

ANNEX 2: OPERATION POLICY MATRIX

West Bank & Gaza PRDP DPG III Policy Matrix

Objectives	Prior Actions By July 2010	Results in Next 12 Months (2010-2011)	Planned Actions in Next 12 Months (2010-2011)	Medium Term Objectives (PRDP Goals)
I. STRENGTHEN THE PA FISCAL POSITION				
I.1 Control Public Sector Wage Bill	<ul style="list-style-type: none"> • <i>The 2010 Budget Law of the Palestinian Authority includes provisions to ensure that all promotions in the Palestinian Authority are supported by adequate budget allocations</i> • <i>The Council of Ministers adopted a plan for pension reform that seeks to control the growth of pension liabilities</i> • <i>The Council of Ministers adopted decision to ensure that Palestinian Authority employees may not draw pensions until they reach statutory retirement age</i> 	<ul style="list-style-type: none"> • PA 2010 wage bill does not exceed budget target of NIS6,053 million • Public sector wage bill is less than 23% of GDP compared to 24% in 2009 	<ul style="list-style-type: none"> • PA implements integrated payroll and human resource system • Records of all PA public pensions centralized with Palestinian Pensions Authority 	<ul style="list-style-type: none"> • In 2012 the wage bill declines from over 27% of GDP to less than 19% of GDP • The PA is implementing a strategy that will gradually put the PA pension schemes back on a path towards financial sustainability

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I.2 Reduce Net Lending				
I.2a Reduce net lending by transferring all electricity supply and distribution to distribution companies established in accordance with the Companies Law	<ul style="list-style-type: none"> • <i>Electricity distribution in Nablus municipality transferred to NEDCO and NEDCO is effectively operating</i> 	<ul style="list-style-type: none"> • In 2010 net lending falls to NIS950 million or less than 5% of GDP compared to 6.1% in 2009 • At least 80% of electricity in Northern West Bank being distributed by the newly operational NEDCO 	<ul style="list-style-type: none"> • PERC issues new electricity tariff • PENRA supervising transfer of electricity distribution in both Northern and Southern West Bank to distribution companies 	<ul style="list-style-type: none"> • In 2012 total net lending declines to about 2.5% of GDP • Electricity collection rates rise to about 90% on average across the West Bank • All electricity in West Bank done on a commercial basis and local governments no longer accumulating arrears to PA or electricity
I.2b Improve targeting of social safety net to increase efficiency and ensure the most vulnerable populations are protected	<ul style="list-style-type: none"> • <i>SSNRP and SHC cash assistance programs are merged into the PNCTP that is operating using a single payment modality in the West Bank</i> 	<ul style="list-style-type: none"> • All households receiving benefits under the PNCTP are below absolute poverty line 	<ul style="list-style-type: none"> • MOSA conducts home visits, verifies the data and enters into the targeting database 55,000 households in the West Bank • MOSA recertifies 24,000 households in Gaza • Electricity distribution companies implement a lifeline tariff or other measure to ensure most 	<ul style="list-style-type: none"> • A fully functioning targeting database with at least 70,000 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

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			vulnerable households are able to access minimum level of electricity	
I.3 Improve domestic revenue collection	<ul style="list-style-type: none"> In 2009, the Palestinian Authority expanded the number of municipalities in which it collects property tax from 25 to 34 municipalities 	<ul style="list-style-type: none"> Property tax collections rise from JD13.5 million in 2009 to JD23 million in 2010 and JD30 million in 2011 	<ul style="list-style-type: none"> Expand property tax collection to 49 municipalities by end 2010 	<ul style="list-style-type: none"> PA municipalities operating on a sustainable financial basis without diverting electricity revenues PA gross domestic revenue collection rises to 11% of GDP by 2012
II. INCREASE GOVERNMENT TRANSPARENCY AND ACCOUNTABILITY THROUGH IMPROVED PUBLIC FINANCIAL MANAGEMENT				
II.1 Improve efficiency and transparency of the budget preparation process	<ul style="list-style-type: none"> A new economic and administrative budget classification has been developed for use in the preparation of the 2011 budget and is aligned with the economic classification based on the GFSM 2001 structure¹⁴ 	<ul style="list-style-type: none"> PA budget presented in a transparent manner and accounts are comparable on an international basis 	<ul style="list-style-type: none"> Fiscal framework for 2011 budget aligned with framework for the Palestinian National Plan 2011 – 2013 2011 budget includes an annex that provides detailed financial information for all major development expenditures 	<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 and with a performance focus that encourages an effective allocation of resources

¹⁴ While GFSM 2001 is an accrual methodology the economic classification will be based on the cash accounting system used in West Bank and Gaza.

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II.2 Establish upgraded institutional and regulatory procedures to support PFM reforms	<ul style="list-style-type: none"> <i>All line ministries are connected to the new computerized financial management system</i> 	<ul style="list-style-type: none"> 2011 budget prepared and adopted by January 2011, compared ;to March in 2010 	<ul style="list-style-type: none"> Develop capacity of staff in the new macroeconomic and fiscal forecasting unit New budget module developed for the computerized accounting system and used in preparing the 2011 budget 	<ul style="list-style-type: none"> A fully computerized accounting system used throughout the government, which will allow the PA to dramatically improve its accounting and reporting capabilities in line with acceptable international practice
II.3 Strengthen PFM infrastructure and improve auditing functions	<ul style="list-style-type: none"> <i>New module for commitment control introduced into the Ministry of Finance's computerized accounting system to provide more control over capital expenditures</i> <i>The Palestinian Authority's 2008 financial statements are prepared and submitted for audit to the Palestinian Authority's State Audit and Administrative Control Bureau</i> 	<ul style="list-style-type: none"> All purchase orders for capital expenditures subject to MOF control 	<ul style="list-style-type: none"> Implement capacity building plan for the SAACB audit staff based on a comprehensive needs assessment Adopt auditing guidelines for external audits IPSAS² compliant 2009 financial statements prepared and audited by December 2010 	<ul style="list-style-type: none"> A strong Central Treasury Account continues to operate Have a functioning cash planning and management system that ensures that cash is available to meet expenditure needs and minimizes debt servicing costs PA prepares financial accounts in line with international standards PA has a strong system of external audits

² International Public Sector Accounting Standards