

Integrity Environment in the Work of the Palestinian Fund for Employment and Social Protection (PFESP)

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**Integrity Environment in the Work of the Palestinian
Fund for Employment and Social Protection (PFESP)**

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Headquarters: Ramallah, ALMasayef, Rimawi Building-1st floor

P.O. Box: Ramallah, 339- Jerusalem, 69647

Tel: 022974949 - 2989506 **Fax:** 022974948

Gaza Office: Haboush Street, Dream Building, 3rd Floor

Telafax: 082884767 -082884766

Email: info@aman-palestine.org

Website: www.aman-palestine.org



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Executive Summary

The Palestinian Fund for Employment and Social Protection (PFESP) was established by presidential decree (9) for the year 2003, as a national institution with full legal personality and financial independence. PFESP acts as a reference for employment in Palestine, following Ministerial Council resolution of 2014.

PFESP aims to formulate comprehensive national employment policies, and promote the capacity of the private sector to expand and create new job opportunities. It also endeavors to upgrade the skills of the labor force and improve work conditions and terms as well as social protection in the labor market.

The report aims to track the employment policies devised by PFESP, and monitor the integrity environment in the employment processes implemented via PFESP, as well as to what extent it complies to the principles of transparency in its operations. Furthermore, the report examines internal and external control and accountability systems in the management of PFESP's projects.

The report reached key findings: weak governance because the decree establishing PFESP lacked many provisions that explicate its mission, mandate and relationship with supervisory bodies (the Board of Directors) and executive management. The said decree does not provide for guarantees of integrity, transparency, oversight and accountability in use of PFESP's assets and projects. The organizational structure is unstable due to ongoing senior management reshuffles on the one hand and poor financial allocations on the other. As a result of this instability, PFESP could not accumulate policies, experiences or capacities. Furthermore, the policies and manuals governing the provision of services are inadequate. Consequently, even with duly enacted services, there remains room for intervention of external factors in the provision of these services.

The report also revealed weak transparency and cases of conflict of interest in the selection of institutions contracted to implement PFESP's projects. Furthermore, PFESP did not set an acceptable ceiling for the interest rate on the loans granted by the microcredit institutions it contacted during the first phase of its operations. The interest imposed by these institutions rose to levels that impede the achievement of the goals of the project. Additionally, oversight and follow up of projects are weak while the financial system of PFESP was not ratified by the Ministerial Council till the date of preparation of this report. Moreover, PFESP lacks any system, instructions or mechanisms for receipt of complaints from the public.

On the other hand, the decree establishing PFESP did not specify the lines of responsibility that govern the relation between the board of directors and the executive management. It did not either provide for values of integrity to prohibit conflict of interest and raise awareness of detecting and reporting corruption. The information and documents published about PFESP to the public on its official website are insufficient and do not include, for instance, the internal regulations, reports, budgets, strategic plans, board's decisions or board members' remunerations.

The report concluded a number of recommendations, most importantly: It is necessary to finalize the legal structure and regulations to fill in current legislative gaps, especially as relates to PFESP's objectives, lines of responsibility, guarantees of control and audit of its assets and how it is managed. Build PFESP's capacities and develop duly accepted policies and manuals with a computerized system to upgrade the criteria of service delivery and minimize personal interference. Allocate the necessary financial resources to enable it fulfill its tasks. Strengthen its oversight over the projects it manages. Revisit the interest rate ceiling to make it just and binding to credit institutions under legal liability in case of non-compliance with PFESP's decisions. Promote the values of integrity in its operations via the adoption of a code of professional ethics and rules of conduct for its staff members and board of directors to address issues of conflict of interest and raise awareness of detection and reporting of corruption cases, acceptance of gifts and other matters. The code must be independent of the administrative system and disseminated to board and staff members with oversight to ensure compliance. Reinforce transparency in PFESP operations via dissemination of information and document on its business as well as its internal regulations, budgets, reports, decisions and remunerations of its board in addition to its services and the eligibility and access criteria applied thereto.

Preamble

Unemployment in the Palestinian Territory is an urgent issue that preoccupies decision-makers as it reached alarming levels due to the siege and closure policies imposed by the Israeli occupation and its control of the Palestinian resources and production processes.

Report objectives

The report aims to track the employment policies devised by PFESP and investigate the level of integrity in its employment activities. It also seeks to examine the level of compliance by the Fund's management and staff with the principles of transparency in the conduct of its business and activities. It further assesses the effectiveness of oversight and internal and external control systems over its management of different projects.

Introduction

The Palestinian Fund for Employment and Social Protection (PFESP) was established by presidential decree No (9) for the year 2003 as a national institution with legal personality endowed with financial independence. A Ministerial Council resolution of 2014 assigned PFESP as an employment reference and a national umbrella for micro and small production employment projects in Palestine. However, many impediments hindered its activities, mainly the occupation policies, which seek to destroy the Palestinian economy to make dependent on the Israeli economy. The measures also include closure and blockade with demolition of the infrastructure, especially in the Gaza Strip. On another note, the Fund lacks necessary resources in reason of shortage of funding and qualified cadres. Result: PFESP remained stagnant since its creation by the presidential decree of 2003 until 2011¹.

PFESP aims to achieve the following objectives:²

- Devise comprehensive national policies for employment.
- Promote the capacities of the private sector to expand and create new job opportunities.
- Focus on the productive sectors that can absorb more new labor.
- Target and empower inactive development and labor force, especially women.
- Develop the skills of labor force “skill acquirement”
- Improve work terms and conditions as well as social protection in the labor market.

A study by International Labor Organization (ILO), which was behind the creation of PFESP, proposed that the Fund can act as a strategic tool to shift from “exporting labor” to developing an export-based economy that uses its domestic labor force and sells products to the world. PFESP can then focus on creating sustainable job opportunities based on the demand and supply in the labor market with active participation from stakeholders. It can also be the bridge for the private sector to become a direct recipient of support and a mechanism to support MSME’s and promote individual capacities in businesses for promising entrepreneurs. The Fund can also boost the creation of SMEs that are sustainable and able to compete at global level and employ professional graduates³.

1 Interview with Ma'moun Abu Shahla, Former Minister of Labor, Chair of the PFESP Board of Directors, Ramallah, Monday, 8 April 2019

2 PFESP webpage: <https://pfesp.ps/cat/council/ar>

3 ILO, MOU to revive PFESP

PFESP strategy provides for its services, which include⁴:

1. One-stop shop (OSS): it aims to provide services to entrepreneurs and SMEs for the establishment of new enterprises or creating job opportunities or upgrading the (technical, legal, counselling, and professional) services provided to citizens by governmental and quasi-governmental agencies. The purpose is to turn the idea into a profitable economic project and help citizens throughout the project starting with the idea, planning, fundraising, implementation and evaluation. The services also include help for formal registration with official bodies like the Ministry of Labor or the Ministry of National Economy. The philosophy behind the Fund's OSS is to have a permanent address for citizens wishing to establish their own economic projects in all governorates. It groups dispersed governmental and nongovernmental efforts for employment and job creation under one umbrella. OSS responds to the needs and services needed by job seekers. It provides services to individuals, cooperatives, organizations and companies that are officially registered or wish to register. It also offers capacity building and access to financial, administrative, technical and legal advice. It further acts as a point of contact connecting the entrepreneur with the services he/she needs to launch his/her enterprise, including access to the chambers of commerce and industry, business incubators, funders or lending institution. Moreover, it helps entrepreneurs access the information and data they need and provide advice and solutions to the problems they face or in case of default⁵.
2. Rehabilitation and feasibility study services for projects, including planning and implementation. Locating opportunities and draft business development plans in addition to training and access to investors.
3. Indirect lending in cooperation with Palestinian lending institutions and PFESP funding at low interest rates to encourage self-employment and empower female entrepreneurs.

In the period from 2016 to 2018, PFESP managed to provide around 5080 jobs, including 1445 job opportunities through its program for training and integration in the labor market for a budget of 2.2 million Dollars. The self-employment program created around 3635 opportunities through funding 1350 small enterprises for a total of 15 million Dollars⁶.

4 PFESP, Strategic Plan 2018-2022, 20 June 2018, pp. 17-18

5 Policy and Procedural Manual, Temporary Employment Program, <https://pfesp.ps/cat/policies/ar>

6 PFESP, Summary Report: Job Opportunities Created via PFESP interventions and projects, 2016-2018.

Legislative framework and organizational structure governing PFESP activities and services

1- Legal Framework

The Palestinian Fund for Employment and Social Protection was founded by virtue of presidential decree No (9) for the year 2003. Article (1) of the decree states that it enjoys full legal personality and financial independence. Article 2 stipulates that it shall be dedicated to providing financial and technical resources to help develop human resources and the business sector in the Palestinian Territory. It shall also create job opportunities that respond to the needs of residential communities via funding or assistance to production or services projects.

According to Article (3), PFESP is managed by a board of director and an executive council. As par Article (4), its financial resources comprise donations, gifts and assets paid by individuals, Arab and foreign governments or international, regional and local organizations and its budget allocations on the PNA general budget. Article (6) states that its assets shall be subject to the rules and provisions governing public funds and their oversight⁷.

A Ministerial Council decision of 2014 assigned PFESP as a reference for employment, via implementation of programs and projects to create work opportunities for the youth and unemployed⁸.

The Ministerial Council issued a resolution in 2016 requesting Ministries and official institutions to provide PFESP with data from organizations working with the youth in the same field. It invited all institutions and initiatives working in the area of employment in Palestine to register and coordinate their activities with the Fund, which acts as an incubator of all socioeconomic business and activities focusing on job creation and assistance to entrepreneur projects.

A review of the legal framework of the Fund revealed lacuna in some provisions related to the management of its assets, including: non explicit provision to regulate the relationship between PFESP and the ministerial council, which oversees non-ministerial public agencies⁹.

The inadequate organization of PFESP is partially attributed to lacuna in its legal framework. The presidential decree of 2003, which founded PFESP, was enacted prior to prescription of creation of public institutions or funds in the Basic Law, or stipulating the responsibilities of the Ministerial Council in this regard¹⁰.

7 Presidential Decree (9) for the year 2003 on the establishment of PFESP.

8 Ministerial Council statement on its 28th session, Tuesday 9 December 2014 to adopt PFESP as a reference for employment.

9 Most of the criticism of the provisions in the said decree resulted from its promulgation in 2003, before the Basic Law was amended to specify the mandate of the Ministerial Council in the establishment and monitoring of non-ministerial agencies.

10 Interview with Rasha Amarneh, Director General, Legal Department, ACC, Ramallah, Sunday 21 April 2019

A report by the State Administrative Audit and Control Bureau (SAACB) on PFESP activities explained that the non-specification of the roles and mandate of the board of directors and executive council or their interrelations in the Fund's legal framework obstructed the checks and balances between them, especially that members of the executive council are also board members, as per the Fund's founding decree¹¹.

2- PFESP Organizational Structure

PFESP organizational structure comprises two layers: a board of directors composed of 14 members and chaired by the Minister of Labor, with membership of representatives of the Ministries of Finance and Planning, Social Development and National Economy as well as representatives of the Palestinian Federation of Labor Unions and Employers' Association together with the civil society, women organizations and national economic figures. Additionally, there is an executive council chaired by the Minister of labor with representation of workers, employers, Ministry of Finance. The executive director follows up on the implementation of the board's policies and decisions and daily business of the Fund. The term of non-ministerial board members is three years, as per the presidential decree. The second layer comprises the executive director and the different divisions and departments¹².

A board member explained that the executive council affects the decisions made by the board and creates a state of conflict because of unclear mandate of both parties. The executive council acts as a mini-board. Furthermore, some members exceeded their 3-year term in the board for non-ministerial representatives, as prescribed in the decree¹³.

PFESP administrative structure comprises an executive director, a deputy-director and a number of departments: Financial Affairs, Lending, Business Services Development, Projects Bank and Studies, Program Development and Coordination, Public Relations, Production Funding and Administrative Affairs¹⁴.

At the executive level, several amendments were introduced to the organizational structure and internal bylaws. The Executive Director was replaced three times within two years. As a result, the executive management environment of the Fund has been unstable and this obstructed its ability to complete its human resources development and recruit experienced staff to manage its business. Furthermore, the job requirements for the management of the Fund, including experts and consultants, have not been prepared until the time of preparation of this report¹⁵.

11 SAACB, Annual Report 2016

12 Presidential Decree (9) for the year 2003, *ibid*.

13 Interview with Mr. Ayman Sawalhah, Board Member, PFESP, for the Ministry of Social Development, Sunday, 14 September 2019

14 PFESP, Administrative Report, 11 December 2017.

15 Interview with Ayman Sawalhah, *ibid*

On the other hand, PFESP administrative system was ratified by the Board end 2017 but the financial system has not yet been ratified. It should be noted that a draft financial system was submitted to the Ministerial Council for approval in 2016, but has not been approved to date. Another draft financial system was submitted to the Ministerial Council in 2019 and has not been approved yet. In the meantime, PFESP applies the financial system used by ministries and other public institutions. Furthermore, a financial controller appointed by the Ministry of Finance audits its financial transactions¹⁶.

In this regard, the Anti-Corruption Commission confirmed that most of the complaint it received concerning PFESP after it was reactivated, were of administrative nature and related to contracting procedures, seconding staff from the Ministry of Labor under PFESP contracts. The administrative mechanisms were not controlled. Other complaints related to administrative mandate and procedures and were submitted to ACC by SAACB¹⁷.

Consecutive Palestinian governments did not disburse the budget allocations pledged to PFESP (around 5 million US Dollars). Moreover, PFESP does not enjoy an independent financial center in the public budget by virtue of its administrative and financial independent legal personality, as prescribed by its founding decree. The Ministry of Finance transfers certain sums in several payments, estimated at 200,000 Dollars annually. PFESP received \$ 600,000 in 2018 under budget item of non-ministerial institution¹⁸.

Although the Ministerial Council's resolution considered PFESP a reference for employment, it overlaps with other governmental and governmental institutions, including the Ministry of Labor, which have employment as part of their administrative structure. The same overlapping exists with employment offices in ministerial district offices and employment councils in different governments as well as the economic empowerment program implemented by the Ministry of Social Development. On the other hand, the creation of the post of Minister of Empowerment and Entrepreneurship in the new 18th government and civil society or private sector organizations focusing on employment include 70 parties and lack coordination. The multiplicity of agencies fragments efforts and leads to overlapping¹⁹.

16 Interview with Mahdi Hamdan, Executive Director, PFESP, Ramallah, Monday, 8 April 2019

17 Interview with Rasha Amarnah, *ibid*

18 Interview with Mahdi Hamdan, *ibid*

19 Strategic Plan 2018-2022, *ibid*, p. 9

Integrity, transparency, and accountability environment

The integrity, transparency and accountability environment can be evaluated via the policies, mechanisms and procedures adopted by PFESP in the provision of its services to the public. The regulations and other systems reflect the extent to which the policies and procedures are applied on the ground. PFESP prepared a manual of policies and procedures of the short-term employment program, and another procedural manual for the One Stop Shop. A draft manual was published on PFESP page in 2017 with the administrative system and a draft financial system as well as its strategic plan 2018-2022.

PFESP has a number of non-approved manuals including the procurement manual, human resources management manual, code and rules of ethics, anticorruption manual, prohibition of conflict of interest.

Temporary (short-term) Employment Program

The Temporary Employment Program's procedural manual identifies the beneficiaries as workers, graduates of vocational training, intermediate colleges and universities. It prescribes the criterial of evaluation of applicants in terms of income, type of housing, marital status and health conditions. It also stipulates the terms and criteria for eligible beneficiary institutions and the terms related to the beneficiaries' working environment. Furthermore, it states the terms of employment of beneficiaries in the beneficiary institutions. It additionally covers mechanisms for advertisement, and registration of beneficiaries. Employment opportunities must be advertised via audiovisual media and social media with the possibility of receiving nomination from public and private sectors' institutions provided that they are conform with the criteria applicable to beneficiaries. The ad shall include registration mechanism. The list of nominees is then submitted to a special committee for approval. Registration of beneficiary institutions is managed through PFESP webpage.

The manual explains that candidates are selected following evaluation of data and scoring. Selection of candidates with highest score with consideration of their geographic distribution based on rates of unemployment and poverty and population per governorate. Beneficiaries are then assigned to associations and other institutions based on their expertise and academic diploma and professional competences as well as the needs these institutions have for their specializations. Work contracts are concluded between the beneficiaries, employing organization and PFESP. Beneficiaries then benefit from field follow-up and monthly payment. Reports are prepared on their progress and archived. The final step is evaluation of the impact of projects on the beneficiaries and partner organizations.

The Manual addresses conflict of interest and abides staff and partner organizations to avoid such cases. It requires reporting any conflict of interest or any case that affects direct supervisors and human resources managers, whose duty is to avoid such conflict.

The Manual also prohibits employment of any first-in-kin relative or member of the family of any staff member. It indicates that conflict of interest may also affect beneficiaries of temporary employment or claims of conflict of interest reported by a third part like an outside organization. Any employee with potential conflict of interest must suspend his/her activities and report such conflict to the host organization.

Although the manual included criteria and procedures for the provision of temporary employment services, the Program's policy was not fully ready because of poor funding. Furthermore, PFESP is not sufficiently equipped with self-generated resources. Only five people were employed via the Fund's own money through this Program in 2019, three of whom upon request from the Ministerial Council²⁰. On another note, PFESP has not yet created any automated system to apply the recruitment criteria on temporary employment applicants. It lacks a database and automated system to register beneficiaries or apply the recruitment criteria to minimize personal intervention²¹.

Eleven projects were implemented under experience building and integration program (temporary employment program) till end 2018 for a total budget of \$ 2.2 million. The projects provided 1445 opportunities including 700 sustainable jobs. They were implemented in cooperation with private sector organizations, trade and professional unions and syndicates and civil society organizations. The funding was secured through PFESP, ILO and Palestine Investment Fund as well as the Islamic Development Bank and other sources²².

SAACB report revealed many problems relating to PFESP training and employment programs carried out in 2016, including: lack of transparency and clarity in the selection of the employment partner (Bank of Palestine), for the implementation of the graduates' employment project funded by the Islamic Development Bank. The Program involved training of 600 fresh graduates to select 450 of them for employment in the corporation for three years. The bank was selected by the Fund's chair of the board, as reported in the Board's minutes of meeting. Thus, implementation of the agreement was exclusively entrusted to private sector organizations. Furthermore, beneficiaries were mainly selected from graduates of finance, banking and business administration, jeopardizing the very objective of the project: training and employment of graduates from different disciplines in public and private sector organizations. Moreover, PFESP did not follow up on the implementation of the MoU with the employment partner and did not gather any data to verify that graduates were actually employed with long-term contracts after the elapse of their six-month temporary recruitment by the employer.²³

20 Interview with Mahdi Hamdan, *ibid*

21 Interview with Mr. Imad Hussein, Acting Executive Director, PFESP, Ramallah, Monday, 1 April 2019

22 PFESP, Progress Report on job opportunities created through PFESP interventions, 2016-2018, pp. 8-10

23 SAACB, Annual Report 2016, *ibid*

SAACB report also revealed weak oversight measures on the implementation of PFESP agreements and projects for this period. PEFSP did not prepare quarterly technical and financial progress reports and did not make optimal use of the project's assets. The largest component was not implemented, i.e. employment of entrepreneurs and start-ups to empower a maximum number of 120 entrepreneur graduates, for a total budget of \$ 600,000. The agreement elapsed without implementing this largest component.²⁴

Some informants explained that PFESP did not adopt a working mechanism aiming to build successful employment projects models that are based transparency, follow-up, audit and impact assessment whether for beneficiaries, donors or funders or to spread a culture of knowledge to enhance public trust in PFESP²⁵.

Self-Employment Program

The Procedural Manual elaborates on work policies of the One Stop Shop (OSS), focusing on three policies:

- Provide direct and indirect services to the public: like awareness of the importance of generating job opportunities, receiving microenterprise projects, developing ideas into projects with action plans and feasibility studies, offer specialized training.
- Build a comprehensive database with an electronic platform that responds to changing demand in the labor market: Establish a national platform for businesses and MSMEs in Palestine and input data on job seekers, unemployed and entrepreneurs.
- Promote scientific research to support efforts to combat poverty and unemployment, including: gathering primary and secondary data on unemployment, labor force, entrepreneurship and tools to combat poverty and unemployment and conduct analytical studies on national issues and policies related to employment and unemployment.

The Manual also elaborates on the procedures for the delivery of direct and indirect services to the public, including: receiving the public, registering the project idea submitted, soft input of the application, OSS officer writes recommendations regarding the application, application submitted to the Directorate General of OSS for review by the Directorate General and Business Services Department or approval. Application is then submitted to the Executive Director for final review and approval. Preliminary projects submitted by heads of departments are subjected to preliminary review, an assessment of the idea follows to tailor it to the capacities of the applicant to ensure project success. Capacities and skills of beneficiaries are assessed to tailor trainings to their needs. An official letter is sent to funders and businesses are registered in official records (cooperatives, business registry, etc.)

24 SAACB, Annual Report 2016, *ibid*.

25 Interview with Ayman Sawalhah, *ibid*

Nevertheless, in reality, the manual is mere ink of paper since it was not duly ratified. As a result, the policies, mechanisms and procedures remain unapplied noting that PFESP relies mainly on the self-employment program through indirect lending.

Consequently, most of the operations in the past period depended on the Italian loan for the value of 20 million Euros with a repayment period of 20 years without interest. PFESP granted loans worth 7 million Euros to five credit institutions in phase one, and another 8 million Euros to six institutions in phase two, with an interest rate of 2% in 2016 and 2017. The credit institutions accorded loans to youth and women's projects²⁶.

Moreover, PFESP disbursed a \$ 50 million portfolio in 2018 in cooperation with the Bank of Palestine, to grant facilities for the implementation of youth production projects at the rate of \$ 15,000 per project. Loans were also granted to around 120 projects in the West Bank and Gaza Strip to date²⁷.

SAACB report on the activities of the self-employment program revealed a number of problems, including: inadequate assessment in the selection of implementing credit institutions for the Italian loan project. This undermined the optimal use of the project resources and led to lack of transparency in the selection process²⁸. On another note, the selected microcredit organizations deviated from the agreement signed with PFESP on issues related to sub-loans to the targeted sectors. They accorded loans to non-production sectors like purchase of a vehicle or other projects prohibited under their agreement with PFESP, including establishing a café and tobacco planting. This resulted in deviation of the core goal of the project to serve the interest of the credit institutions and consequently affected the output of the project²⁹. SAACB report also revealed lack of control over the interest rates, which reached 19% in some cases, thus undermining the very goal of the project: helping the unemployed find work opportunities³⁰.

PFESP report on the implementation of the loan agreements by the contracted microcredit institutions showed non-respect of the interest rate ceiling of 8% as it was noted that the interest rate reached 10% or higher in some cases, which is deemed unjustified since they related to a single organization that grants specific loans³¹.

26 Interview with Mahdi Hamdah, *ibid*

27 Interview with Dr. Ma'moun Abu Shahla, Former Minister of Labor, Chair of the Board of PFESER, *ibid*

28 SAACB, Annual Report 2016, *ibid*

29 Interview with Mr. Jaffal Jaffal, Director General of SAACB, and Mr. Mu'awiyah Asaad, Director General of the Economic Sector at SAACB, Ramallah, Thursday, 18 April 2019

30 SAACB, Annual Report 2016, *ibid*

31 PFESP, Summary Project output, 30 September 2018

On the other hand, some believe that the private sector agenda superseded PFESP's own policy. The said agenda opts for loans as a key tool to achieve the goals and objectives of the Fund, without any consideration of the social base to be served by these policies. Combatting unemployment cannot be done only through loans, but rather via a multi-dimensional policy that focuses, for instance, on the skills of the targeted group and training of graduates to fit in the labor market. The policies should rather focus on analyzing unemployment and designing tailored policies and programs with justice in distribution of opportunities and focus on the poor. PFESP also needs to recruit and retain specialized staff to accumulate policies and expertise in this area. As a result of these factors, PFESP's performance is not visible at the national level whether it be in the area of employment or combatting unemployment. PFESP does not benefit from its own tasks to become the reference and umbrella of all matters on employment³².

Integrity among PFESP staff

PFESP administrative system included a number of items on the rules of conduct of staff and employees, as consistent with effective laws and regulations and the professional code of conduct. It explicitly stated that staff is not encouraged to receive gifts and in case of persistence by the party offering the gift and that the employee cannot reject it, he/she needs a prior permission from his/her supervisors to accept the gift and hand it over to the concerned department. Staff members may accept non-valuable gifts like promotional material.³³

In spite of the integrity values among PFESP staff, as prescribed in the manuals and administrative systems, many rules appeared in documents that have not yet been duly approved. These documents cover issues related to promoting staff and board integrity but did not prescribe explicitly for raising awareness of detection and reporting of corruption cases, or prohibition of abuse of public post for private purposes or acceptance of nepotism and favoritism. Thus, a code of conduct must be elaborate with detailed rules for staff and chair and members of the Board of Directors.

Oversight and accountability:

Article 5 of the presidential decree, which established PFESP provides that its assets shall be subject to the same rules and provisions applicable to public funds and their oversight. PFESP is also subject to SAACB oversight and falls within the mandate of the Anti-Corruption Commission, as per the laws governing both institutions. In practice, SAACB audit PFESP's activities several times. Furthermore, staff and board members submitted disclosures to ACC.

32 .2019 Interview with Mr. Dawoud Al-Diek, Deputy Minister of Social Development, Ramallah, Tuesday, 2 April 2019

33 PFESP, Administrative System, pp. 17-20

SAACB report on PFESP internal control system stated a number of weaknesses including non-ratification of the Fund's financial system³⁴.

The Board's subcommittees include an internal control committee that oversees PFESP operations and conducts periodic internal audit of all administrative, financial and technical aspects to ensure they comply with PFESP plans and goals³⁵.

Article 27 of the draft financial system prescribes for internal control procedures and connection of departments to an automated system of accounting to verify that all transactions are duly implemented³⁶.

PFESP also has an external auditor, as part of its administrative structure in addition to an internal control committee and financial controller assigned by the Ministry of Finance. PFESP prepares quarterly and annual reports, which it submits to the board³⁷.

To date, PFESP still lacks specific and approved system, instructions or mechanism for submission of complaints. It needs to promote the governance of its board and its role in oversight and accountability. Indeed, its strategic plan referred to this point as a requirement to be fulfilled. PFESP particularly needs internal regulations separate from the administrative system to lay the lines of responsibilities and differentiate the roles of the board of director, executive council and board's subcommittees and chair³⁸.

Publication and Disclosure Policies

PFESP official page has some information and document related to the Fund and its services and how to access them as well as the Fund's programs and policies. It also has a social media page on Facebook on which it posts its news, activities and ads.

Still, much of the information and PFESP documents is not published, including the administrative system, budgets and periodic reports, strategic plan, resolutions and remuneration of board members and sub-committees. This was asserted by the Executive Director, who explained that PFESP webpage was inactive and that the Fund prepared a plan for its development in the near future³⁹.

34 SAACB, Third Quarterly Report, 2014, Outcome of Evaluation of Internal Control System in Agencies Subjected to SAACB oversight, Ramallah, 2014, p. 91

35 PFESP, Administrative System, *ibid*

36 PFESP, Draft Financial System, 2019

37 Interview with Mr. Mahdi Hamdan, *ibid*

38 PFESP, Strategic Plan for the years 2018-2022, p. 20

39 Interview with Mr. Mahdi Hamdan, *ibid*.

PFESP provides for transparency of recruitment and contracting procedures and for the obligation of advertising vacancies in official press and publication outlets or via ads within PFESP itself or its website. The ads must include all of the information on the vacancy and its requirements⁴⁰.

Findings and Challenges

Since its foundation in 2003, PFESP faced many problems and obstacles that compromised its mission as a key tool to address unemployment and employment in Palestine, and a reference to all other institutions working in this area. The current study reached the following findings:

1. PFESP legal framework (Decree No (9) for the year 2003) lacks many provisions necessary for the funds using public money, more specifically: clear and explicit definition of its mission and mandate, the type of relation it has with its supervisory bodies (board of directors) and executive bodies (executive council), as well as guarantees of integrity, transparency and accountability in use of its assets and implementation of its projects.
2. Unstable organizational structure with ongoing changes of its senior management in the past phase; non-ratification of its financial system; poor financial resources, which undermined its stability and good governance and prevented any accumulation of policies, expertise or capacities.
3. PFESP prepared a number of procedural manuals, which, however, were not duly ratified, thus legally nil. As a result, other factors affected the delivery of service through ad hoc non-unified criteria, especially with the absence of an automated system that assesses the criteria electronically without any personal interference from staff.
4. There were cases of conflict of interest in the selection of project implementing institutions in the temporary employment program and self-employment program, as confirmed by SAACB report.
5. PFESP did not impose a ceiling on the interest on loans disbursed through the Italian project in the first phase. As a result, the implementing microcredit institutions imposed very high interest and compromised the objective of employment. Furthermore, PFESP oversight and monitoring of projects was very weak.

40 PFESP, Administrative System, ibid

6. The Ministerial Council, until date of this report, had not ratified PFESP financial system although it was submitted in 2016, revisited and re-submitted in 2019 although PFESP has been using the financial system applicable in ministries and public institutions. On the other hand, PFESP lacks any mechanism or instructions for receipt of public complaints.
7. In spite of the progress achieved by PFESP in some area of governance – like ratification of the administrative system and preparation of the strategic plan – it still lacks important governance strengthening aspects, like definition of the lines of responsibilities between the Board of Directors and the Executive Council and promotion of the values of integrity as relates to prohibition of conflict of interest and awareness of detection and reporting of cases of corruption.
8. There are many unpublished information and documents about PFESP, which should be made accessible to the public via its webpage. These include internal regulations, systems, reports, budgets, strategic plans board resolutions and remunerations of board members.

Recommendations

Based on the challenges and problems identified in this report, to develop PFESP and enable it to perform its role as a reference and umbrella of employment in Palestine, the following recommendations are proposed:

1. Finalize the legal framework to make PFESP compliant with the regulations and laws applicable to other financial funds and to fill in the current legislative gap governing the Fund. This is particularly true for the goals, functions and lines of responsibility and to redress the structural distortion with a board of directors and an executive council, whose members also sit on the board, to ensure accountability and separation of powers between the board and the executive management so as to apply checks and balances on the Fund's assets and their management.
2. Build PFESP capacities and endorse it with expertise and advisors; develop its operations' policies and manuals and have them duly approved; build a computerized system for the provision of services to minimize personal influence and conflict of interest and abide by transparency principles.
3. Conduct pre-assessments and set specific criteria for the selection of implementing agencies of the projects funded or contracted by PFESP to overcome the present lack of clarity and transparency that raised suspicions of conflict of interest in the selection process.
4. Strengthen PFESP oversight on the projects it manages with funding from the Islamic Development Bank, which were implemented by the Bank of Palestine. There appears to be conflict of interest and lack of follow up and data. The same applies to the projects funded through the Italian loan on self-employment loans disbursed via microcredit institutions. The ceiling of borrowing rate must be revisited to ensure it is fair and binding to the microcredit institutions with penalties in case of non-compliance with PFESP decisions.
5. Allocate financial resources to enable PFESP fulfill its tasks especially as regards the program of rehabilitation and training for employment.
6. Promote the values of integrity in PFESP operations via the adoption code of conduct for the staff and board to address issues relating to conflict of interest and raise awareness of detection and reporting of cases of corruption, acceptance of gifts. The Code of Conduct must be prepared independently from the administrative system and distributed to board members and staff while monitoring their compliance with the rules set therein.

7. Promote transparency via the dissemination of PFESP's data and documents, including its internal bylaws and systems, budgets, reports and resolutions as well as the remunerations of its board members. Publications should also include the criteria of eligibility to receive its services and the mechanisms and procedures applicable thereto.

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- Interview with Mahdi Hamdan, Executive Director of PFESP, Ramallah, Monday 8 April 2019
- Interview with Dr. Ma'moun Abu Shahla, Minister of Labor and Chair of the Board of PFESP, Ramallah, Monday 8 April 2019
- Interview with Ayman Sawalah, PFESP board member for the Ministry of Social Development, Sunday 14 April 2019
- Interview with Mr. Jaffal Jaffal, Director General of SAACB and Mr. Mo'awyah Asaad, Director General of the Economic Sector, SAACB, Ramallah, Tuesday 18 April 2019
- Interview with Rasha Amaranah, Director General of Legal Department, ACC, Ramallah, Sunday 21 April 2019
- PFESP webpage: <https://pfesp.ps/cat/council/ar>

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