

Second Quarter report
For the PRDP

July 20, 2008

Progress Report on the Reform Agenda

I.1

- a) attached is a table on PNA employment
- b) there was no general wage increase
- c) a pension mission visited Ramallah in May and terms of reference have been agreed.

I.2a

- a) 42,000 prepaid meters have been installed till end June
- b) The PNA won its court appeal with respect to Certificates of Payment (CoP) on June 17 and has reactivated the requests for CoP. During June “net lending” has declined from \$ 50 million in May to \$ 28 million in June.
- c) MoF has deducted overdue electricity bills from government employees. In May MoF has collected \$ 5 million from these employees.
- d) Following the reduction of PNA debt to IEC, a new payment system with IEC is being discussed.

I.2b

- a) 50 municipalities and local governments have registered by end June with NEDCO, among them the cities of Nablus, Jenin and Tulkarem
- b) Independent status for HEPCO continue with Hebron municipality but negotiations have hit a snag.

I.2c

- a) There are 4999 households receiving social assistance through the new social safety net program by end June 2008. However there are no budgetary resources to assist the other 24,000 households which have been targeted.

- b) Targeting of poor households has covered 29,000 families so far out of 150,947 applicants.

I.2d

See attached note on Municipal Development and Lending Fund
July 13, 2008

II.1+2

- a) Under the new financial management system the Accountant General Department has been fully operationalized.
- b) The Department is working on the design paper and on amending existing financial regulations. This process is expected to take several months.
- c) A new budget circular was issued to Ministries and agencies on July 6 2008. It is a unified budget circular which integrates recurrent and development expenditures and asks ministries to articulate their objectives and strategies. It also projected the 2009 budget within the MTEF, with a substantial fiscal retrenchment, over 2008, equivalent to 5.6% of GDP.

II.3

- a) The PNA computer Department has integrated 10 ministries into its network, including Education, Health and Public Works
- b) Within the overall framework of decentralizing decision making to line ministries, the Ministry of Finance has started issuing its own checks. The ministries which have been integrated in the computer system will follow suit.
- c) The zero balance system for line ministries recurrent expenditures is expected to be implemented in August.

d) Up till the end of June, MOF internal audit department conducted audits on the following ministries:

1. Ministry of Detainee's Affairs.
2. Ministry of Communication and Information Technology.
3. Ministry of Labor.
4. Ministry of Public Works and Housing.

MOF internal audits were conducted in two phases:

1. Risk assessment phase which was completed on June.
2. Internal audit report which is currently in process.

On a commitment basis of compliance, the internal audit with the Palestinian Broadcasting Corporation has been conducted.