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Support for Economic Growth
and Institutional Reform
(SEGIR)

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LEGAL AND INSTITUTIONAL REFORM

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West Bank and Gaza

**Accounting and Auditing Standards
Activity Design Team**

Final Report

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I Introduction and Background

In July 1997 the Barents Group, under contract with USAID, issued a report titled "Mobilizing Equity Capital in the Palestinian Territories" The Barents Team concluded that the West Bank and Gaza (WB&G) had no enforceable accounting standards for financial statements or licensing standards for the accounting profession The Team recommended that USAID provide technical assistance which would lead to establishment of International Accounting Standards (IAS) and a self-regulatory body empowered to establish professional (auditing and ethics) standards for the accounting profession

In December 1997 USAID co-sponsored two workshops on accounting and auditing with local accounting associations in WB&G Consensus emerged on several topics including the need for an independent standards-setting body to promulgate IAS and a self-regulatory professional accounting organization authorized to promulgate auditing standards and govern the professional conduct and qualifications of the accounting profession

In May 1998 USAID engaged a team "to design a program of activities to assist the private accounting sector in adopting and using internationally competitive standards" The team met with public accountants, university faculty members and government officials and participated in a joint workshop for Steering Committee members appointed at the West Bank and Gaza workshops conducted the previous December The design team has reviewed recommendations included in the previous reports and those submitted to the team by USAID/WB&G, and has designed a three year program of activities as described in the following project description

The design team has concluded that all aspects of the accounting profession in the WB&G have been reviewed and that the design of activities is sufficiently comprehensive to ensure that all areas will be addressed Successful completion of the project, as described, will result in an internationally competitive accounting profession in the WB&G

Overview

The accounting profession in the WB&G continues to be fragmented with separate accounting associations and no authoritative body to establish accounting and auditing standards or to establish professional qualifications and ethical standards for accountants who examine financial statements

Recommendations included in reports of earlier studies and workshops continue to be valid and have been carefully considered in completion of this design Successful implementation of a project to implement International Accounting and Auditing Standards requires, in the first instance, legislation to grant self-regulating authority to a Financial Accounting Standards Board (FASB) and to a unified Association of Professional Accountants The legislation should also establish legal authority for a Financial Accounting foundation which will appoint members of the FASB A joint committee of current members of the West Bank and Gaza Steering

Committees has been formed and commissioned to draft legislation for official establishment of these three institutions. The legislation will be submitted through the Minister of Finance to the Ministry of Justice for action by the Palestinian Legislative Council. Project implementation should begin, institutions should be formed, and regulatory measures should be initiated in anticipation of successful enactment of the legislation as drafted.

Summary descriptions of the three institutions are as follows:

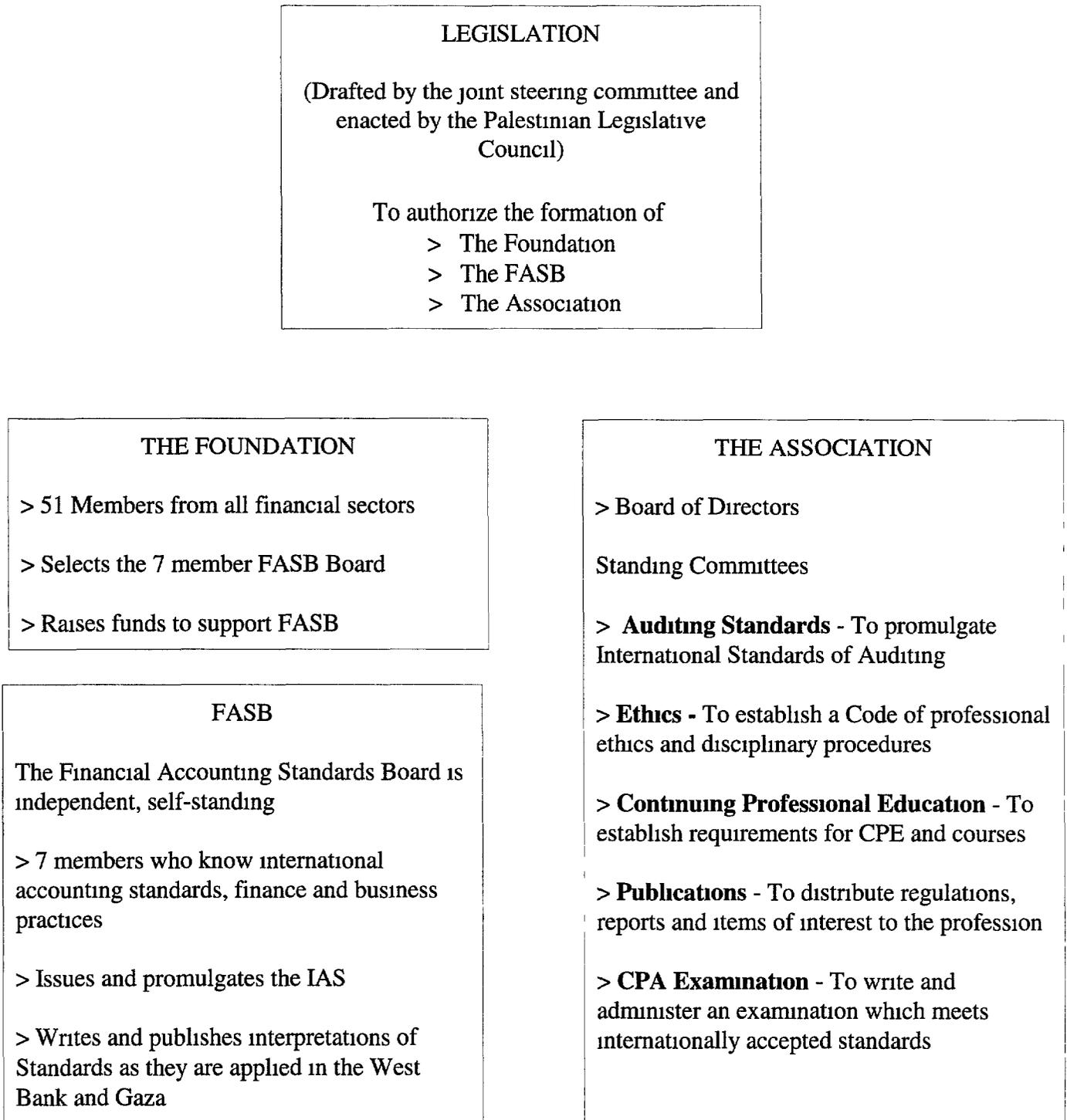
- The Palestinian Financial Accounting foundation (PFAF) will consist of an estimated 51 members nominated by associations of accountants, bankers, insurance executives and others drawn from the financial and business community. The members of the PFAF will elect a Board of Trustees who will (1) appoint the seven Board members of FASB and (2) solicit and manage funds for FASB operating expenses. The Ministry of Finance will exercise general oversight over activities of the Foundation, limited to reviews of periodic financial statements.
- The Palestinian Financial Accounting Standards Board (FASB) will consist of seven members, initially appointed for periods of two to five years to permit a gradual turnover. The FASB Board will prepare a Palestinian Conceptual Financial Accounting Framework and will promulgate the IAS. Business accountants and auditors will need a period of time to familiarize themselves with IAS, and, accordingly, the FASB may choose to provide a grace period of one to two years for implementation of the standards by all entities responsible for financial reporting. The FASB will issue interpretations to explain specific provisions of the standards as they apply to business practices and legal requirements in the WB&G. It will also be necessary for the FASB to establish accounting standards for Private Voluntary Organizations (PVOs). The PFAF will exercise general oversight over the non-technical aspects of FASB activities.
- The Palestinian Association of Professional Accountants (the Association) will exercise the authority and responsibility for establishing auditing standards, ethics, and professional qualifications required for the examination and certification of financial statements by public accountants. Membership in the Association should eventually be limited to Certified Public Accountants who have passed a uniform CPA examination comparable to that conducted in the United States. There will be a transition period during which other accountants who have met certain minimum requirements will be "grandfathered" into membership in the Association. Committees will be formed for (1) promulgating International Standards for Auditing, (2) establishing a code of professional ethics and disciplinary procedures for non-compliance, (3) developing continuing professional education requirements as a condition for renewal of membership, (4) publishing pronouncements of the Association to ensure that members and others are aware of requirements, and (5) writing and administering CPA examinations, granting certificates to successful candidates and recommending licensing for these CPAs to the licensing board of the Palestinian Authority. It is expected that authorizing legislation

will enable the Association to be self-regulating under the general oversight of the Ministry of Finance. Ministry oversight should be limited to reviews of periodic financial statements and an exchange of information concerning progress toward licensing of public accountants by the General Control Office of the Palestinian Authority based on recommendations of the Association.

Draft legislation to establish the three institutions must include delegations of authority which may be summarized as follows:

- The PFAF Board of Trustees must have the authority to solicit and manage funds for FASB and Foundation operations, to appoint the seven-member FASB and to oversee the non-technical aspects of FASB performance. Legislation granting this authority to the PFAF should explicitly provide that the Board of Trustees shall have sole discretion in selecting and replacing members of the FASB. Oversight of PFAF operations by the Ministry of Finance should be limited to reviews of financial reports required from other not-for-profit organizations, and the PFAF should be accorded tax-free status.
- The FASB must have the independent and exclusive authority to establish a Palestinian Conceptual Accounting Framework, to promulgate International Accounting Standards applicable to all businesses in the West Bank and Gaza and to establish accounting standards for PVO's. The legislation should state that the FASB is the only entity authorized to promulgate and interpret accounting standards and that all financial statements prepared for government or public use shall be prepared in accordance with accounting standards promulgated by the FASB. Oversight must be limited to PFAF review of the non-technical aspects of FASB operations. Legislation should provide that FASB pronouncements and interpretations regarding accounting standards shall not be subject to review or approval by government agencies, boards or other organizations.
- The Association must have the independent and exclusive authority to promulgate International Standards for Auditing and to establish and enforce a code of professional ethics applicable to public accountants. The Association must be authorized to write and administer CPA exams and to recommend successful candidates for licensing of practitioners by the General Control Office of the Palestinian Authority. The legislation should provide that membership in the Association shall be determined by by-laws and decisions of the Board of Directors, that the Association may penalize members who violate the professional code of ethics, and that such penalties may include suspension of licenses to practice public accounting. Oversight of the Association by the Ministry of Finance should be limited to reviews of financial reports required from other not-for-profit organizations, and the Association should be accorded tax-free status.

FIGURE 1 -Organizational Formation



II Project Assistance and Management

There are many highly professional accountants who currently work in the WB&G. Many of these accountants are willing to volunteer time to draft legislation and to serve on committees of the Association. The same professionals may be appointed to some of the seven positions on the FASB Board. However, the number of accountants and time available for volunteer service is limited. Accordingly, the type and sequencing of technical assistance must anticipate that there will be few opportunities for extensive work with assembled committee members. Similarly, staff work including the drafting of standards will need to be performed by accountants employed by the institutions or by the project contractor.

Interventions with professional accounting advisors and trainers should be coordinated by a long-term advisor who is a CPA with substantial experience as a public accounting practitioner. This individual should be assisted by two Palestinian accountants who will interface with staff accountants employed by FASB and the Association. The long-term advisor and his/her two assistants should be employed by an institutional contractor. Four full-time, project-funded staff assistants should be employed by FASB and the Association with two at each institution.

The project has been initiated by appointment of a Joint Steering Committee to draft legislation for the official establishment of PFAF, FASB and the Association. The Joint Steering Committee should also draft by-laws for these institutions, select members of the PFAF who will in turn elect a Board of Trustees, and begin processing member applications for the Association in accordance with the by laws. The Joint Steering Committee members will begin drafting legislation and the by-laws without project-funded technical assistance.

USAID project interventions should begin with the arrival of the long-term advisor who will recruit two Palestinian accountants as staff assistants. During the initial weeks of field work, the long-term advisor will provide assistance, as necessary, to the Joint Steering Committee in finalizing formation of the PFAF, FASB and Association. This initial work may entail (1) drafting by-laws for the three institutions, (2) establishing PFAF procedures for fund raising and for selecting members of the FASB, and (3) assisting the Board of Directors of the Association in structuring committees and establishing approval procedures for new members.

Short-term project interventions will be required in the following sequence:

1. One short term advisor to assist the FASB Board as soon as possible after the Board has been appointed by the PFAF. This advisor will assist with drafting the Palestinian Conceptual Accounting Framework and with drafting a modified Arabic Language version of the IAS (Existing Arabic language versions of IAS may be used with changes in some accounting terms). The advisor will also (1) train FASB staff members in research, (2) assist in managing the release and distribution of the IAS, and (3) assist in establishing procedures for processing public comments, holding public hearings and issuing interpretations of standards. It will also be necessary for the advisor to assist the

FASB in establishing accounting standards for PVOs. This assistance will be required for an estimated period of 22 weeks consisting of two, eight week visits in each of the first and second years of project implementation and one, six week follow-up visit early in the third year. The first eight-week visit should begin with the appointment of the FASB Board, expected to occur within the first three months following arrival of the long term advisor.

2. One short-term advisor to assist the Association's Auditing Standards and Ethics Committees in promulgating International Standards of Auditing and in establishing a Code of Professional Ethics with related disciplinary procedures. This assistance will be required for an estimated period of 16 weeks consisting of two, eight week visits in each of the first and second years of project implementation. The first eight-week visit should begin with appointment of the Auditing Standards and Ethics committees by the Board of Directors of the Association. It is likely that these committees will be established within the first three months following arrival of the long-term advisor and that this assistance may overlap with the short-term advisory assistance to FASB as described above.
3. Two short-term training advisors for FASB and the Association's Continuing Professional Education (CPE) committee. These advisors should (1) write IAS training courses and train instructors in their application, (2) assist in establishing CPE requirements, and (3) develop workshops, seminars and courses in International Standards of Auditing. Practitioners and faculty members who will subsequently offer courses in Accounting and Auditing Standards will be the target group for the training advisors. The two training advisors will be needed for a total of 24 weeks consisting of two visits of six weeks duration in the first and second years of project implementation. The first visit should begin with promulgation of International Accounting and Auditing Standards to be accomplished by FASB and the Association, respectively. The two advisors should begin field work when both sets of standards have been issued, estimated to be within six months after arrival of the long term advisor.
4. One short-term advisor to establish procedures for administering CPA examinations. The initiation of CPA exams is of less immediate concern than promulgation of Accounting and Auditing Standards and adoption of a Code of Professional Ethics. Accordingly, this assistance may be deferred until early in the third year of project implementation. Six weeks of short-term assistance will be needed to establish appropriate procedures.

Some project-funded grant assistance will be required for initial start up and operating expenses to be budgeted by FASB and the Association. In the case of FASB, the project funds will augment contributions obtained by the PFAF for two FASB staff members, a secretary, office rent, office equipment, and IAS publication costs. The Association will require funding assistance for staff, office rentals, equipment, and publications to the extent that such costs exceed membership dues. Appendix D provides "FASB and Association Projected Budgets-First Four Years" to set out the annual estimated operating costs of FASB and the Association and to

show funding sources to cover these costs. The Appendix D schedule also shows that FASB and the Association will no longer require grant support in the fourth and succeeding years following the three year term of the project.

In addition to technical assistance and institutional support described above, it will be important to provide assistance to universities to prepare students for the CPA exam and to educate all accounting graduates in International Accounting and Auditing standards. This assistance may include curriculum development, visiting scholars, training courses, and instructional materials and equipment.

A more detailed analysis of project components and project-funded assistance may be found in the following sections of this design.

FIGURE 2 - Sequencing of Technical Assistance

Type of Assistance	Year 1				Year 2				Year 3			
	Q-1	Q-2	Q-3	Q-4	Q-1	Q-2	Q-3	Q-4	Q-1	Q-2	Q-3	Q-4
1 Long-term Advisor and two local staff assistants (one in Gaza, one in the West Bank)	12 months				12 months				12 months			
2 Short-term Advisor for FASB		8 weeks			8 weeks				6 weeks			
3 Short-term Advisor for the Association		8 weeks				8 weeks						
4 Two Training Advisors for FASB & The Association			2 x 6 weeks				2 x 6 weeks					
5 Short-term Advisor for CPA Examination Committee of the Association									6 weeks			

III Palestinian Financial Accounting Foundation

Purpose A Palestinian Financial Accounting Foundation (PFAF) should be established to select the seven board members of the FASB, to fund their activities and to exercise general oversight over the non-technical aspects of their work. The PFAF membership will represent a broad spectrum of the business and financial community which depends on sound and credible financial statements for management and investment purposes. PFAF members may then be expected to nominate and select highly qualified members of the FASB and to raise funds necessary for their activities. The PFAF will also review and approve the annual FASB budget.

Organization and membership There will be approximately 51 members of the PFAF in order to obtain representatives from several financial institutions, business enterprises, public accounting firms, and other users of International Accounting Standards. The Joint Steering Committee charged with drafting legislation to establish the PFAF will also draft by-laws to govern its activities and establish procedures for selecting PFAF members. (The Financial Accounting Foundation in the United States obtains nominees from eight sponsoring organizations, but initial selection of Palestinian Foundation members may necessarily be more direct.) The by-laws will also provide for election of a Board of Trustees within the PFAF who will manage funds and administer the process of nominating and selecting the seven-member FASB.

Functions The Board of Trustees will serve as a fund-raising body for the FASB. Funds received from the overall financial community will be allocated to the FASB based on an annual operating expense budget submitted by the FASB staff. (A limited amount of such funds will also be available for nominal costs of correspondence and other PFAF expenses.) Note (2) to Appendix D observes that "The (51) members of the PFAF should obtain donations from business entities which will be users of the International Accounting Standards promulgated by the FASB." Banks, insurance companies, international public accounting firms and major companies in the WB&G, including many with representatives serving as members of the PFAF, will recognize that their financial operations will be significantly affected by FASB activities. It is reasonable to expect that these public accounting firms and businesses will support FASB through donations to a Financial Accounting Foundation as do similar businesses in the United States. (The donor base is obviously much smaller in WB&G, but the Palestinian FASB will require a nominal amount of support for its very limited expenses, budgeted at \$37,700 by the fourth year of operations.) Some Palestinian accountants have expressed interest in compensating FASB members for their part time professional services. The Joint Steering Committee, commissioned to draft legislation and write by-laws for the PFAF and FASB, should survey businesses to estimate total annual donations before establishing any compensation amounts for the part time work of the seven FASB members.

The Board of Trustees will also conduct the nomination and selection of FASB members by seeking nominations from PFAF members, evaluating the professional credentials of nominees, and making selections in accordance with procedures established in the by-laws. The FASB will

provide periodic reports to the PFAF describing the status of its activities in promulgating the IAS and in issuing interpretations as described in the FASB section of this project description

Technical Assistance and Other Project Inputs The long-term advisor who will oversee all elements of the project will assist in drafting PFAF by-laws and in establishing procedures for fund raising and FASB member selection on an as-needed basis. No other technical assistance or project funding requirements are anticipated for activities of the Foundation.

Sequencing and duration of assistance The foundation should be established as soon as possible, at least on an interim basis pending legislative action to confirm its legal authorities. The long-term, project-funded advisor will provide intermittent assistance, as necessary, during the initial weeks of field work.

Palestinian Authority Coordination It is expected that PFAF authorizing legislation will enable the Foundation to function under the general oversight of the Ministry of Finance, limited to reviews of periodic financial statements.

Expected Results and Performance Indicators The primary objective of the PFAF is to appoint seven highly qualified members to serve on the FASB. This action should be completed not later than three months after the arrival of the project-funded, long-term advisor, who will need to work with a functioning FASB for timely promulgation of IAS. The secondary objective, raising funds for FASB operations, should also be accomplished not later than the date of appointment of the FASB to pay for start up costs including office rents and staff salaries.

Constraints and Questions

Membership in the PFAF must be drawn from both the West Bank and Gaza as well as from a representative cross-section of the business and financial community. The joint steering committee members who will write draft legislation and PFAF by-laws will need to reach agreement on how PFAF members will be selected. Ideally, associations of accountants, financial executives, and securities professionals would be asked to submit nominees. Alternatively, the committee may simply identify an array of banks, companies, public accounting firms and other entities to suggest candidates for membership.

Some may question the need for a PFAF, suggesting that the Joint Steering Committee might simply identify and appoint seven members for the FASB. This alternative would save time but would fail to obtain broad participation in FASB appointments by bankers, insurance company executives, corporate financial officers and others who will be affected by the promulgation of IAS. Also, FASB will require funding for an operating budget, and FASB members should not risk loss of independence through fund-raising activities.

IV Financial Accounting Standards Board

Purpose There is general agreement within the WB&G accounting profession that a Palestinian Conceptual Accounting Framework should be adopted and that International Accounting Standards should be promulgated. These tasks should be performed by an independent standard-setting body modeled on the United States Financial Accounting Standards Board (FASB). Members of the Board will be selected by the PFAF, previously described in this project description. The Palestinian FASB will obtain its authority for establishing the Conceptual Accounting Framework and for setting IAS through legislation obtained from the Palestinian Authority as explained in the "Overview" section of this project description.

Organization and membership The FASB Board will consist of seven members who have knowledge of IAS as well as familiarity with accounting, finance and business practices in the West Bank and Gaza. Unlike the U.S. FASB, these members will not be expected to serve full time or to sever all connections with firms or institutions they presently serve. The need for independence required of the U.S. FASB is somewhat less for the WB&G given that the FASB role will be one of interpreting and activating existing IAS rather than initiating new standards as is the case in the U.S. The Board will be assisted by staff professionals who will perform research, prepare draft pronouncements for distribution and analyze communications received from the public.

Functions The FASB Board will prepare a Palestinian Conceptual Financial Accounting Framework modeled on the "Framework for the Preparation and Presentation of Financial Statements" released by the International Accounting Standards Committee (IASC). The Palestinian framework will set out fundamental objectives of financial reporting and the essential elements of financial statements. A prompt adoption of the Conceptual Accounting Framework will be essential to avoid delay in incorporating the framework into timely distribution of the IAS. There are varying opinions within the Palestinian profession concerning the promulgation of some, all, or a priority set of the International Standards. The preferable method is the distribution of all standards so that users begin to adopt accounting methods consistent with the standards which are applicable to their forms of business. Project implementation must recognize that business accountants will need time to familiarize themselves with IAS and to adopt accounting methods which will produce acceptable financial statements. Similarly, auditors who are not familiar with IAS will need time to acquire such knowledge before expressing opinions on the fair and consistent application of the standards in the preparation of these financial statements. Accordingly, the FASB may choose to provide a grace period of one or two years for implementation of the standards by all entities responsible for financial reporting. The grace period would also provide a period for public comments on the IAS. The FASB role following distribution of all standards will be one of issuing interpretations to explain specific provisions of the standards as they apply to business practices and legal requirements in the WB&G. It will also be necessary for the FASB to establish accounting standards for PVOs.

Technical Assistance and Other Project Inputs Professional accountants and business executives in the WB&G, willing to serve on the FASB, will be capable of performing all of the functions described above. They will need technical assistance to

- Manage the initial release of the IAS
- Train FASB staff in research and other functions noted above, and
- Provide advice through issuance of interpretations in response to public comments and questions

Technical advice will also be required for prompt development of the Palestinian Conceptual Financial Accounting Framework

Technical advisors will be needed to develop IAS training courses offered to accountants and auditors

Some project-funded grant assistance will be needed to augment funds obtained through the PFAF for staff salaries, IAS publication costs, office space, and equipment for the first three years. As shown in Appendix D, PFAF fund raising for FASB will grow from \$13,200 in the first year to \$37,700 in the fourth year and years thereafter. Grant assistance for FASB will decrease from \$80,000 in the first year to \$30,000 in the third year as PFAF funding grows and as FASB costs decline. The total grant assistance for FASB budget support during the life of the project will be \$150,000.

The sequencing and duration of assistance follows.

1 One short-term advisor to assist with drafting the Conceptual Framework and to augment an existing Arabic version of IAS with any necessary explanatory attachments prior to general distribution. The advisor will also train two FASB staff members in research, assist in managing the release and distribution of an Arabic version of the IAS, and establish procedures for processing public comments, holding public hearings and issuing interpretations of standards. It will also be necessary for the advisor to assist the FASB in establishing accounting standards for PVOs. The assistance will be required for an estimated period of 22 weeks consisting of two, eight-week visits in each of the first and second years of project implementation and one, six-week follow-up visit early in the third year. The first eight-week visit should begin with appointment of the FASB Board, expected to occur within the first three months following arrival of the long term advisor.

2 Two short-term advisors to write or adapt existing IAS training courses and to train trainers in these offerings. Current, experienced practitioners and faculty members will be the target group to become trainers. The two training advisors, who will also assist the Association, will be needed for a total of 24 weeks consisting of two visits of six weeks duration in the first and second years of project implementation. The first visit should begin with the promulgation of

International Accounting and Auditing Standards to be accomplished by FASB and the Association, respectively. The two advisors should begin field work when both sets of standards have been issued, estimated to be within six months after arrival of the long-term advisor. **Note: These two advisors will work with both the FASB and the Association's CPE Committee in developing educational programs for the two institutions.**

3. Financial assistance for FASB. Project funds will be needed to augment PFAF funding before staff can be hired or standards can be distributed.

Government coordination. It is expected that the FASB authorizing legislation will enable the board to function under the general oversight of the PFAF, limited to review of the non-technical aspects of FASB operations.

Expected results and performance indicators. The FASB should have IAS and the Conceptual Framework distributed to the public within three months following appointment of the Board. Training of trainers should begin at approximately the same time. Interpretations should begin to occur within six months following release of the standards. FASB should formally announce adoption of IAS at the conclusion of the pre-announced grace period. An independent survey to confirm use of the standards by accountants and auditors would serve as a useful method of evaluating the success of this most important component of the project.

Constraints and Questions

The standard-setting body could be included within the Association, as was the case with the Accounting Principles Board of the AICPA until the 1973 establishment of the U.S. FASB. Professional accountants in the WB&G strongly prefer a standards-setting board which is independent of the Association, recognizing that the Association must necessarily focus its attention on auditing and the public accounting profession.

There is some disagreement concerning the advisability of promulgating all International Accounting Standards as opposed to those which have current relevance to businesses in the WB&G. It is true that several standards will have little or no current applicability, but adoption of all standards will ensure international recognition that financial statements have been prepared in accordance with all appropriate standards and not simply those currently in place.

There may be some preference for tailoring IAS to meet Palestinian business practices. Any change in the substance of the standards would diminish international acceptance of financial statements. However, the Palestinian FASB will perform a critical role through issuing interpretations to explain and clarify application of the standards to specific Palestinian business practices and legal requirements.

V Palestinian Association of Professional Accountants

Purpose There is general agreement among Palestinian professional accountants and within the two accounting associations in WB&G that a unified professional accounting association should be established. The Palestinian Authority has also taken the position that a single association should be formed. The Association should exercise the authority and responsibility for establishing auditing standards, ethics, and professional qualifications required for the examination and certification of financial statements by public accountants. The ultimate purpose of the Association will be to ensure that public accountants, certified by the Association, will perform audits in accordance with International Standards of Auditing and express opinions on financial statements prepared in accordance with IAS promulgated by the Palestinian FASB.

Organization and membership Membership in the Association should eventually be limited to Certified Public Accountants who have passed a uniform CPA examination comparable to that conducted in the United States. Initially, the Association will need to have a membership transition period during which accountants who have been licensed to practice auditing by the Palestinian Authority will be admitted as members of the Association. Members of the Joint Steering Committee currently responsible for drafting legislation to establish the Association should also draft by-laws for the Association including membership requirements. Members who are “grandfathered” into membership in the Association should not be permitted to use the title “Certified Public Accountant” but should be encouraged to avail themselves of training opportunities and to sit for the CPA exam when it is offered by the Association.

The Association will have a board of directors elected by the members and an organizational structure modeled, in part, on the American Institute of Certified Public Accountants (AICPA). Committees will be formed for (1) establishing International Standards for Auditing, (2) establishing a code of professional ethics and disciplinary procedures for non-conformance, (3) developing continuing professional education requirements as a condition for renewal of membership, (4) publishing pronouncements of the Association to ensure that members and others are aware of requirements, and (5) writing and administering CPA examinations and recommending successful candidates for Palestinian Authority licensing of practitioners.

Functions committees of the Association will perform functions as follows

- **Auditing Standards Committee** - International Standards of Auditing should be published as soon as possible after formation of this committee. Supplemental explanations should be provided where Palestinian business practices or legal requirements may require alternative auditing procedures.
- **Ethics Committee** - A code of professional ethics should be written and disseminated and disciplinary measures should be established and announced to members. The ethics committee should also establish procedures for investigating complaints concerning violations of ethics and the process to be followed in rendering judgments and enforcing penalties.

- **Continuing Professional Education Committee** - Members should be required to obtain not less than a fixed number of Continuing Professional Education (CPE) credits in each year as a precondition to retaining membership in the association. The CPE Committee should propose minimum requirements for approval by the Board of Directors and advise members of how these credits may be obtained, e.g. by workshops, seminars and self-study courses. The CPE Committee should also develop training courses and materials to be offered by the Association as an additional source of funds for operating expenses.
- **Publications Committee** - The International Standards for Auditing should be published and distributed to members when completed by the Auditing Standards Committee. Similarly, the code of professional ethics and requirements for CPE credits must be disseminated. A Publications Committee should be responsible for identifying member needs for information and for ensuring that timely bulletins are published and mailed to members.
- **CPA Examination Committee** - New members of the Association will be required to pass a uniform CPA examination. The CPA Examination Committee will recruit individuals who have professional experience in writing CPA examination problems and in grading completed exams. Such professionals will normally work part-time while maintaining full-time positions as faculty members or practitioners.

Technical Assistance and Other Project Inputs

Professional Accountants will be willing to serve on Committees and the Board of Directors of the Association for limited periods of time on a voluntary basis. However, much of the work in drafting documents will require full-time staff work and secretarial support. Operating expenses for staff, office rentals, equipment, and publications will exceed membership dues until income is generated from training courses and increased membership. Accordingly, some project-funded grant assistance will be required to defray Association operating expenses for the first three years. (As with the FASB, annual operating expenses are estimated at \$37,700 in the fourth and succeeding years, reflecting the very limited staff, facilities and equipment necessary to support these organizations of volunteers.) As shown in Appendix D, Association member dues will increase from \$13,200 in the first year to \$28,200 in the fourth year and Association-sponsored training courses will provide an additional \$9,500 by the fourth year. Grant assistance for the Association will decline from \$70,000 in the first year to \$30,000 in the third year as member dues and training course income increase and as Association expenses decline. Total life-of-project grant assistance for Association budget support will be \$140,000. The Joint Steering committee should ensure that the PFAF, FASB and Association establish accounting systems, budgeting procedures and financial reports necessary to meet USAID requirement for grant assistance and to prevent misuse of funds. Such systems are relatively simple for organizations with nominal financial operations, and the accountants who are establishing the organizations should have little difficulty in meeting this requirement.

The Board of Directors, Committees and staff assistants will need technical assistance to

- Establish procedures to review applications and approve members of the Association
- Review existing Arabic language versions of the International Standards of Auditing, write any necessary explanatory interpretations, and approve the Standards for publication
- Draft a professional code of ethics and disciplinary procedures, distribute the draft to members for comment, obtain Board of Director approval and prepare a comprehensive ethics document for publication
- Establish procedures for administering CPA exams including quality-control measures to ensure that exams are comparable to those offered in the U S and elsewhere

Sequencing and Duration of Assistance

The Board of Directors should submit a grant application for a portion of first year operating expenses so that staff may be recruited to work with technical advisors

The long-term, project-funded advisor will assist the Board of Directors during the initial start-up phase to implement by-laws, structure committees, and establish new membership approval procedures. Additional short-term assistance should be provided as follows

1 One short-term advisor to assist the Auditing Standards and Ethics Committees in promulgating International Standards of Auditing and in establishing a Code of Ethics with related disciplinary procedures. This assistance will be required for an estimated period of 16 weeks consisting of two visits of eight weeks each in the first and second years of project implementation. The first eight-week visit should begin with appointment of the Auditing Standards and Ethics committees by the Board of Directors of the association. It is likely that these committees will be established within the first three months following arrival of the long term advisor and that the first visit may overlap with the short term advisory assistance to FASB as described in the FASB section of this project description

2 Two short-term advisors to assist in establishing CPE requirements for continuing membership and to develop workshops, seminars and courses in International Standards of Auditing. The advisors will train instructors with a target group consisting of experienced practitioners and faculty members. These two training advisors, who will also assist the FASB, will be needed for a total of 24 weeks consisting of two visits of six week duration in the first and second years of project implementation. The first visit should begin with the promulgation of International Accounting and Auditing Standards to be accomplished by FASB and the Association, respectively. The two advisors should begin field work when both sets of standards have been issued, estimated to be within six months after arrival of the long term advisor. **Note These two advisors will work with both the FASB and the Association's CPE Committee in developing educational programs for the two institutions**

3 One short-term advisor to assist in establishing procedures for administering CPA examinations. The initiation of CPA exams is of less immediate concern than promulgation of International Standards of Auditing or adoption of a Code of Professional Ethics. A six-week initial visit by an advisor who has experience in administering the U.S. CPA exam would enable the committee to establish appropriate procedures. This visit should occur in the third year of project implementation.

Coordination with the Palestinian Authority. It is expected that authorizing legislation will enable the Association to be self-regulatory under the general oversight of the Ministry of Finance. Ministry oversight should be limited to reviews of periodic financial statements and an exchange of information concerning progress toward licensing of public accountants by the General Control Office of the Palestinian Authority based on recommendations of the Association.

Expected results and performance indicators.

By the end of the first year of this project, a unified Palestinian Association of Professional Accountants should be a legally approved entity with self-regulating authorities and a roster of members who have met professional admission requirements set out in the by-laws. By the end of the first eighteen months of the project, committees of the Association should have achieved the following objectives:

- The Auditing Standards Committee will have published and distributed International Standards of Auditing.
- The Ethics Committee will have published and distributed a Code of Professional Ethics and a document setting forth related disciplinary procedures to be followed for violations of these ethical standards.
- Members will have been notified of CPE requirements by the Continuing Professional Education Committee.

By the mid-point of the third year of the project, additional objectives should have been achieved as follows:

- CPE courses, workshops and seminars will have been offered by instructors who have been trained by project advisors.
- The Publications Committee will have written and distributed periodicals describing professional developments and CPE course offerings as well as a compilation of regulations established by the Association. Any suspensions and other disciplinary actions taken against members of the Association will also have been announced in this periodical.

- The CPA Examination Committee will have been established and procedures will have been adopted for administration of CPA exams. A date will have been announced for the first exam.

The ultimate objective of the Association is to ensure that professionally qualified members of the Association perform audits in accordance with International Standards of Auditing and express appropriate opinions on financial statements prepared in accordance with IAS. An annual survey of publicly available financial statements, certified by members of the Association, would assist in measuring the success of the Association and the project.

Constraints and Questions

Association membership requirements will be particularly difficult to establish given the existing membership admission requirements of the associations in WB&G together with the current licensing requirements of the Palestinian Authority. By-laws of the new Association will need to provide more stringent requirements for membership with perhaps a transition period during which licensed, non-CPAs will be granted membership with practice limitations.

The Association must represent all Professional Public Accountants and must exercise sole authority for setting auditing standards and regulating the profession. Separate associations now functioning in the West Bank and Gaza may continue to serve as state societies but without exercising authority over the accounting profession. This transition in the role of the current associations may be difficult to achieve.

Risks

The project will begin without assurance that legislation will be passed to establish the three institutions with all of the necessary, independent authority. This risk may be reduced somewhat by providing an advisor to assist in drafting legislation as noted previously. (See Appendix A "Project Budget - Pre Project Assistance" for costs.) It is likely that some risk will remain unless the project is delayed pending enactment of the legislation, a delay that would disrupt the continuity of effort begun with appointment of the Joint Steering Committee. It is advisable to undertake this project in anticipation of enactment of the drafted legislation recognizing that International Accounting and Auditing Standards should be followed by businesses and public accounting firms even in the absence of official recognition of institutions responsible for promulgating such standards. The project will enable the accounting profession to promulgate standards and to regulate the practice of public accounting during the interim period pending official recognition, even if the legislation is extensively delayed.

There may be difficulty in completing the transition from the two accounting associations in the West Bank and in Gaza to the Association described in this design. The Joint Steering Committee has agreed that there must be a single association responsible for auditing, i.e. the promulgation of International Standards for Auditing and committees to govern the certification

and performance of practicing CPAs. Project assistance for the Association will achieve the goal of codifying International Standards for Auditing and in putting in place training courses and a professional disciplinary process that will be accepted by the accounting profession during the period required to sort out the continuation or dissolution of the continuing, separate associations.

In the absence of legislation, it would be possible for government ministries or agencies to assume responsibility for issuing accounting and auditing standards. A problem would arise if, for example, an agency were to require companies registered on the securities exchange to follow accounting standards other than IAS. There is no indication that any agency of the Palestinian Authority has plans to perform such a role, and draft legislation should confirm that the Ministry of Finance supports the self-regulatory authority of the institutions described in the design.

The PFAF and the FASB are new institutions which must be established in large part by the efforts of the Joint Steering Committee. (The Association is also new, but the Joint Steering Committee will have the advantage of drawing structure and some of the by-laws from existing associations.) Unforeseen events could delay Joint Steering Committee formation of the PFAF and FASB. It seems likely that the project-funded advisors could significantly assist in finalizing PFAF and FASB formation in the first year of the project, but a lengthy delay would require changes in project implementation. As noted earlier, there is strong support for an independent standards setting body (the FASB) as voiced at the May, 1998 workshop, but if formation of the FASB and PFAF were to fail, it would be possible to form a committee within the Association to promulgate IAS. The project, as designed, would still be viable because the technical assistance planned for the FASB would be redirected to the IAS committee of the Association, and the same level of training assistance would be required. Grant assistance for FASB budget support would also need to be redirected to the Association because of the transfer of responsibility for IAS promulgation and interpretation. The Association would have to assume the fund-raising role of the PFAF but at a reduced level of requirements given cost savings from combined offices and staff. It seems likely that this fall back alternative will not be necessary given the commitment of the Joint Steering Committee to establishing the PFAF and FASB.

VI Assistance to Universities

The project, as described in preceding sections of this design, will achieve the purpose of introducing International Standards of Accounting and Auditing without regard to the number and qualifications of accountants entering the profession. Universities in the West Bank and Gaza play a critical role in preparing students for entry-level accounting and auditing positions in industry and public accounting. Universities also provide the essential academic foundation for passing the CPA exam. The project would be enhanced by a modest program of assistance to three universities in the West Bank and two in Gaza. University assistance, as described in Appendix B, would include some or all of the following components:

- Surveys in the WB&G to determine market satisfaction with accounting education provided by the universities. These surveys would be conducted during the first year of the project by two resident professional educators. Survey reports would be provided to each of the five participating universities.
- Technical assistance for curriculum changes determined, in part, by the results of the surveys. A U.S. accounting curriculum advisor would provide eight weeks of assistance, including one week at each of the five universities, during the first year of the project.
- Training assistance for designing and conducting courses and workshops in International Accounting and Auditing Standards. A short-term advisor would assist the universities in developing these courses to be offered in Arabic to practicing accountants. This six-week period of assistance during the second year of the project would overlap with similar assistance provided to FASB and the Association but would be useful in extending training opportunities to all five universities.
- Training assistance to offer CPA preparation courses for outstanding accounting graduates at the five participating universities. A U.S. instructor would offer courses similar to the Becker CPA Review in order to prepare candidates to sit for the CPA exam in the United States. Graduates of the course would self-finance travel costs to the U.S. or utilize the training to sit for the exam in the West Bank or Gaza when it is offered by the Association.
- Visiting scholars to teach accounting courses at each of the five universities for one semester during the second year of the project. Three visiting U.S. accounting instructors would teach courses for the purpose of introducing alternative course materials and accounting instruction techniques.
- Procurement of instructional material and equipment. There is a need at each of the five universities for equipment to support accounting faculty members and for textbooks and reference documents. Assistance with funding this one-time procurement requirement in the first year of the project would significantly improve instructional resources.

- One-day accounting conferences to bring together faculty from participating universities and from the business community for the purpose of discussing the project and International Accounting and Auditing Standards. These conferences, to occur in the first and second years of project implementation, would bring about an essential, broad understanding of the impact of project implementation on accountants and faculty members

University Assistance Management The components listed above may be selected for inclusion in the institutional contract for the overall project. It will be important for the long-term advisor to coordinate any technical assistance provided to universities with assistance provided to the FASB and the Association, particularly with respect to training. There will be an informal partnership among the universities, FASB and the Association to determine how and where instruction should be offered to familiarize accountants with the new accounting and auditing standards. The project design has anticipated that the Association will offer CPE courses and obtain a financial benefit from doing so and that the universities will offer International Accounting and Auditing Standards courses as well.

Constraints and Questions

University assistance is important as a component of the project because accounting education for new entrants into the profession must keep pace with the demands for improved accounting systems and auditing procedures inherent in project implementation. Project-financing for all of the components of university assistance summarized above would improve educational programs at all five universities currently engaged in offering degrees to accounting majors. If project-funding constraints require prioritization of the components, it would seem most advisable to provide the curriculum advisor and funds for equipment and institutional materials. The curriculum advisor should be expected to establish or confirm specific requirements for project-funded instructional materials and equipment needed at each university as curriculum improvements are introduced.

It is also especially important that some or all of the universities participate in offering courses and workshops in International Accounting and Auditing Standards to ensure that instruction in the new standards is offered to accountants employed in industry and public accounting. The short-term training advisors who will work with the Association and FASB must work with the universities in planning where courses and workshops will be offered. This assistance will overlap with similar training assistance summarized in the third component above and may substitute for the assistance, at least at some of the five universities.

The quality of education would improve with introduction of the CPA review course and participation of visiting scholars as well as financing of the lesser cost components of the proposed Assistance to Universities. These components could be included with some cost savings by reducing the number of visiting scholars to one or two.

VII Monitoring and Evaluation

The project has several clear and measurable objectives including promulgation of International Accounting and Auditing Standards by the FASB and the Association, respectively, and announcement of a code of professional ethics with related disciplinary procedures by the Association's ethics committee. The contractor must plan the timing of short-term technical assistance based on a schedule of project activities including appointment of the FASB, appointment of Association committees, and publication of standards for which training will be required. The time schedule for Palestinian establishment of institutions, boards and committees will change from time to time as will the contractor's time plan for introducing related short-term assistance. The contractor should provide an annual time-line schedule of events and interventions and report quarterly on actual implementation of the schedule. The quarterly reports should also describe progress made toward achieving all specific objectives set out in a life-of-project plan provided by the contractor during the first quarter of field work.

Project evaluation should include measurement of the ultimate goal of the project: financial statements prepared in accordance with IAS and examined by qualified public accountants in accordance with International Standards for Auditing. Some progress toward this goal should be achieved soon after the International Accounting and Auditing Standards are announced. A marked improvement should have occurred by the end of the grace period provided for actual implementation of IAS. It would be useful to establish a baseline of information concerning the quality of financial statements and auditors' opinions early in the project. This information could be gathered through a survey of available financial statements supplemented by interviews of company accountants and audit practitioners. Follow-up surveys could be conducted annually to determine the extent of improvement in the quality of financial statements and the conduct of audit examinations in response to promulgation of standards. This evaluation could be performed internally by USAID professional accountants or through direct or institutional contracts with CPAs.

APPENDIX A

Project Budget - Summary

DESCRIPTION	Year 1	Year 2	Year 3	Total
Project Management	\$424,890	\$419,715	\$431,140	\$1,275,745
FASB	191,050	151,050	76,950	419,050
The Association	181,050	151,050	76,950	409,050
Total Institutional Development	796,990	721,815	585,040	2,103,845
University Assistance *	329,100	369,550	60,000	758,650
Optional Pre-Project Assistance **	47,700			47,700
Project TOTAL	\$1,173,790	\$1,091,365	\$645,040	\$2,910,195

* Includes all seven components summarized in the text of the design and detailed in the Assistance to Universities Addendum All components are desirable but optional

** This assistance for drafting the legislation has been budgeted as an IQC Task Order The assistance may be required by the Joint Steering Committee

Project Budget - Project Management

DESCRIPTION	Year 1	Year 2	Year 3	Total
Long Term Advisor				
Salary and COLA	\$101,000	\$103,500	\$106,000	\$310,500
OH & Fees, DBA Ins, SS/other benefits	126,250	129,375	132,500	388,125
Travel	4,800	9,600	4,800	19,200
Transportation				
HHE	15,000		15,000	30,000
Air	8,400	16,800	8,400	33,600
POV	4,000		4,000	8,000
Education Allowance	47,000	47,000	47,000	141,000
Housing	8,800	8,800	8,800	26,400
SUB-TOTAL	315,250	315,075	326,500	956,825
Two Professional Assistants				
Salary @ \$18,000	36,000	36,000	36,000	108,000
OH and fees	25,200	25,200	25,200	75,600
SUB-TOTAL	61,200	61,200	61,200	183,600
One local hire Secretary				
Salary	7,200	7,200	7,200	21,600
OH and fees	5,040	5,040	5,040	15,120
SUB-TOTAL	12,240	12,240	12,240	36,720
Other				
Interpreter and Translators	7,200	7,200	7,200	21,600
Office Rental (furnished)	5,000	5,000	5,000	15,000
Equipment and Supplies	10,000	5,000	5,000	20,000
Telephone/Fax/Courier Services	6,000	6,000	6,000	18,000
Ground Transportation (rental car)	8,000	8,000	8,000	24,000
SUB-TOTAL	36,200	31,200	31,200	98,600
Project Management Total	\$424,890	\$419,715	\$431,140	\$1,275,745

Project Budget - FASB

DESCRIPTION	Year 1	Year 2	Year 3	Total
22 weeks short-term FASB Assistance				
Salaries @ \$2,700 / week	\$21,600	\$21,600	\$16,200	\$59,400
OH, Fees and Benefits	27,000	27,000	20,250	74,250
Per Diem @ \$1,000 / week	8,000	8,000	6,000	22,000
Air Fare (round trip)	3,000	3,000	3,000	9,000
Administrative Expenses	2,000	2,000	1,500	5,500
SUB-TOTAL	61,600	61,600	46,950	170,150
FASB ½ share of training for FASB and The Association 12 weeks short term training				
Salaries @ \$2,700 per week	16,200	16,200		32,400
OH, Fees and Benefits	20,250	20,250		40,500
Per Diem @ \$1,000 / week	6,000	6,000		12,000
Air Fare (one round trip)	3,000	3,000		6,000
Administrative Expenses	1,500	1,500		3,000
Training Materials	2,500	2,500		5,000
SUB-TOTAL	49,450	49,450		98,900
Grant Assistance				
Two Staff Professionals	36,000	36,000	36,000	108,000
One Secretary	7,200	7,200	7,200	21,600
Printing and Publishing	30,000	7,500	7,500	45,000
Rent, Equipment and Office	20,000	10,000	10,000	40,000
Less PFAF Funds	<13,200	<20,700>	<30,700>	<64,600>
SUB-TOTAL	80,000	40,000	30,000	150,000
FASB TOTAL	\$191,050	\$151,050	\$76,950	\$419,050

Project Budget - The Association

DESCRIPTION	Year 1	Year 2	Year 3	Total
The Association 16 weeks short-term Assistance				
Salaries @ \$2,700 / week	\$21,600	\$21,600		\$43,200
OH, Fees and Benefits	27,000	27,000		54,000
Per Diem @ \$1,000 / week	8,000	8,000		16,000
Air Fare (round trip)	3,000	3,000		6,000
Administrative Expenses	2,000	2,000		4,000
SUB-TOTAL	61,600	61,600		123,200
Association's ½ share of training for FASB & Association (See FASB budget for details)	49,450	49,450		98,900
6 weeks short-term Assistant for CPA Examination Committee				
Salaries @ \$2,700 per week			16,200	16,200
OH, Fees and Benefits			20,250	20,250
Per Diem @ \$1,000 / week			6,000	6,000
Air Fare (one round trip)			3,000	3,000
Administrative Expenses			1,500	1,500
SUB-TOTAL			46,950	46,950
Grant Assistance				
Two Staff Professionals	36,000	36,000	36,000	108,000
One Secretary	7,200	7,200	7,200	21,600
Printing and Publishing	20,000	5,000	5,000	30,000
Rent, Equipment and Office	20,000	10,000	10,000	40,000
Less Member Dues	<13,200>	<18,200>	<28,200>	<59,600>
SUB-TOTAL	70,000	40,000	30,000	140,000
Association TOTAL	\$181,050	\$151,050	\$76,950	\$409,050

Project Budget - University Assistance

DESCRIPTION	Year 1	Year 2	Year 3	Total
Surveys Stipends for two to conduct surveys	\$30 000			\$30 000
Curriculum Advisor - 8 weeks				
Salaries @ \$2,700 / week	\$21,600			
OH, Fees and Benefits	27 000			
Per Diem @ \$1,000 / week	8,000			
Air Fare (round trip)	3,000			
Administrative Expenses	2 000			
SUB-TOTAL	61 600			61 600
Training Advisor (6 weeks)				
Salaries @ \$2 700 / week		\$16,200		
OH, Fees and Benefits		20,250		
Per Diem @ \$1 000 / week		6,000		
Air Fare (round trip)		3 000		
Administrative Expenses		1,500		
SUB-TOTAL		49,650		49,650
CPA Review Course - 6 weeks annually including materials	60,000	60,000	60 000	180 000
Visiting Scholars - (3) for 16 week sessions				
Salaries @ \$1,800 / week		86 400		
OH Fees and Benefits		108,000		
Per Diem @ \$1 000 / week		42 000		
Air Fare (round trip)		9 000		
Administrative Expenses		4,500		
Teaching Materials		7,500		
SUB-TOTAL		257 400		257 400
Equipment and Institutional materials	175,000			175,000
One day conference - support for sponsoring universities and facilitators	2 500	2 500		5 000
Total Assistance to Universities	\$329,100	\$369,550	\$60,000	\$758,650

Project Budget - Pre Project Assistance

DESCRIPTION	Year 1	Year 2	Year 3	Total
Pre-Project Assistance				
6 weeks short term Assistant				
Salaries @ \$2,700 / week	\$16,200			\$16,200
OH, Fees and Benefits	20,250			20,250
Per Diem @ \$1,000 / week	6,000			6,000
Air Fare (round trip)	3,000			3,000
Communications	500			500
Supplies and Materials	250			250
Administrative Support	500			500
Ground Transportation	1,000			1,000
Pre-Project Assistance Total	\$47,700			\$47,700

APPENDIX B

Assistance to Universities Addendum

Introduction

Improving accounting education at the university level is critical for successful implementation of International Accounting and Auditing Standards and to reform the accounting profession in the Palestinian Territories. There is a great disparity between what accounting students are taught in the classrooms and what practitioners do in the field. In reforming the accounting profession, accounting programs in the Palestinian Territories are facing the challenge to prepare students to become professional accountants. This great challenge requires creative efforts by all individuals and organizations concerned with education for the accounting profession to make changes and improvements in the areas of curriculum, faculty improvements, and in resources needed to meet the urgent needs of the profession and of the society at large.

In December 1997, USAID co-sponsored two workshops on accounting and auditing with local accounting associations in the West Bank and Gaza. Regarding accounting education issues, there was a consensus about the need to identify the competencies and skills accounting graduates should possess upon entry into the accounting profession, the need for curriculum reform that effectively imbues students with these competencies, and the need for faculty professional development programs.

In May 1998, USAID engaged a team "to design a program of activities to assist the private accounting sector in adopting and using internationally competitive standards." One component of the team's activities was a one-week period of field work conducted by a training specialist. It was designed to examine the possibilities for providing assistance to universities in order to prepare students for the CPA exam and to educate all accounting graduates in International Accounting and Auditing Standards.

During one week of field work, the specialist interviewed deans of colleges of Commerce and Business Administration, chairpersons of accounting departments, and accounting faculty of the following five universities in the West Bank and Gaza:

Bethlehem University - West Bank
Al-Azhar University - Gaza
The Islamic University - Gaza
Al-Najah National University - West Bank
Birzeit University - West Bank

The team selected the five universities for the field work because they offer good quality accounting programs and they provide a good geographical representation of institutions of higher education in the WB&G. In addition, the accounting graduates of the above universities

are recruited by public accounting firms, banks, insurance companies, industry, government, and nonprofit organizations. Combining insights from interviews with the specialist's professional experience, recommendations for assistance to universities are presented at the end of this addendum.

Description of existing programs

Bethlehem University (West Bank - Bethlehem) In 1997, the total number of students at Bethlehem University was 2,071. The Faculty of Business Administration has 390 students (192 female and 198 male). The department of accounting is headed by the Dean of the School of Business Administration, Mr. Jamil Koussa, and is comprised of three full-time faculty, one part-time faculty, and one part-time tax person for the Spring semester. None have a terminal degree in accounting (Ph.D.). Instruction is in English. About fifty students graduate annually.

The Department of Accounting offers a program that leads to a Bachelor's degree in accounting with a minor in business administration. Students are accepted as accounting majors after the third semester, provided they have earned 40 credits and meet the following requirements:

1. Minimum overall cumulative grade point average (GPA) of 1.5 (on a 4-point scale),
2. Minimum Major cumulative GPA of 2.00,
3. Completion of at least one course in the major field,
4. Completion of two English language courses,
5. A minimum GPA of 2.00 in BUSM 101, ACCT 201, ECON 234, BUSA 227

The accounting program requirements are divided into five categories:

1. University requirements	31 credits
2. Faculty requirements	14 credits
3. Elective courses	15 credits
4. Minor requirements	20 credits (Minor in business administration)
5. Major requirements	<u>48 credits</u>
Total requirements	128 credits

Accounting courses are taught from American textbooks. These are:

- Principles of Accounting I (financial)
- Principles of Accounting II (managerial)
- Intermediate Accounting I
- Intermediate Accounting II
- Cost Accounting
- Principles of Auditing
- Managerial Accounting

Taxation

Accounting Information Systems

Advanced Financial Accounting

Government and Fund Accounting

Senior Seminar (this seminar is designed to integrate two or three topics in accounting)

Other items

1 The Department has an internship program. Students register for two credit hours and work for 200 hours (on a part-time basis). The program is supervised by a non-faculty director. Performance reports must be provided to the director of the internship program from both the student and the employer.

2 The School of Business Administration has a total of 27 personal computers that serve all students in the college.

3 There is an exchange program with Villanova University, Pennsylvania, for four years, which will end in August 1998.

4 Bethlehem University Business Development Center offers a variety of courses for the community for non-credit and for non-degree seekers.

5 The annual maximum amount available for library acquisitions is about \$1,500.

Al-Azhar University - Gaza

In 1997, the total number of students at Al-Azhar University was 9,700 students (3,804 female and 5,896 male). The Faculty of Economics and Administrative Sciences has 1,758 students (619 female and 1,139 male). The Department of Accounting is headed by Mr. Emad Abu-Shaban and is comprised of four full-time lecturers and one part-time lecturer. None have a terminal degree in accounting (Ph.D.). Instruction is in Arabic. About seventy students graduated in 1997.

The general requirements for admission to the Faculty of Economics and Administrative Sciences are:

- 1 High school certificate or its equivalent
- 2 A grade average of 70% or more in the high school diploma

The Department of Accounting offers a program that leads to a B.A. in accounting. Students wishing to specialize in accounting are required to meet the following conditions:

- 1 GPA of 70% or more in the following courses: Accounting I, Accounting II, and Intermediate Accounting
- 2 Completion of four academic semesters at the Faculty of Economics and Administrative Sciences

The Accounting program requirements are divided into three categories

1 University requirements (i e Humanities)	18 credits
2 Faculty requirements (i e commerce)	64 credits
3 Major requirements	<u>62 credits</u>
Total credit hours	144 credits

Accounting courses are

Financial Accounting I
Financial Accounting II
Corporate Accounting I
Corporate Accounting II
Cost Accounting I
Zakat Accounting
Auditing I
Accounting Theory
Governmental and National Accounting
Banking and Insurance Accounting
Managerial Accounting
Auditing II
Accounting in English
Seminar in Accounting & Contemporary Issues
Cost Accounting II
Accounting for Special Institution
Accounting Information System
Financial Analysis and Planning
Behavior Sciences
Intermediate Accounting
National Accounting

Other items

- 1 Some of the above courses are taught from translated American textbooks
- 2 The university has a continuing education center that offers training programs for government and civil employees

The Islamic University - Gaza

In 1997, the total number of students at The Islamic University was 6,716 students (2,386 female and 4,330 male) The faculty of Commerce has 1,823 students (363 female and 1,460 male) The Department of Accounting is headed by Dr Salem Halas and is comprised of seven full time

faculty There is only one faculty with a terminal degree in accounting Instruction is in Arabic 1
About 130 graduate annually

The Department of Accounting offers a program that leads to a Bachelor's degree in accounting
Students are accepted as accounting majors after completing the minimum requirements of four
academic semesters at the Faculty of Commerce and obtaining a GPA of 70% or more in
Principles of Accounting I and Principles of Accounting II

The accounting program requirements are divided into four categories

1 University requirements	35 credits
2 Faculty requirements	42 credits
3 Elective courses	6 credits
4 Major requirements	<u>57 credits</u>
Total requirements	140 credits

Accounting courses are

Principles of Accounting I
Principles of Accounting II
Cost Accounting I
Cost Accounting II
Intermediate Accounting I
Intermediate Accounting II
Auditing I
Auditing II
Accounting in Islam
Accounting Information Systems
Banking and Islamic Banking Accounting
Government and National Accounting
Accounting and Computers
Accounting in English
Feasibility Studies (Accounting)
Managerial Accounting
Accounting for Special Institutions
International Accounting
Tax Accounting
Advanced Accounting
Seminar in Accounting

Other items

- 1 The Department has an internship program on a part-time basis with no credit hours
- 2 All indicators show that accounting graduates have no problem of finding jobs with accounting firms, banks, industry, and government

Al-Najah National University (West Bank - Nablus)

In 1997, the total number of students at Al-Najah National University was 7,602 students (3,116 female and 4,486 male) The Faculty of Economics and Administration Sciences has 1,741 students (607 female and 1,134 male) The Department of Accounting is headed by Dr Nafiz Abu-Bakr and is comprised of eight full-time faculty members and two part-time faculty Two faculty members have terminal degrees Instruction is in Arabic About 150 students graduate annually

The Department of Accounting offers a program that leads to a Bachelor's degree in accounting Students must meet the following conditions to be admitted to the accounting program

- 1 GPA 70% or more in the faculty requirements
- 2 80% in both Principles of Accounting courses

The accounting program requirements are divided into four categories

1 University requirements	23 credits
2 Faculty requirements	30 credits
3 Department requirements	51 credits
4 Department electives	21 credits
5 Free electives	<u>6 credits</u>
Total requirements	131 credits

Required Accounting courses are

Principles of Accounting I
Principles of Accounting II
Accounting and Business Research
Corporate Accounting
Accounting for Financial Institutions
Accounting Study in English
Cost Accounting
Financial Statement Analysis
Governmental Accounting
Intermediate Accounting
Auditing
Accounting Theory
Accounting Systems
Seminar in Accounting

Elective accounting courses are

- Agriculture Cost Accounting
- Contemporary Accounting Issues
- Advanced Accounting
- International Accounting
- Social Accounting
- Accounting for Special Institutions
- Accounting for Oil and natural resources

Other items

- 1 Currently, the Faculty of Graduate Studies offers a graduate program leading to a Master's degree in Business Administration (MBA) Total enrollment in this program is about 100 students
- 2 The university has a Center for Studies, Consultation and Technical Services Among the activities of this center are sponsoring and holding seminars, conferences, symposia and training courses to develop the expertise, abilities, scientific and professional skills of participants

Birzeit University (West Bank - Birzeit)

In 1997, the total number of students at Birzeit University was 3,646 students (1,503 female and 2,143 male) The School of Business has 946 students (396 female and 550 male) The department of Accounting is headed by Mr Mirabo Shammass and is comprised of six full-time faculty and one part-time faculty There is only one faculty member with a terminal degree Instruction is in English About 65 students graduated in 1997

The Department of Accounting offers a program that leads to a Bachelor's degree in accounting with or without a minor Students must pass the accounting principles courses with at least a 70% grade, plus Business Mathematics before they can apply for the accounting major

The accounting program requirements are divided into five categories

1 University requirements	30 credits
2 College requirements	36 credits
3 Major requirements	<u>64 credits</u>
Total requirements	130 credits

Accounting courses are
Accounting Principles I
Accounting Principles II
Cost Accounting
Intermediate Accounting I

Intermediate Accounting II
Advanced Accounting
Managerial Accounting
Seminar in Accounting
Tax Accounting
Auditing
Accounting Information Systems

Assessment of strengths and weaknesses

Strengths

- 1 The departments of accounting in the five universities are committed to preparing accounting majors to become professional accountants
- 2 The deans and the faculty in the five universities have been heavily involved in curriculum revision as part of an on-going commitment to continuous improvement
- 3 The accounting program structure in the five universities has three parts general education requirements, common core of business foundation courses, and accounting courses This structure enables students to assume an entry-level position in public accounting, management accounting, or government and not-for-profit accounting
- 4 Internship programs in some of the universities help students to develop professionally and enhance the education experience before entering the marketplace
- 5 Enrollment in the five universities is increasing
- 6 Most of the accounting faculty are involved in consulting activities with the business community, which help keep them current in their disciplines
- 7 There are training centers in the five universities that can be used to train practitioners in International Accounting and Auditing standards, CPA review and CPE courses in both Gaza and the West Bank

Weaknesses

- 1 Admission standards to programs for accounting majors are not rigorous enough to provide a student body capable of achieving the objectives of a professional program
- 2 There are no formal assessment activities to obtain feedback from students, alumni, practitioners, and faculty in order to develop and revise the curriculum and respond to market needs Some informal indicators have been used in accounting departments to evaluate and revise the curriculum
- 3 International aspects of accounting, especially International Accounting and Auditing Standards, and professional ethics and responsibilities are not integrated throughout the curriculum For example, international accounting courses are not offered at either Bethlehem or Al-Azhar Universities Also, computer applications are not integrated with accounting subjects
- 4 There is a clear shortage of academically qualified faculty with terminal degrees in all accounting departments in the five universities because of the lack of financial resources Also,

areas of specialization among faculty are very poor

5 There is no sufficient support for intellectual development for faculty to attend conferences and workshops, to interact with their peers nationally and internationally, to work with practitioners, and to contribute scholarly works

6 Instructional resources such as overhead projectors, TV/VCRs, portable computer projectors, library resources, student computing facilities, and personal computing capability for faculty are not sufficient to effectively deliver accounting programs in the five universities

Recommendations for Assistance to Universities

Several interventions will be required in the following sequence

1 Comprehensive assessment program To achieve curriculum reform and to respond to market needs, a comprehensive assessment program should be implemented in each accounting department The program should be designed to inform the department of its performance with respect to student preparation, alumni satisfaction, graduate accomplishment, teaching quality, and employer satisfaction

USAID could make a significant contribution to this effort by providing funding to sponsor two surveys to explore the educational needs of accountants and practitioners and to measure employers, alumni, and graduating seniors' satisfaction with accounting education Dr Salem Halas at the Islamic University in Gaza and Dr Nafiz Abu-Bakr at Al-Najah University in the West Bank, both qualified faculty with terminal degrees, can conduct the surveys The estimated time for designing and conducting the surveys and reporting the results is about six months during the first year of the project

2 Accounting curriculum The accounting departments have been involved in curriculum changes and revisions The results generated from the two surveys will be used to evaluate the curriculum

USAID could make a significant contribution to this effort by providing one short-term, U S accounting curriculum advisor for a period of eight weeks to assist the accounting departments in the West Bank and Gaza in revising course offerings and instructional materials The advisor will spend at least one week in each department in the Palestinian Territories This activity will take place in the first year of project implementation after reporting the results of the two surveys

3 International Accounting and Auditing Standards To facilitate the adoption of International Accounting and Auditing Standards, training facilities at the five universities in the West Bank and Gaza, as well as Arabic-speaking potential trainers can be used to train faculty, and public and private accountants in the West Bank and Gaza This training will require coordination with the FASB and the Association on both International Accounting and Auditing Standards

USAID could make a significant contribution to this effort by providing Arabic - language versions of the International Accounting and Auditing Standards, other approved training materials, instructional aids and equipment. A short-term technical advisor experienced in designing and carrying out training programs and workshops on International Accounting and Auditing Standards would be responsible to start this effort in the five locations for six weeks in the second year of project implementation.

Note: This technical assistance in training should be carefully coordinated with similar assistance provided to FASB and the Association. (See FIGURE 2 “Sequencing of Technical Assistance”) It would be advisable to offer accounting and auditing standards and CPE credit courses sponsored by the Association at universities as well as at other convenient sites.

4 Certified Public Accountant’s (CPA) Preparation. In recognition of high scholastic achievement in accounting education and to prepare talented graduates and some interested faculty for the CPA examination, there is a need to find a cost-effective way of enabling them to study for an international qualification.

USAID could make a significant contribution to this effort by providing the top five graduates and one faculty member from each university with an intensive CPA review course such as the Becker CPA Review or Ernst and Young International training courses. The objective of this review is to provide students and faculty with structured study programs, combining classroom lectures, mock examinations, and self-study, covering all examination components. This effort will be provided once every year of project implementation.

5 Visiting Scholars and faculty development. Visiting accounting scholars for the accounting departments in the West Bank and Gaza will enhance global awareness and mutual understanding, broaden the educational experiences of students, and contribute to the professional development of faculty members. Also, it will provide opportunities to learn alternative ways of educating accounting students.

USAID could make a significant contribution to this effort by inviting three visiting scholars from the USA for one semester (two for the West Bank and one for Gaza). The visiting scholar to Gaza will teach one class in both the Islamic University and Al-Azhar university in English and conduct at least four workshops on faculty development. The two visiting scholars to the West Bank will be assigned to the accounting departments in Al-Najah, Birzeit, Hebron, and Bethlehem universities to teach classes in English and conduct workshops on faculty development. This activity will take place in the second year of project implementation.

6 Instructional Resources. Instructional resources are needed to effectively deliver excellent accounting programs. The departments of accounting in all the universities are suffering from insufficient instructional resources to provide a technologically advanced and active learning environment.

USAID could make a significant contribution to this effort by providing each department of accounting with

- a Five personal computers with the appropriate software for faculty
- b Five overhead projectors
- c Five TV/VCRs
- d \$15,000 for accounting textbooks, references, and periodicals This one-time gift will take place in the first year of project implementation

7 One-day Accounting Conference The Faculty at Al-Najah University are very interested in hosting the first accounting conference in the Palestinian Territories This conference will bring together faculty from all accounting departments and key industry organizations and accounting practitioners for one day to discuss accounting education and the accounting profession issues such as the implementation of International Accounting and Auditing Standards

USAID could make a significant contribution by co-sponsoring this important event with Al-Najah University This event should take place in the first year of project implementation USAID could co-sponsor the second conference in Gaza at Al-Azhar in the second year of project implementation

Results and Performance Indicators

The surveys will help the accounting departments to identify market needs and the competencies accounting graduates should possess upon entry into the accounting profession

Following that, the program will lead to

- Making the appropriate curriculum reforms that effectively imbue accounting students with required competencies
- Revising course offerings and instructional materials
- Increasing the number of faculty and practitioners who are familiar with International Accounting and Auditing Standards
- Increasing the number of internationally qualified practitioners
- Improving the interaction between faculty and practitioners and developing new ways to maintain a knowledgeable, practice-oriented faculty
- Improving the learning environment in the accounting departments
- Learning about problems related to the adoption of International Accounting and Auditing Standards

Constraints

- Careful steps must be taken to plan and conduct the surveys
- English versus Arabic instruction could be challenging for CPA preparation. Selected students and faculty must have a good command of English and should be able to devote time and effort to the self-study program
- The one-time gift for instructional resources may encourage the accounting departments to ask for more monetary assistance
- The logistics could be challenging because of difficulties in traveling between Gaza and the West Bank

APPENDIX C

MAY 1998 WORKSHOP REPORT

Joint Steering Committee Workshop - Summary Document

Sponsored by USAID/WB&G
Gaza City
May 26, 1998

Introduction

On 26 May 1998, a Joint Steering Committee Workshop was conducted in Gaza City, to determine future directions for the accounting and auditing professions in the WB&G. The one-day session was held at the offices of the Association of Accountants in Gaza, and was attended by seven participants from the West Bank and eleven from Gaza, as well as a USAID project officer and three ARD consultants. This workshop was the culmination of a twelve-month project design process that built on the research work of the Barents Group in May of 1997, and two previous workshops conducted by Dr. Habib in December 1997.

This document summarizes the proceedings of the workshop, which have been incorporated into the project design. This document will also serve as an initial guide for follow-up activities by the Joint Steering Committee as it begins to act on the conclusions reached on May 26, and in a follow-up meeting held in Ramallah, on May 29th.

Workshop Objectives

- 1 To review an overall design of the accounting and auditing professions in the WB&G and to reach consensus on the basic organizational entities, roles and responsibilities
- 2 To meet jointly for the first time, and in doing so, initiate the personal and professional relationships, which will be the foundation of their new initiatives
- 3 To resolve to form a unified association of accountants and auditors to serve both the West Bank and Gaza

Agenda (actual)

- 8 30 - 9 30 Gathering and informal conversation among the participants over coffee
- 9 30 - 10 00 Introductions and discussion about the participants' experience of the last ten years and their hopes for the next ten years in the accounting and auditing professions

10 00 - 11 00 Establish norms for the workshop and present the overview of the proposed organizational design

11 00 - 13 00 Detailed discussion, questions and answers, and spirited debate on the design and implications for the participants and their colleagues

13 00 - 14 30 Break for lunch and informal conversations at a nearby restaurant

14 30 - 16 00 Further discussion, reviewing points of consensus and points needing additional work before reaching consensus

16 00 - 16 30 Selection of a Joint Steering Committee (three West Bank and three Gaza members) to coordinate the follow-up activities and communications

16 30 Adourn

Participants List

WEST BANK

Mr Odeh Jibreel	Auditor, Odeh Jibreel Office for Auditing
Mr Sabih Khalili	Accountancy Manager, The Commercial Bank of Palestine
Mr Omar El-Sa'd	Financial Manager, Vegetable Oil Industries Company
Mr Hanna Quffa	Resident Representative, Ernst & Young International
Mr Mirabo Shammas	Chairman of the Accountancy Department, Berzeit University
Mr Ghassan Sofan	Auditor, Sofan Institute for Auditing
Mr Nasser Tahbub	Director General of Customs & VAT, Ministry of Finance

GAZA

Mr AZIZ Abu-Dagga	Director, Minister's Office, Ministry of Finance
Mr A Maheer Abu-Shaaban	Auditor, Arthur Anderson / Allied Accountants
Mr Bayan Said Abu Shaban	Director General of Tax and Income Tax - Ministry of Finance
Mr Adnan R Awad	Manager, Saba & Company - Deloitte Touche Tohmatsu Int'l
Mr Nasser Salman Al-Helo	Manager, Salman Al-Helo Company
Mr Fayez Al-Qudwa	Director General Accounting Office, Ministry of Finance
Mr Mostafa Badredeen	Auditor, Badredeen Accounting and Auditing Company
Dr Salem A Halas	Associate Professor, Islamic University - Municipality of Gaza
Mr A Qader Al-shekh Khalili	Director, Bank of Palestine

Answers

'We want a self-regulating body for auditing '

'We want to see audited financial statements which meet international standards '

'The profession is improving, but not as expected, We hope it will reach international standards '

'There is a good base, but it needs to be built on '

'We want to develop the users as well as the auditors and accountants themselves '

'We want to convince accountants to have financial statements that are not subjugated to third parties '

'We want to adopt international standards '

Points of consensus arising from the discussion

- * The need for international standards
- * The need for coordination across the whole profession
- * The need for Legislation

Presentation and Discussion of the overall organizational design

Terry McMahon then presented the overall organizational design, using the workshop handout materials and supporting flip charts. The ensuing discussions interrupted the presentation many times and the debate of issues was spirited and mostly fruitful, occasionally getting off-track and needing to be pulled back to the focus of the day. The discussion was facilitated in full, alternating translation between English and Arabic, which prolonged the time frames, and served to slow the pace for better understanding and cooler emotions. Several more vocal participants tended to monopolize the air time, but all participants had opportunities to voice their opinions. Various participants shared the translation task at different times demonstrating the group's collective language capacities and setting a useful pattern for future gatherings, where non-Arabic speakers are present.

I The Financial Accounting Standards Board - FASB

Points of Consensus

FASB will

- * Have seven members

* Be responsible for creating and implementing a conceptual framework for accounting in the WB&G

* Adopt all 36 International Accounting Standards (IAS)

* Allow a two-year grace period for implementing IAS

* Utilize the best Arabic translation of IAS

Issues for further discussion

* Which Arabic translation of the IAS should be used, and how will variations in language between the West Bank and Gaza be handled?

* How will FASB handle issues connected with interpretation of IAS as the standards are applied in the WB&G?

* How will terms of appointment of the FASB be set up to allow for classes to rotate off and onto the board?

* The new legislation should set up the FASB as an independent entity

II The Foundation

Points of Consensus

* The foundation will have 51 members representing a broad base of businesses and professional organizations who have a vested interest in seeing that the IAS are put in place and that the profession develop rapidly and effectively

The Foundation will

* Select the seven members of the FASB

* Raise funds to support the FASB

The FASB will

* Aim to create a national consensus about the acceptability of the international standards

* Have staggered terms of membership

- * Set up its own accounting system as a model of excellence
- * Provide some form of remuneration to professional members
- * Be staffed on a full-time basis by paid administrators

Issues for further discussion

- * The new legislation should set up the Foundation as an independent entity
- * Potential sources of funds for the Foundation

Phase I Seed money (from an international donor)

Phase II Self-generated funding from

Membership Fees
Fee income from training events
Technical Assistance
Donations
Sales of publications

Note Participants pointed out that the discussions had confused sources of funding for FASB and the Association Only donations may be expected to fund FASB Other sources are applicable to the Association

III The Association

Points of Consensus

- * There should be a new, unified association, which will take over many of the functions of the existing Gaza Accountants Association and the Accountants and Auditors Association in the West Bank
- * The Association will be independent and self-regulating
- * The focus of the Association will be on auditors rather than accountants
- * The Association should have a Board of Directors and the following standing committees

Auditing Standards

Ethics

Continuing Professional Education (CPE)

Publications

CPA Examination

- * The new Association will need staff and an operating budget
- * Not all of the members of both existing Associations will automatically become members of the new Association
- * The CPA Examination will eventually be offered in the WB&G Successful graduates will be recommended for licensing by the Palestinian Authority Accountants will only be granted licenses if recommended by the Association
- * To enforce professional ethical standards, the Association will have a trial board, which will study violations of the code of ethics Penalties will include suspension of licenses
- * The new legislation should establish requirements for certification of auditors

Issues for further discussion

- * Membership requirements including the possible grandfathering of current practitioners - to be specified in the by-laws of the new Association
- * How to utilize the work that the West Bank Association has done to establish the relevant standing committees and still involve input and dialogue with the Gaza Association members?
- * Deciding the name of the new Association
- * What will happen to the two existing Associations - what will their functions be after the creation of the new Association?

IV The Joint Steering Committee

At the close of the workshop, a Joint Steering Committee was nominated from the attendees and selected by acclamation It was decided to have three from the West Bank and three from Gaza who will follow-up on the workshop results, coordinate activities and maintain communications with all parties

The members of the Joint Steering Committee are

Adnan Awad, Mostafa Badredeen, and Fayez Al-Qudwa from Gaza, and Hanna Quffa, Nasser Tahbub and Odeh Jibreel from the West Bank

The Joint Steering Committee will

- * Further the workshop discussions about the design and functions of the three new proposed organizations - the FASB, the Foundation and the Association

- * Discuss the future roles of the Gaza and West Bank Associations

- * Be responsible for drafting the legislation that will authorize the formation of the proposed organizations

Follow-up

Following the selection of the Joint Steering Committee the newly selected members decided to meet three days later, on Friday May 29, 1998, in Ramallah for the initial follow-up session Courtney Blair, and the ARD project design team joined the meeting, and were most encouraged by the commitment demonstrated by the committee members The Joint Steering Committee has as its top priority to draft the new legislation It also decided to recommend that in addition to forming the new association for auditors, that the present Gaza Association of Accountants will expand its membership for accountants in both the West Bank and Gaza

Since the formal implementation of project assistance from USAID is at least several months away, the Joint Steering Committee is fully responsible for follow-up and will have to manage all communications and activities on its own This will be an exciting and important period to develop the initial products and to test the resolve of the Committee members

From a technical accounting perspective the level of experience of many of the key players is very high They are highly capable - several working for international accounting companies with CPA certification from the United States These professionals seem to be very committed to this effort and will actively utilize technical assistance that is provided from external sources

From an organizational development perspective, the biggest challenges will be a) to maintain clear and regular communications with all players so that interest and momentum are maintained, and b) to mediate disputes as they arise so that the dialogue and working relationships remain positive and productive, and c) to diffuse personality and power conflicts, which will generally be abated by, the vast amount of practical work that needs to be done Persons selected for technical assistance should have good people skills and conflict resolution knowledge

USAID/WB&G Accounting and Auditing Project Design Team - May 1998

APPENDIX D

FASB and Association Projected Budgets - First Four Years

Expenses and Funding	1st Year	2nd Year	3rd Year	4th Year
FASB				
Expenses				
Staff Professionals (1)	\$36,000	\$36,000	\$36,000	\$18,000
Secretary	7,200	7,200	7,200	7,200
Printing and Publishing	30,000	7,500	7,500	5,000
Rent, Equipment and Office	20,000	10,000	10,000	7,500
Total Expenses	93,200	60,700	60,700	37,700
Funding Sources				
PFAF (2)	13,200	20,700	30,700	37,700
Grant Assistance	80,000	40,000	30,000	-0-
Total Funding	93,200	60,700	60,700	37,700
ASSOCIATION				
Expenses				
Staff Professionals (1)	36,000	36,000	36,000	18,000
Secretary	7,200	7,200	7,200	7,200
Printing and Publishing	20,000	5,000	5,000	5,000
Rent, Equipment and Office	20,000	10,000	10,000	7,500
Total Expenses	83,200	58,200	58,200	37,700
Funding Sources				
Member dues (3)	13,200	18,200	28,200	28,200
Training courses (4)				9,500
Grant Assistance	70,000	40,000	30,000	-0-
Total Funding	\$83,200	\$58,200	\$58,200	\$37,700

FASB and Association Projected Budgets - First Four Years

Notes

(1) Two staff professionals will be required at FASB and the Association, respectively, during the three year life of this project. The budget projection assumes that each institution will be able to function with one full-time professional as these organizations achieve operational efficiency in the fourth and succeeding years. The project design anticipates that the staff-intensive functions of initially promulgating International Accounting and Auditing Standards and of establishing a professional code of ethics with related disciplinary procedures will be accomplished during the three year life of the project.

(2) The 51 members of the PFAF and the Board of Trustees selected from the membership will function in an ad hoc fashion without requirements for staff or rented office space. No separate budget for the PFAF has been shown since it is expected that the nominal costs of stationery, printing and postage will be covered by a small fraction of the funds raised to support the FASB. The members of the PFAF should obtain donations from business entities which will be users of the IAS promulgated by the FASB. Accordingly, it is reasonable to assume that by the fourth year of operations, banks, insurance companies, public accounting firms and major companies will contribute at least \$40,000 annually to cover the \$37,000 annual FASB budget and to pay for the nominal costs of the PFAF. If FASB Board members are compensated for their part time work, fund raising will have to be increased accordingly.

(3) There are currently 160 licensed public accountants who are members of the West Bank association. It is likely that the number will increase to about 250 by the addition of Gaza licensed public accountants and with the growth of qualified members during the first two years of the project. If membership dues are raised from the current \$75 in the West Bank to \$100 per year, proceeds will total \$25,000. It should be possible to increase total membership dues to some extent by assessing additional dues from firms with, say, five or more members. Accordingly, \$28,200 has been projected as a reasonable total for membership dues in the third and succeeding years of Association operations.

(4) CPE training courses, including seminars and workshops, will be offered by the third year of the project. It is reasonable to assume that at least 200 Association members and accountants in industry and government will enroll in these courses annually. If each participant pays \$100 in fees, the Association should net the estimated \$9,500 after payment of stipends to instructors. This source of funding has not been shown in the FASB budget because it is assumed that IAS training courses, to be developed with the help of project-funded advisors, will be sponsored by universities and/or by the Association.

APPENDIX E

Persons Interviewed

Palestinian Authority

Maher Masri, Minister of Economy and Trade

Dr. Zuhdi Nashashibi, Minister of Finance

Bayan Said Abu Shaban, Director General, Income Tax, Ministry of Finance

Accountants

Adnan R. Awad, Manager, Saba & Co (Deloitte Touche), Gaza

A. Maher Abu Shaaban, Allied Accountants, member firm of Andersen Worldwide, Gaza

Hanna Quffa, Mohamed A. Saadeh & Co (Ernst & Young International), Ramallah

Majed Kiswana, Public Accountant, Ramallah

Atallah R. Nasrallah, Saba & Co (Deloitte Touche), Ramallah

Abd ElHakeem ElAlami, Public Accountant, Gaza

Raji Saba, Public Accountant, Gaza

Yacoub J. El-Yousef, El Yousef & Co (KPMG), Jerusalem

Waleed A. Abu Shaaban, Public Accountant, Gaza

Odeh Jibreel, Accountants Association, Ramallah

Sa'id Awedah, Accountants Association, Gaza

Universities

Mirabo Shammas, Head of Accounting Department, Birzeit University

M. Emad Abu-Shaban, Head of Accounting Department, Al-Azhar University

Dr. Riad Al-Aila, Dean of the Faculty of Economics, Al-Azhar University

Dr Salem Halas, Head of Accounting Department, The Islamic University

Ismael Mahfouz, Instructor, The Islamic University

Dr Nafiz Abu-Bakr, Head of Accounting Department, Al Najah National University

Dr Nasr Abd El-Kreem, Dean of the School of Business, Al-Najah National University

Jamil Kouffa, Dean of the School of Business Administration, Bethlehem University

Fadi Kattan, Instructor, Bethlehem University