

Dr. Samir Abu Eishah
Planning Minister and Acting Finance Minister

In the name of God, the Merciful and Compassionate, I am glad to be with you today and I really thank our dear brothers at the Good Governance Forum for allowing us to express our opinions in this very important issue. I really did not know how much time was supposed to be given to us, you raised about 30 questions each needs about half of minute, so you need more than 15 minutes.

I will focus, maybe I will count on some of the information of my intervention.

For the sake of having a complete picture, I wanted very much that it would have been better to have something else rather than the financial committee report and the file that was distributed, maybe I have another report that I can distribute at the end of this meeting or people can go to the Finance Ministry website and have a look at it.

As you know the tenth government from even the days before resuming their national responsibility, the siege on this government started and it was by the Israelis and by the external world as well. And the authority faced very difficult time and the Israelis within the financial arrangement based on Paris Protocol were able to control the passage way crossings and put us under the mercy of the Israeli side, including our right to get our revenues directly. The occupation was responsible for the arrest of the top of the pyramid as Dr. Omar Abdel Razeq, Minister of Finance, has been arrested and his responsibility has been handled by another at that time, from the beginning of August I also assumed the ministry during 40 days the ministry has three ministers.

So four and a half months we have been in this government we believe that the demands of the employees are correct and right but their strike affected the course of action in the public institutions, especially in the ministry of finance.

Banks never boycotted the government in any country, but here they boycotted the government and created difficulties through the pressure that was exerted on these banks and created problems for us in dealing with the banks and we tried to look for alternative ways, maybe they are not the best but that was the best available for us.

Despite all of this, the pressure the banking sector was subjected to in dealing with the government, there was an understanding that we have to protect these banks so it will not harm the amount of 4 billion dollars for the people in these banks so we took a decision to form a protection safety network and even that was at the expense of our public interest.

However we maintained a certain kind of relations with the banks and with some banks we received some facility and good treatment. We can say as well that there were failures but also there was success to certain degrees, success that we have to refer to.

The main failure was in the incapability of the government to put into action its program specially its reform part. We understood that one year was not sufficient to implement any program fully and instead of that from the first day we started facing crises and these crises were internal and external.

All that affected the programs and plans that we wanted very much to crystallize on the ground, but we certainly had financial policies to rationalize the spending and improve the revenues and this was actually done.

I want to mention some of the achievements of the ministry of finance last year:

On the Strategic Level and Policies Level:

There was a council of revenues in order to improve the taxes and unify the financial administration just like other countries, this was under the control of the deputy minister and general directors of taxations.

Measures were taken to rationalize the spending and instructions were issued and especially regarding the running costs to lower them by about 37% compared with 2005. There was also partnership among various ministries to try to avoid as much as possible the policies that were drawn by the external parties.

We reached an agreement with a Petrol company that provides us with petrol for a lower price and tried to get rid of the monopoly. An agreement was also reached with another company which is the first provider company to provide us with the gas and petrol but with the same prices and the same conditions that we reached with the other company. This allowed us to end the government assistance or subsidies to the petrol commission and therefore the diesel and fuel prices stopped being subsidized. There was only limited subsidy for gas which comes to 10 million shekels every month.

There was certainly an attempt to make administrative structural reform to face some of the defects within the reform plan in the ministry, we stopped dealing with the Israeli post office bank which collects the revenues for an Israeli company and replaced that with teams from the ministry through computerized system without passing through the Israeli Post Office Bank, that was on August last year.

The electronic website of the ministry was renewed and it is enjoying vitality and high degree of transparency and can serve all those concerned on the financial issue.

Financial Performance through revenues and the expenditure:

The expenditure revenues of 2006 were about 1.27 billion dollars which is about 20 million compare with the last year which was 1.7 billion dollars, it is an increase of 2%. There were some modifications of the revenues to make it possible to compare logically between the two years, and you can go back to the website of the ministry for more details.

The total Tax revenues although there were 10% less, the net tax revenues went up from 1.40 to 1.99 billion dollars and this is related to the tax reform and working on a positive way in this field and through the cooperation of the private sector that started paying taxes in a better way.

We rationalized the expenditure, so the main problem was the unjust siege imposed on us but there was a mechanism of distributing the revenues on important various issues, and the revenues were distributed by giving advance payments on salaries for the employees and covering the main expenditure and the running costs of the institutions that could guarantee the basic services for the people.

The providers for ministry of health and the ministry of supplies and also the allocations for the prisoners for the social affairs were guaranteed and we focused as well on providing the needs of some institutions, ministries like health, interior, post office and certainly the presidency was one of the parties that got or received the attention in this field.

When the strike started there was organization to form units in each ministry to continue running these ministries even at a lower level so they can continue dealing with the needs of the citizens and we tried as much as possible to maintain documenting the financial transactions through the financial system that was adopted by the ministry in Gaza, This may have led to some postponement of achieving certain things but after all and under such a difficult situation we were able to achieve something which is acceptable.

The expenditure in total whether actual or those entitled in salaries and wages of 2006 were 1,574 million dollars which is a decline by 5 percent compare with the year before.

Wages and salaries the total sum went up compared to what was estimated or compared to what was spent in 2005. 1.1 billion dollars but in 2006 it was 1.81 billion dollars this related to two reasons: because the number of people affiliated with the security services increased by about 25,000 people who were appointed before the government assumed its office and this led to increase in the salary bill and of course the salary bill went up from about 65 million dollars in the civil agency and 115 million dollars in the security agencies and became 503 million dollars.

As for the increase as a result of the additional appointments in the time of this government, the additional appointment was 5,500 people who joined the security agency and this was certainly all the time was national demand and even international demand. so 5500 people were absorbed and about 3,500 were appointed in ministry of education and the health ministry this is the number that we need every year and about 1,000 employees were employed or appointed in various ministries and other agencies.

In this government we can say the expenditure went down we said earlier it is about 37% because three or four financial orders were issued at the time when seven financial orders were issued in year 2005, so this year financial orders were less. This relate to rationalizing the expenditure.

As for the external assistance, the total assistance given to the authority was 722 million dollars compared to 2005 which was 349 million dollars, so the increase was 107 percent and certainly this is the result of increasing the Arab assistance and even the European assistance that was given directly to the beneficiaries and this contributed to reducing the crises and therefore the crises was manifested in holding our entitled money at the Israeli party which was about 600 million dollars that we did not receive anything since March - December last year (2006).

I also would like to refer although very quickly to some of the policies which were followed not resorting to banks to withdraw from the banks except at a very minor level, there was cooperation with the Palestinian Investment Fund and there were funds which were covered as main payments for fuel and other things to cover part of deficit that was accumulating in the past years and also to cover loan, a loan for one of the banks, there was an attempt all the time to give the priority for salaries and the basic expenditures, we might distribute to you a copy of the budget a statement that was published a few weeks ago in the middle of January and last week also all other documents were distributed, including the financial policy that was adopted which focused on some social expenditures and other fields that we don't have time really to cover and talk about all of them.

At the end before I answer any of the questions, I say that the unjust financial and economic siege has really affected the financial performance to a large extent, but due to the good administration of the teams at the ministry of finance preventing a total collapse of the PNA. And so the policy of rationalization and not resorting to get credits from the bank has reduced the danger and it is good to say that the budget law project that was prepared but was not submitted to the PLC for reasons that we know two of them: one is the strike and incapability of the ministry team to be able to bring to the PLC its budget and also the other reason is the incapability of estimating the budget needed for 2007 as a result of the situation.

Now recently they were completed and sent to the PLC but we have to say that all financial reports were handed to the PLC including the reports of the two quarters, the third and the fourth and the teams at the ministry of finance January started to work around the clock to complete recording all the financial the transactions and in cooperation with the presidency to prepare the financial reports that covered the months of last year and also to complete reports of the quarters not finished of last year.

We also have to say that the report of third two was handed last week to the PLC and I have to say that we are cooperating with the parties in the PLC and the first two or three days of me assuming my authority at the ministry of finance I was invited to the PLC I went immediately and I spoke to them there was another meeting but unfortunately it was on the day that the strike started and I was not able to go. On December I was summoned by PLC and I submitted to them a report on the situation and we provided them with all the documents necessary and all the information. Maybe we have to reply to some of the inquires which were mentioned.

We have to say that transparency is one of the most important aspects that characterized this government and I say this quite confident and transparency related to submitting our reports to the PLC to the Council of Ministers, publishing them on the website and available them to all those concerned in the country and outside. We also held press conferences and

published information through the website as well as through reports that are published continuously on what is spent on one way or another.

Regarding the siege and the money brought through the passage ways all these funds were included in the budget and treasury and were recorded and the PLC received the documentation about them, about all sums were received month by month. Therefore we have full transparency in this field, we have also to say that these figures were spent on all aspects of expenditure which included salaries and wages and running costs for security and civil agencies.

Commenting on the intervention of Dr Naser Abdul Karim if I may say maybe it is necessary to say that there were things that continued for many years including relying on external assistance, I can say that this political assistance which was political for other governments, it was not as such for our government.

The expenditure through mentioning some of the information, I want to correct some of the information, I want to say that the net tax revenues was more than what was mentioned before and despite of the decline of GDP it was 6.6 percent. Compare to last year, so finally it is necessary to say that there are many and increasing needs. These needs force us to increase the expenditure in 2007 including the natural growth and the increasing needs of important ministries like health and education and there was also an increase of salaries, we took the salaries of last month and added 2 percent, while expenditure did not increase very much and there were under control and there were also development expenditure that with the assistance received from abroad.