

Public Financial Management Sector Strategy

2017 - 2022

Acronyms

AC	Audit Committee
ASYCUDA	Automated System for Customs Data
CCS	Commitment Control System
CMC	Cash Management Committee
CSO	Civil Society Organisation
CTA	Central Treasury Account
DMFAS	Debt Management and Financial Analysis System
EU	European Union
FMC	Financial management and control
FMIS	Financial Management Information System
GDPT	General Directorate of Property Tax
GFS	Government Financial Statistics
IA	Internal audit
IMF	International Monetary Fund
INTOSAI	International Organization of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
LMAs	Line Ministries and Agencies
MFU	Macro-Fiscal Unit
MTEF	Medium-Term Expenditure Framework
MTFF	Medium-Term Fiscal Framework
NPA	National Policy Agenda
OBL	Organic Budget Law
PB	Programme Budgeting
PEFA	Public Expenditure and Financial Accountability
PFI	Public Finance Institute
PFM	Public Financial Management
PI	Performance Indicator
PIP	Public investment programme
PPL	Public Procurement Law
RMS	Revenue Management System
SAACB	State Audit and Administrative Control Bureau
SAI	Supreme Audit Institution
SC	Steering Committee
TA	Technical assistance
TSA	Treasury Single Account
WB	World Bank

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1) EXECUTIVE SUMMARY

This strategy aims at achieving a balance between the need for a structured systematic reform in Public Financial Management (PFM) and the need (for this strategy) to be framed as an achievable and realistic strategy within the framework of the Palestinian fiscal situation, taking into account all underlying facts and challenges therein. These challenges will be precisely defined and categorized, highlighting all achievable outputs and placing them on a well-defined timetable. This means that these challenges will be directly targeted by reform efforts as well. And for this sake, this strategy focuses on delivery, where specific priorities will be given most of the PFM sector attention, following up and resources. This includes maintaining an active diagnosing process of obstacles, and aims at taming local issues and difficulties in the way to those priorities. It also aims at creating new sustainable routine and environment that comply with the international best practices in the PFM field. These Practices will be envisaged within the system's routine and are set to be complied with PEFA new upgraded framework.

The chief purpose of this PFM strategy is to meet "social, fiscal and performance contracts"[1] held with the Palestinian citizens and other internal and external stakeholders. For that reason, it was prepared with an active participation from all Palestinian PFM stakeholders, aiming at framing a strategy prepared after integrating policy agenda interventions, which were adopted in *the National Policy Agenda (2017-2022)* at the technical level, for PFM. This has enhanced the Palestinian stakeholder's ownership of this strategy and put its implementers on board from the beginning. It should be also noted that these efforts (of preparing this strategy) were accompanied by continuous consultations with the PFM international stakeholders.

This strategy is a living flexible document that aims at keeping track of obstacles that hinder the achievement of the desired objectives. This tracking process simply means that it is a dynamic strategy with clear targets accompanied with flexible steps towards achieving those objectives. The term *dynamism* here means the flexibility of timetables set for achieving the desired outputs. In addition, it means that these outputs can be turned into objectives per se if it was found (during the implementation and related ongoing follow-up process) that there are (policy or technical) prerequisites that must be accomplished to attain those outputs.

Fundamentally, it is an on-going gradual process that aims at continuously changing the timetable of priorities at the level of outputs to spot real obstacles and target them by the reform procedures. For example, a deadline defined for completing a certain output can be shifted from the second year in the strategy to the third year if it was discovered later that

[1] Schick, A. (2011). Repairing the Budget Contract between Citizens and the State. OECD Journal on Budgeting, 11(3), 1-27.

there is a prerequisite (related to a less important output) that need to be achieved before reaching the main output.

This strategy discusses in both broader and detailed outlooks where various specific procedures will be outlined and described depth (with clear adopting to PEFA indictors and dimensions where it is possible). This will ensure that the reform efforts can be continued successfully towards enhancing the level of previous PEFA assessment.

More importantly, in order for this strategy to provide greater momentum to adopt all of the priorities contained therein, it proposes a management structure to oversee the implementation of the reform, and provide guidance when needed as well as keeping all stockholders informed on progress being made in achieving those objectives; this is vital to overcome any obstacles that may arise during the process. As such, this management structure will empower a PFM specialized team (Delivery team) dedicated to manage, facilitate and follow up the technical implementation processes of this PFM strategy.

This strategy covers 8 main sections and 3 appendixes as follows:

Section I: Executive Summary.
Section II: Vision & Mission.
Section III: General background on the sector and the current situation.
Section IV: National policy and priorities as set out in the NPA and its relationship with the PFM sector.
Section V: Strategic Objectives.
Section VI: Mechanisms of Achieving the Objectives.
Section VII: Monitoring and Implementation Framework
Section VIII: Proposed Procedures (connected with indictors and standards) covered by the Strategic Framework (2017- 2022).

Appendixes:

Appendix I: Summary on PEFA previous Assessments (2007 and 2013)
Appendix II: Fiscal Table - projections of (2017-2022)
Appendix IV: Analysis of fiscal situation (full year - 2016) [2]

[2] Macro Fiscal Unit - MoFP

2) PFM STRATEGY: Vision, Mission

2-1 Vision

"Managing a PFM system that is complied with the Palestinians fiscal, performance and social contracts, and is resilient to local uncertainties with full recognition and alignment to the international best practices in the field."

2-2 Mission

"An integrated legal and regulatory framework of PFM system; operates to collect public resources effectively and equitably, and to manage spending of these resources on programing based –budget in consistency with sectoral strategies and national policy agenda. Such a PFM system is transparently operated in a way that allow accountability and public oversight."

3) General Background

This section will provide a general overview of the main of PFM themes, however in section 8 of this strategy, the proposed matrix will provide a specialized elaboration separately next to each PFM specialized area. This should give the user an easier way to compare, match and understand the PFM issue, its background, its best practices and the suggested reform with a specific timeline.

3-1 An Overview

This strategy is based on previous achievements and recommendations about PFM reforms, including reports issued by international and local institutions. These reports have been urging for the need to review the legal and regulatory framework that underpins the government's PFM system.

Planning and budgeting are still largely based on revenue estimates, which seems to be not reliable enough to solely rely on. The disparity between the expenses contained in the budget and actual revenues leaded to an increase in the private sector arrears, public debt and arrears of pension fund. However, MoFP shows an improvement in containing the private sector arrears, and has dedicated systematic monthly transfers to the pension fund.

As such, the most important step to be taken is to enhance the planning and preparation processes of designing realistic budgets connected to a robust fiscal medium term framework. This mainly needs to prepare and enact a new organic budget law to replace the existing structure inherited from old legislations. Existing legislations on PFM should also be reformed into new OBL mainly to include provisions that detail penalties imposed when the law is breached or violated.

PFM system still needs a reform on the execution level of the Budget. This mainly related to the build and commit to a commitment control system. Although MoFP has made a preventative and precautionary decisions to control the accumulated arrears, including the decision of issuance the Promissory Notes in coordination with local banks and relevant organizations in the private sector – controlling arrears still needs the PFM sector to enhance and reform the commitment control. This includes all necessary regulatory changes in the procurement system and cash management. |Improving commitment control system will help in controlling both of the size of arrears and borrowing from banks.

The PFM system also needs to revise the current accounting and reporting practices until gradually become a full compliant with International Public Sector Accounting Standards (IPSAS) and Government Financial Classification (GFS). Moreover, internal control systems used by Palestinian government institutions should be upgraded and strengthened not only to ensure compliance and suitability, but also to improve the effectiveness and efficiency of the PFM system. In parallel with these efforts, external audit carried out by State Audit & Administrative Control Bureau could be enhanced more in order to harmonize its role, composition and work method with the standards set out by the International Organization of Supreme Audit Institutions (INTOSAI).

As for the revenues, the main theme of enhancing and reforming revenue administration is to encourage the different departments and stakeholders to work together. This shall have a significant impact on expanding the tax base, promote compliance and reduce of arrears.

The process of uniting efforts to improve transparency, tax-payers obligations, tax-payers registration, tax imposition procedures and arrears collection effectiveness, were improved significantly over the past period. One of the uniting procedures for example is RMS which covers income tax and VAT, using a single taxpayer identification number. It is expected that RMS, ASYCUDA and trade transactions registration database of the Ministry of National Economy be connected together by the mind of 2018.

Still there is much work accomplishing this field, which could be summarised as follows: Improving transparency, taxpayers' obligations and duties in terms of clarity and inclusiveness, taxpayers' access to information of tax obligations and administrative procedures and making sure that effective tax appealing mechanisms are in place.

- Improving the effectiveness of taxpayers' registration procedures and tax imposition by imposing controls on the registration system and improving the effectiveness of the procedures of non-abidance by registration obligations and disclosure in addition to planning and monitoring tax review programs and investigating tax evasion and fraud.
- Improving collection of accrued taxes by increasing the rate of levied taxes out of accrued taxes (percentage of accrued taxes collected during that year), the average of the last two fiscal years, the effectiveness of the revenues administration in transferring collected taxes to the treasury and the frequency of reconciliation of accounts among: tax assessment, collection, accruals records and treasury receipts.

Additional current challenges are the current laws, executive regulations and information technology systems which are not sufficient to achieve the vision of an integrated PFM systems. In addition to the political commitment, the achievement of this vision will depend on the integrity, efficiency and dedication of civil servants who take responsibility for various functions in main ministries, departments, agencies and institutions tasked with PFM. Therefore, considerable efforts need to be exerted in developing capabilities and skills of the Palestinian government's workforce through systematic and regular training sessions. Training programs focusing on enhancing PFM should be supported by taking all necessary measures to change the current management culture. This would give more power to executive managers and add more strength to mechanisms in order to ensure accountability.

Currently, not all planned reforms can be pushed through or put in place because financial and human resources are inadequate. In addition, reaching an understanding on the need for these reforms may take time. Accordingly, these reforms will be adopted gradually during the duration of this reform plan, taking into consideration reform priorities.

3-2 Current Situation of PFM in Palestine:

3-3-1 Public Sector: Governance Assessment

3-3-1-1 The Assessment Issued by Ministry of Finance & Planning

PFM system adopted by the Palestinian government has improved substantially in recent years. The PEFA 2013 assessment set a basis for measuring progress, as the last similar assessment was done earlier in 2007. In spite of political and financial challenges that emerged during the intervention period, the Palestinian government was able to improve the overall performance of the PFM system and increase the capacity of the Ministry of Finance & Planning. In this regard, significant improvements were introduced in some areas, top of which are the comprehensiveness and transparency of budget, financial controlling and auditing.

3-3-2 External Assessments

3-3-2-1 PEFA Assessment:

Results of the PEFA 2013 assessment were generally positive. The assessment proved that there is a progress achieved since the 2007 assessment in a number of areas within the scope of PFM. However, only 11 out of 29 assessed indicators showed signs of improvement. One indicator deteriorated and 11 indicators remained unchanged. The remaining four indicators have never been assessed. In particular, results of indicators related to arrears, predictability of funding and spending restraint were less satisfactory. Overall, the assessment clearly shows the urgent need to reform the PFM system

3-3-2-2 Reports Issued by The IMF*:*

Two main reports issued by the IMF regarding the PFM situation in Palestine:

1) Ttechnical Assistance Report On Public Financial Management Progress Review December 2014

2) Public Financial Management Reform Agenda 2014-16

These reports show a necessity to maintain PFM reforms despite the efforts which have been achieved in some areas, however, these assessments and reports still valid to address some of the current the weaknesses identified therein. Main issues that have been identified are as follows:

- Lack of progress in framing a legal and regulatory framework that forms the basis for PFM, especially the new Organic Budget Law.
- Still there is a need to adopt a plan for developing an MTEF and introduce procedures to formulate budget ceilings in order to manage the budget within realistically available resources;
- The need to progress in activating a commitment control System. This includes, a) fully implantation of the procurement law, B) enhance the cash planning management; c) Establish a mechanism for releasing financing order based on the cash plans with effective mechanism for consultations and adjustment with revenue and budget managements.
- Reduce the backlog of pending and unaudited financial statements.
- Maintain the current momentum of reducing the accumulated arrears.
- The need to strengthen the legal basis of the tax enforcement.

3-3-2-3 Progress Report Issued by The European Union

The European Union made it clear that the Palestinian government needs to ensure accuracy and transparency in reports related to its financial operations accompanied with a regular and on time publication. This should include a complete audit and publication of 2011, 2012 and 2013 financial statements. Moreover, the European Union highlighted the importance of taking measures to strengthen the role of internal and external audit. It suggested that the Palestinian Government issues a *citizen budget* to serve as a supplementary document with all budget documents. In compliance with this, Ministry of Finance & Planning and State Audit & Administrative Control Bureau completed and published the 2011 and 2012 financial statements. The Ministry also issued the citizen's budget supplementary document.

3-3-3 Analysing The Current Overall Fiscal And Financial Situation (For the year end 2016)[3]

On the Fiscal front, the Ministry of Finance and Planning maintained a strong Revenue growth till the end 2016.

On the other hand, Expenditures are growing slightly. Healthy Revenue Performance along with the Expenditures controls reflected a decline in the recurrent deficit at the end of the 3rd quarter of 2016 by 38.4%, compared to the parallel period of 2015. Despite dwindling Donor Funded Budget support in the first nine months of 2016 which showed a decline of 17% compared to the parallel period of the previous year, which negatively affected the possibility of growth and budget deficit mitigation through funds and grants. (More details on the overall financial situation is highlighted in Appendix No. 3).

3-3 National Anti-Corruption Strategy (2015-2018)

The National Anti-Corruption Strategy consists of the following three main components:

- Protection
- Prosecution
- Raising Public Awareness

To this end, the Palestinian government will ensure that the legal and regulatory framework, which forms the basis of the PFM system, supports these objectives and improves the efficiency of the internal audit in its institutions. Furthermore, the Palestinian government will work on improving the transparency in budget planning, customization, management and audit as well as citizens' access to the relevant information. In this regard, considerable efforts will be exerted to build bridges of cooperation with civil society organizations in formulating, implementing and monitoring anti-corruption measures.

[3] The Macro Fiscal Unit - MoFP

4) The National Policy Agenda 2017 – 2022 (PFM sector)

The National Policy Agenda (2017 – 2022) is based on a range of priorities that covers all segments of the public sector. The national priority related to PFM sector is *"Effective Government"*. This national priority has two main concerns as follows:

4.1 Accountability and Transparency Enhancement. It Includes The Following Policy Interventions:

4-1-1 Institutionalizing the public sector in order to show more commitment to the Code of Conduct and anti-corruption environment.

4-1-2 Enhancing transparency in the government, including the right to access to information.

4-1-3 Strengthening the role of supervisory, financial and administrative institutions.

4-1-4 Strengthening a performance and results-oriented public management, completing the integration of planning with the budget and shifting to *Programme Budgeting*.

4-1-5 Integrating social development in government policies, programs and budgets.

4.2 PFM Efficiency and Effectiveness.

4.2.1 Strengthening the PFM and ensuring financial sustainability.

4.2.2 Increasing revenue by focusing on broadening the tax base, improving collection mechanisms, mobilizing external support and rationalizing expenditures.

In order to implement these aforementioned policy interventions, the following procedures should be adopted:

- Unifying all current legal and regulatory frameworks in a new Organic Budget Law to reflect the principles of modern PFM.
- Developing a medium macroeconomics framework.
- Tightening commitment control, adjusting multi-year commitments and improving Financial Controlling System.
- Preparing medium term budget in accordance with the updated new Organic Budget Law.
- Enhancing revenue collection and compliance to reduce evasion.
- Establishing a government unit concerned with ensuring a more sustainable and integrated internal audit. This unit will require employing skilled and highly trained professionals.
- Ensuring that the State Audit & Administrative Control Bureau's governing law is in compliance with the international standards of INTOSAI.
- Increasing the level of transparency, publishing accurate data punctually and improving accountability mechanisms.
- Adopting a highly efficient system for public procurement. It should be linked to the computerized public finance system to insure transparency and integrity of public expenditures.

4.3 Conditions Of Effective Reform Process

In order for the PFM reform to succeed and achieve its objectives, the following conditions shall be met:

- **A.** The PFM reform will be a part of this comprehensive strategy which is approved by all senior-level officials involved in the process.
- **B.** Policies will be specifically determined at the macroeconomic level, including formal institutional arrangements and macroeconomic policy.
- **C.** Political commitment will be demonstrated in support of the reform process at the highest level. In addition, the Ministry of Finance should be given the strongest possible political authority and planning to oversee PFM (meaning that it should be the number one ministry along with the Prime Minister's Office).
- **D.** Key government institutions, including the State Audit & Administrative Control Bureau, should be given all powers needed to work independently.
- **E.** The reform process should be managed in a way that allows citizens, government officials, and CSOs and private sector be able to understand the rationale and motivations of the reforms.
- **F.** The progress made should be measured and monitored in accordance with a number of predefined indicators and targets.

5) PFM Strategic Objectives (2017-2022)

PFM Strategy is based on the following Strategic Objectives:

- **Strategic Objective No. 1: Public expenditure complies with the sector strategies that are linked to medium term expenditure program budget**

  - 1st Theme: Public expenditure is well- planned and its budget is prepared in an effective and efficient integral manner.

  - 2nd Theme: budget is executed as originally planned

- **Strategic Objective No. 2: Abiding by inclusive transparent accounting systems that operate in line with international standards and are connected with internal and external effective control and audit system.**

  - 1st theme: accounting, reports and data transparency
  - 2nd Theme: Effective internal and external auditing and monitoring controls

- **Strategic Objective No. 3: Public revenues are collected effectively, efficiently and in a just manner**

In Section 8 of this document, a set of necessary procedures required to achieve each of the aforementioned strategic objectives will be explained and clarified. These strategic objectives form the vision of PFM sector, as associated with the national polices agenda. Proposed necessary procedures will introduce current achievements of each objective along with essential steps required to fully accomplish that objective.

Furthermore, it will also include details on expected accomplishments, responsible parties and risk factors that could hinder the completion of the procedure. Under each procedure, there will be a clarification on its link to PEFA Indicators, as appropriate. It is expected that the completion of related procedures will improve the outcome of PEFA Indicators. Proposed suggestions submitted by partners and donors for each procedure will also be included, as appropriate. Projected costs should not be considered final because they are rough estimates. Accurate costs can only be estimated precisely after preparing a detailed proposal for each intervention.

6) Mechanisms required to achieve the strategic objectives

The vision and objectives embodied in this strategy will be applied by using a number of different means, namely: unification of legislative and regulatory frameworks that form the basis of the PFM, capacity building, re-engineering financial processes, changing the PFM culture in government institutions and improving IT support.

6-1 legislative changes

Many of the proposed reforms will require amendments to existing laws or enacting new legislations and related regulations. At the forefront of these amendments is consolidating and updating the legislative framework of the PFM System. This may involve enacting a new Organic Budget Law and amending several other laws and legislations. The State Audit & Administrative Control Bureau's legal framework will be improved to ensure compliance with the international standards and principles of INTOSAI. All measures will be taken –as necessary- to ensure the full application of existing laws.

6-2 Changes in the Culture and Processes of the Management

Transition from Input-based Budgeting to Output-based Budgeting (referred hereto as *Programme Budgeting*) will require radical changes in a number of areas, particularly in the regulatory framework. It will also necessitate making new arrangements related to accountability, which will in turn require changes in management culture. This is because assessing managers will no longer depend only on the amount of money spent but also on the results, outputs and progress outcomes, or objectives relating to achievable programs. In order to achieve this fundamental change, it is expected that processes in the Ministries, Departments and Agencies will be considerably re-engineered. Although it is unlikely that these changes will take place within the period covered in the reform strategy, all priority steps therein must be taken. The relevant follow-up will be included in the framework of internal controls.

6-3 Improving Financial Management Information System:

Financial Management Information System will be updated, when needed, in order to ensure that all of its advantages are fully utilized, including funds control, commitments (pledges), procurement and asset management. These upgrades will be availed to all Financial Management Information System users. The increase in use will lead to providing reliable financial information for planning and reporting. The use of electronic signatures and transfers will reduce documents substantially, as the Budget Unit plays a key role in facilitating the Programme Budgeting

6-4 Capacity Building

For the effective implementation of all reforms proposed by this strategy, a significant investment in upgrading employees' skills and capabilities will be critically needed. To that end, capacity building will be done in a number of different ways, including training workshops, computer training, work rotation and counselling. Facilities of the Palestinian Public Finance Institute (PPFI) will be fully utilized for this goal. Support provided by development partners will be essential to the success of this important component of the strategy.

6-4-1 Support the PPFI efforts to meet the capacity building needs in the PFM sector.

A well supported PPFI will increase the opportunity to support the implementation process of this PFM strategy through Building the capacity of public servants in PFM fields in general and areas where weakness could be diagnosed. For this reason, the Institute has prepared capacity building plan (2017 – 2019) which focus on the following three objectives:

Strategic objective 1: To develop and improve the capabilities (skills, knowledge and attributes) of the new and existing staff of the PFM sector; enabling them to deliver on their duties efficiently and effectively.

Strategic objective 2: To support PFM policy reforms.

Strategic objective/enabler 3: To develop and maintain the capacity of PFI to deliver high quality development and training services to its constituencies based on international practices.

The implementation of these strategic objectives should be set to be consistent with This PFM strategy procedures, indictors and standards. As such, PFI Strategy will conduct some minor changes to meet the requirement of this strategy.

6-4-2 Encouraging excellence by providing a bonus for exceptional performances

Employees with performance appraisal exceeding expectations should be recognized and rewarded by the management for their excellence. In this regard, granting certifications throughout the year and/or granting financial incentives based on performance appraisals may constitute a source of encouragement to employees

7) The Monitoring and Implementation Framework

The monitoring and implementation framework will operate at two levels: (i) the oversight is provided by a *PFM Strategic Steering Committee*, with responsibility for directing and monitoring PFM reform activities; and (ii) this will be backed by a *PFM Technical unit* that will serve as the Official Coordinator. The roles and functions of a PFM Reform Steering Committee could be as follows:

- Clarify the overall vision, goal, strategy and action plan of the PFM strategy;
- Monitor implementation of the action plan against targets and indicators in order to determine the impact and success;
- Provide guidance to the implementation;
- Resolve any coordination issues arising between Stakeholders;
- Facilitate the policy dialogue with Development Partners;
- Review and approve PFM Program and annual action plans within the PFM strategy;
- Update and brief the Minister of Finance and Planning on progress of PFM strategy;
- Receive and review progress reports from PFM strategy Technical Committees;
- Monitor reform progress and take action on the quarterly and annual progress reports;
- Decide on major institutional, legal, investment or conceptual questions related to the PFM strategy;
- Organize Annual Joint PFM Reviews to discuss progress in PFM and approve the next PFM Annual Action Plan;
- Perform anything in furthering the PFM strategy objectives.

8) Main components and procedures necessary to achieve strategic objectives

<table>
<tr><td colspan="4">First strategic objective: Public expenditure complies with the sector strategies that are linked to medium term expenditure program budget.

First Theme: Public expenditures are planned and its budget is prepared in an effective and efficient approach.

Interventions of the National Policies Agenda linked to this theme of 1st strategic objective:
- Enhance results and performance-based management; continue integration of planning and budgeting, and shifting to program budgeting.

- Enhance public finance management and ensure financial sustainability.</td></tr>
<tr><td colspan="4">A. Sustainable fiscal framework & policy-based Financial strategy and budget</td></tr>
<tr><td>Basic information</td><td colspan="3">Planning and budgeting are largely based on revenue estimates, which seem to be optimistic with respect to revenue from the donor community. The donors are among the reasons for such optimism. The disparity between the expenses contained in the budget and actual revenues leaded to an increase in the private sector arrears, public debt and arrears of pension fund. To avoid such risks Planning and budgeting process should adopt the following procedures:</td></tr>
<tr><td colspan="3">Procedures</td><td>Duration</td></tr>
<tr><td rowspan="5">Procedure 1.1</td><td colspan="2">Enhance the Medium-Term Fiscal Framework (MTEF)

Responsibility: Macro-Fiscal Unit and the Strategic Management Group</td><td>Jan 2017 – June 2018</td></tr>
<tr><td colspan="2">Indicator: Adopting and implementing the technical assistance recommendations as detailed in FAD-IMF report issued in December (2016) and mainly to:</td><td>Jan – July 2018</td></tr>
<tr><td rowspan="3">Standards</td><td>Establish an Internal Revenue Analysis Committee.</td><td>Jan 2018 – March 2018</td></tr>
<tr><td>This committee shall Improve communications and coordination between the key stakeholders within the MOFP involved in revenue Forecasting.</td><td>Continuous Process</td></tr>
<tr><td>This committee shall strengthen the timeliness and reliability of this analysis and reporting.</td><td>Continuous Process</td></tr>
</table>

	Indicator: Macro macroeconomic forecasts (Linked with PEFA indictor No. 14.1) **Responsibility:** Macro-Fiscal Unit		
	Standards	Provide clear forecasts for the macroeconomic indicators that can be examined.	Quarterly and yearly Reports
		The forecasts shall be attached to the budget documents submitted to the PLC.	Jan 2017 To (be continued to the subsequent years)
		The forecasts shall be updated once a year at least.	Jan 2017 To (be continued to the subsequent years)
		The forecast must cover the budget year and two subsequent years.	Jan 2017 To (be continued to the subsequent years)
	Indicator: Fiscal forecasts (PI-14.2)		-
	Standards	Provide forecasts for the key economic indicators of the previous year, budget year and two subsequent years. The forecasts shall include revenues classified by type, total expenditure, and fiscal deficit.	Jan 2017 To (be continued to the subsequent years)
		The forecasts and their assumptions, as well as explanation of the main disparities in forecasts compared to previous budget year, shall be submitted with the budget documents.	Jan 2017 To (be continued to the subsequent years)

	Indicator: Analysis of alternative fiscal scenarios (PI-14.3)		-
	Standards	Prepare and publish more than one scenario of fiscal forecasts, based on alternative macroeconomic forecasts, with the key forecasts. These fiscal forecast scenarios, incorporating an analysis of debt sustainability, are prepared by the GDB, in conjunction with the MFU, for presentation to the Strategic Management Group and for subsequent inclusion (together with underlying assumptions) in budget documentation submitted to Cabinet.	Jan 2017 To (be continued to the subsequent years)
	Indicator: The fiscal impact of the new policy proposals (PI-15.1)		-
	Standards	Prepare fiscal impact expectations of all proposals leading to policy change in revenues or expenditure **(including for major investment projects)** and targets for the fiscal deficit of the budget year and two subsequent years, and to be presented to the Strategic Management Group so as to submit by the Cabinet to the PLC.	June 2017 - Dec 2017. And to be continued for the subsequent years.
		This fiscal strategy includes forecasts for revenues based on revenue policy, and targets for the fiscal deficit and for aggregate expenditure.	June 2017 - Dec 2017. And to be continued for the subsequent years.
		The fiscal strategy includes forecasts for revenues based on revenue policy, targets for the fiscal deficit and for aggregate expenditure, plus targets for changes in the stock of financial assets and liabilities	Jan 2018- Dec 2019, And to be continued for the subsequent years.
	Indicator: Adopt fiscal strategy (PI-15.2)		Jan 2018- Dec 2019
	Standard	MoFP and its PFM partners shall prepare and publish fiscal strategy that includes specific objectives and indicators and linked to timetable. The strategy shall consider the budget year and two subsequent	Jan 2019- Dec 2019, And to be

		years. It will be prepared by the GDB, in conjunction with the MFU, for presentation to the Strategic Management Group and for subsequent presentation to Cabinet.	continued for the subsequent years.
	Indicator: Monitor fiscal outputs (PI-15.3)		Jan 2018- Dec 2019
	Standards	Prepare monitoring reports of the implementation of the fiscal strategy, the extent of diversion from the specified indicators. The reports must establish alternative plans to bring implementation back on track. These will be prepared by the GDB, in conjunction with the MFU, for presentation to the Strategic Management Group and for subsequent presentation to Cabinet.	Jan 2019 to Dec 2020
		Publish the implementation Report (on the Fiscal Strategy Progress) with Annual budget.	Jan 2020 –June 2020

B. Preparing of Budget	
Basic information	It is difficult to provide accurate revenue expectations. This contributes to lack of accurate expectation of supposed maximum total expenditure, which the budget used to build on. The difficulty is mainly attributed to Israeli arbitrary punitive decisions and to the drop in donors' budget support. Additionally, budget is prepared in accordance with the "bottom-up approach." The strategic plans of LMAs do not constitute base for determining their maximum expenditure limits. This exaggerates expenditure requirements to exceed the affordable. The top-down and bottom-up approach must be adopted to define the maximum level of total expenditure, through medium term fiscal framework and maximum levels of ministries'' spending, which are allotted using basic estimates. The maximum level of total expenditure and maximum levels of total ministries' spending helps define the available fiscal space, if any. Though the medium term fiscal framework is prepared at the start of budget cycle, it shall not be possible to enhance it on the basis of maximum levels of total expenditure in light of lack of maximum individual expenditure levels for LMAs. The preparation of the medium term expenditure framework on the basis of the medium term fiscal framework shall improve score C of the previous framework (PI-12)

Procedures			Duration
Procedure 1.2	**Designing of a comprehensive draft of new Organic Budget Law** **Responsibility:** General Directorate of Budget, Strategic Management Group **Background:** The existing PFM legislative framework needs to be more harmonious and consistent. Presently, legislations do not support applying a number of proposed important modifications to budget planning, execution, accountability, reporting, and supervision. These are required to be reviewed in an integrated Budget Law. This may provide consistent base for PFM, consistency with sound relevant international practices, and most importantly facilitating implementation of necessary reforms. This will also lead to enhancing efforts to preparing policy-based budget, budget execution forecast, accountability, control, recording and auditing accounts.		June 2018 – Dec 2021
	Indicator: Draft a comprehensive organic budget law ready for endorsement.		-
	Standards	Review and assess the support that current framework provides to planned PFM reforms.	June 2017 – Dec 2018
		Review relevant sound international practices.	June 2017 – Dec 2018
		Define and review the required changes according to M&E of PFM strategy 2017-22.	June 2018 – Dec 2020
		LMAs submit their inputs	Jan 2021- June 2021
Procedure 1.3	**Institutionalization of the preparation, formulation, and reporting processes.** of medium term budgeting,		-

	Responsibility: General Directorate of Budget **Background**: Defining the basic expenditure of LMAs is important to ensuring developing the medium term expenditure framework (MTEF). The basic expenditure means those necessary for LMAs to continue with the tasks that are modified on the basis of defined changes –increase in beneficiaries … etc. excluding new policies.		
	Indicator: Budget formulation, execution and reporting adopt admin administrative, economic, and program classifications. Where the economic classifications are consistent with all levels of GFS classification. And the budget programs are linked with to the sub-function level of COFOG Classification. (PI-4.1)		Jan 2018 to June 2022
	Standards	Economic classifications is consistent with GFS at 4 digits for revenues and 3 digits for expenditure, and otherwise disaggregate (for both) to 6-digit level.	Jan 2018 to Dec 2021
		Preparing a work plan to identify and tackle instances of misclassifications. This includes reclassifying some codes, provide transparency in the labels of all codes, remove redundant codes, add new codes when necessity arise)	June 2017 to Dec 2018
		Implement the classification work plan(bring the work plan into implementation by revising the economic classification at 5-digit level for revenues and at 4- digit level for expenditures.)	Jan 2019 to June Dec 2020
		Budget formulation, execution and reporting adopt program classification in consistency with the sub-function level of COFOG classification.	Jan 2018 to Dec 2018
		Administrative, Economic and program classifications are consistent with annual budget (current, Capital and project)	Process

		Budget classification is consistent with chart of accounts (Procedures and formats for budget execution to be recorded by program and output, this should ultimately lead that these outputs will be introduced to the Budget execution model FMIS)	Jan 2019 - 2021
	Indicator: Budget preparation (PI-17)		
	Standards	Calendar of medium term budget preparation is prepared and complied with. Budget Calendar for 2018 setting out the process for preparation and approval of the 2019-2021 Budget - got approved by the Minister of Finance and Planning for publication on the Ministry website before the start of the fiscal year (2018)	Jan 2017 to Dec 2018
		Budget circular that includes medium term budget ceilings approved by cabinet by July 1. Medium Term Total Budget Preparation Ceilings and Medium Term Ministry Budget Preparation Ceilings are approved by Cabinet and incorporated in Budget Circular Part 2 for distribution to ministries on or before July 1st.	Jan 2017 to June 2018
		Cabinet submits annual budget to the PLC two months at least before start of fiscal year (on or before Nov 1st. The Budget Circular (Parts 1 and 2) contains detailed budget preparation instructions, schedules and deadlines (consistent with those in the Budget Calendar) and Medium Term Ministry Budget Preparation Ceilings approved by the Cabinet and is issued to ministries on or before July 1st. (2018)	Jan 2017 to June 2018)

Procedure 1.4	**Developing a more detailed forecast on medium-term expenditures (future estimates) – (2017-2019 & 2020-2022)** **Responsibility:** General Directorate of Budget **Background**: The maximum levels of actual expenditure of LMAs, which are based on the basic estimates, and include changes of measurements that agree with the maximum level of total expenditure, allow for preparing the medium term expenditure framework and defining any available fiscal space for new policies.		-
	Indicator: Medium term expenditure framework Preparation (P-16) **Responsibility:** General Directorate of Budget		
	Standards	Estimates of Medium-term expenditures (PI-16.1) - Prepare procedures to guide the ministries on how to prepare medium term expenditures estimates by program and 2-digit economic classification in the ministry budget requests. (2017). - Annual Budget book is redesigned accordingly to include the medium term expenditures estimates by program and 2-digit economic classification (2018). - MoFP submits a medium term expenditures estimates by program and 2-digit economic classification to the Cabinet.	In 2019 (Jan 2017 to Dec 2018)
		Ceilings of Medium-term expenditure (PI-16.2) - Medium Term Total Budget Preparation Ceilings and Medium Term Ministry Budget Preparation Ceilings are presented to Cabinet and incorporated in Budget Circular Part 2 for distribution to ministries on or before July 1st. (2017) - Medium Term Total Budget Preparation Ceilings and Medium Term Ministry Budget Preparation Ceilings are approved by Cabinet and incorporated in Budget Circular Part 2 for distribution to ministries on or before July 1st (2018)	In 2017 (Jan 2017 to Dec 2017)

		Alignment of Medium-term budgets with sectoral strategies (PI-16.3) Costs of these strategies should be designed in alignment with the prepared medium term ministries` budget.	In 2019 (June 2017 To Dec 2018)
		Medium-term budgets are consistent with outruns of the previous Medium term Frameworks (PI-16.4) - Guideline to explain variances between the current and previous medium term budgets. This needs to conduct a comparison between Budget Preparation Ceilings by ministry for Years 1 and 2 as set in in the current year and Budget Preparation Ceilings by ministry for Years 2 and 3 as set in the previous years. This explanation will be annexed within the Budget Circular Part 2.	In 2019 (Jan 2017 to Dec 2018)
Procedure 1.5	**Developing and enforcing budgeting procedures to determine, assess, chose the public investment projects** **Responsibility:** The general directorate of the budget / International Relations and Projects **Background:** Public investment program projects should be consistent with sectoral strategies, and should be feasible against funds availability. And then it will be possible to submit a list of projects ranked by priority to the cabinet, for them to choose projects that would incorporated within the budget. This needs to institutionalize a comprehensive system linked to the Budget Preparation's procedures manual, related to (development) project management to cover the entire project cycle, starting from the proposal submission mechanism to costing, funding, implementation, and evaluation. Some work should be carried out concerning the organization of public and development programs management, linked to other sectoral strategies. It should be noted here also that those sectoral strategies are still weak in terms of the ability to clarify the running costs that will be incurred on investment projects, which increases the size of the financial risk. As the previous indicator (PI-12) (dimension-iii), which tackles the existence of an integrated plan for the investment aspect (development funding), has scored C. deepening the integration of the public investment program in the budget process and the medium term expenditure framework, will ensure that these impacts resulting from recurrent costs of investment projects are taken into		-

	consideration during the decision making process, in addition to including them to the framework. The dimension (iv) of the same indicator-which tackles linking between capital and running estimates- has scored (D). Therefore, it is essential to develop a comprehensive data base for the development projects, in order to start avoiding this gap.		
	Indicator: good governance of Public Investment Management. (PI-11)		Jan 2017- 2022 (And to be continued to the subsequent years)
	Standards	Design of the State of Palestine Project Cycle Management System by the Minister of Finance. This implies of preparing national Procedures manual to select and implement development projects.	Jan 2017 to Dec 2017
		Institutional Arrangements for Project Approvals in operation. This means a Technical Committee for Project Approvals within GDB of MoFP in operation from 2017 until the end of 2019	Jan 2017 to Dec 2019
		Technical Committee for Project Approval within MoFP with other stakeholders co-opted in operation	Jan 2019- Dec 2019 (And to be continued to the subsequent years)
		Project Cycle Management System Business Process Procedures for Identification of Projects made operational in Budget Circular Parts 1 and 2	Jan 2017- Dec 2017

			be continued to the subsequent years)
		All SoPG-funded projects & SoP-donor funded projects & donor-funded projects in Ministry Medium Term Budget Requests are approved by the relevant Project Approval Committee.	Jan 2017 to Dec 2017 (And to be continued to the subsequent years)
		All remaining donor-funded projects recorded in the DARP System are reviewed by the relevant Project Approval Committee and linked to a budget program	Jan 2017 to Dec 2017 (And to be continued to the subsequent years)
		Project Cycle Management System Business Process Procedures for Preparation and Appraisal of Projects made operational in Budget Circular Parts 1 and 2	Jan 2018 to continuous
		All SoPG-funded projects & SoP-donor funded projects & donor-funded projects in Year 1 of Ministry Medium Term Budget Requests are approved by the relevant Project Approval Committee	Jan 2018 to continuous
		Project Cycle Management System Business Process Procedures for Financing of Projects made operational in Budget Circular Parts 1 and 2	Jan 2017 to Continuous
		Project Cycle Management System Business Process Procedures for Implementation of Projects (Expenditure and Output delivery monitoring) made operational in Budget Circular Parts 1 and 2	Jan 2018 to Dec 2018

		Project Cycle Management System Business Process Procedures for Evaluation of Projects made operational	Jan 2021 To Dec 2021
		Financial reporting in operation for SoP-funded projects & Joint SoP-Donor funded projects	Jan 2018 to continuous
		Financial and output delivery performance reporting in operation for SoP-funded projects & Joint SoP-Donor funded projects	Jan 2019 to Dec 2019
		Financial reporting in operation for Donor-funded projects recorded in the Chart of Accounts	Jan 2018 to Dec 2018
		Financial and output delivery performance `reporting in operation for Donor-funded projects recorded in the Chart of Accounts	Jan 2019 to Dec 2019
C. Program Based -Budgeting			
Basic information	The government has come a long way in the process of preparing and implementing the Program Budgeting, where executing program budgeting will lead to assessing public services' effectiveness according to certain outputs, in addition the efficient use of resources in the implementation of programs, rather than simply adjust their inputs Also moving forward in the implementation of program budgeting will provide a logical framework for the management and decision-making processes, and will build the basis for accountability and transparency of the government's implementation of programs. This requires to gradually delegate powers at the program level, and will negatively affect the positive results expected from launching program budgeting, if inappropriate restrictions are imposed to the use of program allocations.		

	For example, all budget items, related to administration (administrative line items), can be merged, except for wages and salaries, within one item under running costs (single running costs), which would provide program managers with greater flexibility in the use of those funds. Public expenditure and financial accountability assessment framework does not particularly refer to program budgeting. Previous Performance indicator (PI-5), which related to budget classification is the most suitable for this purpose. Performance, under this indicator from classification D of the year 2007 to classification B in 2013, has improved. As the general directorate of budget are seeking to achieve the result (A).		
Procedures			**Duration**
Procedure 1.6	Introducing organization structural changes in order to enforce the implementation of program budgeting. **Responsibility:** The General Directorate of Budget		Annually
	Indicator: Issuance of an annual report on how coherent functions formations' table is with the budget programs, whereas the report should include:		Annually
	Standards	The report includes specified recommendations with the necessary changes, in addition to implementing previous recommendations.	Annually
		In the follow-up report on implementing the recommendations that are not implemented, obstacles for implementation are pointed out.	Annually
Procedure 1.7	**Prepare new budget adjusted –Programs for MoFP and SAACB in consistent with this PFM Strategy.** **Responsibility:** General Directorate of Budget, Strategic Management Group		Jan 2018 – Dec 2018.
	Indicator: This strategy adopts new practices and reform requirements; this includes establishing new departments, abolishing some of the current procedures and creates new formal routine. This should result in adjusting the former chart of objectives, output and tasks that used to be implemented through 4 budget programs in the MoFP and two		Jan 2018 – Dec 2018.

	in SAACB. As such, what is required is to Prepare new budget adjusted –Programs in consistent with this PFM Strategy.		
D. Public assets and liabilities Management			
Basic information	In order to prepare a realistic feasible budget, ministry of finance and planning needs to improve its assets and liabilities management process. Which includes, an improvement on projecting financial risks resulting from weakness in the following up sovereign guarantees, and the accumulation of arrears, failure to ensure to pay dues to the pension fund, and other matters that may arise and pose an emergency financial burden on the budget during implementation.		
Procedures			**Duration**
Procedure 1.8	**Expand and Institutionalize the activities of the public Financial Risk Management unit** **Responsibility:** Accountant General \ Directorate of Cash and Public Debt. **Background:** This procedure requires the cooperation of all related stakeholders. Currently there is a division under the cash management which needs technical and staff support.		Jan 2018 – Dec 2019
	Indicator: Financial risks analysis and integration within the preparation and execution budget processes, including: (PI-10)		Jan 2018 – Dec 2019
	Standards	Sovereign guarantees – casual/urgent liabilities, must be collected and analyzed within the public debt management, it must be included in the annual financial reports**.**	Jan 2018 to Dec 2018 (And to be continued to the subsequent years)
		Large payments of arrears – government default permissions are being issued.	Jan 2018 to Dec 2018 (And to be continued to the

			subsequent years)
		Accumulation of retirement benefits liabilities- regular financial transfers have been initiated on a monthly basis, and an increase is required from 20 million to 30 million per month	Jan 2018 to Dec 2018 (And to be continued to the subsequent years)
		Revised fiscal reports are published on an annual basis for public organizations and governmental sub-organizations, where its debts could pause financial risks for the central government.	Jan 2018 to Dec 2018 (And to be continued to the subsequent years)
		Preparation and publish an annual report including all potential financial risks, such as; any unexpected liabilities.	Jan 2019 to March 2019 (be continued in the subsequent years)
Procedure 1.9	Improvement of public debt planning processes. **Responsibility:** Directorate of Cash and Public Debt		-
	Indicator: Integrated management of public debt. This needs to develop a medium term debt strategy (MTDS) covers the years (2019 – 2021). Such a strategy will focus and include: (PI-13)		Jan 2018 – Dec 2018

	Standard	An annual borrowing plan prepared to be approved by the minister of finance and planning.	Annual Process (divided by monthly plans)
		This strategy will cover the current and expected future debts, and will also cover details on main indicators such as interest prices, refinancing and refinancing risk, and risks connected to the foreign currencies.	Jan 2018 – Dec 2018
		Computerize the debt management, and mainly by purchasing, installing and running the Debt Management and Financial Analysis System (DMFAS).	Jan 2019- Dec 2020
		Local and external debt and debt guarantees are recorded entirely and in an accurate and updated manner, in addition, needed settlements are conducted on a monthly basis.	Monthly process
		Carrying out administrative and statistical reports on a quarterly basis, to cover debt services, debt balance, and the operations surrounding them.	Quarterly process
		Development of a procedures manual including policies and guidelines on borrowing or issuing loans guarantees.	Jan 2018 to Dec 2018
		Ensure lower interest rates on domestic loans.	Continuous
		Continue repayment of domestic loans.	Continuous
		Reschedule domestic debts and continue to reduce interest rate.	Continuous

		Count the undocumented remaining external loans from international bodies.	Jan 2018 to Dec 2019
Procedure 1.10	**Activating of a committee to examine arrears and to monitor implementation of the committee's recommendations** **Responsibility: Accountant General**		Jan 2018 to Dec 2018 (And to be continued to the subsequent years)
	Indicator: Balance of expenditure arrears (PI-22.1)		-
	Standards	Balance of expenditure arrears shall not exceed 2% of total expenditure. This applies to at least two years of the three ended fiscal years.	Description
	Indicator: Monitor expenditure arrears (PI-22.2)		-
	Standards	Issue quarterly reports –within four weeks of end of each quarter- on type of arrears, balance, and overdue time.	Description
		Issuing a monthly report on the promissory notes, explaining, the purpose, value, commitment.	Description
Procedure 1.11	Developing a registry for all classification of financial properties, and develop a guideline on the procedures related to transferring the ownership of the public assets or to amortizing them in a proper manner. **Responsibility:** Governmental Properties Management		June 2019 – Dec 2022

	Indicator: Governmental assets management improvement (PI-12)		-
	Standards	Government maintains registries for all classification of financial properties, consisting with the international accounting criteria.	June 2019 to Dec 2020
		Develop of a software program to manage and operate the assets related information. This should include, land, cars, buildings, heavy tools, and all assists. This should help the property department to maintain authentic data bout he cost, depreciations and the actual value of the assets.	June 2018 to Dec 2019.
		Linking all the ministries and cost centres with this computerized program.	Jan 2019 – Dec 2020
		Linking Bisan program with the properties department, so the department can access the purchases of fixed assets.	June 2018 to June 2019
		Government maintains registers for all classifications of its fixed assets and lands, including information concerning its use and age, in addition, they are published annually.	Jan 2020 to Dec 2022
		Preparation of procedures and regulations manual – consistent with relevant rules – on how should ownership transfer and (assets disposal) be conducted, including providing the PLC with the needed information in order to extract the approval. Such information on ownership transfer or Jan disposal of materials should be published within the budget documentation and the fiscal reports.	Jan 2019 – Dec 2019
		Facilitate the mission of the Properties Management to collect the necessary data that can be declared and reflected in the financial reports.	June 2018 to Dec 2019

		Achieving a cabinet decision supporting these trends.	Jan 2020 to June 2021
Procedure 1.12	**Developing and implementing a procedures manual on how to introduce and approve adjustments in the budget allocations throughout the year.** **Responsibility:** General Directorate of Budget		Jan 2019 to Dec 2021 (Cont.)
	Indicator: Size of budget changes through the year (PI - 21.4) No major changes in the budget allocations may take place more than twice a year. The changes, if any, shall be transparent and anticipated.		Jan 2019 – Dec 2021
	Standards	Prepare written procedures manual and deliver the necessary training and awareness activities	Jan 2019 – Dec 2019
		Issue a semi-annually and yearly reports that show unplanned expenditure and ensure that they are consistent with the changes requirements of the procedures manual. The changes shall be reviewed, controlled, and approved for future budgets.	Jan 2020 to June 2021 (Cont.)

First strategic objective / Second Theme	**Public expenditure complies with the sector strategies that are linked to medium term expenditure program budget.** **Second Theme:** Budget is executed as originally planned **Interventions of the National Policies Agenda linked to this theme of 1st strategic objective.** - strengthening PFM and insure maintaining financial sustainability - Efficiency and effectiveness of PFM - Rationalization of expenditures
Control of Public Spending	
Basic information	Spending control needs more restrictions to increase the integrity of the budget execution, as the current arrangements needs more enhancement to control the government commitments and spending, otherwise, such a situation will lead to create a deviation from implementation the budget as planned, which in in it turn will lead to the accumulation of private sector arrears, unplanned borrowing, and accumulation of pension fund arrears. As such, MoFP will mainly work on reducing the gap between the budget value and the actual implementation cost, through applying effective payroll control and activating a robust commitment control system. MOFP will closely ministries and public organizations to adhere to merge the procurement law and manual into Bisan system, and to apply procedural and organizational changes necessary to ensure that all ministries and agencies fully use the system. It is worth noting here, that during 2016, public procurement manual was completed, however, it has not been activated because of the required approvals and the issue of merging it into the system, in addition to the lack of enough training. MoFP will also enhance the cash management in terms of planning and forecasting capacity, and will increase the connectivity between cash management and commitment control system.

	MoFP will also increase its capacity to that the budget directorate can comply with the provisions regulating the budget law. This should lead to better coordination between budgeting and spending. This includes the system so the budget directorate will not to make any transfers between chapters of the budget without acquiring necessary approvals, and will be able to disclose the mechanism by which allocations for ministries and agencies are increased or reduced. In conclusion, Ministry of Finance and Planning seeks to achieve the following concerning expenditure restrictions according to indicator No 1 of PEFA: The total outcome of total spending for the last two years (of the last three years) is no less than 95% and no more than 105% of the total spending planned. Deviation value in total spending (depending on the program, or according to administrative functional classification for the last two years of the last three years) less than 5%. Deviation value in total spending (by economic classification for the last two years of the last three years) less than 5%. - Actual Total spending on emergency spending (unplanned) must be at least 3% of the actual budget. So, the objective to be achieved is for this section (Spending control) is:		
A. Payrolls Management			
Procedures			**Duration**
Procedure 1.13	Replacement of the current payroll system with a more modernized and effective system. **Responsibility:** General Directorate of Payrolls \ Accountant General \ Financial Controller		June 2017 – Dec 2021
	Indicator: Payroll control (PI-23)		-
	Standards	Develop a business plan for the proposal of replacing the system. This includes a transformational plan form old systems to the new one. (This includes conducting wide and comprehensive consultation between all the payrolls stakeholders.	June 2017 – June 2018

		Preparing a complete and comprehensive term of reference for the new system. Recruited supplier/s are responsible of Data migration between the old and new system.	June 2017 to Dec 2018
		Developing the new System, migrate the data, mapping and reconciliations, testing and launching.	Jan 2019 – Dec 2021
		The current computerized system requires a major change, in order for it to be qualified to link between payroll and personnel data bases with the rest of the relevant ministries, such as the Civil Service Bureau and the Interior Ministry database.	Process
		List of staff approved in the budget allocations, personnel base data (sourced from the GPC), and the registered list on the salary table must all be connected to make sure the information is approved and to carry out monthly settlements in this regard.	process
		Modifications required on personnel data and their salaries are done at least on a monthly basis, seeking to reduce retroactive adjustments. In addition, total adjustments and corrections should not exceed 3% of the total salary payments.	process
		Authority of making adjustments on salaries is limited supported adequately.	process
		Strong system that includes an annual audit to illustrate weaknesses in the supervision and control of the so-called "ghost employee".	Process
		Expand the financial controller operations to include the whole payroll system	Process
		Add supervision to responsibilities	Jan 2018 to Dec 2018

Procedure 1.14	**Enhance the process of annual and monthly reports of the wages bill.** **Responsibility:** General Directorate of Payrolls **Background:** Decision maker- at the highest administrative and political levels- needs data explaining rate of growth in the salaries' bill for each sector on independently (education, health, agriculture, etc.). To be sure, to harmonize these rates with the national sectoral policies' agenda and strategies requirements.		-
	Indicator: Issuance of annual and monthly reports concerning payroll bill, classified according to key governmental sectors based on COFOG Classification		Monthly and Annually
	Standards	These reports include data showing citizens the change in the wages bill, such as the change in the number of staff paid by the budget, so that they may be categorized by sector in question.	Jan 2017 – (and to be continuous in the subsequent years)
		These reports include data showing citizens the change in the wages bill, such as the change in the number of staff paid by donors, the number of retirees, etc., so that they may be categorized by sector in question.	Jan 2019 – Dec 2020
B. Enhance the Commitment Control System			
B.1 Enhance the Cash Management			
Basic information	The significance of cash management relies in it being one of the most important foundations to adjust the total expenditure and execution of the prepared budget, and a reduction on the cost entailed in government borrowing. In addition, for the cash management to be effective, it must be completed through an appropriate system concerned with management obligations. The revenue that the government earns in its majority is unconfirmed, because it is subject to conditions beyond the control of the government itself. This would make		

	the prediction of cash flow very difficult, whereas cash shortages are currently processed through cash rationalization and increasing arrears. Cash management has made achievements centered on identifying all Commitments of the State of Palestine, where a few of them still need to be followed-up. Efforts have been also given to reschedule domestic debt, reduce interest rates, and apply continuous repayment of the loans depending cash availability, in addition to reducing the cost of lending, there are also continuous efforts given into following up collection to re-lent loans for local parties in Palestine. Work on cash plans, starting from 2015, has started given that these plans still need further improvements. With regard to managing bank accounts of the State of Palestine, many of these accounts have been shut down during the years 2014-2016, and the cash found, if any, has been transferred to the single treasury account, but there are still some gaps yet to be closed, which will be given more attention within this strategy. As for the need to identify all Commitments of the State of Palestine that have not been identified, due date of spending, within the binding financial request, has been determined, as this procedure can enable the directorate to predict the due time of spending, in addition, a committee was formed to study the accumulated arears and issues related to them.

Procedures			**Duration**
Procedure 1.15	**Activate the cash management committee** **Responsibility:** Accountant General/ Cash and Public Debt. **Background:** The role of the cash management committee is to advise cash and debt department and the Directorate of Budget on cash releases. This role of the committee, and the annual cash and budget execution plans, must be part of the cash management mechanism.		Jan 2018 to June 2018 (And to be continued to the subsequent years)
	Indicator: Ensure that cash releases are consistent with the approved budget		-
	Standard	The committee consists of members from cash, budget, Tax and Custom departments, and the international relation directorate.	Description

		The members must have experience and commitment.	Description
		Speedy provision of high quality information, which is necessary for taking timely and appropriate decisions.	Description
		Regular minutes of meetings (monthly meetings)	Description
Procedure 1.16	**Enhance the cash planning capacity based on revenue and expenditure forecasts** **Responsibility:** Accountant General / Cash and Public Debt.		-
	Indicator: Prepare monthly and yearly cash plan that positively impacts commitments controls system. This is conducted by timely monitoring of cash for purchase orders allocated in budgeted for programs.		Jan 2017 – (to be continued in the subsequent years)
	Standards	Forecast of revenue in the year (PI-21). The forecast of revenue allocations during the year enhances the capacity of MoFP to forecast the cash needs of the budget execution units. This assists the units to control commitments.	Jan 2018 – (to be continued in the subsequent years)
		Prepare and monitor fiscal year cash flow. The incoming and outgoing actual cash flow is updated monthly.	Jan 2018 -- (to be continued in the subsequent years)
		Coordinate with the banks to reorganize the SoP's banks accounts tree, so it cover levels of account classifications	Jan 2018 -- (to be continued in the subsequent years)

Procedure 1.17	**Integrate Cash Management with Commitment Control System** **Responsibility:** Cash and Public Debt, Directorate of Supplies. PHCPP **Background:** Having applied the public procurement manual, which is linked to Bisan system, the commitment control shall be integrated into the expenditure process. Hence, it would be possible to integrate cash management in the system so that it checks availability of cash liquidity and decides whether to make a commitment or not.		June 2018 – Dec 2020
	Standards	Directorate of Public Supplies should activate the "inventory" feature on the Bisan system, where all bids granting decisions are entered to Bisan via the inventory feature.	June 2018 –Dec 2018
		Links the Directorate of supplies to actual daily cash flow, only on which budget allocations may be released.	Jan 2019 to June 2019
		Enhanced financial system, which shows financial ceilings individually rather than in an aggregated manner.	Jan 2020 to Dec 2020
		Directorate of Budget shall not issue financial orders for any spending center unless approved by the committee (committee's approval shall be based on availability of cash liquidity).	Jan 2019 to June 2019
		Increase efficiency and expertise of people entering due dates of financial orders. This is accomplished by organizing meetings, workshops, and training for financial officers and comptrollers at the spending centers.	June 2018 to Dec 2019
		Take punitive measures against spending centers, which fail to enter all commitments into Bisan system.	Jan 2018 to Dec 2018

		Entry of sector classification of expenditure into the information system shall be a must for financial orders	June 2018 to June 2019
B.2 Enhance Public procurement operations in alignment with the government efforts to increase the value for money and to control the commitments			
Basic information	Public Procurement aim to obtain good quality goods and services at competitive price. The procurement procedures must give equal opportunity to bidders; they must be designed to maximize value for money and reduce risks of corruption and nepotism. Sound and effective procurement processes is a founder stone for effective commitment control. **Objective to be achieved:** The desired objective to be achieved is to fully operate the revised regulatory framework of public procurement for value for money outcome and effective commitment control system. This shall be consistent with budget allocations and the medium term total expenditure plan.		
Procedures			**Duration**
Procedure 1.18	**Applying the revised regulatory framework of public procurement to enhance the commitment control system and to achieve the highest value for money.** **Responsibility:** Accountant General & High Council for Public Procurement Policies **Background:** Current procedures of expenditure at LMAs do not allow sufficient control of commitments. LMAs must apply the right procurement steps according to the Procurement Law No. 8 which of 2014. The provisions of this law should incorporated in Bisan system.		June 2018 – Dec 2020
	Indicator: LMAs apply correct procurement steps as shown in the financial management information system (Bisan).		-
	Standards	Have a sound and complete database of granted contracts and their value (PI-24).	Jan 2018 to Dec 2019

		Activating the Commitment Control System by completing the necessary organizational changes relating to the public procurement manual (in terms of the official approval),	Jan 2018 to Dec 2019
		Standardizing the procurement documents and procedures	Jan 2018 to Dec 2019
		Integrating the public procurement manual on Bisan System, as well as providing sufficient technical training to the related staff	Jan 2018 to Dec 2019
		The value of contracts, awarded on competitive basis during the ending fiscal year, must be at least 80% of the total awarded contracts (PI-24).	Jan 2019 to Dec 2020
Procedure 1.19	Expand information on procurement that the public can access (Public Portal) **Responsibility**: Accountant General & High Council for Public Procurement Policies **Background:** The Directorate for Procurement of MoFP has a website that provides information about invitations for tender, and allows for downloading bidding documents. However, the HCPPP should establish a public portal to expand the information on procurement that the public can access (Public Portal)		June 2019 Dec 2019
	Indicator: The public must have enough access to updated and full data on public procurements aspects (PI-24) including.		June 2019 Dec 2019
	Standards	Effective legal and regulatory framework	Description
		Government public procurement plans	Description
		Bidding opportunities, awarded contracts (objective, value, and awarded party)	Description
		Information on settling and dealing with procurement complaints	Description

		Annual procurement statistics	Description
Procedure 1.20	**Set up an independent administrative system to receive complaints concerning procurements.** **Responsibility**: Accountant General & High Council for Public Procurement Policies		June 2019 - Dec 2019
	Indicator: The complaints shall be reviewed by a party that:		Description
	Standards	Is not involved in any public procurement processes	Description
		Relevant parties know about its activities	Description
		Does not charge fees for the review of complaints	Description
		Monitors progress regarding dealing with the complaint	Description
		Has the power to terminate a public procurement process	Description
		Makes timely decisions according to rules and regulations	Description
		Issues decisions that are binding to all parties (without prejudice to higher audit parties)	Description

Second Strategic Objective/ First Theme	**Abiding by inclusive transparent accounting systems that operate in line with international standards and are connected with internal and external effective control and audit system.** **First Theme:** Accounting, Reports and Information Transparency. **Interventions of the National Policies Agenda linked to this theme of Second Strategic Objective:** Promoting transparency in government activities, including the right to access to information.	
A. Enhance Budget transparency and presentation		
Basic information	Promoting transparency and freedom of access to financial information is one of the most important policies which the Palestinian government adopted in its national policy agenda for 2017-2022. Inclusive and available information of the budget should be easily accessible before its approval if further understanding is to be achieved thereat.	
Procedures		**Duration**
Procedure 2.1	**Publication of the overall budget documents during the budget preparation phase.** **Responsibility:** Directorate of General Budget **Background:** The Ministry of Finance and Planning shall publish details about debt stock, financial assets, new policy impacts on the budget and the main changes in the current policies of the budget documents which should be issued in concurrence with the budget letter.	-
	Indicator: - Preparing the budget's full documents (PI-5). The documents of the proposed annual budget (supporting documents) shall be presented to the Cabinet and then to the PLC for consideration and approval. These documents include: (Note: Preparing most of these documents needs to design and approve processes and procedures to enable MOFP to develop such documents properly and on time)	Jan 2019 to continuous

	Standards	Deficit and surplus forecasts.	Jan 2017 to continuous
		Actual amounts of the budget of the past year are presented in the same way budget suggestions are presented.	Jan 2017 to continuous
		The budget of the current year (revised budget or actual estimate) is presented in the same way the budget suggestions are presented.	June 2017 to continuous
		The revenues and expenditures are presented in computational way and in detail in line with administrative, economic and programs classification.	Jan 2017 to continuous
		Quantification of tax expenditures (information on tax expenditures)	Jan 2019 to continuous
		Financial deficit and its predicted components.	Jan 2018 to continuous
		Macroeconomic assumptions, including at least the growth of the GDP, fiscal inflation, interest rates and exchange rate.	Jan 2017 to continuous
		Debt stock of, at least, the beginning of the current year, presented according to governmental financial statistics or other recognized international standards.	Jan 2018 to continuous
		Inclusive financial assets for at least the current year (including accidental liabilities such as accidental guarantees and obligations under the contracts of partnership between the public and private sectors).	Jan 2018 to continuous
		Clarifying the impact of the new public policies and investments on the budget, taking into account the impact of the budget on changes in the policy of the revenues or the changes in the expenditures of the programs.	Jan 2018 to continuous

		Information on fiscal risks, including contingent liability such as guarantees, and contingent obligations linked to government engagement in PPPs contracts and other similar obligations.	Jan 2019 to continuous
	Indicator: Sufficient and inclusive presentation of information concerning performance of public services delivery (this information should consist an integral part of the supporting documents which MoFP provides with the proposed budget). (PI-8.1-8.3) Note: (8.4 is not a sole responsibility of MoFP)		Budget
	Standards	Program's policy and outputs statement is presented through the documents of the medium-term documents of the ministries' budget prepared for submission.	Jan 2017 to Dec 2017(And to be continued in the subsequent years)
		Relevant information (Program's policy and outputs statement) is integrated into the suggested annual budget and the medium-term expenditure plan to be presented to the Council of Ministers and the legislatures.	Jan 2017 to Dec 2017 (And to be continued in the subsequent years)
		Proposed and approved of a national monitoring and evaluation mechanism for the performance and achievements of the program policy goals, objectives, outputs	In 2019 (And to be continued in the subsequent years)
		Performance outcomes (according to Program policy classification) presented in the annual reports of all ministries.	In 2020 (And to be continued in the subsequent years)
		Propose a national guidelines of planning that are consistent with the classifications of the program policy tree	Jan 2018 to Dec 2018 (And to be continued in the subsequent years)

		Proposed and approved of mechanism to monitor if the resources have reached the service delivery units.	In 2019 (And to be continued in the subsequent years)
		The ministries and organizations have a monitoring system to monitor the resources provided for the services provision units in accordance with the plan.	In 2020 (And to be continued in the subsequent years)
		Preparing annual report on the resources which are collected by the Public service units in the field	Jan 2020 to Dec 2020 (And to be continued in the subsequent years)
	Indicator: The ability of the public to have access to financial data (PI-9)		-
	Standards	The citizens should have easy access to the financial information published on the official electronic websites of the State of Palestine without need for password.	Jan 2017 (And to be continued in the subsequent years)
		All budget proposal documents should be published (on the MoFP website) in one week after the Cabinet submitting them to the legislator.	In 2017(And to be continued in the subsequent years)
		The law of the budget which is approved by the legislature. It is published to public in a period of two weeks from the date of the issuance of the law.	In 2017 (And to be continued in the subsequent years)

		Pre-budget statement, that includes the parameters of the budget proposal, presented to the Council of Ministers (planned expenditures and revenues and debt) four months before the beginning of the fiscal year. The budget execution proposal is presented to the legislature two months prior.	In 2018 (And to be continued in the subsequent years)
		Proposed budget summary (In Arabic Language) shall be made available for the citizens (Citizen Budget) in a period of two weeks from the date of presenting the budget execution proposal to the legislature and one month from the date of its approval.	Jan 2018 Dec 2018 (And to be continued in the subsequent years)
B. Improving financial reports' accuracy, timeliness and sound practices compliance			
Basic information	Despite preparing and publishing timely periodical reports on the performance of the budget, preparing conclusive financial data takes long time. This led to accumulated financial data that weren't ready for issuance or publication for the years (2013, 2014, 2015, and 2016); 2012 were issued by MoFP and is yet to be Audited by SAACB. In addition, the financial data still needs to be further consistent with cash basis IPSAS.		
Procedure 2.2	**Integrating of international accounting standards (IPSAS Cash basis) and the classifications of GFS in Palestine PFM reporting/classification systems.** **Responsibility:** Accounts Management/ Quality Assurance Unit/ Accountant General.		-
	Indicator: Implementing obligatory requirements related to IPSAS – Cash Basis		Jan 2017 to (continuous)
	Indicator: Consistency with Full GFS - Compliant Reporting		Jan 2020 to Dec 2021

	Indicator: With applying IPSAS and GFS, MoFP will give especial focus on preparing the final financial statements on time, where: (PI-29)		Jan 2017 to Jan 2017 (And to be continued in the subsequent years)
	Standards	Central government conclusive accounts reports are prepared on time annually without delays.	Annually
		Issuing "subject to audit" final accounts to SAACB on time annually. Currently it is required to issue statements of (2013, 2014, 2015, and 2016.	Annually
		These statements can be compared with the approved budget.	Description/ continuous
		They provide full financial information	Description/ continuous
		They must be supported by Reconciled Cash Flow Statement.	Description/ continuous
		Training on the accounting manual book	Description/ continuous
	Indicator: Preparing inclusive study for making recommendations regarding any alternatives to better handle & classifying the issue of fuel subsidy		June 2018 to June 2019
	Indicator: Preparing a national inclusive study for making recommendations regarding any alternatives to better handle net lending and health referrals.		June 2018 June 2019
Procedure 2.3	**Maintain and manage an integrated financial data**		Jan 2019 – June 2022

	Responsibility: Accounts Management		
	Indicator: Financial data integrity (PI-27)		-
	Standards	Making bank reconciliation for all effective central government accounts on bimonthly basis on the macro and micro levels (PI-27.1).	Jan 2019-Dec 2020
		Suspense accounts are reconciled at least once a month (in a period of one month from the end of each month), provided that these accounts are periodically closed prior to the end of the fiscal year (PI-27.2)).	Jan 2020-June 2022
		Advanced accounts are reconciled at least once a month (in a period of one month from the end of each month), provided that these accounts are periodically closed prior to the end of the fiscal year (PI-27.3).	Jan 2019-Dec 2021
		Logging into and modifying financial data should be controlled, specific, recorded and subjected to monitoring by Quality Assurance Unit and Internal Audit Unit (PI-27.4).	Jan 2019- Dec 2021
Procedure 2.4	**Monitoring the operations of the central government that are not stated in the financial reports (if any). (PI-6)** **Responsibility:** Accountant General / Accounts Directorate. Background: The following indicator and most of its standards had already been done. What is required is to maintain the achievement.		Continuous
	Indicator: Reports of unregistered data to be registered.		Continuous
	Sta nda	Making sure that all expenditures are conducted through the treasury single account.	Continuous

		All tax and non-tax revenues are entered into the treasury single account. (SAACB in this respect can be referred to).	Continuous
		The expenditures which are not stated in the central financial reports are less than 1% of the total expenditures of the budget's units.	Continuous
		Equal to these expenditures is achieved by employing the revenues collected from transactions fees or from the returns of projects funded by external entities.	Continuous
		The Ministry of Finance and Planning gets detailed financial reports of all extra budgetary units (not fully funded by the budget) in a period of three months from the end of the fiscal year.	Annually
Procedure 2.5	**Enhance transparent financial relationship between MoFP and local government authorities.** **Responsibility: Accountant General, Budget directorate and ministry** **Background:**		Continuous
	Indicator: Money transfer transparency mechanism (to municipalities) (PI-7).		Jan 2018 to Dec 2020
	Standards	Transparent regulations for controlling and governing money transfers allocated by the Ministry of Finance and Planning for the local government authorities. (PI-7.1) (Responsibility for design and management of this formula lies with the Ministry of Local Government), and budget calendar is a perquisite.	Jan 2019 to Dec 2019 (And to be continued in the subsequent years)
	Indicator: Timeliness of Transfers to Municipalities (PI-7.2)		Jan 2018 to Dec 2020

	Standards	Provide local government authorities with advance information about their transfers based on the budget calendar.	Jan 2020 To Dec 2020 (And to be continued in the subsequent years)
		Design procedures and implement them so the MoFP can provide municipalities the municipalities with information on their annual transfers before the start of the new financial year.	Jan 2018 to Dec 2018 (And to be continued in the subsequent years)
		Design procedures and implement them so the MoFP can provide municipalities the municipalities with information on their annual transfers 4 weeks before the deadline for completion of their budget planning.	Jan 2019 to Dec 2019 (And to be continued in the subsequent years)
		Design procedures and implement them so the MoFP can provide local government authorities with advance information about their transfers based on the budget calendar. Such information should be provided six weeks prior, to enable them to plan their financial transactions.	Jan 2020 To Dec 2020 (And to be continued in the subsequent years)
Procedure 2.6	**Improving the transparency and monitoring of budget execution during the year of implementation.** **Responsibility: Accountant General / Accounts Directorate / Quality Assurance Unit**		-
	Indicator: Reports' inclusiveness and comparability (PI-28.1).		-

	Standards	Financial data classification methodology allows for comparison with the original budget (GFS & COFOG).	Continuous
		The reports include the information of all budgeted allocations.	Continuous
		The reports include the expenditures spent in form of deduction from the money remitted to the budget units.	Continuous
	Indicator: Issuing the budget execution reports during the fiscal year on time (PI-28.2).		Continuous
	Standards	Budget execution reports are prepared on quarterly basis.	Continuous (quarterly)
		Budget execution reports are issued in two weeks from the beginning of each quarter.	Description
	Indicator: Reports validity (PI-28.3).		Continuous
	Standards	There is no considerable risk regarding data validity.	Continuous
		Analysis of budget execution quarterly basis.	Continuous (quarterly)
		Expenditures data covered in terms of its both commitment and payment phases.	Continuous
Procedure 2.7	**Establishing a Quality Assurance Unit, supported by continuous technical assistance.** **Responsibility:** Accountant General		Jan 2018 – Dec 19
	Indicator: Institutionalized and effective Quality Assurance Unit		Jan 2018 – Dec 19

	Standards	Preparing Quality Assurance Unit's mandate and tasks' description.	June 2018 – Dec 2018
		Adding this unit to the organizational structure of the Ministry of Finance and Planning as a supportive unit for the General Accountant.	Jan 2018 to Dec 2018
		Providing this unit with continuous technical assistance, including logistical resources.	Continuous
		It is tasked with monitoring the accuracy and quality of the process of issuing timely annual report in accordance with IPSAS standards.	Continuous
	Indicator: Integral financial data processes (PI-27.4)		-
	Standards	Logging into and modifying financial data should be controlled, specific, recorded and subjected to monitoring by Quality Assurance and Financial Controller and Internal Audit Directorate.	June 2019 - Continuous

Second Strategic Objective / 2nd Theme	**Abiding by inclusive transparent accounting systems that operate in line with international standards and are connected with internal and external effective control and audit system.** **2nd Theme:** Effective internal and external auditing and monitoring controls **Interventions of the National Policies Agenda linked to this theme of Second Strategic Objective:** - Institutionalizing the public sector to better abide by the code of conduct and corruption combating environment. - Promoting the role of the financial and administrative control organizations.
A. Financial controller	
Basic information	The internal controls which are broadly implemented today by the governmental ministries and organizations include financial control compliance checks carried out prior to pay-off. They don't have inclusive Public Internal Financial Control system required for program budgeting. What distinguishes internal financial control is its preventive pattern (preventive measure) since it aims to consolidate the appropriate systems capable of combating corruption and fraud. According to that, all managers are held accountable for their operating and financial management activities and control policies. Every manager is responsible for the decisions they make concerning control systems and appropriate financial management for realizing their tasks of planning, program preparation, accounting, control, reporting, archiving and monitoring. The managers are required to use risk assessment tools as part of the control system to help monitor and assess these risks to address them.

Procedures			Duration
Procedure 2.8	**Developing and implementing appropriate financial control systems** **Responsibility:** Financial Controller		-
	Indicator: Developing Financial Controller management action plan that takes into account the main five components of internal control: control environment, risk assessment, control activities, information and communications and monitoring. (**GOV 9100 INTOSAI guidelines.**)		June 2019 – Dec 2019
	Indicator: Expansion of internal control authority on expenditures and non-salaries: linked with the indicator (PI-25.1).		Jan 2019 to Dec 2020
	Standards	Effective and comprehensive commitment control system that is merged within Bisan system, where commitments are conditional upon the existence of a budget allocation and sufficient cash.	Jan 2019 to Dec 2020 (And to be continued in the subsequent years)
		All payments are subject to approved payment procedures, in addition, a formal approval should be acquired and a full clarification of all exceptions.	Process
	Indicator: Implementing the regulations and laws which govern financial control by linking operation procedures with the General Directorate of Legal Affairs and participating in all legal references-related ministerial committees.		Jan 2019 to Dec (And to be continued in the subsequent years)
	Indicator: Consolidating control measures in all responsible centers by adopting the new standard procedures manual and training employees to use it.		Jan 2019 to Dec 2019 (And to be continued in the

		subsequent years)
	Indicator: Establishing Quality Control Unit and connecting it with the Complaints Unit as well as	Jan 2020 to Dec 2020 (And to be continued in the subsequent years)
	Conducting a constant rotation of controllers.	Every two years
	Prepare a needs assessment paper to provide necessary capacity development for the Financial Controller staff (this plan should include: possible suggestions for recruiting new staff, local training and workshops, hands on training and required external missions).	
	Indicator: Developing and reviewing the organizational structure by: Creating Information and Documentation Department to institutionalize research and development, integrating the organizational structures of the civil and military directorate (for the financial controller) together and introducing ten new financial controller units: General Accounts and Cash Management of Public Debt, closing the advanced payments of other responsibility centers, Ministry of Education and Higher Education, General Administration of Crossings and Borders, Public Prosecution and WAFA News Agency, Chief Justice Bureau, West Bank Water Department, Fatwa and Legislation Office, Refugees Affairs Department, General Personnel Council Control, Training and Personnel Affairs Monitoring Department.	Jan 2018 – continuous
	Indicator: enhance control over salaries and semi-salaries payments by connecting the decisions of the General Personnel Council with the Payroll and Financial Controller Directorates	Jan 2019 – Dec 2020 (And to be continued in the subsequent years)

	Indicator: Data updating and adjustment on the payroll system should be approved by the financial controller	June 2018 – Dec 2020 (And to be continued in the subsequent years)
	Indicator: Monitoring ministries' revenues by designing a computerized system to connect the Ministry of Finance and Planning with the collection centers at the ministries. This requires a decision by the Council of Ministers.	Jan 2018 to Dec

B. Internal Audit		
Basic information	Internal audit and control is basic for the systems of accountability and transparency in public money management. Public ministries and organizations' internal accounts audit units exercise their activities and processes with support from all levels. This should lead to submitting regular and inclusive reports to the Central Coordination Unit which in turn summarize and submit them to the Ministry of Finance and Planning. Accordingly, Audit Committee was established in 2013 with broad powers including: reviewing internal accounts audit reports, monitoring response to recommendations, making comparison among planned and actual accounts auditing activities and submitting reports on the effectiveness of the internal audit and control activities. In light of that, the Audit Committee still in need for support and activation. As such, the main expectation form the Internal Audit directorate to expand the internal auditing range to include all cost centers, controlling submission of accounts audit reports to the Central Coordination Unit and increasing Administration's response to the findings of these reports**.**	
Procedures		**Duration**
Procedure 2.9	**Expanding and activating the activities of the Internal Auditing units** **Responsibility:** Internal Audit Department	-

	Indicator: Activating Internal Audit Committee. Meeting should be conducted and recorded (by a written minutes) on quarterly basis		Quarterly
	Indicator: Internal audit activities cover all cost centers without exception **(PI-26.1)**.		-
	Indicator: The nature of the audit processes and standards followed (PI-26.2)**.**		-
	Standards	Internal audit processes focused on internal control systems competence and effectiveness assessment.	Description
		Internal audit processes include the Quality Control Unit.	Jan 2019 to Dec 2020
	Indicator: Implementing international audit standards (International Standards for the Professional Practice of Internal Auditing (ISPPIA) arising from IIA, including:		-
	Standards	Ensure of Independency of the Auditing operations	Description
		Broad power to ensure access to financial and administrative information.	Description
		Sufficient power for writing and submitting reports.	Description
		Audit processes are based on clear written mechanism, focusing on audit high risks.	Description
	Indicator: Preparing annual audit programs to be fully implemented and delivered to the stakeholders (PI-26.3)**.**		Annually
	Indicator: The administrations subjected to audit should respond to audit reports and recommendations within a period of not more than 12 days from the date of issuance PI-26.4)		Description

C. External Control			
Basic information	PLC, SAACB and civil society organizations paly a fundamental tool in monitoring and following up the PFM system. MOFP will ensure supporting the PLC with yearly enough budget documentations so they can make informed decisions about the prposed budget. The State Audit and Administrative Control Bureau (SAACB) work to guarantee integrity and financial stability in Palestine (this covers executive, Legislative and Judicial authorities). SAACB also responsible of monitoring the state operations and protect it from frauds and, management abuse, and the exploitation of public service authority. SAACB uses the risk based approach in auditing the accounts of the central government and local government authorities. SAACB also ensure that these auditing processes are fully complying with INTOSAI standards. It is important to note that performance audit processes are being strengthened.		
Procedures			**Duration**
Procedure 2.10	**Monitoring implementation of the INTOSAI standards and all other public finance management standards relating to external control processes** **Responsibility: SAACB &**		-
	Indicator: Applying (ISSAI), including to the financial reports of cost centers (returns, expenditures, assets, liabilities) (PI-30.1).		-
	Standards	The reports cover any control-related problems and risks.	Description
		Increase in the issued reports	Description

	Indicator: Making necessary amendments to the Law of SAACB to meet INTOSAI's best practices. (These amendments has already been done, and is awaiting the ministerial council and the President to approve it.	Jan 2018 to June 2018
	Indicator: Developing and retaining qualified staff.	Description
	Indicator: Computerizing the processes of SAACB.	Jan 2019 to June 2022
	Indicator: Institutionalizing the process of reviewing SAACB's compliance with international standards or its deviation.	continuous
	Indicator: Making amendment to the law in line with ISSAI to ensure professional work methodology for organizing the relationship with the administrative organizations to achieve monitoring or control activities.	June 2018 to Dec 2019
	Indicator: Consolidating and promoting quality control system on the organizational structure of the SAACB in accordance with ISSAI 40.	Jan 2020 to Dec 2020
	Indicator: SAACB uses sufficient procedures to follow up implement proper performance audit activities. This efforts will ultimately reflected and documented in a procedural manual.	Jan 2019 to June 2021
	Indicator: Submitting reports to the legislature PI-30.2.	-
	Standards Audit reports are submitted to the legislature within a proper time from the date of their receipt from the Audit Office. Time factor here is one of the most important public money preserving factors.	continuous
	Indicator: External reports monitoring (PI-30.3).	-
	Standards A strong concrete evidence on effective monitoring of audit reports recommendations by executive managers.	Description

		The monitoring process includes an official written answer explaining how these recommendations are addressed and the time needed for that.	Description
		The auditing authority answers to whether the reformation procedures are acceptable and continues monitoring. It issues a final report highlighting the pitfalls which weren't given attention.	Description
		SAACB will develop a mechanism to follow up on its recommendations	Jan 2019 to Dec 2019
	Indicator: SAACB operates independently (PI-30.4).		-
	Standards	Independency includes audit planning and reports publicizing in addition to approving and implementing SAACB's budget.	Description
		This independency is established in the law.	Description
		SAACB has the capacity to enter into the financial records and information anytime.	Description
Procedure 2.11	**Verifying the effectiveness of the control process by fully implementing of the Peer Review principle** **Responsibility:** SAACB **Background:** The status of SAACB and its audit reports gain special value when the legislative authority fails to review the reports. The peer review made by other Supreme Audit Institutes helps ensure compliance with valid professional standards and national systems which govern the implementation of audit process. It also helps SAACB take decisions about improving its performance, mission and compatibility with best international practices. The main purpose of the peer review is to make harmony between SAACB and the goal of its existence.		June 2019 – Dec 2019 (And to be continued in the subsequent years)
	Indicator: Improving SAACB's performance and mission in addition to its conformity with best international practices.		-

	Standards	Semi-annual reports about SAACB's peer review activities.	Jun 2019 – Dec 2019 (And to be continued in the subsequent years)
		Analyzing the gaps arising from the peer review.	Jan 2020 Dec 2020 (And to be continued in the subsequent years)
		Written action plan addressing these gaps.	Jan 2020 Dec 2020 (And to be continued in the subsequent years)
Procedure 2.12	**Promoting civil society's role in oversight by engaging relevant organizations in budgeting and budget execution.** **Responsibility: General Directorate of Budget and Accountant General** **Background:** In light of absence of any legislative oversight of financial information, allowing citizens' access to such information gains currency. And so, it is important to allow civil society organizations' access to full and accurate information about the use of public money throughout the budget cycle. Relevant civil society organizations can contribute to improving budget policies through the discussions that take place during budgeting process. They also help strengthen accountability principle regarding effective use by officials of public resources.		-
	Indicator: Civil society organizations have timely access to accurate and full information concerning the use of public money during the budget cycle.		Description
	Indicator: Civil society organizations should have access to budget documents prior to approval.		Description

Third Strategic Objective	**Public revenues are collected effectively, efficiently and in a just manner** **Interventions of the National Policies Agenda linked to the 3rd Strategic Objective.** Increasing revenues by expanding the tax base and improving collection mechanisms:
Basic information and summary	The revenues management should work together to increase revenues collection. This shall have a significant impact on expanding the tax base, promote compliance and reduce of arrears. The process of uniting efforts to improve transparency, tax-payers obligations, tax-payers registration, tax imposition procedures and arrears collection effectiveness, were improved significantly over the past period. One of the uniting procedures for example is RMS which covers today income tax and VAT, using a single taxpayer identification number. It is expected that RMS, ASYCUDA and trade transactions registration database of the Ministry of National Economy shall be connected together by the end of 2017. This revenues-related part of the strategy shall concentrate on the following major themes which shall be used to spur standardization efforts: • Improving transparency, taxpayers' obligations and duties in terms of clarity and inclusiveness, taxpayers' access to information of tax obligations and administrative procedures and making sure that effective tax appealing mechanisms are in place. • Improving the effectiveness of taxpayers' registration procedures and tax imposition by imposing controls on the registration system and improving the effectiveness of the procedures of non-abidance by registration obligations and disclosure in addition to planning and monitoring tax review programs and investigating tax evasion and fraud. • Improving collection of accrued taxes by increasing the rate of levied taxes out of accrued taxes (percentage of accrued taxes collected during that year), the average of the last two fiscal years, the effectiveness of the Revenues Department in transferring collected taxes to the treasury and the frequency of reconciliation of accounts among: tax assessment, collection, accruals records and treasury receipts. To support these three themes, the following five basic targets should be covered and the procedures of achieving them should be outlined: **1.** Developing taxes and customs revenues:

	• Procedures 2.1 to 2.11 **2.** Institutionalizing custom and tax work and improving performance: • Procedure 2.1: Institutionalization of the standardization process & mutual coordination between tax departments and the other related institutions • Procedure 2.2: computerizing all taxation activities, using RMS. • Procedure 2.3: integrating field activity, assessment proceedings, check & audit as well as risks management together. • Procedure 2.4: institutionalizing and supporting Involuntary Collection Unit • Procedure 2.5: improving tax cases management. **3.** Promoting partnership with the private sector: • Procedure 2.6: creating cooperative environment with the private sector, • Procedure 2.7: Tax Awareness Unit Management • Procedure 2.8: establishing a legal and technical committee to communicate with Accounts Auditing Profession Council. **4.** Reviewing and developing regional and international customs and taxes relationships. Procedure 2.9: Activating the role of the signed agreements and improving cooperation with regional and international countries, in addition to signing new agreements • **5.** Reviewing and making amendment to customs and tax laws and legislations: • Procedure 2.10: Prepare technical research on the relationship with the Israeli side, and taking advantage from any potential opportunity and solutions • Procedure 2.11: Adjustment of the legislative and legal framework to achieve standardized and integrated revenue collection management processes.
A. Institutionalization and integration of customs and tax activities & prevention of tax evasion	
Successful implementation of this section requires the organizational structure be amended in accordance with the following indicators and standards.	

Procedures			**Duration**
Procedure 3.1	**Institutionalization of the cooperation process & mutual coordination between tax departments and other related institutions** **Responsibility:** Revenue Council		-
	Indicator: Activating the legal and technical committee to join general directors and technicians to follow up and facilitate uniting/cooperation process.		From Jan 2018– continuous
	Standards	Quarterly specialized meeting on uniting/cooperation process	Monthly
		Semi-annual monitoring report including assessment and technical recommendations for uniting measurements	Semi-annual
		Semi- annually report including the impacts of linking and uniting procedures on RMS (this includes reporting on implementing the recommendation of the Semi-annual monitoring report)	Semi-annual
	Indicator: Uniting and activating tax collection in addition to combating tax evasion through the main three centers (north, middle, and south).		Continuous
	Standards	Uniting tax inspection and audit centers (including all taxes types) in the three centers.	June 2018 To Dec 2019
		Providing logistical support (vehicles) and computer sets for each center.	Jan 2019 – June 2020
		Providing security protection for these centers and coordinating any security demands for field teams.	Jan 2019 to Dec 2019

		Prepare an annual report on all transactions made outside RMS.	Annual
		All activities recommended by the annual report should be computerized during the year that follows the report.	Description
		Designing and adopting a single audit file.	Jan 2017 To June 2018
	Indicator: Coordination with relevant ministries and institutions		Continuous
	Standards	Activating quittance system among the different departments and ministries.	June 2018 to Dec 2018
		Connecting RMS with ASYCUDA	Jan 2018 To Dec 2018
		Connecting RMS trade activities database of the Ministry of National Economy, customs police, land Authority and Ministry of Interior	June 2018 to Dec 2019
Procedure 3.2	**Computerizing all tax process and activities, using RMS.** **Responsibility:** RMS management and Revenue Council		-
	Indicator: Bring uniting, effectiveness and communication through RMS		June 2017 to Continuous
	Standards	Prepare modules (SOPs). These modules include all the functions in the tax administration (registration, Auditing, Appeals & collection, E-filing (e-commerce). Etc.))	June 2017 – Dec 2021

		Computerizing taxpayers' registration procedures, auditing, risks management, forms, submission of declarations and deductions.	Jan 2018 – Continuous
		Preparing an action plan for computerizing tax processes gradually. هذا جزء من الSOPs of Modules not manuals	June 2017 To 2020
		Connecting tax activities and processes with the relevant law electronically. (mapping)	June 2018 – Dec 2021.
		It shall be a written plan linked with a timeline (3 years as minimum), including costs and outputs. This plan must be annually updated based on monitoring and evaluation.	Description
		Connecting the different computerized tax systems and providing a comprehensive database of taxpayers accessible to the private and public sectors.	June 2017 – Dec 2018
	Indicator: Giving priority to the deductions file and institutionalizing it in addition to preserving its achievements.		June 2017 To Cont.
	Standards	Preparing accumulative monthly report on the companies and the institutions which don't directly fill in the forms of salaries, deductions and deduction at source, using the system to follow them up.	Monthly
		Preparing monthly reconciliation reports among the financial reports issued by these companies and their inputs through this system. Any errors or contradicting data shall be sent to the Checks and Inspection Department (through the system) (risk management).	Monthly

Procedure 3.3	**Integration of fieldwork, assessments, auditing, investigation, and risk management processes** **Responsibility:** Revenue Council		-
	Indicator: - Preparing field action plan		Jan 2018 To June 2018
	Standards	Preparing a written inclusive screening plan. It should be responsive to daily or emergency work field checks and inspection.	June 2018 To march 2019
		Recruiting sufficient staffs for implementing the field visit (inspection) plan.	June 2018 To Cont.
		These teams should be trained on feeding the findings and the recommendations of the inspection, delivered to the competent department, into RMS.	Description
	Indicator: Developing assessment-related capacity building		2017 To Cont.
	Standards	Written action plan (part of the field plan) for inclusive or specialized surveys or surveys made for the purpose of assessment.	After the field visits got done.
		Documenting paper tax declarations on RMS immediately by a dedicated staff at each office.	Continuous Process
		Issuing a monthly report on these declarations for monitoring, evaluation and action.	Monthly
		By the end of April, the report of the taxpayers who present their declarations with their accrued taxes assessed is issued. They must be officially notified by the registered mail (through RMS).	Continuous Process

		Activating the system of lump sum tax according to the provisions of Article (34) of Law No. 8 of 2008 on Income Tax.	Continuous Process
		Appeals are followed up by field inspection and documented by RMS. A lump sum tax value is issued for the taxpayer with a specific legal period for payment.	Continuous Process
		Abiding by imposing fines on delays.	Continuous Process
		Outstanding files shall be referred through RMS to the Collection by enforcement Unit. A monthly legal follow up report shall be issued thereto.	Continuous Process
	Indicator: Improving audit and inquiry processes performance (PI-19).		Continuous Process
	Standards	Documented action plan to improve tax compliance. Audit and investigation into breaches of tax laws shall be based on this plan.	June 2018 – Dec 2018
		Audit reports prepared in line with the action plan of improving tax compliance.	Continuous Process
	Indicator: Institutionalizing risk management in the organizational structure and linking it with RMS (PI-19.2) It requires Risk management criteria.		Continuous Process
	Standards	Using well-structured and inclusive approach for assessing and arranging the priorities related to risks management of all types of taxes collected from large and medium taxpayers. (prioritization)	Continuous Process
		Risk-based assessment policy shall be integrated into all processes.	Continuous Process

		All processes are designed for segmenting high risk taxpayers.	Continuous Process
		Tax processes assessors use all risk-management procedures throughout all processes – registration, documentation, tax refund and customs. They express their comments concerning all stages and processes.	Continuous Process
		These comments shall be entered and classified into RMS, using a consistent mechanism which allows for reading and analyzing these comments digitally and chronologically.	Continuous Process
		Analysis processes result in recommendations to reduce risks such as special audit, investigation and field work.	Continuous Process
		Activating risks management in relation to selective samples audit.	Continuous Process
		Dividing taxpayers into segments with emphasis on the segments with high revenue collection. (Prioritization / Segmentation)	Continuous Process
		Preparing monthly report on samples audit processes.	Cont.
		Applying these indicators and standards to all tax processes with emphasis on large taxpayers.	Cont.
Procedure 3.4	**Institutionalization and consolidation of the Collection-by Enforcement Unit** **Responsibility:** Revenue Council		-
	Indicator: Following up and reducing the balance of accrued returns (PI-19.4).		-

	Standards	The balance of accrued taxes by the end of the fiscal year is less than 10% of the returns allocated for that year.	Continuous
		The accruals of not more than 12 months don't exceed 25% of the total accruals of that year.	Continuous
		Classifying the level of defaulted accrued taxes to concentrate on the accruals which are easier to collect.	Continuous
		The priority of this Unit is to collect accrued and lump sum taxes.	Continuous
		The Collection-by Enforcement Unit is included in the organizational structure of the three centers (south, middle and north).	Continuous
		Supporting the efforts of the Legal Follow up and Involuntary Collection Unit through legal documentation to ensure filing complete credible cases with the Court of Execution.	Jan 2018 To June 2019
		Activating the fines system to pursue tax dodgers and collect due taxes on time.	Due by Jan 2018
Procedure 3.5	**Improving tax case management** **Responsibility:** Revenue Council		-
	Indicator: Clarity of taxpayers' rights and duties (PI-19.1)		Continuous
	Standards	Tax grievance procedures are clear and effective.	Description
		Develop the capacity of the tax cases units	June 2018 – Dec 2020

		This unit allows full access to RMS and any other documents which support access to fair settlements.	Description
B. Promoting partnership with the private sector			
Procedures			**Duration**
Procedure 3.6	**Creating cooperative environment with the private sector** **Responsibility:** Revenue Council		-
	Indicator: Engaging the private sector in supporting the government's effort with regard to tax policies		-
	Standards	Holding symposiums and meetings with the private sector.	Description
		Forming central committees on the level of the governorates to solve all suspending problems and promoting customs and tax culture.	Jan 2019 – Dec 2019
		Signing MoUs with the representatives of the private sector, each according to its terms of reference.	Description
		Updating the private sector on the customs and tax policies.	Description
		Engaging the private sector in redrafting laws, regulations and procedures.	Description
		Engaging the private sector in disseminating customs and tax awareness.	Description

Procedure 3.7	Enhance the Tax Awareness Management **Responsibility:** Revenue Council		-
	Indicator: Increasing the rate of the voluntarily registered taxpayers by 10% annually (through awareness raising campaigns) and reducing the volume of modifications of the self-assessment statements and declaration by 10% annually (through increasing voluntary compliance).		Description
	Standards	The Returns Department provides sufficient, inclusive and updated information through multi-media to raise awareness of taxpayers about their rights and obligations (PI-19.1).	Description
		Institutionalizing the Tax Outreach Unit by including it into the organizational structure.	Jan 2018 – Dec 2018
		Preparing a medium term plan (3 years plan) to disseminate tax awareness to the largest extent possible. It should be written and linked with a timeline (not less than 2 years), costs and outputs. It should be renewed and updated annually.	Jan 2018 – Dec 2020
		Raising awareness of taxpayers about the importance of income tax in contributing to achieving social justice by redistributing income.	Description
		Having twin-ship with the mass media to support tax awareness dissemination plan.	Description
C. Reviewing and developing customs and tax relationships at regional and international levels.			
Procedure 3.8	Activating the role of the signed agreements and improving cooperation with regional and international countries, in addition to signing new agreements		-

	Responsibility: Revenue Council		
	Indicator: Activating external cooperation affairs		-
	Standards	Preparing a Palestinian customs Tariff book.	Jan 2019 – Dec 2020
		Follow-up with Palestine Standards Institution to determine the Palestinian customs specifications and standards.	Jan 2019 – Dec 2020
		Considering the possibility of signing new agreements with world states.	Description
		Making use of the agreements signed with regional and world states.	Description
		Holding symposiums and meetings with the private sector to guide them how to benefit from agreements signed with partner states.	Description
		Having electronic connection with customs service of regional states and starting electronic connection with the customs service of Jordan.	Description
		Increasing information and experience exchange.	Description
		Linking the terms of the international agreements which prohibit double taxation in income tax with RMS to be implemented and followed up.	Description
		Preparing a study on international companies and how the law applies to them (to be treated as a service provider and its employees as experts).	Jan 2019 – Dec 2020

Procedure 3.9	Prepare technical research on the relationship with the Israeli side, and taking advantage from any potential opportunity and solutions. **Responsibility:** Revenue Council		-
	Indicator: Establish a dedicated Legal unit to legally follow up on the outstanding cases and issues with Israeli side.		Jan 2019 – Dec 2019
	Indicator: Preparing an in-depth study on the technical aspects which can be used by the Palestinian side as a clear instrument for dialogue with international organizations and diplomatic missions to apply pressure on Israel.		Jan 2019 – Dec 2019
	Standards	Clarifying Israeli side's demands to grant Palestinian importers facilitations similar to those granted to Israeli importers.	Description
		Setting forth standards and specifications for the goods and commodities which can be purchased from Israel.	Description
		Controlling tax leakage arising from the clearance mechanism of VAT and purchase tax.	Description
		Clearance is based on sales not purchases from the Israeli side and cessation of delusional claim for clearance bills.	Description
		Exchanging information with the Israeli side regarding unclaimed bills of clearance every six months and following up their collection.	Biannual

D. Reviewing and making amendment to customs and tax laws and legislations			
Procedures			**Duration**
Procedure 3.10	**Adjustment of the legislative and legal framework to achieve standardized and integrated revenue collection management processes** **Responsibility:** Revenue Council **Background:** Since the possibility for increasing tax rates, fines and sources of funds is relatively narrow, it is essential to check the potential for that and make justifiable amendments. The following laws govern today VAT, customs and excise tax. - Paris Economic Protocol. - VAT is regulated by the Law of Customs and Excise Duties of Local Products of 1985 arising from Law of Customs and Excise Duties of Local Products of 1963. - Law of Customs and Excise Duties of Local Products No. (1) of 1962. - Act No. (32) of 1952 on Tobacco and its Amendments. - Act of 1953 on Alcoholic Beverages. - Income tax laws, mainly Law No. 8 of 2011 and its amendments enacted in 2014 and 2015. - Land and Buildings Tax Ordinance No. (11) of 1945.		-
	Indicator: Preparing a legal analytical study on all anticipated legal amendments.		June 2018 – Dec 2020
	Standards	Setting up effective technical legal committee with effective secretariat that would convene quarterly.	June 2018 – Dec 2018

		Developing and approving a law incriminating violation of tax laws.	Description
		Making amendment to some articles and texts of the Customs Law in accordance with modernization and development requirements.	Description
		Making amendment to the Law of Customs and Excise Duties of Local Products of 1985 and its Amendments.	Description
		Reviewing income tax laws.	Description
		Making amendment to legal provisions related to tax basis and assessment procedures (Land and Buildings Tax Ordinance No. (11) Of 1945).	Description
		Making amendment to the law to implement the Executive Law instead of the Domanial Money Collection Law.	Description
		The technical legal committee should conduct in-depth study on amendment of laws in a manner whereby a single integral customs and taxes process would be guaranteed.	Description
		Making VAT Procedure Manual and amending the Customs Procedures Manual.	June 2018-Dec 2019
		All obstacles, disagreements, complaints, assessors' comments, Executive Court's notes must be entered into RMS program through the relevant electronic link.	Description
		These data are organized and considered by the technical legal committee tasked with making amendment to laws and regulations.	Description

		This committee shall review the articles of the valid laws to identify weaknesses and shortcomings	Description
		This committee shall follow up and support external technical study to review the whole legal framework.	Description
		Building a nucleus for laws amendment drafts which can be built on and circulated.	Jan 2018 – June 2018
		Preparing a draft in writing followed by a draft that can be circulated.	June 2018 – Dec 2019
E. Developing of Non-Tax Revenues			
Procedure 3.11		**Institutionalization and supporting the efforts of Non-Tax Revenues Directorate to access adequate information, and to review the current legal frameworks of the of Non-Tax Revenues** **Responsibility:** Directorate of Non-Tax Revenues **Basic Information:** Directorate of Non-Tax Revenues work to ensure implementing the rated laws and regulations, and Audit and make sure of transferred revenues to the STA. more specifically the Directorate review the transferred revenues from different Public institutions, Palestine investment Fund, Palestine Capital Market Authority, Monitory Authority to the STA. Besides, the directorate review the licensing fees (7% of operational deals) gained form telecommunication companies.	-
		Indictor: Prepare a written medium term plan to support the directorate with adequate staff number, logistics, and capacity development activities.	1/2018-12/2018
		Indictor: review the fees for all public institutions. This needs the Directorate to be an active member of all relevant public committees.	Continuous

	Indictor: following up on the departures fees, Ports and aviation Israeli Authorities. This includes Auditing and following up on the transfer fees and ensuring timely transferring.		Description
	Indictor: Building a nucleus for laws amendment drafts which can be built on and circulated. (This should include written legal proposals about Paris Protocol.		6/2018-12/2019
	Indictor: The Directorate of Non-Tax Revenues will arrange for systematic meetings and cooperation cycles with financial controller to ensure effective financial controlling over the Non-Tax Revenues.		Continuous
	Indictor: Access to adequate and timely information		-
	Standards	Enabling the directorate to use Bisan System to directly review the related Data.	6/2018-12/2018
		Enabling the directorate to use "Shamil" system, train the staff on using this system so the directorate will be able to follow up with telecommunication companies who use this system.	1/2019-12/2019
		Prepare a mechanism in cooperation with Palestine investment Fund, Palestine Capital Market Authority, Monitory Authority so the directorate can time access to the necessary data.	6/2018-12/2019

Appendix I: Outline on PEFA previous Assessments (2007 and 2013)

2013 Ranking	2007 Ranking	Indicator's description	Indicator
A	B	Overall spending results compared to the original agreed on budget	**PI-1**
C+	C	Set of spending results compared to the original agreed on budget	**PI-2**
B	B	Overall revenue results compared to the original agreed on budget	**PI-3**
D	D+	Origin and balance of arrears expenditures	**PI-4**
Major common issues: comprehensiveness and transparency (B)			
B	D	Budget classification	**PI-5**
B	B	Comprehensiveness of the information available in the budget documents	**PI-6**
C+	C+	Scope of unreported government processes	**PI-7**
D+	C+	Transparency of the public financial relations between government bodies and bureaus	**PI-8**
D+	D+	Monitoring the overall public finance risks by other public institutions	**PI-9**
B	C	People's ability to access public financial data	**PI-10**

Budget cycle (C) Budget designated based on policies (C-i)			
C	C		**PI-11**
D	D		**PI-12**
Predictability and auditability in budget execution (C-ii)			
C+	Unclassified	Transparency of the responsibilities and obligations of taxpayers (financiers)	**PI-13**
D+	Unclassified	Effectiveness of the procedures of taxpayers registration and taxation	**PI-14**
D+	Unclassified	Effectiveness of the collection of accrued taxes	**PI-15**
D	D+	Predictability of the availability of financial resources in connection with spending	**PI-16**
B	C	Registration and management of cash balance, debts and securities affairs	**PI-17**
B+	C+	Effectiveness of the controls of payroll records	**PI-18**
C+	Unclassified	Competition, achieving value for money, controls of supply and procurement	**PI-19**
D+	D+	Effectiveness of the internal controls on non-wage expenditures	**PI-20**
C+	C	Effectiveness of internal auditing	**PI-21**

Accounting, registration and reporting (C-iii)			
B	C	Periodicity and regularity of account reconciliation	**PI-22**
D	D	Availability of information on resources received by the service evaluation units	**PI-23**
C+	B	Quality and timeliness of the reports on budget during the budgeting year	**PI-24**
C	D+	Quality and timeliness of the annual financial data	**PI-25**
External auditing and review (C-vi)			
C+	D	Scope, nature and monitoring of external review	**PI-26**
Unused	D	Scrutiny of the annual budget law by the PLC	**PI-27**
Unused	D	Scrutiny of the external budget reports by the PLC	**PI-28**
Donors' practices (D)			
D+	D	Predictability of direct budget support	**D1**
D	C	Financial information offered by donors on the budget status, in addition to reports on aid for projects and programs	**D2**
D	C	Percentage of aid being managed through the procedures of the countries concerned	**D3**

Appendix II: Fiscal Table - projections of (2017-2022)

	Actual (2014-2016)			Projections (2017-2019)			Projections (2020-2022)		
GFS Name	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Revenue	**14,220**	**13,816**	**16,165**	**15,467**	**16,019**	**16,823**	**17,664**	**18,547**	**19,474**
Taxes	8,852	9,743	10,967	11,552	12,098	12,870	13,513	14,189	14,899
Domestic Taxes	2,149	2,354	2,392	3,141	3,290	3,475	3,649	3,831	4,023
Clearance taxes	7,331	7,988	8,930	8,780	9,197	9,714	10,200	10,710	11,245
Tax refund	-628	-599	-355	-370	-389	-319	-335	-352	-369
Grants	4,402	3,105	2,906	2,308	2,544	2,498	2,623	2,754	2,892
External budget support	3,676	2,757	2,318	1,950	1,950	1,950	2,048	2,150	2,257
External development support	726	347	588	358	594	548	575	604	634
Other revenue	966	969	2,292	1,607	1,377	1,455	1,527	1,604	1,684
Of which: Dividends									

Expenditures	**15,494**	**16,346**	**17,587**	**17,675**	**18,576**	**19,134**	**20,090**	**20,941**	**21,988**
Expense	14,556	15,453	16,300	16,232	16,866	17,436	18,307	19,069	20,023
Compensation of employees (21)	8,016	8,141	8,586	8,854	9,120	9,394	9,863	10,356	10,874
of which: wages and salaries	6,766	6,837	7,209	7,432	7,655	7,885	8,279	8,693	9,128
of which: "employee transfer to pension fund"	570	603	635	655	675	695	730	766	804
of which: "employer transfer to pension fund"	680	701	742	767	790	814	855	897	942
Use of goods and services (22)	2,333	2,530	2,547	2,035	2,168	2,316	2,410	2,346	2,408
Interest (24)	199	178	459	455	529	594	648	731	829
of which: foreign	15	18	88	16	15	14	14	13	12
of which: domestic	183	161	371	439	514	580	634	719	817
Grants (26)				145	149	154	162	170	178
Other expense (25, 27, 28)	2,925	3,394	3,627	3,601	3,709	3,821	4,012	4,212	4,423
of which: subsidies (25)				55	57	58	61	64	68
of which: social benefits (27)				3,177	3,272	3,370	3,538	3,715	3,901

of which: other expense (28)				370	381	392	412	433	454
Minor capital' (31)	61	41	52	65	67	69	73	77	80
"Net Lending" - including to local governments	1,022	1,169	1,029	950	900	850	893	937	984
Ceiling Reserve (recurrent)				127	222	238	248	240	246
Net acquisition of nonfinancial assets	938	893	1,287	1,443	1,711	1,698	1,783	1,872	1,966
of which: Donor-financed			588	358	594	548	575	604	634
of which: SoP-financed			698	1,007	1,037	1,068	1,121	1,177	1,236
of which: Ceiling Reserve (project)				79	80	82	86	91	95
Gross operating balance	**-336**	**-1,637**	**-135**	**-574**	**-958**	**-731**	**-767**	**-652**	**-685**
Overall balance	**-1,274**	**-2,530**	**-1,422**	**-2,017**	**-2,669**	**-2,429**	**-2,550**	**-2,524**	**-2,651**
Net financial transactions	**917**	**2,204**	**1,422**	**2,017**	**2,669**	**2,429**	**2,550**	**2,524**	**2,651**
Net acquisition of financial assets									
Domestic									
Foreign									

Net incurrence of liabilities	917	2,204	1,422	847	2,669	2,429	2,550	2,524	2,651
Domestic	955	2,246	1,571	1,012	2,850	2,597	2,720	2,696	2,826
Loans	-469	634	1,571	2,182	2,850	2,597	2,720	2,696	2,826
Net domestic bank financing	-469	634	1,571	2,182	2,850	2,597	2,720	2,696	2,826
New loans			1,886	2,906	4,011	4,120	4,587	4,922	5,429
Principal repayment (post-2015 loans)			-166	-559	-980	-1,356	-1,697	-2,054	-2,427
Principal repayment (pre-2016 loans)			-149	-165	-181	-168	-170	-172	-175
Other accounts payable	1,788	1,853	0	-1,170	0	0	0	0	0
Arrears (recurrent)	1,424	1,612	0	0	0	0	0	0	0
Arrears (capital)	351	206	0	-1,170	0	0	0	0	0
Arrears (clearance)	13	35	0	0	0	0	0	0	0
Foreign	-38	-42	-149	-165	-181	-168	-170	-172	-175
Loans	-38	-42	-149	-165	-181	-168	-170	-172	-175

Appendix III: Budget Execution Highlights Full year 2016[4]

Total Budget Deficit stood at NIS 4.16 billion in 2016, a 26.1 % decline compared to 2015. The recurrent deficit also witnessed a decrease of 39.3% during 2016, standing at NIS 2.88 billion, compared to a NIS 4741.4 million in 2015.

Gross Revenues amounted to NIS 13.94 billion in 2016, an increase of 20.9% with respect to 2015, where gross revenues stood at NIS 11.53 billion.

Total Net Revenues grew by 24.2% in 2016, above 2015 levels. Total Net Revenues during 2016 reached NIS 13.58 billion, whilst they stood at NIS 10.93 billion in 2015, exceeding its 2016 target budget by 21%.

Domestic tax revenues increased by 1.6% during 2016, and reached NIS 2.39 billion compared to NIS 2354.1 million collected during 2015. VAT and Income tax decreased by 7.8%, and 7.7% respectively, and customs increased by 37% compared to 2015.

Clearance revenues reached NIS 8.93 billion, an increase of 11.8% compared to the previous year. This can be attributed to the over performance in clearance VAT, where it increased by 18%. Customs and petroleum excise increased by 8.4% and 7.1% respectively.

Tax Refunds declined by 40.7% in 2016, compared to 2015. This is due to continued efforts by the PA to reduce fuel subsidy to sustainable levels where spending on fuel decreased by 52.1% during 2016, compared to 2015.

Nontax revenues grew by 136.6% during 2016 compared to 2015, due to a significant increase in domestic fees and charges by 128.6% reaching NIS 2.2 billion in 2016.

Total expenditures stood at 16.46 billion a 5.0% increase when compared to 2015, and exceeded its 2016 target budget by 8%.

- *Wages and salaries* increased by 5.3% (almost NIS 400 million) where they reached NIS 7.84 billion in 2016 as opposed to NIS 7439.5 million in 2015 exceeded its 2016 target budget by 2%.

[4] Budget Execution Highlights Full year 2016, Fiscal Development and Microeconomic Performance Report, Macro Fiscal Unit – MoFP, 2017.

- *Net lending* decreased by 12% reached 1.03 billion compared to 1.17 billion in 2015, exceeding its 2016 target budget by 21%.
- *Social contributions* increased by 6.7%, exceeding its 2016 target budget by 3%.
- *Transfers* increased by 6.9%, exceeding its 2016 target budget by 1%.

- *Use of goods and services* increased by 0.7%.

Development Expenditures Increased by 44.0% 2016 relative to 2015, reaching 94% of its 2016 target budget.

External Budgetary Support budget support reached NIS 2.32 billion ($614 million) in 2016 compared to NIS 2.76 billion ($725 million) in 2015, representing a decline by 16%, and achieving 79% of its 2016 target budget.

Development financing increased by 69.3% in 2016 when compared to 2015, and reached 62% of its 2016 target budget.

Total public debt decreased by 3.5% in 2016 compared to 2015, and reached NIS 9.56 billion, total domestic debt decreased by 3.2% compared to 2015, and reached NIS 5.54 billion, and total foreign debt decreased by 3.9% compared to 2015, and reached NIS 4.02 billion.