

## **West Bank and Gaza**

### **Capacity Development Activities in Fiscal Year 2023**

#### **Banking Supervision** (June 26-July 7)

In response to a request from the Palestine Monetary Authority (PMA), METAC provided support for the further development of risk-based supervision (RBS). The mission focused on PMA's onsite supervisory work and supported it in addressing recommendations made by the 2018 Financial Sector Stability Review (FSSR), particularly to enhance inspection reports to provide a clear understanding of the bank, its risks, and the adequacy of capital. Together with PMA supervisors, the mission developed a new template for inspection reports, as well as an illustrative completed report, which includes a full summary and focuses on business risk and Pillar 2 assessment, in addition to improved communication of key messages to banks.

#### **Public Financial Management** (June 1-14)

The remote mission supported the Macro-Fiscal Unit of the Ministry of Finance to strengthen quarterly macro-fiscal reporting. This entailed an analysis of statistical information; the elaboration process; and uses of reports for fiscal policy decisions. A more focused budget reporting approach can provide timely information to address budget implementation challenges and fiscal risks.

#### **Revenue Administration** (May 10-26; November 27-December 9)

This joint METAC/IMF mission was initiated in response to a request by the Minister of Finance and Planning (MOFP) in the Palestinian Authority (PA) for a diagnostic review of revenue administration (tax and customs). The mission assessed the reform proposals in the PA's 2022-2025 revenue strategy and provided capacity development in priority reform areas, including administrative measures to lift domestic tax and customs compliance. Proposals for a tighter integration of tax and customs organizations at the PA and measures to enhance digitization and access to information from financial institutions were examined and recommendations developed. The mission reviewed the draft of the new customs code. Its provisions were discussed, and the mission made concrete proposals to amend some of them (particularly those related to dispute process).

METAC provided advice to the tax administration of the Palestinian Authority, on improving tax compliance in the large taxpayer department (LTD). During the assignment, a critical review of current LTD processes was undertaken, and presentations were delivered to the LTD leadership on good practices used by large taxpayer segments internationally. Several recommendations were made including an action plan covering the increased use of compliance risk management (CRM) approaches; setting up a Risk Management Unit; and piloting a sector or industry using modern CRM principles.

#### **Statistics** (July 31-August 4; October 2-13)

A METAC mission assisted the Palestinian Central Bureau of Statistics (PCBS) in assessing the use of administrative records to compile national accounts for financial corporations. Using administrative data to replace or complement field surveys would result in higher-quality data with less response

burden and cost, thereby increasing the accuracy of national accounts compilation and increasing efficiency in producing them. The mission reviewed the available source data and compared their results with the results from using field surveys and developed a method to calculate output and value added for banking and insurance.

The mission followed up on the work done in July and assisted the Palestinian Central Bureau of Statistics to estimate value added for financial corporations using administrative data. As a result, a sustainable compilation system was developed, covering industries that produce over 95 percent of the value added of the sector, including deposit-taking institutions and insurance companies.