Implementation Status & Results
West Bank and Gaza
Palestinian Recovery & Development Plan MDTF (P110690)

Operation Name: Palestinian Recovery & Development Plan MDTF (P110690)  Project Stage: Implementation  Seq.No: 3  Status: ARCHIVED  Archive Date: 17-Jan-2014
Country: West Bank and Gaza  Approval FY: 2008
Product Line: Recipient Executed Activities  Region: MIDDLE EAST AND NORTH AFRICA  Lending Instrument: Adaptable Program Loan
Implementing Agency(ies):

Key Dates
Board Approval Date 11-Apr-2008  Original Closing Date 01-Feb-2014  Planned Mid Term Review Date
Effectiveness Date 11-Apr-2008  Revised Closing Date 01-Feb-2014  Actual Mid Term Review Date
Last Archived ISR Date 19-Dec-2011

Project Development Objectives
Project Development Objective (from Project Appraisal Document)
The main objective of the PRDP TF is to provide budget and development support for the Palestinian Authority's (PA) policy agenda as expressed in the PRDP in the period from 2008 to 2010. Other additional objectives include, but are not limited to, the following items: a) pooling of different donor funds into one administrative mechanism that will reduce the transaction costs for the PA; and b) helping alleviate the PA fiscal pressure by providing reliable disbursements on a regular basis.

Has the Project Development Objective been changed since Board Approval of the Project?
☐ Yes  ☐ No

Component(s)
Component Name  Component Cost
it does not apply to the PRDP TF  108.00
PRDP project  0.00

Overall Ratings
Progress towards achievement of PDO  Previous Rating: Satisfactory  Current Rating: Moderately Satisfactory
Overall Implementation Progress (IP)  Previous Rating: Satisfactory  Current Rating: Satisfactory
Overall Risk Rating  Previous Rating:  Current Rating: Moderate

Implementation Status Overview
The TF helps to alleviate fiscal pressures the PA faces by providing disbursements on a quarterly basis and by supporting the PA implementation of the Palestinian Recovery and Development Plan (PRDP). Since its inception in March 2008, the PRDP TF has disbursed approximately US$1.1 billion, with the latest quarterly disbursement processed in November 2013. The November 2013 disbursement was the 28th tranche of the PRDP TF. Quarterly disbursements are done based on confirmation that the PA continues to meet the goals and objectives stated in the DPG series (i.e. PRDP goals). So far, the sixth in the DPG series is currently under preparation.
The latest PRDP-TF quarterly review (November 2013) covering data from July to September 2013 found that, in regard to the DPG5 goals, PA efforts to implement the reform agenda continued, albeit at a slower rate. However, the PA faced an increasingly difficult fiscal situation in the first three quarters 2013, while still implementing the reform agenda. Lower than expected revenues have led to tighter controls on expenditures. The higher than budgeted recurrent deficit and lower than projected external financing (recurrent and development) forced the PA to make late salary payments and accumulate significant arrears. Some of the domestic debt was paid down by the PA but this comes at the costs of increased domestic borrowing. It seems highly likely that the PA's need for external financing will continue in FY 14.

The TF is under way to be extended for three years. The in-principle approval from RVP has been obtained and current funding donors have also agreed to extend the TF. The PDO is considered highly relevant and thus will remain unchanged while a few procedural changes are proposed to make the management of the TF more efficient and effective.

### Locations

No Location data has been entered

### Results

#### Project Development Objective Indicators

<table>
<thead>
<tr>
<th>Indicator Name</th>
<th>Core</th>
<th>Unit of Measure</th>
<th>Baseline</th>
<th>Current</th>
<th>End Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disbursements from the PRDP TF are linked to the Development Policy Grant and its indicators.</td>
<td>☐</td>
<td>Yes/No</td>
<td>Value</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Date</td>
<td>18-Apr-2008</td>
<td>31-Dec-2013</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Comments</td>
<td>PRDP Disbursements are linked to the PA satisfactory progress of the PRDP as per the quarterly review made by the Bank following consultations with the IMF</td>
<td>The last Economic Monitoring Note (November 2013) notes reasonable progress against the DPG5 objectives.</td>
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</tbody>
</table>

#### Intermediate Results Indicators

<table>
<thead>
<tr>
<th>Indicator Name</th>
<th>Core</th>
<th>Unit of Measure</th>
<th>Baseline</th>
<th>Current</th>
<th>End Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase Government Transparency and Accountability Through Improved Public Financial Management</td>
<td>☐</td>
<td>Text</td>
<td>Value</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td>Date</td>
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<td></td>
<td></td>
<td></td>
<td>Comments</td>
<td></td>
<td></td>
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<tr>
<td>Establish upgraded institutional and regulatory procedures to support PFM reforms</td>
<td>☐</td>
<td>Text</td>
<td>Value</td>
<td>Ministry of Finance does not have a dedicated Macro- and fiscal forecasting unit.</td>
<td>Ministry of Finance establishes a Macro-fiscal unit with fully trained staff. A fully computerized system is in place and used by the new unit to improve accounting and reporting in line with international best practice.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sub Type Supplemental</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strengthen PFM infrastructure and improve auditing functions</td>
<td>Text</td>
<td>Value</td>
<td>No updated procurement law in place</td>
<td>New procurement law continues being implemented, accompanying regulations in place</td>
<td></td>
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</tr>
<tr>
<td>Strengthen the PA Fiscal Position</td>
<td>Text</td>
<td>Value</td>
<td>A worse than expected outturn for revenues and expenditures forced the PA to continue dealing with a difficult fiscal situation in the third quarter of 2013.</td>
<td></td>
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</tr>
<tr>
<td>Control Public Sector Wage Bill</td>
<td>Text</td>
<td>Value</td>
<td>24% of GDP in 2009</td>
<td>7. The wage bill, which accounted for 51 percent of current spending between January-September 2013, was one percent lower than the prorated target and it totaled NIS5.2 billion.</td>
<td></td>
</tr>
<tr>
<td>Reform the electricity sector to reduce net lending</td>
<td>Text</td>
<td>Value</td>
<td>Most electricity distribution is handled by the public sector in 2009</td>
<td>Net lending (electricity subsidies) significantly exceeded the budget target for the first three quarters of 2013 by 144 percent.</td>
<td></td>
</tr>
<tr>
<td>Reduce net lending</td>
<td>Text</td>
<td>Value</td>
<td>Net lending is 6.1% of GDP in 2009</td>
<td>10. Net lending (electricity subsidies) significantly exceeded the budget target for the first three quarters of 2013 by 144 percent.</td>
<td></td>
</tr>
</tbody>
</table>

Wage bill declines from over 27% of GDP to less than 19% of GDP
Improve targeting of social safety net to increase efficiency and ensure coverage of the most vulnerable

- **Text**: Verification of households receiving social assistance to ensure that all are below the absolute poverty line underway
- **Value**: The number of households that received assistance despite being above the deep poverty line amounted to 19,104 – below the limit specified by the DPG V policy matrix. In addition, since the beginning of 2013, MoSA has started applying a proxy means test formula to determine the eligibility of vulnerable households to receive assistance.
- **Yes/No**: A fully functional database of 70,000 households guides assistance programs

Positive quarterly review by the country economist in consultation with the IMF

- **Value**: Yes
- **Date**: 18-Apr-2008
- **Comments**: 2013 Q3 review confirmed positive progress against the DPG objectives

Data on Financial Performance (as of 27-Nov-2013)

<table>
<thead>
<tr>
<th>Financial Agreement(s) Key Dates</th>
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<tbody>
<tr>
<td><strong>Project</strong></td>
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<td>P110690</td>
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<table>
<thead>
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<th>Disbursements (in Millions)</th>
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Disbursement Graph
Key Decisions Regarding Implementation
The current system allows regular supervision of progress towards achievement of the reform agenda outlined in the DPG series. Quarterly reviews track various aspects of the work, and allow timely response by the World Bank. The PRDP disbursements are linked to the reviews, therefore ensuring that all stakeholders fulfill their obligations. No changes to the system are needed at this time.

The TF is under way to be extended for three years (until 2017). The in-principle approval from RVP has been obtained and current funding donors have also agreed to extend the TF. The PDO is considered highly relevant and thus will remain unchanged while a few procedural changes are proposed to make the management of the TF more efficient and effective.

Restructuring History
Level two Approved on 27-Jan-2011

Related Projects
There are no related projects.