



Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 01-Nov-2021 | Report No: PIDC32985

**BASIC INFORMATION****A. Basic Project Data**

Country West Bank and Gaza	Project ID P177742	Parent Project ID (if any)	Project Name Public Financial Management Improvement Project Phase 2 (P177742)
Region MIDDLE EAST AND NORTH AFRICA	Estimated Appraisal Date Jan 17, 2022	Estimated Board Date Mar 16, 2022	Practice Area (Lead) Governance
Financing Instrument Investment Project Financing	Borrower(s) Ministry of Finance	Implementing Agency High Council for Public Procurement Policies	

Proposed Development Objective(s)

The Project Development Objective (PDO) is to enhance the public expenditure management, accountability, revenue administration, and procurement management of the Palestinian Authority and to modernize statistics at PCBS.

PROJECT FINANCING DATA (US\$, Millions)**SUMMARY**

Total Project Cost	8.00
Total Financing	8.00
of which IBRD/IDA	0.00
Financing Gap	0.00

DETAILS**Non-World Bank Group Financing**

Trust Funds	8.00
Special Financing	8.00

Environmental and Social Risk Classification

Concept Review Decision



Moderate

Track II-The review did authorize the preparation to continue

B. Introduction and Context

The Palestinian economy is facing another difficult year. Despite some improvement in the economy in the first half of 2021 due to the easing of virus containment measures, activity remains significantly below its pre-COVID levels and the short-term outlook is uncertain. The overall growth rate is estimated at 2.9 percent in 2021. While the West Bank is expected to grow by 3.6 percent, up from a very low base in 2020, the Gazan economy is projected to contract by 0.3 percent because of the conflict and the slow reconstruction efforts. The unemployment rate in the Palestinian territories reached 26.4 percent in the second quarter of 2021: 16.9 percent in the West Bank and 44.7 percent in Gaza. Budget support from donors has significantly declined in recent years and funds remain insufficient to close the large financing gap. As a share of GDP, aid to the budget fell from 27 percent in 2008 to 3 percent in 2020 and to around 2 percent estimated in 2021.

It is paramount that the Palestinian Authority continues improving its Public Financial Management (PFM) system to address the tremendous fiscal pressures to ensure scarce resources are used optimally, within an overall evidence-based approach. This will enable the PA to (i) ensure more effective and transparent implementation of public policies through the budget; (ii) better support the delivery of public services; and (iii) restore some confidence in the public institutions.

Sectoral and Institutional Context

Addressing the PFM constraints has the potential to enhance private sector investment and job creation by making business with the PA more open and, over time, supporting fiscal stability by making payments more certain. It can also improve service delivery to the public, and by strengthening accountability, restore the trust of citizens and development partners whose contributions are critical to the PA's budget.

Relationship to CPF

The proposed project is aligned with the World Bank Group's Assistance Strategy (AS) for FY22-25 (Report No. 156451-GZ) discussed by the Executive Board on April 29, 2021. The project directly contributes to Focus Area 1 "Strengthening Institutions for Economic and Social Prosperity" and specifically to objective 1.1 "Strengthening Institutions' Accountability and Transparency". The project will build on the ongoing Public Financial Management Improvement Project (P162850) and recent analytical work with a focus on improving budget execution through a sound PFM and procurement framework. The project will support strengthening of the PFM areas such as domestic revenue mobilization, institutional capacity for budget allocation and execution, and management and access to financial resources among LGUs. The project will also help improve procurement monitoring and reporting within the government to ensure value for money and fiduciary integrity and support the professionalization of the procurement workforce to maximize the benefits of the reforms. Finally, the project will directly address the present accountability gap by helping build the capacity of the PACC to prevent corruption.

This project is aligned with the PA's National Development Plan (NDP) 2021-2023, particularly its Pillar 2 on reform and enhancement of service delivery. The NDP describes strategies for strengthening institutions to provide more effective and quality citizen-centered public services. The project is also aligned with the PA's PFM Strategy 2021-2023



(approved by Cabinet in September 2020), with the components fully aligned with the Strategy’s objectives.

C. Proposed Development Objective(s)

The Project Development Objective (PDO) is to enhance the expenditure controls, accountability, revenue administration, and procurement management of the Palestinian Authority and to modernize statistics at PCBS.

Key Results

The achievement of the PDO will be measured through the following PDO level results indicators. Detailed results will be agreed upon during project preparation.

- Enhanced predictability in budget execution with reliable and timely information on commitments;
- Strengthened cash and debt management with improved cash and debt planning;
- Improved efficiency of revenue collection;
- Improved efficiency of procurement spending in specific sectors;
- Enhanced reliance on administrative records for the production of statistics.

D. Concept Description

- **Component 1** Improving Budget Expenditure Management and Control
- **Component 2** Improving Financial Accountability of the PFM System
- **Component 3** Enhancing Revenue Mobilization and Administration
- **Component 4** Modernizing Public Procurement
- **Component 5** Close critical data gaps and modernize statistics production
- **Component 6** Project Implementation Support and Management Costs

Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No
Summary of Screening of Environmental and Social Risks and Impacts	

The PFMI Phase 2 Project will support developing and enhancing systems and building institutional capacity for improving budget expenditure management and control, improving financial accountability, enhancing revenue mobilization and administration, and improving public procurement management. Interventions supported by the project will be applicable across the West Bank. A series of training activities will be delivered by individual consultants or through consultancy firms. While some of these will be online, there may be some face-to-face training sessions that may entail risk of exposure to COVID-19. The project will not finance any civil works and hence there are no environmental and social (E&S) risks



associated with physical infrastructure development. Environmental risk related to the end-of-life disposal of e-waste is expected where supplying IT equipment to support the digitalization of the PFM system.

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APPROVAL

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