

West Bank and Gaza

Capacity Development Activities in Fiscal Year 2024

Financial Supervision and Regulation (June 18-July 3; April 21-25)

In response to a request from the Palestine Monetary Authority (PMA), METAC conducted a virtual mission to review the PMA's current regulatory and supervisory frameworks for credit classification and provisioning under IFRS 9. It identified the gaps in the current regulatory framework that are causing the variances between the regulatory and accounting provisioning. The mission proposed a list of recommendations to address the regulatory gaps, enhance the classification of loans and the definition of restructuring and the criteria for the curing period of restructured loans. It proposed enhancing the IFRS 9 model risk management and governance. The mission also provided the examiners with a set of examination procedures to guide them in performing their supervisory review process tasks of IFRS 9 implementation.

The mission assisted the Palestine Monetary Authority (PMA) in enhancing the risk-based supervision (RBS) of banks and discuss a follow-up TA project on transitioning to a single risk assessment methodology. The mission provided a detailed overview of the Supervisory Review Process (SRP) using the EU Supervisory Review and Evaluation Process (SREP) framework as an example. Over five days, participants were introduced to various elements of SREP, including its basics, objectives, Risk Matrix, management of Interest Rate Risk in the banking book (IRRBB), Business Model and internal governance and risk management assessment. The mission highlighted the importance to use SRP results to determine additional capital and liquidity requirements, as well as to devise the SRP to allocate the supervisory work on a risk basis. An action plan was developed to provide subsequent RBS TA.

Public Financial Management (May 30-June 1)

The three-day workshop was attended by the Macro Fiscal Unit, the Budget Directorate, and the PFM Coordinator. It assessed fiscal policy documents, instruments, and processes currently in use. The workshop concluded that fiscal strategy needs to be more focused, leaner, and more connected to the budget process. MoF officials developed an outline and initial content of a pre-budget statement, which can set fiscal strategy and a frame for budget planning and implementation. This instrument can still be used for the 2024 annual budget if it is launched before the end of July 2023 along with the budget circular. The FCDO-sponsored PFM program "Takamol" participated as observer in the workshop.

Real Sector Statistics (August 13-24)

The mission assisted the Palestinian Central Bureau of Statistics (PCBS) to enhance the compilation system for fixed based year annual estimates of production-based GDP and

develop one for chain-linked estimates. The key areas of improvement were identified, and more disaggregated quantity and price indicators were used to estimate volumes using both deflation and extrapolation methods.