

Document of  
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Report No: 107669

PROJECT PAPER

ON A

PROPOSED GRANT

IN THE AMOUNT OF US\$ 0.7 MILLION

TO THE

PALESTINIAN CENTRAL BUREAU OF STATISTICS

FOR A

Palestine PECS 2016/17 (P158633)

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## CURRENCY EQUIVALENTS

Exchange Rate Effective N/A

## FISCAL YEAR

January 1 – December 31

## ABBREVIATIONS AND ACRONYMS

CAS	Country Assistance Strategy
CPI	Consumer Price Index
CQS	Consultant Qualification
DA	Designated Account
DHS	Demographic and Health Survey
DL	Disbursement Letter
FM	Financial Management
GDP	Gross Domestic Product
GNP	Gross National Product
IBRD	International Bank of Reconstruction and Development
IDA	International Development Association
IFR	Interim Financial Report
IPF	Investment Project Financing
LFS	Labor Force Survey
MoF	Ministry of Finance
MENA	Middle East and North Africa
PA	Palestine Authority
PCBS	Palestinian Central Bureau of Statistics
PECS	Palestinian Expenditure Consumption Survey
PMO	Project Management Office
PP	Procurement Plan
QCBS	Quality and Cost Based Selection
SSS	Single Source Selection
TFSCB	Trust Fund for Statistical Capacity Building
ToR	Terms of Reference
WA	Withdrawal Application

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**WEST BANK & GAZA**  
**Palestine PECS 2016/17 (P158633)**

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## DATA SHEET

*West Bank and Gaza*

Palestine PECS 2016/17 (P158633)

### Small RETF Grant Project Paper

*Middle East and North Africa*

*GPV05*

Basic Information									
Date:	March 8, 2016			Sectors:	Poverty				
Country Director:	Steen Lau Jorgensen			Themes:	Social protection and risk management				
Practice Manager/Global Practice Senior Director:	Benu Bidani / Ana L. Revenga			EA Category:	C-Not Required				
Project ID:	P158633								
Instrument:	Investment Financing Project								
Team Leader(s):	Sergio Daniel Olivieri								
Recipient Palestinian Central Bureau of Statistics									
Executing Agency: Palestinian Central Bureau of Statistics									
Contact:	Fida Twan			Title:	Director of Living Standards Department				
Telephone No.:	9729702-2982700			Email:	tfida@pcbs.gov.ps				
Project Implementation Period:	Start Date: 01-March-2016			End Date: 30-June-2017					
Expected Effectiveness Date:									
Expected Closing Date: 31-July-2017									
Project Financing Data(US\$M)									
Total Project Cost :	0.70			Total Financing :	0.70				
Financing Gap :	0.00								
Financing Source					Amount(US\$M)				
BORROWER/RECIPIENT					0.00				
Trust Fund for Statistical Capacity Building					0.70				
Financing Gap					0.00				
Total					0.70				
Expected Disbursements (in USD Million)									
Fiscal Year	2016	2017	2018						
Annual	0.20	0.48	0.02						
Cumulative	0.20	0.68	0.70						
Project Development Objective(s)									

The PDO is to support the Palestinian Central Bureau of Statistics (PCBS) in collecting the next round of the Palestinian Expenditure Consumption Survey (PECS) for monitoring regularly different socio-economic indicators. The original intended PECS survey in 2015 has faced severe budget constraints. Despite PCBS's readiness to implement the full survey by revisiting questionnaires, sampling design and piloting; PCBS has been unable to go to the full implementation stage. This puts at risk the ability to run the full survey on time in 2016 which has already several months delayed.

### Components

Component Name	Cost (USD Millions)
Implementation of PECS survey 2016/17	0.70

### Compliance

#### Policy

Does the project depart from the CAS /CPS/CPF in content or in other significant respects?	Yes [ ]	No [X]
Does the project require any exceptions from Bank policies?	Yes [ ]	No [X]
Have these been approved by Bank management?	Yes [ ]	No [X]
Is approval for any policy exception sought from the Board?	Yes [ ]	No [X]
Does the project meet the Regional criteria for readiness for implementation?	Yes [X]	No [ ]

#### Safeguard Policies Triggered by the Project

	Yes	No
Environmental Assessment OP/BP 4.01		X
Natural Habitats OP/BP 4.04		X
Forests OP/BP 4.36		X
Pest Management OP 4.09		X
Physical Cultural Resources OP/BP 4.11		X
Indigenous Peoples OP/BP 4.10		X
Involuntary Resettlement OP/BP 4.12		X
Safety of Dams OP/BP 4.37		X
Projects on International Waters OP/BP 7.50		X
Projects in Disputed Areas OP/BP 7.60		X

#### Legal Covenants

Name	Recurrent	Due Date	Frequency
<b>Description of Covenant</b>			

### Team Composition

#### Bank Staff

Name	Title	Specialization	Unit	UPI

Sergio Daniel Olivieri	Team Leader	Senior Economist	GPV05	316966
Tara Vishwanath	Team Member	Lead Economist	GPV05	87596
Christina Wieser	Team Member	Economist	GPV05	458837
Cornelia Mirela Catuneanu	Team Member	Program Analyst	GPV06	152088
Riham Hussein	Financial Management	Financial Management Specialist	GGO23	448674
Lina Fathallah Rajoub	Procurement Specialist	Senior Procurement Specialist	GGO05	351327
Mohammad Nadeem	Legal Analyst	Legal Analyst	LEGAM(08815)	231091
Vidya Narasimhan	Financer Officer	WFALN	WFALN	255977

**Non Bank Staff**

Name	Title	Office Phone	City

**Locations**

Country	First Administrative Division	Location	Planned	Actual	Comments

## **STRATEGIC CONTEXT**

### **A. Country Context**

1. The Palestinian economy was slowing down even before the eruption conflict in Gaza in early 2014. Following a period of sustained economic recovery between 2007 and 2011 when average yearly growth exceeded 8 percent, the economy has been struggling. The decline started in 2012 when the overall growth rate halved, falling to about 6 percent as a result of a sharp drop in foreign aid. This, against a backdrop of ongoing Israeli restrictions and high political uncertainty, led to significant fall in public and private consumption which caused growth rates to continue their decline, down to only 1.9 percent in 2013. The economic situation significantly deteriorated in 2014. The sharp drop in Gaza's growth was primarily caused by the closures of the tunnels with Egypt, which represented the main trade channel for imports and exports for Gaza.

2. The economic decline is resulting in growing unemployment. Unemployment reached 26 percent by the middle of 2014: 16 percent of the workforce in the West Bank and a staggering 45 percent in Gaza. At 40 percent each, women and youth have particularly high levels of unemployment. What is more, almost 23 percent of the workforce is employed by the public sector, an uncommonly high proportion that reflects the lack of dynamism in the private sector.

3. Even though the Palestinian economy has made considerable progress towards the twin goals of eradicating extreme poverty and shared prosperity, challenges remain both on poverty and inequality. The share of people living on less than US\$1.25 a day is less than 1 percent. However, the \$1.25 poverty line is not appropriate for the Palestinian situation, as evidenced by 25.8 percent living in poverty in 2011 (latest data available) according to the national, basic-needs based poverty line. In addition, a GINI coefficient of 40.3 percent indicates a significant level of income inequality in the Palestinian territories.

### **B. Sectoral and Institutional Context**

4. The Palestinian Central Bureau of Statistics (PCBS) conducted the first household expenditure and consumption survey in 1995/96. Since then, PCBS has tried to maintain an annual series which was only interrupted by the eruption of conflicts. This effort has resulted in eleven fruitful rounds of the Palestinian Expenditure and Consumption Survey (PECS) for years 1996-1998; 2001; 2004 up to 2011/12. This survey is very comprehensive and gathers information beyond consumption and expenditure like education, health, labor market status and social welfare programs which is representative at region (i.e. West Bank and Gaza Strip) and Locality (i.e. urban and rural).

5. The findings of these surveys constituted a solid database and enabled PCBS to publish detailed statistics regarding expenditure consumption patterns, and individuals' and households' incomes by different sources. It also helped on measuring poverty from a monetary and non-monetary viewpoint, as well as assessing copying mechanisms implemented by families living in a fragile environment. Furthermore, this survey has also contributed to the estimation of Gross National Product (GNP), improvement of a new Consumer Price Index (CPI) and provided necessary evidence for formulating national policies at various levels.

6. PCBS has always provided public access to the data which is unique in the Middle East and North African region (MENA). As a result Palestine has been up-to-date as one of the few MENA countries which is part of the Global database – POVCALNET-

7. A multi-year programmatic and comprehensive collaboration between the World Bank and the Palestinian Central Bureau of Statistics (PCBS) stated in 2010. This effort has produced several fruitful outputs like producing consistent trends of poverty estimates from 2004 and 2009 based on a revised methodology of poverty measurement. Furthermore, analytical work using multiple source of data – five rounds of the Palestinian Expenditure and Consumption Survey (PECS) from 2004-2009, twelve years of

the Labor Force Survey (LFS) data (1998-2009), and three rounds of the Demographic and Health Survey (DHS) data (2000, 2004, 2006) – created a strong evidence based diagnostic that has been used for policy and program formulation.

8. At the same time, results from this analysis also contributed in many improvements in the overall statistical system: Palestinian Expenditure and Consumption Survey’s questionnaire was revised and the underlying sampling methodology reviewed. Additionally, PCBS decided to conduct this survey every three to five years with short modules in between in order to enable continuous monitoring of poverty and other critical welfare indicators.

### **C. Higher Level Objectives to which the Project Contributes**

9. This project is fully aligned with the original Country Assistance Strategy (CAS) Pillar 1 of “Strengthen the institutions of a future state to ensure service delivery to citizens”, and in particular to Outcome 1.2 “Improved access to services by the poor and marginalized”. This activity is also associated with these objectives for the remaining period of the CAS, in particular, to deliver basic public services, especially in areas where the security threat has diminished, to reduce poverty and enhance citizen’s trust in the government institutions, by providing the most recent poverty estimates in this rapidly evolving context.

## **PROJECT DEVELOPMENT OBJECTIVES**

### **PDO**

10. The PDO is to support the Palestinian Central Bureau of Statistics (PCBS) in collecting the next round of the Palestinian Expenditure Consumption Survey (PECS) for monitoring regularly different socio-economic indicators. The original intended PECS survey in 2015 has faced severe budget constraints. Despite PCBS’s readiness to implement the full survey by revisiting questionnaires, sampling design and piloting; PCBS has been unable to go to the full implementation stage. This puts at risk the ability to run the full survey on time in 2016 which has already several months delayed.

### **Project Beneficiaries**

11. Major beneficiaries of the project are data producers and users in and out of Palestine such as the Palestinian Central Bureau of Statistics (PCBS), the National Poverty Committee; policy makers and planners, researches, local think tanks, academia, non-governmental organizations, international organizations and donors, among others.

### **PDO Level Results Indicators**

12. The key result that is expected from the Project is to collect the next round of the multi-topic household survey for Palestine (PECS 2016/17). Moreover a usual report presenting typical statistics that describe the current socio-economic situation in West Bank and the Gaza strip is also an important output.

13. Intermediate outputs include:

- a. Analysis of Pilot results
- b. Sampling design
- c. Training of trainers and enumerators

14. Data quality and accessibility: it is important to acknowledge that PCBS has made remarkable progress over the decades. As above mentioned, there have been not only significant improvements in



capacity evidenced by the high quality of the PECS surveys which has allowed analytical work, but also has committed to open access to data – all rounds of PECS are currently available for public use.

## PROJECT DESCRIPTION

### Project Components

15. There is only one component of the proposed project which is the *implementation of the next round of PECS 2016/17*. Different activities are part of the data collection process and are necessary to achieve the proposed PDO. The set of activities financed by this grant includes from training, survey preparation and design, up-to data processing and dissemination. This grant will also be used for purchasing some goods PCBS requires to conduct this survey. Note that the amount allocated for the latter is less than 20% of the total grant.

16. Fieldwork for the full Palestinian Consumption and Expenditure Survey (PECS) is planned to be conducted from March, 2016 until March, 2017. The intended sample size will be around 4,700 households which will be distributed on about 391 enumeration areas stratified by region: the West Bank (divided by North Middle and South), and Gaza Strip; and type of locality: rural, urban and refugee.

### Project Cost and Financing

17. The lending instrument will be Investment Project Financing (IPF), financed with a Recipient Executed Trust Fund for Statistics Capacity Building (TFSCB) at the amount of US\$ 0.7 million. It is worth to mention that the total cost of data collection for PECS 2016/17 is US\$ 1,20 million and the government contribution is about 42% of the total budget (around US\$ 0.5 million).

Project Components	Project cost	Grant Financing	% Financing
Implementing PECS 2016/17	1,200,000	700,000	58%
a. Training, Survey preparation & design	352,225	29,159	8%
b. Survey implementation & data collection	696,850	598,500	86%
c. Data Processing & dissemination	132,026	53,341	40%
d. Goods	18,900	18,900	100%
<b>Total Baseline Costs</b>	<b>1,200,000</b>	<b>700,000</b>	<b>58%</b>

## IMPLEMENTATION

### Institutional and Implementation Arrangements

18. The Palestinian Central Bureau of Statistics (PCBS) is the recipient and implementing agency of the proposed grant. The recipient received several Trust Funds for Statistics Capacity Building (TFSCB) before which are described below:

- a. National Strategy for development of statistics with an amount of \$ 96,500 in years 2007 - 2008.
- b. Trust Fund for Statistical Capacity Building with an amount of \$ 400,000 in year 2008 - 2010.

19. The Project Management Office (PMO) will be located in the PCBS and will be responsible for a day-to-day management of the project. The team will include staff from PCBS and consultants. It is relevant to add that this staff has experience on managing these type of funds.

## **Results Monitoring and Evaluation**

20. The recipient shall monitoring and evaluate the progress of the Project and prepare Project Reports in accordance with the provision of Section 2.06 of the Standard Conditions and on the basis of the indicators set in Annex 1.

## **KEY RISKS AND MITIGATION MEASURES**

21. An overall risk of the Project is moderate. There are some potential risks to be considered on the implementation of PECS. Some of these are typical when conducting a complex survey like PECS such as households' non-response produced by survey burden; and others are particular to fragile contexts such as accessibility constraints to some areas like Jerusalem due to current political situation. All of these difficulties are not unusual to PCBS and have been tackled in the past.

22. The Security situation will determine the geographic scope of the survey particularly in the Gaza Strip. However, the pilot, which has been completed, tested the modalities in the relatively insecure parts of Gaza, with considerable success. As it was in previous rounds of PECS, the security of the field team will not be compromised. The PCBS face security risks on a daily basis and have developed protocols over the last decades to accurately judge and mitigate these risks. These and more abundant precautions will be followed with safety and security being the most important element in the decision to undertake fieldwork in any area.

23. The security of the field teams will not be compromised. The PCBS face security risks on a daily basis and have developed protocols over the last decades to accurately judge and mitigate these risks. These and more abundant precautions will be followed with safety and security being the most important element in the decision to undertake fieldwork in the area.

## **APPRAISAL SUMMARY**

24. The main economic benefits of this grant are supporting PCBS on keeping the regularity on collecting one of the most comprehensive surveys in the country which contributes in calculating Gross Domestic Product (GDP) and CPI. Furthermore, it mainly helps on measuring poverty from a monetary and non-monetary viewpoint; assessing copying mechanisms implemented by families living in a fragile environment, and informing policy design for the less well-off. On the other hand, the monetary and non-monetary costs of implementing the project seem more than compensated to the benefits mentioned above.

25. The overall financial management risk for this grant is assessed as "moderate". Overall responsibility for the project's financial management (FM) and disbursement functions will rest with PCBS. PCBS will hold the sole responsibility to disburse on behalf of the project to suppliers, contractors, and consultants and will be responsible for day-to-day project implementation and financial management. World Bank funds will be disbursed through a segregated Designated Account (DA) in US Dollars. PCBS already has a World Bank DA at the Bank of Palestine (in Ramallah), which is managed by them. They have confirmed that it currently has a zero balance and will be used for this project. PCBS's accounting system will be used to record, report, and monitor the project's accounts. They record in both Bisan and Oracle systems. The system is capable of capturing all project-related transactions by component. PCBS will submit the Interim unaudited Financial Reports (IFRs) to the Bank within 45 days after the end of each period. An external auditor, acceptable to the Bank, will be appointed by the Ministry of Finance (MOF) to audit the project's financial statements based on terms of reference (TOR) acceptable to the Bank. Disbursement methods will include advances, reimbursements, direct payments, and special commitments. PCBS will be responsible for managing the DA and making all payments directly to contractors, consultants, and suppliers, including any incremental and operating costs. The detailed project financial management and disbursement are outlined in Annex II.

26. A Procurement Capacity and Risk Assessment carried out during preparation has determined that the procurement risk rating for the project is moderate. Procurement for the Project will be carried out in accordance with the ‘Guidelines: Procurement of Goods, Works and Non consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers’ published by the Bank in January 2011, revised July 2014 and the ‘Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers’ published by the Bank in January 2011, revised July 2014 the Grant Agreement and the Procurement Plan approved by the Bank. The ‘Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants’ published in October 2006 and revised in January 2011 shall also apply to the project. The overall responsibility for the implementation of project procurement will rest with the PCBS. PCBS would act as the main counterpart to the Bank for all procurement aspects of the project and would ensure that project procurement is carried out in accordance with the Grant Agreement and the Procurement Plan. PCBS has good experience implementing projects following the Bank’s Procurement and Consultants Guidelines, including the PCBS component under the ongoing EconRIB (P118560). Procurement activities envisaged under this grant are of simple nature. PCBS has in-house capacity and systems to handle project procurement. For each contract to be financed under the project, the different procurement and consultant selection methods, estimated costs, prior review requirements, and time frame are agreed between PCBS and the Bank project team in the Procurement Plan (PP). A procurement plan for the duration of project implementation was prepared by PCBS and will be agreed with the Bank prior to signing the Grant Agreement. The PP will be updated at least annually or as required to reflect the actual program implementation needs. The detailed project procurement arrangements are outlined in Annex III.

### **Other Safeguards Policies Triggered**

27. The project does not trigger any other safeguards policies

### **World Bank Grievance Redress**

28. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB’s Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB’s independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank’s corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit [www.inspectionpanel.org](http://www.inspectionpanel.org).

**Annex 1: Results Framework and Monitoring**  
**West Bank and Gaza: Palestine PECS 2016/17 (P158633)**

**Project Development Objective (PDO):** 10. The PDO is to support the Palestinian Central Bureau of Statistics (PCBS) in collecting the next round of the Palestinian Expenditure Consumption Survey (PECS) for monitoring regularly different socio-economic indicators. The original intended PECS survey in 2015 has faced severe budget constraints. Despite PCBS's readiness to implement the full survey by revisiting questionnaires, sampling design and piloting; PCBS has been unable to go to the full implementation stage. This puts at risk the ability to run the full survey on time in 2016 which has already several months delayed

PDO Level Results Indicators*	Core	Unit of Measure	Baseline	Cumulative Target Values**					Frequency	Data Source/ Methodology	Responsibility for Data Collection	Description (indicator definition etc.)
				2016	2017	YR3	YR 4	YR5				
Indicator One: PECS 2016/17 round	<input type="checkbox"/>	Yes/No	No	No	Yes				One every three or five years		PCBS	One multi-topic household survey.
Indicator Two: Tabulation report	<input type="checkbox"/>	Yes/No	No	No	Yes				One every three or five years	PECS 2016/17	PCBS	Report on key statistics based on new round of PECS (i.e. Poverty numbers, demographics, etc)
<b>INTERMEDIATE RESULTS</b>												
<b>Intermediate Result (Component One):</b>												
Intermediate Result indicator One: Review of Pilot	<input type="checkbox"/>	Yes/No	No	Yes					One-time	Pilot PECS 2016/17	PCBS	Check pilot results of survey instrument for PECS
Intermediate Result indicator Two: Sample design	<input type="checkbox"/>	Yes/No	No	Yes					One-time	Last available Census	PCBS	Revision of sample design
Intermediate Result indicator Two: Training	<input type="checkbox"/>	Yes/No	No	Yes					One-time	Staff training records	PCBS	Workshop for trainers and enumerators on implementation of survey instrument

\*Please indicate whether the indicator is a Core Sector Indicator (see further <http://coreindicators>)

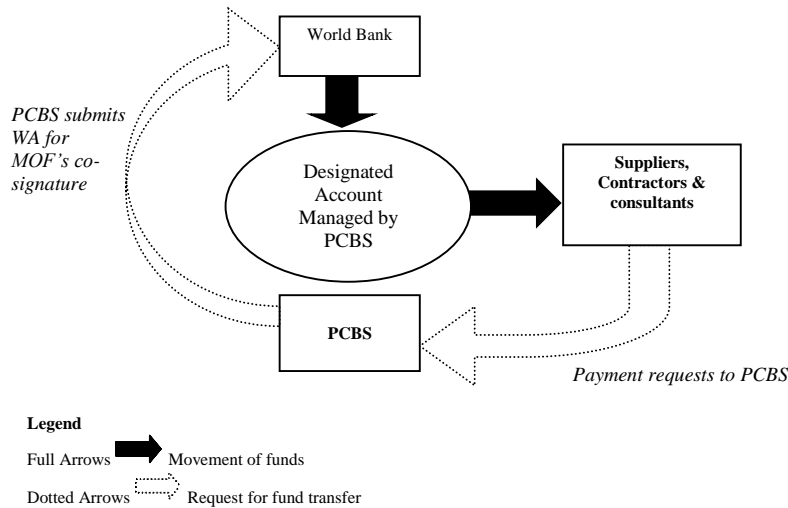
\*\*Target values should be entered for the years data will be available, not necessarily annually

## Annex II: Financial Management and Disbursement

### Financial Management

1. The overall responsibility for the implementation of financial management (FM) and disbursement arrangements will rest with PCBS. PCBS has worked with us in the past and has effectively administered Bank and donor funds, and their respective fiduciary arrangements for projects.
2. The overall financial management risk for the project is assessed as “moderate,” mainly due to the following factors:
  - a) Length of time between the last project and the current project.
  - b) The nature of the project, which will mainly finance one activity, may encourage collusive behavior.
3. The following is a summary of the agreed actions/mitigation measures:
  - a) Contract management will be centralized at PCBS.
  - b) PCBS will have the sole responsibility to disburse to suppliers, contractors, and consultants on behalf of the project.
  - c) An independent external auditor, acceptable to the Bank, will be hired on a competitive basis to perform an external audit of the project’s annual financial statements, in accordance with ToR acceptable to the Bank. In addition, the ToR will be expanded to include a provision for annual technical audits of the project.
  - d) A separate Designated Account will be opened by the MoF and will be used solely for this particular project.
  - e) PCBS will maintain separate financial transactions in its accounting software by opening a separate cost centers for this project.
  - f) PCBS will maintain complete supporting documentation for each contract, including signed contracts and invoices, and other related supporting materials, readily available for audit.
  - g) Quarterly financial management reports will be submitted to the Bank and supervision missions will be undertaken by the Bank semi-annually.
4. **Staffing at PCBS:** PCBS staff consists of a full-time financial and administrative manager, as well as a financial officer. The financial and administrative manager is a qualified accountant and is capable to monitor the grant’s FM and disbursement functions. The FM team is familiar with the World Bank’s FM and disbursements guidelines.
5. **Budgeting and Funds Flow:** PCBS will maintain a project budget and detailed disbursement plans. The budget will be developed based on an initial procurement plan and revised as needed. The budget will be analyzed quarterly as part of the Interim unaudited Financial Reports (IFRs).

## Flow of Funds



6. **Accounting & Reporting:** PCBS has a fully automated accounting system in place. This system is capable of capturing all project-related transactions. A separate cost center to track and report the use of project funds will be created after the Grant Agreement is signed in the government accounting system, Bisan. The accounting system, however, cannot generate the Interim Financial Reports (IFRs). Therefore, IFRs will be compiled manually using Excel spreadsheets. Transaction statements from the accounting system will be retained with the IFRs to provide an audit trail to the underlying documentation.

7. PCBS will be required to issue quarterly IFRs composed of (i) Statement of Sources and Uses of Funds for the period and cumulatively by donor and by component and subcomponent; ii) Comparison between budget versus actual along with explanations of significant variances between budgeted and actual amounts; (iii) Statement of Designated Account reconciling the period's opening and end balances; (iii) Contract listing; (iv) Fixed assets schedule; and (v) Physical Progress Reports, which include narrative information linking financial information with physical progress, and highlighting issues that require attention. The IFRs will be comprehensive and will cover all aspects of the project including all financing sources. IFRs content and format has been communicated and discussed with the project team.

8. **Internal Control and Internal Audit:** Project control procedures will follow the PCBS's internal control procedures, to ensure that project funds are used only for intended purposes and for financing eligible expenditures. PCBS's internal control procedures are summarized as follows: (i) Procurement officer review and approval, and financial and administrative manager review and approval; (ii) MoF financial controller review; and (ii) Each payment will be signed by two authorized signatories. *All* parties must approve payment requests before the authorized signatories sign the requested check.

9. **External Audit:** The project financial statements will be audited annually by a qualified independent external auditor acceptable to the Bank and in accordance with internationally accepted auditing standards and ToR acceptable to the Bank. The audit will be comprehensive covering all financiers and will be conducted in accordance with International Standards on Auditing. The scope of the audit will be expanded to assess and report on the effectiveness of internal controls and compliance with the Grant Agreement and applicable laws and regulations. Deficiencies will be reported through a management letter. The audited financial statements and management letter will be sent to the World Bank not later than six months following the end of the project.

10. PCBS in coordination with the MoF will be responsible for preparing the ToR for the external auditors. The ToR is to be submitted to the Bank for clearance three months after project effectiveness. The cost of the external auditor will be financed from the grant.

11. According to the World Bank's access to information policy issued on July 1, 2010, the project's audit report with audited financial statements will be made available to the public.

12. **Fixed Assets and Contracts Registers:** The Fixed Assets Register (if needed) will be maintained by PCBS and regularly updated and checked. The register will include all necessary information including fixed asset description, location, type, identification numbers, purchase date, invoice number, etc. Contracts registers will be maintained for all contracts.

13. **Supervision:** The project's FM arrangements and activities will be supervised semi-annually. The financial supervision activities will include review of IFRs, review of annual audited financial statements and management letters, as well as timely follow up on issues raised by the auditor and a review of SOEs if needed.

14. **Record Management:** PCBS will keep the project files for three years from the last audit of the project.

15. **Governance and Anti-Corruption:** Although it is impossible to eliminate the risk of fraud and corruption, prevention policies and internal control can reduce opportunities for it to occur. Fraud and corruption may affect project resources, thereby negatively affecting project outcomes. The above-proposed fiduciary arrangements are expected to reduce the risks of fraud and corruption that are likely to have a material impact on the project outcomes.

### **Disbursements**

16. The proceeds of the grant will be disbursed in accordance with the Disbursement Letter and the Bank's disbursement guidelines for projects. Transaction-based disbursement will be used under this project. Authorized signatories, names, and corresponding specimens of their signatures will be submitted to the Bank prior to the receipt of the first withdrawal application (WAs). For direct payments above the "minimum application size," as specified in the Disbursement Letter, withdrawal applications will be submitted to the World Bank for payments to suppliers and consultants directly. A Designated Account (DA) in US Dollars is open by the MoF. The DA will have a ceiling as specified in the disbursement letter. There will be no subaccounts under this DA, and reimbursements to the PA for payments made from its own resources will be made to accounts opened under the CTA with adequate safeguards to monitor accounts to which reimbursements would be made. Withdrawal applications submitted to the Bank will be prepared by PCBS and signed by the authorized signatories at the MoF, prior to submission to the Bank for processing.

### **Annex III: Procurement**

1. Procurement for the Project will be carried out in accordance with the ‘Guidelines: Procurement of Goods, Works and Non consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers’ published by the Bank in January 2011, revised July 2014 and the ‘Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers’ published by the Bank in January 2011, revised July 2014 the Grant Agreement and the Procurement Plan approved by the Bank. The ‘Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants’ published in October 2006 and revised in January 2011 shall also apply to the project.
2. **Procurement of Goods:** Goods packages are expected to cost less than the equivalent of US\$100,000 and would be procured using Shopping procedures on the basis of soliciting, receiving and evaluating competitive quotations from at least three qualified suppliers. The award would be made to the supplier with the lowest evaluated responsive price quotation for the required goods, provided it has demonstrated capacity to execute the contract successfully. In situations and circumstances that are in compliance with the provisions of paragraph 3.7 of the Guidelines for Procurement, Goods would be procured through Direct Contracting with Bank prior review.
3. **Selection of Consultants:** Contracts for consultancy services will be procured through Quality and Cost Based Selection (QCBS) procedures as described in Section II, paragraphs 2.1 to 2.35 of the Consultants Guidelines.
4. Consultancy assignments estimated to cost less than the equivalent of US\$300,000, that are of routine nature (such as financial audits) where well-established practices and standards exist, may be procured under Least Cost Selection (LCS) in accordance with the provisions of 3.1 and 3.6 of the Consultant Guidelines.
5. Consultancy services estimated to cost less than the equivalent of US\$300,000, for which the need for preparing and evaluating competitive proposals is not justified, Selection based on Consultants’ Qualifications (CQS) may be used in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.
6. Consultants for services meeting the requirements of section V of the Consultant Guidelines may be selected under the provisions for the Selection of Individual Consultants, i.e. in essence through the comparison of the curriculum vitae of at least 3 qualified individuals. Individual consultants may be selected on sole source basis with due justification in the exceptional cases specified in paragraph 5.4 of the Consultant Guidelines.
7. **Single Source Selection (SSS)** may be used exceptionally in accordance with paragraph 3.8 to 3.11 of the Consultant Guidelines when hiring consultants through competitive process is not practicable and upon Bank’s concurrence of the decision on the SSS method.
8. Shortlists of consultants for services estimated to cost less than US\$300,000 equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines, provided that a sufficient number of qualified individuals or firms (at least three) are available at competitive costs.
9. **Operating costs:** expenditures included in the operating costs expenditure category, and incurred by PCBS for purposes of the implementation, management, and monitoring and evaluation of the Project on account of office supplies and consumables, utilities, bank charges, communications, mass media and printing services, vehicle rental, operation, maintenance and insurance, office space rental, building and equipment maintenance, domestic travel, lodging, and subsistence allowances and salaries of contractual and temporary staff contracted for conducting the PEC Survey, would be procured in accordance with the established PA administrative procedures acceptable to the Bank.



10. A post procurement review of contracts which are not subject to the above prior review requirements shall be conducted once a year. The procurement post reviews should cover at least 10 percent of contracts subject to post review. Complete procurement documentation for each contract, including bidding documents, advertisements, bids received, bid evaluations, letters of acceptance, contract agreements, securities, related correspondence etc., will be maintained by PWA in an orderly manner, readily available for audit.

**Table AIII.1: Thresholds for Procurement Methods and Prior Review**

Category	Method of Procurement	Threshold (US\$ Equivalent)	Bank Prior Review Thresholds (US\$ Equivalent)
Goods	Shopping	< 100,000	None
	Direct Contracting	No threshold	All contracts
Firms	QCBS	No threshold	First contract
	LCS/CQS	<300,000	First contract
	SS	No threshold	All contracts
Individual Consultants	IC	No threshold	None
	SS	No threshold	All contracts