

First Quarter Report  
For the 2009 PRDP

May 6th, 2009

## **Progress Report on the Reform Agenda**

### **I.1 Control Public Sector Wage Bill**

- By the end of the 1<sup>st</sup> quarter 2009, MOF had taken several actions in order to improve controls on the payroll. The ministry combined the security and civilian payrolls into one system, and segregated duties inside the payroll directorate. As a result, financial reporting is now directed to the supervising financial controller, and the IT staff reports to the technology manager. Employment didn't exceed the ceiling, which reached by end March 144,309 (including 64,165 in Gaza). (see Attached the table on PNA employment.)
- There was a general wage increase of 4%, inclusive of the 1.25% annual increase.

### **I.2a Institute measures to increase collection and payment of electricity bills**

- 75,000 prepaid meters have been installed by end March 2009 in the West Bank, compared to 50,000 meters installed by end 2008.
- The PNA requested all municipalities, villages, and utilities to submit detailed information of their electricity and water debt, and have agreed with them on monthly payments to MOF, as well as payments to the IEC. In turn, the Council of Ministers issued a decree which will provide the municipalities which paid their full electricity bills with a share of each bill ranging between 20%-5%, while the highest share is going to the bills that have the oldest due date.
- Certificates of Payment of electricity bills continue to be required and the PNA continues to deduct overdue electricity bills from its employees, before providing subscribers with governmental services.

### **I.2b Reduce net lending by transferring all electricity supply and distribution to distribution companies**

- The collection performance in the electric utilities has increased in the 1<sup>st</sup> quarter of this year compared to the same period in 2008. The highest increase in collection rates was in Hebron (62%). (See attached table)
- The Electricity Law has been approved by the Council of Ministers and signed by the President on April 23, 2009. This law will create the Palestinian Electricity Regulation Commission (PERC) and the Palestinian transmission Company (PETL). It will also compel all municipalities and village councils to join the electricity distribution companies. (See attached the PEA report)

### **I.2c Improve targeting of social safety net to increase efficiency and ensure the most vulnerable populations are protected**

- During the first quarter of this year, the targeting of poor households has reached 42,000 families. 22,000 are eligible to be paid. 11,000 additional applicants have been added to the data base.
- PNA signed an agreement with the World Bank for additional financing under the Global Food Crisis Response Program. According to this agreement the PNA will pay a US\$ 200 one-shot payment to each family. This payment will cover cash allowances for the 22,000 poor households including the regular payment for 5,000 Social Safety Net program beneficiaries.
- Payments to 4,999 households for the months of January and February had been made. However, in Gaza, payments to poor households could not be executed due to the shortage of Shekels in Gaza banks.
- By the end of February, the Council of Ministers had issued a decree to merge the various on-going cash assistance programs using (MOSA) poverty targeting database as the main mechanism. This new mechanism will unify the database, targeting and payment criteria. (See attached note.)

#### **II.1 Improve efficiency and transparency of the budget preparation process.**

- On February 28, 2009 the 2009 Budget Law was approved by the Council of Ministers, and signed by the President.
- For the first time, the 2009 budget presented as 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.
- The budget circular for 2010 will be circulated to ministries on July 1<sup>st</sup> 2009. Workshops are being conducted to prepare ministries staff for attaining further progress in integrating the development and recurrent budgets
- The Ministry of Planning has been focussing on tracking the execution of the development budget. In this respect, the MOP has established a monitoring and evaluation unit to assess the development activities.

#### **II.2 Establish upgraded institutional and regulatory procedures to support PFM reforms.**

- The new accounting regulations were approved by the Council of Ministers.
- Amending the internal documents to provide the regulatory backing for the new accounting system for civilian agencies is under process.
- MOF issued temporary instructions to provide the regulatory backing for new accounting system for security agencies. The ministry will work temporarily according to these instructions until the new financial regulations for the security agencies are issued.

### **II.3 Strengthen PFM infrastructure and improve auditing function**

- The 2009 cash plan is in the final stage of preparation, and expected to be ready by the second week of May. The Government Debt and Cash Management Department's Staff is preparing the last version of the plan with help of the World Bank expert "Mr. Per Johansen".
- Regarding the new computerized accounting system, the PNA Computer Department has connected 15 ministries to the system. The Ministry of Education and the Ministry of Public Works are now fully operational within the new system.
- MOF Internal Audit Department has continued auditing the Ministry of Finance. By end of March it has completed the auditing of 10 departments. It is now working on Custom and General Administration Departments.

In addition to the two audits mentioned above, the Internal Audit Department is now working on auditing another five ministries which are:

Ministry of National Economic

Ministry of Education

Ministry of Social Affairs

Ministry of Interior Affairs

Supreme Council of Justice

### **II.4 Increase financial accountability through improved and more transparent municipal accounts.**

See the attached progress report on the Municipal Development and Lending Fund for the 1<sup>st</sup> quarter of 2009.

### **II.5 Establish a comprehensive public procurement system.**

High Standing Committee for national legislation has met, and finished the final draft of the procurement law, MOF has initiated a decree to be approved by the Council of Ministers. According to this decree the PNA will establish the General Procurement Committee.

The Committee will take the lead in preparing the supporting regulations.