



Public Financial Management Improvement Project (P162850)

MIDDLE EAST AND NORTH AFRICA | West Bank and Gaza | Governance Global Practice |
Special Financing | Investment Project Financing | FY 2018 | Seq No: 2 | ARCHIVED on 03-Apr-2019 | ISR36221 |

Implementing Agencies: Ministry of Finance and Planning, Ministry of Finance and Planning

Key Dates

Key Project Dates

Bank Approval Date: 01-Jun-2018

Effectiveness Date: 19-Jul-2018

Planned Mid Term Review Date: 04-May-2020

Actual Mid-Term Review Date: --

Original Closing Date: 30-Jun-2022

Revised Closing Date: 30-Jun-2022

Project Development Objectives

Project Development Objective (from Project Appraisal Document)

The Project Development Objective (PDO) is to enhance the expenditure controls, financial accountability and procurement management of the Palestinian Authority.

Has the Project Development Objective been changed since Board Approval of the Project Objective?

No

Components

Name

Component 1: Improving Budget Expenditure Management and Control:(Cost \$1.07 M)

Component 2: Improving Financial Accountability of the PFM System:(Cost \$1.00 M)

Component 3: Modernizing Public Procurement:(Cost \$0.80 M)

Component 4: Project Implementation Support and Management Costs:(Cost \$0.63 M)

Overall Ratings

Name	Previous Rating	Current Rating
Progress towards achievement of PDO	● Satisfactory	● Satisfactory
Overall Implementation Progress (IP)	● Satisfactory	● Satisfactory
Overall Risk Rating	● Moderate	● Moderate

Implementation Status and Key Decisions

Overall progress: This ISR captures the findings of the implementation support mission carried out between March 4-7, 2019. Despite the early stages of the project, good progress has been achieved under all the project components.

Component one: Improving budget expenditure management control: a new payroll system is being designed for the EU to lead implementation phase. Linking e-referrals of health cases with the commitment control system, as well as improving financial control and cash planning are among the project's top priorities. The team, based in the field, is following up closely with the MOFP to agree on concrete actions.

Component two: Improving financial accountability of the PFM system: the Ministry of Finance and Planning (MoFP) achieved good progress with clearing previous financial statements backlog, yet more needs to be done. Technical support for both MoFP and the State Audit and



Administrative Control Bureau (SAACB) will be provided to help address the backlog and improve the bank reconciliation process. The project is also contributing to SAACB's capacity building.

Component three: Modernizing public procurement: the High Council on Public Procurement Policies (HCPPP) aims at launching the portal by July 1, 2019 through a Cabinet decree reconfirming its mandatory use by law. The target for 2019 will be for at least 20 line ministries/authorities at the central level and 12 municipalities to use the portal. HCPPP is also working on the establishment of the Dispute Review Unit. The national standard bidding documents for Goods and Works and the standard request for proposal for consultants' services are also being finalized.

Component 4: Project implementation support and management costs: The Project Management Unit (PMU) is almost fully operational. The Project Coordinator is now on board and with the support of the PFM unit at the Ministry, the project is moving forward. An annual implementation plan is now in place.

The next implementation support mission is planned for September/October 2019

Risks

Systematic Operations Risk-rating Tool

Risk Category	Rating at Approval	Previous Rating	Current Rating
Political and Governance	● High	● High	● High
Macroeconomic	● High	● High	● High
Sector Strategies and Policies	● Substantial	● Substantial	● Substantial
Technical Design of Project or Program	● Moderate	● Moderate	● Moderate
Institutional Capacity for Implementation and Sustainability	● Substantial	● Substantial	● Substantial
Fiduciary	● Substantial	● Substantial	● Substantial
Environment and Social	● Low	● Low	● Low
Stakeholders	● Moderate	● Moderate	● Moderate
Other	--	--	--
Overall	● Substantial	● Moderate	● Moderate

Results

PDO Indicators by Objectives / Outcomes

Enhance expenditure control of the PA				
► Improved process for budget allotments established that increases predictability to line ministries based on cash forecasts (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No institutionalized procedure of commitments control (CCS) and cash forecasts. Adhoc Cash Committee has been established but will need to be strengthened for	--	No value yet	Quarterly budget allotments for 7 pilot line ministries are determined by a MoFP ad hoc Committee taking into account budget affordability and cash availabilities



	cash planning for quarterly allotments.			(cash planning) in order to reduce the risk of arrears. The data is provided to the Committee by the Accountant General
Date	28-Nov-2017	13-Aug-2018	14-Mar-2019	30-Jun-2022

Enhance expenditure control in the health sector				
▶Reduction in the gap between the budgeted and actual expenditure on referrals to less than 10 percent (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Gap is currently over a 100 percent. There is no forecasting and control of Referrals-related budget expenditures.	--	No value yet	Gap between budgeted and actual expenditures less than 10 percent. An ad hoc Committee at the MoH conducts a quarterly review of referrals-related expenditure projections vs the available budget measured on commitment basis
Date	28-Nov-2017	13-Aug-2018	14-Mar-2019	30-Jun-2022

Enhance financial accountability of the PA				
▶Public disclosure of audited financial statements takes place within two years of the end of reporting period (Yes/No, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No	No	No	Yes
Date	28-Nov-2017	13-Aug-2018	14-Mar-2019	30-Jun-2022

Enhance procurement management of the PA				
▶Public procuring entities disclose their procurement plans, procurement notices and contract awards on the single portal procurement web (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Zero	--	No value yet	80% of procurement entities at the central level and 50% of municipalities post their procurement plans, procurement notices and contract awards on the single portal procurement website
Date	28-Nov-2017	13-Aug-2018	14-Mar-2019	30-Jun-2022



Comments: HCPPP plans to officially launch the portal on July 1st, 2019.

Intermediate Results Indicators by Components

Component 1: Improving expenditure management and control				
►A Commitment Control System (CCS) is established in line ministries (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No CCS in general, but a commitment recording piloted in 6 line ministries	--	Not yet	All line ministries implement a CCS with policy notes and manual of implementation that will serve as a guide for calibrating quarterly budget allotments of the ministries
Date	28-Nov-2017	13-Aug-2018	14-Mar-2019	30-Jun-2022
►The role of the Financial Controllers (FC) is amended in line with the new proposed CCS and good international practices (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	FC's function is ill-defined and not in line with (i) the new proposed CCS, and (ii) good international practices with more autonomy devolved to line ministries	--	No value yet	The FC's function is redefined in line with the new CCS and inspired by good international practices. Policy notes and manual of implementation of the FC are issued
Date	28-Nov-2017	13-Aug-2018	14-Mar-2019	30-Jun-2022
►E-Referrals (MoH) and IFMIS (MoFP) are interconnected for exchange of data (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No link between both IT systems and thus no meaningful analysis of referrals-related expenditure vs. commitments is possible	--	No value yet	E-Referrals (MoH) and IFMIS (MoFP) systems are interconnected enabling exchange of data for a better monitoring of the referral-related expenditure
Date	28-Nov-2017	13-Aug-2018	14-Mar-2019	30-Jun-2022
►The Payroll and HR systems (MoFP and GPC respectively) are interconnected (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No interconnection between both systems at	--	No value yet	Both systems are interconnected to allow



	MoFP (Payroll) and GPC (HR system) so that shared information is missing to develop a wage bill control procedure			exchange of data between MoFP and GPC and subsequently development of a wage bill control procedure
Date	28-Nov-2017	13-Aug-2018	14-Mar-2019	30-Jun-2022
Comments:	The proposal of the new payroll design system should be finalized by the Ministry early April. The EU will then take over the implementation phase. The project will continue to monitor and report on this indicator as it progresses.			

Component No. 2: Improving financial accountability of the PFM system

►MOFP publicly disseminates audited financial statements and holds an event to engage the public (Yes/No, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No	No	No	Yes
Date	28-Nov-2017	13-Aug-2018	14-Mar-2019	30-Jun-2022

Component No. 3: Modernizing Public Procurement

►A Dispute Review Unit (DRU) responsible for administrative review of appeals from aggrieved bidders, established in accordance with the PPL (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No DRU exists	--	No value yet	Appeals from aggrieved bidders concerning alleged non-compliance by procuring entities in conducting procurement proceedings are reviewed by a robust DRU in accordance with the PPL, and decisions are publicly disclosed via the single procurement portal
Date	28-Nov-2017	13-Aug-2018	14-Mar-2019	30-Jun-2022
Comments:	By May 1, 2019, HCPPP along with representatives from other PA agencies should develop: (i) the procedures for solicitation and selection of the DRU experts; and (ii) a proposed financial compensation scheme. The outcome will be submitted to the Cabinet for endorsement. Once this step is completed, the process of selecting the DRU experts will be launched.			

Component No. 4: Project Management Arrangements

►Training for middle management employees conducted at the Palestine Public Finance Institute will include a minimum of 20% female employees (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
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Value	8.6% of middle managers trained are female.	--	No value yet	The Project will track all training at the PFI and the gender ratio. Training for middle managers will reach 20% female employees by the end of the project
Date	28-Nov-2017	13-Aug-2018	14-Mar-2019	30-Jun-2022

Data on Financial Performance

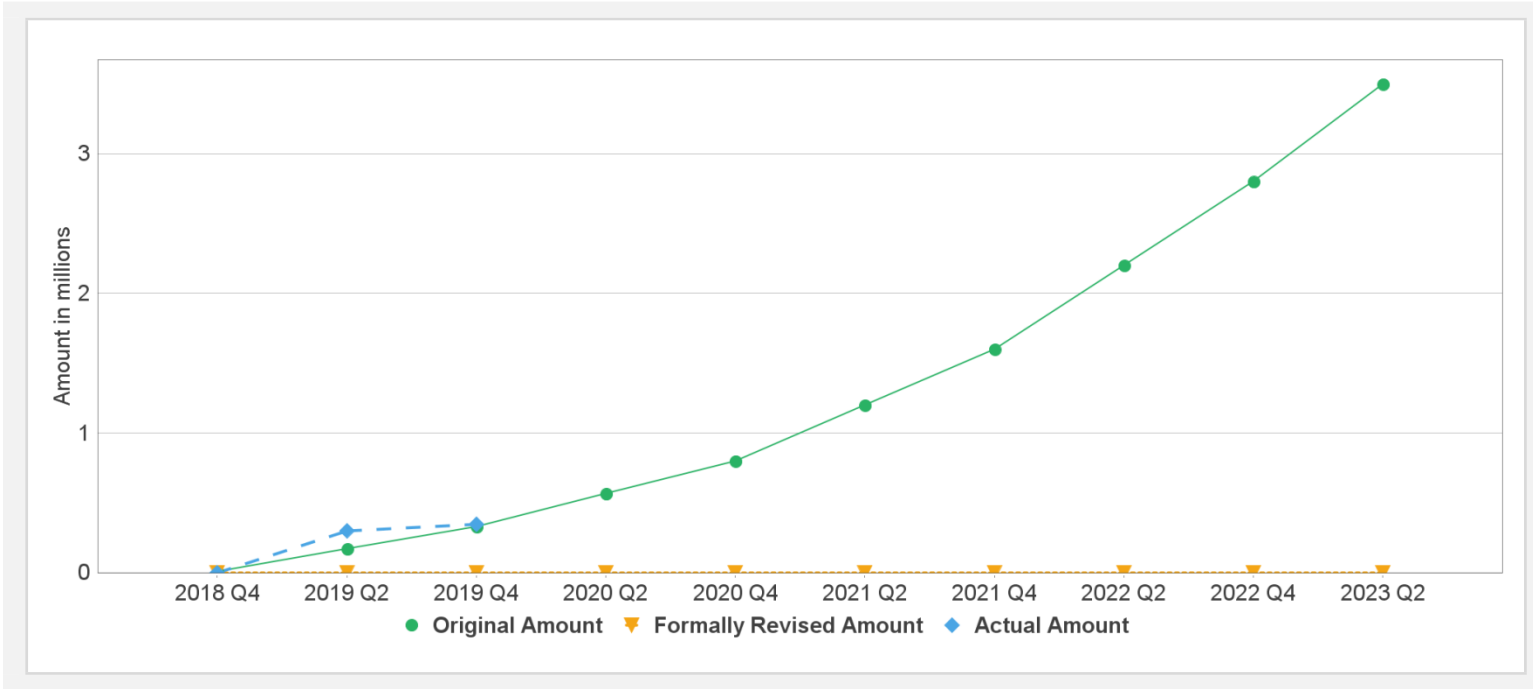
Disbursements (by loan)

Project	Loan/Credit/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed
P162850	TF-A6949	Effective	USD	3.00	3.00	0.00	0.35	2.65	12%
P162850	TF-A9433	Effective	USD	0.50	0.50	0.00	0.00	0.50	0%

Key Dates (by loan)

Project	Loan/Credit/TF	Status	Approval Date	Signing Date	Effectiveness Date	Orig. Closing Date	Rev. Closing Date
P162850	TF-A6949	Effective	28-Jun-2018	28-Jun-2018	19-Jul-2018	30-Jun-2022	30-Jun-2022
P162850	TF-A9433	Effective	27-Jan-2019	27-Jan-2019	26-Feb-2019	30-Jun-2022	30-Jun-2022

Cumulative Disbursements



Restructuring History

There has been no restructuring to date.

Related Project(s)

There are no related projects.