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We thank the JMCC for inviting us to take part in this symposium. I am grateful for this invitation I would like to say that there are figures, specially who are well informed on the financial authority, if these figures are not true then the reason is because it was difficult to get the correct information as Dr. Ghassan said that I am I will be willing to be corrected, but the aim was to find a logical analysis of this thing. We are not going to talk about half million or one million here and there we talk about financial performance.

The paper that I prepared defines three bases for the financial performance of any authority, these three bases are as follows:

1. The capacity to recruit the sufficient financial sources and to meet the emergency and developmental needs as the authority has to provide the sufficient financial sources for its people and society.
2. To have a good government, good policy of spending and a balanced one that will meet the economic and social goals.
3. To have a competent public financial administration based on the two principles of transparency and accountability for getting the money or spending them you need a competent authority that is for sure.

Now if we are to judge the tenth government on these bases, then we can say the following, the volume and public revenues. The public revenues were divided into two sources:

Local sources that come in the form of taxes linked to productive investment and consumer activities for people and individuals within the borders of the PNA. These local revenues were 24 million dollars monthly so the total sum for the whole year was about 300 million dollars. Then we have tax revenues transferred from the Israeli government to the presidency and it was about 100 million dollars from the amount of 600 hundred dollars entitled in accordance to the Paris agreement.

External assistance: It was about 700 million dollars in total last year that came in the form of cash not loans most of them came or where given to the beneficiary according to the Temporary International Mechanism (TIM) adopted by the Quartet Committee and the other part was through the presidency institution and very small some through the government.

Despite the volume of external assistance to the authority, it maintained its average level compared with the previous years or maybe there was a decrease by little more than 50 million dollars from 1994 – 2005 but these assistances were characterized with the following:

They were more irregular pertaining time and volume. They were unpredictable. More plurality pertaining to resources and channels which made their influence less and reduced the capability of the central authority of using them and benefiting from them. Therefore the impact of the authority was very low.

The total revenues, cash revenues was 1.1 billion dollars last year but the entitled revenues which were not received because there was a siege by the Israeli government and these are estimated to reach 500 million dollars. Dr. Samir and Dr. Rafiq can correct me if I am mistaken. The self revenues, or the tax burden compare to the GDP of the last year was 23 percent. This burden is apparently more than the tax capability of the economy which is 20 percent so we are getting more taxes than the neighboring economics.

It is clear that the taxation efforts of the Palestinian authority have improved last year. it was 16 percent. This improvement and the tax effort maybe in the decline GDP which was the

result of Israeli and International siege or to the improvement of the competence of the tax system and restricting any escaping taxes.

The structural defect in the self revenues of the authority and this was manifested in the fact that most of revenues come from indirect taxes on commodity and services and not in income.

The two thirds of this revenue are linked to the Israeli security and political mood and based on the amount of cash that we receive and not to what we are entitled to get.

The external assistance is political assistance par excellence and we should not count on it.

Now if we move to the volume and structure of expenditure in 2006 contrary to the public revenues that retreated, the public expenditure increased over the years which added to the deficit of the government budget at the time when the public expenditure of 2000 which is an exemplary year to financial situation in Palestine because we have two third plus of 13 million dollars, so it was 1.3 billion dollars to which is 26 percent to the GDP of them one million for the not running cost and the rest for development so 2.3 billions was expenditure in 2005 and this has increased in the budget of 2007 it is estimated as 64 percent which is 2.6 billion dollars (which is an imaginable one 2.2 billion dollars are for running cost and the rest for development), the most part is for salaries that wages, and for the appointments, the government was always violating the ceiling that was put for the budget not just the tenth government but all governments.

And then another problem is the application of the financial part of the Civil Service Law - the policy of appointments in 2006 did not change from the previous years neither number-wise nor the methodology, the slogan no for political appointment and yes for appointment of competence which was mentioned in the Hamas Electoral Agenda remained ink on paper without any implementation. There was no change in the public expenditure and structure and the tenth government kept that as it is. Rationalizing the public expenditure that was expressed by Hamas before and during the elections was not implemented. The government official efforts as manifested in the actual expenditure policies did not include any serious indications to adopting new economical social policies that are different from before.

With this situation, the current deficit on the basis of entitled increased into 300 million dollars while the cash deficit increased to 800 million dollars if we add what we are entitled to with the Israelis.

This become three times as much before getting the external assistance, deficit the current deficit on the basis of entitlement is not different from the years of 2001 and 2005 although it is much more the deficit in 2000. The total deficit after taking the developmental expenditure into consideration, is infinitive because these expenditures are totally covered by the donors. And these expenditures increased:

1. Because of the big destruction of the Israeli aggression;
2. The national growth of the population;
3. The cash deficit in the government budget was transformed into arrears for the employees of the PNA authorities, PNA employees and to the private sector;
4. The authority employees became the last resort of giving loans to the authority instead of the banks;
5. The public debt remained at its level because the government was not able to get loans.

Public Financial Administration: on this level, the government has a larger margin for control and influence but it did not succeed in pushing the agenda of financial reform forward, on the contrary, it has obstructed it. The government was not committed to presenting the budget draft law of 2007 to the PLC, and this is violation, clear violation to the law and regarding to take consideration to 2006 no budget was presented to the PLC. By the way this is not restricted only to the tenth government because during the past years only two times this law was enforced and all other years it was not abided by.

Explaining this violation by saying that previous government did not do that is not logical. The budget draft law of 2007 was not different than the budget in the past, it was just a copy and it lacked convincing policies and goals despite the success of the finance ministry in recording the assistance, but we can say it did not fulfill its basic job and its role was restricted to becoming an accountant, not the body that formulates economic and social goals and objectives. The role of the ministry of finance is supposed to be one that formulates and runs policies. Control from the financial, administrative control office was very weak because maybe the capabilities of this council is very low.

The government did not succeed in opening not even one corruption file although the people of the government were all the time raising this issue on every occasion and despite the fact that the government was able to absorb the public financial crisis which was culminated by the strike of employees. Still this will appear once again.

This current financial crisis shows that the estimation of ministers was wrong and their estimations that fighting corruptions and stopping wasting the public money will not be sufficient.

The financial crises may find a solution by ending the siege but only by reaching a political solution that we can do without external assistance,

Thank you very much