

West Bank and Gaza

Technical Assistance in Fiscal Year 2018

Financial Supervision (September 24 – October 3, February 25 – March 8)

METAC provided TA to PMA on the implementation of the IFRS 9 of the International Accounting Standards Board. To this end, it organized two missions in FY18:

The first mission helped the PMA upgrade its supervisory guidance on “loan loss provisioning” considering IFRS 9’s requirements. It also assessed the preparations of banks, auditors, and PMA supervisors with respect to IFRS 9’s “classification and measurement” as well as provisioning rules, and provided several recommendations for the smooth and robust implementation of IFRS 9.

The second mission focused on the new loan loss provisioning requirements, based on expected credit losses effective in 2018. The mission assisted the PMA in implementing the new guidance on “loan loss provisioning”, and integrating it into the PMA’s RBS manual. Per the authorities’ request, the mission also delivered a seminar to 70 professionals from 15 banks and their audit firms, as well as the PMA supervisors and inspectors. The seminar focused on the IFRS 9’s new loan classification and measurement and the expected credit losses provisioning requirements, as well as on the new guidance.

Public Financial Management (August 27-31, April 8-19)

The political situation in WBG remains characterized by uncertainty. While the social and security situation is volatile, the economic outlook remains fragile, with a growth rate that is insufficient to improve the population’s living standards and a deteriorating fiscal stance. Reducing the recurrent fiscal deficit and improving the quality of public expenditure require, among other actions, a renewed effort to strengthen PFM. In this context, the Palestinian authorities have adopted a new PFM reform strategy covering the period 2017-22. A METAC mission discussed with the authorities the prerequisites to translate it into an action plan for the next 12-24 months that could be supported by the development partners.

In April 2018, METAC initiated a medium-term project to support the development of the Macro-Fiscal Unit’s capacities, continuing an earlier Belgium financed IMF assistance. A first expert visit (i) built capacity to manage the fiscal database, including filling any data gaps, (ii) supported the preparation of analytical monthly and quarterly reports, and (iii) facilitated the preparation of intra-year projections based on a 2018 budget.

Revenue Administration (September 6-17)

METAC advised the Palestinian MoF and Planning on strengthening the management of large taxpayers’ compliance. The mission reviewed the Large Taxpayers’ Unit’s existing practices for managing large taxpayers, and the current understanding within the tax department of the types of non-compliant behaviour, and their relationship to compliance management strategy and activities. Accordingly, it recommended fundamental changes to reform and modernize the Large Taxpayers’ Unit. As a starting point, it proposed developing a new large taxpayers’ strategy, focusing on risk-based compliance management, targeted audits, and improved services to

taxpayers. It also outlined a functional organizational structure and new performance management objectives.

Statistics (May 7-11, December 17-21)

A METAC continued its assistance to the PCBS in Ramallah to implement the 2008 SNA requirement for measuring volumes at prices of previous year, and their chain-linking in time series at chosen reference year. To this end, it organized two missions during FY18:

- The first mission worked closely with the PCBS staff to assess the experimental results using the 2012-14 data, organize the data sources for annual and quarterly estimates, and establish standard templates for regular compilation procedures. The mission agreed with the authorities on further preparatory actions, to consider implementation of the procedures during the first quarter of 2018. These actions include: continuing with the experimental calculations for 2015 and 2016; recalculating series at previous year prices; compiling quarterly production GDP at current prices; and integrating 2013 SUT.
- The second mission assisted PCBS in adopting a compilation framework for measuring volumes of GDP and its components at previous year prices and their chain-linking to 2015—the new base year for national accounts. The mission tested the chain-linking procedures with actual data for the first three quarters of 2017. The tests will continue with the fourth quarter of 2017 and the first two quarters of 2018. The mission advised adopting the chain-linking procedures in December 2018 once the annual 2017 GDP data are completed.