 1955, which stated that a municipal council is an independent legal entity which has the right of imposing taxes and fees according to the related laws and by-laws⁶⁴.

b) The financial municipal by-law which organizes the process of preparing the budget and other financial matters⁶⁵.

c) Various changes were made by the military authorities relating to the fiscal year calendar, imposing fees on fruits and vegetables, changing the budget procedures and increasing the taxes and fees⁶⁶.

The legal situation of village councils is based on:

a) The village Jordanian Law No. 5 of 1954⁶⁷.

b) The village by-law No. 1 of 1965⁶⁸.

c) The village council returns order of 1962⁶⁹.

d) The changes of military authorities on the above laws, especially in tax rates and fees.

The above laws regulate the authority and responsibilities of village councils, fees and taxes to be imposed, the procedures of preparing the local budgets, accounting records, and auditing of local authorities accounts.

40. The legal situation of local authorities in the Gaza Strip is based on:

a) Municipal corporation ordinance No. 1 of 1934 which stated that a municipal council may with the approval of the commissioner and subject to the provisions of this ordinance, levy annually within the municipal area taxes on property, education and others, and regulate the budget and accounting affairs⁷⁰,

b) The law of village administration of 1944 which organized village councils affairs⁷¹.

c) The laws of property tax and business licenses⁷².

d) The military orders concerning the local committees⁷³.

e) Other changes made by the Egyptian administration and the Occupying Authorities⁷⁴.

41. The preparation of the annual budget for the local municipal and village councils in West Bank and the Gaza Strip follows the same procedures. The interior officer issues an annual letter asking councils to prepare the budget according to attached instructions, the proposed budget should be prepared and filled out in a standard form, discussed and approved by the local council members and thereafter by the officer of interior⁷⁵. The municipal budget standard form is classified into ten chapters including management, accounting, health, engineering, local security, library, maintenance, establishments of the utilities, repayments of loans, and the development budget part. The revenue budget is classified into six chapters including revenues through government such as property tax, fuel tax, and business licenses, revenues through local units, contributions, revenues of establishments of utilities, loans, grants, and other items chapter⁷⁶. A similar standard form is used by village councils but it is classified into eight expenditures chapters. The annual actual budgets for all local authorities in Palestine are available in the related councils and published up to 1987-88 in the Administration Statistical Quarterly in Hebrew only, except for the 80 village councils of the West Bank, which were not included and never published. The Israel Statistical Abstract publishes a summary of the local budgets of municipalities and village councils of Gaza Strip, but does not include the budgets of the West Bank village councils.

42. The size of budget expenditures for the 25 municipalities was about \$ 4 million in 1968, it increased to \$ 13 million in 1975, to \$ 16 million in 1979, to \$ 31 million in 1983, to \$ 43 million in 1987, but it fell down to \$ 29 million in 1988. The municipal budget expenditure is divided into two parts, the regular budget which forms between 63% and 90% of the total budget in the different years during the period, with an average of 76% of the total budget for the period 1968 to 1988. The development budget formed an average of 24% and

ranged between 10% to 37% of the total budget during the period. The highest percentages were between 1978 and 1980 in which the municipalities received aids from Arab Countries through special programs, and were allocated to the development budgets. Concerning the individual municipalities, Nablus had the highest share of about 38% of the total municipalities budget as it was in 1987, followed by Hebron which had a share of about 19% of the total. Both Nablus and Hebron budgets formed about 57% of the total budget of the 25 municipalities during the period. Jinin, Tulkarm, Al-Bireh, Qalqilia and Jericho come respectively after Nablus and Hebron. The total budgets of the above nine cities formed about 90% of the total budget of the 24 municipalities budget in the West Bank⁷⁷ during the period from 1968 to 1988. Table No 13 presents a summary of the West Bank municipal actual budgets for the period from 1968 to 1988 in \$ million and ratios of budget distributions.

43. The sources of income for the West Bank municipalities come from three major sources as indicated in Table No. 13. The regular source which includes fees, craft licenses, property tax and other revenues, the revenues of the utilities establishments, and the extraordinary revenues which include loans, grants, Arab aids and other contributions⁷⁸. The average contribution of regular revenues was 42% of the total revenues and ranged between 20% and 57%. The contribution of establishments' returns was about 38% as an average for the period, while the extraordinary sources contributions of extraordinary resources were about half of the total revenues between 1978 and 1980.

44. The annual budgets for the total 80 village councils in the West Bank are not included in Table No. 13, and it is necessary to get an idea about the size of budgets for those local units. Therefore, Table No. 14 presents a summary of the actual budgets of the total eighty villages in selected years. It indicates that the total budget was \$ 1 million in 1976, \$ 2.5 million in 1984 and \$ 7.1 million in 1989, and \$ 9 million for the 1990-91 budget⁷⁹. The total village budget forms about 20% of the total municipal budget⁸⁰.

45. The size of budget expenditures for all local authorities including municipal councils, village councils and local authorities in Gaza Strip was about \$ 1 million in 1968, it increased to \$ 15 million in 1980, and to \$ 29 million in 1987. The expenditure budget of local authorities in the Gaza Strip as in the West Bank is divided into regular and development budget, the share of development budget ranged between 9% and 43% as a maximum⁸¹. The revenues side of local authority budget is also divided into; regular budget which includes ordinary and establishments revenues and development revenues. The ordinary budget includes taxes, fees, and rates. The average ratio of the ordinary revenues was 26%, 46% for establishment revenues, and 28% for development revenues. The municipal budgets formed 70% of the total local authorities budget in Gaza Strip as it was in 1986, while village councils budget formed 25% and the local committees formed 5%. The Gaza city budget formed 50% of the total local budget in Gaza Strip⁸². Table No. 15 presents a summary of the actual budget expenditures and revenues of the total local authorities in Gaza Strip between 1968 to 1988⁸³.

46. Jerusalem: In June 28 of 1967, the Israeli military authority announced the annexation of Jerusalem which is now known as East Jerusalem. Since that time all statistical and financial data of East Jerusalem was included in the whole Jerusalem data. However, there are some alternatives which may be used to estimate the situation in East Jerusalem. For examples: First, to use the financial data of Nablus municipality to determine the trend of Jerusalem budget as if not annexed, because both municipalities budgets for both cities were almost equal before 1967. Second, to estimate the share of East Jerusalem to the total annual budget of the whole Jerusalem, according to the number of Arab citizens, which is about 29% of the total Jerusalem population. Third, to separate the financial data related to Arab citizens -residents- according to their residency location, a total of 98% of Arab citizens are living in specific sub-quarters including the old city, Beit Hanina, American Colony, Silwan and Sur-Baher sub-quarters⁸⁴. However, not all statistical data of Jerusalem are available in sub-quarter basic. Therefore, it is proper to estimate the East Jerusalem budget by 29%, according to the average number of the Arab population in Jerusalem to the total Jerusalem population. Table No. 66 presents the share of East Jerusalem budget assuming that it is not annexed, in order to give an idea about the size of the local public services offered during the period. However, it may not be proper to include the East Jerusalem budget share as presented in the Table, because, it may lead to amplification of the total figure of the public finance in Palestine, considering the fact that the annual share of the east Jerusalem budget expenditures

was about \$ 58 million in 1986. However, the estimated budgets in Palestine for the coming period which are presented in chapter five have considered East Jerusalem.

47. In order to disclose the significant performance of the fiscal system, several measures may be used, after all needed data have been presented in the previous sections. Such measures may include; a) Comparing between local and central size of public services; b) Comparing between government expenditures (consumption) and total consumption; c) Comparing between the size of government consumption and the annual gross domestic product (GDP) at market price; d) Comparing between the situation in Palestine and other countries concerning the contribution of government budget in total consumption. To accomplish that Table No. 67 summarizes government expenditures for both central and local budgets in Palestine. It shows that the central budget in the West Bank formed about 74% of the total, municipal budget formed about 24%, while the village budget formed about 2% concerning Gaza Strip the central budget formed about 70% of the total compared to 30% for local authorities budget.

48. TO consider the share of government's current consumption to the total consumption and the GDP in Palestine, Table No. 68 presents⁸⁶ the ratios between government consumption and total final consumption as well as the share of government current expenditures to the GDP in Palestine for selected years between 1968 and 1988. It indicates that the average contribution of government consumption is about 10%, leaving 90% to the private sector, moreover the share between 1968 and 1980 was below that 10%. Concerning the contribution of government current consumption to the GDP in Palestine, it indicates that the government current consumption contributed from 7% to 18% in the different years, with an average contribution of 12% from gross domestic product (GDP) in Palestine⁸⁷. However, to compare this ratio to other countries, it will indicate how much the contribution share in Palestine is low, e.g. the contribution of government current consumption to the GDP in Canada was 39%, in France 38%, in Germany 41%, in UK. 42%, in U.S.A 38%, and in Switzerland 40%⁸⁸. Compared with Jordan the total government expenditures was \$ 463 million in 1980, \$ 87 million in 1977 and \$ 328 million in 1975, compared to \$ 135 million, \$ 87 million, and \$ 68 million respectively for the same years in Palestine. In addition, the average size of government expenditures in Palestine was about less than 25% during the period, while the West Bank budget alone-without Gaza budget was

estimated to be one third of Jordan budget before 1967⁸⁹. The contribution of government budget to GDP in Jordan about 35% compared to 12% in Palestine⁹⁰.

49. Finally, to consider the government current per-capita Table No. 19 indicates summary of expenditures per-capita in Palestine for selected years during the period from 1968 to 1988. It shows that current expenditures per-capita was about \$ 29 in 1968, it increased to \$ 108 in 1980, to \$150 in 1986 and to \$173 in 1988. However this amount is so small compared to an average of \$1750 in Israel⁹¹. Compared to some other countries, Figure No. 1 shows that the government budget expenditure per-capita in Palestine is less than all other Arab countries which have been selected as examples including; Bahrain, Syria, Jordan, and Yemen for the whole period from 1980 to 1987.

Public Finance and the Process of Capital Formation

50. There are some ways to calculate the contribution of government capital expenditures in gross capital formation, such as the way that the national accounts of Palestine are calculated which adds the development (capital) budgets of central and local authorities to the imported machinery and vehicles⁹². The second way is to use the formula [current revenues- current expenditures plus capital transfers from abroad, plus foreign and local loans], which will produce the total available for capital formation⁹³. According to the available data, we may use the first method which adds the capital government (central) budget to the capital local authorities budgets, and deducts the contribution of government budget to the local budgets, in order not to be calculated twice. Accordingly, Table No. 20 presents the contribution value of central and local government in capital formation for selected years from 1968-1988 in Palestine. It indicates that the government sector was contributed to capital formation of about \$ 9 million in 1968, \$ 31 million in 1980, \$ 559 million in 1987, but it was decreased to \$ 49 million in 1988. The main capital formation of central government during the period was allocated to school building, health facilities, telephones, and road. The contribution of local authorities to capital formation was related to projects inside council areas as utilities establishment, roads and buildings.

51. In order to assess the role of government budget in the process of capital formation in Palestine, several measures may be used, including :

- a) to indicate the share of public contribution to the total capital formation.
- b) to compare it with the annual GDP of Palestine.
- c) to calculate the government capital formation per-capital formation.
- d) to compare it with the other Arab countries.
- e) to indicate the composition of capital formation elements produced by the central and local government budget.

Table No. 21 presents the total capital formation values and gross domestic products for selected years in Palestine during the period 1968-19988 among the government share in capital information for the same period⁹⁵. It indicates that the gross total capital formation was \$ 39 million in 1968, it increased to \$ 233 million in 1975, to % 337 million in 1984, and it became \$ 422 million in 1987. The share of government budget in capital formation in Palestine ranged between 6% as a minimum and 23% as a maximum, with an average of 10.3% a year over the period 1968-1988. This indicates the contribution to capital by the government budget is insignificant comparing to the private sector which has a share of 90% of the total capital formation over the same period. Figure No. 2 summarizes the capital formation shares among public and private sectors and their contents by the purpose in the average percentages for the period 1968-1988. As percentage of GDP, the share of government budget including central and local budgets to the capital formation was so immaterial and did not exceed 4% of the gross domestic product value, with an average of 2.5% a year of the total GDP over the period 1968-1988 as indicated in Table NO. 21. The public capital expenditures per capita ranged between \$ 10 as it was in 1968 and \$ 41 as it was in 1987, with an average annual per-capita of \$ 23 as indicated in Table No. 22. To compare the size of public capital formation in Palestine to Jordan, it shows that the size of public capital formation in Palestine is only 8% of the capital formation in Jordan as it was in 1975 and 6% as it was in 1977, and 12% as it was in 1980. In values, the public capital formation in Jordan was \$ 213 million in 1975, \$ 345 million in 1977, and \$ 258 million in 1980⁹⁶, compared to \$ 16 million , % 20 million, and \$ 31 million in Palestine respectively. In addition, the public capital expenditures per-capita in Palestine was less than all other Arab countries as indicated in Figure No. 3, which shows that the capital expenditures per-capita in Palestine was less than 9% of the capital expenditures per-capita in Jordan, 7% of Syria and 6.5% in Bahrain.

52. The composition elements of capital formation in Palestine: The composition elements of capital formation in Palestine may be summarized as follows:

* The acquisition of land; this term is very limited to acquisition of land by local councils for purposes of building.

*Increasing of reserves; this item is limited to central government budget.

*Equipment machinery and vehicles; both central and local budgets participated to this item.

*Roads; local councils participated in this regard inside the councils areas, while there is a limited participation by the West Bank budget.

*Buildings; both central and local budgets participated in building schools, health facilities and general purpose buildings.

*Water projects; the West Bank central government budget contributed to a very limited number of projects.

*Utilities establishment projects of the local municipalities and local councils.

*Other infrastructure items; such as infrastructure planning, electric grids etc.

Finally, the contribution of the local government (Municipalities and local councils) and the central government budget in capital formation may be determined based on the best available data as presented in Figure No. 4 . It shows the capital formation components for the period 1968 to 1988, and indicates that the roads and public buildings are the major components of capital formation as provided by both the central and local budgets. More details will be presented in chapter 4.

The Present Fiscal System

53. To analyze the fiscal system of the military occupation authority, there is no need to prove that the present fiscal system has no role in directing or improving the economic situation in Palestine, nor is it used as an instrument of economic policy. As one writer put it "the budget policies of the occupation authorities further depress conditions in the Palestinian sector, in the absence of a central economic planning authority, there is no promotion of capital formation aimed at encouraging growth and the budgetary policies of the Israeli authorities illustrate freeze characteristic of official policy⁹⁷". However, to assess the military government budget in Palestine we need to discuss whether the present fiscal budget meets any of the functions of public finance which are mentioned earlier in the study, or whether it serves any of the economic aspects of Palestine, other than maintaining order and offering the

minimum level of public services. It is obvious that the answer is no for the following reasons:

First; The fiscal policy should relate the annual budget to an economic plan, especially for the developing countries⁹⁸. In Palestine, there was no official nor non official economic plan during the period of the twenty one years of occupations. And there was no complete nor partial framework for the main economic policies which are to be followed.

Second; The fiscal budget is supposed to link between the budget and the accounting records and system of the governmental units, in order to serve the control and auditing functions during the budget implementation process. In case of Palestine budget, it is considered as a security matter and not published or announced to the related parties, and it is a job at the military officer and other Israeli staff.

Third; The budget should be divided and classified according to the organization structure of government units considering the importance and size of these units, in order to increase the efficiency of public administration works. Palestine budget lists up to 30 different items, each of these items represent a governmental unit regardless of its size and function. There are items that represent large public units such as the education sector which includes 8000 employees, at the same time there are many units that have only about 10 employees for each of the items.

Fourth; An annual evaluation should accompany the budget implementation process, in order to measure the performance of the public services and to indicate the differences between the actual and budgeted data. In case of Palestine budget, the statements budgets are not available to the bureau of accountancy who must report periodically about the implementation process of the budget as stated in the existing budget laws and rules, such as writing the final comparative reports and /or using government performance measures including the cost benefit analysis techniques.

Fifth; The budget is supposed to be a financial plan to direct public activities for one year ahead. However, in Palestine, the public services units and departments have to get an authorization from the military officers every time they want to spend their annual allocations, except for small amount payments, in which the local accountants receive specific amounts up to \$ 1000 periodically in advance to cover miscellaneous items⁹⁹.

Sixth; the budget classification in Palestine does not follow any standard form of economic, functional or level classification schemes. In addition, there is no relationship between the existing budget classification of items and the published economic statistics and financial data related to Palestine.

54. Accordingly, the present fiscal system has no role in the improvement of Palestine, nor does it serve any of the organizational and managerial aspects. Moreover, there are always serious doubts about the actual revenues that the occupying authority gathered annually, and how much they retained. Many believe that Palestine never constituted a fiscal burden and the Palestinians contributed large sums to the Israeli consumption¹⁰⁰. However, the Israeli officers always claim that all taxes collected from the Palestinians in Palestine remain in the territories and nothing is transferred to inside Israeli government budget¹⁰¹. But a fair investigation in this matter indicates that the claims of Israeli government are not true, especially, when considering major items such as a) the value added taxes and customs duties imposed on the Palestinian imports, b) the deductions on the wages paid to the Palestinians working inside the green line, c) the paid taxes by the Israeli settlers located in Palestine, d) the traffic violations and military fines, e) the fuel tax f) other benefits from the land and water resources¹⁰². There are still no answers to the arguments over the above mentioned revenues and the official military reports continued to claim that all central revenues were allocated to develop the existing infrastructure and services in Palestine using direct and indirect taxes¹⁰³. However, to consider the above mentioned revenues items, they indicate that not all local revenues collected from the Palestinians in Palestine are allocated to the Palestinian economy. First; the deductions from the Palestinian workers as indicated in their official documents were included in Palestine budgets three times during the period, and questions arise about the other years' collections which may be estimated to be \$ 500 to \$ 800 million for the period from 1970 to 1989, these have not been transferred to Palestine budgets¹⁰⁴. Second; the value added tax and the import duties on imported goods by the Palestinians are estimated to be about \$ 80 million a year¹⁰⁵. Third; according to the existing laws, the fuel oil tax and traffic fines are supposed to be collected and transferred to municipalities, but they never transferred the traffic fines and lately stopped transferring the fuel tax for many municipalities. Therefore, this shows that a significant part of the Palestinian revenues are not included in the budget which indicates that the occupying authority has no intention whatsoever to develop the public services nor to play a positive role in reviving the Palestinian economy. Moreover, the occupying authority always opposes attempts to establishing business firms or developing projects either by private or non-profit organizations¹⁰⁶, or even by the UN bodies. This is a constant policy from the beginning of the occupation up to now, in order to prevent improvement of the Palestinian economy.

55. To analyze carefully if there is any use of governmental budget as an instrument of economic policy considering the above mentioned conditions, the following facts may be pointed out:

First: concerning creating employment: The central and local government budgets have relatively limited roles in creating jobs, which is confined to hiring local employees in the government departments and institutions in Palestine. The local budgets allocate almost half of their budgets in Palestine to pay salaries for employees, in other words \$ 33 million were paid annually in the last few years as salaries to about 7,000 employees who worked in the municipalities and local councils in Palestine in the 1988-89. Concerning the central government budgets, about 68% of the central budget were paid as salaries to employees working mainly in education, and health services. The total government employees were about 17,500 in 1988-89. Accordingly, both central and local governments employed about 24,500 employees which formed about 8% of the total labor force in Palestine, and 15% of the total labor force excluding labor working abroad and inside the greenline. However, creating the annual new jobs in local and central government is very limited to about 700 jobs a year. Finally the central or local government budget has no effect on creating jobs through economic and infrastructure projects.

Second: the government budget has no role in allocating resources to various areas of the economy, in controlling prices, in balancing production and consumption, and in movement of the balance of trade and international payments due to the following facts:

- * There is no real state budget in Palestine as those existing in other countries.
- * There are no published rules, regulations or standards which may regulate preparing and implementing the Palestinian budget, by which it may be tested or evaluated.
- * The present Palestinian budget is treated by the Occupying authorities which prepare it as a unit budget that follows the ministry of the Israeli defense budget rather than a government budget for independent territories.

56. In addition, it is not known how the military officers formulate the budget in Palestine, what is the starting point of preparing the budget, and whether they state a certain level of revenues to incur expenditures, or state a certain level of expenditures to raise revenues. However, a careful investigation of the practices of the military authorities in the last years indicates that the military officers state the levels of expenditures first, which are mainly related to the payroll of civil employees plus few capital items expenditures. The military authority raised the tax rates and imposed new taxes during the Intifada retroactively,

whenever they feel they can not collect the sated budget, and regardless of the existing economic and social situation in Palestine, e. g. imposing of the Intifada tax on all Palestinian vehicles from 1985 to 1991. Finally, more details concerning the role of the budget in the economy of Palestine will be exposed in chapter three which will be devoted to the revenue side of government budget, and chapter four which will be devto the expenditures side of the government budget.

CHAPTER III

Government Revenues

Taxation

57. In 1967 the tax system in the West Bank was different from that imposed in Gaza Strip. The Jordanian Tax laws were imposed in the West Bank and Jerusalem, while the Palestinian tax laws were imposed in Gaza Strip. The tax system in the West Bank may be summarized as it was in 1967 as follows:

a. Income tax law; the tax law No. 12 of 1954 and the tax law No. 25 of 1964 imposed taxes on income derived or earned by any resident from gains or profits of any work, business, profession, employment, interest and rents of property. The law imposed a proportional tax rate of 35% on business corporation net income, while it imposed a progressive tax rate on income of employees and self-employed individuals and companies rather than corporations, the rate ranged between 5% and 50%¹⁰⁷. However, the law stated several exemptions for economic and social reasons such as exemptions to encourage investments¹⁰⁸, exemptions of income from agriculture, non-profit organization, UN employees, interest on public loan and other exemptions for family and education¹⁰⁹.

b. Indirect taxes which include goods locally produced such as salt, oil, cement, cigarettes, alcoholic beverages and others according to Jordan law of customs and excise duties¹¹⁰. Other indirect taxes such as fees and stamps revenues¹¹¹, a social tax which was

imposed on imported goods at about 5% of total value and 10% of incorporation net income¹¹².

c. Local taxes; several taxes and fees were imposed by municipalities and local councils which include; (1) The education tax to be paid by residents in municipal areas at a rate of 3% of the estimated equivalent rent of buildings within municipal limits¹¹³. (2) The property tax at a rate of 18% of rent. (3) The craft and business licenses. (4) The rural tax. (5) The pool (head) tax.

58. The tax laws which were imposed in Gaza Strip in 1967 were as follows;

a. Income tax law, which imposed taxes on income earned by residents in Palestine from business, profession, self-employed business, interest, farming business, property rents as stated in law No. 13 of 1947 and its amendments up to 1967¹¹⁴, the tax rate was a progressive rate ranging between 5% and 50% according to income brackets for individual income, and a proportional rate of 25% on business corporation income¹¹⁵. It included social and economic exemptions and a minimum untaxed income¹¹⁶.

b. Indirect taxes; which include customs duties and import duties, excise on specific products such as play cards and matches¹¹⁷, stamps on business and government transactions according to original law of 1927 and its further amendments¹¹⁸.

c. Local tax laws imposed by municipal and village councils which include; (1) Business and profession licenses imposed on business or profession firms at a maximum rate of \$ 60 annually¹¹⁹, according to the size of the firm. (2) The property tax imposed on buildings and lands at 15% of rent, the rent of land to be calculated at 16% of sales value¹²⁰. (3) Property tax in village councils imposed on land per dunm. (4) Other fees which may be imposed¹²¹.

59. After the occupation in 1967, the occupation military commander in both West Bank and Gaza Areas issued military orders -which replaced the official Gazette- stated that the present tax laws of income, property tax and customs will continue unless further changes

are stated by other military orders. This was stated by military order No. 93 of 1968 concerning income and property tax and No. 35 of 1967 concerning customs taxes as issued in Gaza¹²², and military order No. 28 of 1967 concerning income and property tax and No. 120 of 1968 concerning other taxes in the West Bank¹²³. However, the further changes were so significant to change the situation completely. Gradually major changes started to be implemented from 1975 and up to now, there are now more than 200 military orders issued in Palestine related to changes of taxes. The most significant changes may be classified as follows. For Gaza Strip; (a) Amendment of income tax rates, exemptions, brackets beginning from 1974 up to now, which changed the rates to 5.5% as a minimum and to 55% as a maximum and reduced the brackets and exempts¹²⁴. (b) Increased the corporation income tax rate from 25% to 37.5% since 1986¹²⁵. (c) Imposing a new value added tax law of 8% of total sales values for all business transactions in 1976, it increased to 12%, 15% and 16% as it is now in November 1990¹²⁶, and there is a discussion to increase it to 18%. (d) Imposing the Israeli customs duties and purchasing taxes¹²⁷. (e) Exempting the imported goods from Israel from any customs and taxes and keeping that imposed on goods imported from Jordan¹²⁸. (f) Imposing new excise fees imposed on selected groups of local productions¹²⁹ and changing the old excise rates imposed on tobacco and other related goods¹³⁰. (g) Changing the tax rates of local authorities such as license fees and land rates¹³¹. (h) Imposing a new tax on purchasing foreign currency of 1% to be collected from the salaries beginning 1983¹³². (i) Imposing a new tax on the imported foreign assets services of 15% as the same law in Israel¹³³, and levy on foreign currency credit. (j) Imposing a new tax on vehicles since 1985 using the same rate used on Israel which was 2% of the value to be paid by the owner¹³⁴, the rate was decreased to 1% in 1986 and it was stopped in Israel since 1987 but it continued in Palestine as an uprising tax up to now in an annual rate of 1.5% of the vehicle value. (k) Imposing a new tax on payments of contractors of about 15% of payroll payments and 10% of the delivery goods¹³⁵. (l) Increasing the stamps fees for many times¹³⁶. Other important changes were made by the occupying authorities relating to the appeal procedures, the enforcement measures laws and procedures of collecting tax money, such as, (a) Using

arbitrary and excessive assessments. (b) Collecting income taxes in advance on a monthly basis (10 payments) and through the year of assessment not after it as previous laws stated¹³⁷. (c) Giving the assessing officers the right of inspection and checking of the return tax payer without notice¹³⁸. (d) Increasing the amounts of penalties for late payments up to 120%¹³⁹. (e) Changing the bookkeeping and accounts requirements according to new stated methods and procedures¹⁴⁰. (f) Giving the tax officers the right to attach goods or property of tax payer even if it is in the possession of a third party. (g) Issuing holding order without a warning¹⁴¹.

60. All above mentioned changes in types, rates and procedures have been applied also to the West Bank in an identical manner, as a matter of fact the majority of military orders issued in Palestine are identical, the only differences are the serial numbers, the original laws referring to and the date of issuance, Examples of that military order No. 717 concerning income tax rates and brackets issued in Gaza is the same military order No. 943, issued in the West Bank. This also applied to what they call by-laws and instructions¹⁴² issued by the military authority, e.g., the by-law of VAT issue No. 66 of 1985 issued in Gaza is the same by-law of VAT issue No. 72 of 1985 issued in the West Bank. Therefore, there is no need to repeat the above mentioned changes¹⁴³, and it can be stated that both tax situations in Palestine are identical with few minor differences in some local taxes. However, the local taxes in the West Bank were subject to similar changes of increasing rates, such as increasing the education tax rate to 5% then to 7%,¹⁴⁴ and agricultural land rate had been increased¹⁴⁵.

61. Considering the previous tax laws, and based upon the above changes implemented, Table No. 23 presents a summary of the types and rates of taxes existing in Palestine as they were in November 1990. The types of taxes may be classified into four groups, following is a detailed discussion related to each of these tax groups;

a. Direct taxes; one of the major taxes is the income tax which forms about 26% of total revenues in the West Bank and 23% of the total revenues in the Gaza Strip as it was in 1988, it includes taxes imposed on payroll, and taxes imposed on self-employed income using a progressive rate ranging between 5.5% and 55.5%. Table No. 24 presents the rates and brackets of income tax in Palestine as it was in 1/1/1990,¹⁴⁶. The Table is applied at self-employed, while another schedule is applied at payroll payment using the same rates and brackets, but it is calculated on a monthly basis and deducted less family exemptions. Considering the collected amounts of each type of taxes, the self-employed tax and corporation income taxes form about 80% of the total income taxes¹⁴⁷. Summary of the collected income taxes during the period for selected years in Palestine is presented in Table No. 25, which indicates, that the collected amounts had been increased to 2600% in 1980 from 1968, and it increased up to 200% from 1980 to 1988.

b. Indirect taxes, the major indirect tax item is the value added tax (VAT) which was imposed on Palestine in 1976 as well as on Israel, it had opposite actions from Palestinians, and the arguments against it have not been stopped yet, even after the supreme court's decision which stated that the occupation authority has the right to impose such a tax. The VAT is a comprehensive tax imposed on all transactions related to any goods or services including medical services. The collection of the tax is the job of the supplier of the goods or the services, to be paid to the tax department monthly, the financial institutions and non-profit organizations also have to pay 6% of the total payrolls as VAT. It formed about 44% of total indirect taxes in the West Bank and 86% in the Gaza Strip as presented in Table No. 26¹⁴⁸. The second important indirect tax is the excise taxes on selected locally produced products at a rate of 10% to 20% of wholesaling values such as soap, beauty products, detergents, soft drinks, class, cosmetics, tobacco, salts, and intoxicating drinks. The collected taxes from this item formed 27% of total indirect taxes in the West Bank and 2% in Gaza Strip. The third item is related to customs and duties, the same Israeli laws in all imported goods are applicable to Palestine except goods imported from Israel. The customs duties according to Israel laws include three parts, customs which varies according to type of goods, the purchase

tax rate which also varies according to source of goods such as those imported from EEC. They are either tax free or get reduced tax, and the VAT which applies to all imported goods. The collected values of customs duties were \$4 million in 1986, \$3 million in 1987, and \$3 million in 1988 for the West Bank, while it was about \$0.8 million in 1986, \$0.7 million in 1987, and \$0.8 million in 1988 for Gaza Strip. It formed from 6% to 7% of total indirect taxes. However, there are many arguments that these figures are not the real collected taxes, but only 14% of the actual collected customs from Palestine¹⁴⁹. Finally Table No. 27 presents the total collected indirect taxes during the period from 1968 to 1988 in Palestine.

c. Other Taxes; many of the taxes stated in group c in Table No. 25 introduced only in the last five years at the same time when they were imposed in Israel. However the most important item is related to the vehicle taxes.

d. Local taxes, which include property taxes, licenses, education tax and other fees such as slaughtering, vegetable and fruit marketing fees. West Bank municipalities imposed double license fees, one called business and other called craft license. Municipalities and village councils collect their taxes in both Palestine except the property tax and business licenses in the West Bank which are collected by the financial department which follows the civil administration, and transfers 90% of the collected values to municipalities. Education tax is imposed by West Bank municipalities at a rate of 7% of the rent value, but it is not included in the municipalities budget, because it has a separate budget and special committee to supervise spending it for educational purposes¹⁵⁰. The average value of education tax for an average size of a municipality is about \$100,000 a year¹⁵¹. The collected local taxes for 80 West Bank village councils are so little which did not complete one million dollars for 1989. The situation in Gaza Strip is similar to that in the West Bank except that they do not impose an educational tax, and they impose only one type business license, and all taxes are collected by local councils including property taxes. Finally Table No. 28 presents a summary of the collected taxes and fees ratios for local authorities in Palestine for selected years during the period from 1968 to 1987.

62. Organization and collection of taxes; The tax authority in the West Bank is divided into three parts; the income tax department, the customs department which is responsible for all non-direct taxes, and the financial department which is responsible for a part of the local taxes including property and licenses taxes. There are 40 employees in the income tax department and 60 employees in the customs department. All are Israelis, but the financial department which includes 60 Palestinian employees has no Israeli Staff. There are eight locations for all branches of taxes in the various districts. The Palestinian staff left the income and customs departments after the uprising, but the employees of the financial department remained because they collect taxes to local authorities¹⁵². Other departments such as the transportation department also collect taxes such as the vehicle taxes. All tax departments in the various districts report monthly to the tax officers about estimations and actual collected figures. The situation in Gaza Strip is very similar except that they do not have a financial department and only have two divisions, which are the income tax department and the customs department.

63. Taxes in Jerusalem; since 1967 the Palestinian citizens in Jerusalem were automatically subject to Israeli tax laws. However, currently and due to the mentioned changes in Palestine, the three tax systems are similar with some differences concerning the Israeli tax laws. Generally the tax laws of Israel which are know imposed on the Palestinians living in Jerusalem may be summarized as follows; (a) Income tax corporation 25% for approved firms, 40% others, self-employed and pay roll taxes are the same as in Palestine with better conditions of exemptions. (b) Capital gains tax. (c) Land appreciation tax. (d) Value added tax. (e) Customs and excise duties. (f) Stamps. (g) Employers tax. (h) Purchasing tax. (i) The municipal united tax (Arnona). (j) National insurance contribution¹⁵³ and vehicle fees (only 1985 and 1986). The major revenues come from income tax which form about 37% of total revenues, the contribution of national insurance is about 14%, while the municipal tax forms about 2%, the rest is related to indirect taxes as it was in 1986¹⁵⁴. The above system is similar to that now imposed on Palestine except for that related to ational insurance

contribution, capital gains and land appreciation, with differences concerning economic and social exemptions. The Israeli tax system encourage investments and use a points system of exemptions of \$ 200 exempt amount for each point¹⁵⁵. However, it is not the intention here to discuss the Israeli tax system, but it might be necessary to outline the conditions of the tax situation in Arab Jerusalem. There is income tax department in East Jerusalem with Arab employees which deals with Palestinian citizens' income taxes. However to deal with other taxes including indirect taxes the Palestinians have to go to West Jerusalem. The tax payers of Arab Jerusalem have to offer annual statements for their income and follow the same procedures followed by Israeli residents¹⁵⁶. There is no way to know the tax amounts paid by the Palestinian citizens in Jerusalem but there are estimated figures mentioned in the Israeli parliament proceedings of 1976 which indicated that the Palestinian citizens in Jerusalem paid income tax of about \$ 1.6 million in 1973, \$ 1.6 million in 1974 and \$ 2.7 million in 1975¹⁵⁷. Concerning, the municipal taxes, the municipality of Jerusalem unified all local taxes in one rate known as arnona and levied taxes on residents according to their type and areas of the properties. The municipality issues an annual schedule of the rates per m² classified into four groups of buildings and various types of uses such as businesses, banks and houses, these rates apply for all Jerusalem citizens. To estimate the local taxes paid by the Palestinian citizens, Table No. 29 present a summary of the Palestinians payments of arnona taxes, which are calculated based upon their actual payments¹⁵⁸.

An Assessment of the Current Tax System:

64. To pay taxes is not a pleasant matter under any circumstance, it becomes a punishment when paid under occupation, and a painful process when paid during a continuous uprising. However, to keep the political and national aspect aside, the present tax system may be evaluated as not proper for various reasons. First; the present tax system in Palestine has been shaped to serve the military authority purposes and not the residents benefits; the intention was to deepen the gathering process of taxes and to raise that to the same level in Israel without offering similar public services. Second; many changes have been introduced to

the tax system just as political and harsh measures. Third; the present income tax rate in Palestine is too high, the brackets and exemptions are very narrow and do not reflect the changes in cost of living, moreover the present brackets amounts and family exemptions are less than they were in 1967. To indicate that, Table No. 30 presents a comparison between income tax rates as it is now (Nov., 1990) with the original Jordanian law of 1965 and with the later Jordanian law of 1985¹⁵⁹ based on annual amount of \$ 10,000 as an example. It indicates that the original law imposed an average rate of 21% for the whole amount, the Jordanian law of 1985 imposes only an average of 11%, while the present tax law in Palestine imposes average rate of 27%. In addition to that, the Israeli income tax law is now less than the present law of Palestine with 7% as an average¹⁶⁰. To compare the tax rates and exempted amounts to the cost of living in Palestine it indicates that the present system does not consider the most low-income families. In other countries many families which have to pay under the present tax system will receive governmental subsidies. e.g., the exempted amount for self-employed individual now is not more than \$ 400 a year, or 15% of the employees' income.

65. The VAT is improper; the local resistance against imposing the VAT as a new major tax was based on the idea of not accepting new taxes under occupation according to Hague and Geneva conventions, this resistance has been slowed down since the supreme court of Israel had ruled in favor of imposing such a tax¹⁶¹. However, it should be noted here that beside the political factor this tax is not proper from social and economic aspects of Palestine. This tax may be relevant to the developed countries but not to Palestine, because of the complexity of the system which aims at controlling all channels of importing, manufacturing, wholesaling and retailing, of goods it needs to calculate the due tax on a monthly basis by deducting the input due tax (purchasing) from the output due tax (sales) using accounts records by all taxpayers, including thousands of small businesses, this situation is un-practical. The VAT is a comprehensive tax imposed on all consumption aspects and this is unfair for a population of a low annual gross disposal private income, this means

that families which borrow to get their basic needs have to pay taxes on these borrowed money when they expend them. In addition, the VAT does not exclude the basic needs such as foods and medical services.

66. The present tax situation is too complex to understand or to deal with, to indicate that Table No. 31 summarizes the taxes to be paid or collected by a business firm in Palestine. The summary shows how complicated the present tax situation is, this is because the policy of the occupying authority towards the future economic or political situation of Palestine is not clear, they always find the taxes as punishment measures. Sometimes they used it by changing the present tax laws, or other times simply by introducing the same Israeli laws and procedures. However, the military authority claims that the tax system still does not produce much, which is now about \$100 to \$150 million annually from Palestine. All tax fairs and penalties which have been used in the last five years could not improve the tax productivity too much as the military authority plans. The present fines and penalties for late or unpaid due taxes are about 500% a year for the VAT from the original amount, 46% for income tax plus 16.4% as the index price a year from the original amount, for property tax is about 2% monthly as it was in November 1990.

67. The present tax system does not play any role in economic development or has any tax incentives, such as encouraging new investments by offering income tax exemptions and/or exempting imported machines, equipment and raw materials, or any other measures which may revive the present economic situations. However, the original laws which were existed in 1967 stated measures to encourage new investments by exempting new industrial firms from income and social taxes for three years, and exempting all needed equipment from customs duties¹⁶². This law was not cancelled legally but the tax departments in Palestine simply do not apply it. The tax law in Israel grants an approved enterprise exemptions from income tax for seven years among other incentives¹⁶³. In Palestine itself many tax benefits are granted to the Israeli settlers such as exemption from income tax for seven years and

waiving the employers tax for five years¹⁶⁴. In Jordan the old encouragement investment law had been replaced twice to widen the tax exemptions and granting other incentives, such as exemption of social and income tax for seven years and from customs duties for imported fixed assets for new projects or for expansion¹⁶⁵. Accordingly, it seems that the tax issue is not only the relationship between the occupying authority and the occupied people but also the intention of using the tax system to seize the Palestinian national economy.

68. The legal status of the tax laws in Palestine are not clear for taxpayers, the military authority changes laws and regulations and introduces new laws so frequently. Most of these new laws or changes are never distributed even to the most concerned parties such as public accountants, lawyers or even to the civil courts. Many military orders, by-laws and instructions have been published after the actual laws were implemented by tax staff for many years. Others have been signed and published in different dates through 10 years. Others had retroactive effective dates for many years¹⁶⁶. These laws, by-laws and instructions had never been organized, especially since 1985. Such a situation creates a confusion and ambiguity of the present tax situation. Accordingly, it can be stated that the present tax situation as a whole is unclear, irrelevant and inefficient, and the tax burden is high, considering the fact that the Palestinians have to pay 16% of their total consumption as VAT and an average of 20% of their total income among other various taxes and fees. Finally, the present tax situation has been deteriorated rapidly during the uprising because of the United Supreme Committee of uprising's decision not to pay tax for the military authority. As a reaction the military authority increased the collection procedures to overcome the nation resistance and to keep the system in order. This includes using all possible ways of collecting taxes such as the confiscation of identification cards, attachment of vehicles and properties, using road-blocks and special raid operations by the tax staff accompanied by the military soldiers, cutting public services, first time assessment without warnings, considering payment of taxes as a condition of receiving services of 23 daily life matters, and confiscation of properties and identification cards of a third party such as relatives and partners¹⁶⁷.

Income and Profits From Public Services

69. The present non-tax governmental revenues come from collected fees in return for public services. Other revenues such as royalties and sales of properties are not to be found. The Israeli military authority considers itself as the owner of properties which were owned by the Jordan government including state land and water resources. There are no investments in local or international corporations owned by Palestine. The non tax revenues represent an average of 19% of the total budget revenues in the West Bank and an average of 39% of the total budget revenues in the Gaza strip during the period from 1968 to 1988. Table No. 32 presents a summary of the amounts and percentages of the non-tax revenues in Palestine¹⁶⁸. As shown in Table No. 32 the non-tax revenues formed the major source of revenues in Gaza Strip ahead of direct and indirect tax revenues. It ranged from 10% of the total revenues up to 55% as it was in 1987. For the West Bank it ranged from 8% up to 28% as it was in 1975. The total non-tax revenues in Palestine is about 13% of the total local non-tax revenues in Jordan which was about \$ 82 million in 1975, \$ 139 million in 1977 and \$ 220 million in 1980¹⁶⁹.

70. The major item in non-tax revenues comes from health services fees, it forms about 35% of the total non-tax revenues in the West Bank and 28% in Gaza Strip as it was in the last two years. This is due to the fact that the military authority increased the cost of health services to 88% of the cost of health level in Israel for the residents area and 100% for the non-residents in Gaza Strip¹⁷¹. In the West Bank they also increased the health services fees to about \$ 140 per night¹⁷². The second major item in the list of the non-tax revenues is the vehicle registration fees and the special tax. The vehicle fees and tax formed about 20% of the total revenues in the West Bank and 16% of the total revenues in the Gaza Strip. The interior revenues formed about 26% of total non-tax revenues in Gaza Strip and it includes fees, fines, land registration fees and other revenues. But this item is less important in the West Bank because many revenues of this item are distributed over other items. Telephone revenues formed about 15% of the non-tax revenues in the West Bank and 8% in Gaza Strip. Justice fees contributed about 11% to the non-tax revenues in the West Bank and 9% in the Gaza Strip. There is one item that appears only in Gaza Strip budget which is the military courts fees and formed about 7%. The rest of revenue items formed less than 5% in Palestine budget, they include postage revenues, education fees, absentee property revenues and others. Table

No. 33 and Table No. 34 present a summary of the non-revenue items in Palestine¹⁷² for the last two years budget including 1987-88 and 1988-89.

71. The non-tax revenues for local authorities in Palestine include non-tax ordinary revenues, establishment revenues of water, electricity and sewage, and the extra-ordinary revenues such as loans, grants, participation of owners and other external aids. The other non-tax revenues of village councils in the West Bank include water and electricity returns and extraordinary revenues such as grants and loans. To indicate the importance of the various non-tax revenue items of the local authorities in Palestine, Table No. 35 presents the distribution ratios of non-tax revenue items for selected years between 1968 and 1988¹⁷³. As presented in Table No. 35 the majority of revenues come from non-tax revenues, especially from establishment returns of water, electricity and sewage. However, such returns cost local authorities from 60% to 90% of total revenues as indicated in the local authorities expenditure budgets. Moreover in some years, the total expenditures of establishment projects exceed their revenues as it was in 1985 and 1987 in the West Bank municipalities and as it was in 1979, 1983 and in 1987 in the Gaza Strip local budgets as examples. Concerning the non-tax revenues of village councils in the West Bank, the establishments' returns formed about 44% of the total revenues, while the extra-ordinary income formed about 19% for the period from 1967 to 1989, with a total value of about \$ 4 million for establishments' returns and \$ 0.7 million for extra-ordinary income as it was in 1989/1990¹⁷⁴.

72. Other revenues are collected by independent public units which the military authority does not interfere or finance them. These are Al-Waqf departments which still follow the ministry of Al-Waqf and Islamic affairs in Amman. Al-Waqf departments in the West Bank have their annual budget which is considered as part of Al-Waqf budget in Amman, they hire about 2000 employees in the various departments in the West Bank and in their headquarter in Jerusalem, they collect annual returns from their properties of about half a million dollars¹⁷⁵. The second unit is the Islamic courts group in the West Bank which as Al-Waqf follow Islamic courts in Amman, the group includes 13 Islamic courts located in the West Bank major cities and Jerusalem and hire about 110 employees, their annual income from personal transactions fees was about \$ 0.9 million in 1989 which covered 80% of their employees payroll¹⁷⁶.

External Transfers of Public Services

73. Because of the lack of the needed public services in Palestine many external groups offer directly or indirectly public services, these groups are (a)UNRWA (b)Jordan government (c)The Joint Palestinian Jordanian Committee (d) Other Arab sources (e) US private voluntary organizations (PVOs) (f) UN organizations. (g) EUR-PVOs & EC. This section will be devoted to discussing the role of these bodies as external transfers to public services, at the end of the section the total external transfers will be summed and compared to the size of the military government role in public services which has been discussed in previous chapters.

74. The United Nation Relief and Works Agency for Palestine Refugee in the Near East (UNRWA) was established in December 1947 by resolution No. 302 which was issued by UN general assembly to offer public and relief services to the Palestinian refugees, it defined a refugee as a person whose normal residence was Palestine and as a result of the conflict lost his home and means of livelihood¹⁷⁷. UNRWA offers public services for registered refugees who are living in or outside camps, the number of total registered Palestinian refugees in Palestine is about 867,776 persons as it was in 1989, 353497 of them are living inside 20 refugee camps in the West Bank and 8 refugee camps in the Gaza Strip¹⁷⁸. UNRWA offers public services in three major areas. First; relief services which include rations, shelters, special hardship assistants, works program and other social welfare programs. Second; education services which include education in schools, vocational and technical training, university scholarships. Third; health services which include preventive and curative medical care, nursing, supplementary feeding, environmental sanitation and medical education¹⁷⁹ Education is the main public service offered by UNRWA, it consists of more than half of the total expenditures, followed by health services, Table No. 36 shows the distribution of budget expenditures in Palestine for the period¹⁸⁰. However, early years of UNRWA activities show that the majority of budget expenditures used to be allocated for relief services¹⁸¹. The total expenditure budgets of UNRWA in Palestine had increased from \$ 18.3 million in 1972, to \$ 37.6 million in 1976, to \$ 51.9 million in 1980, to \$ 65.1 million in 1984 and to \$ 120 million in 1989/90¹⁸². The share of Gaza Strip is higher than that of the West Bank as indicated in TabNo. 37¹⁸³. The UNRWA annual financial budget starts from 1/7 to 30/6, it prepares annual budgets according to budget technical instructions issued by the chief of budget division to the heads of the departments¹⁸⁴. The UNRWA annual budget is now classified according to various types of funds and/or donors, which includes general funds, funded on going activities and capital and special projects¹⁸⁵.

75. The Jordanian government contribution; the Jordan relations with the West Bank continued after 1967 through four channels. First; all of public employees continued to be Jordanian employees until their retirements or 1987. Second; through supervising and financing Al-Waqf and Islamic courts units in the West Bank. Third; by offering grants and loans to non-profit organizations such as charitable societies, West Bank municipalities, health and Arab independent schools in Jerusalem. Fourth; to pay rents of housing units which were occupied by the government offices in 1967. However, the relationship between the Jordan and the West Bank has been reduced to the minimum after the announcement of political and administrative separation with the West Bank, but still there is a relationship with Al-Waqf and Islamic courts units besides 8000 previous employees receiving their pensions allowances. The average annual share of Jordanian government to public services in the West Bank was about \$ 26 million during the years of seventies¹⁸⁶, but this figure has been decreased to \$ 19 million annually between 1980 and 1985¹⁸⁷, and it reduced to \$ 16 million in 1989 which are mainly allocated to pension allowances and Al-Waqf Budget.

76. The Palestinian Jordanian Joint Committee had been established in 1979 to organize the aids to Palestine and to coordinate between Jordan and the PLO, in order to improve the steadfastness under occupation. The committee continued to work up to the end of 1985, during that period the committee transferred to Palestine about \$ 406 million distributed as follows, \$ 43 in 1979, \$ 91 million in 1980 and \$ 66 million in 1981, \$ 93 million in 1982, \$ 38 million in 1983, \$ 33 million in 1984 and \$ 41 million in 1985. The major of the transfers were allocated to high education which formed about 25% of the total transfers, the municipalities got about 13% housing subsidies got 16%, social development 9%, Agriculture 8%, Industry subsidies 4%, electricity 7%, health 2%, water projects 2%, transportation 3%, grants for destroyed houses of families 2% and others 9%¹⁸⁸.

77. The Arab aids: The twin Arab municipalities program; it was a twin program between Arab cities and municipalities in Palestine so that Arab cities aid counterpart cities in Palestine. It was started in 1978 and ended in 1981 when the Israeli authority decided to apply the civil administration which led to the resignation of the elected Arab mayors. The total value which had been transferred was about \$ 12.5 mainly for municipalities of Hebron, Nablus, Ramallah, Bethlehem, Al-Birah, Tulkarm and other municipalities¹⁸⁹. Other direct Arab aids were allocated to higher education and non-profit sector of health services in

Palestine through the joint committee, but after freezing its work these local Arab institutions managed to find direct Arab sources to cover their annual budgets through direct communications. The estimated annual amount for higher education is about \$ 15 million, for health organizations \$ 6 million and for social organizations is about \$ 2 million¹⁹⁰.

78 Other Arab sources: this group includes various government and non-government organizations. They have started offering aids in Palestine for specific projects in the last eight years. This includes aids to both public and private sectors, but about 80% of the total funds are located to public sectors, Examples of these funds are: The Arab fund, the Islamic Development Bank, the OPEC fund in Vienna, the Gulf Fund in Al-Riyadh, the Welfare Association in Geneva, and Jerusalem Fund located in Amman¹⁹¹. There is no actual figure of the amount transferred from these various funds, but an estimation of about \$ 20 million were allocated annually to public services from the above sources in the last eight years (1982-1990). However, the majority of these funds increased their allocated budgets to Palestine because of the uprising situation during 1988/90. However, this situation has been reversed since 1990, because of the Arab-Gulf problem, and up to now nothing is clear about the future of continuation of such programs.

79. US-PVOs; many of US private voluntary organizations are working in Palestine such as Anera, CDF, Amideast, NEF and, HCM. They offer services for both public and private sectors, each of these organizations are specialized in one or more aspects. The total budget for all US-PVOS was \$ 9.7 million in 1975, and \$ 6.5 million in 1980, \$ 7 million in 1981, \$ 8.7 million in 1982, \$ 8.4 million in 1983 and \$ 12.8 million in 1984¹⁹³, and increased to \$ 15 million in 1989¹⁹⁴ for all public and private sectors. ANERA is supporting agriculture and cooperatives, it allocated 50% to agriculture and 35% to public services from its total budget which was \$ 13 million from 1980 to 1990¹⁹⁵. The Amideast is concerned with educational training and CDF is concerned with water projects and other services.

80. Other UN organizations including UNDP, UNICEF and WHO; the UNDP works in Palestine since 1979, it works in development projects and technical assistant. UNDP's annual budget was \$ 1 million between 1979 and 1984, from 1985 up to now, they work in an annual budget between \$ 2 and \$ 3 million. 40% of its budget is allocated to educational and health training, 20% for municipalities projects, 20% for business development, and 20% for various expenditures and projects¹⁹⁶. The UNICEF is working since 1984 and serving the

early prime health care, it works under the supervision of UNICEF office in Jordan, its annual budget is about \$ 0.3 million. WHO works in one project of \$4 million under the supervision of the UNDP¹⁹⁷.

81. EUR-PVOs and EEC; many European PVOs and semi-government agencies are working now in Palestine, the most active organizations of this group are the Swedish Organization for Individual Relief, Swedish Save the Children, MCC and other organizations work directly from foreign councils. The estimated figure for this group was about \$ 3 million annually during 1978 and 1985, and it was increased in the last five years, the estimated figure was \$ 27 million in 1988. The EEC offer aids to public services and business loans, their annual budget was \$ 1 million during the period from 1981 to 1984, and it became \$ 7 million in 1988 most of it is allocated to public sector¹⁹⁸.

82. However, the above sources of funds will be affected by the Gulf War. It is expected that the Arab sources of funds will decrease the transferred funds to Palestine, although nothing is clear so far, but no new projects or promises were arranged for 1991, or 1992 years in this regard. On the other side it is expected that the Western sources will increase the allocated funds. For example, the EEC allocated about \$ 9 million to Palestine in 1990, \$ 17 million for 1991, and \$ 18 million to 1992. In addition to that there are about \$ 82 million designated as an extra-ordinary budget to Palestine, and they are expected to be distributed in the coming years, but it is not clear when, how, and how much will be the share of public services from these allocated funds¹⁹⁹. Finally, it should be stated here that the size and objectives of such resources will be varied, unreliable and connected to the political developments.

83. All above external sources offer aids to public sector in both Palestine together except for the contribution of Jordan government, which was exclusively allocated to public sector, however, a part of the allocated fund may be to the private sector such as those resources of PVOs, but that part is not more than 20%. The contribution of Joint committee used to be direct to public services. including that allocated to housing and industry sector, which may be considered as public subsidies offered under certain conditions as incentives to build a house or to develop a factory. Finally, the total external transfers are estimated to be \$ 187 million in 1980, \$148 million in 1984 and \$ 201 million in 1988. A close estimation was done by an Israeli source which indicated that the unilateral transfers amount was \$ 104

million in 1983 and \$ 93 million in 1984²⁰⁰. Comparison between the total external transfers as estimated in this study with the contribution of military government budget as an occupying authority indicates that the average external transfers are more than the annual military government budget as presented in Table No. 38, which consolidates all revenues located to public services for three selected years from 1980 to 1988. It shows that the average contribution of government budget is about 41% of the total revenues allocated to what may be considered as public services from all bodies.

Chapter IV

The Structure of Government Expenditures

Current Expenditures

84. The terms current, regular and ordinary budgets are used synonymously in this study, as well as the terms capital, investment, and extra-ordinary. However, the terms capital and current are used more in central budget, while the terms regular, ordinary and extra-ordinary are used more in local budget. To analyze the expenditure side of the central and local budgets, it is necessary to discuss the distribution of the total expenditure budgets among the different items which represents the major public units and department, for selected year during the last 21 year period. Thereafter, a detailed discussion should be presented for the major items from the total list of government expenditures. This list of government expenditure items in Palestine are stated by the Israeli officers based on what they call that the organizational structure of the civil administration, considering the major public units used to exist in 1967. However, many small units have been added to public services in order to match the organizations structure of the Israeli government Formally the total list of the budget includes from 26 to 30 items. These items are supposed to represent governmental units. However many of these units are not more than offices in the civil administration headquarters of the West Bank and the Gaza Strip, while others have been stated and articulated to fit the purposes of the military occupation authority rather than the collective needed services of the Palestinian citizens such as putting separate budget items related to water, natural reserve, state & absentee property, land, refugees rehabilitation in order to

assure their control of such activities rather than to facilitate offering services to the local citizens.

85. Following is a summary of the distribution ratios of the current budget expenditures for the West Bank as they were at early years of occupation between 1969 and 1972, as indicated in Table No. 39²⁰¹. The education is the major expenditure item which formed about 35.7% of the budget in the West Bank and 18% of the total budget in the Gaza Strip. The Police budget is the second important item in Palestine budget for that period, However, later on the police department's budget had been separated from Palestine budget and included in other military budgets. The police budget formed about 15.3% in the West Bank and 22.5% in Gaza Strip. The third major item was the health budget which formed about 17% of the total budget in the Gaza Strip, while it formed about 10% of the total budget in the West Bank. The education expenditure budget is higher in the West Bank than in Gaza, and visa-verse concerning the health budget. The fourth major item was related to the welfare, which formed about 10.5% of the total budget in Gaza and 4.7% in the West Bank, followed by communication (telephones) and agriculture. However, out of these items there are lists of items related to military government offices such as the finance budget which includes tax and budget units, interior, labor office which mainly supervises the workers inside the greenline and absentee property. In addition there were about four public units of annual budget not more than \$ 100,000 and/or less than 0.1% of the total budget, these units are minor offices that include military staff and representatives of Israeli ministries such as housing, religion, industry, and tourism. Therefore for this period nothing had been done to develop and/or facilitate any of the economic sectors, except for 6% of the total budget which formed \$ 1.4 million that was allocated to the agricultural sector in the West Bank and about less than half a million dollars in Gaza Strip. However, in 1970, the military authority conducted a land survey to develop special maps and conducted other public works using an Israeli company known as Mats which cost about 7% of the total budget for that year.

86. The values and the distribution ratios of the total expenditures budgets continued to be as they were with minor changes and small annual increases to meet the normal increase of the population. However, the situation in the eighties may be a little different. To indicate that, Table No. 40 presents the distribution ratios of the budget expenditures in the West Bank for the years between 1984 and 1988 with their total values in million dollars. The trends of the distribution ratios are constant, almost the same ratios are allocated to the same items from year to year without any reallocation changes, this is also applied to previous years presented in Table No. 39. However various new budget items have been added, but they were immaterial such as to divide the finance unit into sub-units to separate the tax and customs units, and to add new units such as archeology, natural reserves, quarries, energy and employment units. Considering the important major items, there are the education, health and social welfare which all together formed about two-thirds of the total current budget, the education is ranked number one of about 41% of the total budget, while the health is ranked the second which formed about 19.2% of total budget for the period. However the share of education budget had been increased from 36% in 1970 to 47% in 1984, and decreased again to 38% in 1988. The health budget share is also increased from 10% in 1971 to 20% in 1988. The share of the social welfare budget remained the same. On the contrary we find that the economic sectors share such as agriculture, telecommunication, surveying and public works had decreased. In addition almost no expenditures were related to the economic development sectors such as industry, trade, housing and other economic sectors. The budget of these items is so small it does not exceed \$ 100.000 a year, or a half million dollars during the twenty one years of occupation. Other budget items are related to the public military offices such as statistics, civil administration, finance, customs, interior and absentee property, and they are mainly hiring Israeli employees and not Arabs. The highest office budget is that related to the finance department, followed by the interior department.

87. The situation in Gaza Strip is not different, Table No. 41 presents the distribution ratios of the budget expenditures for Gaza Strip from 1984 to 1989, and their total

values²⁰². As indicated in the Table the health budget share has increased from 16% in 1970 to an average of 35% in the eighties, of an average annual budget of about \$ 16 million. The second major item is the education budget, which formed about 31% of the total budget with an average annual budget of about \$ 14.5 million for the period of the eighties. The third major expenditure item is the welfare budget which forms about 8.4% of the total budget. The three above items represent about 74.4% of the total budget, the education budget share has increased, while the welfare budget has decreased. It should be noted here that the increase of both education and health budgets was to meet the normal increase of the population, and was on the account of other major services, especially those related to the national economy sectors such as agriculture, industry and trade, communication transportation, energy and surviving works. All of these items together formed about 14% of the total budget of an average annual budget of about \$ 6.4 million. In addition there were no budget allocations for various major vital public services such as the housing sector. The rest items were related to military public offices such as inferior, finance, statistics and civil administration and remained constant during the period.

88. To analyze the budget expenditures using the cost basis rather than the budget allocation basis, it indicates that almost 68% of the government budget is allocated to payrolls (salaries)²⁰³, this ratio was only about 43% in 1971²⁰⁴, and 32% allocated to buy supplies and other payments, this ratio may differ from one item to another but represents the average of the budget²⁰⁵. The public services staff was about 8016 employees in 1980,²⁰⁶ increased to 11614 employees in 1985²⁰⁷. And were about 12000 Palestinians and 1000 Israeli working in public services in 1989 in the West Bank²⁰⁸, 70% of the government employees are working in education. The number of government employees in Gaza Strip was about 4147 in 1970²⁰⁹, and increased to 5125 in 1983, to 5426 in 1986²¹⁰, and to 5500 in 1989. The average annual salary for a governmental employee is about \$ 4,000.

89. The distribution of other independent public units expenditures in the West Bank including the Al-Waqf and Islamic courts are different. The Islamic courts expenditure budget was distributed as follows; 50% for salaries, 15% for furniture, supplies and other payments, 35% transferred to Al-Aqsa maintenance²¹¹. The Waqf annual budget was distributed as follows: 80% for regular budget and 20% for development project such as to build commercial buildings improvement and maintenance of the present Waqf properties, about 90% of the regular budget was allocated to salaries, and 10% for supplies and other payments²¹².

90. Concerning the local authorities; The analysis of current expenditures revealed once again that the salaries item forms from 45% to 68% of the total regular budget for different years with an average annual of 54%, the supplies item forms from 26% to 43%, purchases of equipment formed from 1% to 9%²¹³, Table No. 42 indicates a summary of the distribution ratios of cost elements for current expenditures budget of the municipalities in the West Bank for selected years during the period from 1970 to 1989. The situation in Gaza Strip is similar except that the average ratio of salaries is about 48% of the total regular budget. To consider the distribution of the regular budget of local authorities according to organizational departments, the general administration department formed an average of about 25% and it ranged between 23% and 30% of the total regular budget for the West Bank municipalities. The engineering and maintenance department formed about an average of 40% of the total budget, while the health department formed about 22%, Other departments formed 13% of the total regular budget. Considering the local authorities in Gaza Strip similar percentages exist, such as 35% for the health and sanitation department, 25% for the general administration 15% for the maintenance and technical department, and the rest for various departments²¹⁴. However, it should be noted here that the organizational structure may be different from one local authority to another, but the above mentioned departments are the most common in all local authorities, and the local budgets are prepared based upon the expected expenditures for each department.

Assessment of the Government Current Expenditures

91. Generally, There are two groups of items in the current governmental budget . The first group is related to the major social services including education, health and welfare, this group formed two-third of the total budget, the second group is related to the governmental offices in order to keep business and daily life of the Palestinians going on under control, which formed about 28% of the total budget. However, almost no public finance system has any role either in economic stabilization nor in social purposes. To indicate that various aspects will be discussed, such as; First; to state the budget expenditures trends for the major items, second to determine the public expenditure per capita, third, to compare between the contribution of governmental budget and other bodies which allocate funds for public services.

92. Budget expenditures trends; concerning the current expenditures in the POT, the trends of the major expenditures such as education and health has been increased only to meet the normal increase in populations. However, these increases of education and health allocations were on the account of other items related to the economic sectors. The rest of expenditure items concerning public offices remain almost constant except for the increase in the civil administration and finance departments budgets. Table No. 43 Rank the groups of Expenditure items in Palestine and their share percentages and total values for the whole period from 1968 to 1988 as classified by the author. As shown in Table No. 43, the total military public offices such as civil administration, interior, etc., forms about 28% of the total budget in the West Bank and 22% in Gaza Strip, and its share is three times economic sectors allocations including, agriculture, transportation, communication, housing etc. The total current expenditures which were allocated to all economic sectors were about \$ 186 million from 1968 to 1988 in Palestine compared to \$ 442 million which were allocated to

governmental offices for the same period. To assess the impact of the government budget on the economic situation in Palestine, there is a need to reclassify the Palestinian budget items in a generally accepted standard form, in order to facilitate the assessment process. Such a standard was formerly mentioned in the manual for the economic and functional classification of government transactions published by the UN²¹⁵. Accordingly, the government current budget expenditures items have been reassembled based on the functional classification which aimed at classifying the governmental budget into four broad groups of public activities. Including general, community, social and economic services as presented in Table No 43. It shows that 29% of the total West Bank budget was allocated to general services, 96% of this section was allocated to the management military services, leaving only 4% for the Justice budget. As with regard to Gaza Strip 23.4% of the total budget was allocated to general services, in which 90% of this section was devoted to the military management offices leaving 10% for the justice budget. The total value of this section was about \$ 467 million during the whole period from 1968 to 1988, which formed 27% of the total current budget for the period. It should be mentioned that this section of the budget has no benefit to the general, economic or social situation in Palestine, because it covers only the payroll of the Israeli officers and employees, who are living inside the green line. The second section is related to the social services, which formed the majority of the total budget, it formed 60% of the total West Bank current budget, and 66% of the Gaza Strip current budget, with an average of 62% of the total Palestine budget with a value of \$ 1064 million for the whole period of the twenty one years. The education got half of the allocation of this section, followed by the health and social services respectively. The community and economic services formed only 11% of Palestine current budget during the period with a value of \$ 63 million and \$ 123 million for economic services for the whole period 1966-1988. This discloses the immaterial role of the governmental budget on the economy of Palestine. Finally, Figure No. 5 summarizes the average distribution ratios of current governmental budget in Palestine for the period from 1968 to 1988. using both the items and functional classifications.

93. To assess the governmental expenditure in more details it is proper to discuss each of the major items individually, and to compare that with other contributions offered by related parties, to indicate the size of the military government expenditure allocations. However, it should be noted here that the increased share of the external transfers for public services was due to the serious shortages of public services which are supposed to be provided by military government budget.

94. Education; the number of Palestinian students was about 142.000 in 1967 in the West Bank and 80.000 students in Gaza Strip, organized in 981 schools and 6148 classes, in 1989 it became about 185.000 in Gaza Strip and 303000 in West Bank²¹⁶. There are three sectors that serve the educational system in Palestine, the military government, the UNRWA and the private sector which mostly works on a non-profit basis, 50.2% of the students were enrolled in UNRWA schools, 45.6% in governmental schools and 4.2% in the private schools in the Gaza Strip. Concerning West Bank 77.6% were enrolled in governmental schools, 13% in the UNRWA and 9.3% in the private schools as in 1988/89²¹⁷. Students per class were 34.2 in 1988/89 in governmental schools, 33.6 students per class in UNRWA schools, and 24.2 students per class in private schools in the West Bank, which means both UNRWA and private schools were better from governmental schools using this measure. With regard to Gaza, the private school per class was 27 students, the government per class was 41 and the UNRWA per class was 48 students. Concerning the education budget, the UNRWA budget was \$ 457 per student, while it was \$ 224 per student in governmental schools as in 1988. This give an idea about the size of the material instruction and other extra-curricula available in both educational systems. Concerning the Gaza Strip, the education budget for UNRWA school was \$ 331 per student as in 1988/89 while the cost per student in governmental schools was \$ 194, which means the allocated value per student in governmental schools is only about 59% of the UNRWA schools. However, the UNRWA schools in Gaza is not very perfect. To consider the total contribution for other parties, the military government budget is only responsible for about 50% of the educational system in Palestine. The other half are offered

by other parties and as a consequence of the shortages of the governmental educational system as in higher education. The total allocation of education by the government budget was about \$ 603 million in Palestine between 1968 and 1988. To consider the educational expenditures per-capita in Palestine, it indicates that the education cost per-capita is very low as presented in Table 44. Which shows that the educational cost per-capita ranged between \$ 13.5 in 1968 as a minimum and \$ 69.2 as it was in 1984 as a maximum with an average of \$ 32.5 for the Whole period from 1968 to 1988 in the West Bank. In Gaza Strip the educational cost per-capita was even lower, it ranged between \$ 5.5 as a minimum as it was in 1968 and \$ 31 as a maximum as in 1984, with an average cost of \$ 17.5 a year during the same period. To compare these figures with the educational cost per-capita in other Arab states such as Jordan which had an educational cost per-capita of \$ 174 in 1986, in Syria the educational cost per-capita was \$ 94 in 1986²¹⁸. This shows that the cost per-capita in the West Bank was less than 60% and less than 30% concerning the Gaza Strip of the allotted share in the other Arab countries.

95. Health; as in education, there are three different systems which offer health services including the military government, the UNRWA and the private sector which works on a non-profit basis. The governmental health system includes 9 hospitals in the West Bank and 6 in Gaza Strip out of 23 hospitals in Palestine. The share of the government in the health services was about 60% in the West Bank and 83% in the Gaza Strip considering the surgical operations²¹⁹. The UNRWA health system offers curative and preventive health services, and supplementary feeding for all eligible refugees²²⁰. Because of the different services and specialties offered by each sector it is difficult to compare the efficiency of each side. However, it is known that the governmental services are less efficient than the private services. The share of the governmental budget for health is about 60% of the total allocated health services in Palestine from all parties. The governmental health budget cost per capital was \$ 32 in 1988, and \$ 28 in 1984 in Palestine. The total allocations of health services by the governmental budget was about \$ 353 million in Palestine between 1968 and 1988.

96. Social welfare; governmental social welfare services basic foods to needy families besides donating very small allowances to various charitable organizations. The UNRWA relief services are offered for eligible refugees and special hardship assistance. Other national non-profit organizations play significant roles in offering social services through special programs. However, the contribution of all groups is very limited, which was about \$ 22 million to \$ 27 million a year through the last ten years considering the general conditions of Palestine citizens. Governmental budget welfare allocation per capita was only \$ 9 in 1988 and \$ 6 in 1984.

97. Housing and Agriculture; there was no budget allocation for housing in Gaza Strip, but only half a million dollars was allocated to the housing department during the whole period. As a matter of fact the military authority in Palestine was always an obstacle to improving the housing sector for Palestinian citizens especially outside the municipalities areas. However, the major contribution to the housing came from the Joint committee program which offered subsidies of about \$ 20000 for each housing unit, the program continued up to 1986. The total value for that program was about \$ 50 million. However, many disadvantages accompanied this program, for example the majority of these units were never completed up to now, therefore the program did not contribute to solving the housing problem in Palestine²²¹. Concerning the agricultural sector, this sector needs to receive a special attention because it is a major economic sector in Palestine, but the allocated budget share was around 5% in the seventies, it had decreased to less than 2% or about \$ 2.8 million for the West Bank, and it was only \$ 1.4 million for the Gaza Strip in 1988. The military government used to offer subsidies for agricultural product exports for the first years of the occupation, but this program had stopped in the seventies. Other services offered to the agricultural sector came from PVOs located in Jerusalem and other Arab sources. Finally, Table No. 45 presents a consolidated selected current expenditures budget for Palestine in

order to summarize the significance of the contributions of all parties concerning the major public services.

Capital Expenditures

98. The size of the government's capital expenditures is very small ranging between \$ 5 million and \$ 32 million a year in the West Bank and between \$3 million and \$ 19 million in Gaza Strip. The total governmental capital expenditures in Palestine from 1968 to 1989 was about \$ 406 million. The distribution of the capital expenditures in the early period of occupation included eight categories, investment in roads was the first major item in capital expenditures which formed more than one-third of the total capital budget for the West Bank. The other two major items were investments in agricultural and water projects which formed about 16% and 15% respectively, Other investments of a share of 10% or less were in telephones, public buildings, schools and local authorities grants as shown in Table No. 46. As to Gaza Strip, there were no investments whatsoever, in roads or water projects or public buildings, the only investments were in agriculture of 16% of the total budget, in telephones of about 8% and in grants and loans for local authorities of about 4%, However, there was about 70% of the total budget for capital projects under other expenditure items without explanations concerning those other projects as indicated in Table No. 46.

99. Various new investment items had been added to the capital budget in Palestine in the eighties such as investments in health sector, vocational training, welfare and electric grids. However, the only new major item was the investment in the health sector to remodel the old governmental hospitals in Nablus, and Ramallah, investment in the health sector formed about 18.5% of the total capital budget in the West Bank, but the grants to local authorities were the highest share of capital budget in the last five years. Other major investments were in water resources, school buildings, telephones, roads and electric grids, However, in spite of the small values which were invested in these areas, one should be

careful about the purposes of such investments, First; investment in water resources may not be considered as a favored investment for the Palestinians as long as the Israeli military government controls all water resources in Palestine and give Jewish settlements the priority to get water over the Palestinian citizens. Second; investments in telephones are mainly allocated to an Israeli company and may not be considered as a property of Palestine. Third; investments in the West Bank roads are implemented mainly to serve the Israeli settlements rather than Arab villages and cities, as a matter of fact it is a planned policy to build new roads outside Arab cities and villages to avoid the Israelis passage through these towns. Fourth the same thing may be applicable to the investments in electric grids. In addition it may be noticed that there were no investments whatsoever, in economic sectors, such as the agricultural and the industrial, the share of agriculture investments had been decreased from 16% in the seventies to 8% in 1984, and since that time there were no investments in the agricultural and industrial sectors. Summary of the distribution of the capital budget in the West Bank is presented in Table No. 47 from 1984 to 1988.

100. Considering the capital budget in Gaza strip, the governmental budget allocate the available resources which were from \$ 10 to \$ 20 million a year to four major items. As shown in Table No. 48, the first major item was the contribution to the local authorities which formed about 44% of the total capital budget for the five year period, in some years such as in 1985 and 1984, the share was almost half of the capital budget, The next major items were investments in school building, telephones and health sectors. The above four items formed about 80% of the total budget for the period. However it should be mentioned here that there were no investments in roads during the last twenty years in Gaza Strip except for 1984 in which there was an investment of about \$ 0.3 million dollars. This supports the notion that the investments in West Bank roads are mainly to serve settlements, because the settlements in Gaza Strip are not spread out as they are in the West Bank. Finally the major share of the capital budget in Palestine concerned the grants to local authorities items because it is an easy

way to expend the budget allocations for investments, and to support specific municipalities which are now run by appointed mayors after the resignation of the elected mayors.

101. The total investments of the local authorities in Palestine were \$ 195 million from 1968 to 1989. With an average capital budget of about \$ 9 million a year. The investments local authorities are located only inside the areas of municipalities and villages, and they are mainly related to local services such as inside roads, utilities establishments, health services, public buildings and purchasing of properties, vehicles and equipment. The highest capital share in local authorities in the West Bank was in roads which formed about an average of 35%, followed by investment in purchasing of assets, schools building and establishments, respectively. In Gaza, the highest capital share was in the establishment of utilities including water, electricity and sewage, followed by investments in roads and purchasing of assets. Table No. 49 presents the distribution of the capital investments by local authorities in Palestine for selected years.

Assessment of Government Capital Expenditures

102. The role of government's capital budget in Palestine is very limited to \$ 601 million during the period 1968-1988, including central and local budgets. The local investments are more important than the central budget investments. In addition, there are serious doubts about the objectives of the central investments projects which are oriented to serve the new Jewish settlers rather than the Palestinian citizens. Such as the investments in roads water and telephone projects which were established mainly to serve the settlers. The occupying authority play a negative role by preventing many capital projects to be implemented in Palestine by the national non-governmental organization. Finally we should not forget the most serious measure of confiscating the public land in Palestine and to transfer it to the new settlements. This measure is considered a minus factor in computing the capital formation, as opposite of acquisition of the land. Accordingly, it may be stated that the impact

of the capital budget on the economy of Palestine and the capital formation is generally insignificant or negative in many aspects. However, the local capital budget plays a significant role especially inside the major cities in Palestine, in which many important projects have been implemented during the period, mainly to establish water, sewage and electricity, roads and general building with a value of \$ 195 million

The Impact of the Government Budget on the Economy of Palestine

103. The governmental expenditure budget per- capita in Palestine includes central and local expenditures, first part of Figure No. 6 presents the capital, current and total governmental expenditures per-capita during the period from 1968 to 1988. It shows that the total expenditures per-capita ranged between \$ 39 as it was in 1968 and reached to \$ 228 as a maximum as in 1987-88, while it declined to \$ 206 in 1988-89. The investigation of the governmental budget expenditure per-capita during the period indicates that there was a high ratio of fluctuation concerning the size of governmental budget expenditures per-capita, in which the budget years of 1980-81, 1984-85 and 1987-88 were higher than the other years during the period. However, to compare these figures with the tax burden per-capita in order to show how much is every individual contributing to governmental revenues which finance total governmental expenditures, It indicates that the income tax burden per-capita increased from \$ 1.40 as in 1968, to \$ 23.5 in 1972, to \$ 31.80 in 1980, to \$ 42.70 in 1988-89. The indirect tax burden per- capita in Palestine increased from \$ 7.30 as in 1968 to \$ 20.00 in 1972, to \$ 59.10 in 1984, to \$ 66.7 in 1988-89. The local tax burden per-capita in Palestine was limited, it increased from \$ 2.20 in 1968, to \$ 14.20 in 1986, and dropped to \$ 6.80 in 1988-89 because of the Intifada. This means that the total tax burden per-capita in Palestine was about \$ 10.90 in 1968, and reached to \$ 115.20 in 1988-89. However, the local tax burden ratio alone is very low compared to the central tax burden, it formed about 18% of total budget expenditures in 1988-89. The non-tax payments in Palestine for public services

per-capita were \$ 51 for central government services and \$ 26 for local services in 1988-89. This will increase the payment tax and non-tax burden-ratio to about 93% of the total budget expenditures. However, these figures do not include the taxes paid by the Palestinian workers inside the greenline, which will increase the total tax and non-tax payments burden in Palestine to about \$ 242 per-capin 1988-89, and will be about 117% of the total central government expenditures. In addition, the impact of the governmental expenditures budget in Palestine on each of the major economic indicators is very limited. As concluded in this study, the size of the government budget is around 10% of the total consumption, gross domestic product, and gross national product. The size of the total governmental expenditures continued to decrease compared to the other three major economic indicators, especially in the last ten years as presented in Figure No. 7. Which presents the major economic indicators including; the GDP, the GNP, and the total consumption among the total governmental expenditure in Palestine for the period 1968-1988.

104. To indicate if the government budget had any direct or indirect impact on the foreign trade and balance of trade in Palestine, an intensive analysis of the available data concerning the economic group expenditures of the budget during the whole period of the study has been carried out, which indicated that it was a program which subsidized the farming exports in Palestine in the early seventies, this program used to be a part of Palestine agricultural budgets, but later on at the end of the seventies this program had been terminated. Otherwise, the governmental budget did nothing during the period to revive or promote the foreign trade situation which had a minus balance of trade of about \$ 500 million a year, and nothing had been done to facilitate the export to or through Jordan, which represents the main geographical trade bath. On the contrary, there was a continues increase in the fees on the open bridges, among many arbitrary measures which had taken place during the period to hinder Palestinian trading with Jordan.

Finally, to measure the general trends of Palestine governmental budget, Figure No. 8 presents the trends of the governmental budget expenditures as classified by level and

economic classification. It signified that the central current budget increased relatively higher than other segments of the budget including the central capital budget and local capital and current budgets. However such an increase which is expressed in current prices has occurred to reflect the increasing population's social needs during the period, and it was on the account of the central capital budget which decreased significantly in the last ten years. On the other hand, the local governmental role was increased on the account of central government.

105. Because of the obvious shortages of the needed public services in Palestine, and due to the incomplete services offered by the governmental budget, many of the non-governmental groups play different roles as external sources of providing revenues and offering public services, In which they try to bridge the gap between the offered services through the governmental budget and the minimum level of public services which are urgently needed by Palestinian people in Palestine. These groups are the UNRWA, the Jordanian Government, Other Arab sources, Western organizations, and UN organizations. This study revealed that the external transfers to public services in Palestine were about \$ 201 million in 1988/1989. This contribution is almost equal to the annual central and local governmental budget of both current and capital parts in Palestine. In some years the external contribution exceeded the governmental budget as it was in 1980, when it reached 135% of the total central and local governmental revenues. Accordingly, the complete framework of the public finance in Palestine can't be materialized unless all expenditures and revenues which are related to public services are integrated in one statement which includes all public services regardless of the revenues' sources and the implementing bodies.

Therefore, Table No. 50 consolidated all governmental, national and external sources of revenues and their companion expenditures items in one Statement for 1988-89 year. It disclosed that the total annual revenues allocated to public services in Palestine were \$ 501 million, of the total 44% was related to external resources, 41% was related to the central governmental budget, and 15% to the local authorities budgets. The external sources of revenues mainly finance higher education, a substantial part of the health, social and other

economic services. However, it should be noted here that the external bodies which finance public services disburse the allocations through national non-profit organizations or by offering the public services directly, rather than through governmental budgets.

Public Finance in Palestine

Summary and Conclusion of Part One

106. This part of the study is aimed to investigate the present situation of the public finance aspects in the Occupied Palestinian Territories including Palestine . In order to provide the basic framework to formulate the next part of the study , which will discuss the public finance system and it's role in the future developments of the Occupied Palestinian Territories. the public finance has been defined in this study as "all aspects of providing public services as well as the ways of financing such services ", and the public services has been defined as" all goods and services which are provided by government and quasi government budgets, the non-market and collectively consumed goods and services, and free and subsidized goods and services.

107. Historically, the public finance in Palestine passed three eras, first; the British mandate era, second; the pre-1967 era, and the third era is the Israeli Occupation era (1967-up to now). During the British mandate, Palestine was one entity, at the end of this era the total annual expenditures budget was about \$ 80 million, 40% was allocated to general services and 12% for social services. In the second era, Palestine had been divided into three parts, the Gaza Strip part was under Egyptian supervision using Palestine fiscal and tax legislation, the annual expenditure budget was about \$9 million in 1966. The West Bank Budget was part of the Jordanian budget, the West Bank share was about \$ 50 million in 1966. The third era is the present situation in which both Palestine became under occupation. When the government budget matters became a job of the Israeli military officers since 1968 and up to now, including preparing, implementing, controlling and auditing functions. During this period, the

occupied military authority treated the budget of Palestine as a security matter in which never be published or distributed even to the head of the governmental units. It is prepared annually by the military officers and presented as a part of the Israeli budget in one section for both Palestine, but in different Statements for each one under the budget of defense ministry of Israel.

108. The total expenditures budget for the West bank started as \$ 23 million in 1968 and reached to \$ 170 million as in 1988-89 year budget, in which 20% was allocated to capital expenditures. The total West Bank revenues was \$ 8 million in 1968, and reached to \$170 million in 1988-89 year budget. Of the total; 22% was collected from direct (income) tax, 61% from indirect taxes, and 17% from other revenues including public services fees. The local West Bank budget includes 25 municipalities and 80 village councils, the value of local budget expenditures was about \$4.5 million in 1968 and reached to \$ 37 million in 1988-89. Of the total 24% was allocated to capital budget. Concerning the West Bank local budget revenues, 42% of the total revenues were collected from regular fees, 38% were collected from establishments revenues and 20% were extra-ordinary revenues such as external grants.

109. The total Gaza Strip central expenditures budget was about \$ 9 million in 1968 and reached to \$ 81 million in 1988-89, of the total 23% was allocated to capital expenditures. The central government current budget in both Palestine (Palestine) was distributed during the period (1968-1989) as follows: 33% of the total was allocated to educa, 23% of the total was allocated to the health sector, 7% for social welfare services, 1.7% for justice departments, 10.8% for various economic sectors, and 24.5% of the total budget were allocated to financing the military and civil offices of the occupied authority. The total Gaza Strip central budget revenues was about \$ 1.3 million in 1968 and reached to \$ 65 million 1988-89 year budget, of the total; 28% were collected from direct tax, 35% were collected from indirect tax and 37% were collected from other revenues such as health and education services fees. The local Gaza Strip Budget includes four municipal councils, eleven village councils, and two local camp

committees. The size of Gaza Strip local budget expenditures ranged from \$ 1 million in 1968 to \$ 30 million in 1988-89. In which 30% was allocated to capital projects, such as public building and roads. The revenues of local Gaza Strip budgets came mainly (46%) from establishments fees, 26% came from ordinary fees, and 28% came from extra-ordinary revenues including external grants.

110. However, the major concern for this part of the study is the present situation of the public finance aspects in Palestine. Therefore, it is necessary to point out the major features of the public finance aspects in Palestine for both sides of expenditures and revenues, which may be summarized as follows:

First: The government budget items in Palestine are not classified in any generally accepted sachems; such as the economic classification, functional classification, or the level classification. However, the listed items of Palestine government budget items ordered in a form which is closed to the organization classification scheme, but they don't match exactly the generally accepted standard form of classification mentioned in the UN manual for government transactions.

Second; The size of the local budget to the central budget is relatively small comparing to other countries, it formed an average of about 20% of the total government budget in the West Bank and 30% in the Gaza Strip during the period (1968-1989).

Third: Both central and local government budgets in Palestine have a little impact on the final consumption, or on the gross domestic product (GDP), or on the general economic situation in Palestine, according to the following indicators:

* The average share of the government consumption to the total consumption during the period was about 10% leaving 90% to the private sector.

*The average contribution of current budget to the total GDP was about 12% during the period 1968 to 1988, with 7% as a minimum and 18% as a maximum for different years.

* The government current expenditures per-capita was \$ 119 in Palestine during the period (1968-89). This figure is less than a half of the current expenditure per-capita in Democratic Yemen, and less than a quarter of Jordan and Syria for the same period.

Fourth; The above conclusions may also be applied to the impact of capital (development) budget for central and local government budget on the gross capital formation and general economy of Palestine according to the following concluded indicators:

* The share of capital government formed an average of 10.3% of the total capital formation during the period during the period (1968-89), leaving 89.7% to the private sector.

* The share of capital government budget was so immaterial and didn't exceed 4% as maximum and 2% as a minimum, with an annual average of 2.5% of the total gross domestic product in Palestine over the period 1968-1988.

* The average annual per-capita of government capital expenditures was about \$ 23 during the period 1968-1988, this value is about 10% of the capital expenditures per-capita in some other countries such as Jordan, Syria, and Bahrain.

111. Based on the above conclusions various measures may be identified and recommended, for immediate actions in order to improve the present structure of the fiscal system and its overall performance in Palestine. However, such measures and recommendations may not be implemented as long as the fiscal system under the control of the military authority, and it uses to serve its' purposes as an occupied authority rather than serving the economy of Palestine. Nevertheless, the following suggestions and recommendations may be stated:

* There is an urgent need to establish and adPalestine a new tax system, to organize and articulate all direct, indirect, and other fees in a simple, clear and efficient manner, considering the social and economic situation in Palestine. In addition the new tax system

should have tax incentives to encourage the new investments. More details will be presented in the next part of this study.

* A national finance council may be established in order to follow up and monitor the fiscal policy in Palestine. In addition to that, this council may control and organize all external funds coming to the various national organizations offering public services.

* International effort and pressure should be directed to the Israeli authority in order to force it to announce and publish the annual budget of Palestine, and to be available for the concerned parties. All details of government budget data should be available in order to relate that to the economic statistics and to prepare the needed national accounts in a proper manner, which will serve the functions of economic planning and controlling.

* The annual government budget of Palestine should be prepared, implemented and evaluated separately from the budget of the Israeli defense ministry.

* The preparing of the annual government budget should be connected to a clear economic plan which may consider the general situation of the economy in Palestine.

* All Palestine revenues should be allocated to the area, this should include the tax deductions from Palestinians workers inside the green line, the value added tax and customs duties imposed on imports during the Israeli ports, fuel oil tax, and other items.

112. Finally, it is clear that many of the above mentioned features and problems of the public finance in Palestine are related to the political situation of the occupation. Accordingly, the framework, characteristics and the role of the public finance system in Palestine will be significantly different if other scenarios to be considered such as establishing an independent Palestinian state. However, the above major features of the existing situation of public finance in Palestine should be considered in the next part of the study among different scenarios, in order to articulate the relevant public finance system in Palestine.

Notes of Part one (Chapters 1-4)

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11. Government of Palestine; **Financial Regulations** (Golder'gs, Press Jerusalem) 1933 pp. 1-7.
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13. Horowitz & Hinder, Ibid., p. 343.
14. Ibid.
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16. Ibid., Skaak p.41 and Bergman p.73.
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Part II

PROSPECTS FOR FUTURE AND A SUGGESTED FRAMEWORK

Introduction

113. Introduction: Based on the analysis and findings presented and reported in part one of this study, and considering the growth and development potentials and expectations of the Palestinian economy and people, this part will discuss thoroughly the future role of public finance in Palestine, based on a stated series of future indicators and assumptions depicting medium and long term prospects. Therefore, the main thrust of this part is to articulate a policy-oriented frame of reference aimed at assisting Palestinian individuals and institutions in reforming the structure and performance of the Public finance system as a vital instrument of economic policy of Palestine.

114. Summary of the present situation: The central government current budget in both Palestine (Palestine) was distributed during the period (1968-1989) as follows: 33% of the total were allocated to education, 23% of the total were allocated to the health sector, 7% for social welfare services, 1.7% for justice department, 10.8% for various economic sectors, and 24.5% of the total budget were allocated to financing the military and civil offices of the occupied authority. To consider the groups of non-government organizations and their contributions to public services, the total expenditure consolidated budget reached \$ 606 million and the expenditures per capita (central and local government and non government firms) was \$ 356 per capita in 1991-92¹.

115. The total West Bank revenues was \$ 8 million in 1968, and reached to \$170 million in the 1988-89 year budget. Of the total; 22% were collected from direct (income) tax, 61% from indirect taxes, and 17% from other revenues including public services fees. The total Gaza Strip central budget revenues was about \$ 1.3 million in 1968 and reached to \$ 65 million 1988-89 year budget, of the total; 28% were collected from direct tax, 35% were collected from indirect tax and 37% were collected from other revenues such as health and education services fees.

116. The local West Bank budget includes 25 municipalities and 80 village councils, the value of local budget expenditures was about \$ 4.5 million in 1968 and reached to \$ 37 million in 1988-89. The total expenditures per-capita ranged from \$ 39 as it was in 1968 and reached to \$ 228 as a maximum as in 1987-88, while it declined to \$ 240 per-capita in 1991-92². The average share of all central and local current and development budget to the gross national product was about 15%, while the ratio of the total government and non-government budgets allocated to public services to the gross national product was about 25% as in 1988-89³.

117. Basic alternative scenarios: Two basic scenarios will be considered in this study as the base to develop and articulate the future fiscal plans in Palestine. These are scenarios Number III, and VI as stated by the UNCTAD secretariat under title "Prospects for sustained development of the Palestinian economy in Palestine; 1990-2010: A Quantitative Framework" (April, 1992)⁴. First scenario estimated the main population, labor force and economic data as follows: The population will increase from 1,695,000 people in 1990 to 2,034,000 people in 1995 to 2,407,000 people in the year 2000. The gross domestic product (GDP) in Palestine was about \$ 1487 million in 1990, while the gross national product was about \$ 2052 million, with net factor income from abroad expected to be \$ 565 million. However, it is expected that the GDP will increase to \$ 2447 million in 1995 and to \$ 3860 million in the year 2000 in constant 1990 US \$. The labor force will increase from 343,000 individuals as in 1990 to 423,000 in 1995, to 525,000 individuals in the year 2000. The total unemployment ratio was 11% in 1990, and it is expected to increase to 19% in 1995, and will be decreased to 9%. The GDP per capita will increased from \$ 877 as in 1990, to \$ 1203 in 1995, and to \$ 1603 in 2000. The private consumption per capita will increased from \$ 863 in 1990 to \$ 1114 in 1995, to \$ 1594 in the year 2000⁵. This scenario will be referred to in this study as scenario A.

118. The Second scenario estimated the main population, labor force and economic data as follows: The population will increase from 1,695,000 as in 1990 to 2,034,000 in 1995, to 3,030,000 as in the year 2000. The gross domestic product (GDP) in Palestine will increased from \$ 1487 million in 1990, to \$ 2447 million in 1995 and to \$ 4982 million a year in constant 1990 US. While the gross national product will increased from \$ 2052 million in 1990 to \$ 2,896 million in 1995 and to \$ 5,487 million in the year 2000. The labor force will increase from 343,000 individuals as in 1990 to 423,000 in 1995, to 656,000 individuals in the year 2000. The total unemployment ratio will increase from 11% in 1990, to 19% in

1995, but will be decreased to 9% in the year 2000. The GDP per capita will increased from \$ 877 as in 1990, to \$ 1203 in 1995, and to \$ 1644 in 2000. The private consumption per capita will increased from \$ 863 in 1990 to \$ 111 in 1995, to \$ 1724 in the year 2000⁶. This scenario will be referred to in this study as Scenario B. However, both scenarios have **similar** affect on estimation of budget statements for the **recovery period** 1992-1996, while the estimated figures will be **different** (statements of scenario A from that based on B) for the **growth period** from 1996 to the year 2000 because scenario B assumed a higher increase in the gross national product. Finally, it should be noted that all estimated figures and budget statements presented in this study are stated based on the constant 1990 US.\$ price.

CHAPTER V

THE ROLE OF PUBLIC FINANCE IN THE PALESTINIAN ECONOMY

Estimation of current government expenditures budget:

119. Estimations of Palestine budgets: based on the stated scenarios and the main assumptions and policy framework, the expected government and local budgets will be estimated and articulated. This will include the central current expenditures budgets, the central development expenditures budgets, the local expenditures budgets, the central government budget revenues include the direct tax, indirect tax, and services fees and other revenues, and the local budget revenues include regular revenues, local taxes, and extraordinary revenues. The estimations of the expected future budgets for Palestine will cover the period from 1992-2000, including the transition and recovery period (1992-1996) as well as the growth period (1996-2000) years.

120. The estimation process: The estimating process of the future government budget statements in Palestine is a very difficult task, and may be vary based on the stated assumptions, the future political situations, the expected external aids and the size of the plans which may be allocated to the expected infrastructure projects. However, several attempts were made to estimated the future government budgets of the independent state of Palestine as well as to estimate the infrastructure costs of the reconstruction and development programs. Example of that a study estimated the housing budget to build 200,000 units is to be about \$ 4,500 million, the estimated budget for roads of 5000 km. is to be about \$ 1,250 million, the budget of irrigation and land infrastructure is to be about \$ 1,200 million, electricity budget is

to about \$ 750 million. The social infrastructure projects are need about \$ 2,450 million at 1990 US price⁷. However, in order to avoid so many arguments concerning the unlimited assumptions and scenarios, this study will be grounded only on the major two mentioned above works of the UNCTAD conducted in 1992⁸.

121. The distribution of budget items: Based on a- the distribution of the Palestinian government budget items as existed in the last 20 years, b- according to the needed changes in this regards and c-considering the stated scenarios and the expected future political developments; the framework of the government Palestinian budgets items have been stated, which may be summarized as follows:

First: The ratio between the central and total budget including local government budget is expected to be 83% for central budget to 17% for local budgets (municipalities and local councils).

Second: The ratio between the Development budget and Current budget for both the central and local budget is expected to be 70% for current budget and 30% for development budget.

Third: The ratio between internal revenue sources (direct taxes, indirect taxes and revenues and fees from public services) and the total revenues including external sources will be 60% of the total, while the other 40% to be covered from local and foreign loans and external aids.

Fourth: The distribution of current expenditures items for central government is expected to be as follows; 30% for general services, 7% for community services, 48% for social services, and 10% for economic services, and 5% for emergency and un-allocated items

Fifth: The distribution of development expenditure items for central government is expected to be as follows; general infrastructure and Roads 40%, community Infrastructure 15%, social infrastructure 20%, economic infrastructure 20%, and 5% for emergency and allocated items.

Sixth: The distribution of current expenditures items for local government budget is expected to be as follows; 35% for general services and roads, 30% for establishment projects (water, electricity and sewage) and 30% for extra- ordinary budget (Development budget) and 5% for emergency and non-allocated items.

Seventh: The distribution of internal revenues central budget statement is expected to be as 25% from direct tax, 40% from indirect tax, 30% from government services fees, and 5% from public sector revenues.

Eight: The distribution of revenues local budget statement is expected to be 25% from unified tax, 15% from fees, 35% from establishment fees, 7% revenues from owned project and 18% from grants and other revenues.

122. The bases for estimation of the future government budget: To estimate the government budgets statements for the future periods several means may be followed. First, the present situation as a basic to predict the future statements, second; the allocated budget per capita for each item as expected and/or as planned to be for the coming period, and the percentages of the expected share of government budget to the gross national product for the coming period. However, all the above three items have been considered in this study in estimating the future budget statements in Palestine up to the year 2000, according to the two stated scenarios. Accordingly the total central and local budget for Palestine may be ranged from \$ 750 million as in 1992-93 to \$ 1046 million in constant 1990 US.\$ as in 1999-2000 according to scenario A, and it may be stated from \$ 750 million as in 1992-93 to \$ 1320 million constant 1990 US.\$ as in 1999-2000 year according the scenario B. The estimated figures for Palestine budget statements are expected to form about 30% of the gross national product for the recovery period and 24% for the growth period from 1996 to 2000. The estimated figure for 1992-93 is higher than the actual budget figure of about 30% for both government and non-government budgets participating in public services as in 1988-89. The average total expenditure budget per capita during the period is expected to be about \$ 438. This figure is higher than the present situation of about 24%, however, if the non-government allocations budget not to be considered this will raise the ratio to be higher than the present situation of about 46%. The estimated budget statements include an increase of 5% in constant prices annually for the period from 1992 to 1996, in both scenarios, while the statements of the years 1996 to the year 2000 in the second scenario include an increase of about an average of 8.5% a year in constant price.

123. The main figures of the budget statements: Accordingly, the total central government budget for 1992-93 is estimated to be \$ 750 million constant 1990 US\$ price, while the total local budget statement is estimated to be \$ 125 million in constant 1990 US price. The current central expenditures budget is estimated to be \$ 438 million in constant 1990 US price, while the total development expenditures budget is estimated to be \$ 188 million in constant 1990 US\$ price as in 1992-93 for both scenarios. In 1995-96 the estimated central budget will be increased to \$ 725 million, while the local budget will increased to \$ 150 million in constant 1991 US price. The current expenditure budget will be increased to \$ 507 million while the development central government budget will be increased to \$ 218

million constant 1990 US. However, the next period from 1996 to 2000 will increase by an average of 5% of constant prices in scenario A, but the growth rate will be about 8.5% in scenario B.

124. Estimation of the central current expenditures budget: The definition of the government central current expenditures and the various items will be stated as determined by the UN manual (A Manual for Economic and Functional Classification of Government transactions)⁹. Which included the social services (a- education, b- health, c- social welfare, and d- other social services), the general services (general administration, defense, Justice and police), Community services (d-d-roads, e-water supply, and f-other community services), economic services (g- agriculture, h- fuel and power, i- mineral and J- industry, k- transportation and communications, l- other economic services, and m-un-allocated expenditure items. The estimated figures for the total government central current expenditures are presented in Table No. 51 for the years 1992-93 to 1995-96 for both scenarios, and in Table No. 52 for years 1996 to 2000 for scenario A and Table No. 53 for scenario B. Table No. 51 indicates that the current central budgets ranged from \$ 438 million as in 1992-93 to \$ 507 million in 1995-96 in constant 1990 US. The total current expenditure in 1992-93 are distributed as follows: \$ 131 million for general services which form about 30% of the total current budgets \$ 31 million for community services which form about 7% of the total, \$ 210 million for social services which forms about 48%, \$ 44 million for economic services which form about 10% and \$ 22 million for emergency and un-allocated budget item which forms about 5% of the total. The general services budget is distributed among the general management and defense which has a share of 80% and the justice and police which has 20% of the total, accordingly the general and defense allocations ranged between \$ 105 million in 1992-93 and \$ 122 million in 1995-96, and the justice and police allocations ranged between \$ 26 million and 122 for the period between 1992 and 1996. The community services budget is distributed to road maintenance, water projects and other services. The social services budget is distributed to the education which has a share of 55%, to health 35%, to social welfare 18% and 2% to other social items. Accordingly, the educational budget ranged from \$ 116 million to \$ 134 million during the period 1992 to 1996, the health budget ranged between \$ 74 million and \$ 85 million during the period 1992 to 1996, and the social welfare budget ranged between \$ 17 million and \$ 20 million during the period 1992 to 1996. The economic services is distributed as 35% to agriculture, 30% to the industry, 25% to fuel and power, and 10% to other economic sectors, therefore the allocation for agriculture budget ranged from \$ 15 to 18 million annually between 1992 to 1996, the industry budget ranged from \$ 13 to 16 million during the period, the fuel and power budget ranged between \$ 11 to

13 million during the period, and about \$ 4 million is allocated for other economic sectors such as tourism. The final budget item is the emergency and un allocated item which forms about 5% of the total current expenditure budget, and ranged from \$ 22 million to \$ 25 million during the period 1992 to 1996.

125. Estimation of the central current expenditures budget, 1996 to 2000: Table No. 52 presents the statement budget for the central current expenditure for the period from 1996 to the year 2000 based on scenario A. It indicates that the total current expenditures is expected to be ranged from \$ 531 million as in 1996-97 to \$ 610 million as in 1999-2000, as the expected increased rate of about 5% a year in constant price. The general services allocations will be increased from \$ 160 million to \$ 185 million, the community services will be ranged between \$ 37 to \$ 43 million from 1996 to the year 2000, the social services will continued to be the main item group which ranged from \$ 255 to \$ 295 million during the period, the economic services allocations will ranged between \$ 53 million to \$ 89 million, however, addition allocations may be allocated for developing the mentioned sectors as well as others like tourism and mining upon the availability of funds. The estimation of the total current expenditures budgets in Palestine based on the scenario B for the period from 1996 to 2000 is presented in Table No. 53. Which indicates that the total current expenditures will increased from \$ 546 million as in 1996 to \$ 697 million as in the year 2000, assuming an annual increased of about 8.5% in constant prices. The allocated budget for the general services ranged from \$ 164 million in 1996-97 to \$ 209 million as in the year 2000, the community services budget ranged from \$ 39 million to \$ 39 million during the period. The social services including education, health and social welfare budget ranged from \$ 267 million to \$ 333 million during the period 1996 to the year 2000. The economic services budget ranged between \$ 54 million to \$ 70 million in constant 1999 US.\$ prices during the period.

126. Estimation of the central development expenditures budgets 1992-96. The estimation of development budgets in Palestine for the coming period up to the year 2000 will be heavily depending the expected external aids. However, this study has stated the development budget as a part of the regular budget under normal conditions. It is estimated that the development budget will be about 30% of the total budget leaving 70% for the current budget, using the same assumption concerning the expected growth rate which is 5% a year for the coming years up to 1996 for scenarios A and B, and up to the year 2000 based on scenario A only, while the growth average rate of 8.5% a year has been stated for the period 1996 to the year 2000 based on the scenario B. Accordingly the total government

development budgets ranged from \$ 186 million in 1992 to \$ 216 million based on scenarios A and B, while the development budget for the period 1996-2000 will be ranged from \$ 227 million to \$ 261 million based on scenario A, and from \$ 234 million to \$ 299 million based on scenario B. The distribution ratios of the total development budget has been stated constant ratios for all periods and for the two scenarios, and they have been stated as follows: Of the total 40% for the general infrastructure including 15% for new roads (this is different than the allocated budget in the current budget which is mainly related for maintaining the existing roads), 7% for security facilities, 5% for air and sea ports, and 10% for public buildings. The community infrastructure has 15% of the total budget, including 10% for telephones, 3% for communications, and 2% for the park entertainment facilities. The social infrastructure has 20% of the total, including 4% for the health facilities, 5% for the educational buildings, 1% for the social institutions, and 10% for housing projects for low income families. The major item among the social infrastructure is decided to be the allocation to the housing which forms 50% of the total social infrastructures, due to the problem of housing facing the Palestinians living in Palestine as indicated by various studies¹⁰. However, in order to use the allocated budget funds for the housing sectors several conditions should be considered in this regard; including assuring the continuity of the specialized housing institutions without exhausting any part of the principal funds, so that these funds can be rotated, keeping the cost of financing of subsidized houses at a minimum rate, and maximizing the possible ranges of subsidized margin offered to the housing programs, the purposes of the housing programs should be addressed to the low income families and to consider the economic ability and social class of the beneficiaries. Traditionally, public specialized institutions are the main methods of financing subsidized housing, either through direct financing such as granting loans for building housing to beneficiaries, or through carrying out specific projects to build the housing complexes for later distribution to the beneficiaries¹¹. The economic infrastructure has 20% of the total development government budget, including 4% for irrigation projects, 10% for new electricity projects including production and distribution processes, 2% for establishing business public sector for special industries, and 4% to be maintained as reserves which may be allocated for several purposes such as the pension funds for the employees of government. And finally 5% to be assigned for un-allocated budget items. Table No. 54 presents the estimations of the government central development budget statements from 1992 to 1996 based on both scenarios A and B. It indicates that the total general infrastructure budget in Palestine is estimated to be between \$ 75 and \$ 86 million a year during the period from 1992 to 1996. The total community services budgets ranged between \$ 31 million as in 1992 to \$ 33 million as in 1996 in constant price. The social infrastructure expenditures budgets ranged between \$ 37 million and \$ 33 million during the

period 1992 to 1996. The economic infrastructure budget ranged between \$ 37 million to \$ 43 million during the same period.

127. Estimation of the central development expenditures budgets 1996-2000: Table No. 55 indicates the estimation of the central development expenditures budget statements between 1996 to 2000 based on Scenario A, and Table No. 56 based on Scenario B. Table No. 55 indicates that the allocated amount for the general infrastructure budget in Palestine is estimated to be between \$ 91 and \$ 104 million a year during the period from 1996 to 2000. The total community services ranged between \$ 35 million as in 1996 to \$ 38 million as in 2000 in 1991 US constant price. The social infrastructure expenditures budgets ranged between \$ 45 million and \$ 53 million during the period 1996 to 2000. The economic infrastructure budget ranged between \$ 45 million to \$ 53 million during the period. The un-allocated budget item ranged between \$ 11 to 14 million during the period in constant 1990 US.\$ price. However, the allocated funds for the various development projects based on scenario B are higher than scenario A, because it is assumed an annual increase rate of 8.5% as shown in Table No. 56. It indicates that the general infrastructure budget in Palestine is estimated to be between \$ 93 and \$ 120 million a year during the period from 1996 to 2000. The total community services ranged between \$ 36 million as in 1996 to \$ 45 million as in 2000 in constant price. The social infrastructure expenditures budgets ranged between \$ 47 million to \$ 60 million during the period 1996 to 2000. The economic infrastructure budget ranged between \$ 46 million to \$ 59 million during the same period. The un-allocated budget item ranged between \$ 12 to 15 million during the period in constant 1990 US.\$ price.

128. Estimation of local expenditures budgets: the role of the local budget has been improved based on the suggested budget assumptions and estimation. The share of the local budget is stated at 17% leaving 83% to the central budget. Accordingly, the total budget for the local municipalities and councils ranged between \$ 126 million to \$ 147 million during the period between 1992 to 1996 based on both Scenarios A and B, which means there is an increase of about 82% of the local budget in Palestine as in 1989. The distribution ratios of the local budget has been determined as follows: The general services expenditures has 35% of the total, including 20% for salaries, 6% for the equipment, 5% for the general management, and 4% for the supplies. The establishments budget has 30% of the total including 10% for the water, 15% for the electricity, and 5% for the sewage institutions, however the assumptions have been stated that the expenditures of the utilities institutions should be covered by in the expected revenues for the corresponding utilities institutions, otherwise such institutions should be released to the private sector and/or be reorganized.

However, it should be noted here that not all municipalities and local councils have their own utilities institutions such as the Ramalah and Jerusalem districts which have private electricity company and independent water authority. The extra ordinary expenditures budget which is the development part of the local budget has 30% of the total including 8% for property and acquisition of land, 3% for buildings, 4% for housing, 4% for repayment of loans, 7% for new roads and lighting, 4% to develop the utilities establishments. And 5% of the total has been stated as un-allocated budget item. Table No. 57 presents the estimations of the local expenditures budget for the period 1992-1996. It shows that the general budget services budget ranged from \$ 43 million to \$ 52 million during the period 1992 to 1996. The establishment expenditures ranged between \$ 38 million to \$ 44 million, the extra-ordinary expenditures ranged between \$ 38 to \$ 44 million, and the un-allocated budget item ranged from \$ 6 to 7 million during the period 1992 to 1996 in constant 1990 US.\$ price. However, the main item among all local budget items is the salaries of the management of the municipalities which forms 20% of the total budget. Table No. 58 presents the estimations of the local budgets in Palestine for the period 1996 to the year 2000 based on scenario A. It indicates that the general services budget ranged between \$ 54 million to \$ 63 million during the period 1996 to 2000, the salaries item 57% of the service budget and 20% of the total local budget. The establishment expenditures budget ranged from \$ 47 million to \$ 54 million during the period. Similar amount allocated to extra-ordinary budget which is allocated to various development projects. Table No. 59 shows the local budgets in Palestine for the period 1996 to 2000 based on the scenario B. It indicates that the total allocated general services budgets ranged from \$ 56 million to \$ 71 million a year during the period. The allocated budget for establishments expenditures as well as the extra-ordinary budgets ranged from \$ 48 to 61 million a year during the period 1996 to the year 2000 in constant price.

129. Estimation of the central budget revenues; 1992 -1996: Considering the expected future gross national product for the coming years, the stated central current and development expenditures budgets, the suggested tax law which will be presented in next section, the desired changes and the needed improvements in the present structure of the revenues, the future economic and political expectations, the central revenues budgets have been estimated and formulated. The central revenues distribution ratios have stated as 60% from the regular resources and 40% from loans and external aids. The regular resources included 25% from direct (income) taxes, 40% from indirect taxes, 30% from government services fees, and 5% from public sector revenues. The direct taxes revenues are expected to come from the payroll tax, 10% self employed income 20% partnership business firms 20%, corporation business firms 45% and 5% from other income tax sources. The indirect taxes

revenues are expected to be generated as follows; 50% from customs duties, this has been stated that the collected duties imposed on the goods imported by residents in Palestine to be considered as one of the main sources of income and to be collected by the Israelis, 10% from excise on selected produced products, 15% from registration fees, and 25% from fees and stamps. The expected collected fees for government services ratios are stated as follows; 15% from education fees for all stages of education, 30% from health fees, 20% from justice fees, 20% from telephone revenues, 10% from postage, and 5% from other services fees. The revenues from public sector are expected to be as 40% from properties revenues, 40% from public corporation, and 20% from other shares and revenues. However, the size of public sector may be increased significantly depending on the future political developments, and a major public sector may be developed to run various important business projects. Considering the other part of revenues, the grants and external aids from Arab and foreign sources are expected to cover about 28% of the total budget revenues, while the rest 12% of the total budget may be covered by internal and external loans equally. The total budget revenues for the central government budget suppose to cover both current and development budgets and accordingly are expected to be equally -revenues and expenditures- balanced. Table No. 60 presents the estimation of the government central revenues for the recovery period from 1992 to 1996 based on scenarios A and B. It shows that the expected collected direct taxes ranged between \$ 94 million and \$ 109 million during the period 1992 to 1996, and mainly to be collected from business corporations. The expected collected indirect taxes ranged from \$ 150 million to \$ 175 million during the period and mainly to come from custom duties. The total government services fees ranged from \$ 112 million to \$ 130 million, and such revenues suppose to cover a part of the respecting budget items, for example the collected fees may cover only 12% of the total education budget, while the collected health fees may cover about one third of the health budget. The revenues from public properties and sector are expected to be very limited and ranged between \$ 18 million and \$ 21 million a year during the period. The grants and external aids are expected to be between \$ 150 million and \$ 173 million during the period 1992 and 1996, while the local and foreign loans are to be ranged between \$ 100 million and \$ 115 million a year from 1992 to 1996.

130. Estimation of central budget revenues; 1996 -2000: Table No. 61 shows that the expected direct taxes to be collected ranged from \$ 116 million as in 1996 to 132 million as in the year 2000. The indirect taxes ranged from \$ 182 million to \$ 210 million a year during the period 1996 to 2000, which are expected to come mainly from the customs duties. The fees for government services ranged between \$ 137 million to \$ 156 million a year during the period 1996 to the year 2000. The revenues from the owned public sector ranged from \$ 23 to

\$ 25 million during the period, however, those estimated figures may be higher if the new political authority decided to play a significant role in the business sector such as establishing major industries and financial institutions. The size of the expected funds to be collected from local and foreign loans are almost the same during the period from 1996 to 2000, which ranged between \$ 100 to \$ 116 million a year. The grants and external aids are estimated to be ranged from \$ 200 million to 232 million a year during the period 1996 to 2000. However, the estimated figures concerning scenario B are expected to be higher as presented in Table 62. Which shows that the expected taxes to be collected ranged from \$ 118 to \$ 149 million a year during the period 1996 to the year 2000. The indirect taxes budgets ranged from \$ 187 to \$ 239 million a year, the fees for government services ranged between \$ 140 to \$ 180 million, the revenues from public sector budgets ranged from \$ 23 to \$ 30 million, the local and foreign loans ranged between \$ 100 million and \$ 128 million, and the expected aids budgets ranged between \$ 212 to \$ 270 million during the period 1996 to the year 2000.

131. Estimation of local budget revenues: The local budget revenues come from four major sources, including taxes and fees, establishment revenues, revenues from the owned projects and from internal and external grants and aids. As will be indicated later, the suggested tax system suppose to simplify the existing tax system and integrate all taxes in one unified local tax as well as one unified fees system. The expected ratios of the various local revenues are as follows; 32% of the total revenues come from the local taxes, 15% come from the local fees, 35% from the establishments utilities revenues, 6% from owned projects, and 12% of the total local budget revenues may come from grants and grants. Accordingly, the estimation of the government local (Municipalities and councils) revenues for the coming recovery period 1992-96 based on scenarios A and B in Table No. 63, while Table No. 64 and No. 65 present the estimations of the local budgets revenues for the period 1996 to 2000 based on both scenarios A and B. As shows in Table No. 63, the expected local taxes revenues to be collected by all Palestine municipalities and local councils are ranged from \$ 40 million to \$ 46 million a year during the period 1992 to 1996. The collected fees are expected to be between \$ 19 million and \$ 22 million a year during the period. The revenues from the establishments utilities collected by Palestine municipalities and local councils are expected to be between \$ 46 million to \$ 51 million a year during the period. The revenues from owned projects are expected to be between \$ 8 million to \$ 9 million a year during the period. The expected grants and other revenues for Palestine municipalities and local councils are expected to be between \$ 15 million and \$ 18 million during the period 1992 to 1996. To consider the next period from 1996 to 2000 Table No. 64 and 65 presents the local budget revenues based on scenarios A and B. Table No. 64 shows that the expected local taxes

revenues to be collected by all Palestine municipalities and local councils are ranged from \$ 50 million to \$ 58 million a year during the period 1996 to 2000 according to scenario A, and from \$ 51 million to \$ 66 million a year during the period 1996 to 2000 according to scenario B . The collected fees are expected to be between \$ 23 million and \$ 27 million a year during the period according to scenario A, and from \$ 24 million to \$ 30 million a year during the period 1996 to 2000 according to scenario B. The revenues from the establishments utilities collected by Palestine municipalities and local councils are expected to be between \$ 54 million to \$ 63 million a year during the period according to scenario A, and from \$ 58 million to \$ 71 million a year during the period 1996 to 2000 according to scenario B. The revenues from owned projects are expected to be between \$ 9 million to \$ 10 million a year during the period according to scenario A, and from \$ 10 million to \$ 12 million a year during the period 1996 to 2000 according to scenario B. The collected grants and other revenues for Palestine municipalities and local councils are expected to be between \$ 19 million and \$ 21 million during the period 1992 to 1996 according to scenario A, and from \$ 19 million to \$ 25 million a year during the period 1996 to 2000 according to scenario B.

Other Possible Revenues Instruments

132. National loans, Introduction: The finance of government budget may be raised either through tax finance or loan finance. However, economically there is a major different between the two sources. The tax funds are collected from the private consumption while the loan funds are collected from private savings or private capital formation. The objectives of raising national loans have various economic and political reasons other than collecting funds to finance the operation and capital government budgets, such as, to absorb a substantial part of the consumption level if the economic situation may required a such action, and to offer a safe and secure opportunity of investment for the Palestinians people. However, the above objectives may be valid in case of the economics of Palestine, but at a limited level according to the ability of saving. To estimate the possible loans which may be generated in Palestine, there is a need to estimate the rate of saving of the Palestinians who are living in Palestine. However, the rate of saving, and the size of amount of money held by residents in Palestine is low compared to other economies at similar levels of development¹², and the domestic savings depict a negative sign¹³. This is due to the fact that many of the Palestinian residents holding their saving accounts out side Palestine such as Jordan and Western countries. In addition, there is no exact figure concerning the marginal propensity to save (MPS) in Palestine, in order to estimate the possible saving amounts in Palestine, some estimation ranged between 15%¹⁴, and 28.3% of the gross domestic product including transfers savings

from abroad¹⁵. The official data indicated that the total private investment in Palestine was about \$ 475 million as in 1987, while it was estimated much less by Harris' study of about \$ 50 million in 1987, \$ 54 million in 1988, and \$ 57 million in 1989¹⁶. Accordingly it is expected that a national government be emerged in Palestine may collect between \$ 50 to 60 million as local loans a year annually during the period up to the year 2000.

133. Maturity and marketability (Classification of public debt): To generate the above planned fund, various methods may be followed as the public debt may be classified in several ways. First; according to the maturity, which ranged from one year as short period using what are known as treasury bills, to five years as intermediate loans using what are known as notes, and the long time period which may extend up to thirty years in case of long term maturity known as bonds, or perpetual securities which have no definite maturity. Second; according to the marketability status, the bonds may be marketable (negotiable), non-negotiable, redeemable or non-redeemable. Types of public debt are also varied based on the ways of issues, the ways of calling and/or liquidation, the discount rate, interest rate, the general purposes (for general government services or for specific projects), the owner (central banks, other government agencies, local municipalities), whether to consider the inflation rate in the redemption value or not. However, to state which types of the above various alternatives to be adapted in case of using the public debt as a way of financing a part of government services in Palestine several factors should be considered including the general and economic situations in Palestine, the burden of the debt, the cost of serving the debt either to pay the annual interest or to repay the loans, the level of interest, and the general fiscal and monetary situation in Palestine.

134. The suggested debt instruments: In case of Palestine several public debt instruments may be adapted to generate the annual needed funds designated in the stated budget statements represented in the previous section. However, the public debt instruments including bonds and treasury bills supposed to issue from a government authority, up to now no such authority is existing in Palestine. Accordingly, to use the debt instruments as a way of financing a part of the government services, especially that related to capital and development projects an independent body such a central bank should be established in Palestine, in order to issue, run and manage the various debt plans. To assume that the relevant authority does not exist in Palestine, various models of the debt instruments may be adapted in order to generate an amount of about \$ 50 million to 60 million a year during the coming period from 1992 to the year 2000. However, the size of national debt should not be more than 2% of the GNP, and the interest charges should not be more than 5% of the total

annual central government expenditures. The annual interest rate and the values of recalling bonds and bills may be paid annually from the un-allocated item as stated in the suggested budget statements mentioned in the previous section. Generally, using public debt should not be committed to borrow at high interest rates, not to reduce the capital formation or to shift the debt burden to next generations. The types of debt instruments which may be proper to the present situation in Palestine may be stated as follows; a- A short treasury note for one year, b- an open long term bond (no maturity date) which may be recalled and terminated at any time that the government find it relevant, with interest rate not more than 5%, c- investment certificates with equal values and different classes to be connected or invested in specific projects, accordingly varied rates of return may be distributed annually based on the reported profits for the specific projects instead of a fixed interest rate, the investment certificates may have twenty five years maturity. d- a compulsory treasury bill may be issued to be bought mandatory by specific segments of individuals living in Palestine, such as individuals who want to buy new cars have to buy a number of treasury bills.

135. External debt possibilities: Using the external debt to finance the public services may be possible only if a national government be existed. The using of external debt will give an opportunity to the national government to import, get facilities and import the needed equipment without reducing the local level of the consumption as well as maintaining the level of capital formation, up to the date that the external debt be refunded. Accordingly, the external debt will be useful to be used in case of the recovery period assuming that this will give the economic situation the opportunity to grow using external funds without having any side effect for the first stage of the economic development. However, using external debt should be used in a very carefully way, otherwise the cost of serving the external debt will be very expensive and may exhaust the national economy. Generally to build an external debt strategy; three factors should be considered including the "non-interest current account of the balance of payments, the interplay between real interest rates and real output growth, and the capital loss that a real devaluation of the exchange rate causes on the stock of external debt¹⁷". A national government in Palestine may use the external debt through selling bonds in Arab states and abroad for the Palestinians as well as for other Arab citizens using the relevant types of bonds concerning maturity and interest rates. Arab and Islamic investment funds may participate significantly in this regard. However, the above selected types of bonds, investment certificates and treasury bills suggested above for using in local loans may be used also to generate the needed funds from outside Palestine. It has been stated that a national government in Palestine may borrow from outside Palestinians and Arab citizens from \$ 50 to \$ 60 million a year during the coming period 1992 to the year 2000, using treasury bills and

government notes and bonds. However, using the loans from the commercial foreign market in the coming period to finance the government budgets are not recommended even to finance capital projects. But the external debt using the commercial financial market may be used by a national government in Palestine in case of establishing the business public sector under the condition that the financial measurement of business profitability to be applied on such projects. Finally, the cost of serving the external debt either through bills and bonds or through commercial banks should be considered, in addition, the future affect on the balance of payments as well as on the national gross products at the time of repayments of the loans have to be examined carefully for the coming period.

Policy and Reform of the Tax System

136. The need for new tax system: The first part of this study reported that there is an urgent need to institute and adapt Palestine a new tax system, to organize and articulate all direct, indirect, and other fees in a simple, clear and efficient manner, considering the social and economic situation in Palestine. In addition the new tax system should have tax incentives to encourage the new investments. This is due to the fact that the present tax situation has changed significantly and frequently by the occupied authority, is too complex to understand or to deal with, the legal status is unclear, irrelevant and inefficient, and it does not play any role in the development of the Palestinian economy. The present tax system includes 25 types of taxes for central and local taxes, and for a single business firm, it has to collect and/or to pay about 13 different types of taxes as indicated in the first part of the study. The tax reform in the developing countries defined by the World Bank as to increase revenue, to improve efficiency, and to promote equity¹⁸. Accordingly, this section will be devoted to suggest a tax system to be applied in Palestine regardless of type of scenarios to be considered, which aims to simplify the present system and make it more clear and efficient.

137. Tax system and the economy of Palestine: In order to draw the policy of the tax system in Palestine, and to decide which types of taxes to be imposed, and on which basis, whether it should be on income, or/and on wealth or/and on consumption or/and on transactions, it is important to consider the distribution of gross domestic product by different economic sectors in Palestine, the sources and uses of the Palestinian family income, the structure of the Palestinian family income. The annual growth rate of the gross national product, the size and annual growth of the population, the labor force features, the expected total investments, and net transfer from abroad to Palestine. In other words to state the

suggested tax system in Palestine there is a need to defined the general economy situation in Palestine.

138. The general characteristics of the Palestinian economy: The gross domestic product (GDP) in Palestine was about \$ 1487 million in 1990, while the gross national product was about \$ 2052 million for the same year. The net factor income from abroad expected to be about \$ 565 million as in 1990, will be \$ 449 million in 1995, and \$ 505 million in the year 2000. The total investment in Palestine will ranged between \$ 505 million as in 1990 to \$ 1885 million as in the year 2000. The net transfers from abroad will ranged from \$ 158 million as in 1990 as to \$ 189 million as in 1996. The population in Palestine is expected to increase from 1,695,000 people in 1990 to 2,034,000 people in 1995 to 2,407,000 people in 2000. Of the total, it is expected that the labor force will increase from 343,000 individuals as in 1990 to 423,000 in 1995, to 525,000 individuals in the year 2000¹⁹. The average shares of the economic sectors in Palestine are expected to be in the next ten years as follows: Agriculture sector 25%, Industry 12%, Construction 19%, Public sector 14%, and 30% for the Services sector.

139. The general structure of the income of the Palestinian family: In order to decide which are the most relevant types and bases of taxes to be selected and imposed in Palestine, there is a need to disclose the general characteristics of the Palestinian family budget, and to explain the household merits of the Palestinians. In a recent budget analysis survey for a sample of the Palestinian families in a Nablus district in the West Bank indicates the following findings. First: It was found that the main revenues items of the refugee families consisted of 53% from wages inside the green line, 27% from wages in the West Bank, 14% from the self employment in the business, 4% from the allowances from relatives, and 3% from the subsidiary programs & grants. The non-refugee family sources of income were as follows; 12% of the total come from wages inside the green line, 41% of the total income come from wages in the West Bank, 35% come from self employment business, 5% come from farming business, 2% come from the stocks and interest, 3% come from allowances from relatives, 1% from grants and other revenues. The distribution of the Palestinian non-refugee family budget expenditures were as follows; 7% for rent housing, 11% for the utilities expenses, 5% for the education expenses, 9% for the transportation expenses, 11% for clothing and personal care, 6% for social obligations, 11% for meat, 12% for vegetables and fruits, 12% for grocery & beverages, 1% for entertainment, 6% for medical services, and 8% for saving and other expenditures. The distributions of the Palestinian refugee family budget expenditures were as follows; 20% for the utilities expenses, 9% for the education expenses,

5% for the transportation expenses, 8% for clothing and personal care, 5% for social obligations, 13% for meat, 12% for vegetables and fruits, 19% for grocery & beverages, 1% for entertainment, 7% for medical services expenses, and 1% for saving and other expenditures²⁰. This finding indicates that the basic needs including utilities, meat, and grocery absorb 66% of the refugee Palestinian family income and 44% of the non-refugee family income, which means that the imposing of taxes based on consumption basic such as the sales or the VAT tax are not recommended.

140. Objectives of the tax system: The objectives of the suggested tax system to be introduced in Palestine may be stated as follows: First; raising the needed money revenues: raising the needed money to cover the stated government and local budgets is the first and main objective for imposing taxes. However, taxes is not the only source of revenue which may be available to finance the stated budget, for example, the budgets may be financed by loans, grants and aids. However, generally the taxes revenues in Palestine may cover at least 60% of the total central government budget and 50% of the local municipalities budgets, accordingly, to cover the stated parts of the central and local budgets by taxes money, a relevant tax system need to be adPalestineed in this regard. Second: to protect the new developed local industry which may be accomplished by imposing protection taxes such as the import duties on the specific products which already produced locally. This tax is used so common in the developing countries, as one stated that "the tariff and tax instruments used by developing countries to protect their producers and to increase their revenues²¹". Third: to achieve the economic price stability by discriminating between the different produced and imported goods to be taxed. Fourth: various taxes polices and exemptions may be stated to accomplish the stated social and economic development objectives. However, imposing on taxes in general are considered as a negative aspect, especially in cases of foreign investments, various studies indicate that the tax policies are sensitive to foreign direct investment²², however, to adapt the relevant special encouragement law of investments may attract local and foreign investments. Fifth: The re-distribution of income and wealth among the social classes of the Palestinians people in a balanced way, and to serve the social objectives of Palestine government, accordingly the tax system should consider the concept of the ability to pay and to use the progressive rate in cases of imposing tax on income. The above mentioned objectives are to be considered in stating the suggested new tax system in Palestine.

142. Types and bases of taxes to be imposed on: Several bases may be used in selecting the types of taxes to be imposed in Palestine. These bases are: First; based on the

income, second; on the total consumption, third; on the wealth basic including real property as land, buildings, and other assets attached to the land, fourth; on wealth transfer, fifth; on business transactions including import and export custom duties and on a franchise a right granted to do business, sixth: on other bases such as the head tax. However, to choose which are the best bases to be adopted by the tax system in Palestine, several criteria and concepts should be considered such as a- the justice the equity concepts, b- the convenience, c- the certainty, d- the economy, e- the productivity of the tax system, f- the social and economic effects, g- the possibility of shifting taxes to other segments of the Palestinians people, h- and the distribution of tax burden in a fair manner. Each one of the tax bases may meet some of the above criteria and concepts while contradict with the other concepts. For example; the income basis may meet the concept of justice and equity but it contradicts with the convenience, the transactions basis meet the economy and productivity criteria but it contradicts with the shifting tax burden and the social effects concept. However, many of the types of taxes which are now imposed in Palestine are ignored most of the above tax concepts. Accordingly all of the existing tax types should be revoked and a suggested new group of taxes may be restored. The new group of taxes may be based on the following tax bases; income basis, business transactions basis for central government taxes, and the ownership of the property basis for the local taxes. Other bases such as the total consumption basis, and the head tax are irrelevant due to various reasons, including the structure of the Palestinian family budget expenditures, the complexity of the system and the concept of imposing taxes on the basic needs including foods and medicine are not accepted in a relatively low income society²³. Accordingly, the new tax groups include the following types of taxes: First; the income taxes, second; the Indirect taxes and third; the local taxes.

143. Direct taxes: The direct tax is to be imposed on all types of income generated by Palestine citizens and residents as well as all economic units located in Palestine, including sole business firms, partnerships, corporations and any other business entities. The income may be derived as a consequence of a- work only, b- work with capital (self-employed and partnership), c- capital only (investments in corporations and deposits in banks), d- work with capital and management e- rent of land and building, f- other revenues collected for one or more times such as grants and gifts. Generally all above sources of income are applicable for taxation in the suggested tax system, however, there are various exemptions and deductions which may be stated based on one or more tax concepts. The exemptions are related either for some types of legal entities, or for some types of business activities, or for family and social justifications. Some believe that not all economic entities should be taxed, and only the profit seeking units are to be taxed. Accordingly, in case of Palestine the following entities are to be

taxed on their income: Total Payrolls of employees, net income of self employees (sole-proprietorship firms), net income of partnerships, net income of private corporations, net income of public corporations, the surplus of cooperatives, the business firms owned by non-profit firms. On the other hand the following entities are exempted from income taxes, including the business firms owned completely by the government and the local authorities business activities, the revenues of non-profit firms including local and foreign firms, the religion institutions, trade unions, and political parties except their revenues which come from business activities, farming business not organized in corporations or cooperatives, and the business firms which may be exempted based on the encourage of investment law.

144. Individual Taxpayers (Payroll): Citizens and residents living in Palestine are to pay taxes on their monthly payroll under the stated rates and exemptions conditions. The estimated number of employees in Palestine are ranged between 343,000 to 656,000 employees during the period 1992 to the year 2000. The above taxpayers have to pay taxes in a monthly basic which are to be deducted directly from the employers, in order to be sent to the tax authority. This type of income taxes are accord with the convenience, economy, and equity. However, the tax here is imposed on the total salaries including all fringe benefits and allowances. Therefore, in order to apply the concepts of justice and social basic several exemptions should be adPalestined, such as deductions related to a wife, independents, and children, up to one wife and five independents may get exemptions, medical expenses more than a stated level should be deducted from the total salaries. The taxpayers should includes all individuals working inside Palestine, with the exception of non-Palestinians diplomatic statues employees under the condition of a reciprocal treatment. The end of services compensations and pension funds are to be exempted from income taxes. Inflation allowance may be exempted from the income payroll tax up to 10% of the total salaries. Considering the tax rates and the suggested exemptions, the expected collected payroll taxes will be between \$ 9 million and \$ 13 million a year, which forms about 10% of the total direct taxes to be collected by the central government. However, the estimated amounts are relatively small assuming that there will be about 30-50% of labor force may continued to work outside Palestine.

31. Individual business taxpayers: Individuals who work as self-employed or as partners in business partnerships either in professional work as doctors, lawyers, accountants, and artists, or doing business activities are subject to pay taxes on their net income. The net income may be determine based on the generally accepted accounting principles with modifications to fit all related tax regulations. However, the stating of taxable net income for

about 40,000 of small business and self-employed firms is a serious problem for the tax authority, especially it is not required by the present related laws that such firms to follow any form of accounting procedures. Individual business taxpayers are also subject to exemptions related to family exemptions and medical expenses as stated above. Both tax payroll, and tax business payers may be taxes based on unified progressive rates as presented in the next section. Individual business taxpayers may get exemptions for their previous losses, casualty, theft, and for other paid local taxes. In addition some of the business firms are exempted from income taxes, such as the agriculture activities which are exempted according to the present tax law, which have stated that "income derived by any person from agriculture, cattle breeding, poultry, fishery afforestation or gardening, including income from the transportation of products by simple manual labor"²⁴. The economists do not support the taxation of agriculture sector nor use land taxation, and consider the use of land taxation is most proper to use in financing local rather than central government expenditures"²⁵. Nevertheless, if we considered that the share of agriculture sector in the gross national product in Palestine is higher than other economic sectors it will be very difficult to ignore the agriculture sector from taxation, therefore, it is recommended to exempt the farming business organized in sole and partnership forms, while to impose taxes on farming activities organized in corporations and cooperatives, but at a lower tax rate. It has been estimated that the expected collected taxes from self employed and partnerships businesses will ranged between \$ 38 million and \$ 60 million a year during the period 1992 to 2000. The collected income tax from the self employed firms and partnerships is expected to form about 40% of the total direct taxes collected by the central government.

32. The Corporation (as an independent entity) taxpayer: All public and private corporations have to paid taxes which imposed on the annual net income. The annual net income is determined according to the generally accounting principles, the related companies laws and the related tax regulations. The income tax is imposed on the net income of the corporation as independent entity which is a separate than the legal entity of the owners who are known as the stockholders. Accordingly the taxpayers here are the corporations rather than the owners while the taxpayers in case of partnerships are the owners. All corporations in Palestine have to prepare their annual financial statements and to be attested to by certified auditor annually, and to be available for public²⁶. Accordingly, to impose taxes in corporations net income is more relevant than other legal business firms. There are about 100 public corporations, 600 private corporations in Palestine, and it expected to be increased significantly during the coming period. The expected collected taxes imposed on the net profit of corporations in Palestine are to be between \$ 42 million as in 1992 to \$ 67 million as in the

year 2000. The collected income taxes from corporations is expected to form about 45% of the total direct taxes colby the central government. The corporations may have three types of exemptions: First; Exemptions based on the encouragement law of investments, a suggested encouragement law of investments should be adPalestineed to encourage local, Arab and foreign investments in specific projects and activities. The approved project may get exemptions for the needed imported fixes assets from customs duties as well as exemption of net income for a period of five years from income tax imposed on business corporations, the encouragement law should also include a guarantee to Arab and foreign investors to transfer their net profit outside Palestine. Second, dividends to stockholders are exempted because they are subject to income tax law. Third; The exemptions related to casualty, theft, losses, chariTable contributions.

33. Other sources of income taxes: Other sources of income are to be taxed as the payroll and self employed net income. this may include rents of houses, lands, and other revenues such as lottery. Public sectors owned completely by government or local authority, revenues of non -profit firms, trade unions, and political parties revenues are exempted from taxes, except the net profits come from business firms which should be applicable to the tax rate of 20% for the amount of above \$ 100,000. Cooperatives' dividends on capital shares are exempted from taxation, but the surplus of refunds should be taxed at a rate of 10%. In Palestine there are about 400 cooperatives and few hundred non-profit firms including social, educational, health and religion organizations and less than 100 trade unions and chambers of commerce. This group of tax sources expected to collect about \$ 5 and \$ 7 million during the period 1992-2000, which forms about 5% of the total direct taxes which are to be collected in Palestine. Table No. 68 summarized sources of income taxes taxable entities, exemptions, and deductions applicable to the suggested tax system.

34. Direct tax rates, deductions, and exemptions: A unified progressive rate is stated for the income taxes concerning the payrolls of individuals and self-employed business firms. It started with 0% rate for the first \$ 2,000 a year then increases to 5% for the next \$ 3,000, and to 10% for the next \$ 5,000, and to 20% for the next 10,000, to 25% for the next \$ 30,000, and to 30% for income more than \$ 50,000 a year. Table No. 67 presents the suggested tax rates schedule for the taxpayers of employees and self employed business firms income. It indicates that the average tax ratio ranged from 0% to 20% for taxpayers of 50,000 income. The family deductions and exemptions for all individual taxpayers are consisted of a- \$ 1,000 for a wife, b- \$ 500 for a child or dependent up to \$ 2,500 c- all medical expenses for the taxpayer and his family which increase more than \$ 1,000 a year. The tax progressive rate

of business partnerships is started at 20% for the first \$ 25,000, and increases to 25% for the next 25,000, to 30% for amounts more than 50,000. are consisted of three rates; first rate for the first \$ 25,000, the exemptions and family deductions stated for individual taxpayers are applicable for the owners of business partnerships. The private corporation income tax rate is started at 25% for first \$ 50,000 and increases to 32% for the amounts more than \$ 50,000. the tax rate for the public corporation starts at 25% for the first \$ 50,000, and increases to 32% for amounts more than \$ 100,000. The income tax rate on the cooperatives is stated on 10% on the surplus refunded to the cooperatives members. The business firms owned by non-profit organizations, trade unions and political parties have to be income tax at rate of 20% increased than \$ 10,000. The financial institutions including banks, insurance companies, exchanger, and other financial firms have to be a income tax at a rate of 40% for \$ 1 and above. The owners and members of all independent entities are not eligible for family tax exemptions and deductions. Table No. 68 presents a summary of the suggested tax rates for business taxpayers including partnerships, corporations and other independent entities. The above stated taxes rates are expected to collect during the period from \$ 94 million in 1992 to \$ 118 million the year 2000, which generate about 34 % of the total tax revenues expected to be collected in Palestine. The ratio of income taxes to the total taxes in Palestine is similar to that existed in many developed countries such as in Italy 36%, in Germany 33%, in Netherlands 27%, Austria 26%, France 17%²⁷.

35. Indirect taxes: At the present time there are about fourteen types of indirect taxes such as the VAT, purchase tax, the customs duties, excise on selected produced goods, excise on tobacco and alcoholic beverages, levy on credit foreign transaction, on imported services, the vehicles tax, etc.²⁸. The indirect taxes concept is relying mainly on the simplicity, economy and productivity criteria as the idea that the indirect taxes are imposed as they are producing revenues in a convenience way. Accordingly, there is no justification to have a such complex indirect tax system as existed now. The suggested indirect taxes reduced the indirect taxes to four sources; these are the customs duties, the excise on selected products, the registration fees, the fees and stamps. The tax may be imposed on the four groups in a very flexible and convenience way by discriminating among the different goods and transactions to be taxed. The tax rate may be ranged between 1% to 100% for the different types of imported, and produced goods and transactions. The imported duties may collect revenues, protect the local industry, as well as to consider the social factor, this may be accomplish by classifying the imported goods to four groups and to impose a tax rate which may be ranged between 5% of the total value for goods related to raw materials and necessary goods, up to 100% of the total values for the luxury goods and cars. The tax rate may

consider the type as well as the source of the goods. A list of the classification of imported goods and the tax rates should be stated and may be changed periodically. The excise tax may be imposed on selected produced goods such as cigarettes, alcoholic, benzene, kerosene, the mining production, a list of produced goods which are subject to taxed and the corresponding tax rates have to be determined and may be changed annually. The other two sources of indirect taxes are related to business and government transactions which required stated registration fees and/or stamps, the tax rate may be a percentage of the total value of the transactions such as in selling and exchanging lands, properties and vehicles, or fixed amounts such the fees of passing the counties ports. The above suggested indirect taxes are expected to collect from 165 million as in 1992-93 to \$ 239 million as in the year 2000. This generate 49% of the total taxes in Palestine.

36. Local Taxes: Recently there are eight different local taxes imposed by the local authorities in Palestine, at the same time all of these types of taxed generate only about 20% of the total revenues which produced about \$ 10 million in the year 1988-89. Therefore the need to re-organize the present tax system in the local authorities in Palestine is urgently needed. The local tax system may be reduced to three types: First for the property tax, second; the licenses, and the third for the transactions fees, these types are simple and fair, convenience, and productive. The idea of imposing the local taxes are to finance the local services offered for the local residents, accordingly they have to impose taxes only on individuals who are living within the municipalities and local councils boarders. The unified property tax using the m^2 rate is the most fair and economy tax, in addition, the social factor may be considered by using various rates for different housing sections and purposes, such as to impose high rate on commercial building and the separate housing unites, while low rate may be imposed in apartments building anlow income complexes. The unified tax property rate may be different from one municipality to another, and from one section to another to direct residents to live in specific sections or cites. The other two types of taxes are also fair and productive and imposed on business firms and transactions occur inside local authorities boarders. The property local tax may generate from \$ 15 to 25 million a year during the period from 1992 to 2000, assuming that the average tax rate will be \$ 0.5 per m^2 , considering that there are about 30 million m^2 of buildings in Palestine as in 1991. The licenses taxes may be imposed based on the capital value of the business firm, such as 0.01% of the capital to be paid annually, it is expected to generate from \$ 25 to \$ 41 million during the period of 1992 to the year 2000. The transactions fees are imposed on business transactions occur inside the municipalities and local councils such as the selling of vegeTables and fruits and the slaughtering operations, the rate may be imposed on the value of sales as 1% of the sales

values. This type of tax is expected to generate from \$ 19 million to \$ 24 million a year during the period 1992-2000. However, the above suggested rates may be different from one municipality to another, and the local tax law may state a minimum and maximum tax rates for each of the three types of taxes, leaving for each municipality and local council to state the proper rates. The total local tax revenues (property, licenses, and fees) according to the suggested tax system is expected to form about 18% of the total tax in Palestine for the coming period 1992-2000. The local tax burden during the coming period 1992-2000 will range from 34 \$ to 40 \$ per capita.

37. Management aspects of tax system: The management aspect of the tax system should be stated and articulated. A one tax authority may be establish to run both direct and indirect taxes, while local authorities are responsible for imposing the local taxes. The tax year should be stated as the calendar year, the assessment procedures and instructions should be stated and announced to general public, the attest to business firms financial statements by the certified public accountants have to be accepted by the tax authority. The tax collection procedures have to be stated in the most convenience manner, the payroll tax amounts are to be deducted by the employers and to send monthly to the tax authority during a month period. All other income taxes are to be collected in the next year of the taxed year, the payment of the income taxes may be paid in installments. The appeal and cassation, refund regulations have to be stated and articulated in a clear way in order to assure efficiency, convenience and justice of collecting the tax. The procedures of collecting each type of the indirect taxes have to regulated in a simple and clear manner.

Strategies, Policies and Organization

38. Introduction: To implement the above suggested budget framework, the suggested tax system, the national and foreign debt plan, several national bodies, laws, by-laws, and regulations should be established, stated, and formulated which are not existed now, including establishing a national government, a central bank, a national legislation body to run the fiscal and budget affairs, a national organization as a ministry of finance to supervising, controlling and auditing the government financial transactions. However, our major concern in this study is to establish the relevant laws and regulations related to the government budgets. Accordingly, the next section will be devoted to explore a suggested budget law as the fiscal planning instrument as well as the bureau of accountancy as the controlling instrument for the government budget.

39. The need for a new budget law : It was concluded in the first part of the study that the government budget matters became a job of the Israeli military officers since 1968 and up to now, including preparing, implementing, controlling and auditing functions. During this period, the occupied military authority treated the budget of Palestine as a security matter in which never be published or distributed even to the head of the governmental units. It is prepared annually by the military officers and presented as a part of the Israeli budget in one section for both Palestine, but in different statements for each one under the budget of defense ministry of Israel. The government budget items in Palestine are not classified in any generally accepted sachers; such as the economic classification, functional classification, or the level classification, nor it match any form of the generally accepted standard form of classification mentioned in the UN manual for government transactions,²⁹. Accordingly there is a need to institute a bureau of budgeting as well as to suggest in this section a proposed budget law for Palestine. However, the following suggested budget law assuming that: first; a Palestinian national assembly council to be establish as the legislation body , second; new political development will be emerged which lead to an independent state for the Palestinians people, third; all present government and non government units offering public services to be integrated and reorganized as independent Palestinians ministries.

40. The suggested budget law: A budget law should be stated, approved and issued from the national assembly of the Palestinians people in order to organize and regulate the phases of government budgeting in Palestine. The phases of government budgeting includes a- the process of budget making (initiation, preparations, formulations and articulations), b- the process of legislation, approval and authorizations c- the process of, executive, implementations and process reporting, d- the process of accountability, reviewing, auditing and evaluation. In order to carry the up the technical and financial aspects of the government budget there is a need to establish a national bureau of budgeting, in order to run all functions of budgets, including a-commence the budget procedures by issuing to all government units, a budget call has to include objectives, and budgets limits b- to receive estimations figures from all government units, c- to discuss all the received figures with the concerned parties up to formulate the proposed estimations, d- thereafter to carry out the process of formulating the budget statements and follow up the needed actions. The bureau of budgeting has to work under the following suggested budget law which are stated considering the situation as well as the future political expectations in Palestine.

Article No. 1; this law is to be called as the government budget law of Palestine.

Article No. 2; the Palestinian national assembly is the authority body to approve, change and issue the needed by-laws and interpretations related to implementing this law.

Article No. 3; the aim of this law is to organize the government budget processes as well as the work of bureau of budget and its relations with all government units and other related parties.

Article No. 4; According to this law a separate governmental unit called the bureau of budget has to be instituted, which may hire all the needed specialized employees from managerial accountants, financial analysts and economists, and to be followed by the ministry of finance as the executive supervision authority.

Article No. 5; The bureau of budget has the right to access to all needed information from all government units for the purposes of preparing, implementing and evaluating processes of the government budget.

Article No. 6; The bureau of budget may work with a special government executive budget committee which has to be established by the Palestinian national assembly from the executive branches. The major function of the committee is to help the bureau of budget in distributing and allocating available funds among the needed programs and activities as well as to state the priorities among the competing government units, programs and projects.

Article No. 7; The first initial step of the budget is to determine the initial goal and objectives including the stabilizing and improving the economic situation in Palestine, second is to state the fiscal policy framework through the integration of tax rates, policies and strategies, the other expected revenues, expenditures levels, and the local and foreign credit plans, in order to balance the budget. Accordingly, the government budget plans, activities and programs for each ministry and government units should be estimated, screened and formulated based on the stated priorities.

Article No. 8; when it ever possible, it is recommended to prepare the government budget using innovative methods of preparing the government budget including the zero base budget, the performance base budget³⁰, and the planning programming budgeting system (PPBS) base budget.

Article No. 9; the final budget statements should include separate statements for current expenditures, development expenditures, revenues, and for each ministry as well as the consolidated statements. And to be classified based on functions and economic bases, and when it is relevant, other classifications may be used for a single or more government agencies and programs budgets and/or for the whole government budget statements. This may include: the program, the objective, the organization, the line-item, and the ceiling classifications. In all cases of the budget classifications the budget relations to the government accounting systems and procedures as well as the national economic statements should be considered.

Article No. 10; The bureau of the budget shall offer annually the initial proposed statements of government budgets for a calendar year to the Palestinian national assembly four months before the beginning of the budget year for finalizing and approval. The budget committee in the Palestinian national assembly as well as the whole assembly will discuss, revised and approved the final government statements, upon a such approval the assembly shall issue the budget in a form of budget law for the respective year, and authorized and ordered all concerned parties implement it as stated.

Article No. 11; The bureau of budget is responsible for the progress reporting of implementing the government budget in a monthly and quarterly periods, and to change and adjust budget estimations and plans when it is necessary under the condition of approval of the Palestinian national assembly.

Article No. 12; The bureau of budget is responsible for examining, evaluating and the final reporting of the budget implementation. However, this job is not a substituted to the auditing function which has to be conducted by an independent body name as the bureau of accountancy.

41. The suggested bureau of accountancy: An independent national body named as the bureau of accountancy should be instituted in order to control the government central and local budgets and the government accounting system as well as to report about that to the national assembly of the Palestinians people in Palestine. This government body should be independent from any ministry or government unit, and may be run by a board of director and to be responsible in front of the national council. The independent body should state its' own regulations of controlling, auditing and reporting without any interference from the government ministries. The bureau of accountancy may be organized in five departments, including central auditing department, local auditing department, public accountants departments, reporting departments, and internal control department. The majority of employees have to be specialized in government accounting, auditing and budgeting. The bureau should have the full authority to review and examine all ministries financial affairs. The review, examination and internal evaluation process should be conducted according to the stated internal regulations and other related laws and procedures as well as the general accepted auditing procedures for the government units. The government generally accepted standards may include "a- the auditors should possess the adequate professional proficiency for the task required, b- the independence of all matters relating to audit work and the auditor must be free from personal or external impairments to independence, c- the examination process shall include consideration of the requirements of all levels of government, d- the review is to be made of compliance of the related laws and regulations, e- auditors should be

alert to situations and transactions that could be indicative of fraud, abuse and illegal expenditures, f- written audit reports are to be submitted to the appropriate officials, g- if certain information is prohibited from general disclosure the report shall state the nature of the information omitted"³¹.

42. Functions of the suggested bureau of accountancy : The suggested bureau of accountancy functions shall examine all local and government transactions which may have financial effect, this includes all accounting records, documents, financial statements, the consolidated statements for ancillary agencies as well as the government agencies and the accounts for the government budget. In more details, three major functions may be stated to the bureau of accountancy: First: the auditing of the government accounting system, transactions, records and procedures of implementing the annual budget expenditures and revenues as stated, approved and announced to the concern parties. This should include all ministries and government units as well as all municipalities and local councils using what is known as the general accepting auditing standards. Second: reporting to the national council: the bureau of accountancy has to prepare an annual report in order to be submitted to the national council, which has to include the following: a- the auditing report concerning the expenditure of each part of the government budget, b- the auditing report concerning the collected revenues for each part and item, c- the general investigation report concerning the conditions work of the tax authority, d- the auditing report concerning the accomplishing of municipalities and local council budgets, e- an audit report concerning the independent government units budgets which are not part of the ministries such as the central bank, f- the conclusion suggested recommendations for improvements of the government accounting system for the varies government ministries and departments, g- a special report to investigate the general situation of the internal control in each of the units and government ministries. Third; the bureau of accountancy may supervise the function of auditing concerning the private sector which are conducted by the professional certified accountants known as auditors, or public accountants. This is a very serious job which may save the government revenues. The income and indirect taxes are imposed on net profit, sales and transactions values as stated in the business firms' books and presented to the tax authority. Accordingly, there should be a system to assure that the financial statements and accounting books of Palestine business firms are conducted according to the generally accounting principles and the related laws. Thus are presented fairly the financial positions of the business firms. This job is relied on the public accountants which have to attest to the financial statements of their clients. However, the control of this job as well as the profession of public accountants in Palestine has to be organized and supervised by the suggested bureau of accountancy. Today

there is no control whatsoever on the profession of public accountants, the public accountants violate some of the generally auditing standards including the public accountant independent concept as stated in a recent study. This study which investigate the profession of public accountants in the West Bank reported that "the majority of engagements related to the attest function include accounting services as existing in practice as well in clients' expectation, the non-audit services formed the of CPA services in terms of revenues and work engagements³²". Offering the attest function besides the other accounting services violate the concept of independent of the auditor, and accordingly the fairness of the financial statements which will state the taxable income may not be accurate. As a consequence the collecting of income taxes procedures will face serious problems as long as there is no public accountants to audit business firms' financial statements and to rely on as a basic to determine the due tax amounts.

CHAPTER VI

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

The Summary

43. The Objective of this study: The objective of this study was to research in a comprehensive and intensive way the present situation of the public finance and its role in the economy of the Occupied Palestinian Territories including Palestine, in order to address the needed improvements aspects of public finance system and its role in the future economic and political developments of the Occupied Palestinian Territories (Palestine). The public finance has been defined in this study as "all aspects of providing public services as well as the ways of financing such services", and the public services has been defined as "all goods and services which are provided by government and quasi government budgets, the non-marketable and collectively consumed goods and services, and free and subsidized goods and services. The study intended to discuss all aspects of the expenditures of public services as well as the ways of financing such services for the past and present period from 1918 to 1989 and for the future period up to the year 2000 based on stated economic scenarios.

44. Methodology of the research: For the first part of the study, a profound investigation was conducted to examine the present situation of public finance and its role in the economy of Palestine. Based on the reported findings, as well as the stated serious of the future indicators and assumptions depicting the coming period of the economy situation in Palestine as presented in a special study conducted by the UNCTAD secretary under title; "Prospects for sustained development of the Palestinian economy in Palestine, 1990-2010: A Quantitative Framework, 1992)" the second part of the study was articulated and formulated. The recommendations presented in the last section of this study has been drawn out from the findings of both parts of the study.

45. Summary of present situation of public finance in Palestine: The first part of the study indicated that the matters of the government budget became a job of the Israeli military officers since 1968 and up to now, including preparing, implementing, controlling and auditing functions. During this period, the occupied military authority treated and it is continued to treat the budget of Palestine as a security matter, in which never be published or distributed even to the head of the governmental units. To consider all sources of public services the total annual revenues allocated to public services in Palestine reached \$ 606 million in 1991-1992, of the total 42% was related to external resources, 43% was related to the central government budget, and 15% to the local authorities budgets. The external sources of revenues mainly finance higher education, a substantial part of the health, social and other economic services.

46. Summary of the suggested government budget plan in Palestine for the 1990s decade: The second part of the study presented a suggested framework for the government budget which may be applicable in Palestine for the next period 1992-2000, the budget framework may be summarized as follows: First: There will be an expected increase of 5% a year in the government budget size of expenditures and revenues during the coming period 1992-2000 based on scenario A and an increase of about 8.5% a year for the period 1996 to 2000 based on scenario B. Second; New political developments are expected to emerge which will reflect significant development in the public situation in Palestine. Third: The ratio between the central and total budget including local government budget is expected to be 83% for central budget to 17% for local budgets (municipalities and local councils), the central budget is distributed as 70% for current budget and 30% for development budget. The distribution of current expenditures items for central government is expected to be as follows; 30% for general services, 7% for community services, 48% for social services, and 10% for economic services, and 5% for emergency and un-allocated items. The distribution of development expenditure items for central government is expected to be as follows; general infrastructure and Roads 40%, community Infrastructure 15%, social infrastructure 20%, economic infrastructure 20%, and 5% for emergency and allocated items. Fourth: The ratio between internal revenue sources (direct taxes, indirect taxes and revenues and fees from public services) and the total revenues including external sources will be 60% of the total, while the other 40% to be covered from local and foreign loans and external aids. The distribution of internal revenues central budget statement is expected to be as 25% from direct tax, 40% from indirect tax, 30% from government services fees, and 5% from public sector revenues. Fifth: The distribution of current expenditures items for local government budget is expected to be as follows; 35% for general services and roads, 30% for establishment projects

(water, electricity and sewage) and 30% for extra- ordinary budget (the Development budget) and 5% for emergency and non-allocated items. The distribution of revenues local budget statement is expected to be 25% from unified property and licenses taxes, 15% from fees, 35% from establishment fees, 7% revenues from owned project and 18% from grants and other revenues. According to the above framework, and considering the present situation of public finance in Palestine as well as the expected future economic and political developments as stated in the selected two scenarios the expected government budget have been estimated and presented. Table No. 69 presents the suggested consolidated budget statement for both revenues and expenditures as estimated for the government central and local budget in Palestine as expected to be in 1992-93. It indicates that the total government budget is estimated to be \$ 750 million as expected to be in 1992-93, the total budget is distributed as follows: the general services is estimated to be \$ 131 million, the community services; \$ 31 million, the social services \$ 210 million, the economic services; \$ 44 million, the un-allocated current budget item; \$ 22 million, the central development budget; \$ 186 million, the local current budget; \$ 89 million, the local development budget; \$ 38 million. The total budget revenues which is expected to be \$ 750 million is distributed as follows: The central government tax revenues; \$ 244 million, the total non-tax revenues; \$ 130 million, the loans and grants; \$ 250 million, and the local revenues; \$ 126 million. The legislation aspects of the process of budget initiation, preparation, formulation, approval, authorizations, executive, implementations, reviewing, auditing and evaluation have been stated, by suggested a new budget law and bureau of accountancy law to be adapted in Palestine.

47. Summary of the suggested tax system in Palestine: The first part of the study concluded that there is an urgent need to establish in Palestine a new tax system, to organize and articulate all direct, indirect, and other fees in a simple, clear and efficient manner, considering the social and economic situation in Palestine, and to has tax incentives to encourage the new local and foreign investments. To consider the present problems facing the tax system as applied in Palestine, the study suggested in the second part of the study a new tax system to be imposed and/or replaced the present one. The suggested new tax system aims to generate revenues to cover 60% of the total central government budget and 50% of the total local budget, to protect the local industries by imposing import duties on specific products, to encourage local and foreign investments, and to maintain price stability. The new tax system reduced the types of taxes from sixteen types to eight types including a- income payroll tax, b- business income tax on self-employed, partnership firms, private and public corporations and cooperatives, c- customs, d- excise on selected items, e- transactions fees f- local property tax, g- local licenses fees and h- local registration fees. The new tax system bases are the income

base, the transaction values base, for central taxes, and the ownership of property and transactions bases for local taxes. The rates ranged between 5% to 40% concerning the income taxes, the indirect tax rates may be ranged from 1% to 100%, the local tax rates from 0.01% to 5% on sales and capital for registration fees, the average property rate is stated as \$ 0.5 per m². The suggested types of taxes are expected to generate \$ 336 million as in 1992-93, with a tax burden of \$ 191 per capita in Palestine. Of the total collected revenues 4% are expected to be collected by payroll tax, 30% from business firms, 22% from customs, 5% from excise on selected products tax, 22% from transactions fees, 7% from property local tax, 6% from local licenses fees and 5% from local registration fees. Table No. 70 summarizes the types, bases, rates and the contribution ratio for each type of taxes for the total tax revenues as suggested to be imposed and/or to replace the present tax system in Palestine. It indicates that the expected direct tax revenues to be collected are \$ 112 million which form about 34% of the total tax revenues, the collected from indirect taxes are \$ 165 million which form about 49% of the total and the collected local taxes are \$ 59 million which form about 18% of the total tax revenues in Palestine as in 1992-93.

The Conclusion:

48. The role of the present budget situation in the economy of Palestine: The central and local government budgets have relatively limited role in creating jobs, which is confine to hiring local employees in the government departments and institutions, both central and local government employed about 24,500 employees which formed about 8% of the total labor force in Palestine, and 15% of the total labor force excluding labor working abroad and inside the green line. The government budget has no role during the occupied period in allocating resources to various areas of the economy, in controlling prices, in balancing production and consumption, and in movement of the balance of trade and international payments.

49. The role of the suggested budget plan in the future economy in Palestine in the 1999s: Considering the little effect of the present fiscal policy on the economy of Palestine the suggested budget framework has many advantages concerning the significant role in developing the economy of the Palestinian people in Palestine, and suggested a clear constant fiscal policy which suppose to enhance the stability as well as growing of the economy in the come recovery and growth periods 1992 to 2000. This may be materialized as the suggested budget framework contain the following: First; the major advantage of the suggested framework of government budget is to help in managing of Palestine economy for the coming period, this may be accomplished through stating balanced relationships between the major

factors of the fiscal policy, which includes the relations between taxation burden, debt burden and expenditures levels and other possible external and internal revenues levels, in order to stabilize and activate the economic development process and sectors. Accordingly, the suggested framework budgeted presented in the second part of the study determined a balanced and constant ratio among the four elements of the fiscal policy (level of expenditures- taxes- foreign and local debt financing -expected external aids) for the coming recovery and growth periods. Second; The integration of all public services in a unified instrument. As mentioned in the first part of the study various non-government organizations participates in offering public services to bridge the gap which suppose to offer by the government agencies, the role of NGOs in Palestine reached to offer about 42% of the total allocated budget to public services as in 1991-1992. Third; The suggested framework budget includes a constant growth rate of 5% in Table prices for the period from 1992 to 2000 based on the scenario A and B, and 8.5% for the period 1996 to 2000 based on the scenario B. Fourth: the suggested framework budget will play a significant roll in the employment. The suggested budget statements assumed that the government sector will employ from 65,000 to 75,000 employees during the period, this forms about 20% of the total force in Palestine and forms about 32% of the total domestic labor force. Fifth: The increasing role of the Local budget, it was increased from 13% as it was from 1968 to 1989 considering the non-government public services to 17% of the total budget as suggested to be during the coming period, this increase the total local budget from \$ 69 million in 1988-89 to \$ 126 million as estimated to be in 1992-93. Sixth: The increasing share of the capital budget for both central and local levels, the share of the capital budget increased to 30% of the total central budget, which increased the annual allocated amounts to the capital projects to an average from \$ 186 million to \$ 299 million a year during the coming period 1992 to 2000. However, the above allocations may not be enough to build the needed infrastructure to improve significantly the housing and roads situations in Palestine, accordingly there is a need to have supplementary extra-ordinary capital budgets to be stated based on the expected Arab and foreign aids. Seventh: The budget role in the gross national product, it is expected that the government central and local capital and current budgets will participate from 25% to 30% of the total gross national product a year during the coming period. Eight: The suggested finance debt policy is a balanced and flexible instrument by using recalling bonds with small debt burden for serving the national debt. Ninth: The suggested budget framework is accompanied by a new suggested tax system which is a clear and simple and accord with the concept of convenience, equity, and productivity. Tenth: Increasing the share of the budget allocations to the economic sectors from the total government budget. The total amounts allocated to support the economic sectors in Palestine including agriculture, power, industry and others

ranged between \$ 53 million to \$ 54 million a year during the period 1992-2000. This may monopolize and stimulate the economic sectors as well as subsidized the needed branches, prices of goods and services of these sectors, and thus encourage exporting of local product and stabilizing the goods prices in Palestine.

Recommendations of the study

50. The recommendations concerning the present situations: Two groups of recommendations may be derived. First group is related to the present situation of public finance in Palestine assuming that there will be no political nor economic development changes. The second groups are related to recommendations which may be adPalestineed if there is a new political development in Palestine and the fiscal and legislation authority became in the hands of the Palestinians. The recommendations to be applied for the present situations may be drawn out as follows:

- * All Arab employees who are working in the financial affairs and the head of government units have to participate in stating the fiscal and budgeting polices in Palestine.

- * There is an urgent need to modified the present tax system in order, to organize and articulate all direct, indirect, and other fees in a simple, clear and efficient manner, and to reduce types of imposed on taxes. Accordingly the present consumption tax known as the VAT and the other many indirect taxes to be abandoned.

- * A national finance council may be establish in order to follow up and monitoring the fiscal policy in Palestine. In addition to that this council may control and organize all external funds coming to the various national organizations offering public services.

- * International effort and pressure should be direct to the Israeli authority in order to force it, to announce and publish the annual budget of Palestine, and to be available for the concerned parties.

- * All details government budget data should be available in order to relate that to the economic statistics and to prepare the needed national accounts in a proper manner, which will serve the functions of economic planning and controlling.

- * The annual government budget of Palestine should be prepared, implemented and evaluated separately from the budget of the Israeli defense ministry.

- * The preparing of the annual government budget should be connected to a clear economic plan which may consider the general situation of the economy in Palestine.

- * All Palestine revenues should be allocated to the area, this should include the tax deductions from Palestinians workers who are working inside the green line, the value added tax and customs duties imposed on goods imported by the Palestinians in Palestine during the Israeli ports, fuel oil tax, and other items.

* The allocated shares to the economic sectors including the industry and agricultural sectors should be increased significantly.

* The final government budget statements have to be articulated and presented in a generally accepted governmental form in order to be connected to the other national and economic accounts and data.

51. The recommendations to be applied in case of the political developments be emerged: The recommendations to be carried out in case of emerging an Independent state in Palestine may be formulated as follows:

* The suggested government budget framework presented in the second part of this study is to be adPalestineed which outlined the ratios among the major budget items of the levels of expenditures, revenues, local and foreign loans and external aids.

* To adPalestine a new budget law which indicates the technical and legislation aspects of initiating, preparing, formulating, approving, authorizing, executing, implementing, reviewing, auditing and evaluation aspects.

* In order to carry out the technical and financial aspects of the government budget there is a need to establish a national bureau of budgeting, to run all functions of budgets, which may hire all the needed specialized employees from managerial accountants, financial analysts and economists, and to be followed the ministry of finance as the executive supervision authority.

* A bureau of accountancy to be established as an independent body for examining, auditing and evaluations aspects of implementing the local and central government budgets in Palestine. The relevant laws and by-laws concerning objectives, functions, procedures and the generally accepted principles of the work to be stated. The suggested stated objectives and principles presented in this study may be adPalestineed in this regard.

*There is an urgent need to institute and adPalestine a new tax system, to organize and articulate all imposed taxes in a clear and efficient manner, considering the social, investments and economic conditions as presented in the second part of the study.

*To establish a special provident fund which may be located in one of the Arab countries in order to solicit funds to be transferred to finance the special infrastructure capital projects in Palestine.

*To use the public debt instruments including bonds and treasury bills as a way of financing a part of the government services, especially that related to capital and development projects an independent body such a central bank should be established in Palestine, in order to issue, run and manage the various debt plans.

* To use the external debt as recalling bonds to finance the public services which will give an opportunity to the national government to import, get facilities and import the needed equipment without reducing the local level of the consumption as well as maintaining the level of capital formation under assumption that to be used in a very carefully way, otherwise the cost of serving the external debt will be very expensive and may exhaust the national economy.

* Using the loans from the commercial foreign market in the coming period to finance the government budgets are not recommended even to finance capital projects, except in case of establishing the business public sector under the condition that the financial measurement of business profitability to be applied on such projects.

Notes of Part Two

1. as presented in part one of the study.
2. *ibid.*,
3. *Ibid.*,
4. UNCTAD" **Prospects for sustained development of the Palestinian economy in Palestine, 1990-2010: A Quantitative Framework**" (April, 1992)
5. *Ibid.*, Scenario III, Table 4/5, p. 107.
6. *Ibid.*, Scenario V, Table 5/5, p. 129.
7. UNCTAD" Prospects for sustained development of the Palestinian economy op. cit.
8. George T. Abed **The Economic Viability of a Palestinian state** (Institute For Palestine Studies, Washington, D. C.) 1988. p. 25.
9. UN. **A Manual For Economic and Functional Classification of Government Transactions** (Department of Economic and Social Affairs, United Nations, New York) 1958. pp. 136-139.
10. a- Nidal Rashid Sabri "**Housing Problem in the West Bank**" (Birzeit University and the Union of Engineering Professionals, West Bank) 1978. pp. 52-68. b-Bakir Abu Kishk **Human Settlements Problems and social Dimension in Palestine** (Beirut, United Nations Commission for Western Asia) 1981 c- P. G. Sadler and Baker Abu Kishk **Palestine: Palestineions For Development** (UNCTAD) 1983 d-Baker Abu Kishk "The Contribution of the Housing Sector to the Economy of the Occupied Territories" (Un-published Paper, UN-HABITAT) 1985, p.13.
11. Nidal Rashid Sabri "**Investment Analysis of Subsidized Housing in A Development Environment**" Manuscript under publication, 1994.
12. Laurence Harris "Money and Finance With Undeveloped Banking in the Occupied Territories" in George T. Abed (ed.) **The Palestinian Economy**, (Routledge, New York) 1988, p. 215.
13. UNCTAD **The Palestinian Financial Sector Under Israeli Occupation** (United Nations, New York) 1989 p.11.

14. P. G. Sadler, U. Kazi, and H. Jabr "Survey of the Manufacturing Industry in Palestine (UNIDO, Vienna) June, 1984.
15. UNCTAD **The Palestinian Financial Sector Under Israeli Occupation** op. cit., p.11
16. ICBS, **Judaea, Samaria and Gaza Area Statistics** (ICBS, Jerusalem) 1989, Vol. XIX, pp. 48-65 and Laurence Harris "Money and Finance ..." op. cit.,
17. Sweder van Wijnbergen "External Debt, Inflation, and the Public Sector: Toward Fiscal Policy for Sustainable Growth" **The World Bank Research Observer** (September, 1989) pp. 297-320.
18. World Bank **Lessons of Tax Reform** (Washington, D. C.) 1991
19. UNCTAD" **Prospects for sustained development of the Palestinian economy in Palestine, 1990-2010.** op. cit.
20. Nidal Rashid Sabri and M. Hisham Jabr "Budget Analysis of a Palestinian Family" **Arab Studies Quarterly** (Winter, 1992) pp. 35- 44.
21. Pradeep Mitra "The Coordinated Reform of Tariffs and Indirect Taxes" **The World Bank Research Observer** (July, 1992) pp. 195-221.
22. Anwar shah and Joel Slemord "Do Taxes Matter for Foreign Direct Investment?" **The Word Bank Economic Review** (Volume 5, No.3, September, 1991) pp.473-493.
23. The argument against imposing the comprehensive consumption taxes is presented in first part of the study; see also
- Nidal R. Sabri "The Tax Situation in Palestine" **Arab Certified Accountant** (November, 1986) pp. 60-65. and
- "Value Added Tax Case in **Palestine Yearbook of International Law** (1987-88)pp. 186-90.
24. HKJ, **Income Tax Law of the Hashemite Kingdom of Jordan Law No. 25 of 1964** (official Gazette No. 1800) chapter, I.
25. Jonathan Skinner "Prospects for Agricultural land Taxation in Development Countries **The World Bank Economic Review** (Volume 5, No.3, September, 1991)pp. 493-512.
26. Nidal R. Sabri "Auditing Standards in Jordan" in **Comparative International Auditing Standards** (International Section, American Accounting Association) 1985 pp. 77-94
27. Ray M. Sommerfeld et al., **An Introduction To Taxation** (Harcourt Brace Kovanovich, Publishers, 1988) p.11 adapted from Revenue Statistics of OECD Member Countries 1985-1985, Table 7, page 85.
28. as indicated in first part.
29. UN. **A Manual For Economic and Functional Classification of Government Transactions** (UN,) op.cit.,
30. Several developing countries adapted the performance base budget and they achieve various degrees of success or failure as mentioned in AOA, **Government Budgeting in Developing Countries** (Arab Organization of Administration, Amman) 1987, pp. 36-37.
31. Cornelius E. Tierney **Public Sector Auditing** (Commerce Clearing House Inc. USA), 1983 pp. 103-104
32. Nidal Rashid Sabri "Auditor Involvement in Non-Audit Services: An Empirical Study in a Developing Environment" **Journal of International Accounting, Auditing and Taxation** (December, 1993) pp. 158-172.

Table No. 1
Summary of Gaza Strip Budget from
1949 to 1966 in \$ (000)

Year	Expenditures	Revenues	Shortages
1949/ 50	\$ 1,000	\$ 713	\$ 287*
1950	1,130	747	383
1951	1,380	802	560
1952	1,800	1,050	750
1953	1,947	1,130	917
1954	2,203	1,283	920
1955	2,373	1,856	517
1956	2,203	1,230	973
1957	3,167	1,833	1,334
1958	3,957	2,946	1,011
1959	4,833	3,393	1,440
1960	5,870	4,536	1,297
1966/ 67	9,240	8,120	1,120
* Shortages used to be covered from Egyptian ministry of defence			

Sources:

a) I. Skaak **Gaza Strip Under Egyptian Administration 1957-1967**, p. 39

b) A. Bregman **Economic Growth in the Administration Areas 1968-1973**, p. 73.

Table No. 2
The Structure of Gaza Strip Budget in
1960 and 1966 in Ratios

Items	1960		1966	
	100%		100%	
Revenues	100%		100%	
Direct tax		24%		12.5%
Indirect tax		65%		79%
Other revenues		11%		8.5%
Expenditures	100%		100%	
Consumption		87%		89%
Investments		13%		11%

Sources:

a) I. Skaak **Gaza Strip Under Egyptian Administration 1957-1967**, p.41.

b) A. Bregman **Economic Growth in the Administration Areas 1968-1973**, p. 73.

Table No. 3
West Bank Share of Jordanian Budget Revenues
from 1959 to 1966 in (000)

Years	Direct Tax	Indirect Taxes	Other Revenues	Total [▲]
1959	\$ 1,105	\$ 4,770	\$ 4,789	\$ 10,664
1960	1,329	6,087	5,668	13,084
1961	1,380	6,249	5,933	13,562
1962	1,885	7,643	11,155	20,683
1963	2,130	8,560	8,300	18,990
1964	1,717	7,513	7,667	16,897
1965	1,823	8,580	7,786	18,188
1966	3,264	11,470	11,649	26,383
Does not include loans and grants				

Source: 35% of Jordanian budget Revenues, Statistical Year Book, 1965
No. 16, pp. 158-159

Table No. 4
West Bank Share of Jordanian Government Budget Expenditures
from 1959 to 1966 in (000)

Years	Education	Health Social	Defense Police	Others	Total Current	Development Values % of total	
1959	\$ 2.2	\$ 1.0	\$ 16.8	\$ 3.8	\$ 23.8	\$ 5.9	20%
1960	2.7	1.1	21.7	4.8	30.3	8.7	22%
1961	2.8	1.3	18.5	5.1	27.7	8.0	22%
1962	3.2	1.4	19.2	6.4	30.2	7.8	20%
1963	3.6	1.7	21.5	8.0	34.8	9.7	22%
1964	3.6	1.7	21.5	8.0	34.8	9.7	22%
1965	4.0	1.7	21.5	8.9	36.1	12.4	25%
1966	4.2	1.6	21.5	9.2	36.5	23.1	40%
Ratios	9%	4%	65%	22%	100%		24%

Source: 35% of Jordanian budget Expenditures,
Statistical Year Book, 1965 No. 16, pp. 158-159

Table No. 5
Summary of the West Bank Total Government Budget
1968-1992 in million Dollars

Year	Revenue s	Expendi tures	Surplus (Shorta ge)
1968	\$ 8	\$ 23	\$ (15)
1969	13	27	(14)
1970	14	27	(13)
1971	19	32	(13)
1972	21	33	(12)
1973	18	33	(15)
1974	21	43	(13)
1975	36	39	(3)
1976	37	41	(4)
1977	35	38	(3)
1978	36	40	(4)
1979	42	48	(6)
1980	59	65	(6)
1981	70	78	(8)
1982	82	82	-
1983	122	128	(6)
1984	133	136	(3)
1985	72	71	1
1986	107	127	(20)
1987	143	147	(4)
1988	170	170	-
1990	200	215	(15)
1991	225	240	(15)
1992	178	190	(12)

Sources:

- a) **State Budget of Israel** 1975-1993, Jerusalem, item 17, Sections 50-69
- b) **Laws of the State of Israel**, Jerusalem, Vol. 24-40
- c) ICBS **Judaea, Samaria and Gaza Area Statistics and Administrative Territories Statistical Quarterly** (various issues 1970-1993).
- d) ICBS **Statistical Abstract of Israel**, Jerusalem (issues from 1969-1993).
- e) ICBS **National Accounts of Judaea, Samaria and Gaza Area 1968-988** (Special issue no. 818, Jerusalem, 1988.
- f) Aire Bergman **Economic Growth...** op. cit, p.73
- g) Collected data by the author

Table No. 6
The Distribution of the West Bank Government Budget Expenditures
for Selected Years from 1968 to 1991

Year	Current	Develop ment
1968	77%	23%
1970	81%	19%
1975	79%	21%
1977	77%	23%
1980	82%	18%
1982	86%	14%
1984	86%	14%
1985	79%	21%
1986	78%	22%
1987	79%	21%
1988	81%	19%
1989	96%	4%
1990	93%	7%
1991	83%	17%
Average	82%	18%

Sources:

- a) **State Budget of Israel** 1975- 1993, Jerusalem, item 17, Sections 50-69
- b) **Laws of the State of Israel**, Jerusalem, Vol. 24-40
- c) ICBS **Judaea, Samaria and Gaza Area Statistics and Administrative Territories Statistical Quarterly** (various issues 1970-1993).
- d) ICBS **Statistical Abstract of Israel**, Jerusalem (issues from (1969-1993).
- e) ICBS **National Accounts of Judaea, Samaria and Gaza Area 1968-1988** (Special issue no. 818, Jerusalem, 1988.
- f) Aire Bergman **Economic Growth...** op. cit, p.73
- g) Collected data by the author

Table No. 7
The Distribution of the West Bank Government Budget Revenues
for Selected Years from 1968 to 1992

Year	Income Tax	Indirect Tax	Other Revenues
1968	12%	79%	9%
1970	9%	79%	12%
1972	8%	81%	11%
1975	34%	44%	22%
1980	38%	40%	22%
1986	28%	57%	15%
1987	24%	56%	20%
1988	26%	50%	24%
1989	28%	47%	25%
1990	23%	46%	31%
1991	22%	49%	39%
Average	22%	57%	21%

Sources:

- a) **State Budget of Israel** 1975-1993, Jerusalem, item 17, Sections 50-69
- b) **Laws of the State of Israel**, Jerusalem, Vol. 24-40
- c) ICBS **Judaea, Samaria and Gaza Area Statistics and Administrative Territories Statistical Quarterly** (various issues 1970-1993).
- d) ICBS **Statistical Abstract of Israel**, Jerusalem (issues from (1969-1993).
- e) ICBS **National Accounts of Judaea, Samaria and Gaza Area 1968-1988** (Special issue no. 818, Jerusalem, 1988).
- f) Aire Bergman **Economic Growth...** op. cit, p.73
- g) Collected data by the author

Table No. 8
Summary of the Gaza Strip Total Government Budget
1968-1992 in million Dollars

Year	Revenue s	Expendi tures	Surplus (Shorta ge)
1968	\$ 1.3	\$ 9	\$ (7.7)
1969	2	9	(7)
1970	2	17	(15)
1971	3	20	(17)
1972	5	20	(15)
1973	10	20	(10)
1974	11	21	(10)
1975	13	23	(10)
1976	21	25	(4)
1977	17	25	(8)
1978	18	26	(8)
1979	20	27	(7)
1980	30	40	(10)
1981	37	43	(6)
1982	35	45	(10)
1983	48	56	(8)
1984	53	61	(8)
1985	35	31	4
1986	47	54	(7)
1987	55	68	(13)
1988	65	81	(16)
1990	88	102	(14)
1991	100	110	(10)
1992	80	88	(8)

Sources:

- a) **State Budget of Israel** 1975-1993, Jerusalem, item 17, Sections 50-69
- b) **Laws of the State of Israel**, Jerusalem, Vol. 24-40
- c) **ICBS Judaea, Samaria and Gaza Area Statistics and Administrative Territories Statistical Quarterly** (various issues 1970-1993).
- d) **ICBS Statistical Abstract of Israel**, Jerusalem (issues from (1969-1993).
- e) **ICBS National Accounts of Judaea, Samaria and Gaza Area 1968-1988** (Special issue no. 818, Jerusalem, 1988.
- f) Aire Bergman **Economic Growth...** op. cit, p.73
- g) Collected data by the author

Table No. 9
The Distribution of the West Bank Government Budget Expenditures
for Selected Years from 1968 to 1991

Year	Current	Development
1968	67%	33%
1970	70%	30%
1975	65%	35%
1977	70%	30%
1980	80%	20%
1984	82%	18%
1985	87%	13%
1986	87%	13%
1987	81%	19%
1988	77%	23%
1989	77%	23%
1990	95%	5%
1991	85%	15%
Average	79%	21%

Sources:

- a) **State Budget of Israel** 1975- 1993, Jerusalem, item 17, Sections 50-69
- b) **Laws of the State of Israel**, Jerusalem, Vol. 24-40
- c) ICBS **Judaea, Samaria and Gaza Area Statistics and Administrative Territories Statistical Quarterly** (various issues 1970-1993).
- d) ICBS **Statistical Abstract of Israel**, Jerusalem (issues from (1969-1993).
- e) ICBS **National Accounts of Judaea, Samaria and Gaza Area 1968-1988** (Special issue no. 818, Jerusalem, 1988.
- f) Aire Bergman **Economic Growth...** op. cit, p.73
- g) Collected data by the author

Table No. 10
The Distribution of the Gaza Strip Government Budget Revenues
for Selected Years from 1968 to 1992

Year	Income Tax	Indirect Tax	Other Revenues
1968	25%	50%	25%
1970	20%	70%	10%
1972	20%	50%	30%
1975	38%	15%	47%
1980	40%	13%	47%
1986	34%	36%	30%
1987	24%	22%	54%
1988	23%	23%	54%
1989	35%	16%	49%
1990	29%	20%	51%
1991	35%	17%	48%
Average	29%	30%	41%

Sources:

- a) **State Budget of Israel** 1975- 1993, Jerusalem, item 17, Sections 50-69
- b) **Laws of the State of Israel**, Jerusalem, Vol. 24-40
- c) ICBS **Judaea, Samaria and Gaza Area Statistics and Administrative Territories Statistical Quarterly** (various issues 1970-1993).
- d) ICBS **Statistical Abstract of Israel**, Jerusalem (issues from (1969-1993).
- e) ICBS **National Accounts of Judaea, Samaria and Gaza Area 1968-1988** (Special issue no. 818, Jerusalem,1988.
- f) Aire Bergman **Economic Growth...** op. cit, p.73
- g) Collected data by the author

Table No. 11
The Total Contribution of Israeli Government to PALESTINE Budget
from 1968 to 1992

Year	Contributions in Million \$
1968	\$ 22
1969	21
1970	25
1971	29
1972	30
1973	25
1974	25
1975	25
1976	40
1977	31
1978	33
1979	10
1980	28
1981	58
1982	50
1983	45
1984	19
1985	17
1986	19
1987	16
1988	48
1990	24
1991	20
1992	16

Sources:

- a) **State Budget of Israel** 1984-1993, Jerusalem, item 17, Sections 50-69
b) **Laws of the State of Israel**, Jerusalem, Vol. 22-44 (1975-1993)

Table No. 12
 Total Revenues and Expenditures in the PALESTINE for Selected Years
 Between 1984 to 1992 in Million Dollars

Items	1984	1986	1987	1992
West Bank Revenues	\$ 133	\$ 107	\$ 143	\$ 189
Gaza Strip Revenues	53	47	55	80
Claimed Government Contribution	19	19	26	16
Transferred of Tax Deductions	22	39	26	22
Total Revenues	227	212	249	307
Expenditures of PALESTINE	197	212	249	290
Annual Surplus	30	31	34	17

Source:

- a) **State Budget of Israel** 1984-1993, Jerusalem, item 17, Section, 69 .
 b) Collected data by the Author

Table No. 13
Summary of the West Bank Total Municipalities Budget
From 1968-1991 in Million Dollars and Ratios

Year	Expenditures			Revenues			
	Total Value	Development %	Regular %	Total Value	Regular	Establishment	Extra-ordinary
1968	\$ 4	26%	74%	\$ 4	57%	31%	12%
1969	4	22%	78%	4	54%	33%	14%
1970	4	33%	67%	4	54%	34%	11%
1971	6	31%	69%	6	55%	32%	13%
1972	6	23%	77%	6	51%	34%	15%
1973	6	32%	68%	6	52%	27%	21%
1974	6	31%	69%	6	41%	26%	34%
1975	9	22%	78%	9	40%	35%	25%
1976	11	20%	80%	11	25%	45%	20%
1977	11	34%	66%	11	48%	40%	12%
1978	9	36%	64%	13	25%	30%	45%
1979	9	27%	73%	13	22%	28%	50%
1980	9	19%	81%	13	20%	34%	46%
1981	13	11%	89%	20	23%	38%	39%
1982	13	18%	82%	26	32%	51%	17%
1983	14	23%	77%	30	39%	51%	10%
1984	14	18%	82%	29	46%	46%	08%
1985	15	20%	80%	41	46%	47%	07%
1986	15	20%	80%	44	39%	45%	16%
1987	21	10%	90%	39	44%	42%	14%
1988	21	07%	93%	48	36%	58%	06%
1989	25	09%	91%	50	33%	57%	10%
1990	25	16%	94%	28	29%	57%	14%
1991				28	27%	57%	16%
1992				32			
1993	33			43			
1994	32			44			
1995	27						
1996	38						
1997	35						
1998	36						
1999	45						
2000	54						

1988	32						
1989	36						
1990	44						
1991	43						
Average		22%	78%		41%	40%	19%

Sources:

- a) Collected data and interviews with municipal officials in the PALESTINE.
- b) ICBS **Judea, Samaria and Gaza Area Statistics and Administrative Territories Statistical Quarterly** (various issues 1970-1993).
- c) ICBS **Statistical Abstract of Israel**, Jerusalem No. 20-44, (issues from 1969- 1993).

Table No. 14
The West Bank Local Councils Budgets For Selected Years
From 1976 to 1989/90 in Ratios and Million Dollars

Budget Items	1976		1980		1984		1989-1990	
	\$	%	\$	%	\$	%	\$	%
Balance at Beginning	0.1 86	16	0.2 18	12	0.0 10	1	1.4	20
Income Items								
Rural Taxes	0.2 83	24	0.2 50	14	0.4 10	16	0.5 20	7
Fees	0.1 36	11	0.1 54	9	0.2 90	12	0.4 80	7
Income of Establishments	0.2 12	18	0.6 80	38	1.6 30	65	4	56
Development Revenues - grants	0.3 90	32	0.4 98	27	0.1 60	6	0.7	10
Total Income	1.2	100%	1.8	100%	2.5	100%	7.1	100%
Expenditures Items								
Regular Expenditures	0.1 84	20	0.1 70	14	0.3 3	17	1	19
Establishment Expenses	0.4 63	49	0.5 60	44	1.4	73	3.2	62
Payment of loans	0.0 38	4	0.0 40	3	--	--	--	--
Development Expenditures	0.2 57	27	0.5 00	39	0.2 00	10	1	19
Total Expenditures	0.9 42	100%	1.2 70	100%	1.9 3	100%	5.2	100%
Balance Ending	0.2 6	--	0.5 3	--	0.5 7	--	1.9	--

Source: The Actual Budget Statements for the 80 Villages in the West Bank, un-published data

Table No. 15
Summary of the Gaza Strip Total Municipalities Budget
From 1968-1991 in Million Dollars and Ratios

Year	Expenditures			Revenues			
	Total Value	Development %	Regular %	Total Value	Regular %	Establishment %	Extraordinary
1968	\$ 0.7	17%	83%	\$ 0.7	40%	50%	10%
1969	0.9	13%	87%	0.9	40%	50%	10%
1970	01	10%	90%	01	44%	47%	9%
1971	01.6	35%	65%	01.6	38%	35%	27%
1972	02	45%	55%	03	28%	32%	40%
1973	04.5	43%	57%	03.8	26%	30%	44%
1974	05	40%	60%	05.5	24%	32%	44%
1975	07	33%	67%	07.9	24%	39%	37%
1976	10	31%	69%	10.2	23%	47%	30%
1977	10	35%	65%	10	29%	41%	30%
1978	11	42%	58%	11.7	20%	39%	41%
1979	15	39%	61%	14.8	19%	39%	42%
1980	21	28%	72%	21.1	14%	54%	32%
1981	21	28%	72%	21	20%	51%	29%
1982	24	26%	74%	24.2	18%	56%	26%
1983	27	29%	71%	28.5	18%	53%	29%
1984	27	26%	74%	27	18%	57%	25%
1985	26	22%	78%	32	19%	64%	17%
1986	32	27%	73%	36.8	18%	59%	23%
1987	45	36%	64%	52	29%	41%	30%
1988	29.5	23%	77%	30	30%	50%	20%
1989	33	13%	87%	31	14%	70%	16%
1990	35	10%	10%	34	12%	77%	11%
1991	33	7%	93%	33	18%	75%	7%

Sources:

- Collected data and interviews with municipal officials in the PALESTINE.
- ICBS Judaea, Samaria and Gaza Area Statistics and Administrative Territories Statistical Quarterly (various issues 1970-1993).
- ICBS Statistical Abstract of Israel, Jerusalem No. 20- 44 (issues:1969- 1993).

Table No. 16
Total Expenditures and Revenues of the East Jerusalem for Selected
Years as Estimated in Million Dollars

Year	Revenues	Regular Expenditures	Development Expenditures
1980	\$ 24	\$ 25	\$ 4
1982	40	40	17
1984	38	48	19
1986	45	42	16
1988	42	55	24
1990	80	80	29
1991	71	71	36

Source: **Statistical Yearbook of Jerusalem** (No. 1-11) 1982-1992, Municipality of Jerusalem ,

Table No. 17
Total Current Expenditures of Central and Local Budget in the PALESTINE for
Selected Years From 1968 to 1992 in Million Dollars

Year	West Bank			Gaza Strip		Total
	Central	Municipalities	Villages	Central	Local	
1968	\$ 17	\$ 3	\$ 0.6	\$ 6	\$ 0.6	\$ 27
1970	22	4	0.7	12	0.9	40
1972	26	9	0.7	13	1.1	50
1975	30	9	0.8	16	4.7	62
1977	32	12	1	17	6.5	79
1980	55	24	1.3	32	15	127
1981	68	26	1.6	35	15	146
1982	70	24	2.5	37	17.8	151
1983	104	31	2.5	45	19.2	202
1984	117	27	2.3	51	20	217
1985	56	29	3	26	20.3	134
1986	99	36	4	56	23.4	218
1987	116	43	4	55	28.8	253
1988	138	29	5	62	22.7	257
1990	200	37	6	97	26	366
1991	204	33	7	96	26	366
1992	170	35	7	80	32	324

Compiled by the Author based on presented data

Table No. 18
 The Share of Government Consumption to the Total Consumption and the
 GDP
 in the PALESTINE for Selected Years from 1968 to 1992
 in Million Dollars

Year	Public Consump tion	Total Consumption		GDP	
		Value	Public Share	Valu e	Public Share
1968	\$ 27	\$ 512	5 %	\$ 445	6 %
1970	50	707	7 %	714	7 %
1975	62	1136	6 %	874	7 %
1980	127	1418	9 %	1274	10 %
1984	217	1694	13 %	1185	18.3 %
1985	211	1681	13 %	1300	16.2 %
1986	208	1894	11 %	1547	13.4 %
1987	253	2018	13 %	1530	16.5 %
1988	257	2100	12.2 %	1550	16.5 %
1990	366	2440	15 %	2171	16.8 %
1992	324	2560	12.5 %	2405	13.5 %
Aver age			10.6 %		12.6 %

Sources: Comiled by the Authtor based on:

- a) Privous presented data
- b) Collected data by the Author
- c) ICBS **Judaea, Samaria and Gaza Area Statistics and Administrative Territories Statistical Quarterly** (various issues 1970-1993).

Table No. 19
Per-Capita Government Current Expenditures in the PALESTINE
For Selected Years in \$ (1968-1992)

Year	Per-Capita Expenditure
1968	\$ 29
1970	51
1975	56
1980	108
1984	168
1985	157
1987	177
1988	177
1990	200
1991	184
1992	208

Source: Compiled by the Author based on previous presented data

Table No. 20
The Contribution of the Government Budget in Capital Formation in the
PALESTINE
For Selected Years from 1968 to 1991
in Million Dollars

Year	West Bank				Gaza Strip				Total PAL EST INE
	Centr al	Loca l	Tran s- fers *	Tota l	Centr al	Loca l	Tran s- fers *	Tota l	
	+	+	-	=	+	+	-	=	
1968	\$ 5	\$ 1	\$ 0.1	\$ 5.9	3	\$ 0.1	---	\$ 2.9	\$ 9
1970	5	2	0.1	6.9	5	0.6	0.1	5.5	12
1972	7	1.8	0.6	8.2	7	1	0.4	7.6	16
1975	8	4	2.7	9.3	6	2	1.2	6.8	16
1977	9	3	2.2	9.8	7	3.5	0.6	9.9	20
1980	10	9	1.5	17.5	8	6	0.6	13.4	31
1981	10	6	0.3	15.7	8	6	1	13	29
1982	12	3	1.2	13.8	8	6	2.7	11.3	25
1984	19	8	2.7	24.3	10	7	1.3	15.7	40
1985	15	7	3.0	19	4	6	2.2	7.8	27
1986	28	9	5.8	31.2	8	9	3.7	12.3	44
1987	31	11	6.3	35.7	13	16	5.6	23.4	59
1988	32	3	5.0	30	19	6.8	6.6	19.2	49
1990	15	4.3	4.2	15.2	6	4.3	4.3	6	21
1991	36	6.6	4.6	38	14	2.4	2	14.4	52

*Transfers from Capital Central Government to Municipalities Concerning Development projects

Sources: Data Based on

a) Collected data by the author

b) State Budget of Israel 1984-1993, Jerusalem, item 17, section 55 to 65.

c) presented data in previous sections

Table No. 21
 The Share of Government Capital Formation to Total Capital Formation and
 the GDP in the PALESTINE for Selected Years from 1968 to 1992
 in Million Dollars and Percentages

Year	Public Formati on	Total Consumption		GDP	
		Value	Public Share	Valu e	Public Share
1968	\$ 9	39	23%	\$ 445	2%
1970	12	69	17%	714	2%
1972	16	179	9%	738	2%
1975	16	233	7%	874	2%
1980	31	470	7%	1274	2.4%
1982	25	417	6%	1285	2%
1984	40	377	11%	1185	3%
1985	27	399	7%	1300	2%
1986	44	488	9%	1547	3%
1987	59	422	14%	1530	4%
1988	49			1550	3%
1990	21	517	4. %	2171	1%
1992	52	634	8%	2405	2.2%
Aver age			9.6%		2.4 %

Sources: Compiled by the Based on:

a) data presented in previous sections

b) ICBS Judaea, Samaria and Gaza Area Statistics and Administrative
 Territories Statistical Quarterly (various issues: 1970-1993).

c) Collected data by the Author

Table No. 22
Government Capital Expenditure Per-Capita in the PALESTINE
For Selected Years (1968-1992) in Dollars

Years	Capital Expenditure Per-Capita
1968	\$ 10
1972	16
1975	15
1977	17
1980	26
1981	24
1982	20
1984	31
1985	20
1986	32
1987	41
1988	33
1989	19
1991	26
1992	32

Source: Compiled by the Author based on presented data

Table No. 23
Summary of Types and Rates of Taxes Prevailing in the PALESTINE as in
1992

Types of Taxes	West Bank	Gaza Strip
Income Tax		
1. Self-employed income	5.5% - 55% year basic	The same
2. Payroll income	5.5% - 55% monthly basic	The same
3. Corporation income	35% + 3.5% social tax	37.5%
4. Workers in green-line income	Average rate 20%	The same
5. Contractors payments	15% of payments	The same
Indirect Tax		
Value Added Tax	16% of Goods & Services values	The same
7. Purchase tax	Various rates (15% average)	The same
8. Customs duties	0 -200% based on goods	The same
9. Excise on some local produced goods	2%-20% of wholesaling value	The same
10. Excise on tobacco, wine	Average rate 50% of value	The same
Other Taxes & Fees		
11. Vehicle property tax	2% of value (\$100-3500) @	The same
12. Vehicle registration fees	\$ 400 average per vehicle	The same
13. Levy on foreign currency	1% of purchasing	The same
14. Levy on credit transactions	3% of foreign transactions	The same
15. Levy on imported	15% of value	The same

services		
16. Military fines	\$ 500 - \$ 18000 a time	The same
17. Traffic fines	\$ 15 - \$ 90 a time	The same
Local Municipality Taxes		
18. Property tax (land-Buildings)	17% of equivalent rent value	15%
19. Education tax	7% of rent value	Not Applicable
20. Fuel oil (collected from source)	16% of sales value	The same
21. Craft licenses	\$ 10 - \$ 250 a year	Not Applicable
22. Business licenses	\$ 18 - \$ 3500 a year	\$ 10 - \$ 15000
Local Villages Taxes		
23. Poll tax (head tax)	\$ 4 per person	Not Applicable
24. Rural property	\$ 6 per dunm of land	15% of building
25. Craft- business licenses	\$ 15 - \$90 a year	\$ 5- \$ 5000

Source: Compiled by the Author

Table No. 24
Income Tax Rates and Brackets in the PALESTINE
as it was in 1991 in \$

Taxable Income a year	Tax Rate	Tax Due	Taxable Income a year	Tax Rate	Tax Due
First \$ 830	5.5%	\$ 46	\$ 750	33.0%	\$ 248
Second 830	7.7%	64	3200	38.0%	1216
830	11.0%	91	3600	44.0%	1610
750	16.5%	124	3600	49.5%	1812
750	22.0%	164	more	55.0%	
750	27.5%	206			

Source: IDF, Notices, Orders and Appointments, West Bank Instructions: Changes
of Income Tax Rate (1/1/1991)

Table No. 25
Collected Income Taxes in the PALESTINE
From 1968 to 1992 in Million Dollars

Year	West Bank	Gaza Strip	Total
1968	\$ 1	\$ 0.3	\$ 1.3
1970	1.3	0.3	1.6
1975	12	5	17
1977	10	5	15
1980	22	12	34
1982	24	15	39
1984	35	20	55
1985	22	10	32
1986	30	14	34
1987	34	13	49
1988	45	15	60
1989	33	23	56
1990	35	19	54
1991	42	23	65
1992	44	22	66

Sources:

- a) **State Budget of Israel 1975- 1993**, Jerusalem, item 17, Sections 50-69
- b) **Laws of the State of Israel**, Jerusalem, Vol. 24-40
- c) **ICBS Judaea, Samaria and Gaza Area Statistics and Administrative Territories Statistical Quarterly** (various issues 1970-1993).
- d) **ICBS Statistical Abstract of Israel**, Jerusalem (issues from (1969-1993).
- e) **ICBS National Accounts of Judaea, Samaria and Gaza Area 1968-1988** (Special issue no. 818, Jerusalem, 1988.
- f) Aire Bergman **Economic Growth...** op. cit, p.73
- g) Collected data by the author

Table No. 26
 Distribution of Indirect Tax Items in the PALESTINE
 as in 1985 to 1991

Indirect Tax Items	West Bank	Gaza Strip
Customs Duties	5%	8%
Excise	28%	3%
Stamps	20%	4%
VAT	45%	83%
Levies & Bridge Tolls	2%	2%

Sources:

- a) B' Tselem **The System of Taxation in the West Bank and Gaza Strip** (Jerusalem) February, 1990.
 pp. 67-69
- b) Collected data by the Author

Table No. 27
 Collected Indirect Taxes in the PALESTINE
 From 1968 to 1992 in Million Dollars

Year	West Bank	Gaza Strip	Total
1968	\$ 6.3	\$ 0.6	\$ 6.9
1970	11	1	12
1975	16	2	18
1977	16	4.5	20.5
1980	24	4	28
1984	68	9	77
1985	40	13	53
1986	61	17	78
1987	80	12	92
1988	84	15	99
1989	71	10	81
1990	70	12	82
1991	73	11	84
1992	92	17	109

Sources:

- a) **State Budget of Israel** 1975-1993, Jerusalem, item 17, Sections 50-69.
- b) **Laws of the State of Israel**, Jerusalem, Vol. 24-40.
- c) ICBS **Judaea, Samaria and Gaza Area Statistics and Administrative Territories Statistical Quarterly** (various issues 1970-1993).
- d) ICBS **Statistical Abstract of Israel**, Jerusalem (issues from (1969-1993).
- e) ICBS **National Accounts of Judaea, Samaria and Gaza Area 1968-1988** (Special issue no. 818, Jerusalem, 1988.
- f) Aire Bergman **Economic Growth...** op. cit, p.73
- g) Collected data by the author

Table No. 28
Summary of the Collected Local Taxes and Fees in the PALESTINE
from 1968 to 1991

Items	1968	1976	1980	1985	1987	1990	1991
West Bank							
Non-tax revenues	20%	40%	34%	26%	31%	42%	39%
Property tax	20%	10%	18%	17%	16%	15%	16%
Licenses-businesses	7%	4%	2%	6%	6%	5%	6%
Fuel tax	35%	19%	7%	11%	10%	18%	7%
Fees	16%	26%	36%	32%	31%	4%	8%
Licenses-craft & Building	2%	1%	3%	8%	6%	16%	24%
Total regular revenue	100%	100%	100%	100%	100%	100%	100%
Gaza Strip							
Non -tax revenues	--	23%	38%	49%	48%	84%	87%
Property tax	--	54%	43%	37%	35%	--	--
Rates and fees	--	23%	19%	14%	17%	14%	13%
Total regular revenue	---	100%	100%	100%	100%	100%	100%

Sources

- a) ICBS Judaea, Samaria and Gaza Area Statistics and Administrative Territories Statistical Quarterly (various issues 1970-1993).
 d) ICBS Statistical Abstract of Israel, Jerusalem (issues from 1969-1993).
 c) Collected data and interviews with municipal officials.

Table No. 29
 Arnona Taxes Paid by the Palestinian Residents in Jerusalem
 Between 1985 and 1992 in Million Dollars

Year	Number of Properties	Charges	Arnona Collected	Exemption	Balance for Collection
1985	# 17039	\$ 1.8	56%	14%	30%
1987	# 17079	3.9	60%	15%	25%
1992	# 17323	7.7	48%	20%	32%

Source:

Data based on **The Statistical Yearbook of Jerusalem** No. 4 to 10 (issues 1987-1993) Jerusalem, using Distribution of Jerusalem population over sub-quarter as stated by Schemize , op.cit, p.115

Table No. 30
Comparison Between Income Tax Rates and Brackets in the PALESTINE
(1991)
and the Original Tax law of 1965 and the Jordanian Tax Law of 1985
in \$

Present Tax Rates in the PALESTINE (1991)			Original Tax Rates as Applied in 1965 Law			Jordanian Tax Law of 1985 as Applied in 1991		
Taxable Income a year	Tax Rate	Tax Due	Taxable Income a year	Tax Rate	Tax Due	Taxable Income a year	Tax Rate	Tax Due
First \$ 830	5.5%	\$ 46	\$ 1053	5%	\$ 53	\$ 2631	5%	\$ 132
Second 830	7.7%	64	1053	7%	74	2631	10%	263
830	11.0%	91	1053	10%	105	4738	15%	711
750	16.5%	124	1053	15%	158			
750	22.0%	164	1053	20%	211			
750	27.5%	206	1053	25%	263			
750	33.0%	248	1053	30%	317			
3200	38.0%	1216	2629	35%	920			
3600	44.0%	1610						
3600	49.5%	1812						
more	55.0%							
Total 10,000		2736	Total 10,000		2100	Total 10,000		1106
Average Rate	27.4%			21%			11%	

Source: Compiled by the Author based on:

- a) IDF, Notices, Orders and Appointments, West Bank Instructions: Changes of Income Tax Rate (1/1/1991)
- b) Jordanian Income Tax Law of 1965 (Applied to the West Bank)
- c) Jordanian Income Tax Law of 1985

Table No. 31
Types of Taxes to be Paid and/or Collected by a Business Firm in the
PALESTINE
as in 1992

Types	To be Paid - Collected
First: Direct Taxes 1. Direct tax on net annual income plus social tax 2. Income tax of its employee 3. Tax on payments for goods or sub-contractors	To be paid To be collected To be collected
Second: Indirect Tax VAT 16% of (input- output) Excise on selected produced goods <i>case of import</i> Purchasing tax Customs duties Imported VAT	To be collected & paid To be paid To be paid To be paid To be paid
Third: Local Tax 9. Business licenses (Not applicable to Gaza Strip) 10. Craft Licenses 11. Property tax 12. Education tax (Not applicable to Gaza Strip)	To be paid To be paid To be paid To be paid
Fourth: Other taxes 13. Vehicle tax, registration tax, credit tax	To be paid

Source: Compiled by the Author

Table No. 32
Summary of the Government Non-Tax Revenues in the PALESTINE in
Values and Ratios
From 1968 to 1991

Year	West Bank		Gaza Strip		Total of PALESTINE	
	Value s	% of Total Reven ues	Value s	% of Total Reven ues	Value s	% of Total Reven ues
1968	\$ 0.7	9%	\$ 0.3	23%	\$ 1	11%
1970	1.2	8%	0.6	30%	1.8	12%
1972	1.7	11%	0.5	10%	2.2	8%
1975	8	22%	6	46%	14	29%
1977	9	26%	7	41%	16	32%
1980	13	22%	14	47%	27	35%
1982	20	25%	16	46%	36	37%
1984	35	23%	20	45%	55	30%
1985	20	28%	12	34%	32	30%
1986	16	15%	16	34%	32	21%
1987	29	20%	30	55%	59	30%
1988	41	24%	35	54%	76	32%
1991	88	39%	48	48%	136	42%
Average		21%		40%		27%

Sources:

- a) **State Budget of Israel** 1975-1993, Jerusalem, item 17, Sections 50-69
- b) **Laws of the State of Israel**, Jerusalem, Vol. 24-40
- c) **ICBS Judaea, Samaria and Gaza Area Statistics and Administrative Territories Statistical Quarterly** (various issues 1970-1993).
- d) **ICBS Statistical Abstract of Israel**, Jerusalem (issues from (1969-1993).
- e) **ICBS National Accounts of Judaea, Samaria and Gaza Area 1968-1988** (Special issue no. 818, Jerusalem, 1988.
- f) Aire Bergman **Economic Growth...** op. cit, p.73
- g) Collected data by the author

Table No. 33
 Distribution of the Government Non-Tax Revenues Items In the
 West Bank from 1987 to 1991 in Ratios and \$ Million

Non-Tax Revenues Items	1987		1988		1991	
	Valu es	%	Valu es	%	Valu es	%
Interior Revenues	---	0	1.2	3		
Justice Fees	\$ 3	10	4.5	11		
Land Registration	1.8	6	2.1	5		
Health Fees	11	38	13.5	33		
Vehicles Fees	5.8	20	8	19		
Postage	0.7	2	0.4	1		
Telephone Fees	3.7	13	6.6	16		
Absentee Property Revenues	1.1	4	2	5		
Civil Administratio n	0.7	2	0.7	2		
Finance Revenues	1.5	5	2.3	5		
Total	29.3	100 %	41.3	100 %	87.8	100 %

Source: Data based on

- a) Israel State Budget Jerusalem, 1987-1993, item 17 section 55 to 60
 b) Collected data by the Author

Table No. 34
Distribution of the Government Non-Tax Revenues Items In the
Gaza Strip from 1987 to 1991 in Ratios and \$ Million

Non-Tax Revenues Items	1987		1988		1991	
	Valu es	%	Valu es	%	Valu es	%
Interior Revenues	\$ 8	27	\$ 8.5	24		
Justice Fees	2.6	9	3.2	9		
Military Courts Fees	2.1	7	2.3	7		
Vehical Fees	4.5	15	5.9	17		
Postage	0.1	1	0.1	1		
Property Revenues	0.2	1	0.2	1		
Telephone Fees	1.8	6	3	9		
Health Fees	8.8	29	9.6	27		
Education Fees	0.7	2	0.8	2		
Other Revenues	0.3	1	0.4	1		
Finance Revenues	0.6	2	0.6	2		
Total	\$ 30	100 %	\$ 30	100 %	\$ 48	100 %

Source: Data based on

a) Israel State Budget ,Jerusalem, 1987-1993, item 17 section 55 to 60

b) Collected data by the Author

Table No. 35
The Distribution of local Authorities Revenues in the PALESTINE
from 1968 to 1991

Items	1968	1976	1980	1985	1988	1990	1991
West Bank							
Tax revenues	46%	21%	14%	28%	30%	19%	19%
Non -tax revenues	11%	14%	6%	11%	14%	10%	8%
Establishment s revenue	31%	45%	34%	47%	42%	57%	57%
Extra-ordinary revenue	12%	20%	46%	14%	14%	14%	16%
Total revenues (Values)	\$ 4	\$ 13	\$ 20	\$ 39	\$ 28	\$ 43	\$ 44
Gaza Strip							
Tax revenues	20%	18%	6%	13%	15%	2%	2%
Non -tax revenues	20%	5%	11%	5%	15%	10%	16%
Establishment s revenues	50%	47%	51%	64%	50%	77%	75%
Extra-ordinary revenue	10%	30%	32%	18%	20%	11%	7%
Total revenues (Values)	\$ 1	\$ 10	\$ 21	\$ 32	\$ 30	\$ 34	\$ 33

a) ICBS Judaea, Samaria and Gaza Area Statistics and Administrative Territories Statistical Quarterly (various issues 1970-1993).

d) ICBS Statistical Abstract of Israel, Jerusalem (issues from (1969-1993).

c) Collected data and interviews with municipal officials.

Table No. 36
Distribution of Budget Expenditures of UNRWA in the PALESTINE
From 1972 to 1992 in Million Dollars

Year	Education		Health		Relief	
	West Bank	Gaza Strip	West Bank	Gaza Strip	West Bank	Gaza Strip
1972	49%	43%	15%	15%	36%	42%
1976	48%	47%	15%	11%	37%	42%
1980	54%	56%	24%	18%	22%	26%
1984	58%	68%	29%	20%	13%	12%
1988	62%	67%	31%	21%	7%	12%
1989	46%	51%	33%	24%	21%	25%
1992	59%		34%		7%	

Source:

Internal Financial Statements (UNRWA, unpublished data, Jerusalem) 1972-1992.

Table No. 37
UNRWA Actual Expenditures in the PALESTINE for the Period from 1972 to
1992

In Million Dollars

Year	West Bank	Gaza Strip	Total PALESTINE
1972	\$ 8.2	\$ 10.1	\$ 18.3
1976	16.3	21.3	37.6
1980	22.7	29.2	51.9
1984	27.1	38.1	65.2
1988	33.9	50.6	84.5
1989	49.4	71.1	120.5
1992	71.1		

Source:

Internal Financial Statements, (UNRWA, unpublished data, Jerusalem)

1972-1992.

Table No. 38
Consolidated Revenues Budgets for the PALESTINE Allocated to Public
Services
1980 to 1991 in Million Dollars

Revenues Items (PALESTINE)	1980	1984	1988	1991	Average	Period of work
A: Military Gov. Budget						1967-up to now
1. Direct Tax	\$ 34	\$ 55	\$ 60	\$ 66		
2. Indirect Tax	28	77	99	84		
3. Other Revenues	27	54	76	136		
Sub-total	89	186	235	286	43 %	
B: Local Authorities						1948-up to now
4. Local Councils- Gaza	21	27	30	34		
6. Municipalities W. B	26	44	28	44		
7. Local Councils- W. B	1.8	2.5	7	8		
Sub-total	49	74	65	86	15%	
C: Independent Gov. units				4		
7. Al-Waqf Departments	1	1	2			1948-up to now
8. Islamic Courts	.5	.5	1			1948-up to now
D: UNRWA				157		
9. West Bank	23	27	34			1951-up to now
10. Gaza Strip	29	38	51			1951-up to now
E: Arab Sources				24		
11. Joint Committee	91	93	--	--		1979-1985
12. Jordan Government	21	19	16			1948-up to now
13. Direct Arab Aids	8	8	23			1980-up to now
14. Other Arab sources	-	4	20			1985-1991
15. Transfers from Arab cities	3	--	--			1978-1981
F: Western Sources				35		
16. USA PVOs	6	11	15			1975-up to now
17. EUR PVOs	3	3	27			1980-up to now
18. EEC and EUR countries	-	1	7			1980-up to now
G: UN Organization				14		
19. UNDP	1	2	2			1979-up to now
20. UNICEF-WHO	-	0.5	3			1988-up to now
Sub -total	187	148	201	234*	42 %	
Total	\$ 325	\$ 408	\$ 501	\$ 606	100%	

*Estimated Figures for Each groups based on Collected data

Source: Compiled by the Author based on collected data and previous presented data

Table No. 39
 Ratios of Central Government Current Budget Expenditures
 By Organization and Their Values for the PALESTINE
 Between 1969 to 1972 in Million Dollars

Expenditures Items	West Bank				Gaza Strip		
	1969 %	1970 %	1971 %	Average %	1970 %	1971 %	Average %
Military	1	0.4	0.3	0.6	2	1	1.5
Administration							
Finance	4	4	4	4	3	3	3
Interior	7	7	7	7	3	6	4.5
Police	15	16	15	15.3	23	22	22.5
Justice	1	1	1	1	3	2	2.5
Education	36	35	36	35.7	18	18	18
Labor	6	5	2	4.3	9	3	6
Health	9	11	10	10	16	18	17
Welfare	5	5	4	4.7	12	9	10.5
Agriculture	5	7	5	5.7	3	4	3.5
Transportation	1	1	2	1.3	-	-	-
Surveying	-	-	7	2.3	-	6	3
Civil	2	2	1	1.7	2	2	2
Administration							
Telecommunication	4	3	3	3.3	3	3	3
Absentee							
Property	1	1	1	1	1	1	1
Other Items *	3	1.6	1.7	2.1	1	1	1
Total in Percentages %	100%	100%	100%	100%	100%	100%	100%
Total in Values (M \$)	\$ 22.4	\$ 22.0	\$ 22.0	--	\$ 12.5	\$ 15.0	--

* including Tourism, Industry, Housing and Religion

Sources : IDF, Administration Territories op. cit., pp. 34-45, and pp. 178-183

Table No. 40
Distribution of Current Expenditures Central Budget by Organization for
West Bank Between 1984 and 1991 in Million \$ and Percentages

Budget Expenditure Items	1984 %	1985 %	1986 %	1987 %	1988 %	1991 %	Average %
Civil Administration	0.1	1.6	3.6	3	4.8		2.8
Statistics	0.3	0.3	0.4	0.4	0.4		0.4
Finance Department	3.9	8.1	8.2	7.3	12.4		8
Customs	1.6	1.4	1.5	1.5	1.7		1.5
Tax Department	4	4	3.9	1.2	1.3		2.9
Interior Department	3.3	4.5	4.7	4.3	3.8		4.1
Justice Department	1.1	0.8	0.9	1	0.8		0.9
Land Department	0.2	0.2	0.2	0.2	0.2		0.2
Education	46.9	41.6	38.1	40.5	38		41.0
Archeology	0.3	0.3	0.1	0.3	0.3		0.2
labor Department	1.4	1.2	0.8	1.3	1.2		1.2
Employment	0.3	0.3	0.7	0.3	0.3		0.4
Health	17.8	16.6	21	21.3	19.4		19.2
Social Welfare	3.8	4.2	4.4	5.8	5.5		4.8
Housing	0.1	0.1	0.1	0.1	0.1		0.1
Surveying	3.2	5.0	4.2	4.1	2.1		3.7
Agriculture	2	1.8	1.8	1.7	1.6		1.8
Water	3.9	3.6	0.1	-	-		1.5
Industry & Trade	0.8	0.7	0.6	0.4	0.3		0.6
Transportation	0.5	0.6	0.6	0.5	0.7		0.5
Postal Services	1.5	1.6	1.4	1.7	1.4		1.5
Telecommunication	1.1	1.1	1.3	1.5	1.6		1.3
Absentee Property	0.8	0.7	0.7	0.7	0.7		0.7
Others*	0.4	0.2	0.2	0.5	0.5		0.4
Total %	100%	100%	100%	100%	100%	100%	100%
Total Value M \$	\$117	\$56	\$99	\$116	\$138	\$ 205	---
* Items less than 1% or \$ 100,000 a year budget includes Energy, Tourism, Quarries, National Reserves, Religion, and assessments departments							

Sources: Data based on

a) Collected data by the Author

b) State Budget of Israel 1984-1992, item 17 Sections 50-69, (issues 1984-1992).

Table No. 41
Distribution of Current Expenditures Central Budget by Organization for
Gaza Strip Between 1984 and 1991 in Million \$ and Percentages

Budget Expenditure Items	1984 %	1985 %	1986 %	1987 %	1988 %	1991 %	Average %
Civil Administration	1.4	1.8	1.4	3	3.8		1.7
Statistics	0.5	0.4	0.4	1.4	0.4		0.6
Reserves	-	-	3.3	2.6	6		2.4
Finance	3.4	5.2	5.2	1	1.3		3.2
Income Taxes	-	-	-	0.8	0.7		0.3
Customs	-	-	-	1.2	1.3		0.5
Vehicles	-	-	-	1.1	0.8		0.4
Interior Department	2	2.2	2.3	2.2	2.1		2.2
Justice	2.5	2.6	2.5	2	2		2.3
Education	35.1	33.1	32.8	28.7	26.5		31.0
Religion	0.6	0.6	0.6	0.6	1		0.7
Energy	0.1	0.1	0.1	0.1	0.1		0.1
Labor	2	2	1.9	1.1	1.1		1.6
Employment	-	-	-	0.8	0.5		0.7
Health	37.3	35	35.2	33.4	34.3		35.0
Economic Planning	-	-	-	0.5	0.5		0.2
Security	-	-	-	0.5	0.7		0.6
Welfare	6.3	8.2	8.1	10	9.3		8.4
Agriculture	2.4	2.5	2.2	2.2	2.2		2.3
Trade & Industry	0.3	0.3	0.3	0.3	0.1		0.3
Transportation	0.7	0.7	0.9	0.9	1		0.8
Surveying -Works	0.7	0.8	0.8	1.5	0.3		0.8
Postage-	3.9	3.8	1	3	3.4		3
Telecommunication							
Absentee Property	0.6	0.5	0.5	1.7	0.6		0.8
Refugees Projects	-	-	0.4	-	-		0.1
Total %	100%	100%	100%	100%	100 %	100%	100%
Total Value M \$	\$ 45	\$ 26	\$ 46	\$ 55	\$ 62	\$ 96	

Sources: Data based on

a) Collected data by the Author

b) State Budget of Israel 1984-1992, item 17 Sections 50-69, (issues 1984-1992).

Table No. 42
 Distribution of Municipalities Current Expenditures
 by Object for the West Bank Between 1970 to 1992

Year	Salaries %	Supplies %	Equipment %	Others %
1970	52	37	9	2
1976	52	33	2	13
1980	45	43	3	9
1985	53	42	2	3
1988	68	26	1	5
1992	52	33	3	12
Average	54%	36%	3%	7%

Sources:

- a) Collected data and interviews with Municipal officials in the PALESTINE
 c) ICBS Judaea, Samaria and Gaza Area Statistics and Administrative Territories Statistical Quarterly (various issues 1970-1993).

Table No. 43
 Rank of Government Current Budget Expenditures in the PALESTINE Based on UN
 Functional Classification for the Period (1968-1989)
 in Million Dollars and Percentages

Function Groups	Budget Items	West Bank		Gaza Strip		Total (1968-1989)		
		Rank	%	Rank	%	W B	Gaza	Total
A. General Services	Military offices*	2	28%	3	21%	\$ 324	\$ 324	\$ 442
	Justice	7	1%	7	2.4%	12	13	25
Total			29.0%		23.4%	336	131	467
B. Community Services	Water		0.3%		---	38	--	38
	Public Works		3.3%		3.8%	4	21	25
Total		6	3.6%	6	3.8%	42	21	63
C. Social Services	Education	1	39.0%	2	27.0%	451	152	603
	Health	3	16.0%	1	30.0%	185	168	353
	Social Welfare	5	5.0%	5	9.0%	58	50	108
Total			60.0%		66.0%	649	370	1,064
D. Economic Services	Agriculture		3		2.6			
	Trade & Industry		0.3		0.2			
	Transportation		0.3		0.2			
	Communication		3		3			
	Housing		0.1		--			
	Archeology		0.2		--			
	Reserves		---		0.2			
Energy-Tourism		0.1		0.1				
Total		4	7.5%	4	6.8%	85	38	123
Grand Total			100%		100%	1,157	560	1,717

*Civil administration, Statistics, finance, income tax, customs, interior, vehicles, absentee property, labor, employment, religion, police, land department, natural reserves, security and assessment department.

Source: Compiled by the author based on previously presented data

Table No. 44
Government Educational Expenditures Per-Capita in the PALESTINE
For Selected Years From 1969-1992

Years	West Bank	Gaza Strip
1969	\$ 13.5	\$ 5.5
1970	12.6	5.9
1971	16.2	7.0
1972	15.3	10.4
1978	18.6	12.3
1979	22.3	13.5
1982	37.4	27.3
1984	69.2	31.0
1985	28.6	16.3
1986	45.0	27.7
1987	54.0	27.9
1988	58.0	27.9
1989	46.7	29.4
1990	62.5	32.4
1991	48.9	25.4
1992	51.1	35.9
Average	37.5	20.1

Source : Comiled by the Author

Table No. 45
Consolidated Selected Current Expenditures Budget for the PALESTINE
Including Military Government and Other Bodies
Between 1980 to 1992 in \$ Million

Major Expenditure Items*	1980			1984			1988			1992
	W B \$	Gaz a \$	Tota l \$	W B \$	Gaz a \$	Tota l \$	W B \$	Gaz a \$	Tota l \$	PAL EST INE \$
A. Education										
Military Government	22.6	10	32.6	54.8	15.8	70.6	52.8	16.4	69.2	\$ 76
UNRWA Arab & Others Sources	12.3	16.5	28.8 16	15.7	26.2	41.9 21	18.1	30.9	49.0 17.8	90 22
Total			77.4			133. 5			136	188
B. Health										
Military Government	10.5	11.2	21.7	20.1	16.8	36.9	26.8	21.3	48.1	50
UNRWA Arab & Others Sources	5.4	5.1	10.5 6	7.8	7.7	15.5 8	9	9.6	18.6 12	42 15
Total			37.2			62.4			78.8	107
C. Social Welfare										
Military Government	3.9	2.7	6.6	4.4	2.8	7.2	7.6	5.8	13.4	14
UNRWA Arab & Others Sources	4.9	7.1	12 8	3.5	3.9	7.4 8	1.8	5.3	7.1 3	11 15
Total			26.6			22.6			23.5	40
D. Housing										
Military Government	0.1	-	0.1	0.1	-	0.1	0.1	-	0.1	
UNRWA Arab & Others Sources	0.1	0.4	0.5 11	0.1	0.2	0.3 10	0.2	0.1	0.3 0	
Total			11.6			10.4			0.4	5
E. Agriculture-Cooperative										
Military Government	0.1	0.7	1.7	2.3	1	3.3	2.2	1.4	3.6	9
UNRWA Arab & Others Sources	-	-	- 4	-	-	- 5	-	-	- 4	- 12
Total			5.7			8.3			7.6	21

* Do not include the contribution of the local non-profit organizations and private sector

Source: Compiled by the Author Based on Collected data and previous presented data

Table No. 46
The Distribution of Capital Budget Expenditures the PALESTINE from 1969 to 1972
by Organization in Ratio and Total Values in Million Dollars

Expenditure Items	West Bank				Gaza Strip		
	1969 %	1970 %	1971 %	Average	1970 %	1971 %	Average
Agriculture	17	19	12	16	14	18	16
Water Project	9	16	20	15	-	-	-
Roads	54	41	14	36	-	-	-
Telephones	-	8	15	8	7	8	8
Public Buildings	7	10	6	8	-	-	-
Schools	2	3	11	5	2	2	2
Grants to Local Authorities	11	2	19	11	3	5	4
Others	-	1	3	1	74	67	70
Total	100%	100%	100%		100%	100%	100%
Total Value in \$ Million	\$ 4.5	\$ 5	\$ 4.2		\$ 5	\$ 4.9	

Source: IDF, Administration, op. cit., pp. 34-45. 178-183

Table No. 47
 Distribution of Capital Expenditures Central Budget by Organization for
 West Bank Between 1984 and 1991 in Million \$ and Percentages

Expenditures Items	1984		1985		1987		1988		1991		Average %
	M \$	%									
Water Resources	1.8	10	1.9	13	3.1	10	2.4	8	3.2	9	10
Grants to Local Councils	5.5	30	3	20	6.2	20	5	15	5.7	16	20
School Buildings	0.9	5	1.1	7	2.3	7	1.5	5	2.5	7	5
Post Development	-	-	0.1	1	0.2	1	0.3	1	0.3	1	1
Electric Girds	2.3	12	1.2	8	1.2	4	1	3	0.4	1	5
Telephones	1.9	10	1.5	10	4.5	15	3.4	11	3.2	9	11
Roads	1.9	10	2.4	16	3.2	10	4.9	15	4.2	12	13
Health	2.2	12	2.2	15	8.2	26	8.3	26	5.6	16	22
Civil Administration	-	-	0.5	3	0.6	2	3.3	10	4.3	12	5
Archeology	0.2	1	0.1	0	0.2	1	0.2	1	0.4	1	1
Industry & Agriculture	1.4	8	-	-	-	-	-	-	-	-	1
Reserve - Inflation	-	-	0.7	5	0.8	3	1	3	-	-	2
Other items	0.4	2	0.3	2	0.3	1	0.6	2	5.6	16	4
Total Value in M \$	18.5		15		30.8		32		35		100%

Sources: Data based on

a) Collected data by the Author

b) State Budget of Israel 1984-1992, item 17 Sections 50-69, (issues 1984-1992).

Table No. 48
 Distribution of Capital Expenditures Central Budget by Organization for
 Gaza Strip Between 1984 and 1991 in Million \$ and Percentages

Expenditures Items	1984		1985		1987		1988		1991		Average %
	M \$	%	M \$	%							
Grants to local Councils	4.9	47	2.1	49	5.6	42	6.6	94			43.6
Welfare	-	-	0.1	1	0.1	1	-	-			0.6
Agriculture	0.1	1	0.1	1	-	-	0.1	1			0.6
School Building	1.4	13	1	24	1.9	14	1.9	10			15.6
Health	1.9	18	0.4	12	1.2	9	2.6	13			13.8
Planning- Infrastructure	-	-	-	-	2.2	16	2.4	12			6.6
Telephones	1.4	14	0.2	4	0.8	6	0.9	4			5.8
Reserve	-	-	0.2	5	0.4	3	1.1	6			3.4
Roads	0.3	3	-	-	-	-	-	-			0.6
Vocational Training	-	-	-	-	-	-	2.1	11			2.2
Other items	0.4	4	0.2	4	1.2	9	1.7	9			7.2
Total Value in M \$	10.4		4.3		13.4		19.4		16.5		100%

Sources: Data based on

a) Collected data by the Author

b) State Budget of Israel 1984-1992, item 17 Sections 50-69, (issues 1984-1992).

Table No. 49
Distribution of Municipalities Capital Expenditures Budget by Object
in the PALESTINE in Ratios and Values in Million Dollars up to 1991/1992

Capital Expenditure Items	West Bank					Gaza Strip			
	1968 %	1979 %	1987 %	1991 %	Average %	1979 %	1987 %	1991 %	Average %
Roads	41	35	32	30	34.5	42	28	14	28.0
Establishments	16	36	13	5	17.5	-	-	55	18.3
Water	-	-	-	-	-	9	23	-	10.7
Electricity	-	-	-	-	-	10	10	-	6.7
Sewage	-	-	-	-	-	22	20	-	14.0
Public Building	17	15	21	25	19.5	-	8	-	2.7
Health	6	6	11	15	9.5	-	-	-	-
Assets	20	8	23	25	19.5	8	7	-	5.0
Other Items	-	-	-	-	-	9	4	31	14.6
Total in %	100%	100%	100%	100%		100 %	100 %	100 %	
Total Value M\$	\$ 1	\$ 9	\$ 11	\$ 7		\$ 6	\$ 16	2.4	

Sources:

- a) Collected data and interviews with Municipal officials in the PALESTINE
- b) ICBS Judaea, Samaria and Gaza Area Statistics and Administrative Territories Statistical Quarterly (various issues 1970-1993).

Table No. 50
 Proforma Integrated Statement For Government and Non-Government Budgets
 Participated in Public Services in the PALESTINE For 1988-89 in Million Dollars

Expenditures	Budget Items	Value	Revenues	Budget Items	Value
Social Services	Education	\$ 136	Government Budget Revenues	Direct Tax	\$ 60
	Health	79		Indirect Tax	99
	Social Welfare	24		Other Revenues	76
Economic Services	Various Items	82	External Sources	UNRWA	85
				Arab Sources	59
				Western & Others	54
General Services	General Management	54	Local Revenues	Municipal-ities	58
	Justice	2		Local Councils	7
Community Services	Various Items	4	Independent Units	Al-Waqf	2
				Islamic Courts	1
Capital Budget	Various Items	51			
Municipal Councils	Various Items	62			
Local Councils	Various Items	7			
Total		\$ 501	Total		\$ 501

Complied by the Author

TABLE NO. 51
 Estimation of the Government Central Current Expenditures Budget
 for the Recovery Period 1992-96 In Million Dollars*

Scenarios A and B

Expenditures budgets Items		1992 /93	1993 /94	1994 /95	1995 /96
General Service s	General Management and Defence	\$ 105	\$ 110	\$ 116	\$ 122
	Justice and Police	26	27	28	30
Communi ty Service s	Roads Maintenance	10	10	11	12
	Water Projects	15	16	17	18
	Other Services	6	6	6	6
Social Service s	Education	116	122	128	134
	Health	74	78	81	85
	Social Welfare	17	18	19	20
	Other Social	4	4	4	4
Economi c Service s	Agriculture	15	16	17	18
	Fuel and Power	11	12	13	13
	Industry	13	14	15	16
	Other Sectors	4	4	4	4
Un-allocated budget Item		22	23	24	25
Total Current Expenditures		438	460	483	507

* In constant 1990 US.\$ prices

TABLE NO. 52

Estimation of the Government Central Current Expenditures Budget
for the Growth Period 1996-2000 In Million Dollars*

Scenarios A

Expenditures budgets Items		1996 /97	1997 /98	1998 /99	1999 /2000
General Services	General management and defence	\$ 128	\$ 134	\$ 141	\$ 148
	Justice and Police	32	34	35	37
Community Services	Roads Maintenance	12	13	14	15
	Water Projects	18	19	20	21
	Other Services	7	7	7	7
Social Services	Education	140	148	155	163
	Health	90	94	99	104
	Social Welfare	20	21	22	23
	Other Social	5	5	5	5
Economic Services	Agriculture	19	19	20	21
	Fuel and Power	13	14	14	15
	Industry	16	17	18	18
	Other Sectors	5	5	5	5
Un-allocated budget Item		27	28	29	30
Total Current Expenditures		531	558	582	610

*In constant 1990 US.\$ prices

TABLE NO. 53
 Estimation of the Government Central Current Expenditures Budget
 for the Growth Period 1996-2000 In Million Dollars*

Scenarios B

Expenditures budgets Items		1996 /97	1997/ 98	1998 /99	1999 / 2000
General Services	General management and defence	\$ 131	\$ 142	\$ 154	\$ 167
	Justice and Police	33	36	39	42
Community Services	Roads Maintenance	13	14	15	16
	Water Projects	20	22	24	26
	Other Services	6	6	6	7
Social Services	Education	144	156	170	184
	Health	92	100	108	117
	Social Welfare	21	23	25	27
	Other Social	5	5	5	6
Economic Services	Agriculture	19	21	23	25
	Fuel and Power	14	15	17	19
	Industry	16	17	19	21
	Other Sectors	5	5	5	5
Un-allocated budget Item		27	30	32	35
Total Current Expenditures		546	592	642	697

*In constant 1990 US.\$ prices

TABLE NO. 54
 Estimation of the Government Central Development Expenditures Budget for
 the Recovery Period 1992-1996 In Million Dollars*

Scenarios A and B

Expenditures budgets Items		1992/93	1993/94	1994/95	1995/1996
General Infrastructure	Roads	\$ 28	\$ 29	\$ 31	\$ 32
	Security facilities	13	14	14	15
	Air and sea ports	15	15	16	17
	Public buildings	19	20	21	22
Community Infrastructure	Telephones	19	20	21	22
	Communications	6	6	6	7
	Parks-entertainment buildings	4	4	4	4
Social Infrastructure	Health facilities	7	7	8	8
	Educational buildings	9	10	10	11
	Social institutions	2	2	2	2
	Housings	19	20	21	22
Economic Infrastructure	Irrigation	7	8	8	9
	Electricity capacity	19	20	21	22
	Stocks-Public corporations	4	4	4	4
	Reserves	7	7	8	8
Un-allocated budget Item		9	10	10	11
Total Development Expenditures		186	195	205	216

*In constant 1990 US.\$ prices

TABLE NO. 55
 Estimation of the Government Central Development Expenditures Budget for the Growth
 Period 1996-2000 In Million Dollars*

Scenario A

Expenditures budgets Items		1996/97	1997/98	1998/99	1999/ 2000
General Infrastructure	Roads	\$ 34	\$ 36	\$ 37	\$ 39
	Security facilities	16	17	17	18
	Air and sea ports	18	19	20	21
	Public buildings	23	24	25	26
Community Infrastructure	Telephones	23	24	25	26
	Communications	7	7	7	7
	Parks-entertainment buildings	5	5	5	5
Social Infrastructure	Health facilities	9	10	11	11
	Educational buildings	11	12	13	14
	Social institutions	2	2	2	2
	Housings	23	24	25	26
Economic Infrastructure	Irrigation	9	10	10	11
	Electricity capacity	23	24	25	26
	Stocks-Public corporations	4	5	5	5
	Reserves	9	10	10	11
Un-allocated budget Item		11	12	13	14
Total Development Expenditures		227	239	249	261

*In constant 1990 US.\$ prices

TABLE NO. 56
 Estimation of the Government Central Development Expenditures Budget for the Growth
 Period 1996-2000 In Million Dollars*

Scenario B

Expenditures budgets Items		1996/97	1997/98	1998/99	1999/ 2000
General Infrastructure	Roads	\$ 35	\$ 38	\$ 41	\$ 45
	Security facilities	16	18	19	21
	Air and sea ports	19	20	22	24
	Public buildings	23	26	28	30
Community Infrastructure	Telephones	24	25	27	30
	Communications	7	8	8	9
	Parks-entertainment buildings	5	5	6	6
Social Infrastructure	Health facilities	9	10	11	12
	Educational buildings	12	13	14	15
	Social institutions	2	3	3	3
	Housings	24	26	28	30
Economic Infrastructure	Irrigation	9	10	11	12
	Electricity capacity	23	26	28	30
	Stocks-Public corporations	5	5	5	5
	Reserves	9	10	11	12
Un-allocated budget Item		12	13	14	15
Total Development Expenditures		234	255	276	299

*In constant 1990 US.\$ prices

TABLE NO. 57
 Estimation of the Government Local (MUNICIPALITIES AND COUNCILS) Expenditures
 Budget for the Recovery Period 1992-1996 In Million Dollars*
Scenarios And B

Expenditures budgets Items		1992/93	1993/94	1994 /95	1995/ 1996
General Services	General management	\$ 6	\$ 7	\$ 7	\$ 7
	Salaries	25	27	29	31
	Equipments	7	8	8	8
	Supplies	5	6	6	6
Establishments current expenses	Waters projects	13	13	14	15
	Electricity	19	20	21	22
	Sewage projects	6	7	7	7
Extra-Ordinary	Public property & acquisition of land	10	11	11	12
	Public buildings	4	4	4	4
	Housings	5	5	5	6
	Payments of loans	5	5	6	6
	Roads & lighting	9	9	10	10
	Establishments projects	5	5	6	6
Un-allocated budget Item		6	7	7	7
Total Current Expenditures		126	133	140	147

*In constant 1990 US.\$ prices

TABLE NO. 58
 Estimation of the Government Local (MUNICIPALITIES AND COUNCILS) Expenditures
 Budget for the Growth Period 1996-2000 In Million Dollars*

Scenario A

Expenditures budgets Items		1996/97	1997/98	1998/99	1999/ 2000
General Services	General management	\$ 8	\$ 8	\$ 9	\$ 9
	Salaries	31	33	34	36
	Equipments	9	10	10	11
	Supplies	6	6	7	7
Establishments current expenses	Waters projects	16	16	17	18
	Electricity	23	24	26	27
	Sewage projects	8	8	8	9
Extra- Ordinary	Public property & acquisition of land	12	13	14	14
	Public buildings	5	5	5	5
	Housings	6	7	7	7
	Payments of loans	6	6	7	7
	Roads & lighting	11	11	12	13
	Establishments projects	6	7	7	7
Un-allocated budget Item		8	8	9	9
Total Current Expenditures		155	161	170	179

*In constant 1990 US.\$ prices

TABLE NO. 59
 Estimation of the Government Local (MUNICIPALITIES AND COUNCILS) Expenditures
 Budget for the Growth Period 1996-2000 In Million Dollars*

Scenario B

Expenditures budgets Items		1996/97	1997/98	1998/99	1999/ 2000
General Services	General management	\$ 8	\$ 9	\$ 9	\$ 10
	Salaries	32	35	38	41
	Equipments	10	10	11	12
	Supplies	6	7	8	8
Establishments current expenses	Waters projects	16	17	19	20
	Electricity	24	26	28	31
	Sewage projects	8	9	9	10
Extra-Ordinary	Public property & acquisition of land	13	14	15	16
	Public buildings	5	5	6	6
	Housings	7	7	8	8
	Payments of loans	6	7	7	8
	Roads & lighting	11	12	13	14
	Establishments projects	7	7	8	8
Un-allocated budget Item		8	9	9	10
Total Current Expenditures		160	173	189	204

*In constant 1990 US.\$ prices

TABLE NO. 60
 Estimation of the Government Central Revenues Budgets
 For Recovery Period 1992-1996 in Million Dollars
Scenarios A and B

Revenues Items		1992/93	1993/94	1994/95	1995/ 96
Direct Taxes	Payroll	\$ 9	\$ 10	\$ 10	\$ 11
	Self Employed	19	20	21	22
	Partnerships	19	20	21	22
	Corporations	42	44	46	49
	Others income	5	5	5	5
Indirect taxes	Customs duties	75	79	82	87
	Excise on selected products	22	23	24	27
	Registration fees	38	40	42	44
	Fees and stamps	15	16	16	17
Non-tax revenues (fees for government services)	Education fees	17	18	19	20
	Health fees	34	36	38	39
	Justice fees	23	24	25	27
	Telephone revenues	22	23	24	25
	Postage	11	11	12	12
Revenues from Public sectors	Other services fees	5	6	6	7
	Properties revenues	8	8	9	9
	Shares and bonds	4	4	4	4
	Profit from public corporations	7	8	8	8
Local loans		50	53	56	58
Foreign loans		50	52	55	57
Grants and change the balance of gold		150	158	165	173
Total Revenues: PALESTINE in \$ Million		624	655	688	723

* In constant 1990 US.\$ prices

TABLE NO. 61
 Estimation of the Government Central Revenues Budgets
 For The Growth Period 1996-2000 in Million Dollars

Scenario A

Revenues Items		1996/97	1997/ 1998	1998/ 1999	1999/ 2000
Direct Taxes	Payroll	\$ 12	\$ 12	\$ 13	\$ 13
	Self Employed	23	24	25	26
	Partnerships	23	24	26	27
	Corporations	52	55	57	60
	Others income	6	6	6	6
Indirect taxes	Customs duties	91	96	102	106
	Excise on selected products	27	29	30	31
	Registration fees	46	48	50	52
	Fees and stamps	18	19	20	21
Non-tax revenues (fees for government services)	Education fees	21	22	23	24
	Health fees	41	43	45	47
	Justice fees	27	28	30	31
	Telephone revenues	27	29	30	31
	Postage	14	15	16	16
	Other services fees	7	7	7	7
Revenues from public sectors	Properties revenues	9	10	10	10
	Shares and bonds	5	5	5	5
	Profit from Public corporations	9	10	10	10
Local loans		50	53	55	58
Foreign loans		50	52	55	58
Grants and change in the balance of the gold		200	210	220	232
Total Revenues: PALESTINE in \$ Million		758	797	831	871

*In constant 1990 US.\$ prices

TABLE NO. 62
 Estimation of the Government Central Revenues Budgets
 For Growth Period 1996-2000 in Million Dollars

Scenario B

Revenues Items		1996/97	1997/98	1998/99	1999/ 2000
Direct Taxes	Payroll	\$ 12	\$ 13	\$ 14	\$ 15
	Self Employed	23	25	28	30
	Partnerships	24	25	28	30
	Corporations	53	57	62	67
	Others income	6	7	7	7
Indirect taxes	Customs duties	94	101	110	119
	Excise on selected products	28	31	33	36
	Registration fees	47	51	55	60
	Fees and stamps	18	20	22	24
Non-tax revenues (fees for government services)	Education fees	21	23	25	27
	Health fees	42	46	49	54
	Justice fees	28	30	33	36
	Telephone revenues	28	31	33	36
	Postage	14	15	16	18
	Other services fees	7	8	8	9
Revenues of public sectors	Properties revenues	9	10	11	12
	Shares and bonds	5	5	5	6
	Profit from public corporations	9	10	11	12
Local loans	50	54	59	64	
Foreign loans	50	54	59	64	
Grants and change in the balance of the gold	212	230	250	270	
Total Revenues: PALESTINE in \$ Million		780	846	918	996

*In constant 1990 US.\$ prices

TABLE NO. 63
 Estimation of the Government Local (Municipalities and Councils) Revenues Budgets For
 Recovery Period 1992-1996 in Million Dollars
Scenarios A and B

Revenues Items		1992/ 93	1993/ 94	1994/ 95	1995/ 96
Taxes	Unified Local tax	\$ 15	\$ 16	\$ 17	\$ 17
	Unified Licenses	25	27	28	29
Fees	Vegetables & fruits fees	13	13	14	15
	Slaughtering fees	5	5	6	6
	Other fees	1	1	1	1
Establishments Revenues	Water	13	13	14	15
	Electricity	23	24	25	26
	Sewage	4	4	4	4
	Recreation centers	3	3	3	3
	Other services fees	3	3	3	3
Revenues from Owned projects	Lease of properties	4	4	4	4
	Profit from Public corporations	3	3	3	3
	Others	1	1	1	2
Grants and other revenues		15	16	17	18
Total Revenues in the PALESTINE of local budget in \$ Million		126	133	140	147

*In constant 1990 US.\$ prices

TABLE NO. 64
 Estimation of the Government Local (Municipalities and Councils) Revenues Budgets For
 Growth Period 1996-2000 in Million Dollars

Scenario A

Revenues Items		1996/97	1997/ 1998	1998/ 1999	1999/ 2000
Taxes	Unified Local tax	\$ 19	\$ 20	\$ 21	\$ 22
	Unified Licenses	31	33	34	36
Fees	Vegetables & fruits fees	15	16	17	18
	Slaughtering fees	6	6	7	7
	Other fees	2	2	2	2
Establishments Revenues	Water	15	16	17	18
	Electricity	28	29	31	32
	Sewage	5	5	5	5
	Recreation centers	3	3	3	4
	Other services fees	3	3	3	4
Revenues from Owned projects	Lease of properties	5	5	5	5
	Profit from Public corporations	3	3	3	3
	Others	1	1	2	2
Grants and other revenues		19	19	20	21
Total Revenues of PALESTINE Local budgets in \$ Million		155	161	170	179

*In constant 1990 US.\$ prices

TABLE NO. 65
 Estimation of the Government Local (Municipalities and Councils) Revenues Budgets For
 Growth Period 1996-2000 in Million Dollars

Scenario B

Revenues Items		1996/97	1997/ 1998	1998/ 1999	1999/ 2000
Taxes	Unified Local tax	\$ 19	\$ 21	\$ 23	\$ 25
	Unified Licenses	32	35	38	41
Fees	Vegetables & fruits fees	16	17	19	20
	Slaughtering fees	6	6	7	8
	Other fees	2	2	2	2
Establishment Revenues	Water	16	17	19	20
	Electricity	29	31	34	37
	Sewage	5	5	5	6
	Recreation centers	3	3	4	4
	Other services fees	3	3	4	4
Revenues from Owned projects	Lease of properties	5	5	6	6
	Profit from Public corporations	3	3	4	4
	Others	2	2	2	2
Grants and other revenues		19	20	22	25
Total Revenues in the PALESTINE of local budget in \$ Million		160	173	189	204

*In constant 1990 US.\$ prices

TABLE NO. 66
List of Income Sources, Entities, Exemptions and Deductions Applicable to the Suggested Tax System in the PALESTINE

Tax Sources & Entities	Exemptions & Deductions	Justifications & notes
Individual Taxpayers* (Payroll, self employed, partnership)	* \$ 1000 for the wife * \$ 500 per child and dependent up to 5 * Medical expenses more than \$ 1000 * Inflation allowance up to 10% of the total	-Family exemptions; -social justifications -Tax is imposed on the <u>total</u> income including all allowances
Individual Taxpayers (Payroll, self employed, partnership)	* All of end of service compensations * Pensions payments	Personal & Family exemptions; social justifications
Individual Taxpayers (self employed & partnership)	* The other paid taxes income and local taxes	Indirect taxes not deductible
Business activities (Self employed, partnership and corporations)	* Casualty and theft * Losses from previous taxable years	Based on general accounting principles and related laws
Business farming Firms	* Farming (individual farms and partnership)	To encourage farming business
Individuals taxpayers (payrolls)	* Non-Palestinians diplomatic statues employees in the PALESTINE	Based on reciprocal treatments
Interests and government bonds	* Completely	To encourage saving
Corporations	* The total dividends	To avoid the double taxes
Local authorities	* All revenues	As a public sector
Cooperatives refunds	* Interest on capital, * Reduced tax rate on refunds	To apply 10% taxes on refunds
Business Firms** (Self-employed, Partnerships, & corporations)	* Operation cost and annual expenses * charitable contributions	Tax is imposed on the <u>net</u> income
Non-profit firms	* Revenues from non-business activities	Registered firms only
Non- residents citizens	* More than 6 months	To avoid the double taxes
Business corporations	* Exemption of new industries & others	According to the law of encouragement of investments
Trade unions and political parties	* Revenues from non-business activities	Not applicable to business activities

* Citizens and residents in the PALESTINE

** All firms located in the PALESTINE

TABLE NO. 57
The Suggested Tax Rates Schedule for Taxpayers

(Payroll of Individuals and Self Employed Business)

Taxable Income	Progressive Rates	Accumulated tax value	Average Tax Ratio
\$ 0 - \$ 4999	0%	\$ 000	0%
5000 - 9999	5%	250	2.5%
10000- 19999	10%	1250	6.3%
20000 - 39999	15%	2750	6.9%
40000 above	20%		

TABLE NO. 68

The Suggested Tax Rates Schedule for Taxpayers
(Partnership, Corporations and Other Independents Entities)

Business Entities	Taxable Income	Rates
Partnerships	\$ 0 - 25,000	20%
	25,000 - 50,000	25%
	50,000 - and above	30%
Private Corporations	0 - 50,000	25%
	50,000 - and above	32%
Public Corporations	0 - 100,000	25%
	100,000 - and above	32%
Cooperatives	The Surplus for Refunds	10%
Business owned by non-profit firms	100,000 - and above	20%
Financial Institutions (Banks, Insurance companies, and others)	1- and above	40%

*

TABLE NO. 69
 Summary of the Suggested Integrated Annual CENTRAL and LOCAL Budget
 in the PALESTINE as in 1993-94
 Including Current and Development Expenditures and Revenues in \$ Million

Total Expenditures	1993-1994	Total Revenues	1993-1994
Part I Central Current		Part I Central Revenues	
General services	\$ 131	Direct tax	\$ 94
community services	31	Indirect tax	150
Social services	210	Non tax revenues	112
Economic services	44	Revenues from public sector	18
Un-allocated items	22	Local loans	50
Part II Central Development	186	Foreign loans	50
Part III Local Current	89	Grants, other revenues	150
Part VI Local Development	38	Part II Local revenues	126
<u>Total Central and Local budgets in Million</u>	<u>\$ 750</u>	<u>Total Central and local revenues in Million</u>	<u>\$ 750</u>

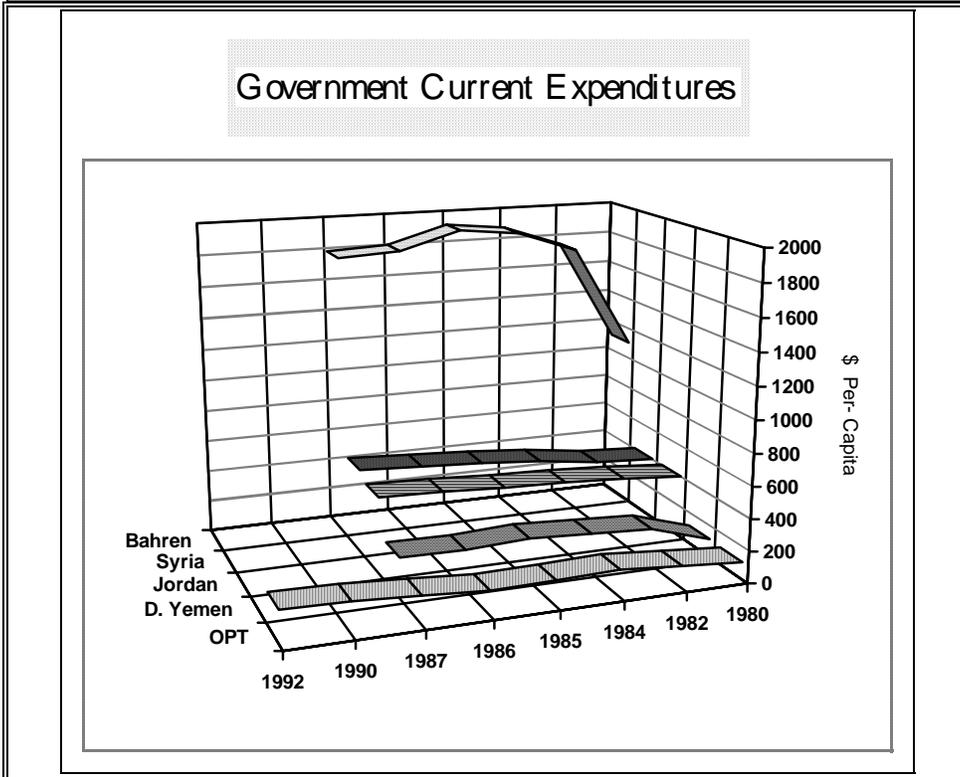
TABLE NO. 70
Summary of the Suggested Tax System to be Imposed and/or to replace
The Present Tax System in the PALESTINE

Types of Taxes To be Imposed		Rates	Bases	% of Total* Tax Revenue
Direct Taxes	Payroll	progressive	total income	4% \$ 12 m.
	Business	0% TO 30%	net income	30% \$100 m.
Indirect Taxes	Customs	various rates for different types of imported good	% of imported goods value	22% \$ 75 m.
	Excise on selected items	various rates	% of the wholesaling value	5% \$ 15 m.
	Transactions	various rates	% of the transaction value	22% \$ 75 m.
Local Taxes	Property	rate-M ² - class	area- property	7% \$ 25 m.
	Licenses Fees	rate per vegetable-fruits groups	% of the sales value	9% \$ 19 m.
	Registration Fees	rate per class	% of the capital of the business firm	5% \$ 15 m.

The estimated total taxes to be collected for central and local levels are expected to be \$ 336 million in the PALESTINE in 1993-94, with a tax burden per capita of about \$ 191.

Figure No. 1

Current Government Budget Expenditures Per-Capita for Some Arab States and the PALESTINE



Compiled by the Author

Based on: a- presented data

b- data concerned Arab Countries are From UNESCWA National Accounts Studies of the ESCWA (United Nations, Bulletin No. 10, Baghdad) 1988, p. 9 and 17.

Figure No. 2

Capital Formation By Type and Purpose in Percentages for
the Period (1968-1992)
in the PALESTINE

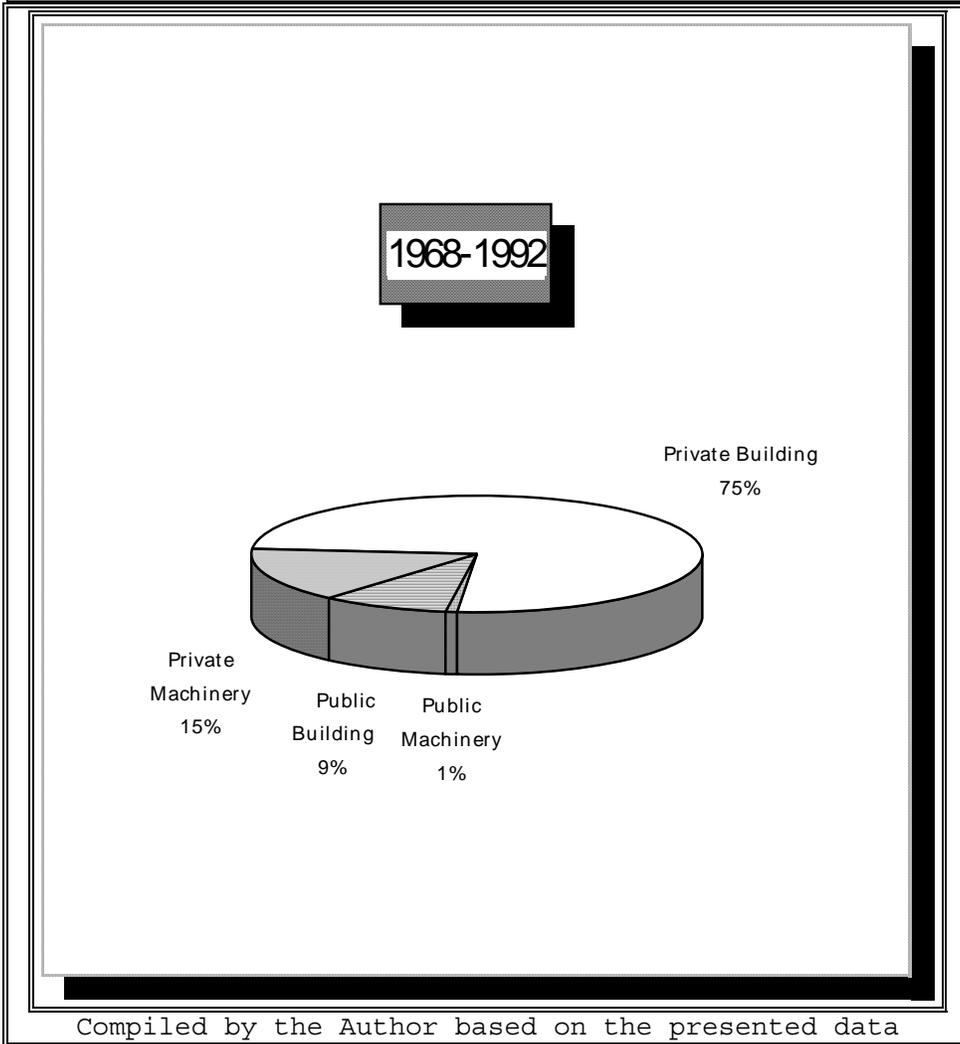
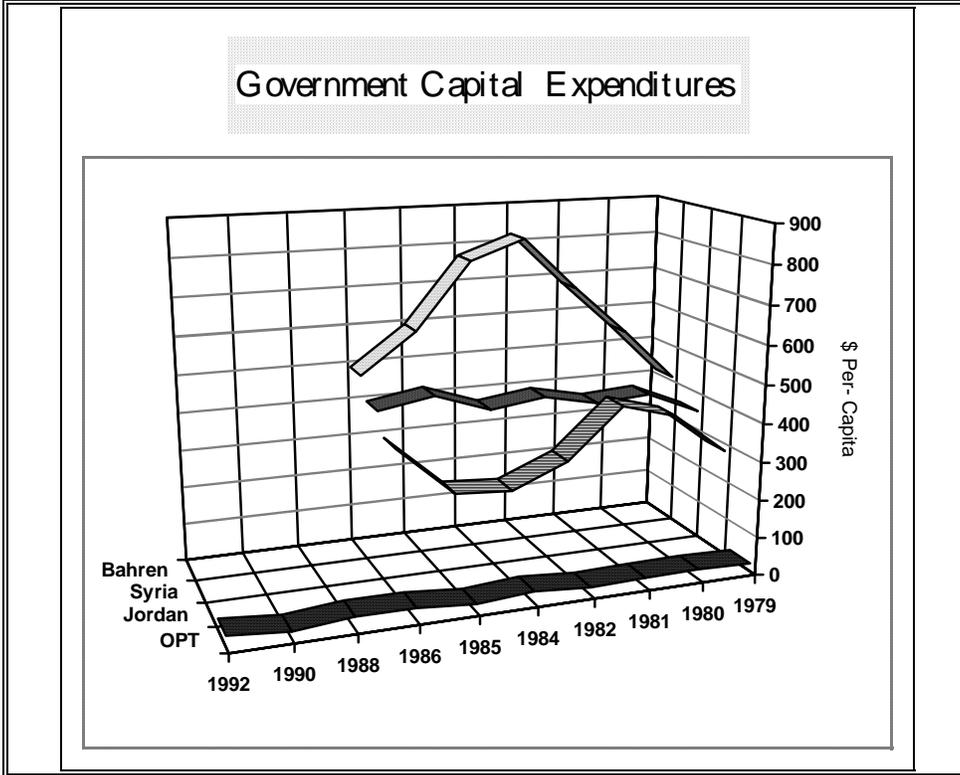


Figure No. 3

Capital Government Budget Expenditures Per-Capita for Some Arab States and the PALESTINE (1968-1992)



Compiled by the Author

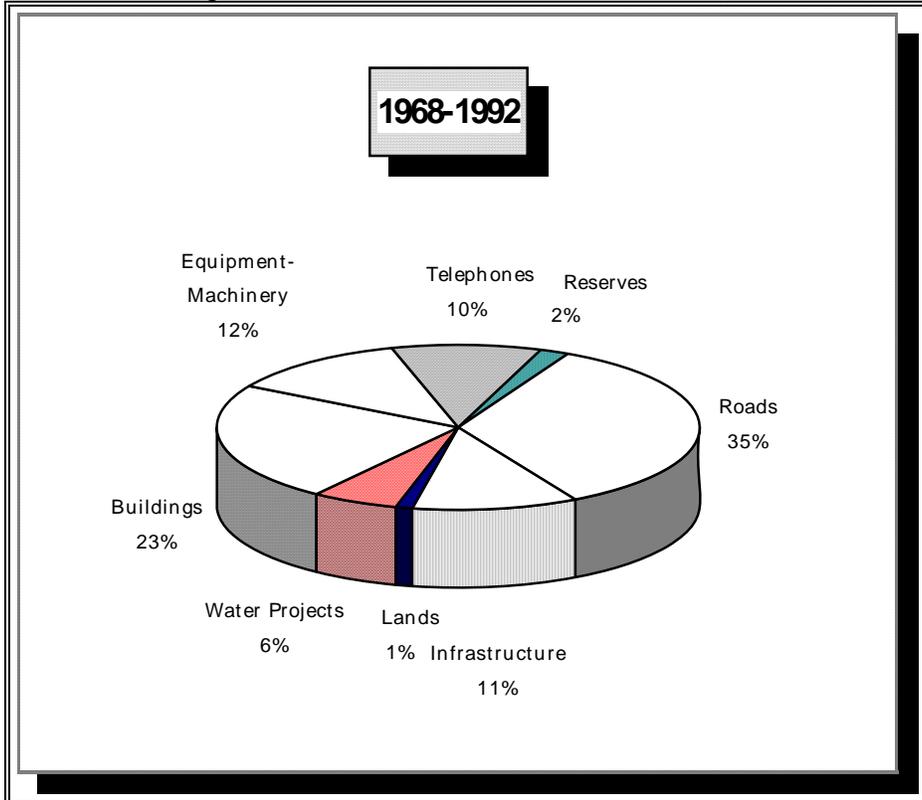
Sources

Based on: a- presented data

b- data concerned Arab Countries are From UNESCWA **National Accounts Studies of the ESCWA** (United Nations, Bulletin No. 10, Baghdad) 1988, p. 9 and 17.

Figure No. 4

Capital Formation as Provided by Central and Local Government in Percentages in the PALESTINE For the Period (1968-1992)



Compiled by the Author based on the presented data

Figure No. 5

Distribution of Current Government Budget Expenditures In the
PALESTINE
Average Ratios: 1968-1992

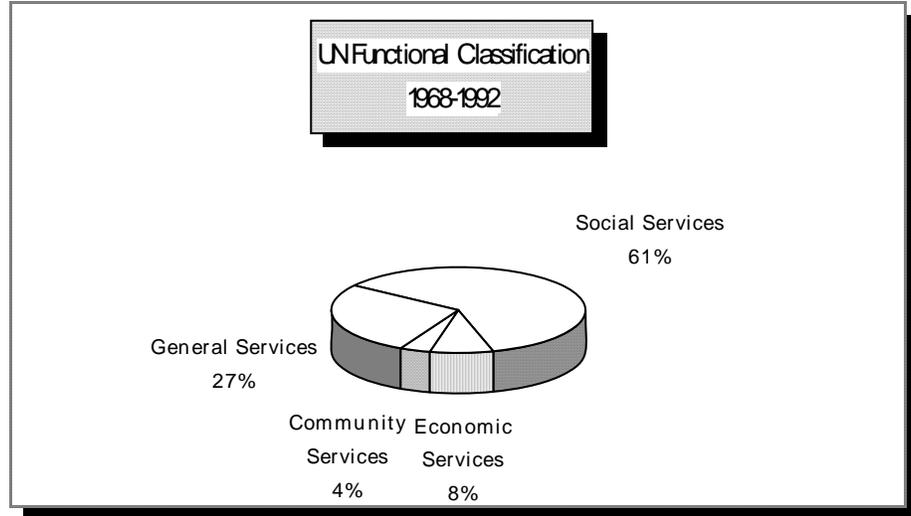
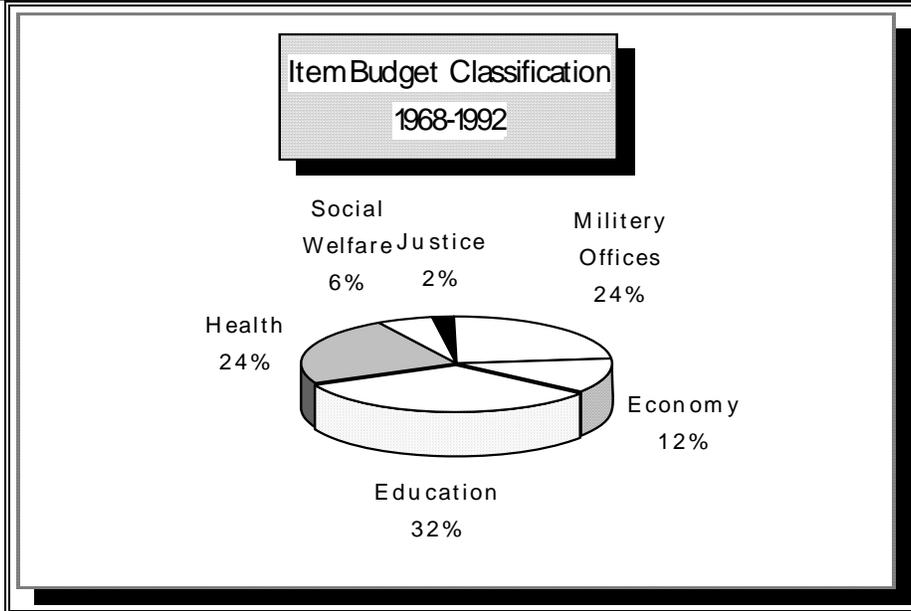


Figure No. 6

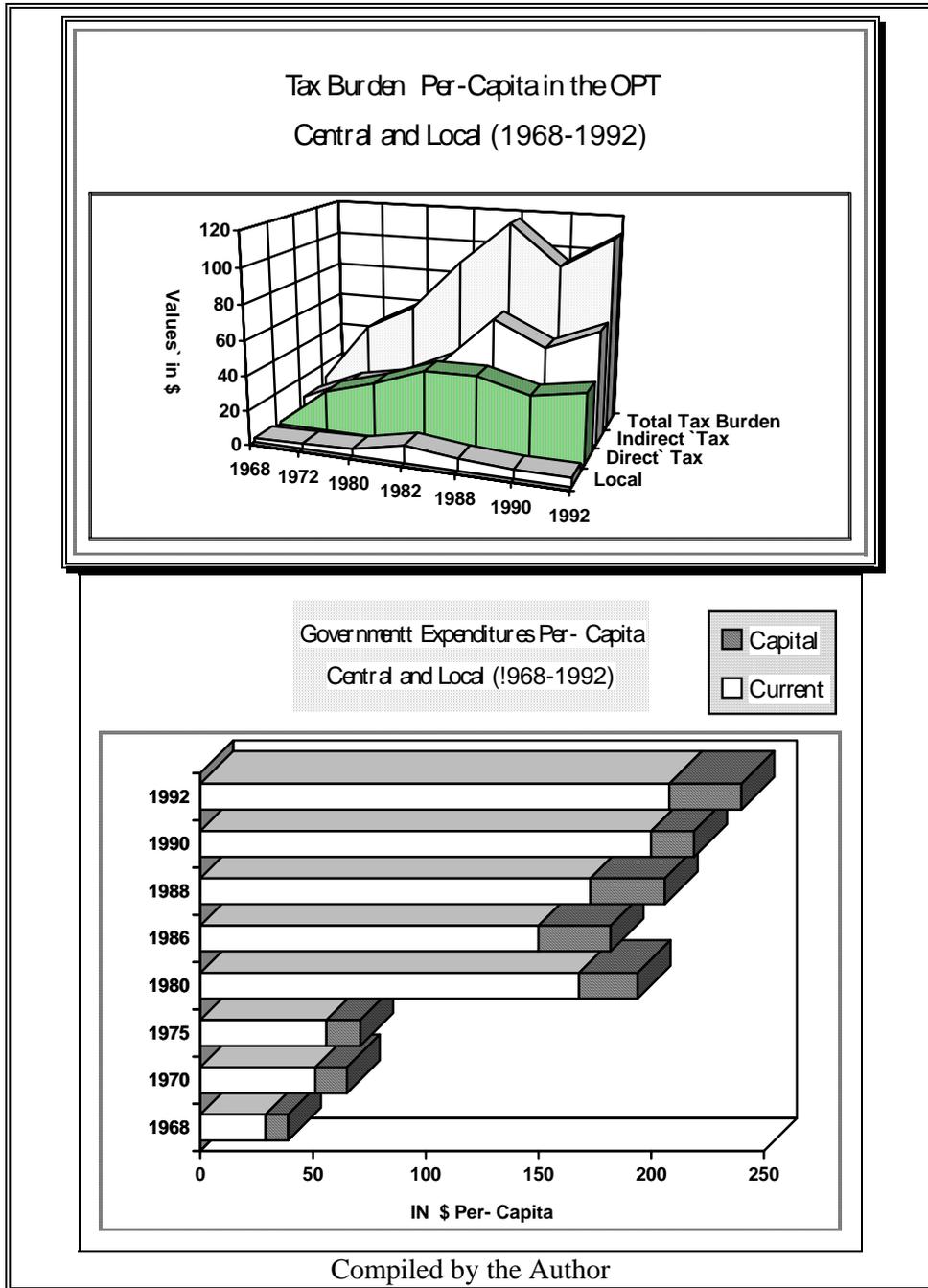


Figure No. 7

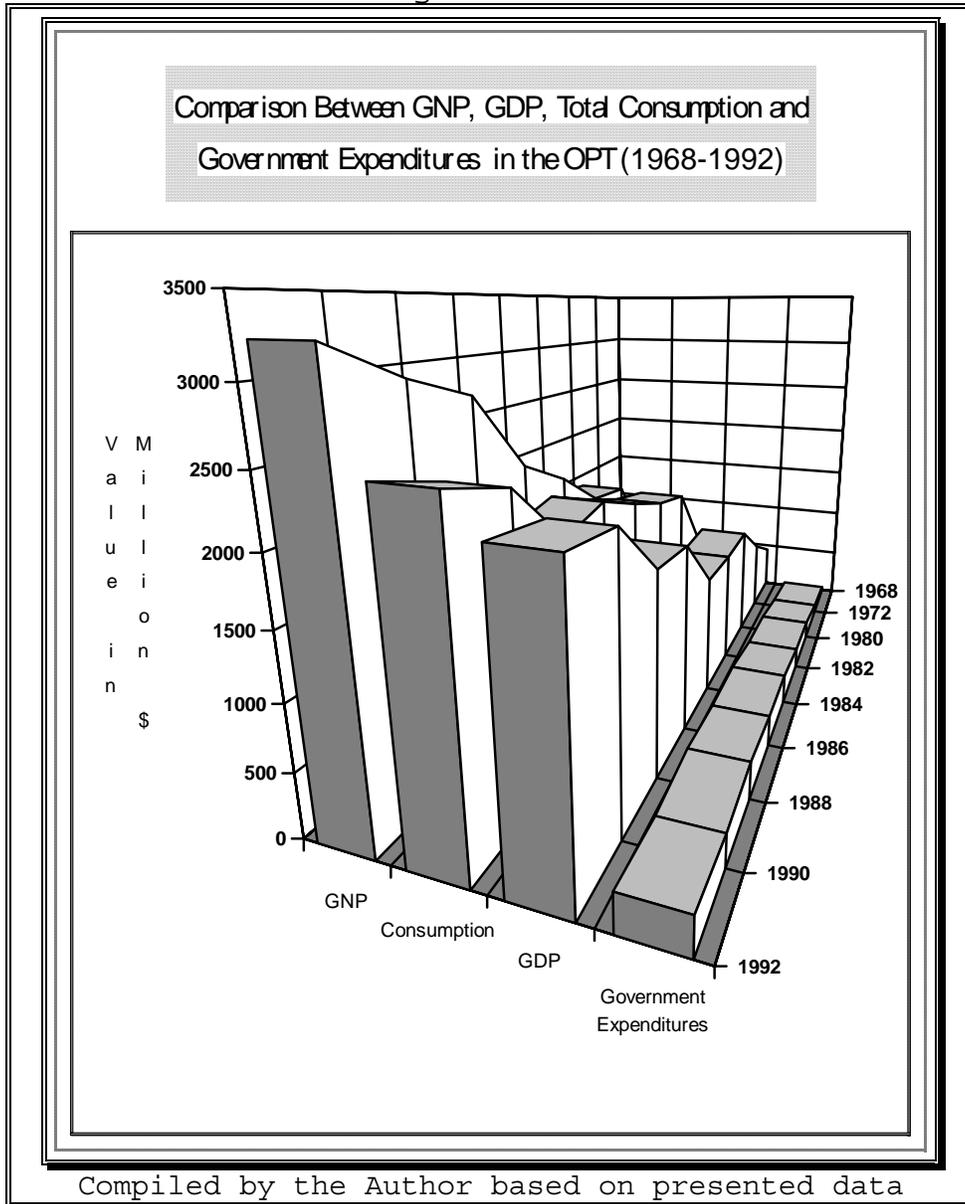


Figure No. 8
 Government Budget Expenditures in the PALESTINE
 By Level and Economic Classification (1968-1992)

