

OPERATION POLICY MATRIX

West Bank Gaza PRDP- DPG Policy Matrix

Objectives	Prior Actions By May 2008	Outcomes and Indicators of Progress Next 12 Months (2008-2009)	Monitoring and Evaluation	Indicators of Progress 2009-10	Medium Term Objectives (PRDP Goals)
I. STRENGTHEN THE PA FISCAL POSITION					
I.1 Control Public Sector Wage Bill	<ul style="list-style-type: none"> Initiate civil service reforms to bring public sector payroll to levels compatible with the fiscal targets of the PRDP for the period 2008-2010 	<ul style="list-style-type: none"> PA employment does not exceed 153,000 anytime in 2008. New recruitment goes mainly to the Health and Education sectors 2008 public sector wage bill in line with 2008 Annual budget Initiate institutional review of public pension system 	<ul style="list-style-type: none"> Ministry of Finance will provide the IMF and World Bank monthly payroll reports and manual adjustments to determine total employment, average wage rates and which ministries receive new hires TOR for pension study to be agreed with the WB. 	<ul style="list-style-type: none"> Total public employment does not grow by more than 3000 per year Establish HR management procedures that emphasize merit and performance as the basis for hiring and promotion in the civil service Complete the institutional review of the pension system 	<ul style="list-style-type: none"> The wage bill declines from over 27% of GDP to less than 23% of GDP The PA has a strategy to deal with the pension system
I.2 Reduce Net Lending					
I.2a Institute measures to increase collection of electricity bills from users	<ul style="list-style-type: none"> Initiate a program to gradually reduce net lending associated with the cost of provision of electricity services 	<ul style="list-style-type: none"> Distribute at least 20,000 prepaid meters throughout the West Bank Re-establish a culture of payment by continuing to 	<ul style="list-style-type: none"> Palestinian Energy Authority will report to World Bank energy team on number of meters installed. 2008 target is about 	<ul style="list-style-type: none"> Continue to distribute up to 100,000 pre-paid meters and require certificates of payment for 	<ul style="list-style-type: none"> Electricity collection rates rise to about 90% on average in West Bank

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		<ul style="list-style-type: none"> require “certificates of payment” before delivering key government services • Continue to develop programs to encourage payment of utility bills 	<p>40,000 new meters</p> <ul style="list-style-type: none"> • World Bank energy team will track collection rates of electrical distribution companies 	<p>public services</p>	
<p>I.2b Reduce net lending by removing municipal and local governments from the electricity distribution business and establishing commercial distribution companies (DISCO)</p>	<ul style="list-style-type: none"> • Establishment of the Northern Electric Distribution Company 	<ul style="list-style-type: none"> • By end 2008 all Electric Utilities in West Bank have time bound action plans, that are endorsed by the PA, to transfer the electricity departments of local governments including those that will be connected to the new feeder system 	<ul style="list-style-type: none"> • Plans will be submitted through the Palestinian Energy Authority for review by the World Bank power team • World Bank energy team will review annual audits provided by the electric utilities 	<ul style="list-style-type: none"> • Local governments have transferred their electricity distribution to the utilities in accordance with the action plans • All utilities investing in planned loss (technical and non-technical) reduction programs • All electric utilities issue bills only in their name • Audits for all electric utilities confirm their independent status 	<ul style="list-style-type: none"> • Total net lending declines from around \$530 million currently to about \$400 million • Electricity distribution throughout the West Bank is run on a commercial basis where distributors pay for all electricity they distribute • Municipalities are no longer accumulating arrears to PA for electricity

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				<ul style="list-style-type: none"> Audits confirm that the flow of funds from electric utilities to their municipal owners are in accordance with their chart of accounts, e.g. dividends can not be paid until bills are cleared 	
<p>I.2b Improve targeting of social safety net to increase efficiency and ensure the most vulnerable populations are protected</p>	<ul style="list-style-type: none"> Verification of 4,500 households in the targeting database for social assistance. Initiation by the Ministry of Social Affairs of regular assistance payments to 2,100 households verified in the targeting database through the new social safety net pilot program 	<ul style="list-style-type: none"> Increase home visits to verify targeting database to 5,000 per quarter by end 2008 Increase regular bi-monthly cash assistance payments to 5,000 households by end of 2008 	<ul style="list-style-type: none"> The Ministry of Social Affairs provides the Bank team with regular monthly reports on progress in building the verified database and providing payments to verified households 	<ul style="list-style-type: none"> Begin a process of merging on-going cash assistance programs using targeting database to confirm eligibility Complete a Social Protection Strategy 	<ul style="list-style-type: none"> A fully functioning targeting database with at least 50,000 verified households guides all assistance programs no matter what the source of funding The PA institutes a Social Protection Reform and Integration Program that coordinates all social protection initiatives and ensures uniform payment modalities and amounts
<p>II. INCREASE GOVERNMENT TRANSPARENCY AND ACCOUNTABILITY THROUGH IMPROVED PUBLIC FINANCIAL MANAGEMENT</p>					

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<p>II.1 Increase financial accountability through improved and more transparent municipal accounts</p>	<ul style="list-style-type: none"> Establishment of a “Unified Chart of Accounts” for municipalities. Finalization of a budget manual and fixed assets registration manual that are being used by municipalities in the West Bank 	<ul style="list-style-type: none"> Finalize pilot financial management information system for small, medium and large municipalities that will be tested and rolled out 	<ul style="list-style-type: none"> Bank team supporting the MDLF program will track implementation of municipal financial management information system 	<ul style="list-style-type: none"> Rollout the municipal financial information management system across the West Bank Introduce a standard annual audit of municipal accounts based on international standards MDLF develops clear criteria for performance based transfers to municipalities 	<ul style="list-style-type: none"> Palestinian local governments producing transparent accounts that are audited according to international standards
<p>II.2 Establish upgraded institutional and regulatory procedures to support PFM reforms</p>	<ul style="list-style-type: none"> Passing of amendments to the Basic Law (Law No. 7 of 1998 on Budget and Financial Matters) establishing an “Accountant General Department” (General Accounting Department) in the Ministry of Finance Launch of a new computerized accounting system 	<ul style="list-style-type: none"> Prepare and approve a design paper for the new computerized accounting system processes and procedures Amend financial regulations and related internal documents to provide the regulatory backing for the new computerized accounting system Operationalize the 	<ul style="list-style-type: none"> The World Bank will recruit a governance advisor who is also a PFM expert to be resident in WBG. He will work closely with the IMF to monitor development of the new computerized system and provide advice on its implementation 	<ul style="list-style-type: none"> Roll out computerized accounting system through out government, starting with the Ministry of Education and then extending to all line ministries 	<ul style="list-style-type: none"> A fully computerized accounting system used through out the government, which will allow the PA to dramatically improve its accounting procedures and budget preparation process in line with acceptable international practice

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	in the MOF	Office of General Accountant			
II.3 Improve efficiency and transparency of the budget preparation process	<ul style="list-style-type: none"> Approval of the 2008 budget by the cabinet of the PA and commencement of publication of monthly expenditure and revenue statements by the MOF 	<ul style="list-style-type: none"> Develop a combined presentation of the recurrent and development budgets for each line ministry for the 2009 Annual Budget Law 	<ul style="list-style-type: none"> Budget information is publicly available and will be tracked by Bank PFM expert 	<ul style="list-style-type: none"> For pilot ministries, develop program budgets based on simple program structures Develop a plan for transfer of responsibility for development budgets to Ministry of Finance 	<ul style="list-style-type: none"> Establish a government wide system that will allow annual budgets to be developed on time in a transparent manner
II.4 Strengthen PFM infrastructure and improve auditing functions		<ul style="list-style-type: none"> Strengthen Central Treasury Account by closing non-zero balance line ministry and agency bank accounts for recurrent expenditures Prepare annual cash plans for guiding budget execution Develop an internal audit plan/ produce selective audit reports 	<ul style="list-style-type: none"> The Bank PFM specialist will work closely with his IMF counterparts to both assist the PA in carrying out these tasks and to monitor their progress. These tasks are centralized in the Ministry of Finance which will allow them to be tracked easily in the quarterly World Bank/IMF reviews of reform progress 	<ul style="list-style-type: none"> Pilot commitment control procedures in the Ministry of Finance and Ministry of Education Extend the new commitment control procedures to other ministries in conjunction with the roll out of the new computerized accounting system Introduce monthly reporting of outstanding commitments Comply with the reporting 	<ul style="list-style-type: none"> A strong Central Treasury Account continues to operate Have a functioning cash planning and management system Have a fully developed budget classification system PA has a strong system of external audits

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				<p>requirement of the Financial Regulations starting with the production of audited consolidated financial statements for 2008 in 2009</p> <ul style="list-style-type: none"> • Develop a plan to adopt an economic classification to be consistent with the GFSM 2001 framework • FACB applies best practice external audit methodology and responds to public complaints 	