Ministry of Finance and Planning

**Project title**
Palestinian Recovery and Development Plan – Multi Donor Trust Fund
“PRDP-MDTF” TF A2834

**Funded by**
Donors and Administered by International Bank for Reconstruction and Development

Statement of Cash Receipt and Disbursements and Independent Auditors' Report
For the Period from November 1, 2016 to August 31, 2017
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To the International Bank for Reconstruction and Development

Opinion:

We have audited the accompanying statement of cash receipts and disbursements (the “Statement”) of the Ministry of Finance and Planning (hereafter “MoFP”) for the period from November 1, 2016 to August 31, 2017 with respect to Grant No. TF A2834 with regard to the cash transfers made by the International Bank for Reconstruction and Development (hereinafter the “World Bank”) as administrator of grant funds provided by donors to the Palestinian Recovery and Development Plan – Multi Donor Trust Fund (hereinafter “PRDP-MDTF”) and a summary of significant accounting policies and explanatory notes. The Statement has been prepared by Management using the cash basis of accounting as described in note 2.

In our Opinion:

- The disbursed funds made by the World Bank have been deposited in a special account for exclusive purposes, as stipulated in the grant agreement;
- No funds are kept in or paid into the Deposit Account other than those disbursed by the World Bank for this particular operation;
- All withdrawals from the Deposit Account for payments are for legitimate budgetary purposes, following procedures established by the MoFP; and
- The MoFP has met the World Bank requirements by following adequate disbursements procedures including accuracy of exchange rate conversion.

Basis for Opinion

We conduct our audit in accordance with International Standards on Auditing (ISA) number 200, 700, 800, 805 and other relevant standards. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the financial statement section of our report. We are independent of MoFP in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statement

Management of MoFP is responsible for the preparation and fair presentation of the Statement in accordance to standards set out in note (2), and for such internal control as management determines is necessary to enable the preparation of the statement that is free from material misstatement, whether due to fraud or error.

In preparing the Statement, management is responsible for assessing the MoFP’s ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting.

The Management are responsible for overseeing the financial reporting process.
Auditor's Responsibility for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the Statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Statement.

As part of an audit with accordance with ISA’s, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the MoFP’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the MoFP’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statement or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the MoFP to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statement represents the underlying transactions and events in a manner that achieves fair presentations.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Basis of Accounting and Restriction on Distributions

Without modifying our opinion, we draw attention to Note (2) to the Statement, which describe the basis of accounting. The financial statement is prepared to provide information to the World Bank and MoFP. As a result, the Statement may not be suitable for another purpose. Furthermore, our report is intended solely for the World Bank and MoFP and should not be distributed to any other parties.

Suleiman & Co. - Certified Public Accountants
Ismail M. Suleiman
License number 131/2000
Ramallah, Palestine
April 3, 2018
Statement of Cash Receipts and Disbursements
(All amounts in USD)

<table>
<thead>
<tr>
<th>Note</th>
<th>Amount (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>13,443,462</td>
</tr>
<tr>
<td>5</td>
<td>13,443,370</td>
</tr>
<tr>
<td>92</td>
<td></td>
</tr>
</tbody>
</table>

Cash receipts
Remittances received from the World Bank
Total cash receipts

Disbursements
Amounts disbursed out from the designated account
Bank charges
Total disbursements

Change in fund balance during the period
Beginning fund balance as of November 1, 2016
Fund balance – August 31, 2017

The accompanying notes from 1 to 5 are an integral part of this statement.

Mr. Ahmad Sabbah
General Accountant of the Palestinian Authority
International Bank for Reconstruction and Development
Palestinian Recovery and Development Plan – Multi Donor Trust Fund “PRDP-MDTF” TF A2834
Funded by Donors and Administered by International Bank for Reconstruction and Development
Statement of Cash Receipts and Disbursements
For the Period from November 1, 2016 to August 31, 2017

Notes to Statement of Cash Receipts and Disbursements
(All amounts in USD)

NOTE (1) GENERAL

The Palestinian Liberation Organization (hereinafter the "Recipient") for the benefit of the Palestinian Authority (hereinafter the "PA") has signed agreement in April 11, 2008 with the International Development Association (hereinafter the "World Bank") to act as administrator (hereinafter the "Administrator") of the Trust Fund for Gaza and West Bank, that are provided by various donors to support Palestinian Recovery and Development Plan. The total amount per signed grant agreement was originally USD 83,860,000. Furthermore, modifications amended to the amount of agreement, whereby the amount to become USD 1,470,658,991. The actual grant amount received by the MoFP as of August 31, 2017 is as follows:

<table>
<thead>
<tr>
<th>Amount (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total amount received up-to October 31, 2016</td>
</tr>
<tr>
<td>1,457,216,485</td>
</tr>
<tr>
<td>Amount received in current period</td>
</tr>
<tr>
<td>13,443,370</td>
</tr>
<tr>
<td>Total amount received up-to August 31, 2017 per MoFP records</td>
</tr>
<tr>
<td>1,470,659,855</td>
</tr>
<tr>
<td>Total amount received, up-to August 31, 2017 per World Bank records</td>
</tr>
<tr>
<td>1,470,658,991</td>
</tr>
<tr>
<td>Difference *</td>
</tr>
<tr>
<td>864</td>
</tr>
</tbody>
</table>

(*) The difference is immaterial and is mainly due to currency fluctuation from past years GBP contribution.

The objective of the grant is to provide financing in support of the program of actions, objectives and policies set forth in the Palestinian Recovery and Development Plan and as outlined in the Letter of Development Policy declaring the Recipient’s commitment to the implementation of the Program.

The Recipient shall cause the Palestinian Authority to work towards the implementation of, and carry out, the Program with due diligence and efficiency, and in accordance with the provisions of signed Agreement.

NOTE (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying statement presents the cash receipts and disbursements made from the PRDP-MDTF account only with regard to grant number TF A2834 signed between the Palestinian Liberation Organization and the World Bank, and does not include any amounts received or spent under any other agreement.

MOFP policy is to prepare the accompanying statement on the cash receipts and disbursements basis. This basis is a comprehensive basis of accounting other than International Financial Reporting Standards. On this basis, revenues and other cash collections are recognized when received, rather than when earned and expenses are recognized when paid.
Statement of Cash Receipts and Disbursements
For the Period from November 1, 2016 to August 31, 2017

Notes to Statement of Cash Receipts and Disbursements (continued)
(All amounts in USD)

NOTE (3) FOREIGN CURRENCIES

The accompanying statement is denominated in US Dollar. Accordingly, transactions included in the statement of Cash Receipts and Disbursements that were already not measured in USD have been translated to USD using exchange-ruling rate at the date of transaction.

NOTE (4) REMITTANCE RECEIVED FROM THE WORLD BANK

This amount represents transfers made by the World Bank to the PRDP-MDTF account number 1212769 opened by the MoFP at the Bank of Palestine (BoP) in US Dollar during the period from November 1, 2016 to August 31, 2017, as detailed below:

<table>
<thead>
<tr>
<th>Value date by World Bank</th>
<th>Date received by MoFP</th>
<th>Amount received by MoFP (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 9, 2017</td>
<td>January 10, 2017</td>
<td>5,687,692</td>
</tr>
<tr>
<td>April 24, 2017</td>
<td>April 25, 2017</td>
<td>7,755,770</td>
</tr>
<tr>
<td>Total grants during the period from November 1, 2016 to August 31, 2017</td>
<td></td>
<td>13,443,462</td>
</tr>
</tbody>
</table>

NOTE (5) AMOUNTS DISBURSED OUT FROM THE DESIGNATED ACCOUNT

All withdrawals from the PRDP-MDTF designated account were made to the following Palestinian Authority single treasury accounts.

1. 2067770 – 9916 – Bank of Palestine (ILS).
2. 100084 – 171 – Arab Bank (ILS).

Following are the details of the disbursements made from the PRDP-MDTF Designated Accounts:

<table>
<thead>
<tr>
<th>Date of transfer</th>
<th>Amount (USD)</th>
<th>Rate</th>
<th>Amount Transferred to Single Treasury Account</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 31, 2017</td>
<td>5,687,644</td>
<td>3.7702</td>
<td>Arab Bank (ILS)</td>
</tr>
<tr>
<td>April 26, 2017</td>
<td>7,755,726</td>
<td>3.6340</td>
<td>Bank of Palestine (ILS)</td>
</tr>
<tr>
<td></td>
<td>13,443,370</td>
<td></td>
<td>28,184,308</td>
</tr>
</tbody>
</table>