

P7700

THE WORLD BANK
Washington, DC 20433

Office of the President

March 6, 2012

Request for Replenishment of the Trust Fund for Gaza and West Bank

Introduction

1. I submit for your approval a proposal to replenish the Trust Fund for Gaza and West Bank (TFGWB) in the amount of \$55 million to be transferred from IBRD surplus. The objective of the replenishment is to support the Bank's program, aligned with the Palestinian National Development Plan, through projects and non-lending analytical and advisory services.
2. An Interim Strategy Note, jointly prepared by the World Bank and IFC for the remainder of FY 12 and through FY 14, is being circulated concurrently with this request for replenishment. Therefore, this document presents only a summary of the economic and political context along with risks and mitigation measures. The accompanying Interim Strategy Note describes these in more detail and lays out the implementation experience of the previous interim strategy, the Palestinian Authority's development plan and challenges to its development agenda, and the key areas of the Bank's program of assistance.
3. Not being a member of either the IMF or of the World Bank, the West Bank and Gaza is not eligible for the sources of financing normally available to member countries. To overcome these legal and practical obstacles, on October 19, 1993, by the terms of Resolution No. 93-11 and IDA 93-7, the Executive Directors of the International Bank for Reconstruction and Development (Bank) and the International Development Association (Association) approved the establishment of the Trust Fund for Gaza. On November 11, 1993, the Bank's Board of Governors approved a US\$50 million grant to be transferred from surplus into a Trust Fund for Gaza (TFG). Subsequently, in 1995, the TFG was renamed Trust Fund for Gaza and West Bank (TFGWB), and it was increased in permissible territorial scope as the area under the jurisdiction of the Palestinian Authority was enlarged. The TFGWB has been replenished ten times in addition to the first transfer of 1993 mentioned above, for a total allocation of \$750 million. The most recent replenishment was in June 2011.

4. The IBRD currently has a balance of \$227 million in the surplus account, which is the account that the Bank uses to set aside funds for making such desired transfers. There have been no other proposals for use of surplus to date this year so that the proposed total amount of this replenishment, at \$55 million, is within the \$100 million envelope for annual IBRD surplus spending that was assumed in the 2010 capital increase discussions. After the proposed transfer, the remaining balance in surplus would be \$172 million. This potential use of surplus for Gaza and West Bank is noted in the FY12 Medium Term Financial and Strategy paper and reflected in the projections there.

Recommendation

5. In view of the foregoing, I recommend that the Executive Directors propose to the Board of Governors a further replenishment of the Trust Fund for Gaza and West Bank of \$55 million by way of grant, to be transferred from IBRD surplus (see Annexes I and II).

Robert B. Zoellick
President



By Sri Mulyani Indrawati
Managing Director

Washington, DC
March 6, 2012

ANNEX I

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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

(DRAFT)

REPORT OF THE EXECUTIVE DIRECTORS

Transfer from Surplus to Replenish Trust Fund for Gaza and West Bank

On October 19, 1993, by the terms of Resolution No. 93-11 and IDA 93-7, the Executive Directors of the International Bank for Reconstruction and Development (Bank) and the International Development Association (Association) approved the establishment of the Trust Fund for Gaza. On November 11, 1993, by the terms of Resolution No. 483, the Board of Governors of the Bank approved the transfer from surplus, by way of grant, of \$50 million to the Trust Fund for Gaza. On August 1, 1995, by the terms of Resolution No. 95-6 and IDA 95-3, the Executive Directors of the Bank and the Association amended Resolution No. 93-11 and IDA 93-7 by (a) expanding the territorial scope of the activities to be financed out of the Trust Fund for Gaza to include such areas, sectors and activities in the West Bank which are or will be under the jurisdiction of the Palestinian Authority pursuant to the relevant Israeli-Palestinian agreements; and (b) changing the name of the "Trust Fund for Gaza" to "Trust Fund for Gaza and West Bank". On October 12, 1995, by the terms of Resolution No. 500, the Board of Governors approved the transfer to the Trust Fund for Gaza and West Bank, by way of grant out of the Bank's FY95 net income, of US\$90 million. On December 19, 1996, by the terms of Resolution No. 96-11 and No. IDA 96-7, the Executive Directors of the Bank and the Association further amended Resolution No. 93-11 and IDA 93-7 by (a) introducing flexibility to the terms under which resources may be provided out of the Trust Fund for Gaza and West Bank; and (b) requiring that the repayment of trust fund credits made out of the Trust Fund for Gaza and West Bank accrue to the Association as part of its resources. Additional funding was provided by transfers from surplus or net income approved by the Bank's Board of Governors on

ANNEX I

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February 3, 1997 (\$90 million, Resolution 511), July 13, 1998 (\$90 million, Resolution No. 519), September 30, 1999 (\$60 million, Resolution No. 529), February 4, 2004 (\$80 million, Resolution No. 556), January 31, 2007 (\$50 million, Resolution No. 584), June 17, 2008 (\$55 million, Resolution No. 589), July 10, 2009 (\$55 million, Resolution No. 599), August 9, 2010 (\$55 million, Resolution No. 608), August 9, 2010 (\$55 million, Resolution No. 608), and June 8, 2011 (\$75 million, Resolution No. 615).

In view of the material contribution that the Bank's financial assistance makes to Palestinian economic welfare, the Executive Directors consider that the Trust Fund for Gaza and West Bank should be replenished. They recommend that the Board of Governors authorize the transfer from surplus of the amount of \$55 million to the Trust Fund for Gaza and West Bank.

Accordingly, the Executive Directors recommend that the Board of Governors adopt the draft Resolution attached hereto.

ANNEX II

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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

BOARD OF GOVERNORS

(DRAFT)

Resolution No. ____

Transfer from Surplus to Replenish the Trust Fund for Gaza and West Bank

RESOLVED:

THAT the Bank transfers immediately from surplus, by way of grant, US\$55,000,000 to the Trust Fund for Gaza and West Bank, such transfer to be drawn down by the International Development Association as needed; provided, however, that the amount of such grant may at any time be changed by the International Development Association into an equivalent amount in other currencies.

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**INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
AND INTERNATIONAL DEVELOPMENT ASSOCIATION**

**REQUEST FOR REPLENISHMENT OF
THE TRUST FUND FOR GAZA AND WEST BANK**

March 13, 2012

**West Bank and Gaza Country Management Unit
Middle East and North Africa Region**

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Currency Equivalents (As of February 29, 2012)

Currency Unit = New Israeli Shekel

US\$1.00 = 3.77 New Israeli Shekel

ABBREVIATIONS AND ACRONYMS

AAA	Analytical and Advisory Activities	MENA	Middle East and North Africa
CTA	Central Treasury Account	NDP	National Development Plan
DfID	Department for International Development	NGO	Non-Governmental Organization
DPG	Development Policy Grant	PA	Palestinian Authority
GDP	Gross Domestic Product	PRDP	Palestinian Reform & Development Plan
GOI	Government of Israel	TF	Trust Fund
IBRD	International Bank of Reconstruction and Development	TFGWB	Trust Fund for Gaza and West Bank
ICT	Information & Communication Technology	UK	United Kingdom
IDA	International Development Association	UN	United Nations
IFC	International Finance Corporation	WB & G	West Bank and Gaza
IMF	International Monetary Fund		

IBRD / IDA

Vice President Inger Andersen

Country Director Mariam Sherman

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I. INTRODUCTION

1. **This is a submission to Executive Directors for a replenishment of the Trust Fund for Gaza and the West Bank (TFGWB).** The Management proposes that Executive Directors advise the Board of Governors to authorize a transfer of the amount of US\$55 million from IBRD surplus to the TFGWB.
2. **The Board considered the previous replenishment request of \$75 million on April 26, 2011 and it was confirmed by the Board of Governors on June 8, 2011.** It comprised an ordinary replenishment of \$55 million and an extraordinary replenishment of \$20 million to rehabilitate dilapidated infrastructure in Gaza. Preparing new projects in Gaza -- in energy, water and sanitation and solid waste management sectors -- became possible after Israel's partial easing of restrictions on construction material entering Gaza.
3. The IBRD currently has a balance of \$227 million in the surplus account, which is the account that the Bank uses to set aside funds for making such desired transfers. There have been no other proposals for use of surplus to date this year so that the proposed total amount of this replenishment, at \$55 million, is within the \$100 million envelope for annual IBRD surplus spending that was assumed in the 2010 capital increase discussions. After the proposed transfer, the remaining balance in surplus would be \$172 million. This potential use of surplus for Gaza and West Bank is noted in the FY12 Medium Term Financial and Strategy paper and reflected in the projections there.
4. **The Bank's new Interim Strategy for assisting West Bank and Gaza is being circulated to the Board at the same time as this Replenishment Request.** The previous replenishment request had informed the Board that the Palestinian Authority's development plan was forthcoming. That National Development Plan for 2011-13 has since been published, and has guided the Bank's new Interim Strategy for the period through the end of FY 14.
5. The rest of this document provides, very briefly, the context for this request – with more details in the accompanying Interim Strategy Note. First, it outlines the current political and economic situation. Next, it recapitulates the establishment of the TFGWB and its arrangements. This is followed by a summary of the portfolio financed from the TFGWB. The final section contains the risks to the Bank's program along with mitigation measures.

II. ECONOMIC AND POLITICAL SITUATION

6. **The Palestinian Authority (PA) faces an increasingly difficult fiscal situation.** In 2011, the PA was able to hold expenditures below budget, but revenues were even lower so the recurrent deficit ended the year at about \$1.1 billion; nearly \$100 million above the budget target. The PA only received about \$980 million in external support in 2011, forcing it to increase borrowing from local banks and to substantially increase arrears. The PA's tight fiscal position was exacerbated by the Government of Israel's (GOI's) decision to withhold clearance revenues after the PA went to the UN. Clearance revenues are taxes that the GOI collects for the PA and remits to them monthly, accounting for nearly 2/3 of domestic revenue and around 40% of total expenditures. The PA has no currency and maintains no reserves. It has no access to external capital markets, issues no securities and all borrowing is short term borrowing from local banks.
7. **Recent economic growth has been robust, but appears to be slowing.** The real growth rate in the first three quarters of 2011 is estimated to have reached 10.5% -- substantially more than the 9% growth forecast in the PA's budget. This was driven by a recovery in Gaza (attributed to a combination of large aid inflows, easing of restrictions on entry of goods from Israel and increased imports through

tunnels from Egypt), where GDP is estimated to have expanded by more than 26% in the first three quarters but from a very low base. In the West Bank, growth was around 6%, down from 7.5% in 2010. Exports for the first 11 months of the year were about 35% higher than in the same period in 2010 and imports were nearly 16% higher. Previous growth forecasts by the Palestinian Authority and the IMF, projecting 10% growth in 2013 and 2014, were highly optimistic. They supposed that that growth would continue to increase and that the PA would achieve a fiscal consolidation. However, this does not seem likely and they are in the process of revising these projections. Real growth in WB & G in 2012 is now projected to be around 7%; 5% in the West Bank and 12% in Gaza.

8. **Unemployment remains high and labor force participation is low.** In the fourth quarter of 2011, the overall unemployment rate was 21%, with Gaza unemployment remaining high at 30%, and with significant youth unemployment (46.5% in Gaza, Table 2). The gap between the overall participation rates of males (69.5%) and females (18.7%) is large. Despite international price development, prices remained relatively stable during the first three quarters of 2011. Despite international price development, prices remained relatively stable during the first three quarters of 2011. Enrolment in basic education is close to 100%, and equitable with respect to gender. Although females have benefited from the PA's long term investment in health and education, their participation in the labor force (17%) is low even compared with the MNA average (26%).

9. **There has been little progress on the Israeli / Palestinian political dialog since the Board's last discussion on replenishment of the TFGWB.** GOI continues to control Area C¹, which covers about 60% of the West Bank, and access to Gaza. Most consumer goods and many intermediate inputs are allowed entry into Gaza, but construction material is restricted. In September 2011, the President of the Palestinian Authority made an application for the admission of Palestine as a full member of the United Nations, which has not come through. In January 2012, Palestinian and Israeli leaders met in Amman to determine whether there was a basis for a formal permanent status negotiating process, but progress has been limited

10. **Differences within Palestinian polity are not yet resolved.** In February 2011, the Palestinian Authority announced the resignation of the cabinet. However, a new government has not been formed and the Cabinet continues to date. In April 2011, a reconciliation deal was struck between Fatah and Hamas that was to have formed a technocratic cabinet and prepare for elections. Discussions between the two factions followed—in Cairo in November 2011 and in Qatar in February 2012—about the creation of a new caretaker government of technocrats and the scheduling of elections. However, differences between and within the parties have persisted and no firm decisions have been announced.

III. ARRANGEMENTS FOR ASSISTING WEST BANK AND GAZA

A. Trust Fund for Gaza and West Bank

11. **The World Bank group's involvement in West Bank and Gaza dates back to November 1992** when the Bank was asked by the co-sponsors of the Middle East Multilateral Peace talks to lead and support a program of economic assistance for the Palestinian people. The Bank's report "Developing the Occupied Territories: An Investment in Peace" issued in September 1993 provided the blueprint for subsequent donor involvement in WB & G. IFC began investing in West Bank & Gaza after the Oslo Accord. Not being a member of either the IMF or of the World Bank, the West Bank and Gaza is not eligible for the sources of financing normally available to member countries.

¹ The West Bank is divided per Oslo Accords into 3 areas: 2 areas are under Palestinian control and correspond to all major population centers (Area A) and most rural communities (Area B). The third area, Area C, is under Israeli control for both security and civilian affairs related to territory, including land administration and planning.

12. **To enable the Bank's assistance to West Bank and Gaza, a Trust fund for Gaza and the West Bank (TFGWB) was established in 1993.** This involved a few steps. First, on October 19, 1993, by resolution No. 93-11 and IDA 93-7, the Executive Directors of the Bank and the Association approved the establishment of the Trust Fund for Gaza. This was subsequently renamed the Trust Fund for Gaza and West Bank (TFGWB). Next, the Board of Governors authorized \$50 million to be transferred, by way of grant to the Trust Fund, from the \$375 million surplus that was transferred to the International Development Association's (IDA) 10th replenishment. Finally, on August 1, 1995, the Board of Governors increased the fund's permissible territorial scope to be the area under the jurisdiction of the Palestinian Authority. Up until 2002, all assistance to the West Bank and Gaza was provided on IDA Credit terms; however, projects have since been approved on grant terms. Repayment amounts will rise substantially starting 2012. The PA's repayment schedule, through 2042 is summarized in Annex 1.

13. **The TFGWB has been replenished ten times in addition to the first transfer of 1993 mentioned above, for a total allocation of \$750 million.** The most recent replenishment was in June 2011. An additional \$113.93 million has been received in the TFGWB from investment income, and from service charges and commitment fees on outstanding credits, bringing the total TFGWB resources to \$863.93 million. As of February 29, 2012, \$709.1 million has been disbursed, and \$12 million transferred to the Holst Fund in 2003 for an Emergency Response Program. Along with \$54.4 million undisbursed amounts, this brings the total uncommitted fund balance to \$88.43 million. This amount is fully earmarked for the already scheduled operations as in Table 1 below. Note: three grants in the table below were approved by the Board on March 6, 2012 but are not yet effective: PRDP Support IV Development Policy Grant, the Municipal Development Program, and the Gaza Electricity Network Rehabilitation.

Table 1. Pipeline of grants from the TFGWB

Uncommitted balance (in million \$)	Grants in the pipeline		
	Name	Amount (million \$)	Expected Board Submission/ Approval date
WB & G – PRDP Support IV Dev. Policy Grant	40	March 6, 2012	
Municipal Development Program Additional Financing	2	March 6, 2012	
Gaza Electricity Network Rehabilitation	8	March 6, 2012	
West Bank-Gaza School-to-Work Transition	5	4th qr, FY 12	
Second Land Administration	3	4th qr, FY 12	
Gaza Water Supply Rehabilitation & Expansion	6.4	4th qr, FY 12	
Solid Waste Management	10	4th qr, FY 12	
Palestinian Market Development	3	4th qr, FY 12	
West Bank Wastewater Management	10	FY 13	
Total	\$87.40		

As of March 13, 2012

14. **The criteria applicable to the administration of the TFGWB, laid out in resolution establishing it, continue to be met.** Grants from TFGWB are made to the Palestine Liberation Organization for the benefit of the Palestinian Authority. The TFGWB activities are seen as corresponding to the interests of the Bank's member countries. In addition, the Board of Executive Directors has consistently accorded strong support to the activities financed by the TFGWB. The Bank continues to apply its regular project preparation and supervision procedures and safeguards to the administration of the proceeds of the TFGWB; project implementation makes progress without major difficulties.

B. Donor Funding that Complements Grants from TFGWB

15. **The Bank attracts development partners' complementary financing for TFGWB-financed projects.** Investment projects often leverage development partners' support in the form of co-financing or parallel financing. Funds from Canada, Denmark, the European Union, Luxembourg, Netherlands, Norway, Sweden, Switzerland and the UK complement the current portfolio. The Islamic Development Bank has committed to providing \$20 million for Gaza infrastructure to match last year's extraordinary replenishment.

16. **TFGWB-financed grants leverage donors' budgetary support for the PA's reform program.** Since April 2008, the Bank administers the multi-donor Palestinian Reform and Development Plan (PRDP) Trust Fund, into which donors contribute. Disbursements from this multi-donor Trust Fund provide budgetary support to the Palestinian Authority for implementation of their National Development Plan. Progress of the PA's reform agenda is monitored against priority economic and institutional and policy actions jointly identified by the PA and Bank in the Bank's most recent Development Policy Grant. Upon assurance of satisfactory progress, the Trust Fund disburses every quarter. A Norwegian Trust Fund supports aid coordination activities in the Bank's program.

C. Program financed by the TFGWB

17. **There are 14 grants in the current portfolio financed from the TFGWB, amounting to a total allocation of just over US\$200 million,** and described in Annex 2. The largest allocations are in the water and wastewater sector and social transfers to the poor and vulnerable. Relative to other countries in the Middle East and North Africa region, WB & G has a low share of commitments that are at risk. All projects in the portfolio continue to meet their development objectives.

18. **A robust AAA program underpins grants and provides policy advice in sectors prioritized by the development plan.** In discussion with the PA, these are a mix of reports, policy notes and technical assistance. The demand-driven activities were well received by the government, the donor community, and other stakeholders. Highlights of the analytical and advisory activities undertaken in FY 11 include: *Coping with Conflict? Poverty and Inclusion in the West Bank and Gaza* that provides a detailed analysis of poverty and inclusion; *Institutional Capacity* that formed the basis of the Bank's most recent report to the Ad Hoc Liaison Committee (of donors to West Bank and Gaza), and helped the international community monitor the PA's reform agenda; and *Improving Governance and Reducing Corruption* that provides a fuller understanding of the corruption issues, which the PA could use to develop anti-corruption initiatives. Ongoing analyses cover a range of topics such as: sources of growth, government accounting systems reporting and management, municipal revenues, civil service reform, NGOs and their activities, social accountability in local governments, effective targeting of social assistance and cash transfers, tracer study of graduates and prospect of "micro-work" in the ICT sector.

IV. RISKS AND MITIGATION

19. **In West Bank and Gaza the Bank Group operates in an environment of high political and security ambiguity.** The uncertainty of the peace process and the isolation of Gaza in particular have a direct negative impact on the Bank Group's agenda and program implementation. Political instability leads to continued high turnover of technical staff in implementing agencies and reduced ownership of the reform program. If the security situation were to deteriorate, the Bank would have to consider alternate channels for providing support. In the IFC's case the focus would turn to advisory projects and the management of the existing investment portfolio to assist client companies in navigating the new challenges.

20. Political and security risks are mitigated by putting forward projects with simple design, flexibility in implementation arrangements and a high degree of adaptability to changing circumstances on the ground. The program's Emergency Response and Business Continuity Plan is reviewed and updated frequently. The resident security advisor is in continuous contact with the UN's security system. The Bank's reliance on semi-autonomous implementing agencies shields the Bank's projects from potential instability at the apex level and provides the much needed continuity to the portfolio.

21. Despite the various mitigation measures and the adaptability of the Bank's program, the probability of a significant downside political and security scenario remains. Political and security developments are monitored routinely to be alert to any situation that may require the Bank to adjust its program. In a downside scenario the Bank would assess its engagement to determine how and where support could be continued, drawing on lessons of the WDR 2011 of the need to stay engaged, while being mindful of the need to mitigate any new risks that may emerge. The control measures within the Bank for monitoring flow of funds is further strengthened by the solid performance of the Palestinian Monetary Authority, which follows some of the strongest anti-money laundering laws in the region. Depending on the nature of any event, the Bank would conduct a careful review of operations and decide on the course of action.

22. The PA's fiscal and economic management is in a precarious position, despite recent economic growth and reform efforts. The PA is dependent on large donor inflows. Optimistic assumptions regarding future growth are linked to sustained private sector activity which is largely dependent on the Government of Israel further relaxing its closure regime and allowing Palestinian enterprises reliable access to markets. Israel's physical, administrative and regulatory restrictions in the West Bank and the blockade of Gaza with sporadic military interventions hamper the PA's ability to implement its national plans.

23. The Bank mitigates the fiscal and economic risks by engaging the PA in a continuous dialogue about the budgetary reform process and advancing transparent PFM practices, and taking steps to support monitoring institutions. Because of its important oversight role the Bank has promoted the development of the State Audit and Administrative Control Bureau (SAACB) in its development policy operations. The SAACB is supported by a 4 million euro technical assistance package from the EU. It has developed a strategic plan for 2012-2016, partly supported by EU, for strengthening financial and regularity audit components. The Bank will coordinate with EU and the PA to address the major remaining challenges that need to be addressed by the SAACB to be fully operational in accordance with international standards: independence, staffing and administrative issues, and mandate and scope of work. In addition, to expand the use of country systems, the World Bank will consider reliance on the SAACB as a potential external auditor for Bank-financed projects. The donor community has also offered its assistance to the Anti Corruption Commission, which was established in 2010 and is moving rapidly to establish its presence. The local branch of Transparency International - AMAN - has also begun a budget transparency initiative that will help to monitor the use of resources and will partially address the gap created by the lack of a functioning parliament. The move by AMAN has been welcomed by the Palestinian Authority. The donor community has embraced the NDP, and supported a further three-year extension of the PRDP-TF for budget support, which will help to support the further development of country systems. The PA has recently passed a new public procurement law that will put in place further controls and fiduciary oversight and increase transparency, whereas the Bank is providing support through technical assistance.

24. External budgetary support is provided through the Central Treasury Account (CTA) while project funds are mainly managed through designated accounts not linked to the CTA.

Funding from the DPGs and the PRDP TF have supported a wide ranging reform of the public financial management systems to improve the control of expenditures, and provided an incentive for the PA to ensure that the reforms were satisfactorily implemented. These reforms have been managed with ongoing technical assistance from the World Bank, IMF and other donors. Substantive progress has been made with the controls on the central treasury account which handles the vast bulk of resources including all budget support. However the procedures for those accounts not linked with the CTA (almost exclusively donor financed project accounts) are not as strongly established and will take more time to be fully effective. The Bank is working closely with the Ministry of Finance to strengthen the accounting and financial control of these designated accounts, but in the meantime has put in place additional oversight for Bank project accounts.

25. While in recent years the Palestinian Authority has taken steps to improve its governance arrangements, more needs to be done and the governance and anti-corruption agenda continues to present risks for the interim strategy. As mentioned in the Bank's recent AAA on Governance and Anti-corruption the reform path is progressing well in many areas such as public financial management and the oversight of government equity holdings. In other areas reforms have been initiated but the implementation is not complete and further steps are needed. These include the development of the procurement process, improvements in civil service arrangements, and the establishment of an effective anti-corruption commission. Finally the report identified a number of areas which should be on the future governance agenda and where the PA's response is awaited. Improving the governance environment is not a standalone activity but needs to be embedded in the way that the PA carries out its business. For this reason it is woven into all elements of the reform agenda being pursued with the PA through the ISN. In addition the MNA regional social accountability agenda will be integrated into the ISN to further mitigate the governance risks.

ANNEX 1. REPAYMENT PROFILE OF PA DEBT TO THE WORLD BANK DURING CY 2011 – 2042

CY	Disbursed amounts	Undisbursed balances	Principal Repayment	Outstanding Principal	Service Charges	Commitment Fees	Total Repayment in millions of \$
2011	0.0	0.0	0.7	297.6	0.2	0.0	0.9
2012	0.0	0.0	6.3	296.9	2.1	0.0	8.4
2013	0.0	0.0	6.6	290.6	2.2	0.0	8.8
2014	0.0	0.0	6.8	283.9	2.1	0.0	8.9
2015	0.0	0.0	7.3	277.1	2.1	0.0	9.4
2016	0.0	0.0	8.4	269.8	2.0	0.0	10.4
2017	0.0	0.0	9.7	261.4	1.9	0.0	11.6
2018	0.0	0.0	10.6	251.7	1.9	0.0	12.5
2019	0.0	0.0	11.2	241.2	1.8	0.0	13.0
2020	0.0	0.0	12.0	229.9	1.7	0.0	13.7
2021	0.0	0.0	12.2	217.9	1.6	0.0	13.8
2022	0.0	0.0	12.6	205.7	1.5	0.0	14.1
2023	0.0	0.0	12.9	193.0	1.4	0.0	14.3
2024	0.0	0.0	12.9	180.1	1.3	0.0	14.2
2025	0.0	0.0	12.9	167.2	1.2	0.0	14.1
2026	0.0	0.0	12.9	154.3	1.1	0.0	14.0
2027	0.0	0.0	12.9	141.4	1.0	0.0	13.9
2028	0.0	0.0	12.9	128.4	0.9	0.0	13.8
2029	0.0	0.0	12.9	115.5	0.8	0.0	13.7
2030	0.0	0.0	12.9	102.6	0.7	0.0	13.6
2031	0.0	0.0	12.9	89.7	0.6	0.0	13.5
2032	0.0	0.0	12.9	76.8	0.6	0.0	13.5
2033	0.0	0.0	12.9	63.8	0.5	0.0	13.4
2034	0.0	0.0	12.3	50.9	0.4	0.0	12.7
2035	0.0	0.0	11.3	38.6	0.3	0.0	11.6
2036	0.0	0.0	9.1	27.3	0.2	0.0	9.3
2037	0.0	0.0	6.4	18.2	0.1	0.0	6.5
2038	0.0	0.0	4.7	11.8	0.1	0.0	4.8
2039	0.0	0.0	3.4	7.1	0.0	0.0	3.4
2040	0.0	0.0	1.8	3.8	0.0	0.0	1.8
2041	0.0	0.0	1.3	1.9	0.0	0.0	1.3
2042	0.0	0.0	0.6	0.6	0.0	0.0	0.6

Assumptions: The above amounts are estimates based on disbursed outstanding balances, The calculations assume no delay by the borrower in repaying the amounts due, The outstanding balance indicates outstanding balance at beginning of year.

ANNEX 2: IMPLEMENTATION STATUS OF CURRENT PORTFOLIO
(As of February 28, 2012)

Project	Comm Amt (millions)	Objective	Status of Implementation	Disbursement %
Emergency Services Support Project III	18.0	The objective is to mitigate the current fiscal crisis by supporting a provision of essential public services in education and higher education, health and social affairs. The project finances a portion of the Ministries' non-salary recurrent costs. The Emergency Services Support Project also serves as an instrument to leverage donor funding through the Bank-administered Emergency Services Support Project Multi-Donor Trust Fund.	Implementation progress is satisfactory and the project is on track. In health service provision, the project funds cleaning contracts, rent, water and electricity, fuel, communications and maintenance of health facilities. The occupancy rate for the two main hospitals (Shifa in Gaza and Rafedia in Nablus) are at 78%. In education, a total of 1155 schools are operating. With regard to social protection, the 13 centers of the Ministry of Social Affairs continue to operate and have benefited 413 youths; the 7 rehabilitation centers have benefited 850 disabled people.	91%
Local Governance Capacity Building (RE)	10.0	The objective is to improve local governance and accountability, and thereby foster the efficient and sustainable economic, social and physical development of the urban and rural areas in the parts of West Bank and Gaza under the Palestinian Authority.	The project has made notable progress in meeting its development objective through capacity building of the Ministry of Local Government and the Local Government Units. It has contributed towards reforms in financial and accounting systems, assisted in developing and piloting reforms in physical planning procedures, and piloted public participation processes in local government decision making.	77.6%
Municipal Development Program	23.5	The objective is to improve municipal management practices for better transparency.	The project is meeting its indicator targets and is, in some cases, exceeding them. An anticipated 68% of municipalities have graduated into a higher performance category in 2011 and 69% of municipalities disclosed information in at least two of three areas: (a) financial data and municipal budgets, (b) municipal ranking, (c) projects and achievements.	91%
Village & Neighborhood Development	10.3	The objective is to promote a coordinated development approach which builds the capacity of communities to plan for and manage	The project objectives are being achieved: 59% of sub-projects target vulnerable groups, and the percentage of financing leveraged from other sources to fund infrastructure stands at approximately 57%. All 109 targeted villages and	42.7%

Project	Comm Amt (millions)	Objective	Status of Implementation	Disbursement %
North Gaza Emergency Sewage Treatment	26.8	resources.	neighborhoods have prepared their Community Development Plans and have selected sub-projects for financing as part of Project Cycle 1. The Community Development Plans have also been updated for Cycle 2. (Note that the project will be fully implemented in two cycles). A project restructuring paper has been processed and an extension is underway until October 2013. This project was identified as a problem project in terms of implementation progress and financial management and these issues are being addressed.	
Electric Utility Management	14.5	The objectives are to: (i) mitigate the immediate health and environmental safety threats to the communities surrounding the effluent lake at Beit Lahiya Wastewater Treatment Plant, and (ii) provide a satisfactory long-term solution to the treatment of wastewater for the Northern Government in Gaza.	Part A of North Gaza Emergency Sewage Treatment is now completed. The key issue is timely implementation of Part B (construction of the North Gaza wastewater treatment plant, wastewater recovery scheme, and remedial activities at the former Beit Lahiya effluent ponds). Part B is proceeding on schedule but it will be critical to maintain close coordination with Israel Defense Forces' Coordinator, along with other donors, to avoid the serious delays and cost overruns that plagued implementation of Part A.	53.5%
Water Sector Capacity Building	3.0	The objective is to reduce the fiscal burden of the electricity sector on Palestinian Authority's budgetary resources through lower deductions from clearance revenues for arrears owed to Israel Electricity Co.	The project is progressing towards achieving its objectives, although some indicators do not show significant progress. This is primarily because the values of some of the baseline and target indicators were based on appraised estimates which were subsequently found incorrect when compared to actual values of performance targets. The construction contract for the four transmission substations included under Component 1 was recently signed.	47.1%
			The project was approved by the Board on March 31, 2011 and became effective at the end of July 2011. Supervision missions were carried out in April and September, 2011. A Multi-Donor Trust Fund (MDTF) for urban and water is under development to complement project activities. The Swedish International Development Cooperation Association has committed to co-finance the MDTF with SEK 15	10.3%

Project	Comm Amt (millions)	Objective	Status of Implementation	Disbursement %
		the water sector in West Bank and Gaza.	million.	
Southern West Bank Solid Waste Management	12.0	The objective is to improve solid waste disposal services for the communities and businesses of Palestinian municipalities and joint services councils in the Bethlehem and Hebron.	The project is on track towards achieving its main objectives. This assessment is based on progress in the project component related to the construction of a regional sanitary landfill in the Southern West Bank. Construction started on September 15, 2011 and is expected to be completed at the end of March 2013. The task team is working closely with the IFC towards the provision of services to attract the private sector to manage the new sanitary landfill and the waste recovery facilities in an efficient and effective manner. A successful pilot will be replicated in the Gaza Southern West Bank Solid Waste Management Project which is currently under preparation.	31%
Cash Transfer Project	10.0	The project aims to: (i) mitigate the impact of the continued socio-economic crisis on a subset of the extremely poor and most vulnerable households; and to (ii) support the Palestinian Authority's efforts to continue reforms of the project, the largest program for providing cash assistance to the PA.	Project implementation continues to be satisfactory. The Ministry of Social Affairs (MOSA) has increased the number of beneficiary households. The ministry is committed to strengthening its outreach to ensure certification of the remaining extremely poor households. The Bank and MOSA are cooperating to evaluate the Cash Transfer Project targeting system as well as the targeting efficiency of the Proxy Means Test Formula to address the poorest and the most vulnerable population.	35.4%
Social Safety Net Reform	28.4	The objective is to mitigate the impact of the continued socio-economic crisis on a subset of the poorest and most vulnerable households. An additional objective is to strengthen the institutional capacity of MOSA to manage cash transfer programs.	Project implementation continues to be satisfactory. MOSA has increased the number of beneficiary households in West Bank and Gaza. The actual number of households currently receiving payments from the Cash Transfer Project is 4,577; with 890 of these households in West Bank and 3,687 in Gaza. The Ministry of Social Affairs is committed to strengthening its outreach to ensure certification of the remaining extremely poor households in WB & G. The Bank and the Ministry of Social Affairs are cooperating to evaluate the Cash Transfer Project targeting system and the database functionality. The Bank continues to be concerned about the	99.5%

Project	Comm Amt (millions)	Objective	Status of Implementation	Disbursement %
Tertiary Education	15.0	The project objectives are: 1) to improve the regulatory environment for tertiary education management, governance and quality assurance; 2) increase internal and external efficiency of the tertiary education system, as a first step towards achieving sustainability; and 3) to create incentives and provide the basis for improvements in efficiency, quality and relevance of tertiary education institutions in order to meet the socioeconomic needs of the Palestinian population.	sustainability of the Cash Transfer Project and the financial implications for the Cash Transfer Project on the PA budget in the short- and long-term. The Quality Improvement Fund (QIF) provides resources for Tertiary Education Institutions for innovative projects. The QIF has supported 45 projects wherein 24 partnerships were developed among Tertiary Education Institutions and the public and private sector. All universities and 50% of colleges are implementing QIF grants. The second phase of the project, which is currently underway, is geared towards supporting Tertiary Education Institutions to put in place programs to promote innovations of teacher education. A follow-up Education-to-Work Transition project is under preparation to help finance an additional call for proposals inviting Tertiary Education Institutions to develop and implement education-to-work transition programs in partnership with the business community.	59.2%
Teacher Education Improvement	5.0	The main objective is to improve the competencies and skills of class teachers (i.e., those teaching grades one to four), and in doing so to contribute to enhancing student learning in primary schools.	Progress on the implementation of Teacher Education Improvement Project is satisfactory. The implementation team responsible for component one (improving teaching practicum) has been working with the assistance of local consultants and some consultation with the international consulting group (Council for Christian Colleges and Universities), on the development of a <i>Teaching Practicum Template</i> , a <i>Readiness to Teach Index</i> . Three important issues that the implementation teams are addressing are: 1) revision of the practicum template to better align with international good practices while taking into account local capacity; 2) better coordination and agreement for the development of one single Readiness to Teach Index; and 3) decision by Ministry of Education and Higher Education on certification of teaching skill and competencies acquired through the modular approach developed under Teacher Education Improvement Project.	11.4%

Project	Comm Amt (millions)	Objective	Status of Implementation	Disbursement %
Palestinian NGO IV	2.0	The objective is to provide social services to those who are poor, vulnerable or marginalized through Non-Governmental Organizations and to strengthen the institutional capacity of these organizations.	Overall implementation for PNGOIV is progressing well. The project runs between 2010 and 2013, and the current funding partner is French Development Agency (AFD). A mid-term review in March 2012 will re-assess progress and possible project scale-up.	64.4%
Economic and Regulatory Institution-Building	3.7	The objective is to build the capacity of leading economic and regulatory institutions of the Palestinian Authority (Palestinian Central Bureau of Statistics, Palestinian Monetary Authority, Palestinian Pension Authority), in order to support the implementation of the Palestinian National Development Plan.	Project implementation is proceeding well overall, with particular progress made on the Palestinian Central Bureau of Statistics. The Palestinian Central Bureau of Statistics has completed the Agriculture Census and initial results are available. The Palestinian Central Bureau of Statistics has also received a number of technical assistance missions that have helped to improve the quality of their annual and quarterly national accounts. The Palestinian Monetary Authority has received several technical assistance missions. The Palestinian Pension Authority has also completed some technical assistance missions and study visits. With Bank assistance it is revising Terms of References for acquiring and implementing an enterprise content management system.	45.4%