

THE MINISTRY OF FINANCE

Project Title

**ADVANCING SUSTAINABILITY IN PERFORMANCE, INFRASTRUCTURE
AND RELIABILITY OF THE ENERGY SECTOR IN THE WEST BANK AND
GAZA (ASPIRE)**

Funded by

THE INTERNATIONAL DEVELOPMENT ASSOCIATION

Managed by

THE PALESTINIAN ENERGY NATIONAL RESOURCES AUTHORITY

**Financial Statements
and Independent Auditor's Report
For the Year Ended December 31, 2023**

The Ministry of Finance
Advancing Sustainability in Performance, Infrastructure and Reliability of the Energy Sector in
West Bank and Gaza Project (ASPIRE)
Funded by the International Development Association
Managed by the Palestinian Energy National Resources Authority
Financial Statements for the Year Ended December 31, 2023

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Independent Auditor's Report

To the Ministry of Finance
Ramallah- Palestine

Opinion

We have audited the Financial Statements of “**Advancing Sustainability in Performance, Infrastructure and Reliability of the Energy Sector in the West Bank and Gaza Project (ASPIRE)**” (hereinafter “**the Project**”) funded by the International Development Association (the World Bank) and managed by the Palestinian Energy National Resources Authority (PENRA), which comprise the Statement of Balance Sheet as of December 31, 2023, and the related Statement of Sources and Uses of Funds, Cash Flow and Designated Bank Accounts Statements for the year ended December 31, 2023, and notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying Financial Statements present fairly, in all material respects, the Balance Sheet of “**Advancing Sustainability in Performance, Infrastructure and Reliability of the Energy Sector in the West Bank and Gaza Project (ASPIRE)**” funded by the International Development Association (the World Bank) and managed by the Palestinian Energy National Resources Authority (PENRA) as of December 31, 2023, and the related Statement of Sources and Uses of Funds, Cash Flow and Designated Bank Accounts Statement for the year then ended **in accordance with the basis of accounting as describes in Note 2.**

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) with special reference to ISA 800. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Project in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in areas under the jurisdiction of the Palestinian Authority, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matters

Based on our review, in all material respects:

1. The Project expenditures reimbursed on basis of Statements of Expenditures (SOE) are eligible to the Grant Agreement and are reflected on the Financial Statements.
2. The Designated Bank Accounts have been used exclusively for payment of eligible expenditures as reflected in the Financial Statements.
3. The Project's accounting system (books and records), established and maintained by the PENRA to record the financial transactions of the Project, provides the basis for preparation of the Project's Financial Statements;
4. Internal control over financial reporting involved in the preparation of replenishments, direct payments, payments through special commitments, and reimbursements can be relied upon to support the related withdrawals.
5. The Project was in all material respects in compliance with the laws, regulations, guidelines and provisions governed by the Grant Agreement.
6. Procurement Guidelines have been properly applied in accordance with the Project's Grant Agreement.

Suleiman & Co. Certified Public Accountants - License No. 205
Correspondent Firm of RSM International in East Jerusalem, West Bank and Gaza

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these Financial Statements in accordance with the basis of accounting as described in Note 2, and for such internal control as management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error. PENRA is responsible for overseeing the Project's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

The objectives of our audit are to obtain reasonable assurance about whether the Project Financial Statements taken as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

1. Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, if any.

Suleiman & Co. – Certified Public Accountants




Ismail Suleiman
License number 131/2000
Ramallah: July 2, 2024

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Advancing Sustainability in Performance, Infrastructure and Reliability of the Energy Sector in
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Funded by the International Development Association
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Statement of Balance Sheet

(All amounts in USD)

	<u>Note</u>	<u>2023</u>	<u>2022</u>
Assets			
Current assets			
Cash at banks	8	<u>2,201,354</u>	<u>2,116,276</u>
Total current assets		<u>2,201,354</u>	<u>2,116,276</u>
Total assets		<u>2,201,354</u>	<u>2,116,276</u>
 Liabilities and fund balance			
Fund balance		<u>2,201,354</u>	<u>2,116,276</u>
Total liabilities and fund balance		<u>2,201,354</u>	<u>2,116,276</u>

The accompanying notes form an integral part of these Financial Statements.

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Statement of Sources and Uses of Funds

(All amounts in USD)

	Note	2023			2022	Cumulative up to December 31, 2023	
		DA-TF0B3015	DA-TF0B3036	Direct Payment	Total	Total	
Fund balance – beginning of the year		1,422,196	694,080	-	2,116,276	2,107,848	-
Sources of fund							
Advance payment		-	-	-	-	-	2,250,000
Replenishment	3	2,834,428	925,156	-	3,759,584	646,722	4,581,146
Direct payments	3	-	-	1,019,328	1,019,328	260,406	2,104,247
Total sources of fund		2,834,428	925,156	1,019,328	4,778,912	907,128	8,935,393
Uses of fund							
Category (1)-Goods, works, non-consulting services, consulting services, sub-financing under part 3(b) (i) of the Project, training and operating costs under Project (except for expenditures under parts 3(c))							
Component 1: Improving infrastructure for regional electricity interconnections in the West Bank and Gaza	4	2,171,515	-	1,019,328	3,190,843	378,249	4,393,605
Component 2: Improving sustainability of service delivery (operational performance of DISCOs)	4	-	559,587	-	559,587	-	559,587
Component 3: Enabling private sector engagement in renewable energy	4	317,986	-	-	317,986	4,320	322,306
Comp .4 : Technical assistance and capacity building	4&5	289,089	336,329	-	625,418	516,131	1,458,541
Sub-total		2,778,590	895,916	1,019,328	4,693,834	898,700	6,734,039
Category (2)- Capitlization of the liquidity support account under part 3 (c) of the Project							
Sub-total		-	-	-	-	-	-
Total uses of funds		2,778,590	895,916	1,019,328	4,693,834	898,700	6,734,039
Change in fund balance		55,838	29,240	-	85,078	8,428	2,201,354
Fund balance- end of the year		1,478,034	723,320	-	2,201,354	2,116,276	2,201,354

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Statement of Cash Flow

(All amounts in USD)

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Changes in fund balance for the year	85,078	8,428
Net cash provided by operating activities	<u>85,078</u>	<u>8,428</u>
Increase in cash at banks	85,078	8,428
Cash at banks, beginning of the year	2,116,276	2,107,848
Cash at banks, end of the year	<u><u>2,201,354</u></u>	<u><u>2,116,276</u></u>

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Designated Bank Account Statement- DA- TF0B3015

Bank account number	3207208/001/3001/000
Depository bank	Bank of Palestine
Address	Ramallah
Related loan/ credit	ASPIRE- TF0B3015
Currency	U.S. Dollar (USD)

	<u>Note</u>	<u>2023</u>	<u>2022</u>
Balance, beginning of the year		1,422,196	1,362,129
Receipts during the year	3	2,834,428	646,722
		2,834,428	646,722
Deduct			
Payments for project expenditures	4	2,778,590	586,655
		2,778,590	586,655
Balance, end of the year	8	1,478,034	1,422,196

The accompanying notes form an integral part of these Financial Statements.

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Designated Bank Account Statement- DA- TF0B3036

Bank account number	3207206/001/3001/000
Depository bank	Bank of Palestine
Address	Ramallah
Related loan/ credit	ASPIRE- TF0B3036
Currency	U.S. Dollar (USD)

	<u>Note</u>	<u>2023</u>	<u>2022</u>
Balance, beginning of the year		694,080	745,719
Receipts during the year	3	925,156	260,406
		925,156	260,406
Deduct			
Payments for project expenditures	4	895,916	312,045
		895,916	312,045
Balance, end of the year	8	723,320	694,080

The accompanying notes form an integral part of these Financial Statements.

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Notes to the Project Financial Statements

(All amounts in USD)

1. The Project and its Financing

The Palestinian Liberation Organization, for the benefit of the Palestinian Authority, and the International Development Association “the World Bank” signed two Trust Fund Grant Agreements (the Agreements), to finance a project entitled the “Advancing Sustainability in Performance, Infrastructure and Reliability of the Energy Sector in the West Bank and Gaza” (ASPIRE), managed by the Palestinian Energy National Resources Authority (PENRA). Certain details of the Agreements follow:

- Trust Fund Grant Agreement Number TF0B3015 in the amount of USD 49 Million has been signed on June 30, 2020 with a closing date of December 31, 2024.
- Trust Fund Grant Agreement Number TF0B3036 in the amount of USD 14 Million has been signed on June 30, 2020 with a closing date of December 31, 2024.

The application deadline for each above grant will be after 4 months of the closing date (four-month grace period).

The objective of the ASPIRE is to improve operational and financial performance of electricity sector institutions and diversification of energy sources in West Bank and Gaza. ASPIRE consists of the following parts:

Part 1- Improving infrastructure for regional electricity interconnections in West Bank & Gaza.

Part 2- Improving Sustainability of Service Delivery in West Bank & Gaza DISCOs.

Part 3- Enabling Private Sector Engagement in Renewable Energy in West Bank & Gaza.

Part 4- Technical Assistance, Capacity Building and Project Management.

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(All amounts in USD)

ASPIRE categories and related budgets for TF0B3036 and TF0B3015, are as follows:

Category	Amount of the Grants Allocated (in USD)		Total Amount	% Of Expenditures to be Financed
	TF0B3015	TF0B3036		
1. Goods, works, non-consulting services, consultants' services, Sub-Financings under part 3(b) (i) of the project, Training and Operating Cost under the project (except for expenditures under part 3(c))	29,000,000	14,000,000	43,000,000	100%
2. Capitalization of the Liquidity Support Account under part 3 (c) of the project	20,000,000	-	20,000,000	100%
Total Amount	49,000,000	14,000,000	63,000,000	

2. Summary of Significant Accounting Policies

The principal accounting policies applied by PENRA in preparing the Financial Statements of ASPIRE are set below:

- **Basis of accounting**

ASPIRE's Financial Statements are prepared using the modified cash basis of accounting, which is a comprehensive basis of accounting other than International Financial Reporting Standards (IFRS).

Receipts are recognized when cash provided by the World Bank is received by PENRA or when direct payment is affected by donor. Expenditures are recognized when incurred or when are due for direct payment.

- **Historical cost convention**

ASPIRE's Financial Statements have been prepared bases on the historical cost convention.

- **Foreign currency**

ASPIRE's basic functional currency is the United States Dollar (USD). Transactions that are expressed or denominated in other currencies were translated to USD using exchange rates in effect at the time of each transaction. Differences arising from the fluctuations in exchange rates were treated as exchange gains or losses in the Statement of Sources and Uses of Funds and Changes in Fund Balance.

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3. Sources of Funds

These amounts represent transfers made by the World Bank to the Project designated bank accounts number 3207208 & 3207206 at the Banks in USD and direct payments, as detailed below:

<u>No.</u>	<u>Date of Transfer</u>	<u>DA- TF0B3015</u>	<u>DA- TF0B3036</u>	<u>Direct Payment</u>	<u>Total</u>
Cumulative up to December 31, 2022		2,321,562	1,010,406	824,513	4,156,481
2023					
TF0B3015					
ASPIRE PID MDTF- 7	March 10, 2023	-	-	1,019,328	1,019,328
ASPIRE PID MDTF- 8	April 2, 2023	451,809	-	-	451,809
ASPIRE PID MDTF- 9	June 21, 2023	773,831	-	-	773,831
ASPIRE PID MDTF- 10	August 30, 2023	426,699	-	-	426,699
ASPIRE PID MDTF- 11	October 29, 2023	801,930	-	-	801,930
ASPIRE PID MDTF- 12	December 13, 2023	380,159	-	-	380,159
Sub-total		2,834,428	-	1,019,328	3,853,756
TF0B3036					
ASPIRE TFGWB- 6	July 2, 2023	-	207,821	-	207,821
ASPIRE TFGWB- 7	October 29, 2023	-	108,537	-	108,537
ASPIRE TFGWB- 5	December 14, 2023	-	608,798	-	608,798
Sub-total		-	925,156	-	925,156
Grand Total		2,834,428	925,156	1,019,328	4,778,912
Cumulative up to December 31, 2023		5,155,990	1,935,562	1,843,841	8,935,393

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Notes to the Project Financial Statements – continued

(All amounts in USD)

4. Uses of Funds

Payments under the Project for the following disbursement components:

	2023			2022	Cumulative up to December 31, 2023
	DA- TF0B3015	DA- TF0B3036	Direct Payment	Total	Total
Component 1: Improving Infrastructure for Regional Electricity Interconnections in the West Bank and Gaza					
Subcomponent : 1.1 Rehabilitation of IEC connection points in West Bank & Gaza	89,876	-	-	89,876	128,394
Subcomponent : 1.2 Upgrade of MV lines in Nablus, Jenin, Hebron and Gaza to supply additional electricity from IEC	2,081,639	-	1,019,328	3,100,967	4,265,211
Sub-total	2,171,515	-	1,019,328	3,190,843	4,393,605
Component 2: Improving Sustainability of Service Delivery (Operational Performance of DISCOs)					
Subcomponent :2.1	-	559,587	-	559,587	559,587
Subcomponent :2.2	-	-	-	-	-
Sub-total	-	559,587	-	559,587	559,587
Component 3: Enabling Private Sector Engagement in Renewable Energy					
Subcomponent :3.1	317,986	-	-	317,986	322,306
Subcomponent :3.2	-	-	-	-	-
Sub-total	317,986	-	-	317,986	322,306
Comp .4 : Technical Assistance & Capacity Building	289,089	336,329	-	625,418	1,458,541
Sub-total	289,089	336,329	-	625,418	1,458,541
Total uses of funds	2,778,590	895,916	1,019,328	4,693,834	6,734,039

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(All amounts in USD)

5. Component 4: Technical Assistance & Capacity Building

	2023		2022	Cumulative up to December 31, 2023	
	DA-TF0B3015	DA-TF0B3036	Total	Total	
Operational Costs For PEA	93,689	317,447	411,136	348,189	978,368
Liquidity Support Fund Design Consultant- Mark Newbery	4,920	-	4,920	14,280	46,640
Project Execution Consultant for PENRA PMU - Fabian Odeh	73,847	-	73,847	51,273	148,077
Consulting Management Services “Supply & Installation of 3 Medium Voltage Lines from Qusin-Sarra Junction to Qusin-Bet Iba Junction - Dr. Amer Al Hamouz	-	-	-	-	15,000
Consultancy Service for updating Environmental and Social Impact Assessment (ESIA) for “The medium voltage single circuit overhead line between Jericho and Ramallah”- CEP	12,528	-	12,528	18,792	31,320
Technical and Financial Feasibility assessment and cost estimate for Photovoltaic Systems and Energy Efficiency Measures on the Health Sector in West Bank (Palestine)”- AYAVA	34,916	-	34,916	14,964	49,880
Consultancy Services to the Palestinian Energy & Natural Resources Authority for the negotiation of a Gas Purchase Agreement for G4G Project- Trowers & Hamlins	52,220	-	52,220	48,332	100,552
Consultancy Service for a Preliminary Environmental and Social Impact Assessment (P-ESIA) for 2 MV underground interventions in Gaza. Dr. Yunes Mogheir	-	-	-	7,000	7,000
Liquidity Support Fund – Financial/Technical Support – Local-FA’ED AWASHREH	8,584	-	8,584	4,966	45,924
Review assess and modify PETL’s non-applied version of the Financial System- PWC	-	18,750	18,750	-	18,750
Audit fees	8,091	-	8,091	8,091	16,182
Bank charges	294	132	426	244	848
Total	289,089	336,329	625,418	516,131	1,458,541

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6. SOE Procedures

Payments under the Project for the following disbursement categories:

	Category 1 TF 0B3015	Category 1 TF 0B3036	Total
Cumulative up to December 31, 2022	899,366	1,140,839	2,040,205
TF 0B3015			
ASPIRE PID MDTF- 7	1,019,328	-	1,019,328
ASPIRE PID MDTF- 8	374,005	-	374,005
ASPIRE PID MDTF- 9	773,831	-	773,831
ASPIRE PID MDTF- 10	426,699	-	426,699
ASPIRE PID MDTF- 11	801,930	-	801,930
ASPIRE PID MDTF- 12	380,159	-	380,159
Sub-total	3,775,952	-	3,775,952
TF 0B3036			
ASPIRE TFGWB- 6	-	151,901	151,901
ASPIRE TFGWB- 7	-	108,537	108,537
ASPIRE TFGWB- 5	-	608,798	608,798
Sub-total	-	869,236	869,236
Total Client Connection up to December 31, 2023	4,675,318	2,010,075	6,685,393
Add: Expenses recorded by PENRA in the year but not reported to WB as of December 31, 2023:			
TF 0B3015	21,966	-	21,966
TF 0B3036	-	26,680	26,680
PENRA records as of December 31, 2023	4,697,284	2,036,755	6,734,039

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7. Reconciliations between Client Connection and PENRA Records

	Cumulative up to December 31, 2023		
	DA- TF0B3015	DA- TF0B3036	Total
Project account per the client connection			
Advance payment	1,500,000	750,000	2,250,000
Category (1)-Goods, works, non-consulting services, consulting services, sub-financing under part 3(b) (i) of the Project, training and operating costs under Project (except for expenditures under parts 3(c))	4,675,318	2,010,075	6,685,393
Category (2)- Capitization of the liquidity support account under part 3 (c) of the Project	-	-	-
	<u>6,175,318</u>	<u>2,760,075</u>	<u>8,935,393</u>
Project accounts per PENRA records			
Category (1)-Goods, works, non-consulting services, consulting services, sub-financing under part 3(b) (i) of the Project, training and operating costs under Project (except for expenditures under parts 3(c))	4,697,284	2,036,755	6,734,039
Category (2)- Capitization of the liquidity support account under part 3 (c) of the Project	-	-	-
Cash at banks (Note 8)	1,478,034	723,320	2,201,354
	<u>6,175,318</u>	<u>2,760,075</u>	<u>8,935,393</u>
Difference	<u>-</u>	<u>-</u>	<u>-</u>

8. Cash at Banks

The fund balance at December 31, 2023 & 2022 represents the following:

	2023	2022
Bank of Palestine-USD- TF0B3015	1,478,034	1,422,196
Bank of Palestine-USD- TF0B3036	723,320	692,097
Wrong transfer by Bank*	-	1,983
	<u>2,201,354</u>	<u>2,116,276</u>

*This item represents a wrong transfer by the bank, the amount was returned to the Bank on January 22, 2023.