

## **West Bank and Gaza**

### **Technical Assistance in Fiscal Year 2019**

#### **Banking Supervision** (July 1-5, 2018, September 23-27, 2018, March 24-28, 2019):

METAC followed up on its previous recommendations to the Palestine Monetary Authority (PMA). It assisted the PMA in reviewing the consultative guidance on bank internal rating systems, and in holding discussions with commercial banks on the implementation of IFRS 9 of the International Accounting Standards Board, focusing on the new forward-looking loan loss provisioning requirements (based on expected credit losses), and new hedge accounting requirements which became effective in January 2018.

METAC assisted the PMA in implementing Basel III, by providing capacity building to its supervisors on the requirements of the capital adequacy and liquidity standards, and the latest developments in this regard. This included hands-on training and practical cases. Representatives of the West Bank's banks attended part of this training.

METAC organized a workshop on the SREP for 39 staff of the PMA. The training covered Basel II Pillar 2 principles and requirements, the building blocks of a SREP, the assessment of banks' business model, corporate governance, and risks to capital and liquidity. The workshop addressed, among other things, the challenges encountered with assessing banks' ICAAP, the use of benchmarking information, and the scoring methodology for SREP. As the PMA is in the process of implementing SREP, identification of next steps were addressed through a brainstorming session.

#### **Public Financial Management** (August 12–23, 2018, October 28–November 8, 2018, February 17–28, 2019)

In July 2017, the MoF and Planning adopted a PFM Sector Reform Strategy, which emphasized the need to formulate the budget within a medium-term perspective, underpinned by a sound MTFP. In this context, the MFU is expected to play a key role in the preparation of comprehensive, credible and policy-based budgets. As part of its contribution to the development of the capacity of the MFU, METAC organized a set of expert visits. Following a first visit in April 2018, an expert provided in August 2018 hands-on training in data management and macro-fiscal analysis and reporting—key elements in building the MTFP.

In October 2018, the expert completed a comprehensive review of the fiscal tables produced by the Accounts Department that underpin the work of the MFU. The proposed new set of tables would fill important data gaps, bring the tables more in line with international practices, and address some misclassifications. The expert also provided feedback on the last MFU's draft report and supported the finalization of the training and database manual, including procedures for managing and protecting the database.

METAC supported the strengthening of the MFU's outputs and role. Considerable efforts have been invested to identify data in the accounting system that can be used to prepare mapping tables between the system and the draft new set of fiscal reporting tables. The Economic Forecasting Workgroup met twice during the mission, agreed on the methodology for preparing medium-term projections, and prepared a draft workplan for 2019. On the first day of the

mission, the Minister of Finance and Planning issued a decision establishing the Revenue Analysis Committee, which also met twice to prepare the 2019 workplan. Most of the milestones for METAC's TA to the MFU have been achieved and a draft work program for the period May 2019 – April 2020 was prepared.

**Revenue Administration** (March 10-21, 2019):

METAC continued its support to the MoF and Planning in establishing a functioning LTO. Advice was provided on the following key issues: how to improve the LTO's status within MoF and Planning; how to restructure the LTO so it can operate efficiently within a function-based tax administration, including regarding risk management; and developing performance monitoring indicators. The advice was built into a time-bound action plan.

**Statistics** (June 24-28, 2018, July 28–August 2, 2018, February 10-14, 2019):

METAC assisted the Palestinian Central Bureau of Statistics (PCBS) to upgrade the compilation framework for annual and quarterly volume estimates of GDP, and its components at the previous year prices and their chain linking in time series. A mission worked closely with the staff and tested the chain-linking procedures applied to the quarters of 2017 and the first quarter of 2018, re-referenced to the 2015 base year. The mission also helped the staff expand the sources for quarterly national accounts, particularly in evaluating possibilities for using VAT records at the Palestinian Tax Administration, with a view to establish a set of indicators for estimating GDP components by production and expenditure approach.

METAC assisted the PMA and the PCBS to enhance the coverage and quality of ESS. A mission worked with its counterparts on improving the coverage and consistency between BoP and IIP, and consistency between the coordinated portfolio investment surveys and the IIP. The mission reviewed the results of the FDI survey conducted in April 2018 and advised on ways to improve the representation of non-responding enterprises.

METAC assisted the PCBS in preparing the data files for the 2017 SUTs, which are planned to be published in the second quarter of 2019. The mission focused on specific technical topics such as trade and transport margins, trade valuation (cost, insurance, freight/free on board) adjustments, and taxes on products and production.