

**PROGRAM INFORMATION DOCUMENT (PID)
CONCEPT STAGE**

Report No.: 100294

Project Name	Palestinian National Development Plan Development Policy Grant VII
Region	MENA, West Bank and Gaza
Sector	Macroeconomic & Fiscal Management Global Practice
Project ID	P156865
Borrower(s)	Palestine Liberation Organization (PLO) (for the benefit of the Palestinian Authority)
Implementing Agency	Ministry of Finance (MoF) of the Palestinian Authority (PA)
Date PID Prepared	September 14, 2015
Estimated Date of Appraisal Authorization	October 14, 2015
Estimated Date of Board Approval	December 2, 2015

1. Key development issues and rationale for Bank involvement

As envisaged in the Assistance Strategy (AS) FY15-16 for the West Bank and Gaza, DPGs remain a key instrument aimed at supporting the PA's strategic priorities, advancing the policy dialogue, and also providing essential financing for the PA's budget. The operation supports reforms which are expected to improve sustainability, efficiency, and transparency of public finances as well as to facilitate private sector investments and growth. Ultimately, these reforms are expected to contribute to the reduction in poverty and inequality. It is important to stress that the financial significance of this operation is not only in that it provides USD40 million in Bank financing, but that it directly leverages the support of other donors through the Palestinian Recovery and Development Plan (PRDP) Trust Fund in the amount of roughly USD200 million per year. The operation also provides a positive signaling effect to other donors that provide assistance directly to the PA during the time when such assistance is of utmost importance for the Palestinian economy and public finances.

2. Proposed objective(s)

The Project Development Objectives (PDOs) of this operation are the following: (1) Enhancing domestic revenue performance and improving efficiency and sustainability of public expenditures, (2) Improving effectiveness and transparency of public finances; (3) Improving the business environment.

3. Preliminary description

This operation has been designed to support the Palestinian Authority in implementing some of the activities embedded in its National Development Plan 2014-2016. It will assist the PA's efforts to improve fiscal sustainability within a structured macroeconomic policy framework. It will pursue this objective through measures aimed to enhance revenue performance and reduce inefficiencies in budget expenditures in the energy and health sectors. It will also support PA's efforts to improve public finance management, in particular to improve the transparency of public finances. Finally, it will facilitate PA's efforts to improve the business environment by supporting efforts to reduce the cost of land registration and improve the functioning of the real estate market. By focusing on these important priorities, the operation will support PA's efforts to address some of the important obstacles for sustainable economic growth and job creation, which are deemed essential for effective poverty reduction.

4. Poverty and Social Impacts and Environment Aspects

Government policy measures supported through this operation are not expected to have any negative poverty and social impacts. Over the medium-term, these reforms are expected to translate into augmented fiscal space for essential poverty-reducing programs and improved prospects for employment opportunities in the private sector, which is particularly important for women and youth.

The DPG VII operation will not have significant effects on the country's environment, forests and other natural resources. The environmental and natural resource implications are driven to a large extent by the nature of an operation. In the proposed operation, none of the prior actions as listed in the policy matrix will have environmental impacts or risks. Additionally, the proposed DPGVII does not have any investment lending subcomponent involving physical investment. None of the Bank's safeguard policies are triggered by the proposed operation.

5. Tentative financing

Source:

	(\$m.)
Total	40

6. Contact point

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