Document of
The World Bank

Report No: ICR00003957

IMPLEMENTATION COMPLETION AND RESULTS REPORT
(TF-97344)

ON A

GRANT

IN THE AMOUNT OF US$3.7 MILLION

FROM THE TRUST FUND FOR GAZA AND WEST BANK (TFGWB)

TO THE

PALESTINE LIBERATION ORGANIZATION

(FOR THE BENEFIT OF THE PALESTINIAN AUTHORITY)

FOR A

CAPACITY BUILDING FOR PALESTINIAN ECONOMIC AND REGULATORY INSTITUTIONS PROJECT

December 19, 2016

Finance and Markets Global Practice
Middle East and North Africa Region

CURRENCY EQUIVALENTS
(Exchange Rate Effective as of December 19, 2016)

Currency Unit = New Shekel (NIS)
NIS1.00 = US$0.26
US$1.00 = NIS3.86

FISCAL YEAR 2017
July 1 to June 30

ABBREVIATIONS AND ACRONYMS

AM	Aide Memoire
DPG	Development Policy Grant
DIS	Deposit Insurance Scheme
DMAS	Document Management and Archiving System
EFQM	European Foundation for Quality Management
FCS	Fragile and Conflict-affected Situations
FM	Financial Management
GA	Grant Agreement
HCPPP	High Council of Public Procurement Policies
ICR	Implementation Completion and Results Report
IFR	Interim Financial Report
IGLMIS	Integrated General Ledger Management Information System
IMF	International Monetary Fund
IOC	Incremental Operating Costs
ISR	Implementation Status and Results Report
IT	Information Technology
MOF	Ministry of Finance
MOFP	Ministry of Finance and Planning
M&E	Monitoring and Evaluation
MTR	Midterm Review
NSDS	National Strategy for the Development of the Statistical System
PA	Palestinian Authority
PAD	Project Appraisal Document
PCBS	Palestinian Central Bureau of Statistics
PCU	Project Coordination Unit
PDO	Project Development Objective
PDIC	Palestinian Deposit Insurance Corporation
PFM	Public Financial Management
PIM	Project Implementation Manual
PMA	Palestine Monetary Authority
PPA	Palestinian Pension Authority
PRDP	Palestinian Reform and Development Plan
RF	Results Framework
SBD	Standard Bidding Document

SUT	Supply Use Table
TA	Technical Assistance
TOR	Terms of Reference
TTL	Task Team Leader

Senior Global Practice Director:	Gloria Grandolini
Practice Manager:	Jean Pesme
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ICR Team Leader:	Stefanie Ridenour

WEST BANK AND GAZA
Capacity Building for Palestinian Economic and Regulatory Institutions Project

CONTENTS

A. Basic Information			
Country:	West Bank and Gaza	Project Name:	Capacity-Building for Palestinian Economic and Regulatory Institutions
Project ID:	P118560	L/C/TF Number(s):	TF-97344
ICR Date:	12/19/2016	ICR Type:	Core ICR
Lending Instrument:	TAL	Borrower:	PALESTINE LIBERATION ORGANIZATION
Original Total Commitment:	US$3.70 million	Disbursed Amount:	US$3.64 million
Revised Amount:	US$3.70 million		
Environmental Category: C			
Implementing Agencies: Ministry of Finance and Planning (MOFP), Palestinian Central Bureau of Statistics (PCBS), Palestine Monetary Authority (PMA), Palestinian Pension Authority (PPA)			
Cofinanciers and Other External Partners:			

B. Key Dates				
Process	**Date**	**Process**	**Original Date**	**Revised / Actual Date(s)**
Concept Review:	01/12/2010	Effectiveness:	08/31/2010	09/08/2010
Appraisal:	04/19/2010	Restructuring(s):		02/06/2014 06/18/2015
Approval:	06/24/2010	Midterm Review:	07/16/2012	11/27/2012
		Closing:	06/30/2014	06/29/2016

C. Ratings Summary	
C.1 Performance Rating by ICR	
Outcomes:	Moderately Satisfactory
Risk to Development Outcome:	Moderate
Bank Performance:	Moderately Satisfactory
Borrower Performance:	Moderately Satisfactory

C.2 Detailed Ratings of Bank and Borrower Performance (by ICR)			
Bank	**Ratings**	**Borrower**	**Ratings**
Quality at Entry:	Moderately Unsatisfactory	Government:	Moderately Satisfactory
Quality of Supervision:	Moderately Satisfactory	Implementing Agency/Agencies:	Moderately Satisfactory
Overall Bank Performance:	Moderately Satisfactory	**Overall Borrower Performance:**	Moderately Satisfactory

C.3 Quality at Entry and Implementation Performance Indicators			
Implementation Performance	**Indicators**	**QAG Assessments (if any)**	**Rating**
Potential Problem Project at any time (Yes/No):	Yes	Quality at Entry (QEA):	None
Problem Project at any time (Yes/No):	No	Quality of Supervision (QSA):	None
DO rating before Closing/Inactive status:	Moderately Satisfactory		

D. Sector and Theme Codes		
	Original	**Actual**
Sector Code (as % of total Bank financing)		
General finance sector	40	40
Public administration- Financial Sector	60	60
Theme Code (as % of total Bank financing)		
Economic statistics, modeling and forecasting	20	20
Legal institutions for a market economy	40	40
Macroeconomic management	20	20
Social Safety Nets/Social Assistance & Social Care Services	20	20

E. Bank Staff		
Positions	**At ICR**	**At Approval**
Vice President:	Hafez M. H. Ghanem	Shamshad Akhtar
Country Director:	Marina Wes	A. David Craig
Practice Manager/Manager:	Jean Pesme	Simon C. Bell
Project Team Leader:	Abdalwahab Khatib, Nabila Assaf	Douglas Pearce
ICR Team Leader:	Stefanie Ridenour	
ICR Primary Author:	Stefanie Ridenour	

F. Results Framework Analysis

Project Development Objectives (from Project Appraisal Document**)**
The Project Development Objective (PDO) was "to build the capacity of leading economic and regulatory institutions of the Palestinian Authority, in order to support the implementation of the Palestinian Reform and Development Plan."

Revised Project Development Objectives (as approved by original approving authority)
Not applicable.

(a) PDO Indicator(s)

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Indicator 1:	Improved quality and timeliness of National Accounts estimates			
Value (quantitative or qualitative)	Initial work on supply use tables (SUTs) and National Accounts begun	Consistent and regular estimates of National Accounts	Quarterly National Accounts estimates released using expenditure approach, base year updated.	PCBS now produces consistent and regular estimates of National Accounts on both annual and quarterly basis by production and expenditure approaches in both current and constant prices.
Date achieved	08/31/2010	06/18/2015	06/30/2015	06/10/2014
Comments (including % achievement)	Fully achieved ahead of schedule.			
Indicator 2:	Capacity to conduct agricultural census surveys			
Value (quantitative or qualitative)	Census being planned	Census completed	Agricultural census methodology and technical capacity in place at the PCBS	Census completed in 2011 and 4 studies produced. Agricultural Statistics department is planning for the next survey in 2020.
Date achieved	08/31/2010	06/14/2012	06/30/2015	06/10/2014
Comments (including % achievement)	Fully achieved ahead of schedule.			
Indicator 3:	Improved monitoring and supervision of the financial sector, with strengthened data and forecasting system			
Value (quantitative or qualitative)	Core banking regulation missing, banking supervision compliance-based, limited data available, no deposit insurance scheme (DIS), limited reserve management capacity	On and off-site manuals improved, Financial Stability Review and Monetary Policy Report published regularly	Banking Supervision per Basel II, DIS, and data and models for forecasting in place	DIS operational; research department utilizing models/ producing reports; Basel II framework developed.
Date achieved	08/31/2010	06/26/2014	06/01/2016	12/29/2015
Comments (including %	Fully achieved across all targets. DIS insures 93 percent of depositors. Basel II framework passed public consultation stage with banks.			

achievement)				
Indicator 4:	Improved administration of current pensions system, strengthened capacity for future reform			
Value (quantitative or qualitative)	Improved administration of current pensions system by the PPA and strengthened capacity for future reform.	None - No baseline or end target defined until the first restructuring (2014)	Pension Reform Action Plan submitted to the cabinet; MIS, and general ledger systems installed and operational; capacity for actuarial analysis in place at the PPA.	Action Plan submitted and approved by the cabinet; Document Management and Archiving System (DMAS) installed and operational with archive process ongoing and mostly completed 4 months after project closure; ledger system completely installed and partially operational (data is partially keyed); Actuarial Analysis Unit established
Date achieved	08/31/2010	—	05/01/2016	06/15/2016
Comments (including % achievement)	Substantially achieved. Pension administration and analysis capacity of the PPA were substantially improved. DMAS and general ledger systems end targets were partially achieved at closing, with signs that progress has continued after project closing.			
Indicator 5:	Improved public procurement at MOF			
Value (quantitative or qualitative)	National Standard bidding documents (SBDs) and Procurement Manual not available, tax reform plan developed but no implementation plan.	Streamlined and consistent procurement procedures are implemented by all Palestinian Authority (PA) procuring entities. - Plan for strengthening Large Taxpayers Unit developed and under implementation. - Plan for broadening the tax base for personal income tax developed	Streamlined and consistent procurement procedures are implemented by all PA procuring entities.	SBDs and Procurement Manual were approved by the High Council for Public Procurement Policies (HCPPP).
Date achieved	11/05/2013	06/30/2015	06/29/2016	06/15/2016
Comments (including %	Partially achieved with adjusted target and schedule. The documents were completed, but have not been implemented by all PA procuring entities.			

achievement)	Indicator added at the 1st restructuring and revised at 2nd restructuring. Also Ministry of Finance (MOF) was renamed to MOFP.

(b) Intermediate Outcome Indicator(s)

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Indicator 1:	Consistent and regular estimates of National Accounts			
Value (quantitative or qualitative)	Initial work on SUT began	Consistent and regular estimates of National Accounts	-SUTs produced; -Using new methodologies to estimate activities for the QNA	Team is competent in SUT and input use table. SUT is now used every five years.
Date achieved	08/31/2010	06/25/2015	06/30/2015	06/10/2014
Comments (including % achievement)	Fully achieved ahead of schedule.			
Indicator 2:	Completed Action Plan to build the capacity of the Quality directorate			
Value (quantitative or qualitative)	Quality directorate recently established with minimal training.	PCBS implementing new methodologies developed by Quality Directorate.	European Foundation for Quality Management (EFQM) implementation throughout PCBS underway.	The international expert provided a number of recommendations to implement the best practices of United Nations framework. The EFQM consultant was supervised.
Date achieved	08/31/2010	06/27/2013	06/01/2016	05/01/2016
Comments (including % achievement)	Fully achieved with revised (more ambitious) target in the first restructuring. The PCBS prioritized 4 improvement areas, which are implemented.			
Indicator 3:	Dataset from agricultural census for the West Bank and Gaza that is used to inform PA policy and improve PCBS socio-economic data			
Value (quantitative or qualitative)	Census being planned	Census completed	Agricultural census report completed and disseminated	Close cooperation with Food and Agriculture Organization and the MOF is maintained as a result of the census. 4 supporting studies completed using

				census data.
Date achieved	08/31/2010	06/14/2012	06/30/2015	06/10/2014
Comments (including % achievement)	Fully achieved ahead of schedule. PCBS plans to conduct a survey every 10 years.			
Indicator 4:	PCBS staff using modern methodologies for producing poverty estimates			
Value (quantitative or qualitative)	Palestinian Expenditure and Consumption Survey being implemented.	New Poverty Map completed	—	New poverty assessment methodology is adopted. The statistical atlas is developed along with the poverty maps.
Date achieved	08/31/2010	06/20/2013	—	06/10/2014
Comments (including % achievement)	Fully achieved.			
Indicator 5:	New electronic survey technology introduced and in use at PCBS			
Value (quantitative or qualitative)	Android handheld devices used only once on a non-standard survey (requested by the World Bank)	Handheld devices used on at least one core socioeconomic survey	Handheld devices used on at least one core socioeconomic survey	Handheld devices used on at least one core socioeconomic survey
Date achieved	12/11/2013	06/30/2015	06/01/2016	12/29/2015
Comments (including % achievement)	Fully achieved. Indicator added in first restructuring to complement indicator 4 above.			
Indicator 6:	Core missing regulations and directives drafted			
Value (quantitative or qualitative)	Core banking regulation missing	New regulations drafted, prudential reports updated	Basel II guidelines developed by the PMA.	Basel II guidelines were developed by the PMA with the help of an international consultant
Date achieved	08/31/2010	06/21/2012	06/01/2016	12/29/2015
Comments (including % achievement)	Fully achieved.			
Indicator 7:	Research Department Database expanded and analytical and forecasting capacity in the Research and Monetary Policy Department improved			
Value (quantitative or qualitative)	Limited data available	Financial Stability review and Monetary Policy Report published regularly	Financial Stability Review published annually and Inflation report	Macroeconomic indicators developed. Financial stability and inflation reports regularly produced. The statistical

			published quarterly	database for the research department is installed.
Date achieved	08/31/2010	06/26/2014	06/30/2015	12/29/2015
Comments (including % achievement)	Fully achieved.			
Indicator 8:	Deposit insurance regulations drafted and submitted to the Council of Ministers			
Value (quantitative or qualitative)	No DIS	Regulations drafted	DIS operational in the West Bank and Gaza	DIS is functional and operational in line with laws and regulations
Date achieved	08/31/2010	06/21/2012	06/30/2015	06/10/2014
Comments (including % achievement)	Fully achieved with revised (more ambitious) end target.			
Indicator 9:	Constitution of a Pensions Steering Committee to assess reform options			
Value (quantitative or qualitative)	No steering committee Role of steering committee defined	Quarterly meetings, supported by the PPA analysis of long-term future costs and financial impacts.	Pensions Reform Action Plan prepared by the PPA and submitted to the cabinet.	Action Plan was submitted to and approved by the cabinet; no further actions taken.
Date achieved	08/31/2010	08/27/2015	06/01/2016	06/10/2014
Comments (including % achievement)	Fully achieved. The purpose of the committee was to evaluate reform options, and the PPA accomplished this through consultations with the cabinet, resulting in the approved Action Plan for pension reform which was underpinned by actuarial analysis.			
Indicator 10:	PPA has improved IT systems and consolidated pensions records that are accessible and secure			
Value (quantitative or qualitative)	MOF holds pension records for scheme 4. The PPA holds pension records for schemes 1, 2, and 3.	All data on pension schemes (active and passive) consolidated at the PPA, including updated information on individual records.	Integrated General Ledger Management Information System (IGLMIS) and DMAS systems developed and installed at the PPA. All data on pension schemes (active and passive) consolidated at the PPA, including updated information on individual records.	The DMAS system has been developed and digitization process ongoing. IGLMIS system installed and in testing phase.

Date achieved	08/31/2010	06/18/2015	06/01/2016	06/01/2016
Comments (including % achievement)	Partially achieved. Data was partially keyed into the IGLMIS system at time of closing, though PPA has continued this after project closing. Archiving with the DMAS system is also ongoing.			
Indicator 11:	PPA's capacity for future pension reform system strengthened			
Value (quantitative or qualitative)	The PPA is not involved in pension reform issues.	The PPA which carried out all actuarial analysis on behalf of PA and actively participating in policy discussion	PPA staff receive training and actuarial analysis tools.	A strategic plan developed with 4 strategic objectives. Relevant staff trainings have been delivered.
Date achieved	08/31/2010	06/18/2015	06/01/2015	12/29/2015
Comments (including % achievement)	Fully achieved. PPA is the only institution in the West Bank and Gaza with the capabilities to conduct actuarial analysis and discuss pension reform options with other stakeholders in a transparent and quantitative manner.			
Indicator 12:	Public procurement procedures developed			
Value (quantitative or qualitative)	SBDs and Procurement Manual not yet begun.	SBDs and Procurement Manual prepared; training of PA institutions on new procurement procedures complete	SBDs and Procurement Manual prepared; training of PA institutions on new procurement procedures complete	SBDs and Manual drafted by consultant, submitted to, and approved by High Council for Public Procurement Policies. Training on Procurement Law delivered, but training on the SBDs and the Manual was not completed.
Date achieved	12/11/2013	06/30/2015	06/01/2016	06/15/2016
Comments (including % achievement)	Partially achieved since training on the SBDs and Procurement Manual was not completed. Indicator added at the first restructuring.			

G. Ratings of Project Performance in ISRs

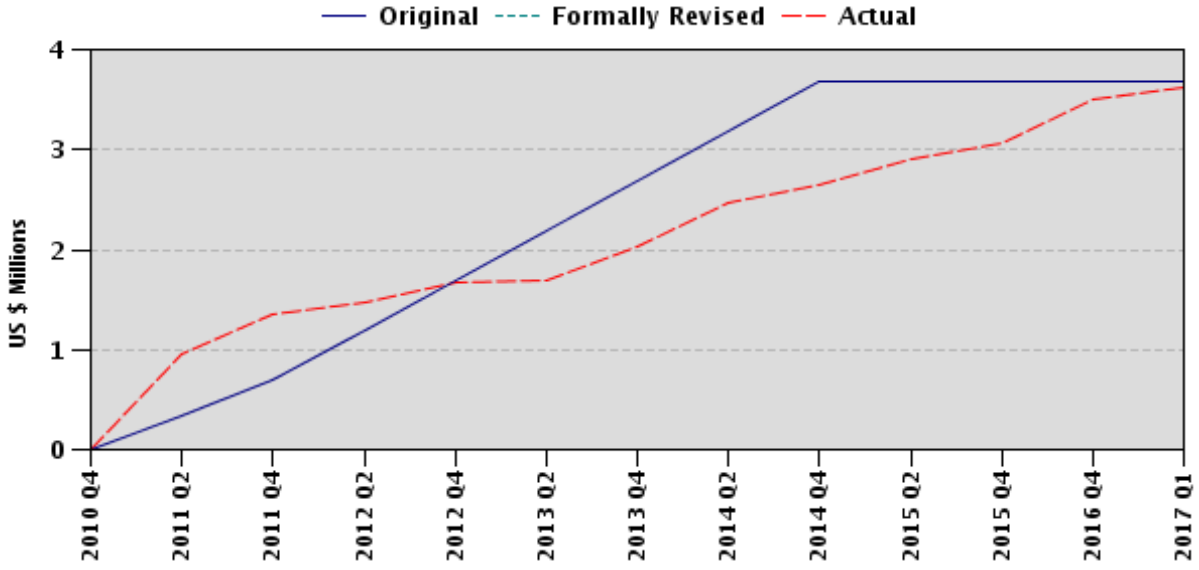
No.	Date ISR Archived	DO	IP	Actual Disbursements (US$, millions)
1	09/25/2010	Satisfactory	Satisfactory	0.00
2	02/13/2011	Satisfactory	Satisfactory	1.16
3	12/14/2011	Moderately Satisfactory	Moderately Satisfactory	1.49
4	04/02/2012	Moderately Satisfactory	Moderately Satisfactory	1.68
5	11/07/2012	Moderately Satisfactory	Moderately Satisfactory	1.68
6	04/08/2013	Moderately Satisfactory	Moderately Satisfactory	1.73
7	12/13/2013	Satisfactory	Satisfactory	2.46
8	06/24/2014	Moderately Satisfactory	Moderately Satisfactory	2.64
9	01/05/2015	Moderately Satisfactory	Moderately Satisfactory	2.90
10	06/15/2015	Moderately Satisfactory	Moderately Satisfactory	3.07

11	01/11/2016	Moderately Satisfactory	Moderately Satisfactory	3.25
12	07/11/2016	Moderately Satisfactory	Moderately Satisfactory	3.51

H. Restructuring (if any)

Restructuring Date(s)	Board Approved PDO Change	ISR Ratings at Restructuring		Amount Disbursed at Restructuring in (US$, millions)	Reason for Restructuring & Key Changes Made
		DO	IP		
02/06/2014	N	S	S	2.50	One year closing date extension; PDO indicator added: "Improved public procurement and tax administration at MOF"; three intermediate indicators added for the MOFP and the PCBS activities; other indicators revised for clarity
06/18/2015	N	MS	MS	3.07	One year closing date extension; PDO indicator revised to: "Improved public procurement at the MOF"; removal of two intermediate results indicators

I. Disbursement Profile



1. Project Context, Development Objectives and Design

1.1 Context at Appraisal

1. **Country and sector background.** At the time of project design and preparation in 2009–10, the Palestinian Authority (PA) had made significant progress in building its institutional infrastructure and capacity. The PA was established shortly after the Oslo Accords of 1993–95 to administer the territory under its jurisdiction.[1] Almost all funding for the PA budget (about US$1.5 to US$1.7 billion, annually) came from foreign aid. Between 1994 and 2005, the European Union and the United States combined gave 42 percent of the PA's foreign aid.[2] This support diminished and stalled at times as a result of the Hamas election in Gaza in 2006, significantly affecting the functioning of the PA. The Government of Israel also ceased transfer of clearance revenues to the PA (about US$60 million per month)[3] at the time.

2. Despite the fiscal and institutional instability during this period, and the bifurcation of political leadership between the West Bank and Gaza, the relative stability of the PA was restored and key institutions were reformed and strengthened in the years that followed. Led at the time by Prime Minister Salam Fayyed, a former International Monetary Fund (IMF) economist, the PA's approach shifted to good governance, institution building, and law and order. Significant reforms were thereafter enacted, such as the establishment of the Central Treasury Account and the formation of an internal audit function. What some observers deemed as a highly pragmatic approach based on self-reliance and self-empowerment[4] enabled the PA to build its institutional infrastructure in the years following the political and economic crisis.

3. The fiscal situation of the PA remained precarious at the time of project preparation. The PA's recurrent budget deficit in 2009 was nearly US$1.6 billion, about US$143 million more than projected at the time. The PA was receiving large amounts of donor funding, nearly US$1.35 billion in budget support in 2009.[5] The 2009 budget was initially seen as a major step forward in that the donor resources were shifted from recurrent budget support to development financing. However, unfortunately this did not materialize at the magnitude expected due to the emergency in Gaza in the aftermath of an Israeli military operation.[6]

4. Talks between the Israeli and Palestinian presidents had started—and subsequently stalled in 2010. The peace process talks were suspended around the time this Capacity Building Project was declared effective in September 2010, largely due to disagreements about the continuation of Israeli settlement expansion. At that time, institution-building in the West Bank and Gaza was also largely viewed by the international community as mutually reinforcing to the peace negotiations to demonstrate credibility and give confidence to the process.

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[1] The PA assumed civilian responsibility for most Palestinians. Its security powers were limited to the major urban centers. Israel maintained full control of large areas of land, making 61 percent of the West Bank (deemed "Area C") outside the PA's reach. (*Source:* Country Assistance Strategy, FY15–FY16).
[2] http://www.cfr.org/world/hamas-shrinking-pa-budget/p10499.
[3] Clearance revenues are taxes collected by the Government of Israel for the PA and remitted back to the PA.
[4] http://www.cfr.org/israel/third-way-palestine/p23652.
[5] Project Appraisal Document (PAD).
[6] PAD, p. 24.

5. **Rationale for Bank assistance.** A major donor conference held in Paris in 2007 endorsed the PA's Palestinian Reform and Development Plan (PRDP) for 2008–10. The PRDP laid out the vision and plan for a future Palestinian state. Its intention was to build the institutional infrastructure to enable the PA to manage current and future risks, particularly in a fragile and conflict-affected environment.

6. The World Bank was well-placed to provide a package of capacity-building support in the form of an investment project to complement its ongoing support to the PA provided through Development Policy Grants (DPGs). The World Bank had been providing support to the PA through the Trust Fund for Gaza and West Bank since its establishment in 1993. Since 2008, the World Bank had administered the PRDP Trust Fund into which donors contributed to provide budgetary support to the PA. The World Bank had accordingly been closely involved in monitoring the PA's progress against priority economic and policy actions identified in the DPGs.

7. At the time of project appraisal, the World Bank had supported the PA with two DPGs totaling US$80 million and was preparing its third DPG of the series for US$40 million, which became effective on October 5, 2010. These three DPGs focused on two main policy areas: (a) a strengthened fiscal position; and (b) increased government transparency and accountability through improved public financial management (PFM). The DPGs were overall a part of a coherent framework based on donor collaboration, including the IMF. The Capacity Building Project complemented the DPGs by helping to build institutional capacity in areas critical to the implementation of the PRDP and support the authorities in achieving prior actions. Pension, procurement, and tax reforms targeted under the project were most directly linked to prior actions in the DPGs. Overall, strengthening the targeted institutions was intended to increase the PA's ability to manage the economy and create opportunities for growth and to improve its fiscal position, enabling it to be less reliant on external assistance in a highly fragile setting.

8. The focus on economic management, statistics, the financial sector, and the pensions system reflected the priorities of the PA. Three beneficiary agencies had requested assistance from the World Bank in support of their respective strategies—the Palestinian Central Bureau of Statistics (PCBS), to improve the quality and timeliness of national statistics; the Palestine Monetary Authority (PMA) to support it in becoming a modern and full-fledged central bank; and the Palestinian Pension Authority (PPA) to more effectively manage all civil service pension schemes. It was decided to package the technical assistance (TA) support in one recipient-executed operation (as compared to one-off TA engagements) and put the Ministry of Finance and Planning (MOFP)[7] in the lead for project management and coordination, with the intention that this design "reduces transaction costs, provides predictability, and allows a medium-term, more strategic planning perspective."[8]

[7] The Ministry of Finance (MOF) was later renamed to the Ministry of Finance and Planning (MOFP).
[8] Project Identification Management Letter dated December 3, 2009.

1.2 Original Project Development Objectives (PDO) and Key Indicators (as approved)

9. The PDO was "to build the capacity of leading economic and regulatory institutions of the Palestinian Authority, in order to support the implementation of the Palestinian Reform and Development Plan."[9]

10. The project comprised capacity building and TA to be implemented by the PCBS, PMA, PPA, and MOFP. A centralized Project Coordination Unit (PCU) at the MOFP led project implementation, including procurement and financial management (FM). The main channels through which the PDO would be achieved were through financing consulting services, trainings/workshops, goods (information technology [IT] and systems), and incremental operating costs (IOCs) to support the following:

- **PCBS.** Strengthening the capability of the PCBS to provide accurate and timely economic data as the country's national statistics agency, which is critical to sound budgeting and policy making by the PA.

- **PMA.** Building capacity to facilitate the PMA's eventual transition into a full-fledged central bank and to help the PMA improve its regulatory and supervisory capacity to promote banking system stability.

- **PPA.** Enabling the PPA to more effectively manage all civil service pension schemes in the West Bank and Gaza in a more sustainable, transparent manner, and to be able to implement any agreed reforms.

- **MOFP.** Strengthening the capacity of the MOFP and the PCU for project management and monitoring and evaluation (M&E).

11. The PDO was broadly designed to accommodate the distinct objectives of the four implementing institutions and the need to be flexible for any unpredictability arising during implementation. The PDO-level indicators that were used to measure progress against the PDO included the following, as outlined in the PAD:

(a) Improved quality and timeliness of National Accounts estimates

(b) Capacity to conduct agricultural census surveys going forward

(c) Improved monitoring and supervision of the financial sector, with strengthened data and forecasting system

(d) Improved administration of current pensions system and strengthened capacity for future reform

1.3 Revised PDO (as approved by original approving authority) and Key Indicators, and reasons/justification

[9] Wording is consistent between the PAD and Grant Agreement (GA). However the project Implementation Status and Results Reports (ISRs) did not include the words "of the Palestinian Authority."

12. The PDO was not changed during project implementation. However, the project was restructured twice (Level 2 both times), in February 2014 and June 2015, to extend the project's closing date and enhance the Results Framework (RF), including the addition (and subsequent revision) of a fifth PDO-level indicator.

13. Specifically, a fifth PDO indicator on public procurement and tax administration reforms for the MOFP was added to the fourth component of the project as a part of the first restructuring, approved on February 9, 2014. These reforms were intended to complement prior actions in the World Bank's DPGs IV and V. This included the addition of a PDO-level results indicator to measure the results of the MOFP public procurement and tax reforms**:** "Improved public procurement at MOF and tax administration." However, the tax administration activities were ultimately dropped and the indicator revised at the second restructuring to "Improved public procurement at MOF." This was amended appropriately through a Level 2 restructuring because it was consistent with the project's objective and did not require a change to the PDO.

1.4 Main Beneficiaries

14. The intended direct project beneficiaries were the institutions, staff, and systems of the PCBS, PMA, PPA, and MOFP. In addition to housing the PCU, the MOFP's role as a beneficiary was expanded when the public procurement reform activities were added as a result of project restructuring. The channels through which the beneficiaries were expected to be affected were through trainings, workshops, study tours, advisors, consultants, upgrading of IT systems, upgrading of technology, process improvements, and other capacity strengthening activities delivered to each institution—both at the level of department heads/managers and staff. The focus was on enhancing technical knowledge in specific areas to enable departments and staff to better perform their functions, improving quality management and processes across specific departments, and strengthening strategic planning for better management practices.

15. At the highest level, these reforms were ultimately expected to enable these institutions to implement the PRDP and improve the PA's fiscal position (PAD, p.2). The pensions component would have the most direct link to improving the PA's fiscal position to allow it to begin a gradual shift to a more fiscally sustainable pension system. This was also included as a prior action in the World Bank's third DPG approved in 2010.

16. **The indirect beneficiaries of the project were the following:**

- Banks supervised by the PMA and depositors insured under the Deposit Insurance Scheme (DIS)
- Civil servants and security personnel enrolled in the four PA pension schemes (I, II, III, and IV)[10]—at the time of project approval estimated to be 75,000 civil servants and 64,000 security personnel

[10] Scheme I - 10 percent scheme mainly for Gaza civil service employees; Scheme II - 7 percent Scheme enacted in 2005 for all PA public sector employees (security and civil service) under 46 years of age in 2006; Scheme III - all security service personnel above 46 years in 2006; and Scheme IV - 2 percent scheme mainly for West Bank civil servants hired before 2001.

- Government agencies involved in the budgeting process
- Donors and other development partners who rely on the PCBS data

1.5 Original Components (as approved)

17. The project as approved comprised four components. Project funds were allocated across each component based on the planned activities' budget at the time of appraisal. The project cost structure included an unallocated category in the amount of US$228,000 (6.1 percent of the total project size) to cover contingencies arising in Components 1, 2, or 3. The four main components were as follows:

(1) Capacity Building for the PCBS (US$1.45 million)

(2) Capacity Building for the PMA (US$1.00 million)

(3) Capacity Building for the PPA (US$0.62 million)

(4) Project Management (US$0.40 million)

(5) Contingency (US$0.23 million)

Component 1: Capacity Building for the PCBS (US$1,450,000)

18. Through a combination of consulting services, training, and IOCs,[11] this component was designed to support the strategic priorities identified in the PCBS' 2008 National Strategy for the Development of the Statistical System (NSDS) and help scale up support that the World Bank had provided under previous TA grants. The following activities were agreed at the time of project approval:

- **Improving the accuracy, timeliness, and coverage of the National Accounts estimates and developing economic models to test data consistency and analyze policy.** [12] The National Accounts estimates provided by PCBS underpin the budgetary process for the PA and allow the PA and its supporters to better target and measure their efforts. The activity would allow the PCBS to both make more accurate estimates and extend its estimates to other areas.

- **Enhancing the capabilities of the PCBS's newly formed Quality Control Directorate.** As the bureau's strategy had shifted over the last 15 years from building capacity for basic data to ensuring high international quality standards, it had established a Quality Control Directorate in 2008. This activity would help develop a strategy and Action Plan for the new directorate.

[11] The funds were disbursed as IOCs for the PCBS for the agricultural survey and the paperless survey.
[12] *Note:* this wording in bold in the first sentence of each paragraph is the wording that was included verbatim in the GA.

- **Conducting the first agricultural survey in the West Bank and Gaza.** Agriculture plays a significant role in the Palestinian economy.[13] At the time of project approval, no agricultural census had ever been conducted in the West Bank and Gaza. The activity would support the implementation of a full agricultural census.

- **Improving the PCBS' ability to produce accurate and timely poverty estimation.** This activity was designed to provide TA and training on the latest poverty estimation software and methodologies, particularly by sending technical staff to Washington, DC to learn from the World Bank. While the PCBS was experienced in poverty estimations, its methodology was out-of-date.

Component 2: Capacity Building for the PMA (US$1,000,000)

19. Through a combination of consulting services and training, this component was designed to support the PMA with several strategic activities that were identified out of a 2008 World Bank Financial Sector Review and also the PMA's 2006 Strategic Transformation Plan for which the aim was to enable it to become a full-fledged central bank. The following activities were agreed at the time of project approval:

- **Strengthening the monitoring and the supervision capacity of the Banking Supervision Department of the PMA.** This activity aimed at supporting the adoption of core mission regulations and directives pertaining to market risk, operational risk, and interest rate risk.

- **Strengthening the database and analytical capacity of the Research and Monetary Policy Department of the PMA to lay the ground for future improvements in modeling and forecasting economic, financial, and monetary activity.** The World Bank funding through this activity was to support setting up the PMA's statistical database to support the analysis for its monetary policy reports, financial stability review, and also developing a data management system.

- **Preparation of an appropriate legal and regulatory framework and provision of training to establish a DIS within the PMA.** At the time of project approval, the West Bank and Gaza had no DIS. The activity would support advising on a legal and regulatory framework and implementation of the scheme through establishment of an appropriate governing body, organization structure, and funding mechanisms.

- **Strengthening the reserve management system of the PMA.** The fourth activity was to support the PMA in addressing weaknesses in its reserve management system, mainly through training and advisory services.

[13] Estimated at the time of project approval to contribute nearly 5 percent of GDP (*Source:* PAD).

Component 3: Capacity Building for the PPA (US$622,000)

20. At the time of project approval, pension expenditures accounted for 4 percent of the GDP.[14] The pension schemes in the West Bank and Gaza were also complex, with four schemes (I, II, III, and IV) covering 73,000 civil servants and 63,000 security personnel. This component was designed to build off of the World Bank's previous work with the MOFP and the PPA to recommend short-, medium-, and long-term pension reform options. It was also aligned with a prior action in DPG III to control the growth of pension liabilities. The objective was to strengthen the PPA's managerial, technical, IT, and finance capacity to fully assume its mandate of being the main agency where all pension records would be maintained.

21. Seven activities, including goods (IT hardware, software, and licenses), consulting services and training, were included in the project at the time of approval and are summarized below.[15]

- Strengthening the PPA's information technology and communications infrastructure
- Capacity building in reform options and actuarial analysis
- Strengthening the strategic planning and corporate governance of the PPA
- Development of investment policies and procedures and FM systems
- Conducting a public information and awareness campaign on retirement income, savings, and pensions
- Review of the mechanisms to extend pension coverage to private sector employees
- Assessment of the current system of disability pensions, proposing reforms, and estimating the cost of alternatives

Component 4: Project Management (US$400,000)

22. This component was to finance the "strengthening of the MOFP and the PCU capacity for project management, M&E through provision of consulting services, including audit, training, and financing of IOCs."[16] Each implementing partner would be responsible for drafting and implementing a joint Procurement Plan, including direct supervision of any consultants. An assessment had identified the need for additional capacity for the MOFP to coordinate the project, which was included in the Component 4 budget.

23. At the time of approval, the World Bank team had allocated funding among the following five activities (plus the contingency allowance of 6.1 percent):

[14] This is higher than the 3.6 percent Middle East and North Africa average, well above the averages in countries with similar GDP per capita (0.1 percent to 2 percent of GDP) (*Source:* PAD).
[15] The wording of each activity is from the GA.
[16] GA.

- PCU consultant staff (coordinator, procurement officer, financial officer, procurement advisor)
- Training, workshops, and study tours
- Auditor
- Equipment
- Transportation, communication, maintenance, office supplies, and utilities

1.6 Revised Components

24. The overall structure of the four project components did not change, though the scope of each component shifted during implementation and activities were either added or refocused during the life of the project. This also resulted in cost estimates being refined and some funds being reallocated. This is further detailed in section 1.7.

25. As noted above, the scope and objective of the fourth component was expanded in 2014 to include new capacity-building activities for the MOFP on public procurement and tax reform, resulting in the component being renamed 'Project Management and Capacity Building for the MOF'. This was reflected in the addition of a fifth PDO-level indicator through a Level 2 restructuring.

1.7 Other Significant Changes

26. The project was restructured twice (both Level 2) to enhance the RF and to extend the closing date by one year each time. This resulted in a final closing date of June 29, 2016, two years after the approved closing date of June 30, 2014.

27. **First restructuring:** The first restructuring request was received by the World Bank on October 28, 2013, and was approved on February 9, 2014. This was a proactive measure by the World Bank to strengthen the RF, reallocate costs and expenditures among categories, add new MOFP procurement and tax activities to the fourth component, and allow for a one-year extension to June 30, 2015. The extension was primarily needed for further progress and completion of the following:

- New activities that were added for procurement and tax reforms at the MOFP
- The PCBS's quality management objective (the European Foundation for Quality Management [EFQM] training and implementation)
- IT-related activities at the PPA
- Basel II/III framework at the PMA

28. These needed changes were reflected in the RF and included the following (further details are also included in section 2.3):

- A PDO indicator and intermediate indicators were added for the new MOFP activities. The PDO indicator added was 'Improved public procurement and tax administration at MOFP'. Two intermediate indicators—one on procurement and one on tax—were added to reflect these activities.

- A new intermediate indicator was added to reflect the PCBS activity of piloting paperless survey technology.

- Deletion of the intermediate indicator 'Modern monitoring techniques deployed' because it was repetitive with the indicator 'Improved monitoring and supervision of the banking sector by the PMA'.

- Revisions to the end targets of indicators to be more specific and measureable.

29. Reallocations were also made in the expenditure categories and among project components to reflect actual costs and new estimated costs of goods and services. Costs were reallocated mostly from cost savings on consulting services for the PMA component to additional activities and higher costs on the PPA, PCBS, and MOFP components. (*Source:* Restructuring Paper, January 16, 2014). The Restructuring Paper revised component costs as shown in table 1.

Table 1. Revised Components

Component	Cost at Approval (US$, millions)	Revised Cost (US$, millions)	% Change from Cost Approved at Entry
PCBS	1.45	1.55	+7
PMA	1.00	0.72	−28
PPA	0.62	0.77	+24
MOFP PCU	0.40	0.64	+60
Contingency	0.23	0.02	−91
Total	3.70	3.70	—

Source: 2014 Restructuring Paper, PAD.

30. **Second restructuring:** A second Level 2 restructuring was requested of the World Bank on May 20, 2015, and approved on June 25, 2015, to extend the project for one more year to close on June 29, 2016.[17] At this point the project was 83 percent disbursed and the extension was largely to accommodate completion of remaining project activities (*Source:* Restructuring Paper 2015). The one-year extension was largely driven by factors that could not have been reasonably anticipated during the first restructuring, primarily tremendous violence in Gaza that erupted in the summer months of 2014 (the impacts are further described in section 2.2). Unanticipated issues also arose with two of the PPA's main contractors. As a result, the following objectives required additional time for implementation:

- The contracting and implementation of the PPA's general ledger system

[17] It should also be noted that a six-month no cost extension was first noted in the December 2014 Aide Memoire (AM) and the subsequent ISRs. However, it was determined that a second one-year extension would be more appropriate to allow for completion of project activities, particularly the PPA component.

- Completion of the EFQM training and implementation by PCBS which was added as an additional activity prior to the first restructuring

- Completion of the national Procurement Manual by MOFP.

31. The RF was also amended again to reflect developments in client priorities. This largely included the following:

- Revision and removal of the indicators for the MOFP tax reforms—both to (a) revise the PDO-level indicator and (b) remove the related intermediate results indicator. After requesting this subcomponent to be added during the first restructuring, the MOFP subsequently asked to drop the tax administration activity to pursue it independently of the project.

- Removal of the PMA reserve management capacity indicators, as this was being undertaken by the IMF.

32. **World Bank project management.** There were also several changes in the World Bank management team for the project. Five task team leaders (TTLs) and various team members managed the project during its nearly six years of implementation. This is further assessed in section 5.1.

2. Key Factors Affecting Implementation and Outcomes

2.1 Project Preparation, Design and Quality at Entry

Preparation

33. Preparation of the Capacity Building Project took place during a period that was characterized by a renewed focus on institution building and good governance in the West Bank and Gaza. The World Bank and other donors had already provided significant budgetary assistance to the PA in taking forward the PRDP. At the time of project preparation, the World Bank was preparing a third US$40 million budget support project—DPG III (approved September 14, 2010)—which supported implementation of the PRDP. The DPG was preceded by two previous DPGs approved by the Board of Executive Directors on June 5, 2008, and April 28, 2009, totaling US$80 million. The DPGs focused on two main areas: (a) strengthening the PA's fiscal position and (b) improving FM. The Capacity Building Project was designed to be complementary to the DPGs in supporting PA institutions in implementing the PRDP and achieving prior actions in the DPGs, most notably on pension reform as a way of controlling public sector spending (DPG III PAD). Procurement reform activities were later added to the project, which were also complementary to the ongoing DPG prior actions.

34. Project identification to Board approval took approximately 11 months (July 2009 to April 2010). The early preparation documents (Back-to-Office Report Pre-identification July 2009) indicated that the Country Management Unit had allocated between US$3 million and US$5 million for a two-year Capacity Building Project. The goal was to scale up the TA support and move from individual short-term TA projects to medium-term funding. The PCBS, PMA,

and the Ministry of Telecommunications and Information Technologies[18] were first considered at the pre-identification stage to be included in the project as each play a central role in Palestinian economic management and regulation. The World Bank had also supported each of these entities previously with TA in some form. Support to the PPA was initially envisioned as an alternative component for consideration.

35. The project management structure was considered from the earliest stages of project preparation. At the pre-identification stage, several options for structuring project management were considered and documented in the AM[19]:

- **Option 1.** The MOFP would provide the PCU role.
- **Option 2.** The World Bank would sign the project agreement with the United Nations Office for Project Services and would contract United Nations Office for Project Services for the role. The World Bank would then sign a Memorandum of Understanding with the MOFP and the other entities.
- **Option 3.** The World Bank would sign the project agreement with the Office of the President rather than the MOFP, and the Office of the President would provide the PCU function, including for the PMA.

36. Of the options outlined, the identification mission (October 2009) determined that the first option (the MOFP providing the project coordination function) was the most appropriate. This was confirmed through stakeholder meetings during preparation and was also consistent with the Trust Fund for Gaza and West Bank requirements that any funding agreement be signed with the PA (or with the Palestine Liberation Organization on behalf of the PA), and would make use of the existing project coordination capacity in the MOFP.

37. Early on, the World Bank team had identified relevant risks. Notably, the team noted the need to identify a project structure that "promotes effective and efficient project management between the PA, the PCU, and the implementing partners, in order to minimize implementation and transaction costs and to ensure the project objective is achieved." The Pre-Identification Back-to-Office Report (p. 2) further stated that "related risks that need to be mitigated include that the beneficiary entities do not coordinate with each other; the PCU favors one entity, or that the PCU does not conduct procurement efficiently or in line with World Bank procedures and therefore the process for recruiting consultants becomes lengthy and tedious."

Design

38. The project's design was based on the lessons of earlier operations both in the West Bank and Gaza and elsewhere, including its two previous DPGs. The project's technical focus was designed around previous World Bank TA in each project component:

[18] This was ultimately dropped because the new regulatory agency was not established within the expected time frame and it was no longer possible to include the component in the project design.
[19] An additional alternative considered was to have these activities implemented through the World Bank's DPG.

- **PCBS.** The World Bank had provided support to the PCBS since its beginning. At the time of project preparation, the World Bank had supported with a US$96,000 grant to develop the NSDS 2009–13. A second grant of US$400,000 was helping support the PCBS to implement parts of the strategy. The project's pre-identification mission noted that the PCBS had requested additional World Bank assistance in three priority areas laid out in the NSDS—National Accounts, data quality, and a first agricultural census.

- **PMA.** The World Bank had previously supported the PMA with TA to develop its payment system, a 2009 assessment for a DIS, and an assessment of the Core Principles for Effective Banking Supervision following an appraisal by the Basel Committee.

- **PPA.** The World Bank had previously worked with the PPA in 2009 to assess the four ongoing pension schemes and suggest actions to reduce pension liabilities. The assessment also projected liabilities and fiscal impacts of the schemes for a 30- to 50-year time frame.

39. As indicated in the PAD, the World Bank had also assessed other related donor projects at the time to ensure complementarities. The PCBS was the only agency receiving donor funding at the time, which it used to pay for general operating costs and not TA. The IMF had been providing TA on National Accounts, though the scope was limited to only identification of issues rather than technical support in resolving them.

40. Lessons from similar previous capacity-building projects indicated that there was an increased risk of restructuring or delays in a project with as many implementing partners. The design of the project also took into account other capacity-building projects at the World Bank including (a) a US$3 million Economic Reform Technical Assistance Project in Nepal; (b) a US$15 million Economic Reform Technical Assistance Project in Sri Lanka, and (c) the Emergency Services Support Project in the West Bank and Gaza. The main lessons learned from these projects that were indicated in the PAD include the following:

- Having a lead partner (the MOFP) coordinate and be responsible for the project

- Agreeing terms of reference (TOR) and procurement plans before effectiveness to avoid delays in negotiating eligibility to TA funding

- Preparing a Project Implementation Manual (PIM) before negotiations, to define the responsibilities of each of the four entities

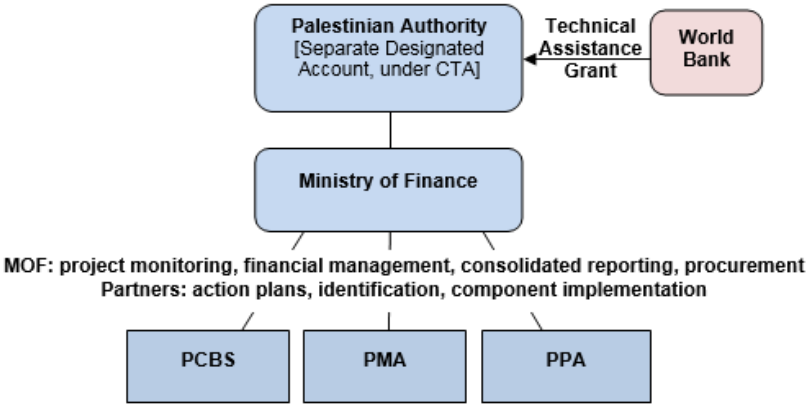
- The usefulness of study tours, because it is not always possible for professionals from other national statistics agencies to visit the West Bank and Gaza

41. The final design of the project implementation arrangements is displayed in figure 1. The objective of the project implementation design was to move to a more effective TA model and help reduce transaction costs, provide predictability, and allow for a more medium-term, strategic approach. Ad hoc individual TA projects were also considered but determined to be

suboptimal compared to the MOFP leading and determining longer-term capacity-building priorities.

42. The MOFP had established a PCU in 2001 to follow up on the implementation of World Bank projects. The PCU is headed by the Director General of the International Relations and Projects Department. The final PIM indicated that, at the time of project approval, it was staffed with a disbursement officer, finance officer, three accountants, two follow up accountants, a project coordinator, and a procurement assistant. It was indicated that an experienced project coordinator and procurement and finance officers would be hired specifically to support the Capacity Building Project. It was also indicated that a procurement advisor would be hired for the first six to twelve months of the project to assist the PCU with procurement.

Figure 1. Project Implementation Arrangements



Source: PAD.

43. The PAD indicated that a challenge fund was also considered as a part of the project design and implementation structure, which would allow the project to respond to TA priorities that might arise during project implementation. However, this option was decided against, as the PAD indicated the current structure would allow for a more "strategic approach" that "builds on previous World Bank analysis and technical and TA for each component and implementing partner" (PAD, p. 9). It was deemed that restructuring could be considered for adding new activities or components.

44. A further alternative was that each of the three implementing agencies would be responsible for procurement, reporting, and management of their respective components, rather than centralizing coordination at the MOFP. The PAD indicates that this option was nixed due to lack of PPA experience in managing such responsibilities. While the PCBS and the PMA had some experience in consultant management and procurement, the PPA had much less experience and would require additional support.

45. **Risks.** The overall project risk was identified as Substantial in the PAD. The project risks were appropriately identified. This was evidenced by the risks that ultimately materialized and challenges that the project faced during implementation, including restructuring/delays due to

complexity of implementing partners and components; procurement delays; and Gaza border restrictions affecting entry of IT equipment and consultants.

46. **Stakeholder consultations.** According to the PAD, the PCBS, PMA, and PPA conducted sector-specific stakeholder consultations during project preparation to enhance the design and implementation of the project. The PAD noted that a dialogue-based approach with key stakeholders rather than "traditional participatory processes involving a broader range of stakeholders" was chosen. This was considered the most appropriate approach due to the potentially sensitive nature of the proposed interventions, which targeted policy and institutional reforms at PA institutions. The pension-sector reforms were considered particularly sensitive.

2.2 Implementation

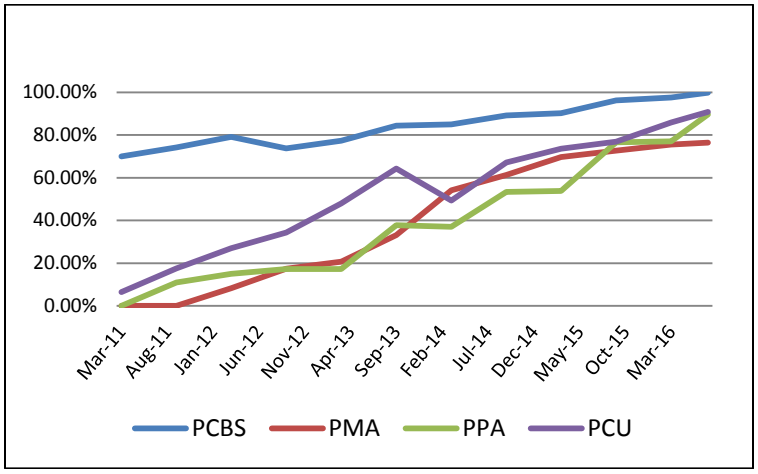
47. The project was declared effective on September 8, 2010, just over 10 weeks after it was approved by the Board, on June 24, 2010. Project progress throughout implementation was tracked and reported through twelve ISRs and eight supervision AMs.[20] The World Bank took proactive measures to restructure the project twice to address both anticipated and unanticipated implementation challenges during the life of the project. This included the tragic and violent hostilities in Gaza that took place during the summer months of 2014 which affected the Government and the World Bank staff supporting the project, especially the PPA staff located in Gaza and the two PCU staff based in Gaza.

48. The Development Objective and Implementation Plan ratings in project ISRs throughout implementation were Satisfactory for the first two ISRs (September 2010 through February 2011) and then continued at Moderately Satisfactory through the remainder of the project, primarily because of implementation delays that are described in the following paragraphs. The exception was that the project was upgraded to Satisfactory in the seventh ISR (December 2013) because, according to the ISR, each of the partner institutions had progressed toward and maintained focus on its objectives. Disbursement had also jumped by 42 percent from the previous (sixth) ISR which could have also been a driving reason behind the upgrade, though this is not explicitly mentioned in the ISR. The downgrade back to Moderately Satisfactory in the subsequent (eighth) ISR was cited to be because of implementation delays in the PPA component and the PCBS's EFQM activity.

49. Overall, project disbursement progressed ahead of schedule in the first year of the project, primarily driven by the PCBS's quick progress on the agricultural census. Disbursement began to slow thereafter and by the end of the project's second year (late 2012) had begun to lag. Disbursement by component (see figure 2) shows varying rates of disbursement by each implementing institution, including rapid disbursement by the PCBS in the early years of the project and relatively slower disbursement by the PPA, PMA, and MOFP.

[20] Several AMs covered several visits including the AMs dated November–December 2011, February–March 2012, and November–December 2012.

Figure 2. Disbursement Progress by Component



Effectiveness to MTR - September 2010 to October 2012

50. From project effectiveness to the Midterm Review (MTR), each component experienced relatively different rates of implementation. The following are the key implementation achievements and challenges during this time period:

- **PCBS.** The PCBS component moved swiftly in the project's initial stages from effectiveness through the MTR. The February 2011 ISR (the project's second) reported that the agricultural census was nearly completed. It had disbursed nearly 70 percent of its allocated funds by March 2011, compared to the overall disbursement rate of 36 percent. The National Accounts objective also moved at a steady pace and was achieved on time.

- **PMA and PPA.** The PMA and PPA components moved relatively slower, since the initial TORs needed to be more developed. The PMA experienced difficulties in finding consultants with the necessary and relevant experience for certain activities, causing some delays in disbursement. The project's third ISR dated November 2011, noted that the team decided that the best approach for the PPA was to complete an IT systems analysis to determine its exact needs.

51. The two years before the MTR were characterized by three changes in World Bank leadership of the project. After the project was made effective in September 2010 through August 2012, the project was managed by three TTLs at different times, two of whom were interim in nature and managed the project for five months or less.

MTR to First Restructuring - November 2012 to February 2014

52. The MTR was held from November 27 through December 4, 2012, at which time 46 percent of the project funds had been disbursed. The MTR AM was comprehensive and extensively documented the status, achievements, challenges, and proposed solutions for each activity. The MTR documentation indicated that an extension in the project's closing date beyond June 2014 would likely be needed because the PCBS and the MOFP had requested to

add new activities, and also because the PMA and the PPA components were behind schedule. The sixth ISR, which reported on the MTR mission, rated the project at Moderately Satisfactory on both Development Objective and Implementation Plan dimensions.

53. Each component had progressed toward achieving its objectives during this time period. The PCBS had made the most progress, with the PMA and the PPA experiencing delays related to procurement and contracting consultants. The main findings from the MTR and the ISRs during this period included the following:

- **PCBS.** The component had "performed outstandingly well" with the two PDO indicators already largely met.[21] The quality and timeliness of National Accounts had improved substantially, which was confirmed by biannual technical visits by the IMF. The PCBS had also produced the first agricultural census and built capacity to conduct the surveys on its own. The PCBS had also made substantial progress in meeting the intermediate indicators for developing the Quality Directorate and improving poverty estimation. The PCBS also asked to conduct additional work to support their Quality Directorate, through undertaking an EFQM improvement plan.

- **PMA.** Progress was uneven among the PMA's three main departments targeted—Research and Monetary Policy, Reserve Management and Monetary Operations, and Banking Supervision and Inspection. The Research and Monetary Policy Department was the most advanced, with a modern statistical database design complete. The DIS law was submitted and ready for the president's signature. The Banking Supervision and Inspection Department's capacity building had however "suffered significant delays" (AM MTR p.5). The MTR advised downscaling of the component and refocusing it on implementing the Basel framework in critical areas.[22] The TORs drafted for Basel II were also revised, to be more focused on addressing the lack of qualified consultants submitting proposals. It was also determined that the Reserve Management activity was no longer needed as it was supported by the World Bank's Reserves Advisory and Management Project.

- **PPA.** The MTR reported that progress was slow because of the security, political, economic, and fiscal environment. It was therefore more feasible for the PPA to make progress—and as a result refocus—on more operational tasks rather than advance on policy reforms. Operational tasks focused more on enhancing the PPA's capacity to manage its portfolio, build a business operations platform to manage scheme changes, and improve the quality of data. Progress had been made on the following: (a) adopting an Action Plan with proposed parametric changes; (b) purchasing and installing hardware and communications equipment to better link the PPA's Gaza and Ramallah offices and strengthening the security and stability of the system; and (c) the establishment of an Actuarial Unit.

[21] AM MTR, p. 4

[22] Measurement of credit risk and capital; market/FX risk; supervisory review and evaluation of the banks' internal capital adequacy assessment processes. Accordingly, the initially envisaged consultations on liquidity risk, operational risk, and Pillar III were dropped.

- **MOFP.** At the time of the MTR, the PCU was staffed with a project coordinator, senior finance officer, a procurement officer, and a finance officer. The MOFP also requested at the MTR to include new activities for economic research, focusing on tax policies. The World Bank determined that this would fall within the PDO, but it would require a Level 2 restructuring to change the indicators.

First Restructuring to Second Restructuring - February 2014 to June 2015

54. As described above, the first restructuring was a proactive measure that enabled the World Bank and the implementing partners to enhance and clarify the RF, add project objectives, reallocate resources among components and expenditure categories, and extend the project's closing date by one year. The addition of a fifth PDO indicator to accommodate the MOFP's request to add procurement and tax reform activities was also included. The Restructuring Paper dated January 16, 2014, found that the project objectives were still relevant and achievable with an extension of the closing date by one year.

55. Implementation moved ahead steadily following the first restructuring. The following is a summary of the main implementation achievements, challenges, and their resolution during this time:

- The PMA component began to progress further during this period when the Basel II consultant was finally hired (ninth ISR). The PMA was unable to find an Islamic finance consultant, however, for Basel II/III because of the difficulties in finding qualified consultants who could travel to the West Bank and Gaza, and hence, this was subsequently dropped.

- While the MOFP began to move forward with the procurement reforms, there was indication already that they would drop the tax reform activities by June 2014 (eighth ISR), which was later dropped formally in the second restructuring of June 2015.

- During this time, the PCBS EFQM activity experienced some initial delays as there had not been any action taken to proceed with the preparation of an implementation plan. The World Bank recognized this and recommended concrete steps for resolution. This improved later in 2014 when the PCBS began to move forward and had nearly completed phase one by December 2014.

56. Unanticipated events—namely the 2014 Gaza war and contracting issues with the PPA's main service providers—caused implementation to slow during this period, ultimately leading to the need to extend the project closing a second time through a restructuring. The war in Gaza began with hostilities in early July 2014 and continued until the end of August 2014. Humanitarian numbers showed that this conflict was more serious in terms of lives lost, physical destruction, and productive losses than previous conflicts in Gaza. Over 2,100 Palestinians died

during the hostilities and a third of the population was internally displaced. Damage to physical infrastructure was estimated to be close to US$4 billion.[23]

57. The institutions and staff supported under this project were affected by this destruction, damage, and loss of life as a result of the war. In particular, two of the MOFP's PCU staff and the PPA's project manager and staff were based in Gaza. Daily life and communication were significantly disrupted and limited because of the ongoing hostilities and violence. Travel in and out of Gaza—normally already highly restricted—also became severely limited during this time to only those responding on an emergency basis to the humanitarian crisis. Operational missions to Gaza were suspended. Damage to infrastructure and buildings also slowed movement and travel within Gaza. The teams ultimately persevered through this extraordinarily difficult time, though the impacts slowed the pace of communication and interactions between the World Bank and implementing agencies resulting in the project falling behind in its implementation pace. In the months following the war, the World Bank's resources and time were also shifted to focus on emergency relief efforts and reconstruction from the war.

58. In addition to delays because of the impacts of the Gaza war, the PPA experienced difficulties with two of its main contractors for the document archiving and ledger system. There was significant progress on the Document Management and Archiving System (DMAS), including the installation of the system and successful integration with the existing PPA Oracle database, but the implementation timeline provided by the contractor was not realistic. Furthermore, the Integrated General Ledger Management Information System (IGLMIS) faced significant delays because of issues with the selected consultant firm (December 2014 AM). The two main issues were (a) that the subcontractor consultant was unable to obtain a visa to the West Bank and Gaza and (b) the PPA did not yet have unrestricted access to the Oracle Financials software license, a key deliverable of the IGLMIS software contract. Lack of access to the Oracle license hindered the PPA's ability to practice use of the software. An annex to the December 2014 AM extensively documented the details of these issues and concrete steps for resolution. The World Bank outlined five steps for the PPA to resolve the issue with the contractor, primarily, by informing the contractor in writing that the project was at risk and requesting specific urgent actions to resolve the delays.

59. Therefore, as a result of the impacts of the Gaza war and unexpected service provider issues described earlier, the World Bank and implementing agencies together determined that the project would benefit from additional time to allow for the completion of key remaining activities. The ISR of June 2015 (tenth ISR) noted good progress despite the very difficult circumstances caused by the Gaza war. Disbursements at this stage had reached 83 percent and Development Objective and Implementation Plan project ratings were Moderately Satisfactory. Based on this, the MOFP submitted a second restructuring request to extend the project closing date by one year, which the World Bank approved on June 25, 2015.

Second Restructuring to Closing - June 2015 to June 2016

60. Close follow up and proactive project management by the World Bank team over the project's final 12 months resulted in accelerating the implementation of the final outstanding

[23] Country Assistance Strategy FY15–FY16.

objectives. Disbursement increased from 83 percent to 95 percent in the last year of implementation. The final ISR reported the following had been achieved in the final six months of the project before closing:

- **PCBS.** The remaining EFQM activities were completed, including training for relevant staff.

- **PMA.** The draft Basel II framework passed public discussions with banks, with the expectation it would be deployed in the third quarter of 2016. Finalization and utilization of a data warehouse was also completed, allowing for a more effective forecasting capacities by the Research and Monetary Policy Department. Relevant technical training was conducted for key management positions.

- **PPA.** Despite the persistent delays, notable progress was achieved in the final six months of the project. Contract issues were resolved. The archive digitization process was underway using the DMAS, targeting 300,000 documents in the West Bank and 1 million in Gaza. The IGLMIS was installed and in the testing phase. The ISR reported that a fully functional system would likely not be in use for an additional six months because of several conditions needing to be met including the closure and reconciliation of the monthly financial cycle.

- **MOFP.** The High Council of Public Procurement Policies (HCPPP) approved the drafted standard bidding document (SBD) and the Procurement Manual. The ISR indicated, however, that follow up action would be needed to ensure streamlined and consistent procurement procedures were in place.

Main Factors that Affected Implementation

61. The main factors that affected implementation are summarized in this section.

62. **Impacts of operating in a fragile and conflict-affected situation (FCS), including the Gaza war of 2014.** As described earlier, the violent war in Gaza that took place during the summer months of 2014 affected the PA and World Bank staff supporting the project, especially the staff based in Gaza. The resulting hostilities, violence, loss of life, and damage to physical infrastructure that occurred in July and August of 2014 were devastating to Palestinians. The war also caused significant disruptions to World Bank engagements at the time, including this project's implementation schedule. Attention turned to trying to endure the impacts of the war, and later assess and respond to the damage resulting from the war. The World Bank and the implementing agencies moved the project forward to the extent that was possible during this difficult time despite the severe restrictions and impediments on travel, communication, and daily life in Gaza. Implementation got back on track in the subsequent months, though a second extension was required to accommodate this lost time.

63. More broadly, managing a complex highly technical project in an FCS adds additional implementation challenges and uncertainty. The political and economic 'status quo' of the West Bank and Gaza is characterized by high uncertainty, internal political division, fragmented territories, and external constraints imposed by Israel (including lack of physical control of

borders), and it is subject to bouts of violence. For example, the physical location of the PPA in Gaza inevitably led to implementation inefficiencies related to the project's third component. Travel in and out of Gaza is very limited for both Gazans and non-Gazans. As a result, most communication between the PPA, its contractors, and the World Bank needed to be conducted virtually. For example, this made contracting non-Gazan firms more difficult and less efficient at times because the agency was unable to meet with the prospective firms in person. The PPA faced further difficulties when one of its service providers' subcontractors was unable to obtain a visa to the West Bank and Gaza. It was also challenging to transport IT equipment in and out of Gaza. Despite these extraordinarily difficult circumstances, the beneficiaries were able to continue to manage the project, find innovative ways of functioning, and persist even during the time of war.

64. **The project implementation structure of a centralized PCU for four implementing agencies led to some simplification, but also inefficiencies.** The project management structure enabled implementation of a complex project to be centralized out of one PCU as opposed to having four separate PCUs, or projects. This aided the World Bank in managing project coordination, monitoring, and fiduciary responsibilities across the implementing entities. The MOFP reported that this structure enabled them in their role of coordinating and overseeing the budgets of line ministries.[24] The PCBS also reported that it helped enhance the agency's relations with the MOFP. The PCU also later developed into a structure that supported other World Bank projects.

65. However, while this project implementation structure facilitated some simplification and efficiencies, project documentation and Implementation Completion and Results Report (ICR) interviews revealed that this structure also resulted in inefficiencies. Each component activity was assigned to the heads of the departments under the leadership of a project manager, who in turn was responsible for communications with and reporting the PCU. While each component's project manager was ultimately responsible for representing the partner in the project, it was the heads of departments who were responsible for key decisions on specifications, TORs, and TA needs. As reported in the borrower's final report, "this led to an operational and informational gap between the PCU and actual performers. It not only complicated communications, but also contributed to the delay on key areas that had direct impact on each partner's progress and the project's overall progress."

66. Because the PCU did not have deep technical knowledge on each of the components, the ICR interviews found that the PCU acted as more of a transactions manager as opposed to taking a more proactive, technical role in the project. Some implementing partners suggested that a steering committee, for example, could have helped systemize the reporting and relationship between the PCU and other implementing partners. Furthermore, since the World Bank was a layer removed from each implementing agency, it was not systematically involved with each implementing agency.

67. **The procurement process was inefficient and slow at times.** The intended benefit of centralizing the procurement process at the PCU was not realized to the full extent. Implementing partners reported systematic delays in procurement. The nature of such delays for

[24] Though the PCBS and the PMA are not line ministries.

each implementing agency varied at times across the 'value chain' of procurement and periodically could stem from the following reasons:

(a) Lack of a strategy with well-defined activities

(b) Lack of knowledge and experience in developing well-defined TORs

(c) Little or no availability of specialized consultants

(d) Lack of experience in making a selection efficiently and professionally, especially at the technical evaluation stage

(e) Slow finalization and sign-off of the final selection by the MOFP

68. While each implementing agency had varying experiences on the different stages of the procurement process outlined above—the PCBS, for example suffered less from points (a) to (d)—they each reported delays associated with point (e) above. Delays in the final sign-off of procurement contracts by the ministry delayed implementation activities. The MOFP noted however that these delays resulted mainly from the time needed to check the taxation status of firms. In addition the ministry highlighted that this impacted a limited number of contracts, rather than systematically as reported by implementing agencies.

69. **Each implementing agency had a different level of experience and capabilities, especially with World Bank projects.** The PCBS was able to move the most efficiently through project implementation for several reasons: (a) its strategic priorities had been clearly identified in advance; (b) it had familiarity and experience working with the World Bank; (c) it had experience with writing TORs; and (d) it had a pool of experienced consultants from which to draw. The PMA also had relatively more experience working with the World Bank, though it faced some difficulties in finding consultants in specialized areas. The PPA, on the other hand, experienced challenges with finding qualified consultants and had less experience writing TORs. It also faced difficulties with its main service providers.

2.3 Monitoring and Evaluation (M&E) Design, Implementation and Utilization

70. **Design.** The RF, M&E, and reporting arrangements were outlined in the PAD and PIM, including four PDO-level indicators to monitor project progress and results. After the project's two restructurings, the final RF reflected five PDO indicators because of the addition of the MOFP procurement objective. The World Bank recognized the inherent challenges of monitoring a complex capacity-building project comprising four implementing entities. It was noted during the project's Project Concept Review Meeting (January 2010) that separate RFs may need to be considered for each component. The team considered taking this suggestion on board, but ultimately decided to maintain one overall RF with detailed sections for each component, as noted in the Decision Meeting of March 2010.

71. While the results indicators were clearly defined, the M&E framework in the PAD was characterized by several weaknesses, namely: (a) lack of a clear results chain describing how inputs lead to outputs and outcomes; (b) vague or overlapping wording of certain indicators; and

(c) missing baselines, end targets, and yearly target values for the PDO and intermediate indicators in the RF.

72. At a broader level, the PAD did not lay out a clear results chain and discussion of the expected causal link between the project's inputs, outputs, and outcomes. While the project's technical interventions and the rationale for such activities are very clear, targeted, and relevant, the PAD could have more clearly established a strong causal link between project investments, the expected flow to the beneficiaries, resulting changes in skills, behavior, and policy, and the overarching project outcomes—including the PDO objective of supporting implementation of the PRDP. Additionally, the PAD could have provided a more detailed discussion on the expected impacts on project beneficiaries, both direct and direct. Given that the project is meant to build the capacity of departments, system, and staff, the M&E framework would have benefited from measuring the number of staff impacted or trained.

73. In the PAD, the RF clearly described the uses of each indicator and outlined its arrangements for monitoring. However, several weaknesses in the indicators are noted in the following paragraphs. This was subsequently strengthened during the first project restructuring, which resulted in an improvement in M&E during implementation.

- Indicators were qualitative and some not specific enough, making measurement and tracking subject to interpretation. For example, words that appear in the RF such as 'in place' can have different interpretations and can make it more challenging to ascertain the changes in results. This is not unusual given the nature of a capacity-building project, but intermediate indicators on the number of staff trained or affected (including women) could have been included.

- Baselines, yearly target values, and end values were not specified for the PDO-level outcome indicators.

- Lack of a results indicator to measure the latter clause of the PDO - "in order to support the implementation of the Palestinian Reform and Development Plan." As a result, this was not tracked or reported on during implementation.

74. The PAD's implementation arrangements for M&E were sufficient and designed to take advantage of the centralized PCU for project monitoring and tracking. According to the PAD, the MOFP was to be responsible for overall monitoring of project implementation, while maintaining a close dialogue with the three implementing partners. Regular meetings were to be held (at least once every two months) to assess progress and ensure smooth implementation. Regulator progress reports were specified.

75. **M&E implementation and utilization.** The RF was strengthened during project implementation, primarily through the first Level 2 restructuring, especially to better define the end targets for each indicator and correct some overlapping indicators. The main changes to the RF are outlined in section 1.7, and are also described further in table 2.

76. It is important to note that the fourth PDO indicator 'Improved administration of current pensions system, and strengthened capacity for future reform', while included in the PAD RF (p.

31) was missing from the RF of the first four ISRs. It appears in the RF in the fifth ISR dated November 2012, around two years after effectiveness. The baseline and end target, were added at the first restructuring. The documentation does not indicate why this PDO indicator was not systematically tracked for the first two years of the project, however, it appears to be an error rather than intentional.

77. Table 2 summarizes the main changes between the PDO and intermediate results indicators as approved in the PAD, between the two restructurings, and the final indicators reported in the final ISR. As evidenced in the table, the majority of the indicators' targets were revised and strengthened during the first project restructuring to make the end targets more clear, specific, and measurable. It should also be noted that the first Restructuring Paper had made revisions to both the wording of a number of indicators and also the associated end targets to make them more specific and measurable. While the end targets' revisions were reflected in the subsequent RF (as evidenced by the ISRs), the revisions to the wording of certain indicators were not reflected. After consulting with the TTL, it was concluded to be due to an IT error that the full revised RF was not reflected in the system after the restructuring. However, the main substantive differences made were in the end targets, which were fully reflected in subsequent RF and ISRs; so this glitch did not make a material difference in project monitoring.

Table 2. Changes to Results Framework indicators through Project Restructurings

Objectives (from PAD, Results Framework, p.31)	Indicator at Time of Approval (from PAD, p. 31)	Changes to Indicator in Restructuring 1 or 2	Final Indicator (Second Restructuring Paper)	Changes to End Targets?
PDO LEVEL				
The PDO is to build the capacity of leading economic and regulatory institutions, in order to support the implementation of the Palestinian Reform and Development Plan.	1. Improved quality and timeliness of National Accounts estimates	None	Improved quality and timeliness of National Accounts estimates	Yes—end target revised to be more specific in Restructuring 1 (R1) to "Quarterly National Accounts estimates released using expenditure approach, base year updated."
	2. Capacity to conduct agricultural census surveys going forward	'Going forward' removed between PAD and first ISR	Capacity to conduct agricultural census surveys	Yes—end target revised to be more specific in R1: "Agricultural census and methodology and technical capacity in place at PCBS."
	3. Improved monitoring and supervision of the financial sector, with strengthened data and forecasting system	None	Improved monitoring and supervision of the financial sector, with strengthened data and forecasting system	Yes—end target revised in R11 to "Banking supervision to Basel II/III, DIS, and data models for forecasting in place"
	4. Improved administration of current pensions system, and strengthened capacity for future reform	Revised one word—added 'by PPA' at R1	Improved administration of current pensions system by PPA and strengthened capacity for future reform	Yes—end targets and baseline values added at R1.
		5. Added at R1: 'Improved public procurement and tax administration at MOF' At Restructuring 2: 'and tax administration' was dropped	Improved public procurement at MOF.	Yes—end target was revised at Restructuring 2 to drop the tax targets.
INTERMEDIATE RESULTS INDICATORS				
Component One: Capacity Building for the PCBS				
Improved quality and timeliness of National Accounts estimates	1.1 Consistent and regular estimates of National Accounts	None	Consistent and regular estimates of National Accounts	Yes—revised at R1 to be more specific: "Supply use tables (SUTs) produced; Using new methodologies to estimate activities for the QNA"
Development of the PCBS Quality Directorate	1.2 Completed Action Plan to build the capacity of the Quality directorate	None	Completed Action Plan to build the capacity of the Quality directorate	Yes—revised at R1 to "EFQM implementation throughout PCBS underway."
	Revised sampling procedures for	This intermediate indicator was	n. a.	n. a.

	PCBS surveys	included in the RF of the PAD but was not included in the RF thereafter.		
Capacity to conduct agricultural census surveys	1.3 Dataset from agricultural census for West Bank and Gaza	Wording added and revised in the first ISR	Dataset from agricultural census for the West Bank and Gaza that is used to inform PA policy and improve PCBS socioeconomic data	Yes—revised during R1 to "Agricultural census report completed and disseminated."
Improving poverty estimation	1.4 PCBS staff using modern methodologies for producing poverty estimates, including specialized software.	Wording revised—took out 'including specialized software 'in the first ISR	PCBS staff using modern methodologies for producing poverty estimates	No
		Added in R1 to complement indicator just above	1.5 New electronic survey technology introduced and in use at PCBS	No
Component 2: Capacity Building for the PMA				
Improved monitoring and supervision of the financial sector	2.1 Core missing regulations and directives drafted	None	Core missing regulations and directives drafted	Yes—revised at R1 to "Basel II/III guidelines developed by PMA"
	Modern monitoring techniques deployed	Dropped at R1 since it was repetitive with PDO Indicator 3	n. a.	n. a.
Strengthened data management system as well as improved analytical and forecasting capacity in the Research and Monetary Policy Department	2.2 Research Department Database expanded	Revised—this indicator and the two below were separate indicators in the PAD RF, but then consolidated into one in the first ISR	Research Department Database expanded and analytical and forecasting capacity in the Research and Monetary Policy Department improved	Yes—revised slightly for clarity in R1 "Financial Stability Review published annually and inflation report published quarterly"
	Financial Stability Review Report published periodically	See above	n. a.	n. a.
	Analytical and forecasting work to support monetary operations and monetary policy decisions improved	See above	n. a.	n. a.
Establishment of a Deposit Insurance Scheme	2.3 Deposit Insurance Law and regulations drafted and submitted to the Council of Ministers	Wording revised from PAD RF to first ISR	Deposit insurance regulations drafted and submitted to the Council of Ministers	Yes—revised in R1 to "DIS operational in the West Bank and Gaza" from "Regulations drafted"
Strengthened reserve management capacity	Modern reserves management techniques adopted	Revised target at R1; subsequently, dropped at Restructuring 2 since it was being undertaken by IMF	n. a.	n. a.
Component 3: Capacity Building for the PPA				

Establishment of a committee with representation of key stakeholders to discuss and evaluate pension reform proposals	3.1 Constitution of a Pensions Steering Committee to assess reform options	None	Constitution of a Pensions Steering Committee to assess reform options	Yes—end target revised in R1 to "Pensions Reform Action Plan prepared by PMA and submitted to cabinet"
Improved PPA administrative capacity	3.2 PPA has improved IT systems and consolidated pensions records that are accessible and secure	None	PPA has improved IT systems and consolidated pensions records that are accessible and secure	Yes—revised at R1 to add "IGLMIS and DMAS systems developed and installed at PPA."
PPA's capacity strengthened for future reform of the pensions system	3.3 PPA can produce actuarial analysis of long-term financial situation of pension schemes, to inform policy decisions	Revised from PAD RF in first ISR to "PPA's capacity for future pension reform system strengthened"	PPA's capacity for future pension reform system strengthened	Yes—revised at R1 to "PPA staff receive training and actuarial analysis tools."
Component 4: Project Management and Capacity Building for the MOFP				
None included at time of project approval	None included at time of project approval	Added at R1	4.1 Public procurement procedures developed	No
		Added at R1; Dropped at Restructuring 2	n. a.	n. a.

78. On the PCU's M&E utilization, ICR interviews revealed that the PCU played more of a coordination role in monitoring results, rather than proactive supervision of activities and results. The ICR suggests that the flow of information from partners to the PCU could have been improved through regular field visits, partners meeting, and quarterly reports to monitor implementation and advise corrective actions were needed. Overall a challenge in utilizing and assessing the results of a project with purely qualitative indicators is that such indicators can be subject to interpretation. It requires more intensive monitoring and follow-up with the implementing partners to ensure that the status of project objectives are clear with all stakeholders. The restructurings largely corrected for these issues, though some indicators remained open to interpretation.

2.4 Safeguard and Fiduciary Compliance

79. Procurement, FM, and safeguards arrangements were detailed in the PAD. The MOFP PCU was responsible overall for managing fiduciary activities.

80. **Procurement.** The overall procurement risk in the West Bank and Gaza was assessed as High at the time of project approval. The 2004 Country Procurement Assessment Report and 2008 Country Procurement Issues Paper found that the legal framework and conditions were not yet in place for using the country's procurement system. The new procurement law had not yet been enacted at the time.

81. The MOFP PCU would act as the main counterpart to the World Bank for all procurement aspects of the project. In particular, all procurement notices and advertisements and all contracts with suppliers and consultants were issued and signed by the MOFP. The implementing agencies took the lead on all technical aspects of the procurement process and were responsible for contract management including the review and approval of consultants' deliverables.

82. A Procurement Capacity Assessment of the MOFP PCU and of the implementing partners was carried out as part of project preparation. It concluded that the overall procurement risk was Substantial and determined that the capacity of the MOFP PCU needed to be strengthened through support with regard to TA, training, and supervision to meet the implementation requirements under the project. Most of the agreed actions for strengthening the PCU procurement capacity were completed; a procurement officer had been assigned and a procurement advisor with expert knowledge of the World Bank Procurement Guidelines was supporting the PCU in the implementation of procurement activities. The Manual of Procurement Procedures was made available to the implementing partners.

83. Despite these mitigation measures and the improvement toward the end of the project in the procurement rating, the ICR noted that procurement was the key bottleneck for the project progress. This is further assessed in Section 2.1 (paragraph 67). The procurement rating was periodically downgraded to Moderately Satisfactory, but the World Bank viewed the PCU performance as improved during the second period of project life and the rating was eventually upgraded to Satisfactory by project closing. However the project management rating was downgraded from S to MS in the project's final ISR to reflect some delays and inefficiencies in

management of procurement. The World Bank also carried out five ex post procurement reviews during the project lifetime; no major noncompliance was noted.

84. **Financial management.** The Country Financial Accountability Assessment conducted during 2004 concluded that the risk level in the PFM system was Significant. The risk for this project from an FM perspective was Substantial. As the MOFP managed the FM aspects of the project, one Designated Account was opened at the MOFP under the central treasury system. All payments were to be centrally handled at the MOFP level on behalf of all the implementing partners. An FM Manual was drafted as part of the PIM.

85. The project performance in FM was rated Satisfactory during the life of the project because of the familiarity of the PCU with FM systems of the project and the satisfactory performance of the FM specialist at the PCU. Regular supervision missions confirmed that the project complied with the obligations of financial reporting and auditing: the audit reports and Interim Financial Reports (IFRs) were submitted to the World Bank on time and there were no overdue external audit reports and IFRs at the time of the project closing date. All audit reports and IFRs were reviewed by the World Bank and comments were provided to the Government.

86. **Safeguards.** The project was classified as Category C since it was primarily TA and did not involve any physical investments. None of the World Bank's safeguards policies were triggered. The implementing agencies also conducted stakeholder consultations at the design stage to discuss the project's intended impacts and inform stakeholders about the project.

2.5 Post-completion Operation/Next Phase

87. The appropriate institutional, financial, and technical capacities are in place at the implementing agencies to enable the future benefits of the project to continue to be realized. The project promoted institutional change and development of the management, staff, and systems at the PCBS, PMA, PPA, and MOFP. These changes are likely to be sustained since these institutions have demonstrated their credibility and commitment to the reforms (as further discussed in section 4, Risk to Development Outcomes).

88. The capacity building and training furthermore targeted key staff at the PCBS, PMA, and PPA. The MOFP PCU staff were considered to be more at risk after the project ended given that the project's PCU was hired as consultants. However, of the four PCU consultants that were responsible for managing the Capacity Building Project, two remain employed by the MOFP and continue to work on other World Bank projects. The MOFP has also hired two full-time civil servants (one in the fall of 2015, and the other more recently) to support World Bank projects; a positive sign that this risk of complete dissolution of the PCU and support to other World Bank projects has been partially mitigated.

89. The objectives achieved and results measured under the project will continue to be highly relevant to the PA and the World Bank in the coming years. The RF lends itself to being monitored or revisited in the short to medium term following the project if the World Bank deems it necessary to further track results. Given that capacity building and TA engagements tend to take longer for the impacts to be realized, it would be beneficial for the World Bank to continue to monitor the project impacts post-completion, for at least one to two years.

90. There are no follow-up or next phases of the project in the West Bank and Gaza lending pipeline with the World Bank. However, the Government and implementing agencies have expressed interest in continued engagement with the World Bank.

3. Assessment of Outcomes

91. Due to the project's two Level 2 restructurings, a split rating for the overall outcome rating was considered. It was determined by the ICR team that the restructurings did not significantly change the key associated outcomes—or in other words, did not shift the 'goalposts' in a meaningful way since the PDO was already broad. End targets were revised and improved through the first restructuring to make them more measurable and specific. The most significant change at the restructurings was the addition of the fifth PDO indicator to account for new procurement and tax reforms to be undertaken by the MOFP. This was subsequently revised at the second restructuring to include only the procurement objective. These changes did not significantly impact the PDO since it was broad enough to accommodate its addition and subsequent revision. In addition, the pre- and post-ratings for the project were both Moderately Satisfactory, and as such, a split rating would thus not yield materially different ratings.

3.1 Relevance of Objectives, Design and Implementation

Table 3. Overall Relevance Rating

Dimension	**Rating**
Relevance of Objectives	High
Relevance of Design	Substantial
Relevance of Implementation	High
Overall Relevance Rating	**High**

Sub-rating for Relevance of Objectives: High

92. **Objectives.** The ICR affirms the high overall relevance of the project's objective of building the capacity of key institutions in the West Bank and Gaza. While several World Bank assistance strategies have been in place since the design and launch of this project, a common theme across all (for example, the Interim Strategy 2012–14 and Assistance Strategy 2015–16) has been a strong emphasis on strengthening public institutions and governance capacities of the PA. The objective of building the capacity of key economic and regulatory institutions is in line with both the World Bank's current Assistance Strategy 2015–16 (Pillar I: Strengthen the institutions of a future state to ensure service delivery to citizens) and the PA's current National Development Plan 2014–16 (under the key policy priority: "Good Governance and Institution Building"). The project thus reflected proper identification of a development challenge and priority that remains highly relevant in the West Bank and Gaza.

93. In its opening, the 2015–16 Assistance Strategy frames the World Bank's involvement in the West Bank and Gaza as follows: "In the highly unpredictable operating environment, institution strengthening to build the foundation of a strong Palestinian administration has been central to the Bank's program (p. 1)." Seven DPGs have supported the Palestinian agenda of PFM and fiscal strengthening. This project was complementary to the DPGs in strengthening PA institutions supported under the DPGs and also on prior actions most closely associated with pension reform and procurement.

94. Given the ongoing fragility and conflict in the Middle East and North Africa region, the World Bank's new strategy titled "Economic and Social Inclusion for Peace and Stability in the Middle East and North Africa" puts the goal of promoting peace and social stability at its center. The four pillars of the strategy are (a) renewing the social contract; (b) regional cooperation; (c) resilience; and (d) reconstruction and recovery. This project directly responds to the pillar of renewing the social contract because it strengthened public institutions to be more efficient and effective, modernized IT systems and methodologies, and enabled future reforms. It also responds to the pillars of resilience[25] and reconstruction/recovery by focusing on building and sustaining key institutional infrastructure in an FCS to strengthen resilience in the short term and to lay the foundation for the future.

95. Furthermore, in an FCS, local institutions and their staff are often left isolated from the global community, and as a result of lack exposure to international best practices and standards, cutting-edge technology and experts with specific technical skills. This is exacerbated in the West Bank and Gaza not only because of safety and security perceptions, but also because it can be challenging to secure visas to enter and exit Israel. One of the key channels to address this is through targeted capacity-building interventions such as this one, championed by an international donor such as the World Bank, to bring cutting-edge solutions and skills directly to the country, which would have been more difficult to access independently.

96. As argued elsewhere in the report, the PDO and outcome indicators could have been designed to be more specific, measurable, and targeted. This would have resulted in higher quality monitoring and assessment of results. However, while the PDO was broad in its scope, it is not inconsistent with the country's current development priorities.

S*ub-rating for Relevance of Design: Substantial*

97. **Design.** The institutions targeted for support under the project continue to be highly relevant and important in the West Bank and Gaza. The implementing partners and the MOFP were highly engaged in the design of the project, as indicated in the ISRs and the AMs issued during project preparation. The selected activities represented high priorities in their strategic plans in areas that the World Bank was well positioned to provide technical support on, particularly in comparison with other donors. During the ICR mission, each of them expressed the relevance and importance of the project in achieving several of its strategic objectives. This is characterized as follows for each institution:

- **PMA.** Despite the very challenging backdrop, the Palestinian banking sector continues to be one of the few stable, resilient, and profitable sectors. Furthermore, the PMA is perceived as one of the best managed public institutions in the West Bank and Gaza. As noted in the Assistance Strategy, "The sector is well regulated by the PMA which has steadily been building the capabilities of a central bank" (p.5). The World Bank was well positioned to deliver further TA based on its previous engagements there, with no other donors providing similar support.

[25] Five million Palestinians have been refugees for over 65 years.

- **PCBS.** The World Bank supported the PCBS from its inception and has a value added in providing technical advice not provided from other donors. The PCBS is a critical part of the PA's economic management system as the official statistics agency. It is a highly regarded institution and is the only consistent and accurate source of data in the West Bank and Gaza.

- **PPA.** While the World Bank had less of a history in providing TA to the PPA, its engagement was built on a recent diagnostic of the sector that noted the significant role of pension liabilities in the PA budget, which continues to be highly relevant today. As stated in the current Assistance Strategy, the pension system reforms are needed to help reduce significant contingent liabilities of about US$1.6 billion for the PA's budget in the medium to long term (p. 7). However, the scope of activities originally envisioned in this component was ambitious, driven by what the World Bank perceived as a possible window of opportunity for reforming a politically sensitive area.

98. A shortcoming is noted in the relevance of the design of the project implementation structure with a centralized PCU and multiple implementing agencies. The evidence shows that the span of control of four implementing agencies and five PDOs was too broad and complex for one centralized PCU to manage. The initial intentions of efficiency gains were not fully realized. This is evidenced by slow and inefficient administrative and procurement processes which, in part, contributed to implementation delays (discussed further in section 3.3 on Efficiency). During the ICR mission, the MOFP voiced that this structure is one that it would like to see continue in the future as it is relevant for their oversight role of budget activities within each ministry. While it would be still highly relevant to provide a platform for TA and advisory services to the PA, the implementing structure would need to be adjusted to provide more resources and capacity to the PCU, or the number of implementing agencies would need to be scaled back.

Sub-rating for Relevance of Implementation: High

99. **Implementation.** The World Bank's implementation support and supervision would remain relevant to the clients' needs. The World Bank was highly proactive and responsive to identifying issues and finding solutions, and brought the needed mix of skills to supervise the project. Throughout its life, the project remained important to achieving country, World Bank, and global development objectives. The MTR effectively identified risks that could have put the PDO at risk, and ultimately, the solutions were delivered through the project restructuring. Despite challenges—both anticipated and unanticipated—faced during implementation, the World Bank put forth significant efforts to proactively steer the project and deliver on its objectives, particularly in a very challenging environment, including when Gaza experienced a war in 2014.

3.2 Achievement of Project Development Objectives

Overall Achievement of PDOs Rating: Substantial

100. **The PDO of building the capacity of leading Palestinian economic and regulatory institutions was achieved, with a rating of Substantial.** Three objectives were fully achieved

(PDO indicators 1, 2, and 3). PDO indicators 4 and 5 experienced slower implementation and were partially achieved at closing. The final ISR rated the progress toward achievement of the PDO as Moderately Satisfactory. The ICR's assessment of the level of achievement of each PDO indicator is included in table 4, followed by a further discussion in the subsequent paragraphs.

Table 4. Achievement of PDO Indicators

Institution	PDO Indicator	End Target (Approved/Revised)	Level of Achievement (ICR's Assessment)	Rating
PDO: To build the capacity of leading economic and regulatory institutions, in order to support the implementation of the Palestinian Reform and Development Plan.				
PCBS	1. Improved quality and timeliness of National Accounts estimates	Quarterly National Accounts estimates released using expenditure approach, based on year updated	**Fully achieved ahead of schedule.** The PCBS now produces consistent and regular estimates of National Accounts on both annual and quarterly basis by production and expenditure approaches in both current and constant prices. The base year was updated to 2004. Data is publically available on the PCBS website.	**High**
PCBS	2. Capacity to conduct agricultural census surveys	Agricultural census methodology and technical capacity in place at PCBS	**Fully achieved ahead of schedule.** Census was completed in 2011 and 4 studies were produced. The Agricultural Statistics department is planning for the next survey in 2020.	**High**
PMA	3. Improved monitoring of the financial sector, with strengthened data and forecasting system	Banking supervision per Basel II, DIS, and data and models for forecasting in place	**Fully achieved.** • The DIS is operational and insures 93 percent depositors • The Research Department is utilizing upgraded models and producing reports • Basel II framework was developed and passed consultation stage with banks. The PMA issued instructions to banks shortly after project closing.	**High**
PPA	4. Improved administration of current pensions system by PPA and strengthened capacity for future reform	Pension Reform Action Plan submitted to cabinet, management information system and general ledger systems installed and operational, capacity for actuarial analysis in place at the PPA	**Substantially achieved with adjusted schedule**. • Action Plan was submitted and approved by the cabinet • The DMAS installed and operational; archive process ongoing and mostly completed 4 months after project closure • Ledger system is completely installed and partially operational (data is partially keyed into the system) • Actuarial Analysis Unit established; trainings and TA delivered from 2013–15. PPA is capable of conducting actuarial	**Substantial**

			analysis and informing policy discussions.	
MOFP	5. Improved public procurement at MOF	Streamlined and consistent procurement procedures are implemented by all the PA procuring entities	**Partially achieved with adjusted target and schedule.** • The SBDs and Procurement Manual were approved by the HCPPP • Further steps needed on implementation and to ensure consistent procedures are implemented by all the PA entities	**Modest**

Source: PAD, First and Second Restructuring Paper, and Final ISR.

101. **PDO Indicator 1: Improved quality and timeliness of National Accounts estimates - Fully achieved, ahead of schedule.** The first PDO indicator to improve the quality and timeliness of National Accounts estimates at the PCBS was fully achieved. The PCBS now produces consistent and regular estimates of National Accounts on both annual and quarterly basis by production and expenditure approaches in both current and constant prices. Regionally disaggregated annual and quarterly estimates of National Accounts are also produced and published. The PCBS also produces these estimates classified by the institutional sector. The base year was also updated from 1997 to 2004. The quality of the estimates is confirmed by biannual technical missions by the IMF. The ICR author also found that this data is easily accessible on the PCBS external website (http://www.pcbs.gov.ps/). The team responsible for National Accounts at the PCBS comprises four staff with the skills and abilities to produce National Accounts estimates.

102. **PDO Indicator 2: Capacity to conduct agricultural census surveys - Fully achieved ahead of schedule.** The first agricultural census in the West Bank and Gaza was reported as complete in the third ISR (November 2011). The project financed data collection, processing, four publications, and their dissemination. Six workshops were conducted to disseminate the results of the survey. In addition, 25 reports and publications related to the census can be found publically available on the PCBS website, indicating that more were completed beyond those that were funded by the project (http://www.pcbs.gov.ps/pcbs_2012/Publications.aspx?catid=41). The census was also used to improve estimates in the National Accounts (AM November–December 2011). As a result of the project, the PCBS has the capacity to conduct agricultural censuses and surveys on its own. This is evidenced by the five resident staff of the Agricultural Statistics Department that received training and TA from international experts, the adoption of new technology (tablets) to conduct the first and future censuses, and the successful implementation and completion of the first census. In addition, the PCBS has a plan to conduct the agricultural census every 10 years with the next survey planned for 2020, which was confirmed during the ICR mission.

103. **PDO Indicator 3: Improved monitoring of the financial sector, with strengthened data and forecasting system - Fully achieved.** The three project targets as designed in the RF are: "(a) Banking Supervision per Basel II, (b) DIS, and (c) data and models for forecasting in place." One target, Palestinian Deposit Insurance Corporation (PDIC), was achieved ahead of schedule, while others were achieved after restructuring. The end target was revised for clarity during the first restructuring. The evidence is summarized as follows:

- **PDIC.** The establishment of the DIS was achieved before restructuring.[26] This paved the road for incorporating the PDIC with a mission to enhance banking and financial stability in the West Bank and Gaza by protecting depositors, particularly new ones, and to ensure a sound banking system. The PMA reports that the scheme insures 93 percent of depositors (1.1 million) in the West Bank and Gaza. This objective was expanded at the first restructuring since the original end target was only for the draft law to be completed. When the decision was taken to operationalize the PDIC, the PMA was adequately monitoring the financial sector to ensure it would not introduce potential moral hazard risks. Furthermore, the scheme was designed in line with international standards and adequately funded to ensure sustainability.

- **Data and models for forecasting.** The Research Department is now capable of producing monthly, quarterly, and annual macroeconomic reports and financial stability reports covering a wide range of indicators and risk factors. The project also contributed to the development of a data warehouse, allowing for more effective forecasting by staff. This system allows for data that was once disconnected among the various systems to be pulled together, resulting in better and more efficient data management and analysis.

- **Basel II Framework.** At the time of project closing, the draft Basel II framework passed the consultation and feedback stage with national banks and was expected to be deployed (in the form of guidelines and tools) by the end of September 2016. A press release by the PMA dated August 29, 2016, indicates that the PMA had issued new instructions to banks on minimum capital requirements and risk management, in line with the Basel II requirements.[27] The article states, "The project contributes to the promotion of capital adequacy for the banks; fosters their ability to withstand risks associated with banking; safeguards the soundness and stability of the banking system and protects customer funds."

104. **PDO Indicator 4**: **Improved administration of current pensions system by PPA and strengthened capacity for future reform – Substantially achieved.** This indicator was broken down into its several end targets: (a) Pension Reform Action Plan submitted to the cabinet, (b) management information system and general ledger systems installed and operational, and (c) capacity for actuarial analysis in place at the PPA.

105. Though the PPA component had to be scaled back from what was envisioned in the PAD (which as argued elsewhere was likely too ambitious), the achievements under this component are considerable. The ICR finds that the project improved the PPA's capacity to manage pensions in the West Bank and Gaza through higher quality systems and enhanced technical knowledge, which will also enable the PPA to enact future reforms. The PPA is highly knowledgeable about the current pension system and has the capabilities to discuss pension reform options with other stakeholders. This is also considered within the context of a highly

[26] Including drafts of laws and regulations, the articles of association, the corporate governance structure, and internal procedures of the DIS.
[27] http://www.pma.ps/Media/PressReleases/TabId/205/ArtMID/793/ArticleID/1000/PMA-Begins-Implementation-of-Basel-II-Requirements-for-Capital-Adequacy-and-Risk-Management.aspx.

politically sensitive issue, the 2014 Gaza war occurring in the middle of project implementation, the challenges of being physically located in Gaza (adding cost, time, and complications to interactions), and operating in a precarious fiscal environment with declining contribution revenues.

106. **Action Plan.** The PPA drafted a law and adopted an Action Plan underpinned by actuarial analysis with proposed parametric changes that would help stabilize the system. The Action Plan was submitted to the cabinet and approved thereafter. The Action Plan was further submitted to the President as a reform package to be implemented through amendments to the law. However the challenging context and the political sensitivity of pension reform did not allow for the package to be implemented. Consequentially, this narrowed the scope for some of the wider reforms that were originally envisioned under the project (such as increasing the scope of coverage or implementing the defined contribution component). Despite this, the PPA was able to progress on technical and operational tasks. Operational tasks focused on strengthening the PPA's capacity to manage its portfolio of pensions schemes, building a business operations platform to cope with the scheme changes, and improving the quality of data (financial and business) available for policy analysis and planning.

107. **DMAS.** The last ISR reports that the DMAS archive digitization process was underway and was expected to be continued by the client beyond the project's closing date. This was verified during the ICR mission, with the client confirming that archiving is ongoing with costs being borne by the PPA. Updates received from the PPA after the ICR mission reported that the data archiving process (of the data that was agreed to be archived under the project) was nearly complete in late October 2016 with 300,000 documents archived in the West Bank and 1 million documents archived in Gaza (email dated November 2, 2016). The PPA reported it still needs to migrate about 15,000 files from one archive to the DMAS software.

108. **General ledger system.** The final ISR also reports that the general ledger system was installed and was in testing phase but not yet fully functional, which would require several additional steps. Data was also partially keyed into the system at the time. The ICR mission confirmed that this is ongoing even after project closing, a positive sign for the project's future sustainability. Updates received after the ICR mission indicate that the general ledger system is running with a few minor issues that are being worked out before it can be considered fully operational.

109. **Actuarial analysis capacity.** The MTR reported that the PPA had established an Actuarial Unit and was using the World Bank's Pension Reform Options Simulation Toolkit (PROST) planning model. Training and TA delivered from October 2013 through December 2015 were reported to have contributed to improving the PPA actuarial analysis and policy reform capacity (seventh ISR, October 2013, ISRs eight–eleven). The PPA has the capabilities to conduct actuarial analysis and contribute to policy discussions on pension reform.

110. **PDO Indicator 5: Improved public procurement at MOFP - Partially achieved.** The SBDs and Procurement Procedures Manual were drafted and approved by the HCPPP. However, the final ISR indicated that further steps would be needed to ensure streamlined and consistent procurement procedures are in place across all the PA procuring entities. The ICR finds that public procurement was improved at the MOFP in the form of approval of these documents, but

there is no evidence yet of streamlined and consistent procurement procedures being implemented by all the PA procuring entities, as expected in the end target.

111. However, it should also be noted that the reforms supported under the project hinged upon broader procurement reforms outside of the project, primarily the Public Procurement Law and operationalization of the HCPPP, which faced delays due to the politically sensitive nature of such reforms. The Public Procurement Law was approved in 2014, but did not enter into effect until July 2016. The HCPPP also faced delays in being allocated budgetary resources to hire staff. Procurement reform is a major undertaking that usually takes years to complete and is subject to various political economy constraints.

Intermediate Results Indicators

112. Overall, the project provided 40 specialized TA consultancies, 35 trainings, and 7 goods assignments for 21 departments, which affected more than 300 staff serving at 4 key public sector entities. The assessment of the intermediate results indicators is grouped in table 5, by component.

113. **Component 1: Capacity Building for the PCBS.** The rating for this component in the project's final ISR was Satisfactory, and was rated as Satisfactory for the life of the project because of the level of quality and efficiency at which both the intermediate and PDO-level results were achieved.

Table 5. Intermediate Indicators for Component 1

Intermediate Indicator	End Target	Level of Achievement
1.1 Consistent and regular estimates of National Accounts	SUTs produced; using new methodologies to estimate activities for the quarterly National Accounts estimates	Fully achieved. The team is competent in SUT and input use table. SUT is now used every five years; contributed to more accurate estimates of National Accounts.
1.2 Completed Action Plan to build the capacity of the Quality Directorate	EFQM implementation throughout the PCBS underway	Fully achieved with a revised (more ambitious) target in the first restructuring. Some delays required the end target to be extended at second restructuring. The international expert provided a number of recommendations to implement the best practices of the United Nations framework. The EFQM consultant supervised. The first phase led to 17 improvement opportunities and was endorsed by the statistical council. The PCBS prioritized 4, which are achieved.
1.3 Dataset from agricultural census for the West Bank and Gaza that is used to inform PA policy and improve PCBS socio-economic data	Agricultural census report completed and disseminated	Fully achieved ahead of schedule. Close cooperation with Food and Agriculture Organization and the MOFP is maintained as a result of the census. The current plan is to conduct a survey every 10 years. Four supporting studies were also completed using census data.
1.4 PCBS staff using modern methodologies for producing poverty estimation	New poverty map completed	Fully achieved. New poverty assessment methodology is adopted. The statistical atlas is developed along with the poverty maps. Staff sent to Washington DC to receive training on poverty mapping in 2012.

1.5 New electronic survey technology introduced and in use at PCBS	Handheld devices used on at least one socioeconomic survey	Fully achieved, despite some delays.

114. It is notable that the second intermediate indicator was revised with a more ambitious end target in the first restructuring. The fourth ISR (February 2012) noted that the PCBS had requested additional funds to support work on enhancing the quality of its data through its newly established Quality Directorate through the EFQM activity. The final ISR reported that the result was achieved; the PCBS had prioritized four areas for improvement (of 17 identified); and achieved those four areas before project closure.

115. The PCBS also requested the addition of another pilot activity to pilot paperless survey technology (December 2013 ISR). This faced some delays during implementation because the Palestinian Expenditure and Consumption Survey on which the technology would be used was under development and linked to another World Bank TA. However, the delays were resolved and this was reported as achieved by the December 2015 ISR, ahead of project closure.

116. **Component 2: Capacity Building for the PMA.** This component was rated as Satisfactory in the final ISR. It was downgraded to Moderately Satisfactory at the third ISR (November 2011) because it was relatively slower to disburse. This largely had to do with difficulties in finding qualified consultants, particularly for the Basel II activity. These delays persisted, as reflected in the Moderately Satisfactory ratings, until it was upgraded in the eighth ISR dated June 2014, when more significant progress was shown on the Basel II activity. Progress was upgraded back to Satisfactory at that point, where it remained for the duration of the project.

Table 6. Intermediate Indicators for Component 2

Intermediate Indicator	End Target	Level of Achievement
2.1 Core missing regulations and directives drafted	Basel II guidelines developed by the PMA	Fully achieved, despite delays. End target date revised. Basel II guidelines were developed by the PMA with the help of an international consultant.
2.2 Research Development Database expanded and analytical and forecasting capacity in the Research and Monetary Policy Department improved	Financial stability review published annually and Inflation report published quarterly	Fully achieved. Macroeconomic indicators developed. Yearly financial stability reports produced (available online). Quarterly inflation reports published (available online). The statistical database for the research department is installed.
2.3 Deposit insurance regulations drafted and submitted to the Council of Ministers	DIS operational in the West Bank and Gaza	Fully achieved ahead of schedule. DIS is functional and operational in line with laws and regulations.

117. Despite some delays, the component achieved what it had set out to achieve, including delivering on the full operationalization of the PDIC (initially just the law was to be drafted), which covers 1.1 million depositors. The TA provided to the Research and Monetary Policy Department contributed to the development and utilization of a centralized data warehouse,

allowing for more effective forecasting by the department. The annual Financial Stability Report and quarterly inflation report is publically available on the PMA's website.

118. The component did encounter challenges in finding certain skillsets that were unable to be resolved. Specifically the PMA was unable to find an Islamic finance consultant for the Basel II guidelines deliverable, who could travel to the West Bank and Gaza. This is also indicative of a broader challenge in the West Bank and Gaza of finding highly skilled staff and consultants who are able to get Israeli visas relatively easily, which is required for travel in the West Bank and Gaza.

119. **Component 3: Capacity Building for the PPA.** This component was rated at Moderately Satisfactory in the final ISR. With regard to the ISR ratings, the PPA component had an uneven history over the life of the project, relative to other components. The component was downgraded to Moderately Unsatisfactory in the third ISR after maintaining a Satisfactory rating in the first two ISRs. This downgrade is not clearly described in the ISR, except noting that the initial project design likely underestimated the cost of IT systems. It was then upgraded to Highly Satisfactory in the fourth ISR, which seems to be an indication that the World Bank was assured of more client commitment after a recent mission. The rating was changed to Satisfactory in the fifth ISR and maintained until the eighth ISR, when it was downgraded again to Moderately Satisfactory, largely because of the need to conclude negotiations with a contractor. The Moderately Satisfactory rating was maintained through project closing since the component was progressing, though there were some concerns about the IGLMIS and DMAS deliverables. Both deliverables faced issues with contractors, causing the activities to run behind schedule.

Table 7. Intermediate Indicators for Component 3

Intermediate Indicator	End Target	Status at Closing (last ISR)
3.1 Constitution of a Pensions Steering Committee to assess reform options	Pensions Reform Action Plan prepared by the PPA and submitted to cabinet.	Fully achieved. The Action Plan was submitted to and approved by the cabinet.
3.2 PPA has improved IT systems and consolidated pension records that are accessible and secure	IGLMIS and DMAS systems developed and installed at the PPA. All data on pension schemes (active and passive) consolidated at the PPA, including updated information on individual records.	Partially achieved. The DMAS system has been developed and the digitization process is ongoing and mostly completed 4 months after project closure. The IGLMIS system was installed and in the testing phase. Data is partially keyed into the system.
3.3 PPA's capacity for future pension reform system strengthened	PPA staff receive training and actuarial analysis tools.	Fully achieved. A strategic plan developed with four strategic objectives. Relevant staff training has been delivered. The PPA has the capabilities to conduct actuarial analysis.

120. The end target for intermediate indicator 3.1, constitution of a Pensions Reform Steering Committee, was revised at the first restructuring. According to the 2014 Restructuring Paper, "PPA does not currently plan to establish a steering committee. The purpose of the Steering Committee was to evaluate reform options, and the PPA has accomplished this through consultations with the cabinet, resulting in the approved Action Plan for pension reform. It was

agreed during the MTR that this approach had been substituted with the PPA's initiative to prepare and present to the cabinet a Pension Reform Action Plan, which had since been agreed by the cabinet." The end target in the RF was therefore revised to reflect the approach actually undertaken.

121. Two of the main deliverables in intermediate indicator 3.2—the DMAS and IGLMIS systems—were significantly delayed but achieved progress in the last six months of the project before closing. The indicator was not fully achieved since the target on "All data on pension schemes (active and passive) consolidated at the PPA, including updated information on individual records" was not fully met. The PPA was in the process of keying data into the ledger system and document archiving was ongoing. However, it is a positive sign at the ICR mission that the PPA confirmed they are continuing these activities after project closing. The archiving process was nearly complete as of late October 2016, and the ledger system was installed and is running with a few minor issues before it can be considered fully operational.

122. **Component 4: Project Management and Capacity Building for the MOFP.** This component was rated at Moderately Satisfactory in the final ISR. It had maintained a Satisfactory rating almost throughout the life of the project, before being downgraded to Moderately Satisfactory in the final two ISRs (December 2015 and July 2016). The downgrade was twofold: delays in contract processing and approvals at the MOFP, and delays in the progress of public procurement reforms (eleventh ISR). Progress was stalled on the procurement activity for almost one year because of delays on broader public procurement reforms outside of the project, but resumed in the final six months until closing. This indicator is partially achieved since the training of PA institutions on the new Procurement Law was delivered, but the training on the SBDs and Procurement Manual was not achieved.

Table 8. Intermediate Indicators for Component 4

Intermediate Indicator	End Target (as specified in last ISR)	Status at Closing (last ISR)
4.1 Public procurement procedures developed	-SBDs and Procurement Manual prepared -Training of PA institutions in new procurement procedures completed	Partially achieved. SBDs and Procurement Manual drafted by consultant and submitted to and approved by the HCPPP. Training on procurement law was delivered but training on SBDs and the Procurement Manual was not completed.

3.3 Efficiency

Rating for Efficiency: Modest

123. **The project had disbursed 98 percent of its funds at the time of closing.** Efficiency started strong; effectiveness was met only a week after the estimated date. In its initial years, the project was disbursing ahead of schedule from its first disbursement in Q4 2010 through Q4 2012, driven by the agricultural census. Disbursement began to drop off just following the MTR and continued to lag behind schedule through project closing. At the project's original closing date of June 30, 2014, 70 percent of the project had disbursed.

124. That the project needed to be extended twice and ultimately closed two years after its original intended closing date shows that the project objective was not implemented as efficiently as intended and originally projected. However, the two restructurings were proactive measures by the World Bank to enhance project implementation and address both anticipated and unanticipated implementation challenges, including the tragic and violent 2014 war in Gaza. As described in section 2.2, daily life including travel and communication were severely disrupted as a result of the Gaza war. Operational missions to Gaza were suspended as the World Bank's efforts turned toward emergency relief and reconstruction efforts. The World Bank and implementing agencies' communication, particularly with the PPA and the PCU staff based in Gaza, became limited and stalled at times as a result of the ongoing hostilities and violence. The result was that implementation slowed during this time with certain activities and tasks fell behind schedule, even though the teams ultimately persevered through the challenging circumstances.

125. More broadly, the project's efficiency was also impacted by the physical location of key project staff in Gaza because of ongoing restrictions on movement and travel in and out of Gaza. Particularly for the PPA component, communication was mostly virtual between the PPA, the PCU, the World Bank, and its contractors. The project also often experienced, for months at a time, the World Bank team not being able to conduct supervision missions to Gaza—either as a result of hostilities or inability of key team members (including TTLs) to obtain visas. This inevitably led to less efficient communication and interactions. As described above, procurement was also slowed as a result, especially when contracting non-Gazan firms since all meetings had to be conducted virtually.

126. While delays as a result of the Gaza war and the restrictions on movement and access into the West Bank and Gaza more broadly are absolutely justified, other delays were because of inefficient project implementation stemming largely from delays in procurement and other administrative procedures. Efficiency was one of the key considerations and part of the rationale used in the PAD for establishing a centralized PCU at the apex of the project implementation structure. It was intended that this structure would promote effective and efficient project management between the PA, the PCU, and the implementing partners to minimize implementation and transaction costs.

127. It could be considered whether an alternative implementation model would have yielded more efficient implementation. One scenario would be where the project components and activities remained bundled together under one project, but each implementing entity would house its own PCU and manage its own procurement, FM, and M&E. This was considered and noted in the PAD but appears to be rejected primarily on the basis that the PPA had little previous experience with World Bank operations and "would require additional capacity building for the project management and procurement functions" (p. 10). This is a valid concern, and it is easy to imagine the increased level of supervision support that would need to be provided by the World Bank to liaise with four separate PCUs, including one with relatively less experience. On the other hand, should the World Bank choose to move forward with any future projects with any of the implementing entities bilaterally, the institutions will have less experience in directly managing World Bank projects and the associated fiduciary requirements, requiring additional capacity building from the World Bank.

128. Alternatively, an iteration on the model described above could have been to put in place a centralized PCU at the MOFP for project coordination and monitoring activities, but with each responsible for their respective procurement and FM. Given that the PCBS and PMA are independent institutions (that is, not line ministries), this could have alleviated some of the procurement inefficiencies and delays once contracts reached the MOF. However, the PPA would have needed additional support for this model to work, or otherwise would have needed the MOFP to manage procurement and FM on its behalf.

129. Another alternative scenario is for each component to be implemented as separate projects. Under this scenario, it is even less probable that any efficiencies would have been gained, unless perhaps they were managed by separate TTLs to not overburden one TTL. The processing of three or four different projects through the World Bank project approval process, each with their own PCN and project documents would undoubtedly increase the project burden and an obvious implication would be more World Bank resources. However, an upside would have been that each component in theory could have been given closer supervision and handholding by the World Bank (under the assumption of more than one TTL) and more efficient delivery would have been achieved. This scenario is less likely given the constraints it would have put on World Bank resources and the time pressure to deliver these TAs simultaneously. Furthermore, if the projects were separated out, they perhaps would have held less weight individually within the World Bank's internal approval process. It is probable that they were better perceived internally as a more strategic medium-term package of TA support to complement the World Bank's ongoing budget support, rather than one-off TA engagements.

130. Based on this assessment of the alternative approaches, the project made a rational choice that yielded Moderately Satisfactory outcomes. Adjustments to the current model with regard to systematizing and fine-tuning project administrative processes, coupled with more intensive project management at the PCU level could have yielded a more efficient result. However, events that were exogenous to the project, including the 2014 Gaza war, could not have been anticipated by the project team.

131. Despite some implementation delays, the majority of project funds were spent as intended on procuring consulting services, training, and goods for project beneficiaries. Only 2 percent of funds were spent on overhead costs to operate the PCU, indicating that the majority of project funds were channeled directly to the beneficiaries. This demonstrates that the project resources were used to optimize results. The project's final disbursements by expenditure category are summarized in table 9. The final disbursements are closely aligned with those that were intended in the GA, indicating the appropriate allocation of project resources.

Table 9. Project Disbursements by Expenditure Category

Category	Amount of the Grant Allocated (per the Revised GA of 2014) (US$)	Percentage of Total Grant Amount (Per the Revised GA)	Final Amount Disbursed (US$)	Percentage of Disbursement
Goods, consulting services, and training	2,541,842	69	2,514,845	69
IOC incurred by PCU	58,425	2	67,427	2

IOC incurred on account of the agricultural survey and the paperless survey	1,029,733	28	1,051,124	29
IOC incurred on the amount of processing data entry and digitization	70,000	1	0[28]	0
	3,700,000	100	3,633,398	100

3.4 Justification of Overall Outcome Rating

Rating: Moderately Satisfactory

Table 10. Summary of Overall Outcome Rating

Dimension	Rating
Relevance	High
Achievement of Objectives	Substantial
Efficiency	Modest
Overall Outcome Rating	**Moderately Satisfactory**

132. The overall outcome rating for the project is Moderately Satisfactory. This is based on its High rating for relevance, Substantial rating for achievement of objectives, and Modest rating for efficiency. The project's objective of strengthening key PA institutions continues to be highly relevant for the PA and World Bank's development priorities, and the project objectives were substantially met. Revisions to the project scope and expected results were needed and ultimately reflect the World Bank's responsiveness to the project and implementing institutions. There were moderate shortcomings primarily in the project's efficiency evidenced by two one-year extensions, however, this was partially the result of the unanticipated impacts of the Gaza war of 2014.

133. **Overall, the institutions supported under this project have demonstrated incredible resilience and persistence in the face of, what can be at times, extraordinarily difficult circumstances.** Despite the delays faced during implementation and other moderate weaknesses, on balance the ICR finds that the project delivered on the majority of its ambitious and highly technical objectives despite an exceedingly challenging environment. It is important to take into consideration the external factors outside of the project's control including that it was implemented in an FCS of the West Bank and Gaza, which experienced a war in 2014. The political and economic 'status quo' is characterized by high uncertainty, internal political division, external constraints imposed by Israel (including lack of physical control of its borders), is subject to bouts of violence, and overall weak institutional capacity.

134. Evidence shows that the project contributed to institutional strengthening in four key PA public institutions, ultimately impacting over 400 PA staff. This was channeled through TA, trainings, study tours, IT infrastructure upgrades, strategic planning and corporate governance

[28] The PPA determined it would be too ambitious to undertake digitization in house and reverted to a goods and services procurement for this activity. The US$70,000 in IOCs was moved to the Goods and Services expenditure category (with no objection from the TTL only since this was less than 15 percent allowed reallocation among expenditure categories).

exercises, and methodology upgrades. This strengthened the skills and behaviors of the targeted departments, management, and staff within each organization to better perform their functions, which encompasses economic, financial, and fiscal management and regulation within the Palestinian economy.

135. The project has put in place a significant amount of groundwork for building the capacity and strengthening these institutions to enable future institutional growth and reforms. Furthermore, it is anticipated that impacts from the project will be sustained and built from, primarily for two key reasons:

- The project targeted institutions within the PA have demonstrated their commitment to sustaining the reforms under the project. They have strong incentives to do so since the project targeted objectives that are integral to their core business.

- The project targeted and supported staff (as opposed to consultants) at each institution, especially the PCBS, PPA, and PMA. While international consultants and advisors were utilized, it was to provide training and TA to resident staff of the institutions and expose them to international best practices and quality standards.

3.5 Overarching Themes, Other Outcomes and Impacts

(a) Poverty Impacts, Gender Aspects, and Social Development

136. Poverty, gender, and social development impacts are more indirect because of the nature of the project, and as a result, more difficult to assess meaningfully. The PCBS project outcomes are more closely associated with possible impacts on poverty. First, the TA on poverty estimation will help the PCBS to provide more accurate poverty estimates on a timely basis, allowing for better targeting and measuring of resources. In addition, the agricultural census is significant for the Palestinian population given that many Palestinians continue to receive some income from agricultural activities, which are estimated to contribute nearly 5 percent of GDP (around US$500 million). More broadly, higher quality and more timely data provided by the PCBS to the PA and international community will facilitate more effective targeting of constrained PA budget resources as well as donor resources.

137. The PMA results on the DIS are also relevant for social development impacts because of the widespread nature of the reform by increasing protection of depositors. The PDIC is now a functioning institution with net operating income of US$22.5 million and total assets of US$25.3 million. The PMA reports that the PDIC insures 1.1 million depositors representing approximately 93 percent of all depositors in licensed banks in the West Bank and Gaza.

138. Gender effects were not monitored or measured in the project, though this was not set out as an explicit objective. The agricultural census was disaggregated by gender, which in theory could facilitate the targeting and measurement of future programs.

(b) Institutional Change/Strengthening

139. The project provided a platform for targeted capacity building to be provided alongside ongoing World Bank budget support. The main vehicle for doing so was to provide incumbent

staff at the PCBS, PMA, and PPA with training, advisory services, advice from international experts, and upgraded IT and systems. The ICR mission has found that these institutions have strong ownership of the project and its impacts, as evidenced by the deliverables and reforms being fully integrated within the various departments of each institution and staff continuing to carry out their work even after the project has ended.

140. While the RF did not include an indicator on the number of staff impacted by the project, the ICR estimated that over 400 staff across the four institutions were affected by training, workshops, study tours, upgraded IT equipment, TA, and other advisory services. This includes 12 departments at the PCBS, 3 departments at the PMA, 4 departments at the PPA, and 2 departments at the MOFP. Table 10 indicates the approximate number of staff at each institution that were affected by the project.

Table 11. Number of Staff Affected by the Project*

Institution	Number of Staff (approximate)
PCBS	143
PMA	82
PPA	190
MOFP	9
Total overall	**424**

Note: *"Staff affected" is broadly defined and includes staff who benefited from project interventions including training, workshops, study tours, IT equipment, TA, and other advisory services.

141. The most direct fiscal impacts would be from any pension reforms eventually underpinned by the PPA's analysis and strengthened capacity. Public pensions are the PA's biggest single liability, as they are unfunded and unsustainable. This project contributed to the capacity of the PPA staff to provide information to the highest levels of Government on projected future pension liabilities and their detrimental consequences on future economic growth in the West Bank and Gaza.

(c) Other Unintended Outcomes and Impacts (positive or negative)

Not applicable.

3.6 Summary of Findings of Beneficiary Survey and/or Stakeholder Workshops

142. While the ICR did not include a formal beneficiary survey, the MOFP hired a consultant to conduct interviews of the beneficiary institutions and staff supported under the project for the preparation of its final completion report. The complete list of beneficiaries interviewed is provided in annex 5. The findings of the beneficiary interviews are incorporated into the summary in annex 7.

4. Assessment of Risk to Development Outcome

Rating: Moderate

143. **The overall risk that the project development outcomes on improved capacity in the PCBS, PMA, PPA, and MOFP will not be maintained (or realized) is assessed to be Moderate.** For each project objective, the two main endogenous risks because of the nature of this capacity building project are (a) changes in priorities/commitment from the leadership of the beneficiary organization; and/or (b) eventual staff turnover or departure of consultants hired under the project once the project is completed.

144. **These risks are assessed to be relatively low for the PCBS.** The capacity built in the PCBS on enhanced quality and timeliness of National Accounts is at a relatively lower risk of deteriorating because of the high level of commitment from the PCBS leadership. The ability to provide National Accounts data to the PA and international community is a central function of a national statistics agency. Risk of staff turnover, though always a possibility, is also relatively low particularly because the PCBS is regarded as a desirable public institution to work for in the West Bank and Gaza. The ICR review found that the PCBS staff were highly committed and aware of the project and its impacts at each level of staff from management on down. Even in the event of staff turnover, the PCBS would take steps to ensure this capacity is maintained and transferred to other staff. Similarly, the methodology and technical capacity on the agricultural census is likely to be maintained in the Agricultural Statistics Department for the purpose of planned future surveys.

145. **Similarly in the PMA, another highly regarded institution in the West Bank and Gaza, the risk is relatively low that the outcomes achieved on banking supervision, the PDIC, and the data and forecasting systems, would be not maintained.** These are integral to the PMA's core functions as a central bank, and the PMA has dedicated staff assigned to these departments.

146. **The risks for the PPA in maintaining the development outcomes from the project are Moderate.** The objectives linked to the PPA were more difficult for the organization to achieve in part because of its physical location in Gaza, the impacts of the 2014 war, and also in part because the PPA had less experience in managing institutional reforms, particularly within the context of a World Bank project. This is also a highly sensitive sector to reform. The ICR team was pleased to learn, however, that the PPA leadership is committed to sustaining the project achievements and has moved forward on the DMAS and general ledger system reforms after project closing. For example, during the ICR mission, the PPA indicated that it had paid for the renewal of its ledger and archiving license out of its own funds.

147. **The capacity built at the MOFP PCU is at Moderate risk of not being maintained, particularly because the staff hired under the PCU were consultants.** This could also have the possibility of negatively affecting the management of other World Bank projects which had become reliant on the PCU team. However of the four PCU consultants that were responsible for managing the Capacity Building Project in its final period, two remain employed by the MOFP, having been shifted to working on other World Bank projects. The MOFP has also hired two full-time civil servants (one in the fall of 2015 and one more recently) to support World Bank projects, a positive sign that this risk of complete dissolution of the PCU has been partially mitigated in the immediate term.

148. Each beneficiary institution is also exposed to the following more exogenous risks: (a) changes in priorities/commitments of the Government with regard to their respective institutions, resulting in decreased budget allocations or institutional changes; (b) economic downturns or withdrawn donor support, further affecting the already precarious fiscal situation; and (c) a persistent level of political instability, with the possibility of an uptick in violent incidents between the West Bank and Gaza and Israel, in the worst case situation leading to another hostile conflict or war.

149. Each of these scenarios is possible within an FCS such as the West Bank and Gaza, though the likelihood—and severity at any given time—is difficult to predict. The downside of a worst case scenario of any of these risks would result in weakened commitment and project impacts where the focus is shifted to maintaining basic functionality of the beneficiary organizations. The reality—or most likely scenario—is that each beneficiary institution is accustomed to managing these types of risks on a daily basis as they fluctuate and as such has become the status quo. This is evidenced by the fact that, for example, the 2014 hostilities in Gaza occurred during the project's implementation. This did cause inevitable delays in the project but rather incredibly the beneficiaries were able to manage, find innovative ways of functioning, and persist even in a time of war.

150. **The institutions supported under this project have demonstrated incredible resilience and persistence in the face of, what can be at times, extraordinarily fragile and difficult circumstances.** This is evidenced not least by the successful achievements under this project which were attained despite highly challenging circumstances which affected project implementation. As a result of this, the risk to the development outcomes is assessed as Moderate.

5. Assessment of Bank and Borrower Performance

5.1 Bank Performance

(a) Bank Performance in Ensuring Quality at Entry
Rating: Moderately Unsatisfactory

151. The project was well designed in that it focused appropriately on highly relevant development challenges within the West Bank and Gaza. It was grounded in sound analysis conducted during preparation, adequate consideration of lessons learned from previous similar projects, and built on previous World Bank engagements with each partner. The technical inputs and interventions were well thought out, designed, and targeted toward the appropriate beneficiaries. The Detailed Project Description in the PAD (in annex 4) is an indication of the substantial level of technical detail that went into each component.

152. However, there were shortcomings related to (a) the project's scope with four implementing agencies, (b) the RF, and (c) mitigation measures for risks associated with the implementation arrangements. In short, given the country context and challenges of operating in the West Bank and Gaza, the project was too ambitious with regard to its complexity, scope, and number of implementing entities and did not properly account for the level of capacity and coordination required at the PCU.

153. **Project scope.** While there is a strong technical rationale for each individual component, the bundling of the components under one project structure with four implementing institutions each with varying levels of experience and capacity, introduced additional risks. Each institution moved at a different implementation pace, faced distinct challenges, and required varying levels of support from the World Bank. Most notably, the PPA had the disadvantage of having the least experience with World Bank projects and also the challenge of being physically located in Gaza. The full scope of proposed activities and objectives for the PPA in the PAD were too ambitious for the PPA given these challenges and were amplified within the project implementation structure.[29] This was driven by what the World Bank perceived at the time as a possible window of opportunity for reforming a politically sensitive area. The component ultimately had to be downscaled during implementation.

154. **Risks of implementation arrangements.** The World Bank appropriately noted the risk associated with "complexity of 3 implementing partners and 4 project components implied increased risk of restructuring or delays," but did not take enough action to mitigate the risk before project implementation (PAD, p.14). The risk mitigation as outlined in the PAD was to have the MOFP play the coordinator role and prepare a PIM before negotiations (PAD, p.14). Further proactive steps could have been taken before effectiveness to ensure that the PCU was sufficiently capable of managing such a complex project. Thus, while the risks seemed to be appropriately and accurately identified, appropriate follow-up action was not taken to mitigate the project management and complexity risks prior to effectiveness.

155. However, on balance, the preparation documentation does note that several project implementation structures were considered, and as such the project implementation arrangements were likely the most feasible and rational option given the timing, available project funding, and objective to deliver targeted TA across four institutions.

156. **Results framework.** While the PAD was detailed and well-designed with regard to technical aspects, there were shortcomings in the RF and results chain. This is also assessed in section 2.3 and includes the following:

- The causal linkages between the end targets, indicators, and PDO are loosely described and mostly implicit. Because of the broadly worded PDO yet narrow targets, there is a disconnect and the results chain is not well defined.

- The wording of the PDO indicates "to support the implementation of the Palestinian Reform and Development Plan," yet there is no indicator to measure this.

- There are gaps in the RF in that there are no baselines, yearly target values, or end targets specified for the PDO-level indicators (p.33).

157. The PDO and RF could have been designed to be more specific, measureable, and realistic. Better consideration of the baselines, target values, and appropriate indicators at the preparation stage would have strengthened the M&E design. Furthermore, since each indicator is qualitative, its measurement is subject to qualitative narration, making it challenging to track

[29] Detailed Project Description, PAD, p. 41–43.

progress at times. This is not unusual given the nature of a capacity-building project, but intermediate indicators on the number of staff trained or affected (including women) could have been included. Other indicators could have lent themselves to qualitative measurement—for example, the DIS could have had a quantitative target for percentage of depositors covered.

(b) Quality of Supervision
Rating: Moderately Satisfactory

158. The 12 ISRs reflect that the project was closely supervised. World Bank implementation support missions frequently visited the West Bank and Gaza throughout implementation, as documented in the eight AMs. The World Bank spent approximately US$500,000 on supervising the project and fielded a supervision staff with the appropriate mix of skills. The project was led by five TTLs at varying points, with most of them supervising the project from Washington, DC. A permanent TTL was assigned in August 2012, along with a co-TTL based in Jerusalem (assigned in January 2015), contributing to day-to-day close supervision of the project. A variety of senior technical staff from the World Bank joined implementation missions to ensure quality of the technical aspects of components, as detailed in the ISRs and the AMs.

159. It is clear from available project documentation that the World Bank team worked in close partnership and collaboration with the MOFP, PCBS, PMA, and PPA to proactively manage implementation, anticipate problems, and find resolutions. For example, the MTR, conducted in late 2012, had already indicated that a restructuring would be likely needed to enhance the RF, add new activities requested by the MOFP, restructure the PPA activities, and reallocate expenditure categories. The second restructuring was needed largely to account for implementation delays that could not have been anticipated in the first restructuring—namely the 2014 Gaza war and unexpected issues that arose with the PPA's contractors. The impacts as a result of the war are further detailed in sections 2.2 and 3.3.

160. The first project restructuring in particular is evidence of the World Bank team's proactive actions to address issues identified during implementation. Most notably, the first restructuring strengthened the project's RF, addressing many of the issues noted in both the Quality at Entry discussion (paragraph 156) and section 2.3 on M&E. The team systemically reviewed the RF and nearly every end target was revised in the first restructuring to be more measurable and specific. Overlapping and redundant indicators were eliminated. The fourth PDO indicator related to the PPA became systematically tracked. It also demonstrates the World Bank's responsiveness to the implementing agencies when new activities requested by the MOFP were added to the project because it was determined that they fit within the scope and budget of the project. Costs were also reallocated between categories and components as the cost of certain activities became clearer during implementation.

161. The ISRs and the AMs were forthright and constructive in documenting the implementation challenges faced and in seeking resolutions in partnership with the implementing agencies. The MTR AM was also extensive in describing the status, achievements, challenges, and resolutions on each component and associated activities. For example, the World Bank supported the implementing agencies in revising and strengthening the TORs when they had difficulties finding quality consultants. The World Bank also provided direction and concrete steps for resolution to the PPA when it faced challenges with two of its main service providers. It

also intervened with the PCBS when the EFQM activity faced implementation delays. During the ICR mission, the implementing agencies confirmed that the World Bank provided the necessary operational and technical support needed to deliver on its objectives.

162. Fiduciary performance was also closely supervised by the World Bank. The project benefitted from an experienced World Bank senior procurement specialist based in Jerusalem from its inception to closing. An FM specialist was also based in Jerusalem throughout the project which ensured close FM support to the project. Audit reports and IFRs were submitted to the World Bank and there were no overdue audit reports and IFRs at the time of the project closing date. All audit reports and IFRs were reviewed by the World Bank and comments were provided to the Government with satisfactory responses by the PCU.

163. Moderate shortcomings in project supervision were noted primarily in the first two years of supervision from effectiveness to mid-2012, including the following:

- The fourth PDO-level indicator "Improved administration of current pensions systems by PPA and strengthened capacity for future reform" was missing from the first four ISRs—from the first ISR of September 2010 through October 2012. This was corrected in the first restructuring.

- Supervision mission gaps: (a) a gap of 10 months between the first and second supervision missions, from January to November 2011 and (b) a gap of 10 months between supervision missions from January to November 2012. This was likely due to TTL turnover between late 2011 and mid-2012.

164. During the ICR mission meetings, when asked about what the World Bank could have done differently, the implementing partners overall commended the World Bank for its support and role played in the project. It was evident they felt that the World Bank was constructive, supportive, and provided high quality technical advice. Some suggested that a more 'streamlined' approach to project management could have yielded smoother implementation. Some implementing partners indicated that they would have preferred to have a more direct reporting relationship with the World Bank—or alternatively to have had the World Bank more systematically involved in the PCU structure. For example, quarterly or semiannual steering committee meetings could have been beneficial, in which the World Bank could participate and the implementing partners could benefit from shared lessons.

165. Despite some of the design challenges as described in section 5.1(a) (Quality at Entry) and early moderate supervision shortcomings, for the majority of the project's life the World Bank teams managed the project well, proactively identified and resolved challenges (through formal restructurings as needed), and supported the beneficiaries in delivering on the objectives in a difficult environment.

(c) Justification of Rating for Overall Bank Performance
Rating: Moderately Satisfactory

166. The World Bank's overall performance is assessed to be Moderately Satisfactory based on the ratings for quality at entry, quality of supervision, and the overall outcome rating (see

table 11). Despite some moderate shortcomings mainly at the design stage regarding the project scope with four implementing agencies and the original approved results indicators, the World Bank team played a highly constructive role in project management, resulting in substantial achievements by the project in a very challenging operating environment. Significant efforts were made by the World Bank team to improve and streamline the project during implementation, by appropriately anticipating problems and suggesting resolutions in a difficult operating environment. Two project restructurings were the main vehicles through which the World Bank made these adjustments which allowed the project to stay on course and achieve its objectives.

Table 12. Summary of Overall Bank Performance Rating

Dimension	Rating
Quality at Entry	Moderately Unsatisfactory
Quality at Supervision	Moderately Satisfactory
Overall Outcome Rating	Moderately Satisfactory
Overall Bank Performance	**Moderately Satisfactory**

5.2 Borrower Performance

(a) Government Performance

Rating: Moderately Satisfactory

167. **The Government's performance is rated as Moderately Satisfactory.** The Government demonstrated ownership and commitment to the project during preparation and led its implementation through a PCU established at the MOFP. It maintained the PCU with staff responsible for project coordination, procurement, FM, and M&E. The project was declared effective just over 10 weeks after it was passed by the Board.

168. However, there was a moderate shortcoming regarding the timely finalization and approval of procurement contracts by the Government. Each implementing agency reported delays once contracts were sent to the MOFP for signing, which held up the procurement process with reports from several weeks to as high as several months to get contracts approved. This led to inefficiencies in implementation and contributed to several project activities running behind schedule. However the ministry highlighted that these delays occurred for a limited number of contracts and largely stemmed from the time required to check the taxation status of recruited firms. It should also be noted that delays occurred at other stages of the procurement process as well, namely in finding and selecting qualified consultants, which is assessed above in Section 2.3 and below in the assessment of Implementing Agencies' performance.

(b) Implementing Agency or Agencies Performance

Rating: Moderately Satisfactory

169. The performance of the four implementing partners varied according to their respective levels of experience with the World Bank projects, as was anticipated in the PAD. Because there are four implementing agencies, the ICR gave each entity a sub-rating and then aggregated it to the overall implementing agencies' rating. The MOFP was considered on two dimensions: (a) the

MOFP as the PCU and (b) the MOFP as responsible for achieving the PDO on procurement reform.

170. **The PCBS's performance is rated as Satisfactory as there were only minor shortcomings in the implementing agency's performance.** The PCBS delivered on what was promised at project approval. The PCBS assigned a project manager and department managers to be responsible for project implementation. Interviews conducted as a part of the ICR review revealed that PCBS staff at all levels demonstrated outstanding ownership and understanding of the TA acquired through the project and its relevance and impact. The PCBS had a relatively easier time with procuring consultants because they had a dedicated pool of consultants with a previous track record from which to draw from. They also had relatively more experience in developing quality TORs, as well as working with the World Bank. The PCBS component was largely responsible for high disbursement in the project's initial stages after effectiveness. Despite some later delays on the paperless survey technology and the EFQM system, these delays did not affect achievement of the PDO and the PCBS took proactive steps toward their resolution.

171. **The PMA's performance is rated as Satisfactory because of only minor shortcomings in the implementation of Component 2.** The PMA delivered on what was promised at project approval, by capitalizing on the restructurings to enhance delivery and disbursement. The achievements on the deposit insurance and Basel II supervision indicate that the PMA was capable of securing commitment at the highest levels of Government. The Basel II framework did suffer from delays and was refocused on critical areas as reported in the MTR. Delays stemmed from difficulties in finding qualified consultants and the TORs that needed strengthening. The cancellation of the reserve management activity was justified because it was already being covered by the Reserves Advisory and Management Project.

172. **The PPA's performance is rated as Moderately Satisfactory because of moderate shortcomings in implementation of Component 3.** While the PPA component had to be scaled back from what was envisioned in the PAD (which as argued elsewhere, was too ambitious) and faced implementation delays, the PPA succeeded in achieving important objectives that will make a difference for the institution now and in the future. This is also considered within the context of a relatively more constrained environment in which the PPA has to operate in Gaza—from political, security, legal, fiscal, and institutional perspectives, including the following:

- Location in Gaza and lack of physical control over its borders, entry and exit, including higher risk of conflict and violence with Israel, which materialized in the 2014 war
- Sensitive political environment for pension reform
- Challenging fiscal environment with declining contribution revenues
- Less institutional experience with World Bank projects, including developing the TORs and procurement; less experience with how to manage problematic contracts and service providers

173. The ICR also considers that there is a paradox inherent within capacity-building projects in that an institution at a lower starting point in terms of capacity is at higher risk of being penalized or judged more harshly when it delivers at a relatively lower level than an institution starting out with higher capacity. Thus, it is important from a project design perspective to consider realistic objectives and targets for institutions with lower capacity, but also from an evaluation perspective to take into consideration the relative starting point of each respective institution and the risks and barriers it may face internally and externally.

174. **The MOFP's performance as the PCU is rated as Moderately Satisfactory.** The MOFP performed well with moderate shortcomings in the timeliness of procurement and the resolution of implementation issues. Most notably, the ICR mission noted while each implementing agency experienced procurement delays and inefficiencies at varying stages, they each reported systematic procurement delays once contracts reached the MOFP. The project's final ISR downgraded project management from Satisfactory to Moderately Satisfactory because of the shortcomings in the institutional arrangements of project implementation, including disbursement lags and delays in securing internal approvals. As mentioned above, the ministry noted however that such delays were not widespread and that other delays occurred also at the technical evaluation stage of the procurement process. It should also be considered that the PCU had to work within the existing constraints of government procurement policies and procedures, which, even in countries with the highest levels of development, can be arduous and slow. However, on balance the ICR finds that the PCU could have taken more proactive steps to better manage the process that was within their control.

175. The Government's completion report also accurately noted that the PCU's role was more transactional in nature as opposed to a more proactive project manager involved in the technical oversight of each component. This is largely because the MOFP had limited technical knowledge of the highly technical activities carried out by the project. The implementing entities relied on the World Bank and the experts procured as a part of the project for advising on technical aspects of the project.

176. Given that the MOFP had a dual role of the PCU and also later to implement its own procurement reforms (PDO indicator 5), these roles should be considered separately. The MOFP's role in implementing the procurement reform PDO is rated as Moderately Unsatisfactory. This is largely due to the wavering commitment to the procurement and tax objective that was added midway through the project, with the tax activity being dropped shortly thereafter. The procurement activity also faced delays, and in the end, the targets were partially achieved. The SBDs and the Procurement Manual were delivered, but this falls short of "streamlined and consistent procedures implemented by all PA procuring entities" as promised in the RF. However, this sub-rating is given less weight because it had less bearing on the overall project outcomes and was added midway during the project. As mentioned elsewhere, it is also considered that the procurement reforms hinged on broader procurement reforms (the Procurement Law and the HCPPP) that faced delays due to political sensitivities.

177. **The overall MOFP rating is thus Moderately Satisfactory,** taking into consideration the complexity of the project that the MOFP was responsible for managing along with the overall FCS country context. The PCU managed itself and the project well given its resources when tasked with a complex, technical project. It is also important to consider that two key PCU staff

were located in Gaza. The borrower completion report too noted positive views of the PCU team with regard to dedication and commitment. At the same time, it also noted the need for more rigorous supervision and accountability, with regard to closer, more frequent, and direct monitoring activities by the PCU. However overall the MOFP played a constructive role in the project and supported the substantial achievement of its intended objectives.

(c) Justification of Rating for Overall Borrower Performance
Rating: Moderately Satisfactory

178. The overall borrower performance rating is assessed as Moderately Satisfactory. This is based on the Government performance rating of Moderately Satisfactory plus the overall implementing agency rating of Moderately Satisfactory. The overall implementing agency rating is aggregated to be Moderately Satisfactory given the relatively more weight given to the MOFP's role in project implementation and bearing on the project outcome.

Table 13. Summary of Overall Borrower Performance Rating

Government Performance Rating	**Moderately Satisfactory**
Overall Implementing Agency Rating	**Moderately Satisfactory**
MOFP	Moderately Satisfactory
PCBS	Satisfactory
PMA	Satisfactory
PPA	Moderately Satisfactory
Overall Borrower Performance Rating	**Moderately Satisfactory**

6. Lessons Learned

179. Key lessons for ongoing and future operations are detailed in the following paragraphs.

180. **Resilient national institutions in FCS are critical for enabling development.** A resilient institution is an institution that is able to cope with external and internal challenges and shocks. The Palestinian institutions supported under this project, and others within the PA, have continually demonstrated their ability to solve problems, make decisions, and find creative solutions when faced with highly challenging external circumstances. These institutions can help reduce uncertainty and provide a path forward for citizens, especially in FCS. There are important lessons to be gleaned from the PA institutions that can be applied to other countries and contexts.

181. **Measurable, concrete, and targeted indicators ('SMART' indicators) are critical, especially in capacity-building and reform-focused projects to help measure and track change. Closely linked to this, a clear results chain at the design stage is essential to show from the start how inputs lead to outputs, outcomes, and higher-level, longer-term effects.** Project monitoring and results measurement are inherently more challenging especially in capacity-building projects where results indicators are often qualitative, making them subject to interpretation. It may require the unbundling of one indicator into several to better track and measure results, or adjusting the wording to make it more specific. The World Bank should

provide training and support to operational teams specifically on M&E for capacity-building and TA engagements to design higher quality RFs and to better monitor and track results.

182. Linked to the above point, the ICR has found that there is a paradox inherent within capacity-building projects in that an institution at a lower starting point in terms of capacity is at higher risk of being penalized or judged more harshly when it delivers at a relatively lower level than an institution with higher capacity. Thus, it is important from a project design perspective to consider realistic objectives and targets for institutions with lower capacity. It is also important from an evaluation perspective to take into consideration the relative starting point of each respective institution and the risks and barriers it may face internally and externally.

183. **Capacity-building and institutional reforms are not only more challenging to measure, but often take longer to be realized.** The World Bank should dedicate resources to monitoring and tracking such projects after closure because the impacts may be realized more in the medium term as opposed to the short term just after closing. This could help account for longer gestation periods needed for capacity-building and institutional reforms to be fully realized. Teams should also be encouraged at the design stage to consider indicators and M&E arrangements that will allow for the tracking of results and follow-up after closing.

184. **Too many implementing agencies centralized in one project implementation structure can introduce implementation delays and inefficiencies, particularly for procurement.** The ICR found shortcomings in the timeliness of procurement and the resolution of implementation issues as the result of one PCU being responsible for four implementing agencies, five PDO indicators, twelve intermediate results indicators and many contracts, consultants, and subcontractors to coordinate and monitor. It would be preferable to limit the number of implementing agencies in a project at the design stage—or if that is not a feasible option to better diagnose and address capacity constraints at the PCU—and take action before project effectiveness. The scale and scope, as well as the timeline, of a project should be well aligned with the implementing agencies' capacity for coordination, procurement, contract management, and FM. The World Bank should consider front-loading the training of government staff, embedding experts in PCUs and PIUs, and more rigorously supervising the weaker aspects of project implementation.

7. Comments on Issues Raised by Recipient/Implementing Agencies/Partners

185. The Recipient completed its own completion report which was shared with the World Bank on September 22, 2016, and discussed during the ICR mission conducted during October 2–5, 2016. Overall, the ICR team mostly concurred with the Recipient's completion report and found it to be a detailed and candid account of the project. It was used as an input to this ICR.

186. The Recipient provided comments on a draft version of the ICR, which have been incorporated into the text. The comments were focused on the ICR's assessment of the timeliness of procurement. Annex 7 provides a more detailed summary of these comments.

Annex 1. Project Costs and Financing

(a) Project Cost by Component (in US$, millions equivalent)

Components	Appraisal Estimate (US$, millions)	Actual/Latest Estimate (US$, millions)	Percentage of Appraisal
1: Capacity Building for the PCBS	1.450	1.505	104
2: Capacity Building for the PMA	1.000	0.681	68
3: Capacity Building for the PPA	0.622	0.804	129
4: Project Management and Capacity Building for the MOFP	0.400	0.644	161
Contingency	0.228	0.000	
Total Baseline Cost	3.700	3.633	98
Physical contingencies	0.000	0.000	0
Price contingencies	0.000	0.000	0
Total Project Costs	0.000	0.000	
Front-end fee Project Preparation Facility	0.000	0.000	0
Front-end fee IBRD	0.000	0.000	0
Total Financing Required	3.700	3.633	—

(b) Financing

Source of Funds	Type of Cofinancing	Appraisal Estimate (US$, millions)	Actual/Latest Estimate (US$, millions)	Percentage of Appraisal
Borrower	—	0.00	0.00	0
Special Financing	—	3.70	3.70	100

Annex 2. Outputs by Component

1. The project provided 40 specialized TA consultancies, 35 trainings, workshops, and tour visits for 21 departments, which affected more than 400 hundred staff serving at 4 public sector entities—the MOFP, PCBS, PMA, and PPA.

Table 2.1. Summary of Project Outputs

Implementing Agency	Consultancies	Goods	Trainings, Workshops, Study Tours
PCBS	16	3	13
PMA	11	1	19
PPA	3	1	3
PCU/MOFP	10	2	0
Total	**40**	**7**	**35**

2. The following summarizes the key outputs by component.

Component 1: Capacity Building for the PCBS

- Resident ability to produce and publish quarterly National Accounts from the expenditure side
- Resident ability to produce and publish SUTs and conduct input-output tables
- Technical capacity to compile the income side of GDP and developing Institutional National Accounts
- Constant prices and deflators are used in all economic reports
- Improved economic survey report including industry, constructions, internal trade, transportation and communications, and services
- Production of the National Quality Assurance Framework
- Improvement plan for the EFQM first phase
- Implementation of the improvement plan in parallel with providing training to qualify eight national assessors (second phase)
- Update of PECS questionnaire and sampling
- New poverty map completed
- Use of handheld devices on at least one socioeconomic survey
- Economic and forecasting models developed and utilized
- Agricultural census methodology developed

- Agricultural census data produced
- Reports from the agricultural census concerning:
  - Livestock
  - Properties of agricultural holders
  - Fragmentation of agricultural holdings
  - Crops

Component 2: Capacity Building for the PMA

- Law on the Palestinian DIS
- Establishment of an operational DIS
- Developing a strategic roadmap for Basel II: phase 1
- Basel II guidelines: measurement of capital and credit risk framework, market risk framework, supervisory review, and evaluation of bank internal capital adequacy assessment process
- Establishment of Risk Management Division
- TA for the Monetary Operations Division (Open Markets Operation)
- Technical advice on statistical database building
- Development and implementation of data warehouse works
- Financial stability models and reports
- Output gap models produced
- Resident capacity to perform macroeconomic analysis and modeling

Component 3: Capacity Building for the PPA

- Strategic planning and corporate governance exercise
- Pension Reform Action Plan
- Development of and installation of DMAS
- Development and rollout of IGLMIS

- Digitizing and uploading and archiving 1,300,00 documents using the DMAS
- Actuarial Analysis Unit established and training conducted for relevant staff

Component 4: Project Management and Capacity Building for the MOFP

- National Procurement Manual
- SBDs

Annex 3. Economic and Financial Analysis

(including assumptions in the analysis)

1. An economic or financial rate of return analysis is not feasible for this type of capacity-building project. No economic or financial rate of return was calculated in the project PAD. Project results and outcomes for the beneficiary institutions have been assessed and discussed in other sections of the ICR.

Annex 4. Bank Lending and Implementation Support/Supervision Processes

(a) Task Team Members

Names	Title	Unit	Responsibility/ Specialty
Lending			
Douglas Pearce	Practice Manager	GFM2B	TTL
Carlo Maria Rossotto	Lead ICT Policy Specialist	GTI11	Telecoms
Eileen Murray	Country Manager	MNCTN	Pensions
Gustavo Demarco	Program Leader	MNC03	Social Protection
John Nasir	Lead Economist	GTC03	TTL/PCBS Component Lead
Khalida Al-Qutob	Program Assistant	MNCGZ	Admin Support
Maha Bali	Senior Program Assistant	MNCGZ	Admin Support
Lina Tutunji	Senior Procurement Specialist	GGO05	Procurement
Laurent Gonnet	Lead Financial Sector Specialist	GFM05	PMA Component
Montserrat Piralles-Miralles	Senior Social Protection Specialist	GSP05	Social Protection
Sabine W. Beddies	Senior Urban Specialist	GSU11	Urban
Samira Hillis	Program Leader	MNC04	Social Protection
Abdallah Awad	IT Officer	ITSCR	IT
Steve W. Wan Lan Yun	Operations Analyst	GFM05	Operations
Zsofia Arvai	Senior Financial Economist	MNSFP	Economist
Suhair Saah	Financial Management Specialist	MNAFM	FM
Supervision/ICR			
Abdalwahab Khatib	Financial Sector Specialist	GFM05	TTL
Nabila Assaf	Senior Private Sector Specialist	GTC05	TTL
John Nasir	Lead Economist	GTC03	TTL/PCBS Component
Kiatchai Sophastienphong	Senior Financial Sector Specialist	MNSF1	TTL
Laurent Gonnet	Lead Financial Sector Specialist	GFM05	PMA Component
Douglas Pearce	Practice Manager	GFM2B	TTL
Simon Bell	Head	GFM2A	Sector Manager
Jana Malinska	Senior Private Sector Specialist	GTCID	Economist
Nur Nasser Eddin	Economist	GMF05	Economist
Orhan Niksic	Senior Economist	MNSED	Economist
Gabriel Sensenbrener	Lead Financial Sector Economist	GFM05	PMA Component
Oleksiy Sluchynskyy	Senior Economist	GSP03	Economist
Zsofia Arvai	Senior Financial Economist	MNSFP	Economist
Lina Tutunji	Senior Procurement Specialist	GGO05	Procurement
Basheer Jabr	Procurement Analyst	GGO05	Procurement
Riham Hussein	Financial Management Specialist	GGO23	FM
Nadi Mashni	Financial Management Specialist	GGO23	FM
Suhair Saah	Financial Management Specialist	MNAFM	FM
Majd Laisoon	Financial Management Consultant	MNAFM	FM
Suha Rabah	Program Assistant	MNCGZ	Admin Support
Khalida Al-Qutob	Program Assistant	MNCGZ	Admin Support
Maha Bali	Senior Program Assistant	MNCGZ	Admin Support
Eimar Coleman	Senior Consultant on Pensions	MNSF1	PPA Component
Ranan Muthaffar	Operations Officer	MNC04	Operations
Stefanie Ridenour	Financial Sector Specialist	GFM05	ICR Team Leader

Michael Goldberg	Lead Financial Sector Specialist	GFMSO	ICR Quality Review

(b) Staff Time and Cost

Stage of Project Cycle	Staff Time and Cost (Bank Budget Only)	
	No. of staff weeks	US$, thousands (including travel and consultant costs)
Lending		
FY10	16.6	130,934
Total:	**16.6**	**130,934**
Supervision/ICR		
FY11	9.01	71,137
FY12	17.16	118,333
FY13	13.2	99,935
FY14	20.27	116,405
FY15	5.2	34,426
FY16	16.01	30,405
FY17	5.01	22,403
Total:	**85.86**	**493,044**
Overall Total:	**102.46**	**623,978**

Annex 5. Beneficiary Survey Results

1. While the ICR did not include a formal beneficiary survey, the MOFP hired a consultant to conduct interviews of the beneficiary institutions under the project for the preparation of its final completion report. The findings of the beneficiary interviews are incorporated in the Recipient's completion report, which is summarized in annex 7.

Annex 6. Stakeholder Workshop Report and Results

Not applicable.

Annex 7. Summary of Recipient's Comments and ICR

(a) Summary of Recipient's Comments

1. The Recipient provided comments to a draft version of the ICR which were incorporated in the text. The comments focused on the ICR's assessment of the timeliness of procurement and how this affected the efficiency of implementation. The ICR had found that each implementing agency reported systematic delays once contracts were sent to the MOFP for final sign off. The Recipient highlighted two main points in response: (1) that procurement delays stemmed largely from the technical evaluation stage of the procurement process which fell under the responsibility of the beneficiary institutions and (2) delays that occurred at MOFP were only for a limited number of contracts and were mainly due to checking the taxation status of the firms. These points have been incorporated into the ICR where appropriate.

(b) Summary of Recipient's ICR

2. The Capacity Building Project (CBP) was approved by the Board on June 24, 2010; the Trust Fund Grant Agreement, totaling US$ 3,700,000 was signed on August 10, 2010 and the project was declared effective on September 8, 2010. The CBP was categorically aligned with the Bank's Interim Strategy for West Bank & Gaza which envisaged TA to support the implementation of the PRDP, and advisory services for implementation of the ongoing economic reforms program.

CBP Design and Log Frame

3. The CBP was proposed as TA facility, or umbrella project, for leading economic and regulatory institutions with critical remits for the PRDP, and its succeeding NDP (2011-2013) and NDP (2014-2016), and for the strength of the Palestinian economy. The PA's list of priority interventions for 2010, 'Palestine: Moving Forward', was based on 4 themes. This proposed project falls under 2 of those themes: building central and local government institutions essential to the establishment of a Palestinian state, and upgrading public service delivery. NDP 2014-2016 lists efficient and effective and transparent management and allocation of public finances as one of its strategic themes.

4. The CBP builds on the Bank's existing advisory and TA relationships with each institution. Each has strategic plans in place or under development that merit capacity-building support for implementation. The CBP continued and scaled-up that support by providing larger-scale funding to build institutional and infrastructure capacity within PCBS, PMA, PPA, and MOF. These proposed implementing partners were agreed with the MOF as priorities for TA, and appropriate candidates for inclusion in the project.

5. The PDO objective is "to build the capacity of leading economic and regulatory institutions, in order to support the implementation of the PRDP" was largely achieved, as measured by the indicators and supporting evidence. The project provided forty specialized TA consultancies, thirty five trainings and seven goods assignments to for twenty one departments, which impacted more than one hundred staff serving at four key public sector entities. The impact of the this TA, were nationally observed as it largely succeeded in building organizational

capabilities and introducing national scale changes that impacted 1.1 million depositors representing approximately 93 percent of all depositors in licensed banks in the West Bank and Gaza, 150 International development agencies, and 1800 active civil society organizations, 13,000 corporates, investors, professionals. The project also has the potential to reach 75,000 civil servants and 64,000 security personnel enrolled in the pension's schemes.

6. The ICR assesses the PDO indicators and intermediate results as largely achieved as follows:

(a) PDO indicator 1 "Improved quality and timeliness of National Accounts estimates" is achieved, before and after restructuring.

(b) PDO Indicator 2 "Capacity to conduct agricultural census surveys going forward" is achieved, before and after restructuring.

(c) PDO Indicator 3 "Improved monitoring and supervision of the financial sector, with strengthened data and forecasting system" was largely achieved, only after restructuring and extension.

(d) PDO Indicator 4 "Improved administration of current pensions system, and strengthened capacity for future reform, was partially achieved, only after restructuring and extension.

(e) PDO Indicator 5 "Improved public procurement at MOF", was largely achieved, only after restructuring and extension.

(f) Admittedly, the restructuring and the extension contributed towards largely achieving Intermediate Results under PCBS component.

(g) PMA's intermediate outcomes have been majorly restructured along with the indicators. Restructuring and extension enabled PMA to largely achieve its intermediate results under its component.

(h) Restructuring and extension enabled PPA to partially achieve its intermediate results under its component.

7. The project had very few shortcomings of substance on any of the dimensions of relevance, impact. The indicators, data, and supporting evidence fully document the project implementation process, its impacts, and the continued relevance of the project objectives. On the dimensions of design, efficiency and effectiveness the CBP was most of the times implementation rated Moderately Satisfactory on PDO and on Implementation Progress. This was due to the implementation difficulties described in the ICR, slow procurement commitment and disbursement, prolonged delays on getting results, silo-style management of activities, excessive restructuring and revision on RF and transactional nature of PCU.

CBP Progress

8. The CBP structure, and the logical justifications lying underneath, was put to test swiftly. The model new to the implementing partners and as expected took some time to be fully operational[30], with many partner-level meetings held to explain the structure and the model. The first part of the project was marked by varying progress levels of partners. PCBS swiftly commenced with 69 percent commitment and disbursement rates, and continued to steadily build progress as represented by a perpetual 5 percent increase in the commitment and disbursement rate, which reached 96.96 percent and 89.18 percent respectively by September 2014.

9. PMA experienced difficulties in soliciting, selecting and contracting consultants for Basel II, RSM division, Risk division, Monetary Operation Division assignment. Due to the repeated attempts and difficulties faced in collecting enough CVs of qualified consultants, and sub sequentially switching procurement method to firms, commitment and disbursement rates were depressed to 21.22 percent and 17.41 percent respectively. The assignments were also subject to merging to form a larger RSM component. Similarly, it was not until September 2012, that PMA disbursement profile escalated to reach 17.41 percent. Following the first project MTR on 27th November 2012, PMA commitment rate increased by four folds to reach 85.26 percent and the disbursement rate tripled to reach 61.28 percent by September 2014. Evidently, the following restructuring suggestions explains the increased pace of progress

10. The delay in developing ToRs, coupled with the new experience in bank project, had a toll on the progress of PPAs contracts and activities. By September 2012, the commitment rate and disbursement rates stood at 17.22 percent. After the major restructuring that canceled 5 consultancy services contracts, PPA's commitment rate reached 100 percent, while Disbursement rate continued to drag well behind at 61.41 percent By September 2014, due to the inability of consultants to reach Gaza the Bank and the MOF had agreed to extend the contract, which had been a key delay factor.

11. On the other hand, the PCU progressed steadily to cover the costs of 5 consultancy services that were signed in the last quarter of 2010, including Project Coordinator, Procurement Advisor, Junior Financial Officer, Junior Procurement Officer, and an External Auditor. After the restructuring, the PCU commitment continued to escalate steadily to reach 99.4 percent, while the disbursement profile continued to significantly lag behind that at 53.4 percent. The Procurement Officer witnessed turn over that was compensated directly. Restructuring included the addition of some new activities consistent with the objective of the project under the MOF component.

12. Following the World Bank mission conducted from December 8 - 11, 2014, and despite the good progress during difficult circumstances in FY15, especially in Gaza where the PPA and PCU there suffered through a war during the summer the Bank and MOF agreed that the project team would upon request from the government submit for management approval a no-cost six month extension for the project.

13. The varying learning curves of the three partners represented a key bottleneck for CBP efficiency, especially in the first period. The slow learning curve is particularly evident in the excessive grouping, breaking down, cancellation, revisions and reallocations of TA component,

[30] Project mobilization phase is estimated to have spanned most of the last quarter of 2010.

representing 57 percent of the total CBP budget. This not only created a sense of fixation between partners, but also, depressed commitment and disbursement curves in the first three years of the CBP life. The CBP model is conceptually and practically based on the ability to deliver collectively and efficiently, which in turn, is organically linked to the ability of each partner to deliver their respective component. Accordingly, the individual partner underperformance has a direct impact on the rating of the PDO. The CBP was also characterized by excessive restructuring activity as represented by the cancellation and merging of 18 activities during the life cycle of the project.

14. The PAD had promised to deliver the project in 4 years, which was not possible. A 12 month extension to the project became necessary in 2014, which was followed by another 12 month extension in 2015. However, the overall design was robust enough to allow changes to the implementation arrangements during the MTR that led to a more efficient process during period two.

CBP Modality

15. The CBP was a learning process for all involved parties. For the Bank it was a question of reducing the transactional costs of TA for public institutions in West Bank and Gaza. For MOF, it was a pilot project to introduce a national model for collective capacity building in public sector. The PCU along with partners had to master the approach; for partners it was a question of ownership over mandate and the added value of giving away the direct relationship with international development agencies in favor of indirect relationship through coordinated efforts. The project was designed to bring about institutional infrastructure in line with PRDP and NDPs, and succeeded in the end in introducing a collective model to TA in comparison to individual TA for consideration. The replicability of the model remain hinging upon, introducing further operational, managerial and financial enhancements that would ultimately enhance efficient functionality, predictability and ability to deliver reforms .

16. The proposed project structure succeeded in positioning the PMA, PCBS and PPA as decision makers over their respective components. There is enough evidence collected that PCU has demonstrated its respect of the subject matter expertise of each partner. The ICR recognizes the commendable efforts of the PCU to orchestrate the collective progress of the partners towards project objectives. Interviews revealed positive views of the PCU team in terms of alertness, dedication and commitment. Nevertheless, interviews also revealed the need for more rigorous supervision and accountability, in-terms of closer, more frequent and direct monitoring activities by the PCU.

17. Evidence suggests that the project management was transactional in nature, with focus on procurement activities and complying with the procurement plan proposed. CBP development goal, as well as capacity building in nature, requires periodic follow up of the capacity installed to ensure suitability, functionality usability of the capacity created, modernized or upgraded. This follow up, might take the form of periodic partners meetings, periodic partners reporting, field visits, interviews with departments mangers and teams allocated to the project, and deliverables verification. Reforms, by nature, are complex, multi-tasking and demanding in nature. Accordingly, partners demonstrated varying levels of capability and power to initiative manage and deliver reforms as opposed to technical and operational changes within their

respective mandates. The ICR recognizes the pressure resulting from managing reforms, yet, for CBP modality to become more efficient and effective, it has to incorporate enough preparation in the project design to enhance predictability of reform activities in a realistic time of 4 years.

18. This reasoning at appraisal is confirmed as partially valid at the closing of the project, with lessons learnt and key recommendations. Ultimately, at closing, the CBP largely succeeded in delivering sustainable institutional capacity in thirty functional areas that are critical to the implementation of the PRDP. Work still remains to be done on the model to gain further acceptance as an efficient and effective alternative to individual TA. This entails strengthening joint ownership of interventions to strengthen the institutional framework and lines of accountability between implementing partners. This coincides with the need for continuous alignment between implementing partners' strategic plans and future NDPs which creates the basis and rationale for combining institutional infrastructure investment. In this regard, the varying institutional capabilities and mandates of the public sector institutions continue to be a high risk, which has the potential to limit the model alignment.

CBP Risks

19. PA institutional infrastructure development remains a key thematic area in most of international development agencies agenda. Accordingly, the ICR believes that TA will continue to flow to public sector institutions separately or collectively. The CBP offered an alternative approach to organize this TA under one umbrella PCU. The model replication relies heavily on obtaining the buy-in from future participating institutions as well as complementarity and harmony of the proposed components. However, there is enough evidence that the CBP modality will continue to be supported by MOF. The main risk to stronger coordination comes from the bilateral nature of the approaches supported by different donors, which will take some time to harmonize due to financing preferences and procedures. However, the PA has demonstrated that it is capable of bringing together a number of public entities around a common program, to support the PRDP and NDPs.

20. However, the highest risk comes from the overall country context, which remains fragile and unpredictable, given the geopolitical and socioeconomic risks. The PA's revenues performed well in 2015, with an increase of 9 percent. However, the fiscal situation continues to be precarious and the recovery is slow mainly as a result of the persistence of restrictions and the 60 percent decline in donor aid. In addition, the high political uncertainty, the lack of progress in peace talks, the 2014 Gaza war, and the delays in the transfer of revenues collected by the Government of Israel on behalf of the PA, added to the weak recovery.

21. The situation in Gaza remains extremely difficult. The reconstruction process has been much slower than anticipated due to restrictions on imports and lower than expected aid. Despite the difficult operating environment, the PA is making steady progress in implementing its reform agenda including reducing energy subsidies (fuel and electricity), controlling the wage bill, and implementing health reforms. Still the PA needs to carry out additional efforts to reform the public pension system, its tax policy and enforcement measures to broaden the narrow tax base by international comparison.

22. The Bank brought considerable expertise and sector knowledge to the design of the project, assured that lessons learned elsewhere and in the West Bank and Gaza were incorporated and that risks would be mitigated. With a Bank Team based in the field, the Bank could participate regularly to face-to-face meetings to prepare the project and provide guidance on the finalization of preparatory work. The quality-at-entry was satisfactory.

Stakeholders Performance

23. The satisfactory performance during preparation and supervision justify a satisfactory rating of Bank performance. The Bank Task Team was based in the field throughout. Supervision missions were regular, and team members were based in both the West Bank and Gaza to assure full implementation support in spite of movement restrictions. During the MTR, site visits were carried out and a thorough review of project activities was assured. Starting at the MTR, the Bank team also adopted regular monthly operational meeting to subprojects in-between missions. The Bank was actively involved in the development of terms of reference, procuring of expertise and proposed solutions and monitored their implementation. The Bank also carried out regular and thorough reviews of financial and procurement performance, which resulted in corrective measures being proposed as necessary, combined with additional support and hands-on training.

24. Both the government and implementing agencies performance were satisfactory, which warrant an overall satisfactory rating. The PA was involved in assuring project preparation and appraisal through establishing the PCU in the MOF. The four implementing partners' performance varied in accordance with their capacities as previously anticipated in the PAD. The ICR rates the PCBS performance as satisfactory. This rate is valid for operational-level and policy reform level interventions. On the other hand, the ICR rates the performance of PMA as moderately satisfactory. Finally, the ICR assesses the performance of PPA as moderately unsatisfactory.

Annex 8. Comments of Cofinanciers and Other Partners/Stakeholders

Not applicable.

Annex 9. List of Supporting Documents

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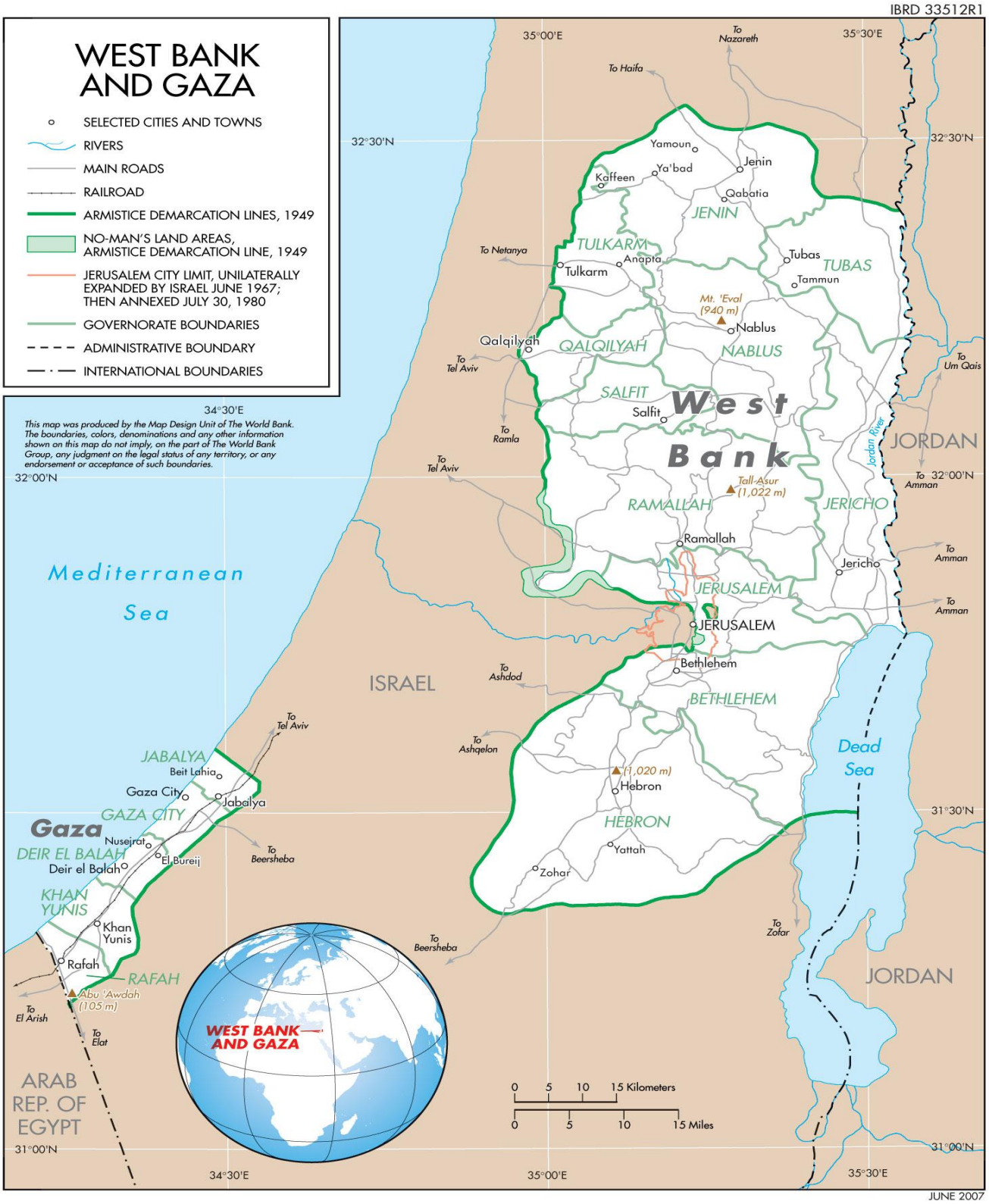
MAP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WEST BANK AND GAZA
SELECTED CITIES AND TOWNS
RIVERS
MAIN ROADS
RAILROAD
ARMISTICE DEMARCATION LINES, 1949
NO-MAN'S LAND AREAS, ARMISTICE DEMARCATION LINE, 1949
JERUSALEM CITY LIMIT, UNILATERALLY EXPANDED BY ISRAEL JUNE 1967; THEN ANNEXED JULY 30, 1980
GOVERNORATE BOUNDARIES
ADMINISTRATIVE BOUNDARY
INTERNATIONAL BOUNDARIES
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West Bank
Gaza
Mediterranean Sea
Dead Sea
ISRAEL
JORDAN
ARAB REP. OF EGYPT
JENIN
TULKARM
TUBAS
QALQILYAH
NABLUS
SALFIT
RAMALLAH
JERICHO
JERUSALEM
BETHLEHEM
HEBRON
JABALYA
GAZA CITY
DEIR EL BALAH
KHAN YUNIS
RAFAH
Yamoun
Ya'bad
Jenin
Kaffeen
Qabatia
Tulkarm
Anapta
Tubas
Tammun
Mt. 'Eval (940 m)
Nablus
Qalqilyah
Salfit
Tall-Asur (1,022 m)
Ramallah
Jericho
Bethlehem
(1,020 m)
Hebron
Yattah
Zohar
Beit Lahia
Gaza City
Jabalya
Nusejrat
El Bureij
Deir el Balah
Khan Yunis
Rafah
Abu 'Awdah (105 m)
Jordan River
To Nazareth
To Haifa
To Netanya
To Tel Aviv
To Ramla
To Ashdod
To Ashqelon
To Beersheba
To Zofar
To Um Qais
To Amman
To El Arish
To Elat
WEST BANK AND GAZA
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JUNE 2007