



Note to Task Teams: The following sections are system generated and can only be edited online in the Portal.

Combined Project Information Documents / Integrated Safeguards Datasheet (PID/ISDS)

Appraisal Stage | Date Prepared/Updated: 30-Nov-2017 | Report No: PIDISDSA22331



BASIC INFORMATION

A. Basic Project Data

Country West Bank and Gaza	Project ID P162850	Project Name Public Financial Management Improvement Project	Parent Project ID (if any)
Region MIDDLE EAST AND NORTH AFRICA	Estimated Appraisal Date 18-Dec-2017	Estimated Board Date 28-Mar-2018	Practice Area (Lead) Governance
Financing Instrument Investment Project Financing	Borrower(s) Ministry of Finance and Planning	Implementing Agency Ministry of Finance and Planning	

Proposed Development Objective(s)

The Project Development Objective (PDO) is to enhance the expenditure controls, financial accountability and procurement management of the Palestinian Authority.

Components

- Component 1: Improving Budget Expenditure Management and Control
- Component 2: Improving Financial Accountability of the PFM System
- Component 3: Modernizing Public Procurement
- Component 4: Project Implementation Support and Management Costs

Financing (in USD Million)

Financing Source	Amount
Special Financing	3.00
Total Project Cost	3.00

Environmental Assessment Category

C - Not Required

Decision

The review did authorize the preparation to continue



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Other Decision (as needed)

B. Introduction and Context

Country Context

Established after the Oslo Accords of 1993, the Palestinian Authority (PA) assumes civilian responsibility for most of the Palestinian residents. Its security powers, however, are limited to the major urban centers. Israel maintains full control of large tracts of land. After strong annual growth until 1999, substantial movement restrictions were imposed in 2000, further fragmenting the Palestinian territories into small enclaves. The political divide in 2007 and the 2014 war in Gaza had a devastating impact on the economy despite recent steps towards reconciliation between the PA and de-facto authority in Gaza.

Economic growth is fragile - projected to be 3 per cent in 2017, which is stagnant in per capita terms. Unemployment remains at 30 per cent (21 percent in the West Bank and 44 percent in Gaza) and poverty in Gaza is very elevated. Lagging growth has resulted in fiscal difficulties. While the Palestinian overall fiscal deficit is down from 24.6 percent of GDP in 2008 to a projected 8.4 percent in 2017, with the financing of the deficit largely dependent on declining budget support (from 32 percent of GDP in 2008 to 4.7 percent in 2017) a large and persistent financing gap continues to prevail. This has largely been covered through arrears to the private sector as well as the public pension fund.

Sectoral and Institutional Context

Current PFM and procurement practice is a barrier to growth. Addressing the PFM constraints has the potential to enhance private sector investment and job creation, as well as improve service delivery to the public, and restore the confidence of the development partners whose contributions are critical to the PA's budget. While the PA has undertaken efforts with donor support to improve PFM since 2007, the outcomes have been uneven, as highlighted by the 2013 Public Expenditure and Financial Accountability (PEFA) assessment. Constraints at the level of the Ministry of Finance and Planning (MoFP) and line ministries have hampered the implementation of new procedures in the expenditure execution area. The limitations in expenditure control have led to the accumulation of arrears and adversely affected performance in key sectors such as education (49 percent of public sector employment in 2013), health (payment arrears of some US\$100 million in 2016), and municipalities (unpaid electricity and water obligations to Israeli suppliers have resulted in significant claims on the PA budget by Israel). Moreover, government's oversight on the use of its resources is undermined by challenges with the accountability of the PFM system, with delays of several years in the audit of financial statements. Procurement reform is also delayed. While a new Public Procurement Law was enacted in 2014, it remains largely unimplemented. The role of civil



society in monitoring the financial performance of the PA also remains weak and there is no parliament in operation to oversee and monitor budget and fiscal performance.

In coordination with the World Bank, the IMF, DfID and the EU support the PA's efforts through TA. IMF TA has focused on establishing a macro-fiscal unit at the MoFP to help guide budget preparation within a multi-year framework (MTFF). However, this unit has struggled to build capacity and its role is not yet integrated into the budget preparation procedures. DfID TA has focused on budget preparation and formulation including program budgeting, in addition to efforts to strengthen tax administration. A new project is being developed, which will commence in 2018. Its focus is broad, but the vision is to ensure effective coordination with the other TA providers. EU TA has focused on external financial audit with the SAACB. This activity has been successful and led to an improved scrutiny of the financial statements of the PA. Going forward the EU intends to continue to promote twinning arrangements with audit institutions in member countries while having its PFM engagement coordinated through a Multi-Donor Trust Fund (MDTF) managed by the World Bank.

C. Proposed Development Objective(s)

Note to Task Teams: The PDO has been pre-populated from the datasheet for the first time for your convenience. Please keep it up to date whenever it is changed in the datasheet.

Development Objective(s) (From PAD)

The Project Development Objective (PDO) is to enhance the Palestinian Authority's budget expenditure management and control, financial accountability, and procurement.

Key Results

D. Project Description

The project builds on previous World Bank TA activities with MoFP since 2014 while extending to and encompassing other important sectors (Education, Health and municipalities). At a technical level the project will address three critical challenges: (i) poor expenditure management and control that undermines service delivery to citizens and relations with the private sector; (ii) delays in the release of audited financial statements that restricts oversight of civil society over the PA finances; and (iii) the lack of sound procurement practices that does not encourage fair competition among contractors.

E. Implementation



Institutional and Implementation Arrangements

Since the project is recipient-executed, the institutional arrangements of its management and implementation will bear on a Project Management Unit based at the MoFP.

The PMU will be housed within the MoFP as the main implementing entity of the project and the main ministry responsible for Public Financial Management. The PMU will be under the authority of the Director General of International Relations & Projects (DGIRP) at the MoFP. It will be headed by a Lead manager, resident-advisor and comprise three administrative staff (FM, procurement and monitoring and evaluation Specialists) to follow-up on the execution of the project and its fiduciary requirements). In addition, the PMU will include two main resident-advisors assigned to the two main implementing entities, respectively the Accountant General (MoFP) and the HCPPP to manage the activities of all three components. No resident advisor is needed at the SAACB for the activities under component 2.

The PMU will be responsible for all the activities of the project and will cover two main tasks: **Administrative and financial execution of the project**

- a. administrative arrangements of the project;
- b. procurement of contracts for short-term and peripatetic experts;
- c. procurement of goods and services (some IT software)
- d. clearance of all invoices and control;
- e. payments of all expenses;
- f. reporting to the Bank of all activities, and following on audit reviews.

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F. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)

not applicable

G. Environmental and Social Safeguards Specialists on the Team

Helen Z. Shahriari, Social Safeguards Specialist
Zeyad Abu-Hassanein, Environmental Safeguards Specialist



SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	No	
Natural Habitats OP/BP 4.04	No	
Forests OP/BP 4.36	No	
Pest Management OP 4.09	No	
Physical Cultural Resources OP/BP 4.11	No	
Indigenous Peoples OP/BP 4.10	No	
Involuntary Resettlement OP/BP 4.12	No	
Safety of Dams OP/BP 4.37	No	
Projects on International Waterways OP/BP 7.50	No	
Projects in Disputed Areas OP/BP 7.60	No	

KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:

No safeguards issues and impacts

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:

None

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.

None

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.

No safeguards policy issues

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

No safeguards policy issues

B. Disclosure Requirements



C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting)

The World Bank Policy on Disclosure of Information

Have relevant safeguard policies documents been sent to the World Bank for disclosure?

Yes

Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?

Yes

All Safeguard Policies

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?

NA

Have costs related to safeguard policy measures been included in the project cost?

NA

Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?

NA

Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?

Yes

CONTACT POINT

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Borrower/Client/Recipient



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APPROVAL

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Approved By

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