

Fourth Quarter Report
For the PRDP

January 19, 2009

Progress Report on the Reform Agenda

I.1

- a) By end December, PNA employment had declined to 142,937 (including 64,213 in Gaza) Attached is a table on PNA employment
- b) There was no general wage increase
- c) Short term options for pension reform have been received by the PNA in October 2008 and are being reviewed. These options will be discussed with the forthcoming pension mission expected in February.

I.2a

- a) 47,000 prepaid meters have been installed till mid December in the West Bank, an increase of 2000 meters since October 2008. In addition the PEA has installed 3,000 three phased pre paid meters The PEA has received a further 45,000 meters in the port of Ashdod but the delivery is being held up because of needed approval for VAT and customs exemption..
- b) The PNA has collected NIS 60.6 million of overdue electricity bills (Nov 07/June 08) from municipalities and local governments in the West Bank, including NIS 25.2 million from Nablus, Qalqiliah and Tul Karem. In turn, the PNA has transferred NIS 9 million to municipalities which have been paying their bills regularly, to partly make up for their loss of revenue
During December, “net lending” has declined to \$ 28 million from a monthly average of \$ 46 million during the third quarter
- c) Certificates of Payment of electricity bills continue to be required and the PNA continues to deduct overdue electricity bills from its employees

I.2 b

The Palestinian Energy Authority has requested from the electricity distribution companies action plans for improving collection performance. JEDCO has already formulated a plan which is now used as a pilot for the other companies. Attached is the collection performance of the five distribution companies.

The draft Electricity Law has been approved by the Council Of Ministers which will create the Palestinian Electricity Regulations Commission (PERC) and the Palestinian transmission Company (PETL). This law will compel all municipalities and village councils to join the electricity distribution companies. It is awaiting the President's signature

I.2c

- a) Targeting of poor households has increased from 6,291 families between October and December, including 2,800 in Gaza. 2,900 additional applicants have been added to the data base. World Bank staff, in coordination with local staff have visited sample households receiving assistance, confirming that social assistance is indeed directed to the most vulnerable households.
- b) Payments to 4978 households for the months of March and April 2008 are being processed. However, in Gaza, payments to poor households could not be executed by the Bank of Palestine due to the shortage of Shekels in cash.
See attached note.

I.2d

See the attached progress report on the Municipal Development and Lending Fund for the 4th quarter of 2008.

II.1+2

- a) Under the new Public Finance Management Information System, 95% of all expenditures are being processed. Guidelines have been issued on financial regulations which are now available in both hard and soft copies. Work on amending financial regulations is continuing.
- b) A draft 2009 budget was completed in November and a synopsis of the budget with the attached tables was distributed to the donor community at the LDF on December 18. The budget was submitted to the Council of Ministers on January 5, 2009. Subsequently, various ministries have responded to this draft requesting further non wage expenditure commitments. However, the PM intention is to maintain the budget

ceilings provided in the draft. The budget will be finalized by the end of January and sent to the President for signature.

c) For the first time in Palestinian public finance, the 2009 budget is a unified budget combining recurrent and development expenditures. It includes, for each ministry, policy priorities, strategic plans, objectives and targets, within the framework of the 30 PRDP programs.

d) The Ministry of Planning submitted to the LDF on December 18 an updated list of project execution. While some of the data provided by donors reflect commitments rather than actual disbursements, this summary marks a major step forward in documenting development activities financed by the donor community in Palestine. MoF has also established a monitoring and evaluation unit to assess these development activities.

II.3

a) The PNA Computer Department has integrated all ministries into its network.

b) The zero balance system for line ministries recurrent expenditures has been set up by MoF but is not operational yet due to technical problems

c) Between October and the end of December, MoF internal audit department has focused on auditing the Ministry of Finance
It has completed the auditing of the Petroleum Authority, and the Property Tax. It is now working on other tax departments of the Ministry.

In addition to the two audits mentioned above, the Internal Audit Department has prepared audit reports for four ministries:

Labor

Public works,

Telecommunications

Prisoners

These six audit reports have been completed and are available at the Internal Audit Department

Procurement Law:

A draft of the new Procurement Law has been sent to the Cabinet to be approved, and a copy was sent to the World Bank to give their comments.