



**The Government's policy towards repayment of the debts to the Palestinian Pension Agency and confronting its sustainability challenges**



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## Introduction

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The Palestinian Pension Agency is committed, according to the provisions of the Public Retirement Law, to pay the salaries of retired employees to provide them with decent living during their older days. At the same time, the government commits to pay and transfer the employees' subscription and the government's contributions (the employee's contribution and the government's contribution). The law provided for the Board of Directors of the Pension Fund to invest their money to sustain the Pension Fund of the "Agency".

The compliance of the Pension Agency and the Government (The Ministry of Finance) with their obligations as provided in the Public Retirement Law guarantees paying the salaries of retired employees in the future on one hand, and sustains the Pension Fund on the other hand. However, the successive Palestinian governments failed to meet their obligations and transfer their or the employees' contributions, to the Pension Fund in a full and regular manner. This increases the risk of the Fund's failure to meet its obligations towards its members, and reduces its ability to invest the funds, which in turn threatens the Agency's sustainability and poses a serious threat to the livelihood and future of over 160,000 employees serving in the Palestinian National Authority (PNA).

This report aims to identify the situation of the Public Pension Fund, the size of the indebtedness of the Ministry of Finance (MOF) to the Fund, and MOF's plan to repay its debts.

The report shall address the legal and institutional framework that regulates the Agency, as a public institution that has its own moral personality and shall identify the developments and the oversight bodies that supervise the Agency's work. It shall identify the Agency's debts and investments, and an analysis of the challenges and obstacles that impede its work and sustainability. It also addresses the publication and disclosure policy of the Agency's reports such as the annual budget, and the Boards' meetings and decisions.

This report used several sources such as the relevant decrees, and Pension Agency's 2016 Annual Report and the relevant reports and policies of the Council of Ministers (COM). Furthermore, several interviews and discussions were held with relevant persons, in addition to the Palestinian Pension Agency's (PPA) website, and some Aman reports. However, the researcher failed to conduct interviews with the relevant authorities at the Palestinian Pension Agency.



## The legal framework of the Palestinian Pension Agency

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The following laws and regulations regulate the work of the Pension Agency:

### **1- The Public Retirement Law No. (7) For 2005**

This law was issued on 26 April 2005. It regulates issues related to public retirement, including the structure of the Pension Agency, functions of the Board and chair, the administrative and financial management, members and contributions in the pension system, benefits, settlement procedures of retirement benefits, and the investments, their management and their audit and control.

### **2- The Jordanian Civil Retirement Law No. (34) For 1959 (The 2% system)**

This law applies on the employees who had worked at the Civil Administration in the West Bank, in addition to those appointed at the ministries of Finance, Health and Education in the West Bank after 1994. When the above-mentioned Law No. (7) was issued, it became applicable only on those who were over 45 years old when the Public Retirement Law No. (7) For 2005 entered into force on 1 September 2006.

### **3- The Insurance and Emoluments Law No. (8) For 1964 (The 10% system)**

This law applies on the employees in the government, public administration, municipal and village councils and the Islamic Waqf Department in Gaza Strip. It also applies on some parties who benefited in accordance with special Presidential decisions, such as the employees at the Electricity Distribution Company in Gaza Strip. This Law became applicable only on those who were over 45 years old on 1 September 2006, the date the Public Retirement Law No. (7) For 2005 entered into force.

### **4- The Insurance and Emoluments Law for the Palestinian Security Forces No. (16) For 2004**

This law applies on all the staff at the Palestinian security services and who receive their salaries from the general budget. Similarly, only those who were over 45 years old on 1 September 2006 continued to benefit from this law.

### **5- COM Decision No (7) for 2016 on the compensations and financial benefits of Board Members of Public Institutions issued on 19/7/2016.**

The COM decision defined the financial compensations of the chair and board members of public institutions in return for attending board meetings. The chair shall receive US\$300 per meeting, not exceeding US\$3,000 annually, while each board member shall receive US\$ 250 per meeting, not exceeding US\$2,000 annually.

**6- The Administrative system for the Employees of the Pension Agency issued by COM Decision No. (3) For 2015.**

COM issued this system on 20/1/2015 to regulate the management of the Pension Agency staff. It referred the matters that it did not address to the Civil Service Law No. (4) For 1998 and its amendments. This system comes within the context of granting the Agency the moral personality and the necessary financial and administrative independence to carry out its functions.

**7- The Financial System of the Palestinian Pension Agency issued by COM Decision No. (4) For 2017**

COM issued this system on 30/5/2017 to regulate the financial aspects of the Pension Agency. It referred to the COM Decision No. (43) For 2005 about the financial system of ministries and public institutions, and to the provisions of the Decision by Law No. (8) For 2014 on Public Procurement, for cases not provided in the System. The Decision was published in Issue No. 134 of the Official Gazette published on 18/7/2017.

Issuing this system comes within the context of granting the Agency the moral personality and the necessary financial and administrative independence to carry out its functions. It is worth noting that issuing this system came in line with a recommendation at a previous AMAN report on the Pension Agency published in 2011.

## The institutional framework of the Palestinian Pension Agency

### 1- The Pension Agency is a public institution operating in accordance with a special administrative and financial system:

According to the Public Retirement Law, the Pension Agency has the moral entity, the financial and administrative independence and the legal capacity. The financial and administrative independence means that the Agency runs its own administrative and financial affairs through special financial and administrative systems issued by COM.

**On 20/1/2015, COM issued Decision No. (3) For 2015 on the administrative system of the Pension Agency staff<sup>1</sup>, and issued on 20/5/2017 Decision No. (4) For 2017 on the financial system of the Palestinian Pension Agency<sup>2</sup>.**

### 2- The Board

According to Article (39) of the Retirement Law, the Board consists of nine members, of whom three are professional experts in financial and economic matters, the Chair, the Chair of the General Personnel Council, the Chair of the Organization and Administration Agency, and a representative of each of MOF, the pensioners and the local councils' staff. Article (39) of the Law granted the PNA President the power to issue a decree that identifies the Board members upon the recommendation of COM, identifying the Chair and Vice-Chair<sup>3</sup>.

The Board shall report in all its actions to each of COM and the Legislative Council (PLC). The Board submitted its progress report to COM on 22/6/2017 to review its annual reports. The PLC is currently dysfunctional, hence the Board does not currently report to it.

1 See <http://muqtafi.birzeit.edu/pg/getleg.asp?id=16709> for the provisions of the administrative system of the Pension Agency.

2 See [http://www.lab.pna.ps/ar\\_new/cp/plugins/spaw/uploads/files/magazine/134L.pdf](http://www.lab.pna.ps/ar_new/cp/plugins/spaw/uploads/files/magazine/134L.pdf) for the provisions of the financial system of the Pension Agency.

3 The Presidential Decree No. (9) For 2014 was issued on 11/5/2014 on recomposing the Board of the Palestinian Pension Agency to comprise of Dr. Ahmad Majdalani, Chair, Dr. Tareq Asa'ad Haj, Vice-Chair, Dr. Majed Ata Helou, Chief Executive Officer (CEO) of the Pension Agency, Dr. Mousa Abu Zeid, Brigadier Mohammad Yousef, Mr. Abdul Jabbar Salem, Mr. Deeb Ahmad Fadel, Mr. Dirar Touqan, and Dr. Hani Hasan Nijem.



It is worth noting that the Agency's CEO operates as the Board Secretary, according to Article No. (41) of the Public Retirement Law, and is considered a Board member<sup>4</sup>.

Article (42) of the Law granted the Board the power to delegate some or all its mandate to the Chair and/or to a committee consisting of the Board members. However, the same article prohibited delegating some of the authorities such as (a) adopting, amending or revoking instructions, (b) adopting the investment policy, and the Agency's standards and procedures and (c) adopting the budget, the closing accounts and any other financial statements issued by the Board.

### 3- The Chief Executive Officer

According to the provisions of the Public Retirement Law, a specialized person in finance and economics, with extensive experience, high competency and good reputation shall run the Agency. The Law does not have any other requirements. The PNA President appoints the Chief Executive Officer (CEO) upon COM recommendation<sup>5</sup>, which requires the PLC ratification with an absolute majority<sup>6</sup>. The Board determines the CEO salary and remuneration<sup>7</sup>.

The CEO heads the daily executive functions of the Agency and enjoys wide powers according to Article (57) of the Retirement Law, under the Board's supervision. These include preparing the annual budget, presenting it to the Board, preparing the Board's agenda, following up the implementation of the Board's decisions, making the necessary procedures for appointments at the Agency in accordance with the Board's policies and decisions and carrying out any other functions, as the Board requires.

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4 The Palestinian President issued Decision by Law No. (13) For 2013 on the ratification of the appointment of the CEO of the Palestinian Pension Agency since PLC is dysfunctional. See <http://muqtafi.birzeit.edu/pg/getleg.asp?id=16530> for the text of the Decision by Law.

5 PNA President issued a Decision by Law No. (45) For 2013 on appointing Mr. Majed Ata Diyab Helou as CEO of the Pension Agency. See [http://info.wafa.ps/pdf/Proceedings\\_of\\_the\\_102.pdf](http://info.wafa.ps/pdf/Proceedings_of_the_102.pdf)

6 Since PLC is dysfunctional, the PNA president issued Decision by Law No. (13) For 2013 on the ratification of the appointment of the Pension Agency's CEO. See <http://muqtafi.birzeit.edu/pg/getleg.asp?id=16530>

7 See Article (6/2) of the Regulations for the Retirement Law No. (141) For 2005.

## The debts of the Public Pension Agency to the Treasury

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According to Article (19) of the Retirement Law, the Public Payroll Directorate at MOF, in coordination with the Military Financial Management, are committed to transfer the membership fees (contributions) of all civil and military employees as well as the government's contributions to the special accounts at the Agency's Custodian. The Payroll Director-General notifies the Agency of the transfer. The Custodian in turn notifies the Agency of receiving the transfer. According to Article (23) of the Law, these membership fees and contributions shall be transferred no later than the fifteenth of each month. If not transferred in time, the Agency is entitled to impose a (1%) delay fee on any late transfers. If the delay exceeds a month, the interest rate of Libor +1% shall be imposed for the first year, in addition to the 1% fee. Moreover, negotiations shall be held to transform the contributions delayed for more than one year, into commercial loans to the Treasury.

Theoretically, the Minister of Finance announced at a meeting held with the Parliamentary Blocs in Ramallah that MOF is committed to transfer members' contributions (the civil and military employees who amounted to 156,093 employees as of the end of 2016)<sup>8</sup> as well as the government's contributions for all employees in accordance with the Retirement System to the Pension Fund. Nevertheless, practically MOF has not fully complied. The size of the Pension Fund's debts to the Treasury amounted to around 7 billion Israeli Shekels (ILS) (equivalent to around US\$1.829 billion), according to the financial statements, the financial position as of 31 December 2016 (See Annex 1).

The table below indicates that the arrears started actually since 1999, (around 18 year ago), accruing debts on the Public Treasury from ILS 14 million in 1999, to ILS 5.6 billion at the end of 2016. Table (1) indicates the arrears in the annual membership fees, the arrear in membership in addition to other forms of debts.

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8 Data submitted by the Minister of Finance to the PLC Parliamentary Blocs on 26/1/2017

**Table (1) the outstanding arrears for the Pension Fund at MOF 1999-2016<sup>9</sup> (Million ILS)**

Year	Annual arrears	Accumulated arrears
1999	14	14
2000	75	89
2001	159	248
2002	165	413
2003	143	556
2004	176	732
2005	174	906
2006	354	1260
2007	301	1561
2008	253	1814
2009	242	2056
2010	195	2251
2011	504	2755
2012	620	3375
2013	490	3865
2014	699	4564
2015	574	5138
2016	481	5619
<b>Total membership arrears</b>		<b>5620</b>
<b>Other arrears</b>		
Loan arrears for 2016		45
Special membership fees for Case No. 590/98 <sup>10</sup>		53
Delay interest on transferring membership fees and loans		1198
Differences in applying the Higher Judicial Council law		13
Differences in the allowances of the families of martyrs and wounded persons		2
Other outstanding amounts with MOF		2
Debit/MOF		108
<b>Overall arrears</b>		<b>7,041</b>

9 Pension Agency, 2016 Annual Report, P.25.

10 Related to enforcing the Supreme Court Decision issued on 16/8/2004 pertaining to the employees who did not go back to work after 5/6/1967; to settle the cases on whom the decision was not applied, and add the previous period starting 5/6/1967 until the age of sixty or death, whichever was closer to the term of service in accordance with Articles (6, 7) of the Decision By Law No. (8) For 1964 and its Amendments. This amount is outstanding on MOF as the employer's contribution

According to Prime Minister Dr. Rami Hamdallah, the value of external and internal indebtedness of the Palestinian government amounted to US\$4.2 billion, of which around half is to the Pension Fund (US\$2.1b), which is close to the amount indicated in the 2016 Pension Agency Report. In the same interview, he indicated that all previous governments

### **The National Policies Agenda 2017-2022**

“The Israeli occupation racist policies and practices, and the severe reduction of external aid, led to adopting the national budgets based on unfinanced deficit. Borrowing was used to address this deficit, and delaying the repayment of outstanding amounts to private sector suppliers and to the public retirement system. These unfavourable measures lead to drying up the liquidity with the private sector and threatens the short-term sustainability of the retirement system”.

“... The government will seek to identify several measures and options, study them and adopt what it deems appropriate... These proposed measures and options include “ensuring the sustainability of the public retirement system through reforming relevant policies and resuming the transfers of the due amounts fully and repay the arrears”.

**The National Policies Agenda 2017-2022, p. 47-48**

contributed to undermining the main resource for this Fund, and that the current government transfers to the Fund ILS 20 million on a monthly basis<sup>11</sup>. In the same context, the Minister of Finance Shukri Beshara said that one of the tenets of public money management in 2016 was the legal commitment to maintain the sustainability of the Pension Agency and protect it from bankruptcy in 2017, as the Agency’s studies had predicted, by transferring ILS 20 million to the Fund<sup>12</sup>. While Dr. Ahmad Majdalani, the Chair of the Palestinian Pension Agency (PPA) Board confirmed that the government is regularly transferring the above-mentioned amount, but that amount constitutes 20% only of the monthly due amounts to PPA from the government<sup>13</sup>. PPA adopts indirect methods to cover retirement salaries to some military and civilian pensioners, especially those whose files have not been fully settled with the government, through direct transfers from the public Treasury (MOF). The minister

mostly uses contingency budget item to over such transfers. This means deferring the settling of these cases in terms of calculating the years of service for retirement purposes, identifying the party responsible for paying previous membership fees, and the value of the government’s contribution in accordance with the law.

11 Interview with Palestinian Prime Minister Dr. Rami Hamdallah in Al-Quds newspaper on 2/1/2017, p.11

12 During the presentation of the Minister of Finance of the 2017 General Budget Law in front of the PLC Parliamentary Blocs on 26/1/2017.

13 Dr. Ahmad Majdalani gave this information at a discussion session for PPA Report at Aman office on 21/3/2017.

## The calculation committee (between MOF and PPA) completed its work, but no agreement was signed

In a meeting held at Aman, Dr. Ahmad Majdalani, Chair of the PPA Board pointed out that the technical committee composed of MOF and PPA representatives completed its calculations and identified the amount of PPA funds and debts with the government until end of 2016<sup>14</sup>. However, the calculation agreement was not officially signed<sup>15</sup>. This practically indicates a lack final agreement over the final amounts of money and debts for PPA with the government.

## The Pension Agency's investments

The Public Retirement Law granted PPA, represented by its board, the mandate to regulate and manage all matters related to investing PPA funds and develop the necessary policies, systems, standards and manuals to manage the investment process<sup>16</sup>. The Law gave the CEO the power to implement the Board's investment policy and to give direct instructions to the Custodian and the Investment Manager to implement this policy in accordance with the provision of the Law<sup>17</sup>. The Law required the Board to form the investment committee from its members, and identified several functions to this committee to invest and manage the Agency's funds<sup>18</sup>. The Board formulates investment plans and policies for its funds, and implements and manages them, i.e. the Board combines the oversight, control and executive functions. The Boards has two permanent committees:

### 1- The Investment committee:

It develops the investment manual, reports regularly on the investment activities and their outcome, and recommends the investment policy to the Board. It also examines investment risks and monitors the activities of the custodian and investment manager. The Annual Report indicates that the Board had approved the amendments to the investment policies proposed by the Investment Committee in its Session no. (82)<sup>19</sup>.

The Board Chair, Dr. Ahmad Majdalani, identified the four elements of the investment strategy, which determine the policy and selection of internal and external investments. (a) The desired investment must have low risk and high returns; (b) partnership with the private sector, as the Agency does not implement any projects; (c) investments in existing enterprises with 15-20% of the company's value, and (d) the social dimension, i.e. employing local workforce<sup>20</sup>.

14 Dr. Ahmad Majdalani gave this information at a discussion session for PPA Report at Aman office on 21/3/2017.

15 An interview with Mr. Ahmad Sabbah, PNA General-Accountant on 10/8/2017.

16 See Articles (5-41) of the Public Retirement Law.

17 An interview with Mr. Ahmad Sabbah, PNA General-Accountant on 10/8/2017.

18 See Articles (71-78) of the Public Retirement Law.

19 Pension Agency, 2016 Annual Report, p.14.

20 Dr. Ahmad Majdalani gave this information at a discussion session for PPA Report at Aman office on 21/3/2017.



## 2- The Audit committee<sup>21</sup>:

It supervises the financial reports, the external audit reports, the information system and the internal control systems. It reviews the financial statements, the operational budget, investments and transfers, monitors the internal processes of audit and control and receives the external auditor's annual report.

## Implementing the investment policies

Two main parties implement the investment policies that the Board approves:

**1- The Custodian:** Article (100) of the Public Retirement Law identified the investment functions of the Custodian:

- Managing and keeping the Agency's assets as their custodian on behalf of the members.
- Ensuring that the investments are in line with the instructions of the owners of individual accounts and the Agency's investment policy.
- Provide any other services related to the Agency's assets and approve them with the Agency including the minimum accepted returns on investment.

On 31 May 2016, PPA signed an agreement with the National Bank (TNB) as the custodian of PPA funds, accounts, assets and investments. TNB was awarded PPA tender following the Board Decision No. (77/1) that called for an open tender to appoint the custodian. The Board, in Decision No. (80/01) approved the recommendation of the technical committee designated to study the Custodian Tender no. (1/2016) to award it to TNB. The Board approved the agreement in its Session No. (81)<sup>22</sup>.

TNB is the custodian, while Bank of Palestine manages the Fund's investments and the Arab Bank

## 2- The Investment Manager:

Bank of Palestine manages PPA investments in accordance with the signed agreement between the two parties and carries out a set of agreed functions, according to Article (108) of the Public Retirement Law<sup>23</sup>. (a) Manage the pension funds' investments separately, so that it is in charge of determining the investment revenues of each fund separately;

<sup>21</sup> The Pension Agency, 2016 Annual Report, p.14.

<sup>22</sup> PPA, 2016 Annual Report, p.16.

<sup>23</sup> Article 108 of the Public Retirement Law provides that, "the functions of the investment manager in accordance with the law and/or regulations and/or decisions and/or instructions and/or agreement include the following: 1- provide a set of options of financial portfolios that meet the priorities and policies of the investment committee; 2- invest in accordance with the policies of the investment committee adopting the best possible means to this end; 3- submit reports and inform about the investment portfolio, its value, returns and other statistical information that the Custodian or the Board may request; 4- seek to provide re-insurance, and, 5- fully disclose all the fees, commissions and other expenses.

(b) manage the Agency's funds according to professional standards of investment management, selecting the investment tools that guarantee the highest returns at the lowest risks; (c) recommend a number of financial investment portfolios that conform with the priorities and policies of the Investment Committee; (d) invest in accordance with the policies of the Investment Committee adopting the best possible means to this end; (e) submit reports and inform about the investment portfolio, its value, returns and other statistical information that the Custodian or the Board may request, and (f) submit a quarterly report for each fund separately and its profits, adding the investment expenditures in comparison with the previous period<sup>24</sup>.

The Board decided to authorize Arab Bank-Switzerland to manage the Agency's investment portfolio in accordance with Decision No. (82/08)<sup>25</sup>.

## The value and sectors of the Agency's investments

The PPA annual reports do not publish clear data about its investments. During the past years, PPA did not publish the size of its investments, the sectors or profits or losses. According to the 2016 Annual Report, PPA investments amounted to around US\$255 million as of 31/12/2016, which is small in comparison with the accumulated membership fees and contributions as loans to the Public Treasury, estimated as US\$ 1.829 billion. The following table clarifies the value of the investment portfolio, sectors and locations.

**Table (2): The value of the investment portfolio divided according to external and internal investments**

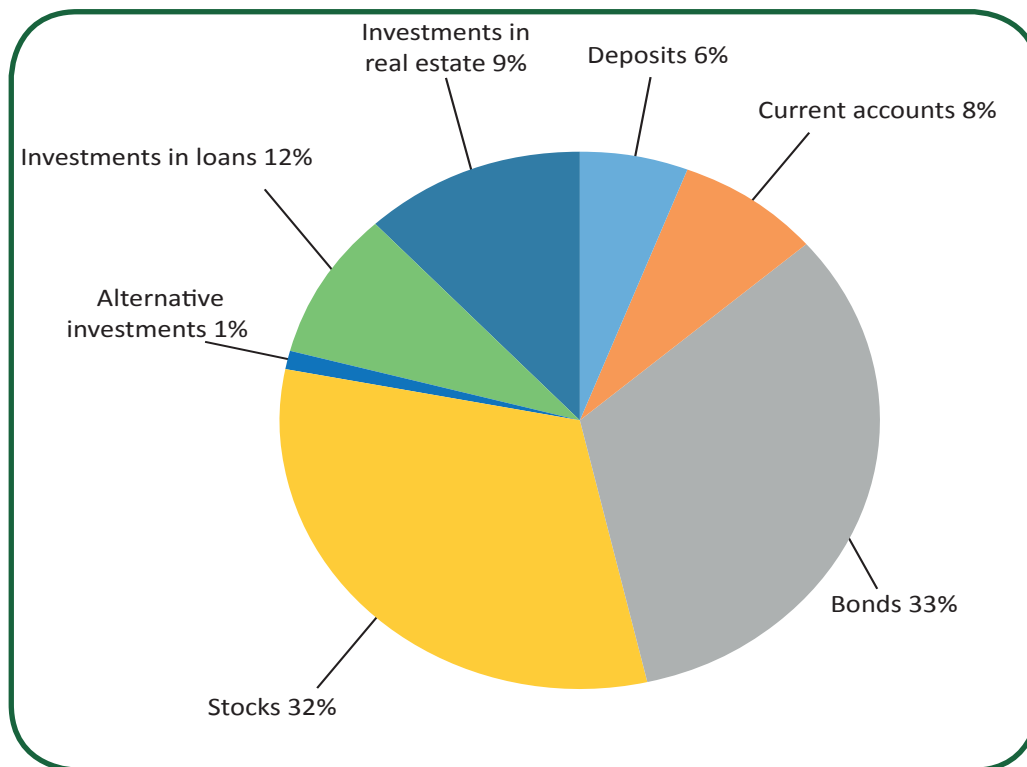
Investment item	External investments		Internal investments		Overall investment portfolio	
	Amount in US\$	Percentage	Amount in US\$	Percentage	Amount in US\$	Percentage
Deposits			15,808,405	15%	15,808,405	6%
Current accounts	12,583,541	9%	7,984,167	7%	20,567,709	8%
Bonds	83,912,201	57%			83,912,201	33%
Stocks	49,590,365	34%	31,015,296	29%	80,605,661	32%
Alternative investments	999.677	1%			999.677	1%
Investments in real estate			22,753,487	21%	22,753,487	9%
Investments in loans			30,206,079	28%	30,206,079	12%
<b>Overall</b>	<b>147,085,785</b>	<b>100%</b>	<b>107,767,435</b>	<b>100%</b>	<b>254,853,221</b>	<b>100%</b>

24 PPA. 2016 Annual Report, p. 17.

25 PPA. 2016 Annual Report, p. 17.

The external investments constitute around 58% while the internal investments constitute around 42% of the overall investment portfolio of PPA. The chart below indicates that the bonds and stocks constitute around two third of PPA investment portfolio, 33% and 32% consecutively, while the rest are 12% as loans to members, 9% as investments in real estate, 6% as bank deposits and 8% as a current account for the Agency.

**Figure 1: Percentage of investment sectors in the PPA investment portfolio**



The CEO of PPA said the external investment portfolio made 8% profits during 2016, and that PPA has international, regional and local portfolios. The external portfolio consists of bonds and securities in international telecommunications and food companies, while local investments are in Al-Quds Bank, with 10% of shares, the Palestinian Islamic Bank and Bank of Palestine, in addition to investments in Al-Sharq Al-Awsat Company for Pharmaceutical and Cosmetics in Gaza and 6% of Al-Quds Pharmaceuticals. PPA also invests in real estate, as it owns 200 Donums of land in various regions, which it currently uses in commercial exchanges. Furthermore, PPA invests with the private sector, such as a joint enterprise with Amaar to construct two commercial centers in Nablus. PPA is currently preparing feasibility studies to invest in housing for the public employees, as well as setting up two gas and petrol stations in Nablus and Hebron in partnership with The Orphan's Fund. Only three employees at PPA follow up these investments, in consultation with some experts and PPA Investment Committee<sup>26</sup>.

26 A TV interview with Dr. Majed Helou, CEO of PPA, PBC, Al-Majallah Al-Eqtisadiya, 28/1/2017, [https://www.youtube.com/watch?v=9mRtM-5I1\\_M](https://www.youtube.com/watch?v=9mRtM-5I1_M)

## Integrity, Transparency and accountability at PPA <sup>27</sup>

### 1- Integrity at PPA

Based on the provisions of the Palestinian laws pertaining to public financial management and the Public Retirement Law, the Agency is bound to do the following:

#### A) Financial disclosure forms

According to Article (2/8) of the amended Anti-Corruption Law No. (1) For 2005, its provisions apply on the Chair, Board and staff of the Pension Agency. Hence, they are bound to submit financial disclosure forms. Upon the request of the Anti-Corruption Commission (ACC), PPA filled the required financial disclosure forms as required by law<sup>28</sup>.

#### B) Board member compensation

According to Article (47) of the General Retirement Law, "each Board member is entitled to a financial compensation and benefits in accordance with the system. The compensation and benefits are determined in line with the benefits that members in other equivalent institutions of similar activities and responsibilities receive and in accordance with a system developed by COM". COM issued Decision No. (11) For 2010, on the compensations and financial benefits of PPA Chair and Board members. The system provides that the Chair shall receive a monthly compensation of US\$1000 during his/her term, while the Board members who are committed to attend all Board sessions receive US\$500 monthly each.

In the second half of 2016, the COM issued Decision No. (7) of 2016 on the compensations and financial benefits of board members of Public Institutions. Accordingly, the allowances of the Chair and the Board members were reduced, so that the Chair shall receive US\$300 per meeting, not exceeding US\$3,000 annually, while a board member shall receive US\$250 per meeting, not exceeding US\$2,000 annually. Moreover, the Chair and Board members are eligible for the allowances and expenses that Grade 1 employees receive, in accordance with the Regulation on allowances and expenses during official work. The allowances and expenses of the Board members have been handled in accordance with the provisions of the Law. However, the allowances that the Chair and Board members receive for meetings were not included in the Annual Report, while the 2016 Annual Report indicated that the Board had held twelve meetings during that year.

<sup>27</sup> This section relies on an unpublished report entitled "Integrity, transparency and accountability in the work of the Palestinian Pension Agency", Aman, 2017.

<sup>28</sup> The 2016 Annual Report of ACC, p.34, pointed out that PPA was targeted. The 2012 Report had pointed out that 10 PPA employees were required to submit the Financial Disclosure forms, and they did so.

### C) Conflict of Interest

Article 41/5 of the Public Retirement Law authorized the Board to monitor conflicts of interest and abuse of information, and required it to develop written instructions and procedures to identify and recognize possible conflicts of interest and means for resolving them. It also provided for developing a Code of Honor for the Agency's Board and employees. ***It is worth noting that these instructions and Code of Honor are not published on the Agency's website.***

On the other hand, Articles (63, 64) of the Public Retirement Law require Board members to disclose to the Chair, upon their appointment, all commercial and financial interests that may constitute a conflict of their personal interest with their legal responsibilities as Board member. If there is a conflict of interest or an emerging suspected conflict of interest, all Board members, employees, members or beneficiaries shall disclose such conflict in writing to the CEO. The CEO shall notify the Board of such a conflict at the first upcoming meeting; if necessary, an emergency meeting may be convened to this end.

### D) Code of Conduct

The Agency does not have its own code of conduct. However, the Chair indicated that the Agency complies with the Public Employees' Code of Conduct that COM had issued<sup>29</sup>. The Code of Conduct is published on the General Personnel Council website<sup>30</sup>, but not on that of PPA.

### E) Receiving gifts

PPA has no special policy or manual to regulate receiving gifts by employees. However, the employees are subject to the provisions of Article (67/3) of the Amended Civil Service Law No. (4) For 1998, which prohibited the public employees from abusing their positions and powers for personal benefit or gain or accepting, either directly or by through a third party any gift, compensation or commission related to carrying out their duties, in addition to the Code of Conduct for Public Employees, which COM had issued<sup>31</sup>.

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29 Dr. Ahmad Majdalani gave this information at a discussion session for PPA Report at Aman office on 21/3/2017.

30 See <https://www.gpc.pna.ps/diwan/showAttachment.gpc?id=1213>

31 Dr. Ahmad Majdalani gave this information at a discussion session for PPA Report at Aman office on 21/3/2017.



## 2- Transparency at PPA

Transparency means clarity in the procedures of service-delivery, decision-making mechanism, decision-making body, and the public disclosure of adopted public policies, especially those related to service management. It also means that the public have timely and appropriate access to information to enable public participation. The internet is an important mass communication tool.

The most important elements of transparency are being open with the members, publishing the Board decisions at the available means, providing public information and data to members, guaranteeing access the information in accordance with the law, publishing the Annual Budget, and the financial and administrative Reports on the Agency's investments and various activities. The indicators that the Public Retirement Law provide may be used to identify PPA transparency indicators.

### A) Publishing and disclosure policy

The Public Retirement Law requires PPA to disclose and publish several issues, including:

- Provide each member with a quarterly report on his/her contributions account<sup>32</sup>.
- Timely disclosure of the necessary information related to the members and the pensioners, including their rights and financial obligations<sup>33</sup>.
- Board decisions<sup>34</sup>.
- Written and publicized instructions and procedures on the Agency, its departments, divisions, branches and follow-up of its activities. These instructions shall be kept in the public register and available for informing the pensioners <sup>35</sup>.
- Records of the latest information on the contributions of individual members, to which they or their authorized representatives may have access<sup>36</sup>.
- A detailed report to each member at the end of each financial year indicating the optional accruals and their realized annual profits<sup>37</sup>.
- Inform the members at the beginning of each financial year of the need to review their investment priorities and notify the Agency of any change in their favorite or priority investments<sup>38</sup>.
- Annual Report of the Agency and its External Auditor<sup>39</sup>.

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32 Article (22) of the Public Retirement Law.

33 Article (41/7) of the Public Retirement Law.

34 Article (53) of the Public Retirement Law.

35 Article (57/1) of the Public Retirement Law.

36 Article (57/2) of the Public Retirement Law.

37 Article (61) of the Public Retirement Law.

38 Article (62) of the Public Retirement Law.

39 Article (79/1/2) of the Public Retirement Law.

***The PPA website<sup>40</sup> lacks any information about its budget, Board decisions or Annual Reports, but only contains general information about the Agency. As for the information for the members, as the CEO said<sup>41</sup>, it is extremely difficult for the Agency to meet some legal requirements mentioned earlier under the current circumstances.***

## **B) Publishing the Annual Budget of the Agency**

Article (57/9) of the Public Retirement Law provides that PPA Chair shall “prepare the draft Annual Budget and other Financial Statements of the Agency and submit them to the Board for approval. The Chair shall also submit a quarterly progress report on budget implementation, obstacles or partial implementation. The Chair shall also submit a recommendation at the middle of each year when reconsidering the budget size and distribution is deemed necessary, and introduce the necessary amendments”. The Board shall, in turn approve the draft Annual Budget submitted by the Chair, and review the annual audit and the annual financial statements. Although the Public Retirement Law allowed the Board of Directors to delegate some or all its powers, it excluded budget approval, adoption of the closing accounts and any other financial statements issued by the Board.

***On the other hand, it is noted that PPA budget is not published on its website, which restricts the information available to its members about the budget. Furthermore, since the annual reports are not published, it is not possible to know whether the budget was published in those reports or not.***

## **C) Publishing Board decisions in the Annual Report**

Articles (49-54) of the Public Retirement Law stipulate that the Board shall meet at least once a month. The CEO shall prepare the agenda and prepare the minutes within three days after the meeting so that the members sign it. The CEO also keeps a copy of all decisions taken at the Board meetings together with the minutes. The Board decisions shall be included in the Annual Report and published according to the law. However, Board decisions were not published, in contravention with Article (53) of the Public Retirement Law<sup>42</sup>.

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40 The date of the last login to the website of the Palestinian Pension Agency is 26/9/2017 at 9:30 pm <http://www.ppag.ps/>

41 Dr. Majed Helou gave this information at the meeting held to discuss the Pension Agency Report at Aman office on 21/3/2017.

42 Palestinian Pension Agency, 2016 Annual Report, p.11.

## D) Employment Policy

The recruitment process should be in line with Article (9) of the Administrative System on competitive basis to ensure the selection of the best applicants. The Agency is committed to advertise vacancies in the local newspapers, internal publications, PPA website, or through soliciting applications, giving priority to its employees if they had equal skills and abilities.

At its sixth meeting, the Board approved the Agency's organizational Structure in its Decision No. (06/88). It also approved to place the employees on the new approved structure using similar grades as those of the Civil Service Law, until the financial part of the financial system is approved, and PPA employees are placed accordingly<sup>43</sup>. It is worth noting that PPA Financial System was published in the Official Gazette on 18/7/2017.

## 3- Accountability <sup>44</sup>

### A) PPA Reports

The Public Retirement Law No. (7) For 2005, in particular Articles (22, 61, and 79), require the Agency to prepare the following reports:

- A quarterly report provided to each member about his/her specific contributions.
- A detailed annual report the CEO issues to each member about the size of his/her optional accruals and realized annual profits.

However, the CEO does not issue such reports. He justified that by MOF failure to transfer PPA due amounts on one hand, and the difficulty of informing each member of the details of their investments on the other hand, which makes it extremely difficult to meet these legal requirements. However, this does not cancel the right of access to information or prevents the Agency from publishing periodic reports on such investments to ensure community control over such investments.

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<sup>43</sup> Palestinian Pension Agency, 2016 Annual Report, p.13.

<sup>44</sup> Accountability systems are defined as the duty of those responsible for official functions, whether elected or assigned, to provide periodic reports on the functioning of the institution or ministry, detailing the pros and cons, and the extent of their success or failure while implementing their policies at work.

- An annual report<sup>45</sup> submitted to the Prime Minister, disclosed to members and published. In practice, PPA prepares this report and submits it to the Prime Minister. However, it does not publish it although law requires this<sup>46</sup>.
- A quarterly report prepared by the Audit Committee and submitted to the Board to be disclosed to the Investment Committee and CEO.
- A quarterly report prepared by the Investment Committee and submitted to the Board to be disclosed to the Audit Committee and CEO.
- A quarterly report prepared by Investment Managers and submitted to the Investment Committee to be disclosed to the Board and CEO.
- A quarterly report prepared by the Custodian and submitted to the Investment Committee to be disclosed to the Board and the CEO.

The Agency prepares the last four reports and submits them to the mentioned authorities. Nevertheless, they are not published because the law, according to the CEO does not require this.

## B) Auditing

The Agency's activities are subject to **three types of control and audit**. According to Article (87) of the Retirement Law, the Agency shall appoint an **internal auditor** to control the Agency's work and submit an annual report of the results to the Board. Indeed, there is a Control and Audit Department at the Agency, which reviews the Agency's pension transactions. However, this department lacks staff, and has no internal control and audit system. It operates upon CEO instructions, which makes it useless, since the CEO is personally responsible for the executive aspects.

Article (88) of the Law also requires the Board to appoint an **external auditor** annually through a fair and open tender. The external auditor shall review the Agency's work, submit their Annual Report to the Board, which includes the results of their audit, and control process. The Board has an international accounting firm as its external auditor, selected according to the procedures set out in the Law.

45 According to article (80) of the Retirement Law, The Annual Report includes 1. Financial statements and closing accounts for the previous year 2. Basic results on the performance of investments 3. The extent of conformity of the previous and current Investment Manager's performance to the minimum instructions 4. Investment policy statement for the coming year 5. Information included in the External Auditor's Report on the financial position for the previous year 6. The information in the quarterly reports of both the Audit and Investments committees 7. Statement of investment policies, standards and procedures 8. Analysis and reconciliation of both assets and liabilities 9. Information about the arrangements of Investment Managers and the Custodian, including fees, expenditures and revenues 10. A certificate signed by the Chair of the Board and the CEO confirming that all investments made during the past year are consistent with the investment policy, standards and procedures in accordance with the law, regulations, decisions and instructions. 11. Information on the amount of compensations and benefits paid to all Board members.

46 The date of the last login to the website of the Palestinian Pension Agency is 26/9/2017 at 9:30 pm <http://www.ppag.ps/>

Furthermore, Article (65) of the Law requires the Board to form an **Audit Committee**, consisting of Board members, to supervise and control all internal audits, and receive from the internal and external auditor's annual reports on the results of the Agency's activities and work. This committee operates according to the instructions issued by the Board. It conducts its control and audit functions in accordance with the powers granted to it by law. The Board formed this committee, which actually exercise the control and audit functions according to the law.

### **C) Public Complaints**

The Agency has no complaints unit. However, the Legal Department, through a designated employee, receives public complaints submitted to the Agency. It is also possible to submit complaints at PPA website, through a section designed for this purpose. The complaint is referred immediately to the CEO, who refers it to the competent department or division. Then, the complainant shall be informed of the result of his/her complaint. The Agency handles the received complaints in accordance with the Complaints System that COM approved, and which is applicable at all ministries and public institutions. It is noted that the Agency receives a low number of complaints. It received only 38 complaints during 2015, but it was not clear whether it received any complaints during 2016<sup>47</sup>. Moreover, there are no court cases at the Palestinian Judiciary against the decisions and work of the Pension Agency<sup>48</sup>.

In a step that aims at promoting the Agency's public relations, it sought to open offices in Nablus and Hebron, to facilitate transactions for their members. The Agency also electronically archived all its transactions, which had a positive impact on the quality and speed of its services on one hand, and alleviated any possible favoritism and nepotism on the other hand.

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47 See Government Complaints Report 2016, Ramallah: The Secretariat of the Council of Ministers, pp. 11-12

48 Interview with Dr. Majed Helou, CEO of the Agency on 8/1/2017, included in an unpublished report entitled "Integrity, transparency and accountability in the work of the Palestinian Pension Agency", Aman.



## Conclusions

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1. The Palestinian governments did not fully transfer their or the members' contributions (the government share and the employee share) to the Pension Fund. The Treasury's debt to PPA amounts to around ILS 7 billion (approx. US\$ 1.829 billion). Arrears for PPA actually accruing since 1999 (about 18 years ago), as the debt to the Treasury increased from ILS 14 million in 1999 to ILS 5.6 billion at the end of 2016. The "arrears" include most PPA funds and assets (about 88%), which prevents the Agency from investing these funds and constitutes a threat to the pension funds' sustained ability to pay pensions to future members, especially as their numbers are expected to increase in the coming years.
2. MOF has committed to pay ILS 240 million annually, while the paid amount should have been around ILS 1.39 billion<sup>49</sup>. The number of PPA members reached (161,329), of whom (4064) are local government, and Electricity company employees, and (157,265) are government employees<sup>50</sup>. The overall payroll amounts to ILS 7.66 billion<sup>51</sup>. Since the monthly subscriptions and contributions comprise around one fifth of the value of salaries, consequently the debt will accumulate annually, thus threatening the existence of the Fund in less than ten years.
3. The Technical Committee consisting of PPA and MOF completed its calculations and clearance, determining the amount of the Treasury's indebtedness to PPA until the end of 2016. However, MOF and the Chair of PPA Board did not formally sign the clearance, which determines the obligations of each party and their final value.
4. MOF continues to pay directly the pensions for the members of all the pension systems applicable at PPA. These pensions constitute the pension salaries and one-time compensations. In 2016, these amounted to ILS 843 million (about ILS 70 million per month), paid for 36,291 pensioners. PPA considers these payments part of the repayment of the Treasury's debts, since MOF does not fully transfer to PPA the entire due pension benefits.
5. The failure to publish PPA annual reports or any data on its investments on the Agency's website over the past years has led to lack of clarity of the size, sectors, profits/losses, the Investment Manager or the Custodians of PPA investments. Nevertheless, the investment policy-making and control bodies, such as the Investment Committee and the Audit Committee, consisting of Board members, have been activated.

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49 PPA 2016 Annual Report, p. 44.

50 PPA, 2016 Annual Report, p. 44.

51 See General Budget Law: <http://sssssswww.pmo.ps/documents/10192/654283/BUDGET+BOOK+2016.06.22.pdf/1b8b37ef-fe73-4ea8-80b3-2ab3bd8c3c68>

6. PPA investments amount to around US\$255 million, a small amount compared with the total debt to the Treasury, estimated at US\$ 1.829 billion. They constitute around 12% only of the overall PPA funds. Such a small rate does not ensure the sustainability of the pension system or preserving the funds of members of the public pension schemes.
7. PPA is compelled to liquidate some deposits to meet its financial obligations to the beneficiaries. Its monthly expenses range between ILS 23-25 million, while the government transfers only ILS 20 million monthly, which constitutes a risk to the investment portfolio if the government continues to refrain from transferring the entire monthly contributions and settling the arrears.
8. The continued absence of parliamentary oversight on PPA work because of the dysfunction of PLC, which undermined the official accountability system of the Agency.
9. PPA applies the 2010 System of Allowances and Financial Rights of the Chair and Members of the Board. However, the allowances paid to the Chair and members of the Board were not included in the Agency's Annual Report, while the 2016 Annual Report indicated that the Board held twelve meetings during that year.
10. While the Board may delegate some authorities, it is still responsible for monitoring and supervising the delegated authorities, and responsible for all taken decisions. The Board may not, in any case spare itself from such responsibilities by delegating authorities of certain functions. It appears that using the term full delegation of authorities in this Article is in contradiction with the provisions of the Article itself.
11. The Agency's relationship has improved with the pensioners and their needs. To strengthen such relations, the Agency opened offices in Nablus and Hebron to enable the beneficiaries to complete their transactions. Furthermore, PPA successfully implemented electronic archiving for all the retirement transactions.
12. The difficulty in submitting quarterly and annual reports to members on their specific contributions, the due amounts and annual profits because MOF does not fully transfer the pension contributions on one hand, and the difficulty of informing each member of the details of their investments on the other hand makes it extremely difficult for PPA to meet its legal requirements. However, this should not infringe on the right of access to information or impede PPA to publish periodic reports on such investments to ensure community control over these investments.

13. PPA funds are public moneys comprising the savings of employees so that they live in dignity in their old age. Nevertheless, these stakeholders are absent from decision-making as they are not represented on the Board.
14. It is generally not clear to what extent PPA is compliant with the Code of Conduct of Public Employees, or with the procedures that address gifts stipulated in the Civil Service Law and its regulations, according to the Chair of the Board.
15. Like many public non-ministerial institutions, there is poor commitment to the principles of transparency in general, and a weak policy of publishing and disclosure as required by law, in their annual reports, annual budget, value and sectors of investments, and Board decisions. The Agency failed to publish such reports in available means, including PPA website, although it is obliged to submit such reports to both PNA President and to COM, which weakened official and community control over PPA work.
16. The requirements for appointing the Chairperson are restricted to being a specialist in financial and economic affairs in addition to the general conditions: experience, competence and good reputation and conduct.
17. The Control and Audit Department suffers from lack of staff, in addition to the absence of an internal control and audit system. This department operates upon CEO instructions, which does not make sense, since the CEO is personally responsible for the executive.
18. PPA website lacks any information about its budget, Board decisions and annual reports. However, it contains general information about the Agency.

## Recommendations<sup>52</sup>:

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1. The Palestinian government should develop a government plan through a policy intervention to address the issue of accumulated debt on the Treasury for PPA, to ensure PPA sustainability and the continuity of pension funds and their ability to pay pensions to future pensioners upon retiring. The plan should include the following;
  - A. MOF must adopt the results reached by the Technical Committee, consisting of PPA and MOF, regarding the calculation and clearance, to determine the size of PPA accumulated debt to the Treasury throughout the previous years.
  - B. Paying the membership fees and contributions of employees on a monthly basis, amounting to approximately ILS116 million, rather than paying ILS20 million only, starting from the beginning of 2018, through including this in the General Budget for the fiscal year, to stop accumulating further debts on the Treasury.
  - C. Develop a plan to re-schedule the accumulated debts on the Treasury over a number of years, to re-pay the arrears, taking into account the interest on the debt as provided in the law. This policy shall be incorporated in an official work plan approved by the Government and included in 2018 budget proposal.
2. PPA must publish its annual reports and investment reports & statements on its website for transparency in the size, sectors, profits or losses of the Agency's investments and the Investment Manager or Custodian.
3. Amend Article (42) of the Public Retirement Law, revoking provisions for full delegation of powers, as they contradict with the provisions of the same Article and with the conditions imposed on the PPA Board.
4. Activate the parliamentary oversight on PPA by activating the role of the PLC and amending the Public Retirement Law so that PPA is required to submit its Annual Report to the PLC.
5. The Agency should disclose in its Annual Report the allowances that the Board Chair and members receive for meetings.
6. Accelerate launching the new PPA website to include PPA's budget, Board decisions and the annual reports. It should not include only general information about the Agency. Amend Article (39) to reconsider that the CEO is also a Board member, with the aim of facilitating CEO control and accountability to the Board. This also applies on heads of other public agencies and institutions, whereby there is a need to adopt a general policy towards these positions and how they report to the boards.

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<sup>52</sup> See Annex (2) on the developments on the recommendations of AMAN reports on the Palestinian Pension Agency.

7. Amend Articles (61, 62) of the Public Retirement Law which require “the CEO to issue a detailed report for each member at the end of each fiscal year indicating the size of his/her optional accumulated outstanding amounts and realized annual profits, and to request the members at the beginning of each fiscal year to review their priority sectors of investment, and notify the Agency of the desire to change those priorities”. This text should be changed to notifying the representative bodies of employees, such as unions, about the investment sectors to guarantee community control over such investments.
8. The PPA Board shall embark on continuous dialogue with the representative union of public employees.
9. The PPA Board shall develop a code of conduct for the Agency that considers its specificities and includes the Board members and the employees of the Agency.
10. The conditions for appointing the CEO should be amended, adding Humanities to the possible fields of specialization.
11. Amend Article (42) of the Public Retirement Law, deleting the provisions for full delegation as they contradict with other provisions of the same Article.
12. Develop an internal control and audit system and a procedural manual for the Internal Audit Department, in line with PPA Financial System; Staff the Department sufficiently to enable it to carry out its control and audit functions.
13. The Internal Audit Department shall submit its Annual Report to the Board along with its observations and recommendations for developing the Agency’s Financial Procedures.



## References and resources

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### Laws

- 1- The Public Retirement Law No. (7) For 2005.
- 2- The Civil Retirement Law No. (34) For 1959
- 3- The Insurance and Emoluments Law No. (8) For 1964
- 4- The Insurance and Emoluments Law for the Palestinian Security Forces No. (16) For 2004

### Regulations and decisions

- 1- COM Decision No. (141) For 2005 on the Regulations of the Public Retirement Law No. (5) For 2005.
- 2- COM Decision No. (11) For 2010 on the Financial Allowances and Rights for the Chair and Members of the Board of the Pension Agency.
- 3- COM Decision No. (13) For 2015 on the Administrative System for the Employees of the Pension Agency
- 4- COM Decision No. (4) For 2017 on the financial System of the Pension Agency.
- 5- Decision by Law No. (13) For 2013 on the ratification of the appointment of the CEO of the Pension Agency
- 6- Presidential Decree No. (9) For 2014 on recomposing the Board of the Pension Agency
- 7- Decision No. (45) For 2013 on appointing CEO of the Pension Agency.

### Reports

- 1- The 2012 Annual Report of the Anti-Corruption Commission
- 2- The 2016 Annual Report of the Anti-Corruption Commission
- 3- Mohammad Kirresh, The Palestinian Pension Agency and the Institution for the Management and Development of Orphans' Funds, Ramallah, AMAN, 2011.
- 4- Jihad Harb, Management of the Pension Sector in Palestine, Ramallah, Aman, 2007.
- 5- The National Policies Agenda 2017-2022, Prime Minister's Office, January 2016.
- 6- Abdelraheem Taha, Integrity, Transparency and Accountability in the Palestinian Pension Agency, Unpublished report, Aman, 2017.

## Interviews

- 1- An interview with Mr. Ahmad Sabbah, PNA General Accountant on 10/8/2017.
- 4- Dr. Ahmad Majdalani at a discussion session for PPA Report at Aman office on 21/3/2017.
- 5- Dr. Rami Hamdallah, the Palestinian Prime Minister, a published interview at Al-Quds newspaper on 2/1/2017.
- 6- A TV interview with Dr. Majed Helou, CEO of the Palestinian Pension Agency, PBC, Al-Majallah Al-Eqtisadiya, 28/1/2017.
- 7- Minister of Finance, Shukri Beshara at a meeting with the PLC Parliamentary blocs on 26/1/2017.
- 7- Dr. Majed Helou, CEO of the Palestinian Pension Agency on 18/1/2017, an interview for preparing "Integrity, Transparency and Accountability in the Palestinian Pension Agency", «النزاهة والشفافية والمساءلة في عمل هيئة التقاعد الفلسطينية», unpublished report, Aman.

## Websites

PPA website <http://www.ppag.ps>

## Annex (1) The 2016 Annual Budget of the Pension Agency

### الفصل السادس: البيانات المالية

#### بيان (أ)

بيان المركز المالي كما هو في 31 ديسمبر 2016م (البيانات غير مدققة)

البيان	الإيضاحات	2016م / شيقل	2015م / شيقل
الأصول			
الإستثمارات طويلة الأجل	3	772,674,332.62	711,638,229.80
الأصول الثابتة		48,008,501.85	47,226,990.27
إجمالي الأصول الثابتة والإستثمارات طويلة الأجل		820,682,834.47	758,865,220.07
الأصول المتداولة			
النقد والنقد المعادل	4	105,831,757.54	89,654,650.38
الأوراق المالية		-	-
حافضة الشيكات		-	853,165.29
محفظة شراء أسهم		-	4,531,401.64
القروض	5	116,117,762.63	102,146,265.13
المدينون	6	107,766,400.00	109,340,000.00
السلفيات	7	86,217,58	123,414.58
السلف النثرية/ مهمات سفر		10,000.00	-
إجمالي الأصول المتداولة		329,812,137.75	297,586,093.74
الأرصدة المدينة الأخرى			
الإشتراكات المستحقة	8	6,023,889,140.75	5,469,123,552.12
إقساط القروض المستحقة	8	46,312,436.51	49,487,113.80
فوائد التأخير المستحقة	8	1,380,108,525.57	1,253,045,178.11
أرباح الإستثمارات المستحقة	9	5,852,364.73	7,285,547.30
مستحقات أخرى لصالح الهيئة	10	14,825,278.69	13,762,507.22
إشتراكات مقابل شراء محدد - مستحقة		5,915,127.26	2,228,732.81
أقساط سيارات مستحقة		-	31,074.00
إجمالي الأرصدة المدينة		7,476,912,873.51	6,794,963,705.36
إجمالي الأصول		8,627,407,845.73	7,851,415,019.17
الخصوم ورأس المال			
معاشات مستحقة وغير مدفوعة	11	21,940,695.86	20,593,172.92

الأمانات	12	364,633.00	768,585.34
دائنون أراضي		8,137,040.00	8,812,320.00
فوائد قروض غير محققة		8,295,214.00	–
مجمع إهلاك الأصول الثابتة		5,914,736.58	4,542,640.31
إجمالي الخصوم المتداولة		44,652,319.44	34,716,718.57
إجمالي الأرصدة الثابتة الأخرى	13	275,715,227.54	245,544,258.47
حقوق المنتفعين			
حقوق المنتفعين المرحلة		7,363,623,340.36	6,670,702,567.93
إعادة الإستثمارات طويلة الأجل		221,908,938.91	207,530,701.77
صافي الفائض العام لعام 2016م		721,508,019.48	692,920,772.43
إجمالي حقوق المنتفعين		8,307,040,298.75	7,571,154,042.13
إجمالي الخصوم وحقوق المنتفعين والأرصدة الثابتة		8,627,407,845.73	7,851,415,019.17

### بيان (ب)

#### بيان المدخل الشامل كما هو في 31 ديسمبر 2016م (البيانات غير مدققة)

البيان	الإيضاحات	2016م / شيقل	2015م / شيقل
الإيرادات			
إشتراكات المنافع المحددة	12	866,678,551.09	785,565,346.46
الفوائد	13	135,392,661.08	152,176,115.12
أرباح الإستثمارات طويلة الأجل	14	19,100,993.29	34,763,936.68
الإيرادات الأخرى	15	7,422,067.10	10,107,797.39
إجمالي الإيرادات		1,028,594,272.56	982,613,195.65
المصروفات			
المدفوعات الإلزامية	16	284,733,858.53	275,499,292.67
المصروفات الإدارية الجارية	17	9,661,674.42	9,154,082.31
المصروفات الأخرى	18	11,318,623.86	3,533,626.63
خسائر بيع الإستثمارات	14-1	0.00	799,791.52
مجموع المصروفات		305,714,156.81	288,986,793.13
الإهلاك	3.1	1,372,096.27	705,630.09
إجمالي المصروفات		307,086,253.08	289,692,423.22
صافي الفائض العام لعام 2016 (بيان أ)		721,508,019.48	692,920,772.43
إجمالي المصروفات وفائض العام لعام 2016		1,028,594,272.56	982,613,195.65

## Annex (2) Developments on the recommendations of Aman reports on the Palestinian Pension Agency

No.	Management of the Retirement Sector in Palestine <sup>53</sup> 2007	Integrity and Transparency in Managing the specialized Palestinian funds: the Palestinian <sup>54</sup> Pension Agency 2011	Accomplished	Notes
1	Review the current Retirement Systems to unify them, not only unify the public retirement authority. End the plurality in the parties that work in public retirement, which requires these systems to be restricted to the "Defined Benefits System" and "the Defined Contribution System", and cancelling the previous pension systems within the framework of comprehensive reform plan of the public retirement system.			This recommendation has been achieved.
2	Private & non-governmental organizations and workers subject to the Labor Law must be included in the Public Retirement System under the management and supervision of PPA, especially that the Social Insurance Law has not been activated.		The Social Security Law was issued to regulate the retirement process in the private & non-governmental sector. The Retirement Law was also amended to provide the private and non-governmental organizations with the opportunity to join PPA. However, this stopped after issuing the Social Security Law.	
3	PPA Board and the Government (MOF) should initiate the implementation of the Public Retirement Law to enable the Agency to study all the financial and administrative problems related to the retirement of civil and military employees, especially those who served in the PLO and who spent years in prisons.		The Public Retirement Law has been applicable since 2007	

53 Jihad Harb, Management of Retirement Sector in Palestine, Ramallah, Aman, 2007.

54 Mohammad Kirresh, The Palestinian Pension Agency and the Institution for the Management and Development of Orphans' Funds, Ramallah, AMAN, 2011.

No.	Management of the Retirement Sector in Palestine <sup>53</sup> 2007	Integrity and Transparency in Managing the specialized Palestinian funds: the Palestinian <sup>54</sup> Pension Agency 2011	Accomplished	Notes
4	The PPA budget shall be presented to the PLC attached with the PNA General Budget according to Article (19) of the Law of the General Budget No. (7) For 1998			This recommendation has not been achieved.
5	The Public Retirement Law should be amended so that PPA submits its Annual Report and External Auditor Report to the PLC.			This recommendation has not been achieved.
6	The executive must be separate from the supervisory body in PPA to avoid conflicts of interest. The CEO is accountable to the Board and reports to it. At the same time, he participates as a Board member and votes on Board decisions, including instructions and orders the Board issues to the CEO as a subordinate to the Board.	The need to develop and publicize professional and administrative standards for the position of CEO. The CEO shall not be a Board member to facilitate accountability. He/she may attend Board meetings because of his/her position, but shall not have the right to vote.		This recommendation has not been achieved.
7	The term for holding the position of CEO should be defined in the Public Retirement Law (to avoid having the same person in this position). The PLC should have the power to remove the CEO through a special majority according to certain criteria stipulated in the Law.			This recommendation has not been achieved.
8	The role of the Board should be activated, especially that it is responsible for formulating general policies and mechanisms of investment, approving the Agency's regulations, supervising its work in addition to the accountability within the Agency.		The functions of the Board have been activated and specific policies have been set for the Agency's work and for managing its investments.	This recommendation has been achieved.



No.	Management of the Retirement Sector in Palestine <sup>53</sup> 2007	Integrity and Transparency in Managing the specialized Palestinian funds: the Palestinian <sup>54</sup> Pension Agency 2011	Accomplished	Notes
9	MOF should pay all the outstanding amounts to PPA accumulated during the past years in which the deductions were not paid. It should also periodically pay the due amounts to enable the Agency to commit to pay pensions to beneficiaries and identify investment priorities. A financial clearance should be made between MOF and PPA to enable the latter to continue its work and provide pension to the pensioners covered by the Public Retirement Law, and enable the Agency to determine how to invest the public pensioners' money.		Since the beginning of 2016, MOF has been paying ILS 20 million per month to PPA and paying pensions to civil and military retirees as part of the clearance process.	Accomplished only in a partial and limited manner
10		Develop an independent financial and administrative system, including the structure; Separate the authorities and responsibilities between the Board and the executive, allocate responsibilities and publish information and data.	Issued: 1. COM Decision No. (13) For 2015 on PPA Staff Administrative system. 2. COM Decision No. (4) For 2017 on PPA Financial System	
11		Regularly publish the closing accounts and periodic annual reports in the different media channels to inform the public, as well as on PPA website, including the periodic reports submitted to the Government.		This recommendation has not been achieved.
12		Publish the observations and recommendations of the reports of the State Audit and Administrative Control Bureau (SAACB), about the audit results and on PPA website, and develop a plan to implement the relevant recommendations.		This recommendation has not been achieved.

No.	Management of the Retirement Sector in Palestine <sup>53</sup> 2007	Integrity and Transparency in Managing the specialized Palestinian funds: the Palestinian <sup>54</sup> Pension Agency 2011	Accomplished	Notes
13		The Agency should hold awareness, introductory and evaluation seminars to discuss developments in the public pension funds sector, in which local and international researchers, professionals, experts and specialists in actuarial research from home and abroad, as well as representatives of the target groups are invited.	In recent years, the Agency has participated in several workshops and press conferences to introduce the retirement systems and inform of the condition of PPA and its investments.	





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