



ANNEX C1: Twinning Fiche

Project title: Strengthening the Palestinian Monetary Authority and its role to support the stability, transparency, accountability and the digital transition of the financial sector in Palestine

Beneficiary administration: Palestine Monetary Authority

Twining Reference: PS 25 NDICI FI 01 26

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EU funded project

TWINNING TOOL

1. Basic Information

1.1 Programme: “PEGASE: Direct Financial Support to the Palestinian Authority 2025” - NDICI/2025/ACT-62519 & “PEGASE: Direct Financial Support to the Palestinian Authority 2026 - 2027” NDICI/2026/ACT-63357

Direct Management

1.2 Twinning Sector: *Finance, Internal market and economic criteria (FI)*

1.3 EU-funded budget: EUR 2 000 000

1.4 Sustainable Development Goals (SDGs):

- **8.10** Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance, and financial services for all.
- **16.4** By 2030, significantly reduce illicit financial and arms flows, strengthen the recovery and return of stolen assets, and combat all forms of organized crime.
- **16.6** Develop effective, accountable, and transparent institutions at all levels.

2. Objectives

2.1 Overall Objective:

The overall objective of the project is to contribute to the stability, transparency, accountability, and digital transition of the financial sector in Palestine.

2.2 Specific objectives:

The specific objective of the project is to foster the adoption of modernised oversight practices and the integration of secure digital innovations into the financial sector in Palestine.

2.3 The elements targeted in strategic documents, i.e., National Development Plan/Cooperation agreement/Association Agreement/Sector reform strategy, and related Action Plans

- Euro-Mediterranean Interim Association Agreement on trade and cooperation between the European Community, of the one part, and the Palestine Liberation Organization (PLO) for the benefit of the Palestinian Authority of the West Bank and the Gaza Strip – art. 43, Financial services;
- EC/EEAS Joint Communication on the Pact for the Mediterranean - Pillar II: Stronger, more sustainable and integrated economies;
- The National Program for Development and Reform (Access to financial services) and the National Development Pact for the Future of Palestine (Accelerating digital transformation);
- National Payment Systems (NPS) Framework 2026-2030;
- Palestine Financial Inclusion Strategy 2026-2028;
- EU-Palestinian Authority Reform Agenda¹.

The PMA's strategic framework aims to build a stable, sustainable, and inclusive financial system that allows all Palestinians to have permanent access to a range of financial services and products. The PMA's key priorities include expanding the financial system, strengthening institutional governance, and diversifying products. By promoting transparency and efficiency, the PMA aims to ensure that essential financial services remain accessible to the entire population.

¹ EU-PA Reform Agenda 2024-2027.

3. Description

3.1 Background and justification:

The PMA is an independent public institution mandated to formulate and implement monetary and banking policies. Established by the Palestine Legislative Council under PMA Law No. 2 (1997) and complemented by Banking Law No. 9 (2010), the PMA maintains price stability, safeguards the banking sector, and promotes sustainable national economic growth. To achieve these objectives, the PMA focuses on:

- Developing and implementing monetary policy designed to ensure low inflation and achieve price stability;
- Providing transparent regulation and supervision of banks, microfinance institutions, moneychangers, and payment service providers;
- Overseeing the development, implementation, and operation of modern, efficient payment systems.

The Palestinian banking sector is currently facing several systemic challenges that threaten its stability and the broader economy. The precarious state of correspondent banking relations creates a climate of extreme uncertainty, as the constant threat of severance from Israeli correspondent banks risks decoupling the Palestinian economy from global trade and essential import payments. Simultaneously, the banking system is under strain from accumulated physical shekel holdings due to the Bank of Israel's transfer limits. This forces Palestinian banks to carry billions in uninvested currency, incurring high insurance costs and triggering a persistent liquidity trap. This instability is further compounded by the high level of bank exposure to the Palestinian Authority (PA) and its employees. As clearance revenues have been withheld in full since May 2025, the PA has relied heavily on domestic credit to remain operational. As a result, by the end of 2025, direct lending to the Government plus bank lending to public employees reached approximately 42% of total banking sector lending.

The PMA has made significant progress in implementing international standards, particularly in capital adequacy, risk management, and payments. The PMA has established an oversight policy framework focused on payment systems in the region and has received technical assistance from the World Bank to modernise it.

The digital financial ecosystem in the West Bank and Gaza is expanding, yet its growth is hampered by persistent political, economic, and infrastructural barriers that severely restrict financial inclusion. A stark example of this exclusion is evident in bank account ownership: by the end of 2022, just 46% of adults had an account, leaving over half the population unbanked.

The PMA has taken significant steps in the digital transformation of payment services. Key milestones include the 2023 launch of the E-Sadad platform, which enables banks and e-wallet users to settle bills and dues digitally, followed by the 2024 introduction of the I-Buraq platform, facilitating instant transactions between bank and e-wallet customers. Additionally, the PMA introduced a new Payment Law, established regulatory frameworks for licensing payment service providers (including non-bank entities), developed the Electronic Cheque Clearing (ECC) system, and activated the PMA-operated National Switch to process card and point-of-sale (POS) transactions.

Within this context, Mobile Network Operators (MNOs) have become pivotal in advancing financial inclusion, leading the digital payments landscape with platforms that enable peer-to-peer transfers, utility and merchant payments, and international remittances (although on a limited scale).

Fintech firms and technology providers have become indispensable in fostering innovation, broadening access to digital payments, and delivering tailored financial solutions. Their influence has grown significantly alongside the expansion of instant payment systems, mobile wallets, and platform-based financial services. Through its recent licensing initiatives, the PMA has not only enabled non-bank service providers to operate within a robust regulatory framework but has also

spurred greater competition and technological progress across the sector. Nonetheless, the number of initiatives overall is still limited, and few companies have proven ready to go to market.

The *microfinance sector* in Palestine is considered one of the main pillars of financial and social stability. It forms an important building block of the Palestinian national economy due to its social and developmental role in reaching marginalized groups, providing them with opportunities to integrate into the formal financial sector and access basic financial products and services necessary for their active participation in the economy.

The PMA has identified a need for greater product diversification within the sector. This includes the expansion of Islamic products, agricultural lending, home-improvement loans, green lending, and support for entrepreneurs. The PMA will also address this by allowing different categories of MFIs to provide other non-lending financial services either directly or in partnership with other financial services providers (FSPs).

The PMA is committed to promoting the sector's social mission, focusing on inclusivity and serving clients at the bottom of the pyramid. This includes encouraging microfinance institutions (MFIs) to adopt cash-flow-based lending methodologies and adhere to the SMART Campaign's consumer protection principles. Furthermore, to help raise public awareness of the sector, the PMA will foster awareness of its importance and encourage Research Institutes and Universities to conduct studies to measure the impact of the microfinance sector in Palestine on job creation and poverty alleviation.

3.2 Ongoing reforms:

The Twinning project will be implemented within the framework of the PMA's ongoing financial sector modernisation agenda, which prioritises the transition to a cashless economy, strengthening payment system resilience, and enhancing supervisory and market conduct frameworks in an increasingly digital environment. Furthermore, the project will contribute to the implementation of the EU-PA Reform agenda, providing instruments to improve the investment and business climate as well as public financial management.

The PMA is advancing a comprehensive reform programme to modernise domestic and cross-border payment systems, improve interoperability, and increase the efficiency, speed, transparency, and inclusiveness of payments and remittances. These reforms aim to reduce excessive reliance on cash, expand access to safe and affordable digital financial services, and support economic resilience, including in crisis-affected contexts. In parallel, the PMA is strengthening payment system oversight, cybersecurity supervision, and operational resilience frameworks to ensure that digital financial infrastructure remains secure, reliable, and robust against cyber threats, operational disruptions, and external shocks.

Beyond the technical modernisation of systems, the PMA recognizes that the transition to digital finance is fundamentally behavioural and trust-driven. Accordingly, ongoing reforms increasingly emphasise consumer protection, market conduct, transparency, financial literacy, and public awareness to ensure inclusive adoption of digital payments by individuals, merchants, and vulnerable groups. This includes enhancing disclosure standards, complaint handling mechanisms, data protection practices, and oversight of fees and service quality across digital payment channels.

On the supervisory side, the PMA is modernising its supervisory framework in line with risk-based supervision and the EU Supervisory Review and Evaluation Process (SREP). Reforms focus on integrating ICT, cyber, operational, and consumer-facing risks into supervisory assessments, particularly as financial institutions expand digital delivery channels and rely more heavily on technology and third-party service providers. These efforts are complemented by initiatives to strengthen governance, internal controls, and crisis preparedness across the financial sector.

In parallel, PMA is building institutional preparedness to address developments related to virtual assets and potential central bank digital currencies (CBDCs) issued by neighbouring jurisdictions, particularly currencies circulating in the Palestinian economy. This includes assessing regulatory,

operational, consumer protection, and financial stability implications to safeguard payment system functionality, monetary stability, and financial integrity.

Public–private cooperation with banks, payment service providers, fintech companies, and infrastructure operators is central to achieving these objectives. The PMA’s reform agenda places particular emphasis on structured public–private partnerships (PPPs) to support digital payment infrastructure, merchant acceptance, interoperability solutions, and inclusive market development, while embedding appropriate consumer protection and market conduct safeguards.

Within this context, the Twinning project will serve as an implementation-oriented instrument, providing hands-on technical assistance, procedural support, and applied policy guidance. The project will focus on translating the PMA’s strategic priorities into practical, sustainable outcomes that strengthen economic governance, digital transformation, and financial stability. The actions will be carried out in complementarity with ongoing support from other international financial institutions.

3.3 Linked activities:

A range of ongoing supports for the PMA’s reform agenda, as well as completed technical assistance initiatives from international financial institutions and development partners, provide an essential foundation for the proposed Twinning project.

In 2018, the International Monetary Fund (IMF) conducted a Financial Sector Stability Review (FSSR) at PMA’s request. The FSSR provided recommendations across several areas contributing to financial stability, including crisis management and bank resolution. Subsequent IMF follow-up missions have supported the PMA in implementing these recommendations, including:

- Establishing a dedicated resolution function, independent from banking supervision, and advising on supporting institutional arrangements;
- Developing components of resolution strategies and plans;
- Supporting the inclusion of resolution-related provisions in the draft Banking Law;
- Strengthening local and cross-border cooperation on crisis management and resolution;
- Developing resolution policies and contributing to the drafting of elements of the Crisis Management Plan (CMP).

IMF-METAC (Middle East Regional Technical Assistance Center) has also supported the PMA in strengthening risk-based supervision through enhanced inspection report templates, improved supervisory methodologies, and assistance related to International Financial Reporting Standards (IFRS 9) implementation, provisioning, loan restructuring, and classification frameworks.

In the areas of digital payments, payment system oversight, cybersecurity supervision, financial inclusion, sustainable finance, and market conduct, the PMA has received, and continues to receive, technical assistance from the World Bank, IMF, EIB, EPCGF, UNDP, and other partners. These initiatives focus primarily on diagnostics, strategy development, regulatory frameworks, and technical capacity building.

In addition, the European Union is supporting broader governance reforms through ongoing implemented projects in Public Administration Reform (PAR), Public Finance Management, and Rule of Law, which aim to strengthen policy coordination, legislative quality, public consultation mechanisms, service delivery, and transparency across the Palestinian public sector.

The proposed Twinning project is designed to complement these initiatives by focusing on hands-on, peer-to-peer institutional cooperation with an EU Member State, with an emphasis on implementing, operationalising, and applying reforms. It will bridge the gap between high-level recommendations and day-to-day supervisory, regulatory, and market conduct practices - particularly in areas related to digital payments adoption, consumer protection, supervisory integration (including SREP), PPPs for digital and financial infrastructure, and preparedness for emerging digital financial innovations.

3.4 List of applicable *Union acquis*/standards/norms:

- *Directive 2013/36/EU* of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms;
- *Directive 2009/110/EC* of the European Parliament and of the Council of 16 September 2009 on the taking up, pursuit and prudential supervision of the business of electronic money institutions
- *Directive (EU) 2015/2366* of the European Parliament and of the Council of 25 November 2015; on payment services in the internal market;
- *Communication from the Commission* to the European Parliament, the Council, the European Central Bank, the European Economic and Social Committee, and the Committee of the Regions, FinTech Action Plan: For a more competitive and innovative European financial sector;
- *EU Regulation (EU) 2023/1114* (Markets in Crypto-Assets, MiCA), establishing a comprehensive framework for crypto-asset regulation, including stablecoins and asset-referenced tokens;
- *5th Anti-Money Laundering Directive (5AMLD, Directive (EU) 2018/843)*, extending AML/CFT rules to virtual asset service providers;
- *6th Anti-Money Laundering Directive (6AMLD, Directive (EU) 2018/1673)*, on the criminalisation of money laundering offences;
- *Directive (EU) 2019/878 (CRD V)*, updating to prudential supervision, including SREP-related provisions;
- *EU Sustainable Finance Disclosure Regulation (SFDR, Regulation (EU) 2019/2088)*, on sustainable finance in digital payments;
- *EU Taxonomy Regulation (Regulation (EU) 2020/852)*, on the classification system for sustainable economic activities;
- *EU Acquis:*
 - Chapter 4 – Free movement of capital – in parts related to relations with third countries, cross-border payments, fight against money laundering and terrorist financing, and combat of financial crimes;
 - Chapter 9 – Financial services – with regard to rules for the authorisation, operation, and supervision of financial institutions in the area of banking;
 - Chapter 17 – Economic and monetary policy – with a focus on the independence of central banks.

3.5 Components and results per component:

Component 1: Digital payments

The PMA seeks to enhance payment systems resilience, including offline payment capabilities, and support continuity under challenging operating conditions. Furthermore, the PMA aims at strengthening interoperability and cross-border transactions.

Expected results:

- 1.1 Enhanced resilience and interoperability of domestic and cross-border payment systems;
- 1.2 Strengthened governance, cybersecurity oversight, and operational resilience of digital payment systems, informed by relevant EU standards and adapted to the Palestinian context;
- 1.3 Increased adoption of digital payments driven by improved consumer trust and financial inclusion.

Component 2: Virtual assets and Central Bank Digital Currencies (CBDCs)

The PMA operates within a multi-currency environment and does not issue a sovereign domestic currency. The financial system primarily relies on the Israeli New Shekel (ILS), the Jordanian Dinar (JOD), and the US Dollar (USD). In this context, the PMA may be exposed to spillover effects arising from external central bank digital currencies (CBDCs), stablecoins, and other virtual assets circulating in the region.

The objective of this component is to safeguard payment system functionality, monetary and financial stability, consumer protection, and financial integrity within the constraints of Palestine's monetary framework. Where relevant, the component will also explore the long-term feasibility considerations associated with a potential Palestinian digital currency.

Expected results:

- 2.1 A risk-based regulatory and supervisory framework is developed for virtual assets, aligned with international standards and tailored to the Palestinian context;
- 2.2 Enhanced PMA's technical and analytical capacity, and institutional preparedness to monitor virtual asset activities and assess the operational implications of external CBDCs, as part of financial stability and consumer protection;
- 2.3 Strengthened institutional preparedness to conduct feasibility assessments and policy analysis related to potential CBDC design options, without prejudice to issuance decisions.

Component 3: Public-Private Partnerships (PPPs) for digital/financial infrastructure

Structured public-private partnerships (PPPs) with banks, payment service providers, fintech companies, and infrastructure operators can be important to support digital payment infrastructure, merchant acceptance, interoperability solutions, and inclusive market development.

Expected results:

- 3.1 A structured and risk-based PPP governance framework is developed and operationalised to guide digital and financial infrastructure projects, including clear roles, accountability mechanisms, and risk-sharing arrangements;
- 3.2 PPP mechanisms are used to design, pilot, and scale interoperable, cost-efficient digital payment solutions that support merchant adoption, cross-platform integration, and broader financial inclusion.

Component 4: Supervisory Review and Evaluation Process (SREP) Modernisation

The PMA focuses on integrating ICT, cyber, operational, and third-party risks into supervisory assessments, particularly as financial institutions expand digital delivery channels and increasingly rely on technology providers and outsourced service arrangements. This includes the development of sector-wide cyber resilience testing frameworks, supervisory stress testing methodologies addressing digital operational risks, and the deployment of enhanced Supervisory Technology (SupTech) tools to support data-driven, real-time monitoring and risk assessment.

Expected results:

- 4.1 A risk-based and forward-looking Supervisory Review and Evaluation Process (SREP) framework is designed and adopted;
- 4.2 Automated supervisory tools to streamline SREP implementation are adopted;
- 4.3 The resilience of Palestinian banks is improved through the implementation of the modernised SREP framework.

3.6 Means/input from the EU Member State Partner Administration(s):

The implementation of the project requires one project leader (PL) responsible for overall supervision and coordination of project activities. The PL will be supported by one resident twinning adviser (RTA) who will manage the implementation of project activities. The implementation of the project will also require four component leaders (CLs) and a pool of short-term experts (STEs), within budget limits. The RTA will work directly with the PMA. The team must have sufficiently broad expertise to cover all areas included in the project/component description. The team should include Central Bank professionals from the Member State(s) to address the high level of technical expertise required for the four components.

The interested Member State(s) will present a proposal detailing their strategy, methodology, approach, timetable, structure, and the quality of the expertise to be mobilised. The proposal should clearly show the administrative structure and capacity of the Member State entity, as well as its personnel. The interested Member State(s) shall include in their proposal the CVs of the designated PL(s) and the RTA, as well as the CVs of the potentially designated CLs. In addition, the Member State(s) shall provide a general overview of the planned activities, which will be further developed in collaboration with the twinning partner.

The Twinning project will be implemented in close co-operation between the partners, aiming to achieve the mandatory results sustainably.

The set of proposed activities will be further developed with the Twinning partners when drafting the initial work plan and successive rolling work plan every three months, keeping in mind that the final list of activities will be decided in cooperation with the Twinning partner. The components are closely inter-linked and need to be sequenced accordingly.

3.6.1 Profile and tasks of the PL:

High-ranking, committed Member State (MS) official or assimilated agent who heads the implementation of the twinning project, and formally signs all work plans/their updates.

Tasks:

- Coordinate and manage the project to ensure timely and effective implementation in cooperation with the beneficiary country's Project Leader.
- Co-chair the project Steering Committee meetings with the beneficiary country's PL.
- Follow up on the implementation of the work plan with the beneficiary country's PL and make modifications as needed.
- Coordinate with the Member State's experts.
- Monitor and evaluate the project, track the progress against the budget, and take corrective decisions to keep the project on track when necessary.
- Responsibility for the interim and final reports with the beneficiary country's PL.
- Coordinate the deployment of short-term experts.
- Ensuring compliance with EU requirements.

Education, Experience & Skills:

- The PL should have a university degree in economics, law or a discipline relevant to the project, or equivalent professional relevant experience of 8 years.
- Minimum 3 years of experience at a senior managerial level in a regulatory authority of an EU MS.
- Minimum 3 years of experience working within or providing technical advisory services to central bank(s), or experience as a technical adviser on central banking in international organizations or related bodies.

- Knowledge of EU legislation on central banking.
- Comparative knowledge of national experiences.
- Computer literacy.
- Excellent written and oral command of English is a must.

3.6.2 Profile and tasks of the RTA:

The Resident Twinning Adviser (RTA) will be appointed to reside in Palestine for the duration of the project, and will work under the supervision of the Member State PL and the Beneficiary Country PL.

Tasks:

- Providing general technical advice on EU policies and best practices;
- Coordinate all the project activities in the Beneficiary Country.
- Daily management of the project in the beneficiary institution.
- Coordinate project implementation and propose corrective actions as needed.
- Organize and participate in the Steering Committee meetings.
- Coordinate and assist the short-term experts.
- Draft the interim progress reports to be finalized by the PLs.
- Prepare regular project monitoring meetings/briefings.
- Networking with institutions relevant to this project and in the EU MS
- Liaising with the EU Representative Office.

Education, Experience & Skills:

- The RTA should have a university degree in economics, banking, law, or a discipline relevant to the project, or equivalent professional experience of 8 years.
- Minimum 3 years of technical experience in central banking or corresponding experience in international organizations or related bodies.
- Proven experience in project management and coordination. Experience related to central banking reforms is preferred.
- Knowledge of the EU legislative framework and best practices in the fields relevant to the activities.
- Experience in overseeing, monitoring, and evaluating projects.
- Experience in report writing and critical analysis.
- Good communication skills.
- Computer literacy.
- Excellent written and oral command of English is a must.

3.6.3 Profile and tasks of Component Leaders:

A Component Leader will be assigned for each of the four components. Component Leaders will ensure continuity and consistency within each of the fields concerned. The Member State shall designate, for each component, a short-term expert who, in addition to contributing directly to individual activities, acts as the Component Leader and coordinates, in close cooperation with the RTA, the intervention of all other Member State experts mobilised for the same component. He will be responsible for delivering the mandatory results/outputs for the specific components.

Common tasks of Component leaders:

- Component coordination, guidance, and monitoring;
- Analysing the area relevant to the component;
- Timely proposals for any corrective measures;
- Liaise with MS and PL, and daily contacts with the RTA counterpart

All the component leaders must have the minimum following qualifications and skills:

- University degree in a similar discipline relevant to the component or equivalent professional experience of 8 years,
- Minimum 3 years of professional experience in the domain covered by the component.
- Fluency in written and spoken English.

3.6.4 Profile and tasks of other short-term experts:

Short-term experts will deliver their expertise under the overall responsibility of the Member State PL and the coordination and supervision of the RTA. Short-term experts are expected to perform specific tasks/activities. The detailed expert input shall be established when the Twinning work plan is set.

General Qualifications and Skills required for the short-term Experts:

- Relevant university degree or equivalent professional experience of 8 years,
- Minimum 3 years of professional experience in the domain for which they are mobilised,
- Experience in development cooperation; prior work in the Middle East region would be an asset,
- Excellent English communication skills, both spoken and written.

4. Budget

EUR 2 000 000

5. Implementation Arrangements

5.1 Implementing Agency responsible for tendering, contracting, and accounting:

The office of the European Union Representative (West Bank and Gaza Strip, UNRWA)

Contact person: Mr. Davide Morucci

Programme Officer

Tel: +972 2 541 5812

Email: davide.morucci@eeas.europa.eu

5.2 Institutional framework

The institutional framework of the PMA refers to the structure and organization of the central banking institution responsible for the management and regulation of monetary and financial matters in the Palestinian territories. The PMA operates within the framework established by the PA and works towards promoting monetary stability, enhancing the financial sector, and supporting economic development.

The key components of the institutional framework of the PMA:

Legal Basis: The PMA operates under the Palestinian Monetary Authority Law of 1994, which establishes its legal mandate, powers, and responsibilities. This law provides the legal framework for the operation of the PMA and outlines its objectives, functions, and governance structure.

Independence: The PMA operates independently of the Palestinian government in its decision-making and policy formulation. This independence is crucial for maintaining the integrity and credibility of the central bank's operations and ensures its ability to pursue sound monetary policies.

Governance Structure: The PMA is governed by a Board of Directors composed of prominent experts and professionals in the field of economics, finance, and banking. The board is responsible

for setting the strategic direction of the PMA, making policy decisions, and overseeing the implementation of its functions.

Monetary Policy: According to the legal framework, the PMA supposed to be responsible for formulating and implementing monetary policy in Palestine. Because, Palestine does not have its own currency and depends on monetary union with Israel, it has limited monetary policy tools.

Financial Stability and Regulation: The PMA oversees and regulates the financial sector to promote its stability and integrity. It issues licenses to banks and financial institutions, supervises their operations, and enforces prudential regulations to safeguard the soundness of the financial system. The PMA also monitors risks and implements measures to prevent money laundering, terrorist financing, and other financial crimes.

Payment Systems: The PMA manages and oversee the payment systems in the Palestinian territories, ensuring efficient and secure payment and settlement mechanisms.

Financial Inclusion: The PMA works towards promoting financial inclusion and expanding access to financial services for all segments of society. It encourages the establishment of microfinance institutions and initiatives that support financial literacy and inclusion, especially in underserved areas.

International Cooperation: The PMA actively engages in international and regional financial institutions and cooperates with central banks and monetary authorities worldwide. It participates in various forums and initiatives to share experiences, enhance expertise, and strengthen the Palestinian financial system's integration with the global economy.

Overall, the institutional framework of the PMA provides the necessary structure and mechanisms for managing monetary policy, regulating the financial sector, and contributing to the stability and development of the Palestinian economy.

5.3 Counterparts in the Beneficiary administration:

PMA will assign a PL and an RTA counterpart which will act as the counterparts of the EU MS PL and RTAs; the PL and RTA counterpart will be staff of the Beneficiary administrations and will be actively involved in the management and coordination of the project.

5.3.1 Contact person:

Dr Yahya Shunnar
Chairman and Governor

Palestinian Monetary Authority
P. O. Box 452
Al-Bireh - Ramallah Governorate - Palestine

5.3.2 Project leader counterpart

Faris Hindi
Director of the Payment Department

Palestinian Monetary Authority
P. O. Box 452
Al-Bireh - Ramallah Governorate - Palestine

5.3.3 RTA counterpart

Dima Najjar
Projects Coordinator - Planning Department

6. Duration of the project

25 months (22 months for implementation and 3 months for closure).

7. Management and reporting

7.1 Language

The official language of the project is the one used as contract language under the instrument (English). All formal communications regarding the project, including interim and final reports, shall be produced in the language of the contract.

7.2 Project Steering Committee

A project steering committee (PSC) shall oversee the implementation of the project. The main duties of the PSC include verification of the progress and achievements *via-à-vis* the mandatory results/outputs chain (from mandatory results/outputs per component to impact), ensuring good coordination among the actors, finalising the interim reports and discuss the updated work plan. Other details concerning the establishment and functioning of the PSC are described in the Twinning Manual.

7.3 Reporting

All reports shall have a narrative section and a financial section. They shall include as a minimum the information detailed in section 5.5.2 (interim reports) and 5.5.3 (final report) of the Twinning Manual. Reports need to go beyond activities and inputs. Two types of reports are foreseen in the framework of Twinning: interim quarterly reports and final report. An interim quarterly report shall be presented for discussion at each meeting of the PSC. The narrative part shall primarily take stock of the progress and achievements *via-à-vis* the mandatory results and provide precise recommendations and corrective measures to be decided by in order to ensure the further progress.

8. Sustainability

The sustainability of this twinning action should refer to the ability of the PMA to maintain its benefits, adapt to evolving technologies and customer needs. It also will support the PMA to manage its operations and policies in a way that ensures stability and resilience, contributing to long-term economic and social development. Given the great attention to the use of FinTech in central banking, in term of digitalisation of the services, some key factors that influence the sustainability of the reforms supported by the action should be considered. These includes:

Technological Advancements: The sustainability of digital transformation reform relies on continuous technological advancements and innovation. As technology evolves, it is essential for digitalization services to keep pace and leverage emerging technologies such as artificial intelligence, machine learning, and block-chains.

Regulatory Environment: A supportive and adaptive regulatory framework is crucial for the sustainability of financial stability. Regulations should strike a balance between promoting innovation and ensuring consumer protection, data privacy, and cybersecurity. A robust regulatory environment fosters trust in financial services and encourages competition and fair practices among service providers.

Financial Inclusion: Sustainable digital transformation reforms aim to enhance financial inclusion by providing access to banking services for underserved populations. This includes reaching unbanked or underbanked individuals and small businesses in remote areas or low-income communities. By expanding access to financial services, digital transformation can contribute to reducing economic inequality and promoting inclusive economic growth.

Cybersecurity and Data Privacy: As digital financial services handle sensitive customer data and financial transactions, ensuring robust cybersecurity and data privacy measures is vital for sustainability. Ongoing investments in cybersecurity infrastructure, encryption technologies, and proactive monitoring systems are necessary to protect customer information and maintain trust in digital banking platforms.

Collaboration and Partnerships: Collaboration between banks, FinTech companies, and other stakeholders is crucial for the sustainability of digital financial service reforms. Partnerships can leverage the strengths of different players, combining traditional banking expertise with innovative FinTech solutions. Collaborative efforts facilitate knowledge sharing, accelerate technology adoption, and enhance the overall digital banking ecosystem.

Scalability and Interoperability: Sustainable digital financial services reforms should be scalable and interoperable. This allows for the seamless integration of digital banking services with other financial systems and platforms. Scalability ensures that digital banking services can accommodate growing customer demand without compromising quality or performance.

Environmental Impact: With the increasing focus on sustainability, digital financial services reforms should also consider their environmental impact. Embracing paperless transactions, minimizing energy consumption, and adopting eco-friendly practices contribute to a greener and more sustainable banking system.

In summary, the project sustainability should ensure the PMA remains effective, accountable, and adaptable institution that govern and regulate the Palestinian financial sector efficiently and contributing to economic stability and development over the long term. This requires a balance between independence and accountability, financial resilience, and a commitment to addressing environmental and social concerns while also embracing technological innovation and international cooperation.

By considering the above factors during the design and implementation of the project by both the MS and PMA, this twinning intervention can contribute to establishment of a solid foundation for long-term sustainability, ensuring that it remains adaptive, customer-centric, secure, and inclusive in the face of technological advancements and changing market dynamics.

9. Crosscutting issues (equal opportunity, environment, climate etc...)

The reforms supported by this twinning intervention can play a transformative role in advancing gender and human rights policies, promoting equal opportunity, addressing environmental challenges, empowering minority communities, bridging regional disparities, and fostering inclusive economic growth. By ensuring accessibility to and affordability of various banking services, these reforms can help create a more inclusive and sustainable financial ecosystem that benefits the whole society.

10. Conditionality and sequencing

Components and mandatory results to be implemented in this Twinning are strongly related to current activities of the beneficiary. The Twinning will fill in knowledge gaps and provide practical and timely support.

Within the scope of this project, PMA shall dedicate the qualified staff and appropriate space to ensure the smooth and effective implementation of the project in full and concise cooperation with the EU member state.

No external conditions, including other technical assistance projects, preventing the achievement of the results of the Twinning project currently exist or are foreseen to exist during the implementation of the Project activities. Similarly, there is no need to sequence the implementation of the Components as they can be implemented in parallel, without interfering with one another.

11. Indicators for performance measurement

Component 1: Digital payments

Expected results	Indicators
1.1 Enhanced resilience and interoperability of domestic and cross-border payment systems	Number of regulatory/policy frameworks adopted or updated to strengthen payment system resilience
1.2 Strengthened governance, cybersecurity oversight, and operational resilience of digital payment systems, informed by relevant EU standards and adapted to the Palestinian context	Number of manuals/documents developed (e.g., risk-based supervision manual for digital payments, cybersecurity guidelines, consumer protection standards)
1.3 Increased adoption of digital payments driven by improved consumer trust and financial inclusion	Percentage of adults using digital payments (e.g., mobile money, e-wallets, or card payments) at least once per month

Component 2: Virtual assets and Central Bank Digital Currencies (CBDCs)

Expected results	Indicators
2.1 A risk-based regulatory and supervisory framework is developed for virtual assets, aligned with international standards and tailored to the Palestinian context	Number of regulatory/policy documents adopted (e.g., guidelines on CBDC interoperability, stablecoin oversight, and cross-border digital currency flows)
2.2 Enhanced PMA's technical and analytical capacity, and institutional preparedness to monitor virtual asset activities and assess the operational implications of external CBDCs, as part of financial stability and consumer protection	Number of PMA staff trained in digital currency supervision and data-driven policy tools
2.3 Strengthened institutional preparedness to conduct feasibility assessments and policy analysis related to potential CBDC design options, without prejudice to issuance decisions	Number of PMA staff trained in CBDC feasibility assessment methodologies

Component 3: Public-Private Partnerships (PPPs) for digital/financial infrastructure

Expected results	Indicators
3.1 A structured and risk-based PPP governance framework is developed and operationalised to guide digital and financial infrastructure projects, including clear roles, accountability mechanisms, and risk-sharing arrangements	Number of PPP-related legal/regulatory instruments adopted Number of PMA staff and private-sector partners trained on PPP compliance and risk management

3.2 PPP mechanisms are used to design, pilot, and scale interoperable, cost-efficient digital payment solutions that support merchant adoption, cross-platform integration, and broader financial inclusion	Number of PPP-driven pilot projects launched for establishing interoperable digital payment solutions
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Component 4: Supervisory Review and Evaluation Process (SREP) modernisation

Expected results	Indicators
4.1 A risk-based and forward-looking Supervisory Review and Evaluation Process (SREP) framework is designed and adopted	Number of SREP-related regulatory instruments adopted Number of PMA staff trained in SREP methodologies and tools
4.2 Automated supervisory tools to streamline SREP implementation are adopted	Number of automated supervisory tools deployed
4.3 The resilience of Palestinian banks is improved through the implementation of the modernised SREP framework	Number of systemic risks identified and mitigated via SREP Increase in average capital adequacy ratio (CAR) for high-risk banks

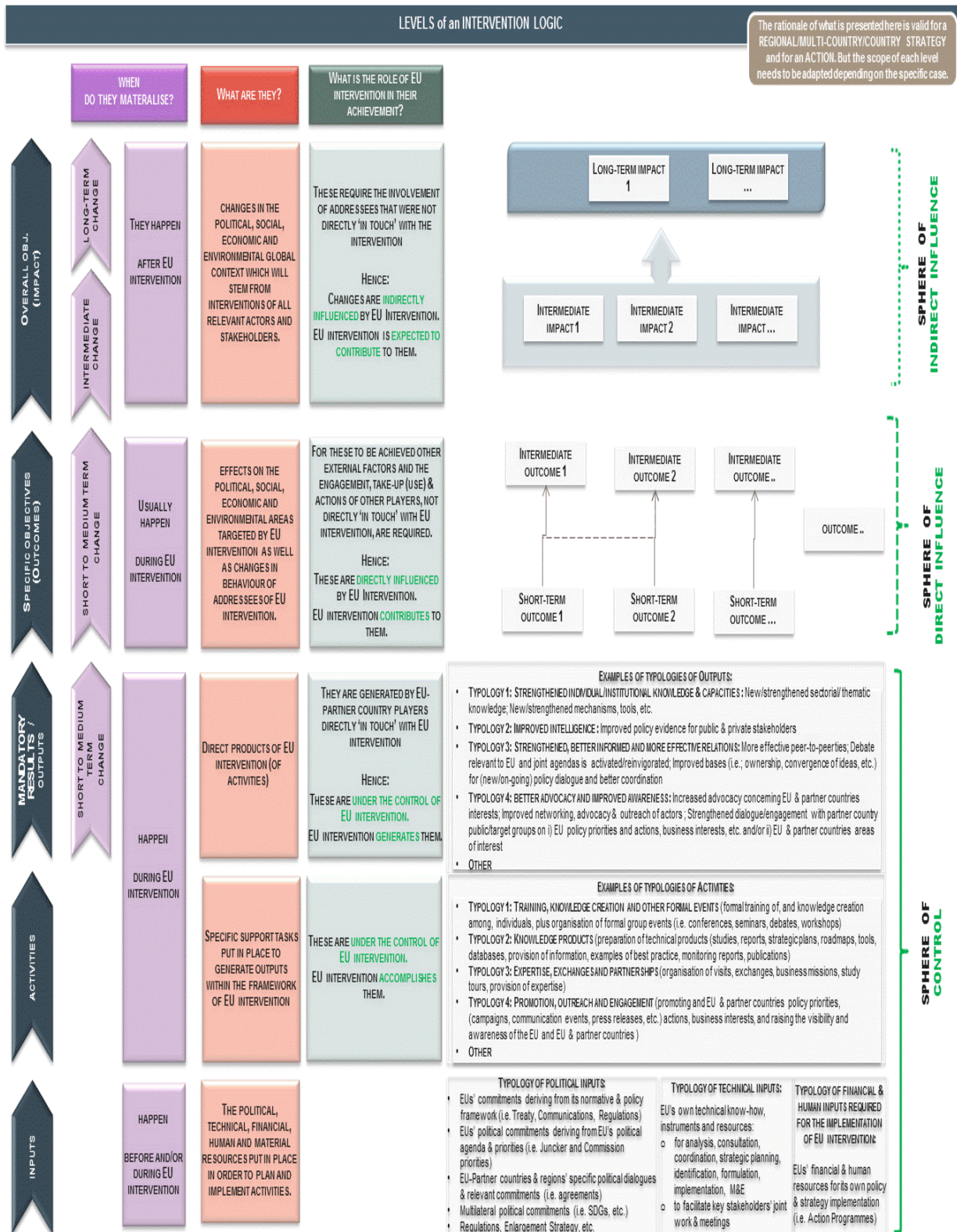
12. Facilities available

The beneficiary shall make available the necessary infrastructure for Member State(s) experts to carry out their tasks. The beneficiaries should provide equipped office space for the RTA and the short-term experts. The beneficiaries are expected to set up an office unit dedicated to the implementation of the project and to make available, free of charge, meeting rooms and space for training for the implementation of project activities and conference facilities, unless otherwise justified to use rented premises.

ANNEXES TO PROJECT FICHE

1. The Simplified Logical Framework Matrix (Annex C1a);
2. National and Sectoral AML/CFT Strategy (AML/CFT strategy and implementation fall under the mandate of the Financial Follow-Up Unit (FFU));
3. National Strategy for Financial Inclusion in Palestine 2018-2025;
4. PMA Payment Systems Five-Year Strategic Framework (2026-2030).

ANNEX C1a: Levels of an intervention logic



Annex C1a : Simplified Logical Framework*

*Indicators and targets will be revised within the scope of the overall and specific objectives during the Inception phase in order to reflect the evolving situation on the ground.

	Description	Indicators (with relevant baseline and target data)	Sources of verification	Risks	Assumptions (external to project)
Overall Objective	To contribute to the stability, transparency, accountability and the digital transition of the financial sector in Palestine	<p><u>Indicator:</u> % of Palestinian adults using digital financial services (e-wallets, mobile money, or cards) at least once per month.</p> <p><u>Baseline:</u> 46% (2022)</p> <p><u>Target:</u> At least 65%</p>	<p>PMA Annual Reports</p> <p>Project implementation reports</p>	<p>Worsening economic and security situation in Palestine</p> <p>Low trust in digital systems</p> <p>Limited access to digital infrastructure in remote areas</p>	<p>Despite increasing risks, the banking system stays relatively resilient to the economic downturn</p> <p>PMA's consumer protection frameworks reduce fraud risks</p>
Specific Objective	To foster the adoption of modernised oversight practices and the integration of secure digital innovations into the financial sector in Palestine	<p><u>Indicator:</u> % increase in the volume of cross-border digital payment transactions</p> <p><u>Baseline:</u> To be defined</p> <p><u>Target:</u> To be defined</p>	<p>PMA Annual Reports</p> <p>Project implementation reports</p>	<p>Restrictions on shekel clearance by Israeli authorities limit cross-border flows.</p> <p>Low merchant adoption of digital platforms due to fees or technical barriers</p>	<p>PMA's interoperability frameworks are implemented on schedule</p> <p>Correspondent banking relationships remain stable</p>

	Description	Indicators (with relevant baseline and target data)	Sources of verification	Risks	Assumptions (external to project)
Component 1: Digital payments					
Mandatory results/ outputs by components	1.1 Enhanced resilience and interoperability of domestic and cross-border payment systems	<p><u>Indicator 1.1.1:</u> Number of regulatory/policy frameworks adopted or updated to strengthen payment system resilience</p> <p><u>Baseline:</u> Current frameworks for payment systems lack comprehensive provisions on resilience, interoperability, and cross-border alignment with EU standards</p> <p><u>Target:</u> At least three frameworks improved (e.g. one for operational resilience, one for interoperability and one for cross-border payments)</p>	<p>PMA Annual Reports</p> <p>Project implementation reports</p>	Resistance from traditional financial institutions (banks) to adopt interoperable digital payment systems, delaying regulatory implementation	The political and macroeconomic environment remains stable enough to allow sustained focus on payment system reforms
	1.2 Strengthened governance, cybersecurity oversight, and operational resilience of digital payment systems, informed by relevant EU standards and adapted to the Palestinian context	<p><u>Indicator 1.2.1:</u> Number of manuals/documents adopted (e.g., risk-based supervision manual for digital payments, cybersecurity guidelines, consumer protection standards)</p> <p><u>Baseline:</u> Current manuals partially address digital payment governance, with no comprehensive documentation aligned with EU standards</p>	<p>PMA Annual Reports</p> <p>Project implementation reports</p>	Limited institutional capacity to develop, validate and implement technical manuals	The legal and regulatory environment remains conducive to adopting and enforcing new manuals/documentation

	Description	Indicators (with relevant baseline and target data)	Sources of verification	Risks	Assumptions (external to project)
	1.3 Increased adoption of digital payments driven by improved consumer trust and financial inclusion	<p><u>Target:</u> (At least) three manuals adopted to stakeholders</p> <p><u>Indicator 1.3.1:</u> Percentage of adults using digital payments (e.g., mobile money, e-wallets, or card payments) at least once per month</p> <p><u>Baseline:</u> To be defined</p> <p><u>Target:</u> 15% increase from baseline</p>	<p>PMA Annual Reports</p> <p>Project implementation reports</p>	Low consumer awareness and engagement, limiting their trust in adopting digital payments	The digital infrastructure (e.g., internet connectivity, mobile network coverage) and foundational financial literacy levels are sufficient to engage the wider public
Component 2: Virtual assets and Central Bank Digital Currencies (CBDCs)					
Mandatory results/outputs by components	2.1 A risk-based regulatory and supervisory framework is developed for virtual assets, aligned with international standards and tailored to the Palestinian context	<p><u>Indicator 2.1.1:</u> Number of regulatory/policy documents adopted (e.g., guidelines on CBDC interoperability, stablecoin oversight, and cross-border digital currency flows)</p> <p><u>Baseline:</u> No dedicated framework exists</p> <p><u>Target:</u> At least 2 regulatory frameworks (e.g., one for CBDC spillover management, one for stablecoin supervision)</p>	<p>Adopted PMA regulatory documents</p> <p>Project implementation reports</p>	<p>Palestine's limited monetary sovereignty and reliance on multiple currencies (ILS, JOD, USD) may restrict PMA's ability to enforce CBDC-related regulations</p> <p>Banks and payment providers may lobby against CBDC-friendly regulations, fearing disintermediation or</p>	<p>International bodies (e.g., BIS, IMF, FATF) will continue to develop consistent CBDC principles that the PMA can adopt</p> <p>Private sector will adhere to new regulations and invest in compliance systems</p> <ul style="list-style-type: none"> The PMA secures buy-in from key stakeholders (e.g., banks, Ministry of Finance) to

	Description	Indicators (with relevant baseline and target data)	Sources of verification	Risks	Assumptions (external to project)
	<p>2.2 Enhanced PMA’s technical and analytical capacity, and institutional preparedness to monitor virtual asset activities and assess the operational implications of external CBDCs, as part of financial stability and consumer protection</p>	<p><u>Indicator 2.2.1:</u> Number of PMA staff trained in digital currency supervision and data-driven policy tools</p> <p><u>Baseline:</u> Limited prior training in these areas</p> <p><u>Target:</u> At least 20 staff members trained (including IT, supervisors and compliance departments)</p>	Project implementation reports	<p>competition</p> <p>PMA’s existing IT systems may lack the scalability or compatibility to integrate AI/big data tools for real-time monitoring</p>	participate in feasibility studies on CBDC
	<p>2.3 Strengthened institutional preparedness to conduct feasibility assessments and policy analysis related to potential CBDC design options, without prejudice to issuance decisions</p>	<p><u>Indicator 2.3.1:</u> Number of PMA staff trained in CBDC feasibility assessment methodologies</p> <p><u>Baseline:</u> Limited or no prior structured training for PMA staff on CBDC feasibility assessment tools, including cost-benefit analysis, regulatory sandboxes, or pilot design</p> <p><u>Target:</u> At least 15 PMA staff trained in methodologies for assessing CBDC technical feasibility (e.g., DLT/blockchain scalability, cybersecurity)</p>	Project implementation reports		

	Description	Indicators (with relevant baseline and target data)	Sources of verification	Risks	Assumptions (external to project)
Component 3: Public-Private Partnerships (PPPs) for digital/financial infrastructure					
Mandatory results/ outputs by components	3.1 A structured and risk-based PPP governance framework is developed and operationalised to guide digital and financial infrastructure projects, including clear roles, accountability mechanisms, and risk-sharing arrangements	<p><u>Indicator 3.1.1:</u> Number of PPP-related legal/regulatory instruments adopted</p> <p><u>Baseline:</u> No existing PPP-specific regulations</p> <p><u>Target:</u> At least two regulatory instruments adopted (e.g. a PPP-specific annex to the Payment Law and/or a PPP oversight unit within the PMA)</p>	<p>Adopted PMA regulatory documents</p> <p>Project implementation reports</p>	<p>Delayed adoption of PPP legal/regulatory instruments due to bureaucratic or political obstacles</p> <p>Resistance from private sector to PPP frameworks perceived as overly restrictive</p>	<p>Political stability allows for uninterrupted legislative and regulatory processes</p> <p>Private sector remains financially viable and interested in PPPs</p> <p>Technological infrastructure (e.g., internet, electricity, mobile networks) is reliable</p> <p>Israeli authorities maintain current levels of access for Palestinian financial transactions and cross-border payments</p>
	3.2 PPP mechanisms are used to design, pilot, and scale interoperable, cost-efficient digital payment solutions that support merchant adoption, cross-platform integration, and broader financial inclusion	<p><u>Indicator 3.2.1:</u> Number of PPP-driven pilot projects launched for establishing interoperable digital payment solutions</p> <p><u>Baseline:</u> Limited interoperability</p> <p><u>Target:</u> At least two pilot projects are launched (e.g. a national QR code standard and a low-cost remittance corridor)</p>	<p>Project implementation reports</p>		
Component 4: Supervisory Review and Evaluation Process (SREP) modernisation					
Mandatory results/	4.1 A risk-based and forward-looking SREP framework is	<u>Indicator 4.1.1:</u>	Adopted PMA regulatory documents	Delayed approval of SREP	Political stability allows for uninterrupted

	Description	Indicators (with relevant baseline and target data)	Sources of verification	Risks	Assumptions (external to project)
outputs by components	designed and adopted	<p>Number of SREP-related regulatory instruments adopted</p> <p><i>Baseline:</i> Outdated compliance-based supervision</p> <p><i>Target:</i> At least two regulatory instruments adopted</p> <p><i>Indicator 4.1.2:</i> Number of PMA staff trained in SREP methodologies and tools</p> <p><i>Baseline:</i> No structured SREP training</p> <p><i>Target:</i> At least 40 PMA staff trained</p>	<p>Project implementation reports</p>	<p>framework due to political or bureaucratic obstacles</p> <p>Misalignment between SREP and existing laws (e.g., Banking Law, Company Law)</p> <p>Overlap or conflict with other regulatory initiatives (e.g., AML/CFT)</p>	<p>legislative and regulatory processes</p> <p>Banks/MFIs remain financially viable and capable of meeting SREP requirements</p>
	4.2 Automated supervisory tools to streamline SREP implementation are adopted	<p><i>Indicator 4.2.1:</i> Number of automated supervisory tools deployed</p> <p><i>Baseline:</i> Manual, paper-based processes. No automated risk monitoring</p> <p><i>Target:</i> At least two tools deployed (e.g. one early warning system for liquidity, credit, and operational risks. and one automated reporting platform to</p>	<p>Deployed and operational PMA supervisory tools</p> <p>Project implementation reports</p> <p>Project implementation reports</p>	<p>PMA's IT infrastructure cannot support new tools</p> <p>Cybersecurity vulnerabilities in automated tools</p> <p>Staff resistance to adopting new tools</p>	<p>Banks have (or can develop) IT capacity to integrate with PMA's automated tools</p> <p>Stable internet/electricity infrastructure supports the deployment of new tools</p> <p>Israeli authorities maintain current levels of access to</p>

	Description	Indicators (with relevant baseline and target data)	Sources of verification	Risks	Assumptions (external to project)
	4.3 The resilience of Palestinian banks is improved through the implementation of the modernised SREP framework	<p>reduce manual data collection)</p> <p><i>Indicator 4.3.1:</i> Number of systemic risks identified and mitigated via SREP</p> <p><i>Baseline:</i> Limited systemic risk monitoring</p> <p><i>Target:</i> Systemic risks regularly monitored and addressed</p> <p><i>Indicator 4.3.2:</i> Increase in average capital adequacy ratio (CAR) for high-risk banks</p> <p><i>Baseline:</i> To be defined</p> <p><i>Target:</i> To be defined</p>	<p>PMA supervisory assessments</p> <p>Project implementation reports</p>	<p>Political instability triggers bank runs or liquidity crises</p> <p>SREP's capital/liquidity requirements hamper credit growth</p>	<p>financial systems for Palestinian</p> <p>Public trust in banks is maintained</p>