

## **Palestinian Central Bureau of Statistics & Ministry of Finance & Planning**

### **Press Release on the General Government Finance 2017**

**USD 4,983.7 million the total of gross expenses, USD 4,764.6 million the total of revenues, out of which 15.4% are foreign grants and aids.**

The Ministry of Finance and Planning and Palestinian Central Bureau of Statistics (PCBS) have announced the results of the general government finance for Palestine for the year 2017. The general government finance statistics were prepared according to the Government Finance Statistics Manual (GFSM 2001) issued by the International Monetary Fund in 2001.

The general government sector consists of many sub sectors; mainly, the central government that includes all government institutions that work as agencies or bureaus of the central authority and the local government which includes municipalities, village councils and project committees.

#### **Gross Expenses**

Gross expenses include current expenses and net acquisition of non-financial assets (capital expenses).

The results showed that gross expenses (current and capital) of the general government amounted to USD 4,983.7 million in the year 2017, out of which USD 4,695.7 million was current expenses, whereas capital expenses (net acquisition of non-financial assets) amounted to USD 288 million.

The gross expenses of the central government amounted to USD 4,493.5 million, distributed as follows: 51.9% compensation of employees (salaries of civil and military employees and social contributions), 19.8% social benefits, 19.6% expenses on use of goods and services, 1.7% interest, 1.7% other expenses, 1.1% grants, and 0.7% subsidies. While capital expenses represented 3.5% of the value of gross expenses of the central government.

The results also showed that the amount of local government (municipalities, villages councils and projects committees) gross expenses amounted to USD 510.2 million in the year 2017, distributed as follows: 26.7% compensation of employees (salaries of employees), 26.1% use of goods and services, 5.0% consumption of fixed capital, 14.5% other expenses such as (insurance and maintenance of vehicles, workers allowances, expenses for executing local projects, promotional discounts to repay debts), 1.9% social benefits, 0.3% grants, 0.3% subsidies. While capital expenses constituted 25.2% of the total amount of local government expenses.

#### **Revenues**

The results showed that the value of general government revenues amounted to USD 4,764.6 million in the year 2017, out of where 91.4% were central government revenues, of which 76.5% were tax revenues, 16.8% were grants and aids, and 6.7% were other revenues.

The results also highlighted that the value of local government (municipalities, villages councils and projects committees) revenues amounted to USD 430.9 million in the year 2017 (9.0% of general government revenues); distributed as follows:

77.7% other revenues (which include sales of water and electricity to the public), 17.0% taxes and fees, 5.0% grants, and 0.3% social contributions.

### **Net Operating Balance**

The net operating balance is calculated by subtracting current expenses from total revenues. The surplus in operating balance amounted to USD 68.9 million in the year 2017. This showed that revenues exceeded current expenses by this amount.

Revenues of the central government exceeded its current expenses by USD 19.5 million. In addition, the revenues of the local government exceeded its current expenses by USD 49.4 million.

### **Net Lending and Borrowing**

The net lending and borrowing is calculated by subtracting net acquisition of non-financial assets from net operating balance. The results showed that a deficit in net lending and borrowing amounted to USD 219.1 million in the year 2017.

### **Financial Assets and Liabilities**

General government budget data showed that net acquisition of financial assets during the year 2017 amounted to USD 191.7 million out of which 99.8% were domestic and 0.2% were foreign. And the net acquisition of financial liabilities during the year 2017 amounted to USD 303.0 million.

### **Important note:**

The general government finance statement is prepared according to GFSM 2001. Its methodology and classification are different from that used to prepare the monthly published reports on fiscal operations which reflect the budget.

It should be noted that in those reports, there is an item known as (net lending), which is a key component of the budget. According to the methodology of GFSM 2001, this item is considered as a financial asset not an expense; therefore, it has been excluded from expenses and included in the acquisition of financial assets.

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## General Government Finance in Palestine<sup>1</sup> for the year 2017

Indicator	Value in million USD				Percentage Distribution for both Revenues and Gross Expenses		
	General Government <sup>2</sup>	Central Government	Local Government <sup>3</sup>	Consolidation Column	General Government	Central Government	Local Government
<b>1. Total Revenues</b>	<b>4,764.6</b>	<b>4,353.7</b>	<b>430.9</b>	<b>-20.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
1.1 Taxes <sup>4</sup>	3,406.1	3,332.7	73.4		71.5	76.5	17.0
1.2 Social contributions	1.1	0.0	1.1		0.0	0.0	0.3
1.3 Grants and aids	731.6	730.0	21.6	-20.0	15.4	16.8	5.0
1.4 Other revenues <sup>5</sup>	625.8	291.0	334.8		13.1	6.7	77.7
<b>Gross Expenses (2+3.1) <sup>6</sup></b>	<b>4,983.7</b>	<b>4,493.5</b>	<b>510.2</b>	<b>-20.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>2. Current Expenses</b>	<b>4,695.7</b>	<b>4,334.2</b>	<b>381.5</b>	<b>-20.0</b>			
2.1 Compensation of employees	2,469.6	2,333.5	136.1		49.6	51.9	26.7
2.2 Use of goods and services	1,012.0	878.7	133.3		20.3	19.6	26.1
2.3 Consumption of fixed capital	25.3	0.0	25.3		0.5	0.0	5.0
2.4 Interest	75.6	75.4	0.2		1.5	1.7	0.0
2.5 Subsidies	33.9	32.5	1.4		0.7	0.7	0.3
2.6 Grants	30.8	49.3	1.5	-20.0	0.6	1.1	0.3
2.7 Social benefits	898.8	889.1	9.7		18.0	19.8	1.9
2.8 Other Expenses <sup>7</sup>	149.7	75.7	74.0		3.0	1.7	14.5
<b>(N.O) Net Operating Balance (1-2) <sup>8</sup></b>	<b>68.9</b>	<b>19.5</b>	<b>49.4</b>				
<b>3.1 Transactions in nonfinancial assets (Net acquisition of):</b>	<b>288.0</b>	<b>159.3</b>	<b>128.7</b>		5.8	3.5	25.2
3.1.1 Fixed assets	249.7	127.1	122.6				
3.1.2 Change in inventories	24.0	21.9	2.1				
3.1.3 Valuables	0.0	0.0	0.0				
3.1.4 Non-produced assets	14.3	10.3	4.0				
<b>(N.L) Net lending (+)/ Borrowing (-), (N.O - 3.1) <sup>9</sup></b>	<b>-219.1</b>	<b>-139.8</b>	<b>-79.3</b>				
<b>3.2 Net acquisition of financial assets</b>	<b>191.7</b>	<b>144.4</b>	<b>47.3</b>				
3.2.1 Domestic	191.4	144.1	47.3				
3.2.2 Foreign	0.3	0.3	0.0				
<b>3.3 Net incurrence of financial Liabilities</b>	<b>303.0</b>	<b>284.2</b>	<b>18.8</b>				
3.3.1 Domestic	313.9	295.1	18.8				
3.3.2 Foreign	-10.9	-10.9	0.0				

<sup>1</sup> The Data excludes Gaza Strip and those parts of Jerusalem which were annexed by Israeli Occupation in 1967.

<sup>2</sup> General government = central government + local government+ consolidation column which represents inter transfers between the central government and the local government

<sup>3</sup> local government: include the data of municipalities, villages councils and projects committees

<sup>4</sup> Local Government includes taxes and fees.

<sup>5</sup> It includes any fees collected for the resale of electricity and water, administrative fees, fines, property income and voluntray transfers other than grants.

<sup>6</sup> Gross Expenses = Current Expenses + Net acquisition of non-financial assets (Capital Expenses).

<sup>7</sup> It includes scholarships and any educational benefits, NGOs support and any emergency expenses for the central government, Insurance and maintenance of vehicles in addition to workers allowance

<sup>8</sup> Net operating balance = Revenues – Current expenses

<sup>9</sup> lending/borrowing = Net operating balance - Net acquisition of non-financial assets