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July 24, 2000

Mr. Johnny S. Zeidan
Private Sector Specialist
United States Agency for International Development
71 Hayarkon Street
Tel Aviv, Israel

Subject: **SEGIR Contract No: PCE-I-800-98-00012**
Strengthening of the Palestinian Monetary Authority
Report for Quarter Ending June 30, 2000

Dear Mr. Zeidan:

Attached please find the report for quarter ending June 30, 2000. This report highlights the progress to date with regard to Tangible Results and Benchmarks. The advisory team focused on several issues during the quarter: development of onsite bank examination tools, revision of the commercial bank reporting forms, implementation of a training program for new bank supervision hires and the development of a Manual for Operations – Bank Supervision.

Please note in the context of this report that impediments to progress have limited the advisors' ability to improve onsite bank supervision infrastructure. PMA management has not allowed participation in onsite bank examinations (on-the-job training) which limits the ability of the advisors to provide important guidance to improve the onsite bank examination process.

If you have any questions, please contact me at 972-5-080-3753.

Very truly yours,

Barents Group LLC

Jay S. Doeden
Director

Enclosures

A

Mr. Johnny S. Zeidan
July 24, 2000
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cc: Mr. Margot Biegelson Ellis, Director, USAID/West Bank & Gaza
Mr. Timothy Beans, USAID Contracts/West Bank & Gaza
Mr. Grant Morrill, USAID/G/EGAD/EM CTO
USAID; PPC/CDIE/DI (2 copies)
Mr. Salam Fayad, IMF Resident Representative
Mr. Joe Sabo, World Bank – West Bank & Gaza
Mr. Robert Mertz, World Bank, Washington, DC
Mr. H. Joe Selby, Policy Advisor
Project File – Washington, DC
Project File – Ramallah, West Bank

B

**United States Agency for International Development
&
Barents Group LLC**

Technical Assistance to the
Palestinian Monetary Authority

SEGIR GBTI
Contract No: PCE-I-800-98-00012

QUARTERLY REPORT #7

For Period Ending: June 30, 2000

Contracting Technical Officer
Nimi Wijesooriya

Prepared by:
Jay S. Doeden, Resident Advisor
Barbara M. Kaminski, Resident Advisor
Daniel T. Callis, Resident Advisor

Quarterly Report

I. Background

USAID awarded Barents Group LLC a delivery order for a three-year comprehensive bank supervision technical assistance program on September 29, 1998. The original program provided for two full-time resident advisors in the Palestinian Monetary Authority (PMA) complemented by short-term assistance in various areas of the bank supervision function. A subsequent revision to the contract in September 1999 allowed for a full-time advisor in the PMA/Gaza offices. The purpose of this program is to provide the PMA with the assistance necessary to carry out an independent bank supervision function.

Given initial concerns within the PMA regarding secrecy of information, the technical assistance program did not receive approval from the Palestinian Authority until late December 1998. Resident Advisor, Jay S. Doeden, arrived in West Bank/Gaza to begin the program on February 1, 1999. From this date, progress toward Tangible Results and Benchmarks will be discussed.

On August 24, 1999, USAID/West Bank & Gaza confirmed, in writing, the appointment of two counterparts for this technical assistance program. Mr. Moosa Salman was named to serve as the counterpart for onsite bank supervision; Mr. Ahmed Abdul Halim was to serve as the counterpart for offsite supervision. This was the counterpart designation until early June 2000 when Mr. Halim left his post at the PMA.

As of late June 2000, pursuant to the bank supervision department restructuring, Mr. Qasim M. Qasim, Executive Director, Bank Supervision, will serve as the counterpart for the USAID/Barents Group LLC technical assistance team.

II. Status of the Financial Sector

The population of banks supervised by the PMA totals 23. These banks are a combination of institutions in West Bank and Gaza (national banks) as well as institutions from other Arab countries, Western Europe and Australia (foreign banks). The PMA began efforts during 1999 to conduct onsite bank examinations in each of these institutions. PMA senior management approved a comprehensive examination schedule which was followed throughout the year. As of December 31, 1999, six banking entities remained to be examined. Bank examinations commenced during 2000 to accomplish reviews of the six banks not examined during 1999. Prior to the 1999 examinations, primary bank supervision was accomplished through offsite surveillance. Although the PMA uses monthly and quarterly reporting forms provided through an IMF technical assistance program, the lack of verification of data by the onsite examination process raises concerns as to the validity and reliability of the numbers.

III. Progress Relative to Tangible Results

This report encompasses the project's progress during the months April – June 2000, inclusive. This is the sixth quarterly report filed since the advisors' onsite presence began in February 1999.

The Tangible Results for this program can be grouped into seven categories:

1) Organizational Structure and Policy; 2) Onsite Supervision; 3) Offsite Supervision; 4) Legal and Regulatory; 5) Problem Bank Supervision; 6) Licensing, and; 7) Training.

Organizational Structure and Policy

There were no organizational structure and policy advisory services provided during this quarter. Mr. H. Joe Selby remains in contact with the resident advisors and provides policy guidance on an ad hoc basis to the team. At the time of this report, he has not scheduled his next visit to West Bank and Gaza.

Onsite Supervision

Resident Advisor – Ramallah

Emphasis this quarter was placed on the training of 12 new hires in the bank supervision department. These individuals joined the PMA in late March 2000 and were assigned to the Barents Group advisors for intensive training in basic bank supervision. As mentioned in the March 2000 Quarterly report, the advisors developed a training program which provided the basic tools for bank supervision. Deputy Governor Amin Hadded approved this program. The advisor worked during this quarter to deliver this program, providing lectures as well as coordinating the lecture schedule of the other resident advisors and outside instructors.

After each course, training evaluations were provided. The students found the courses useful and requested that more case study examples be incorporated into the training. At the culmination of the training program, Offsite Advisor Barbara Kaminski and the resident advisor administered two different case analyses that required the students to conduct offsite analyses on a Palestinian bank and a foreign bank. Each examiner provided a written analysis and discussed their findings individually with either Mr. Doeden or Mrs. Kaminski. Continued reinforcement of such activities is necessary in order to build the examiners expertise and confidence.

The new hire examiner training program ended in early June. The 12 new bank examiners were released from the training program on June 1, 2000. They officially transferred to the bank supervision department on June 5, 2000. Additional training for these individuals should focus on both on-the-job training during bank examinations and classroom sessions. This matter will be discussed with the Executive Director to identify the best approach given the advisors have no access to onsite bank examinations at this time. It is not evident to the advisors how the new bank examiners are being integrated into the department's supervisory processes. The new Executive Director will be encouraged to

integrate the new individuals as much as possible in order to continue the development of their bank supervision skills.

In mid June, the advisor began assisting the Deputy Governor on a special project. Dr. Amin Hadded requested that all advisors (Doeden, Kaminski and Callis) assist with the development of a Manual for Operations for the Bank Supervision Department. This manual restructured the department with a new organizational chart (including the addition of Mr. Qasim M. Qasim as the Executive Director) and established systems for each of the divisions of bank supervision. The Manual for Operations' development process provided advisors with an opportunity to present integrated supervisory concepts and to introduce the process of scheduling bank examinations based on a bank-specific supervisory strategy (risk-based approach). The Manual outlined the mission, objectives and responsibilities of the Bank Supervision Department and its Onsite, Offsite, Credit Risk and Money Changer sub units. The development of this process was outside of the assigned benchmarks and caused time away from the stated workplan. However, the department's proper organization and operation is important to the success of the technical assistance so advisor input was critical.

The design of the manual started with a draft prepared by the resident advisor. The draft was circulated among the PMA middle management who reviewed it and provided comments. Advisors Kaminski and Callis held intensive meetings in Gaza where they met with bank supervision management to finalize the manual's Arabic version. Upon completion, the Arabic was translated to English as the manual will be issued in both languages. Upon the completion of the translation, another follow-up meeting was held in Ramallah with the participants from Gaza, Ramallah, and Dr. Amin Hadded (June 27, 2000). Dr. Hadded stated the manual was to take effect on July 1, 2000; whereby Executive Director Qasim M. Qasim would supervise the department. Mr. Moosa Salman would manage onsite supervision with Offsite Supervision managed by Mr. Ali Shahin. As of the issuance of this report, Mr. Qasim was finalizing the Manual for Operations as Deputy Governor Hadded requested the manual be placed in operation no later than Thursday, July 27, 2000.

During the quarter, the resident advisor completed four new chapters for the onsite bank supervision manual. Sections addressing Commercial Loans, Real Estate Loans, Loan Portfolio Management and Related Organizations (Insider/Affiliates) were completed. These chapters were translated and will be added to the existing draft onsite bank supervision manual early in the third quarter 2000. Upon the addition of these chapters, the draft manual will contain 15 chapters of policies and procedures that must be reviewed, tested, revised and implemented by the PMA. The advisor recommends that a working group be established within the PMA bank supervision department to analyze the manual so that it is appropriate for the banking system in West Bank and Gaza. The advisor will address this issue with the Executive Director during the early portion of the third quarter 2000.

Resident Advisor – Gaza

During the quarter, the advisor provided assistance during the new hire training program. The advisor provided lectures on the subjects of “Internal and External Audits” and “Managing the Examination Process”.

The resident advisor assisted during the quarter on the Manual for Operations. Guidance was provided during the meetings in Gaza and Ramallah along with the other resident advisors.

In addition to assisting with the Manual for Operations, the advisor proposed a new training program for existing examiners in Gaza. The plan would provide for lectures from one to one-and-a-half hours, one to three times per week. Given prior concerns by PMA middle management regarding the allocation of time during the workday for training, the advisor is working with Gaza management to find a reasonable solution whereby the examiners receive training but also have time during working hours for their assigned tasks. The program is under final revisions and discussions at the time of this report.

The advisor met with Mr. Ali Shahin to discuss the use and structure of the examination manual. From this meeting, a team of examiners were assigned (from Gaza and Ramallah) to review the entire onsite supervision manual, make any necessary corrections to the language (Arabic), delete irrelevant text and insert any missing information. Shortly after the meeting held in Ramallah on the Manual for Operations (June 27, 2000), this review process was suspended.

Offsite Supervision

The Resident Advisor and the offsite methodology development team continued to design the Report of Condition and Income. During the month of April, the Resident Advisor completed line item instructions for the Asset section of the Capital Adequacy Report and began to circulate this new section of the Report of Condition and Income in the Bank Supervision Department for further comments. The Resident Advisor also completed line item instructions for additional information to be captured at the request of the Monetary Research Department. In May, the team designed the Maturity and Repricing Report. The Resident Advisor completed line item instructions for this report. In June, the offsite methodology team designed Original Maturity and Changes in Allowance for Loans Reports. The Resident Advisor completed line item instructions for these reports. The offsite methodology development team was not fully staffed this quarter, because its members were assigned to participate in onsite examinations. However, the staff managed to continue to review the Arabic translation of new reports and prepared the entire report and instructions for the final review by the management of the supervision department before sending it to the banks.

The Resident Advisor also submitted a memo to Mr. Ali Shahin requesting that a circular be prepared by the Bank Supervision Department introducing the new Report of Condition and Income to the banking industry and addressing the issues of filling

schedules, submission of corrections and responsibility for correctness of data. The new Report of Condition and Income was ready to be delivered to the banking industry in the middle of June 2000. However, the Resident Advisor was not able to hold final discussions with the management of the Bank Supervision Department because the management and Resident Advisors became involved, at the request of the Deputy Governor, in the preparation of the Manual for Operations. Therefore, the final discussions and issuance of the introductory memo were postponed until the Resident Advisor's return from the Warsaw Bank Supervision Conference in the second part of July 2000.

The Resident Advisor plans to visit Gaza in July and to finalize the issuing of the new Call Report to the banking industry and to arrange consultation with the banks regarding the new Call Report. The Resident Advisor will also propose to the PMA to organize support (outreach) sessions for the banks during the new Report of Condition and Income implementation period.

In June, the Resident Advisor assisted the offsite methodology development team in the preparation of the test bank data for all new sections of Report of Condition and Income. After the introduction of the Report of Condition and Income is finalized, the offsite methodology development team will focus on design, development and testing of the supervisory data base and interface module for banks' data transmission and on programming and testing of the supervisory output reports (Uniform Bank Performance Report). On March 29, 2000, the Resident Advisor wrote a memo to Dr. Jamal Nouh, head of the PMA IT Department, requesting that a designated person is selected for the IT Department to support the design, development and testing of new supervisory tools and data verification processes. The adequate staffing in the IT Department for these tasks is of critical importance. The Resident Advisor plans to follow the staffing request at the IT Department after finalizing the new Call Report's introduction. The majority of the new hires' training program was conducted during April and May 2000.

In April, the Resident Advisor conducted an Accounting Course for the newly hired employees. The course was originally planned for four days but at the request of the participants was extended to six days. The additional time allowed the instructor to reinforce accrual basis accounting, balance sheet valuation techniques, equity and cost method accounting and collateral appraisal versus allowance calculation concepts as well as to introduce additional case study. The Resident Advisor also delivered the first part of the Offsite Supervision Course. This segment of the course concentrated on introducing the offsite supervisory process, discussing its integration into the supervisory strategy and its complementary role for onsite supervision. In addition, this segment of the course provided an overview of the new Report of Condition and Income, including discussion on the balance sheet, its supporting schedules, profit and loss statement, contingent liabilities, large borrowers, investments and affiliated lending.

In May, the Resident Advisor continued to conduct an Offsite Supervision Course for the newly hired employees. The Resident Advisor delivered the second part of the course

focusing on financial statement CAEL ratio analysis and its application in the Early Warning System framework. In addition, the newly hired employees were required to prepare two case studies, analyzing the financial statements of banks, one according to the existing financial information and the second based on the Uniform Bank Performance Report (UBPR). They were also required to prepare two written reports, summarizing their conclusions and ranking banks' capital, assets, earnings and liquidity according to the requirements of the CAEL system. Resident Advisors Doeden and Kaminski reviewed these reports with the newly hired employees, providing the written feedback and facilitating oral presentations by the participants.

At the end of May, the Resident Advisor began to conduct the Offsite Supervision Course for the existing examiners and analysts. The course was scheduled for 10 to 12 working days and was offered daily as two-hour sessions. In addition, the Resident Advisor offered individual tutorials to those participants who are unable to attend a particular session due to their involvement in other work-related activities. The course included financial ratio analysis, introducing all CAEL components, Capital Adequacy Directive, peer group and quarterly trend analysis and Early Warning System concepts. After completing the course participants were required to submit a written report, analyzing banks' Capital, Earnings, Assets and Liquidity, ranking these components according to the CAEL system and to formulate the supervisory strategy for the institution. The course was completed at the beginning of June for the West Bank analysts and examiners. The Resident Advisor plans to offer the same course to Gaza employees later this summer within the framework of the Gaza examiner training program.

On June 12, 2000, the Resident Advisor met with Deputy Governor Hadded, who requested that advisors focus all their efforts on assisting the Supervision Department management in reviewing and finalizing the Manual for Operations, based on the initial outline designed for the Bank Supervision Department by Advisor Doeden. Therefore, for the remainder of June, the Resident Advisor attended several meetings held in Gaza and Ramallah and assisted the department in discussing and reviewing its Manual of Operations.

It should be noted that the Resident Advisor did not conduct additional meetings with commercial banks' representatives to obtain feedback regarding the new Report of Condition and Income because after reports were completed the focus of the Supervision Department and of the Advisor shifted to the Manual of Operations' design and review process. During the months of April and May, the Advisor concentrated on providing training courses for newly hired and existing PMA employees.

The Resident Advisor did not review the work of the committee formed to review existing regulations and to harmonize them with the existing new laws because of the supervision department reorganization process and the increased training effort. The Advisor plans to pursue these issues during third quarter 2000.

Legal and Regulatory

No legal and regulatory activities were conducted during this quarter.

Problem Bank Supervision

No problem bank supervision assistance was conducted during the quarter.

Licensing

No licensing assistance was provided during the quarter.

Training

Classroom training was provided to 12 new bank supervision hires according to an approved training plan. In addition, a course in offsite supervision analysis was offered to existing PMA examiners in Ramallah.

IV. Progress Relative to Benchmarks

Upon the completion of the diagnostic review during March 1999, the advisory team began the task of starting several aspects of the program. Tangible Results and Benchmarks were reviewed under the subject task order. A work plan was devised by the initial resident advisor/project manager, encompassing the project's plan of action over the period of February 1999 through September 2001. This workplan was submitted under separate cover to USAID/West Bank & Gaza on April 1, 1999. A revised workplan was submitted to USAID and the PMA on March 9, 2000.

Within in the guidelines of the Tangible Results and Benchmarks, the advisors established deliverables for each quarter that will assist with meeting the benchmarks.

Benchmarks

A policy proposal for dealing with cross-border supervisory issues should be presented to the Governor of the PMA within two quarters from the beginning of the contract. By the end of the first year evidence should be presented that policy & procedures for handling this issue are in place and being executed.

Initial work on the cross-border policy began in May 1999 when senior policy advisor, Mr. H. Joe Selby, worked to identify the weaknesses in the current Cross-Border Agreements with the countries of Jordan, Egypt and Tunisia. The draft Agreement was presented to Governor Foaud Beseiso on July 19, 1999 and later approved, verbally, by Dr. Beseiso, on August 17, 1999. As of this report, the Cross-Border Agreement has not been negotiated or implemented with other central banks having banking activities in the West Bank/Gaza.

By the end of the first year the BSD should have a strategy statement and within eighteen months there should be clear evidence that this strategy is being translated into day-to-day operations.

The senior policy advisor presented the draft Bank Supervision Strategic Plan to Governor Fouad Beseiso on September 7, 1999. At that time, Governor Beseiso agreed to review the document and to prepare his comments for the advisor's continued assistance in late third quarter 1999. As of this report, the Strategic Plan has not been prepared by the PMA for review nor have efforts been taken to prepare it to day-to-day operations. It was the expectation of the senior policy advisor during his November 1999 visit to accomplish this. PMA senior management was not prepared to carry this out. The Strategic Plan remains in draft form and under the review of Governor Beseiso and his senior management team.

Within two quarters a bank examination schedule should be prepared as well as preliminary versions of standardized documents relating to onsite examination such as report of examinations, request letters to banks and formatted working papers. By the end of the first year, evidence should be presented that examinations are being conducted according to a pre-determined schedule and standardized documents are being routinely employed.

A 1999 bank examination schedule was prepared by PMA during the first quarter of this project (February 1999). This was a comprehensive plan of action to examine all banks (including branches) in the PMA system by year-end 1999. It was an aggressive expectation given the current staffing levels and the expertise of the examination teams in West Bank/Gaza. Although the advisor has presented numerous tools for use in the onsite examination process, they are not being used as a standard practice. Such documents must be used, after appropriate training, in the context of a revised onsite bank supervisory process. Given the continued reluctance of PMA senior management to allow advisors in the onsite bank examination process, this benchmark target date should be adjusted to reflect this perspective. Benchmarks will be reviewed upon the signing of the agreement between PMA and USAID.

Although the advisors are not allowed in the onsite exam process, efforts continue to prepare a handbook (manual) for onsite bank supervision. As of this report, chapters on the following subjects have been written, translated and undergone first review for use:

Planning and Control; Internal and External Audits; Review of Regulatory Reports; Analytical Review of Income and Expense (Earnings); Capital Accounts and Dividends; Deposit Accounts; Commercial Loans; Letters of Credit; Guaranties Issued; Funds Management (Asset-Liability Management); Management and Board Processes, Foreign Exchange, Real Estate Loans, Loan Portfolio Management and Related Organizations..

Under the guise of these chapters, the PMA bank supervision department has the tools to conduct onsite bank examinations under an international approach using the CAMELS rating system. It should be noted that the process to use these procedures must be supported and enhanced by the use of scheduled classroom training courses.

By the end of the first year the BSD should be able to conduct a full scope examination.

The resident advisors are not participating in onsite examinations at this time. Bank supervision management in Ramallah and Gaza are prohibiting such participation until the PMA Board and Governor Beseiso approves such. At the time of this report, this remains an impediment to progress.

By the end of six months a preliminary plan for rationalization of a Call Report should be presented which should be adopted by the end of the first year of the contract. By the end of the first year of the contract at least a rudimentary early warning system should be in place with summary management reports for senior management. By the end of the first year a draft offsite policy and procedures manual should be in place.

The resident advisor/offsite supervision has made substantial progress in the area of rationalization of the banks' Call Report (bank reporting forms). As of this report, the advisor has finalized the entire report and is working with the PMA management to finalize the introductory comments. Upon completion and approval of the introduction, the revised Reports will be ready for implementation in the Palestinian banking system.

By the end of six months work should have begun on the pilot program for problem bank resolution.

Given the focus of the PMA bank supervision department on the examination schedule, no work has been completed to date on the problem bank program. Although a problem bank advisor met with bank supervision and senior PMA management in October 1999, no specific pilot program has been initiated. This benchmark will be reviewed and revised with regard to target dates upon the signature of the agreement between PMA and USAID. The PMA's limiting access to banks is also impeding this process.

By the end of the first year a draft policy and procedures manual for problem bank resolution should be prepared.

The short-term problem bank advisor provided a *draft* problem bank manual. This manual must be incorporated into the pilot problem bank program in order to test it for applicability to the Palestinian legal framework and banking environment.

By the end of the first year recommendations should be prepared regarding policies and procedures for evaluating licensing applications.

During October 1999, a licensing expert continued efforts started earlier in the contract. The advisor developed a comprehensive bank license approval package. This package provides for more detailed information regarding the potential bank's founders along with the managing board and bank administrators. The advisor also developed a document processing checklist to ensure that all pertinent documents relating to the bank's

application are checked when received. The advisor provided guidance on the treatment of Money Changers under the bank regulatory processes in the West Bank/Gaza. These policies and procedures remain outstanding items with regard to follow-up by the PMA.

By the end of the first year an outreach program to improve communication with the commercial banks should be in draft form.

The senior policy advisor began efforts on this benchmark during his November 1999 visit. Mr. Selby met with several commercial bankers as well as representatives of the accounting community in order to determine the concerns they faced in their dealings with the PMA. From these meetings, Mr. Selby determined that a more comprehensive approach to standardize communication activities with the banking and financial community is needed. This will be addressed during subsequent visits by the policy advisor. The policy advisor is not scheduled to return to the PMA until an agreed upon period for the advisor's work is received from Governor Beseiso.

By the end of the first six months an evaluation should be made on the deficiencies in the regulatory structure. By the end of the first year drafts of changes to the regulatory structure should be prepared for discussion with counterparts.

The draft Bank Supervision Strategic Plan addresses the overall regulatory structure. It will be the decision of the PMA senior management to determine what structure best fits the needs of their bank supervision department, given their mission statement and goals. As the senior policy advisor continues to work with senior management on the refinement of the draft Strategic Plan, changes to the regulatory structure will be considered and incorporated as appropriate.

Within three months a draft, integrated bank supervision training program should be prepared for approval by the PMA. By the end of six months at least monthly classes should be in place.

Training during the quarter focused on the 12 new hires in bank supervision. The only training provided to existing employees consisted of the Offsite Supervision Course during late May. The course was scheduled for 10 to 12 working days and was offered daily as two-hour sessions.

V. Status of Project Sequencing

Per the discussions between USAID and the PMA regarding a written Letter of Agreement, the advisory team prepared a revised workplan. This workplan addresses the period from March 2000 through September 2001. It is based on the existing Tangible Results and Benchmarks. As the third quarter progresses, the project manager will be monitoring the workplan in line with items delivered. Should revisions need to be addressed, the advisor will discuss and finalize with CTR Johny Zeidan, USAID/West Bank and Gaza.

VI. Impediments to Progress

The senior policy advisor continues to note the lack of focus on organizational and policy issues within the PMA. This is demonstrated through PMA management's failure to identify the next steps regarding the Bank Supervision Strategic Plan as well as the lack of implementation of the Cross-Border Supervisory Agreement.

Senior PMA managers and bank supervision middle management are prohibiting the participation of Barents Group technical advisors during the onsite bank examinations. An integral portion of this technical assistance program relies on the fact that the experts will provide "on-the-job" technical assistance.

Several impediments to progress occurred during the Call Report development process. The most serious is lack of consistent and clear regulatory framework, making a task of the design of compliance reports quite challenging. Presently, the proposed Banking Act still remains in a draft form and the existing regulations and circulars are not always aligned with its requirements. In addition, several important areas of banking operations, such as securities trading and investment, overdraft provisioning remain unregulated and other areas such as capital adequacy require a thorough review and much more detailed treatment. Such situation makes any effort to bring transparency and uniformity to the system practically unattainable.

VII. Role of the Counterpart

Although the staff levels of the PMA are very receptive to all technical assistance, members of middle management are reluctant to fully use the technical advisors. Advisory services are expected to be more "offsite" which impedes the ability of the technical advisory team to fully understand how to best provide training regarding the Palestinian banking sector. Given the pressures of the examination schedule, it has been difficult to determine the overall counterpart buy-in at all levels. However, during individual discussions and small ad hoc training sessions, the bank examiners are anxious to improve their bank supervision skills, receive training, and to examine their banks in a more professional, international manner.

VIII. Additional Tasks Delivered During the Quarter

On April 4, 2000, the advisory team participated in the Private Enterprise Office Partners' Meeting, organized by USAID, which was held in Ramallah to facilitate sharing program objectives, implementation progress and challenges for the future. The meeting provided a very beneficial venue to introduce various partners, their respective programs and compare the challenges we all face while working to strengthen the financial infrastructure in West Bank and Gaza.

IX. Role of Other Donors Organizations

On May 3, 2000, the Resident Advisor met with Mr. Douglas Kruse and Mr. Felix Fischer, members of the IMF mission to the West Bank/Gaza to discuss issues related to the capitalization of the Palestinian banking system, impending onsite examinations and the introduction of the new Report of Condition and Income to the Palestinian banking system. The Resident Advisor also supplied the IMF representatives with the most recent version of new Report Condition and Income and its instructions.