



المؤسسة الفلسطينية لضمان الودائع
PALESTINE DEPOSIT INSURANCE CORPORATION

Strategic Plan 2020-2022



Content

Part I: Palestine Deposit Insurance Corporation (PDIC)	Part II: Strategic Plan	Part III: execution plan (2020-2022)
<ul style="list-style-type: none">• PDIC Establishment• PDIC role• Financial safety net• Board of Directors• Organizational Structure• Member banks	<ul style="list-style-type: none">• Planning methodology• Strategic Objectives• Internal/external environment analysis• SWOT analysis• The foundations of building a Strategic plan• Plan core pillars• Key indicators (2014-2018)	

Introduction

The PDIC set its strategic plan that aims at raising the public awareness of the deposit insurance system in Palestine, in addition to promoting cooperation with local and international partner institutions to enhance PDIC performance.

The executive management plans to achieve PDIC's mission which aims at fostering Palestinian financial stability, increasing public confidence in the banking system and providing depositors protection at the member banks.

The strategic plan focuses on incorporating Information Technology innovations through implementing new systems that enhance the effectiveness of PDIC processes and data flow from the member banks and Palestine Monetary Authority (PMA), as this will positively impact the quality of data and periodic reports.

The PDIC pays great attention to improving its human capital as a key factor in achieving strategic goals. As such, the management has adopted a training and capacity building plan for all PDIC staff in various managerial, technical, financial and Information Technology fields.

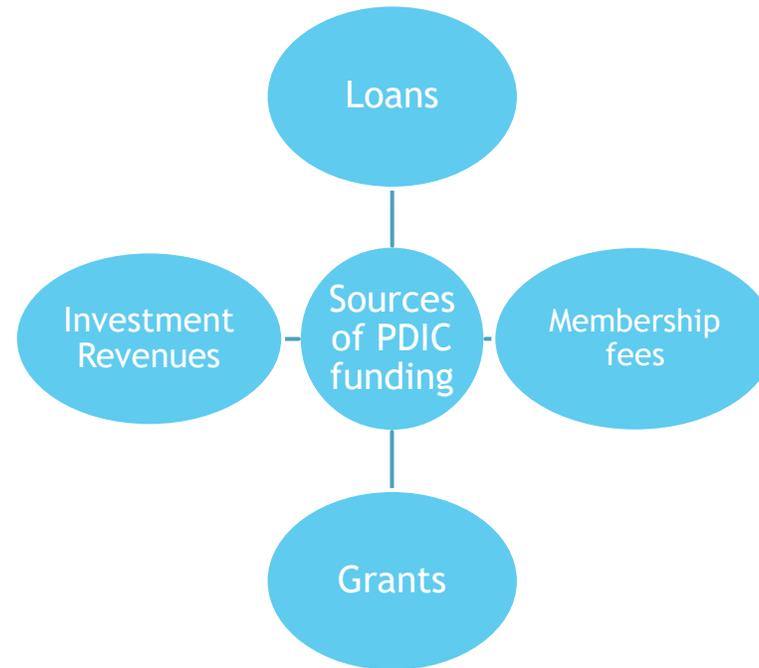
The PDIC was able to achieve many of its goals in the recent years, which provided motivation for superior performance in the coming years, supported by the hard work of PDIC staff under its Board of Directors supervision.

Part I: Palestine Deposit Insurance Corporation (PDIC)

PDIC Establishment

- The PDIC was founded in accordance to presidential Decree-Law No. (7) Of 2013, as a legal entity that enjoys full legal capacity, financial and managerial independence, with the objective of insuring deposits in member banks, promoting a culture of saving, and enhancing public confidence in the Palestinian banking system. PDIC is responsible for compensating depositors and liquidating insolvent banks as a sole legally-sanctioned liquidator in accordance to Decree-Law No. (7) Of 2013.
- The PDIC fulfils its duties supported by comprehensive authority as an insurer of deposits and sole liquidator of banks, in addition to its supervisory role, which allows for the periodic exchange of member banks' data with the PMA in accordance to predetermined mechanisms that ensure the acquirement of all information needed to successfully achieve PDIC objectives.

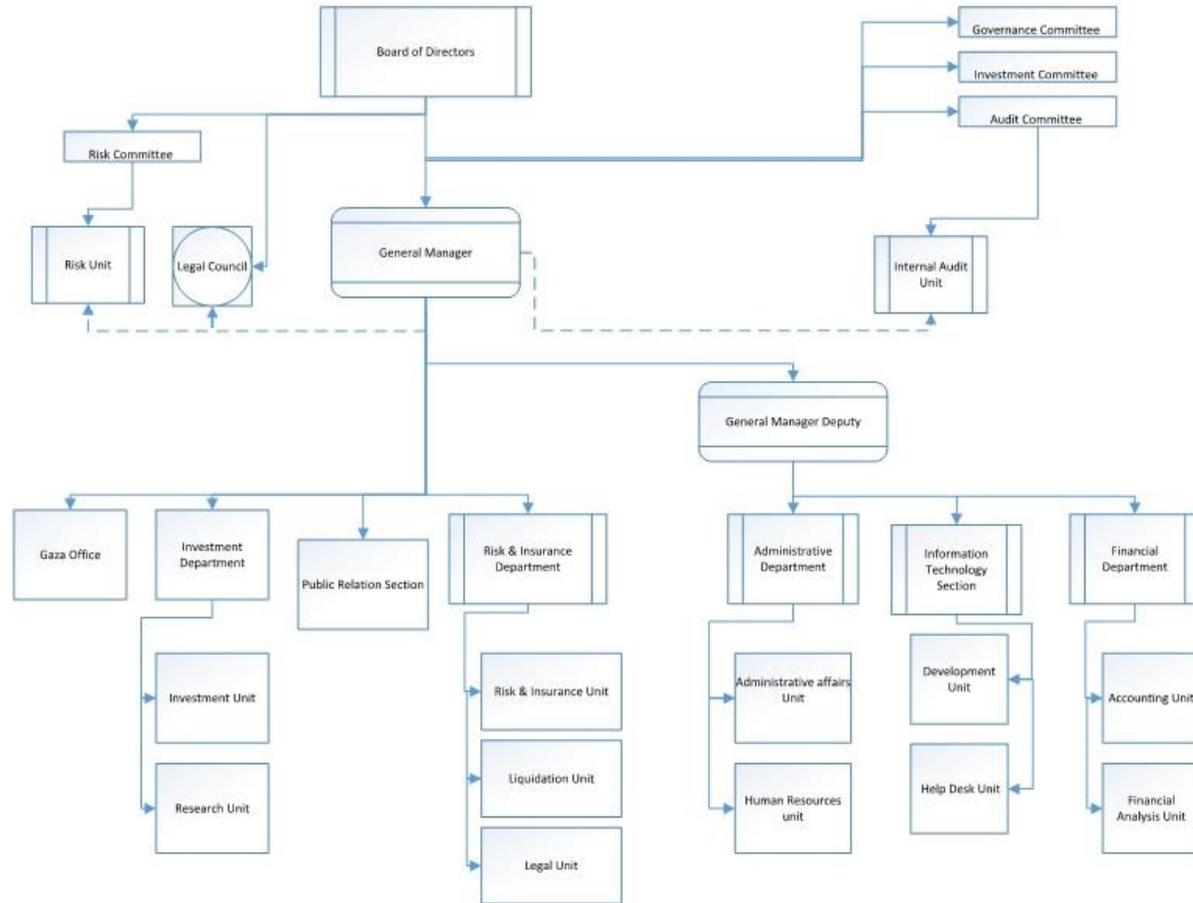
PDIC funding:



Board of Directors:

The board of directors adopts various roles, including formulating policies, setting PDIC strategy, approving annual budgets, approving PDIC investment policy and plan, determining annual membership fees, in addition to adopting the organizational structure and the jobs descriptions, approving the internal systems, instructions and procedures for the workflow and determining the coverage limit and other tasks.

Current PDIC Organizational Structure



Financial Safety Net:



The PDIC serves as a cornerstone to the Palestinian financial safety net, working side by side with the PMA and the Ministry of Finance (MOF) to preserve stability in the Palestinian banking and financial sector. The MOF intervenes as a final guarantor, where government treasury may step in against future financial crisis, thus serving the ultimate objective of preserving the financial stability.

Member banks

Membership in PDIC is mandatory for all the banks operating in Palestine

Commercial banks	Islamic Banks
Banks of Palestine	Palestine Islamic Bank
Arab Bank	Arab Islamic Bank
National Bank	Safa Bank
Quds Bank	
Palestine Investment Bank	
Cairo Amman Bank	
Jordan Ahli Bank	
Bank of Jordan	
Egyptian Arab Land Bank	
The Housing Bank for Trade and Finance	
Jordan Commercial Bank	

PDIC Performance (2014-2019)

The growth rate of numbers of depositors their deposits subject to the provision law for the period (2014-2018)

11.4%



The growth rate of deposit subject of provision law for the period (2014-2018)

41.8%



The public awareness growth rate for the period (2014-2019)

28.6%



The growth rate of depositors fully insured for the period (2014-2018)

14.4%



The growth rate of average deposit for depositors fully insured for the period (2014-2018)

89%

Part II: Strategic Plan

□ Vision

To reach a leading professional position in insurance deposits at the regional and international levels.

□ Mission

To reinforce the stability of the Palestinian banking system, encourage savings, and provide protection to depositors' savings in member banks

Core Values

- **Credibility and transparency:** Adhering to the highest ethical and professional standards when carrying out duties effectively and efficiently.
- **Loyalty:** Promoting the values of responsibility, loyalty and dedication towards PDIC and stakeholders.
- **Professionalism and excellence:** Applying the best international standards, practices, skills, knowledge and expertise.
- **Teamwork:** Working collaboratively in good spirits and maintaining effective communication lines with parties involved.
- **Continuous training:** offering staff continuous training opportunities to advance technically and professionally, and keep abreast of international best practices.

□ PDIC main role:

- Protecting the rights of depositors at member banks in accordance to the coverage limit stipulated by the law.
- Enhancing depositors' confidence in the banking system, supporting stability and raising public awareness of the deposit insurance system.

Strategic Planning Methodology and Core Foundations

The PDIC management employed a qualitative analysis and depended on institution-wide contribution from PDIC staff, based on an internal/external environment analysis which includes a SWOT analysis of strengths, weaknesses, opportunities and threats. As such, the plan included:

1. Determining the main measurable strategic goals based on the hypotheses utilized in formulating the strategic plan.
2. Determining measurable sub-goals for organizational units that guarantee the achievement of PDIC strategic goals.
3. Building an annual execution plan for each organizational unit to guarantee strategic goal achievement.
4. Setting performance measurement indicators for the PDIC and its organizational units.
5. Period follow-up on actual performance in comparison to planned progress, and laying out procedures to correct diversions that delays goal achievement.
6. Annual revision of the strategic plan to reflect any changes to its content or execution plans.

A diagram of plan building structure



Plan Hypotheses

1. No changes to PDIC authorities and responsibilities and remaining a Pay-box Plus
2. No major changes in the banking sector that may affect deposits' growth or lead to their decline
3. No default failure in any member bank
4. No major political changes
5. Depending on current staff and hiring for essential positions at PDIC

Internal & External Environment Analysis

First: Internal Environment

The internal environment analysis includes all factors and forces inside the institution, that may have a direct effect on its performance, or connects to a large degree to its components and activities, such as: its professional organizational components (organizational structure, goals, policies, ..etc.), in addition to components of the internal work environment (staff relations, training programs, performance evaluations and internal environment) that makes strategic goals achievable and finally the productive components (IT, research and development, resource management, ...etc.)

Second: External Environment

The PDIC continuously monitors the surrounding economic environment, member banks' performance and all aspects that may affect total deposits, or members' performance and financial positions. This aspect is considered the most significant on PDIC performance and constant monitoring of conditions in Palestine revealed the following:

- **The Economic Environment**

Economic forecasts point to continuous economic growth, despite persistent risks of deterioration due to political developments influencing the economy. It is expected that the GDP will grow, supported by rising private consumption that is financed by direct credit facilities granted by the banking sector, in addition to a rise in gross investment. Forecasts predict that inflation will remain close to its levels in recent years.

As for the Palestinian external sector, it is expected that exports will decline while imports rise, leading to a bigger deficit in the balance of trade¹.

- **The Banking Sector**

Bank performance has generally improved, leading to a rise in asset quality and capital, liquidity and profitability ratios. In addition to higher growth in direct credit facilities in recent years. The majority of banks are also experiencing growing in net income, while working to limit liquidity and credit risks to maintain a sustainable growth trend on the long-term, and this is achievable through enforcing IFSR 9 standard, which will increase safety and raise banks' solvency and ability to face potential risks.

¹ Economic Forecast Report, Palestine Monetary Authority.

- **SWOT Analysis**

Strengths	Weaknesses
<ul style="list-style-type: none">• The PDIC is the sole official institution responsible for liquidating insolvent banks.• Membership in the International Association of Deposit Insurers (IADI)• High compliance to international standards and practices• Participating in the steering committee for formulating a strategic plan for the financial inclusion in Palestine.• Raising the coverage limit, which increased the number of fully-insured depositors.• A qualified and distinctive staff• A supportive board of directors• Good management of assets, investments and expenses.	<ul style="list-style-type: none">• Insufficient qualified personnel in liquidation of insolvent banks.• not approving the liquidation manual and the compensating depositors manual.• Lack of a working-plan for raising awareness regarding the deposit insurance system.• No emergency plan
Opportunities	Threats
<ul style="list-style-type: none">• Strong external financial support for an electronic system linking the PDIC with the member banks databases, in addition to a system for compensating the depositors.• Expanding PDIC's supervisory role through conducting stress testing.• Developing risk management methods and mechanisms and transitioning into a risk based premium scheme.• Signing MOUs that can enhance PDIC's international standing.• Raising public awareness regarding the deposit insurance law.	<ul style="list-style-type: none">• Banking system's exposure to economic crisis that may affect its performance• Weak IT infrastructure for some of the member banks and their inability to provide data in a timely manner.• Unstable political conditions locally and internationally, which may affect returns on investment, and therefore, PDIC reserves.

Part III: Strategic Goals 2020-2022

No	Main Goal	Sub-goal	Assignee	Period	year	Performance criteria
1	Strategic plan	Setting strategic goals	BOD and GM	Q4	2019	<ol style="list-style-type: none"> 1. Bod-specified goals set 2. Proposed strategic plan formulated 3. Annual execution plans formulated 4. Plan-compatible budget completed 5. Strategic plan approved by BOD 6. A strategic and execution plan modified based on previous-year evaluation.
		Preparing strategic plan	GM	Q4	2019	
		Preparing execution plans	Directors of organizational units	Q4	2019	
		Setting the budget	GM and persons responsible	Q4	2019	
		Approving strategic plan and budget	BOD	Q1	2020	
		Annually-revised strategic and execution plans	GM	Q1	2021 2022	
2	Emergency Plan	Preparing an emergency plan	Executive management	Q2	2020	<ol style="list-style-type: none"> 1. Availability of a Proposed plan 2. Risk-Committee approval for plan granted 3. Annual progress reports
		Approval and follow-up on emergency plan	GM + Risk Committee	Q3	2020 2021 2022	
3	Activating the Risk Management Unit (RMU)	Preparing risk policy and manual	RMU GM	Q2	2020	1. Availability of Risk Policy and manual
		Preparing risk management plan	RMU GM	Q4	2020 2021 2022	1. Availability of Risk management plan
		Constant monitoring and evaluation of risks and supervisory procedures	Risk Committee		2021 2022	1. Annual report on supervisory environment of PDIC organizational units
		Fostering a culture of institutional risk management	RMU		2021 2022	<ol style="list-style-type: none"> 1. pre- and post-test 2. Level of supervision in organizational units

4.	Public Awareness of PDIC Objectives	Increasing public awareness by 10% annually	PR		2020 2021 2022	1. pre- and post-study 2. Report on results
5.	Preparing and implementing a risk based premium system	Preparing a clear methodology for transition towards risk based premium system	Insurance and Risk		2020	1. Completion of comprehensive policy that explains work mechanism to all parties
		Preparing the right environment in terms of IT systems, qualified staff and clear organizational framework	IT + Admin.		2020	1. Completing a tested electronic system and training staff to use it
		Testing the system through single-bank simulation	Insurance and Risk. + IT .		2020	1. A report on bank simulation results
		Issuing directives to banks and monitoring their transition to the risk based premium system	BOD and PMA		2021	1. Directives to banks on implementation date completed.
		Ensuring effective implementation of the risk based premium system	Insurance and Risk Dept		2022	1. A report on implementation results
6.	Preparing a liquidation Manual	Preparing liquidation procedures	Insurance and Risk Dept		2020 2021	1. Approved liquidation procedures
		Conducting simulations	Liquidation Committee		2021	1. Simulation results
		Approving and publishing the manual	BoD		2021	1. Manual approved

7	Approving depositors' compensation manual	Preparing compensation manual	Insurance and Risk Dept.	Q1	2020	1. manual completed
		Approving manual and procedures	BOD	Q2	2020	1. manual and procedures approved
		Developing a compensation electronic system	IT + Insurance and risk	Q4	2020	1. A report on system implementation
8	Implementing stress-testing system	Preparing general framework and methodology for stress-testing	Insurance and Risk	Q1	2020	1. Providing a written methodology for conducting tests 2. Report on test results 3. Instructions on implementation in banks completed
		Testing system accuracy through single-bank simulation	Insurance and Risk	Q2	2020	
		Approving and implementing the system	BOD	Q3	2021	
9	Capacity building	Implementing the approved training plan	Admin.	All-year	2020 2021 2022	1. Number of implemented trainings 2. Number of trained employees
		Improving internal environment	Executive management	All-year	2020 2021 2022	1. Conducting a job satisfaction survey 2. Pre/post measurement of satisfaction
		Increasing employee satisfaction	Executive management	All-year	2020 2021 2022	
		Nurturing employees' strengths and addressing their weaknesses	Executive management	All-year	2020 2021 2022	1. Audit and Risk Unit reports on organizational units' performance

10	Building a digital working environment	Creating a paperless working environment	IT	Q3	2020	<ul style="list-style-type: none"> • Study of impact on paper costs • Study of impact on productivity • Study of degree of satisfaction regarding digital services provided • No. of procedures/ services that were digitized
		Achieving advanced levels of consistency in all systems and digital services	IT	Q2	2020	
		Protecting PDIC data and providing adequate and secure access	IT	All-year	2020 2021 2022	
		Improving tech-support available for all organizational units	IT	All-year	2020 2021 2022	
11	Ensuring suitable levels of liquidity when needed	Reaching a financing agreement with local banks	GM	Q2	2020	Agreement reached with one or more banks.
		Achieving targeted reserve levels	Investment, Insurance and Risk Financial	Q4	2020 2021 2022	Periodic report on reserve target
12	Revision and formulation of systems and policies	Revision and formulation of policies, systems and procedures	Executive management		2020 2021 2022	<ol style="list-style-type: none"> 1. Availability of new or modified policies and procedures 2. Availability of approved and implementable policies.
		Revision, amendment, and approval from GM	Admin.			
		Approval of BOD	BOD			
		Implementation of policies and procedures	Executive management			