



# The World Bank

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Press Release

## WORLD BANK REVIEWS THE PALESTINIAN FINANCIAL SECTOR

Jerusalem, December 21, 2008 -- The World Bank today published the *West Bank and Gaza Financial Sector Review*. The report reviews (a) the range of financial providers and products; (b) the state of regulation and supervision; and (c) the prospects for market development. It also analyzes policy and institutional factors affecting financial sector effectiveness and provides recommendations for their improvement.

The report finds that the relatively new financial sector in West Bank and Gaza is still developing and as in many developing countries, is dominated by the banking sector. The authors propose a number of reforms focused on changes in the regulatory and legal environment. Some obstacles facing the sector are structural and directly tied to the dependence of Palestinian banks on the Israeli financial system, particularly the lack of a Palestinian currency which prevents the Palestinian Monetary Authority (PMA), from implementing an independent monetary policy or serving as a lender of last resort. Other issues facing the sector are related to capacity and regulatory development. In particular, the Capital Market Authority (CMA), the regulator of the non-banking financial sector, needs capacity building and an improved legal and regulatory framework.

The report recommends the establishment of a steering committee to coordinate technical cooperation and to maintain reform efforts for the entire financial sector. Key recommendations of the report include: introducing out-of-court debt settlement, establishing registries of movable assets to increase the array of acceptable collateral, continued modernization of the payment system, establishment of investment management funds, the development of a bond market, increasing the housing finance market, and pension reform.

*"This report highlights the commendable steps taken by the PA in developing the financial sector, particularly in strengthening and stabilizing the banking system through establishing a credit bureau, modernizing the payments system, instituting strict anti-money laundering laws and regulating capital requirements. It also provides recommendations for important further developments,"* said **David Craig, World Bank Country Director for the West Bank and Gaza**. *"However, the current threat to Palestinian financial stability remains the continuing Gaza liquidity crisis. Resolution is dependent on allowing regular transfers of cash to the regulated banks in Gaza and we continue to urge the GOI move swiftly on this issue."*

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