

West Bank and Gaza

Technical Assistance in Fiscal Year 2017

The Palestinian economy continues to face considerable headwinds, with security risks and fading hopes for peace weighing heavily on growth prospects. In such an environment, METAC's assistance focused on supporting the Palestinian Authority's efforts to mobilize domestic revenue, strengthen the resilience of the banking sector to shocks, and improve real sector statistics.

Banking Regulation and Supervision

September 25-October 6:

Banks in WBG face several risks, including high exposure to the Palestinian Authority, as well as an unstable political and operating environment. The PMA has undertaken several reforms to enhance the soundness of the banking sector. In this context, METAC has completed a series of peripatetic missions since October 2012, which have resulted in the preparation of an inspection manual covering key aspects of risk-based supervision (RBS). In FY17, a METAC mission assisted the PMA in the implementation of the RBS manual. The mission worked with the PMA supervisors to assess, in a forward-looking perspective, the risk profiles of four domestic banks, of which two systematically important. The supervisors have gained a sound understanding of the business model, management and major issues of the supervised banks. METAC will continue to provide TA on the implementation of the RBS manual, including by training analysts to prepare risk assessments, and by field-testing the manual.

Revenue Administration

May 15-26, July 31-August 18, April 30-May 11:

With the view help enhance revenue mobilization, METAC engaged with the Palestine National Authority (PNA) Department of Customs on strengthening its overall effectiveness in terms of revenue and general enforcement compliance.

- In this context, a mission helped define the future role and structure of the Risk Management and Intelligence functions, in line with established international good practice. The mission also prepared a development plan to improve the effectiveness of risk management/intelligence in the General Directorate of Customs, Excise and Value Added Tax.
- A subsequent mission assisted the PNA Department of Customs to enhance its technical investigative capacity. This involved delivering a training course in investigation techniques, and working with Customs and General Prosecution Service staff to ensure the forensic adequacy of investigation files and improve existing mechanisms for joint action, to ensure the effective pursuit of customs litigation cases through better application of the legal process.
- This was followed by a third mission, which reviewed the development of the Revenue Management System (RMS) and its interface with ASYCUDA, and recommended

enhancements and systems that will enable more effective information exchange between these systems. A plan was prepared and agreed with the relevant authorities to ensure that the RMS and ASYCUDA are being optimized to support the functions and structure of risk management and intelligence across the Department of Customs, particularly in regards cargo processing and audit.

Statistics

August 28-September 1, October 2-6:

As part of METAC's CD program to the PCBS, METAC undertook two missions on improving national account statistics and the producer price index.

- The first mission reviewed data sources and methods for measuring GDP volumes by production and expenditure approaches. The mission assisted the PCBS in estimating GDP volumes and adopting the chain-linking technique for constructing time series. Together with the PCBS staff, the mission tested the feasibility of the recommended procedures with the available economic data and recently re-weighted price indices. The test enabled compilers to detect and prevent eventual shortcomings and deficiencies during the actual compilation process. The mission also followed up on progress in adopting procedures for independent quarterly estimates of the household final consumption expenditure (HFCE) and gross fixed capital formation (GFCF).
- The second mission reviewed the concepts and methods applied to compile the current PPI and observed that the PCBS fulfilled in a satisfactory manner most of the requirements of the previous mission in December 2014. Recommendations were provided to complete remaining tasks, notably to update the weights of elementary aggregates to the index reference period (December 2015) and to revise the PPI upon its release in January 2016. The PCBS should reflect the improvements in the description of PPI metadata at the IMF Special Data Dissemination Standard web page.