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THE WEST BANK AND GAZA



PURSE

Palestinian Umbrella for Resilience Support to the Economy
Multi-Donor Trust Fund (PURSE MDTF)

EU Support for the Palestinian Economy and Resilience
Associated Trust Fund (ESPERE ATF)

Public Disclosure Authorized

FY23 ANNUAL REPORT

Reporting Period: July 1, 2022 to June 30, 2023

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PURSE/ESPERE DEVELOPMENT PARTNERS:



The Palestinian Umbrella for Resilience Support to the Economy Multi-Donor Trust Fund (PURSE MDTF) and the EU Support for the Palestinian Economy and Resilience (ESPERE) Annual Report is prepared by the World Bank as the administrator of the trust funds. The team wishes to recognize the contributions of the task teams from all the sectors working on projects co-financed by the PURSE MDTF and ESPERE.

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ABBREVIATIONS AND ACRONYMS

ABRS	Automated Business Registration System
AF	Additional Financing
AI	Artificial Intelligence
AML/CFT	Anti-Money Laundering / Combatting the Financing of Terrorism
BRIDGE	Business Regulation for Investment, Digitalization, Governance and Entrepreneurship
C4W	Cash for Work
CCDR	Country Climate and Development Report
CE	Citizen Engagement
DPG	Development Policy Grant
EC	European Commission
ESPERE	EU Support for the Palestinian Economy and Resilience
FIA	Financial Inclusion Account
GBV	Gender-Based Violence
GM	Grievance Mechanism
HCPPP	High Council for Public Procurement Policies
HR	Human Resources
IBRD	International Bank of Reconstruction and Development
IPSD	Innovative Private Sector Development
ISR	Implementation Status and Results Report
IT	Information Technology
MDTF	Multi-Donor Trust Fund
MoE	Ministry of Education
MoF	Ministry of Finance
MoNE	Ministry of National Economy
MoSD	Ministry of Social Development
MPA	Multi-phase Programmatic Approach
MRV	Measurement, Reporting and Verification
PA	Palestinian Authority
PCBS	Palestinian Central Bureau of Statistics
PDO	Project Development Objective
PECS	Palestinian Expenditure and Consumption Survey
PID	Partnership for Infrastructure Development
PISA	Program for International Student Assessment
PIU	Project Implementation Unit
PM&A	Program Management and Administration
PMA	Palestine Monetary Authority
PURSE	Palestinian Umbrella for Resilience Support to the Economy
SDG	Sustainable Development Goal
SMEs	Small and Midsize Enterprises
SERATAC	Supporting an Education Reform Agenda for Improving Teaching, Assessment and Career Pathways
SPJ	Social Protection and Jobs
STEM	Science, Technology, Engineering and Mathematics
TA	Technical Assistance
TF	Trust Fund
TFGWB	Trust Fund for Gaza and the West Bank
WB&G	West Bank and Gaza

1 INTRODUCTION

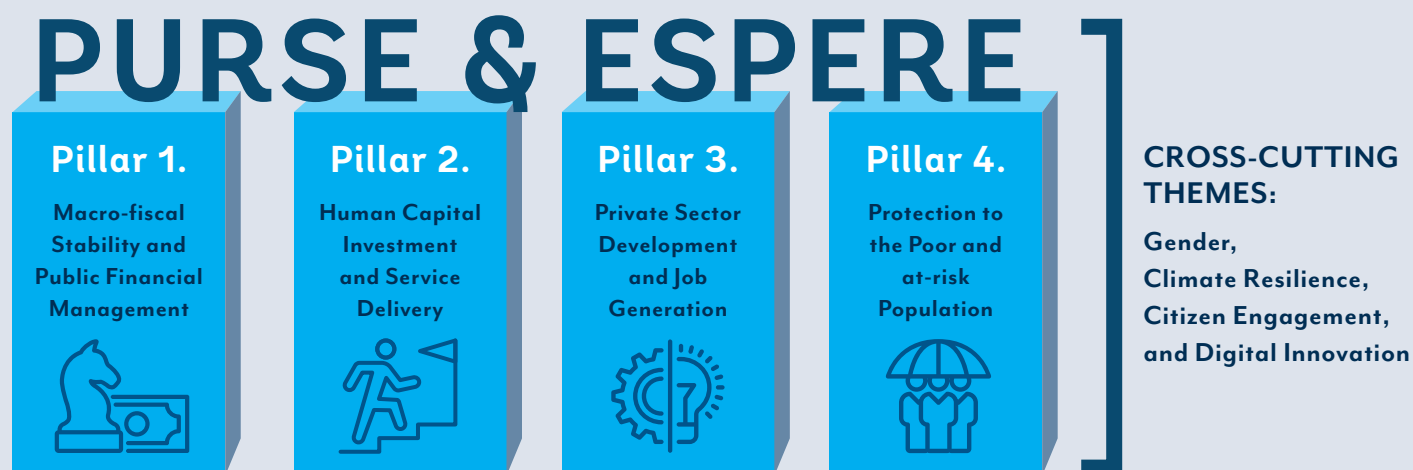
The Palestinian Umbrella for Resilience Support to the Economy (PURSE) Multi-Donor Trust Fund (MDTF) aims to strengthen sustainable recovery, economic reform, and social resilience in the West Bank and Gaza (WB&G). It facilitates financial and technical support to the Palestinian Authority (PA) by enabling donor co-financing of activities within a wide range of areas under the World Bank's umbrella. PURSE co-finances operations in both Gaza and the West Bank. Modalities for implementation and supervision in Gaza are detailed below.

The PURSE MDTF has two Associated Trust Funds funded by the European Commission (EC): the EU Support for the Palestinian Economy and Resilience (ESPERE) I and II. ESPERE I and II were established to accommodate the EC's internal policies and regulations in a flexible manner and thereby enable the EC to co-finance activities under PURSE. ESPERE I and II share governance structure and reporting mechanisms with PURSE. Donors for all three funds meet in the same annual partnership council meeting. This setup ensures that the funds coordinate effectively.

The PURSE MDTF and its Associated Trust Funds complement other World Bank Trust Funds operating in the WB&G, including the Trust Fund for Gaza and the West Bank (TFGWB) and the Partnership for Infrastructure Development (PID) MDTF. The TFGWB is a vehicle for the World Bank to provide grants to operations in the WB&G, and is funded annually from the surplus of the International Bank of Reconstruction and Development (IBRD). The PID and PURSE MDTFs were established to enable donors to co-finance operations supported by the TFGWB. The PID was established in 2012 and focuses on infrastructure projects. PURSE was established in 2021 and covers all other operations in the WB&G, including macro-fiscal stability and public financial management, human capital investment and service delivery, private sector development and job generation, and protection to the poor and at-risk population. PURSE has a 10-year implementation timeline, and its activities are fully aligned with the priorities of the PA, and with the World Bank's strategy.

PURSE has four pillars. Pillar I focuses on macro-fiscal stability and public financial management; Pillar II focuses on human capital investment and service delivery; Pillar III focuses on private sector development and job generation; and Pillar IV focuses on protection to the poor and at-risk population. PURSE puts a strong emphasis on cross-cutting priorities, including gender equality, climate resilience, citizen engagement and digital innovation, throughout its work plan.

Figure 1: PURSE and ESPERE Structure



The World Bank's strict fiduciary policies are applied to funds under PURSE as they are channeled through the PA and a few other vetted implementing agencies in the West Bank. All budget support provided through the Development Policy Grant (DPG) series is provided directly to the PA and the accounts that receive the funds are typically audited after the disbursement takes place. Procurement for all projects across the WB&G is vetted against the UN and other sanctions lists and the World Bank's debarred/suspended sanction lists using the Bank's Anti- Money Laundering / Combatting the Financing of Terrorism (AML/CFT) and Sanction Screening system. In addition to auditing the financial statements of each project, the vast majority of the World Bank's projects are subject to a technical audit, that focuses on the physical progress of the project and performance of several internal control procedures over project expenditures. Both financial and technical audits are performed annually and the deadline for submission of the respective reports is June 30, 2023.

No World Bank projects are implemented with the *de facto* authority in Gaza and no funds are channeled through or to that entity. Projects in Gaza receive additional scrutiny, and all payments for these projects are authorized and made from the West Bank. To implement projects in Gaza, the World Bank engages with the PA institutions in the West Bank, which have corresponding implementing units in Gaza or in some cases engage competitively selected international private sector implementation agencies. To ensure robust fiduciary controls, the Bank ensures ring fencing of all project funds and has introduced third party reviews for some projects, in addition to regular monitoring. The World Bank fiduciary team performs at least two supervision missions, sometimes more during the year, to ensure designated controls and Bank guidelines are implemented and complied with.



CURRENT COUNTRY CONTEXT

This report covers the July 1, 2022 to June 30, 2023 period. At the time of publishing this report, the attack in Southern Israel and the conflict in Gaza had broken out leaving a volatile and extremely concerning situation. However, at the time of publication, the uncertainty is extremely high and there is little that can be said on the socio-economic impacts of the ongoing conflict in Gaza. The World Bank is in the process of gathering data and expanding analytical and monitoring activities, including towards the preparation of a rapid assessment of the damages and priority needs, as soon as the conditions allow.

The political context in the West Bank and Gaza was already fragile and is now even more unsettled. The Palestinian polity still suffers from political division with the Fatah-led PA governing the West Bank and Hamas constituting the de facto authority in Gaza as of June 2007. Since then, the Palestinian legislative council has become inactive, and legislation has been delivered by Presidential decrees. Attempts at reconciliation and election renewal have not been fruitful to date. The peace talks between the Palestinians and Israelis remain stalled. The policies pursued by the Israeli government formed in December 2022 on key issues had created tension and uncertainty and the events on and since October 7 have only exacerbated that.

The Palestinian economy slowed during the first few months of 2023¹. Following a major contraction of -11.03 percent in 2020 due to the COVID-19 crisis, the GDP growth rate rebounded to 7.0 in 2021 and 3.9 percent in 2022. Preliminary data for the first quarter (Q1) of 2023 indicate that growth slowed to 3.1 percent, year-on-year (y/y), due to the waning post-pandemic recovery coupled with spillovers from Russia's invasion of Ukraine. Meanwhile, systemic restrictions imposed by the Government of Israel continue to curtail economic activity, especially in Gaza. Growth was entirely driven by the West Bank where the economy expanded by 4.3 percent in Q1 2023 while the Gaza economy contracted by 2.6 percent.

¹ As noted earlier, this report does not cover the period post June 30, 2023 and as such will not cover economic developments in the second half of 2023 including expected economic impact of the ongoing hostilities.

The unemployment rate increased in Q2-2023. It rose from 24.4 percent in 2022 to 24.7 percent in Q2 2023, mostly driven by an increase in Gaza's unemployment rate, which rose from 45.3 percent to 46.4 percent. Rising unemployment in Gaza largely reflected the contraction in economic activity, as explained earlier, and the lasting impact of the then near-total Israeli blockade. In the West Bank, the unemployment rate reached 13.4 percent in Q2-2023, up from 13.1 percent in 2022. Gender and age powerfully affect an individual's likely employment outcomes. Seven out of ten males participated in the labor force in Q2 2023 compared to 2 out of ten females while 56.0 percent of female and 30.1 percent of male youths aged 15-29 were unemployed. World Bank estimates show that poverty in the West Bank and Gaza peaked at 26.5 percent in 2020, when using the international poverty line of US\$6.85 per day. By 2022 this had decreased slightly but was still significant at 24.5 percent of the population, or around 1.5 million people. In Gaza, 80 percent of residents were dependent on international aid prior to the latest conflict.

Despite strong revenue mobilization, the fiscal situation was expected to worsen in 2023 already prior to the conflict due to an unsustainable wage bill, large Israeli deductions and low levels of international aid. Revenues were expected to grow by 6 percent in nominal terms y/y by end-2023, reflecting rising tax effort and continued economic growth in the West Bank. Expenditures were projected to increase by 2.5 percent, mostly driven by an increasing wage bill given the partial implementation of salary increases agreed upon with the labor unions. The overall fiscal deficit, including grants and increased Israeli deductions from clearance revenues, is thus expected to reach US\$493 million, or 2.5 percent of GDP by end-2023. Lacking other financing options, the PA is expected to continue accruing arrears to the private sector and public pension fund and paying partial salaries to public employees to finance the deficit.

Reforms are vital to support long-term sustainability. Going forward, efforts by all parties are needed to meet pressing needs and reorient toward long-term sustainability. To support a more sustainable fiscal position, the fairness, effectiveness, and efficiency of public spending need to be improved, while prioritizing support to the most vulnerable. Cooperation by Israel remains key for offsetting some of the fiscal leakages suffered by the PA and for easing restrictions on economic activity which will positively impact the PA's revenues and hence, fiscal sustainability. Donor commitment in support of the budget and the PA's reform agenda also remains critical.

Unexpected downside risks materialized and remain elevated. The ongoing conflict in Gaza will take a significant toll on the Palestinian economy. Other risks include: an escalation of Russia's invasion of Ukraine could further strain global supply chains and increase pressure on food and energy prices, slowing the growth of the Palestinian economy. Meanwhile, accelerated clashes between Palestinians and Israeli forces as well as between settlers and Palestinians in the Palestinian territories can increase economic downside risks and further limit Palestinian workers' access to the Israeli labor market. The PA has little fiscal scope to counter such shocks.

Many of the challenges facing the WB&G derive from the territories' pervasive fragility, which is somewhat counterbalanced by the remarkable resilience of the Palestinian people. Drivers of fragility are intimately linked to the political context and its impacts and include fragmentation of land, the lack of sovereign control over critical natural resources, restrictions on movement and access of people and goods, political and policy uncertainty, and recurring bouts of conflict. These factors significantly constrain economic growth and have produced dynamics that reinforce the territories' fragility, including a persistent fiscal crisis, high levels of joblessness, poverty, food insecurity and social exclusion, low and uneven access to basic services, especially in Gaza, and weakening citizen trust in institutions. Climate change, declining donor contributions, and the limited set of policy instruments available to the Palestinian Authority further exacerbate fragility.

Donor support is an irreplaceable factor to the sustainability of the PA's reform agenda, particularly in the short and medium term. Despite broad-based agreement on this, there have been few signs of increases in aid flows. Development assistance to the PA has experienced a steep decline over the last fifteen years. In 2008, the PA received approximately \$2 billion in development funds, which accounted for 27 percent of Palestinian GDP. However, in 2023, the PA was expected to receive only \$324 million, which constitutes 1.6 percent of GDP, in the form of budget support and development financing. Some of this amount may not materialize as several development partners have paused funding while carrying out reviews of their aid programs. This has been crippling for the Palestinian economy and the fiscal situation of the PA amidst the continued movement and access restrictions. The World Bank is collaborating with development partners to attempt to maintain or increase donor funding for greater impact, through close coordination across sectors and by enabling donors to channel their resources through secure trust funds.





PURSE PROJECT UPDATES

This section of the report provides key updates on operations co-financed under the PURSE MDTF. Information is provided on both Recipient-Executed operations and Bank-Executed Advisory Services and Analytics (ASAs), across the four pillars and cross-cutting themes.



3.1. PILLAR I: MACRO-FISCAL STABILITY AND PUBLIC FINANCIAL MANAGEMENT

Closed Activities

DPG11. Building the Foundations of a Digital Economy, Strengthening Resilience, and Supporting Governance (P174975)

Approval Date: May 28, 2021 **Closing Date:** September 30, 2022

Total Grant Financing: US\$ 54.1 million (including **PURSE:** US\$24.1 million)

Objective: To (i) Support the digital foundations of the Palestinian economy, (ii) Strengthen recovery and resilience post COVID-19, (iii) Improve governance and transparency in the areas of public procurement, wage bill control and the health sector.

The DPG supported the digital foundations of the Palestinian economy by supporting the establishment of the Telecom Regulatory Authority of Palestine as the independent regulator for the telecommunications sector. It also supported digitization efforts in the financial sector through the regulation of the use of e-wallets. By the end of the DPG timeline, more than 429,000 wallets were issued, 28 percent of which are owned by women. The operation also focused on strengthening recovery and resilience post COVID-19 by supporting the launch of an online registration system facilitating access to social assistance, the implementation of a Pandemic Response Plan in the health sector to strengthen the PA's compliance with the International Health Regulations on Pandemic Response, and the adoption of an emergency response framework in the water sector. The DPG also focused on improving governance and transparency by supporting the operationalization of a dispute review unit for public procurement, and the

installation of a new payroll system that connects the Ministry of Finance's (MoF) payroll management information system with the Human Resources (HR) system at the General Personnel Council, to enable a transparent exchange of data and control the impact of recruitment, promotions, and salary adjustments on the wage bill. Finally, the operation supported necessary actions to improve transparency related to outside medical referrals and enhance financial planning, by linking the Ministry of Health's e-referrals system with the MoF's Information and Financial Management Information System, to ensure a real time exchange of data between the two ministries.

Measuring Multidimensional Poverty in the WB&G in the National PECS Survey (P177399)

Project Sign-off: July 28, 2021 **Project Closing Date:** June 23, 2022

Total Financing: US\$45,000 (including: **PURSE:** US\$45,000)

Objective: To ensure that multidimensional poverty is measured and collected in line with international best practice in the upcoming national PECS survey.

The activity supported the design and programming of relevant modules in the Palestinian Expenditure and Consumption Survey (PECS) questionnaire to measure multidimensional poverty. After the completion of the PECS at the end of the 2023 calendar year the Bank will continue to partner with the Palestinian Central Bureau of Statistics (PCBS) to construct aggregate and subnational measures of multidimensional poverty, and to track progress towards SDG indicator 1.2.2, as well as to help inform targeting of the national cash transfer program.

Wage Bill Note – Causes of the Palestinian Authority's Large Wage Bill and Recommendations Towards Its Sustainability (P178707)

Approval Date: February 24, 2022 **Project Closing Date:** December 31, 2022

Total Grant Financing: US\$50,000 (including **PURSE:** US\$50,000)

Objective: To help the Palestinian Authority identify measures to contain the wage bill by identifying and further understanding the main causes behind the large wage bill.

The diagnostic report presented a detailed analysis of the PA's wage bill spending and employment in the Palestinian territories. The analysis is unique as it is the first effort to use raw HR and payroll data for PA employees both in the West Bank and in Gaza, covering the period of a full decade (2011-2021). The report was finalized and published in 2022 after intensive consultations with the MoF and the PMO. In October 2022, the Palestinian cabinet adopted its first decision on wage bill reform, requesting all government agencies to assess their HR needs and skills, on a yearly basis and submit a list to the cabinet identifying employee surplus and shortages of skills, with the purposes of reallocating and/or training surplus employees, to enhance efficiency. Building on this, in November 2022 the cabinet adopted a second decision to set an attrition target for net public employment. The attrition policy, however, has not been adhered to, as mentioned below related to Development Policy Grant 13. Also, pressure from the labor unions has forced the PA to partially implement salary increases for several public jobs including doctors, medical support staff, teachers and engineers. The World Bank has continued the dialogue with the PA on this critical issue; discussions are underway to consider reform options related to allowance policies, and to also carry out functional reviews in several key line ministries.

Ongoing Activities

DPG12. WB&G: Supporting Transparency, Inclusiveness and the Green Economy (P177848)

Approval Date: June 7, 2022 **Closing Date:** December 29, 2023

Total Grant Financing: US\$ 52.5 million (including **PURSE:** US\$22.5 million)

Objective: To (i) improve public resource management and support inclusiveness, and (ii) strengthen governance in the water sector and accelerate the greening of the economy.

Good progress has been made towards improving public resource management and inclusiveness. The first target, for eight high spending procuring entities, including the Ministry of Finance - General Supplies Department, Ministry of Public Works and Housing - Central Tendering Department, Ministry of Health, Ministry of Education, Ministry of Telecommunications, Palestinian Water Authority, Palestinian Natural Resources and Energy Authority and the Ministry of Local Government, to start executing procurement transactions through the electronic system by December 2023, is on track to be achieved. The second target is for 10,080 financial inclusion accounts to be issued by December 2023. Towards this, 2,096 accounts were issued in 2022, and the Palestine Monetary Authority (PMA) has requested banks to open financial inclusion accounts to over 4,000 social assistance beneficiaries who do not have a regular bank account to be used for social assistance payments. The final target is for the Ministry of Social Development (MoSD) and Ministry of Education (MoE) to prepare gender-responsive budgets by the end of 2023. The MoE was initially replaced by the Ministry of Labour (MoL); however, following discussions between the MoF and the World Bank, the MoE has been re-enrolled in line with the agreed-upon indicator in this DPG.

Progress has also been made towards strengthening governance in the water sector and accelerating the greening of the economy. The establishment of a regional water utility in Tubas, in the West Bank, is on track; however, the establishment of a regional water utility in Gaza is facing delays. A Measurement, Reporting and Verification (MRV) system has been successfully housed in the Environment Quality Authority's servers and customized to the Palestinian context; its operations testing phase has now begun. The MRV is designed to enhance capacity to adapt to climate change by generating statistical summaries and analytics on greenhouse gas emissions.

Development Policy Grant 13 (P179609)

Approval Date: March 17, 2023 **Closing Date:** December 31, 2024

Total Grant Financing: US\$ 38.4 million (including: **PURSE:** US\$8.4 million)

Objective: To i) Improve the structural fiscal balance and strengthen the effectiveness of public procurement, and ii) Strengthen the integrity of the financial sector and pursue digital transformation.

Progress towards the first pillar has been uneven. The first prior action focused on establishing an online portal to cross check businesses' domestic VAT submissions. As of June 2023, the share of domestic VAT collections had increased to 32 percent; the target of 39 percent was expected to be achieved by the end of the year, but it is currently difficult to predict if that will be the case. The second target was for new hires not to exceed 50 percent of the number of departures from the PA. Data for the first half of the year shows that this policy has not been adhered to: the ratio of hires to exits has reached 94 percent, raising concerns as to whether the target will be achieved by the end of the year. The PA has assured the Bank that this trend would be reversed by the end of the year, and World Bank staff continue to monitor this closely. The third target was for 80 percent of public procurement staff to complete a procurement training program by December 2024, which started from zero in December 2022. The authorities are moving towards the achievement of this target within the specified timeframe. The High Council for Public Procurement Policies (HCPPP) has already initiated the shortlisting process for the selection of a reputable international/regional training institute that will support the development of the procurement training modules going forward. The shortlisting process has been completed and the request for proposals has been issued to shortlisted firms. It is expected that the contract with the selected international/regional training institute will be signed by December 2023. In addition, it is worth noting that some of the training modules have already been developed by HCPPP and will be integrated into the overall program. Given the continued efforts of the involved partners, it is expected that 80 percent of public procurement staff will complete the training program by December 2024, in line with the agreed-upon target for this DPG.

Good progress has been made in the second pillar, which focuses on the financial sector. The agreed-upon target for this prior action is for the PMA to conduct on-site inspections of licensed banks accounting for 85 percent of total bank assets, controlling the compliance with new procedures on beneficial ownership information, by December 2024. According to the PMA, as of August 10, 2023, on-site inspections have been conducted for five licensed banks (out of the targeted thirteen banks), accounting for around 28.5 percent of total bank assets. It is expected that efforts will continue to cover all banks within the required DPG timeline.

Ongoing TA Activities

Bringing a Gender Lens to the Impact of Fiscal Policy and Social Programs (P179253)

Approval Date: October 19, 2022 **Project Closing Date:** June 27, 2024

Total Grant Financing: US\$50,000 (including **PURSE:** US\$50,000)

Objective: To better understand how the impact of fiscal policy differs across gender in the WB&G at the household and individual levels.

KEY UPDATES

This activity is currently building on the World Bank's comprehensive Fiscal Incidence Analysis for the Palestinian Territories. The team has compiled a dataset that links administrative data on revenue collection and public spending with household/individual data that is decomposable by gender. This will allow for the gendered impacts of fiscal policy to be uncovered not only between households, but within them as well. The team has begun to apply the methodology developed by the Commitment to Equity Institute to unpack a number of gender inequalities in the WB&G, for example through employment, entrepreneurship and other opportunities created by the incentive structure of fiscal policy. The next step will be to estimate fiscal policy impacts on households according to their gender composition or gender- age- and employment-based characteristics. Following this a comprehensive report will be produced, along with accessible datasets and coding files. A training workshop/seminar will be conducted with technical officials in PCBS as part of the dissemination strategy of this material.



3.2. PILLAR II: HUMAN CAPITAL INVESTMENT AND SERVICE DELIVERY

SERATAC – (Supporting an Education Reform Agenda for Improving Teaching, Assessment and Career Pathways) (P177299) – Implementation Support

SERATAC

Approval Date: March 25, 2022 **Phase I Closing Date:** December 30, 2026

SERATAC Implementation Support

Approval Date: August 3, 2022 **Closing date:** April 29, 2024

PURSE MDTF Grant Financing: US\$200,000

Objective: To provide ongoing support to the Ministry of Education for the high-quality implementation of SERATAC.

KEY UPDATES

SERATAC Multi-phase Programmatic Approach (MPA) aims to improve the education outcomes of primary and secondary students in the WB&G and introduce new student pathways leading to tertiary education. The MoE asked the World Bank to support the implementation of SERATAC with technical assistance (TA) and policy advice; PURSE provided US\$200,000 to finance the first year of this implementation support. SERATAC has made significant progress across all components, as summarized below.

- **Component 1. Building Strong Foundations for Learning and Wellbeing:** A seminar on evidence-based Arabic language teaching and learning was conducted with relevant MoE departments, leading to the development and launch of the first National Arabic Literacy Strategy.
- **Component 2. Harnessing Technology to Improve STEM Learning:** A consortium of international universities was competitively selected to design and implement activities under this component. Further, an MoE delegation was trained in the embedding of edtech into teaching and learning in STEM (Science, Technology, Engineering and Mathematics).
- **Component 3. Strengthening the Student Learning Assessment System:** Weekly technical workshops are being held with MoE's Assessment Department to support the development of the National Policy Framework on Student Assessment; the legal agreement for the WB&G's participation in the Program for International Student Assessment (PISA) 2025 has been signed; the MoE is being supported to produce its first National PISA Report; and a review of the role, design and outcomes of the Tawjihi, the general secondary school education certificate examination, is underway.



3.3. PILLAR III: PRIVATE SECTOR DEVELOPMENT AND JOB GENERATION

TECHNOLOGY FOR YOUTH AND JOBS (TECHSTART)

Project Approval Date: December 6, 2020 **Project Closing Date:** October 30, 2028

Total Grant Financing: US\$30.6 million (including: **PURSE:** US\$5.3 million; **ESPERE:** EUR6.8 million)

Objective: To increase economic opportunities for IT service firms in the West Bank and Gaza.

KEY UPDATES

TechStart aims to shift the dynamic equilibrium of the Palestinian information technology (IT) sector toward one of continuous upgrading of firm capabilities and employment growth and stimulate the absorption of high-tech knowledge in the ecosystem. The project continues to make progress through launched programs such as UpSkill – which seeks to help IT firms upskill their workforce on niche technologies to enable them to scale up their business – and has so far benefited 44 companies by training 314 trainees. The Pioneer program – which strengthens the competitiveness of the Palestinian IT sector by financing initial costs for the establishment of new IT firms in the WB&G and improve the business infrastructure of existing firms – has approved two grants to assist companies to open new branches in the West Bank. The program is being promoted to enhance outreach and applications with more companies expected to benefit in FY24. Pioneer has approved support to five companies (three in Gaza and two in the West Bank) to procure essential business infrastructure to improve competitiveness. To date, the Project has enabled the creation of 483 skilled jobs in the IT services sector and catalyzed US\$2.7 million in private investment by Palestinian IT firms. To enhance connections between students and recent graduates and the IT sector, TechStart arranged a career day in June 2023, which produced 472 interviews between students and companies. The World Bank continues to engage with PA counterparts as well as actors in the private sector and academia to improve coordination in the fields of technology, innovation, and entrepreneurship.

Innovative Private Sector Development Project II (P181354)

Approval Date: September 20, 2023 **Closing Date:** December 31, 2028

Total Grant Financing: US\$14.5 million (including: **ESPERE:** EUR3.9 million)

Objective: To improve economic opportunities for tech enabled startups and innovative Small and Midsize Enterprises (SMEs), and individuals in the digital economy in the West Bank and Gaza. *For the purposes of this project, economic opportunities include access to the following resources: (i) early-stage finance, (ii) market access activities, (iii) mentorship, (iv) skills enhancement training, (v) employment matchmaking, and (vi) streamlined formal business registration.*

The Innovative Private Sector Development (IPSD) II project is a follow-on operation to IPSD that will respond to strong demand generated by the interventions supported under its predecessor by scaling up efforts to create economic opportunities for individuals and firms in the Palestinian territories by investing in the development of the entrepreneurial ecosystem and human capital.

IPSD enabled over US\$11 million in private financing for early-stage startups (against a target of US\$8 million), helped train 835 individuals in Gaza on in-demand, niche technologies, with 73 percent of respondents reporting being in employment 6 months after the training program, and helped decrease the average number of days to comply with business registration from 43 to 10 (against a target of 25).

IPSD II will provide support through three mutually reinforcing components:

- **Component 1, “Entrepreneurship Ecosystem Development,”** focuses on three key areas. Firstly, it strengthens market linkages and market access for Palestinian startups and SMEs. Secondly, it supports the formation of angel investor groups, enhances investment readiness, and provides catalytic funding to stimulate private investments. Thirdly, it aims to reduce compliance costs with business regulations and improve government-to-businesses services.
- **Component 2, “Building an Outsourcing Hub in Gaza and the West Bank,”** focuses on building an impact business and outsourcing hub that will continue focusing on equipping Palestinian youth with the niche and high-value skills demanded by private technology companies, especially in the evolving digital landscape driven by advances in AI.
- **Component 3, “Project Management and Implementation Support,”** will finance project management costs and capacity building for the Ministry of National Economy (MoNE).

TechStart Technical Assistance (TA)

Approval Date: October 13, 2023 **Closing Date:** December 31, 2023

Total Grant Financing: US\$352,222 (including **PURSE:** US\$352,222)

Objective: The funding will support overall technical assistance to the implementation of TechStart provided by the World Bank by leveraging its global expertise and experience in fragile and conflict affected countries, in order to address specific challenges that might come up during project implementation, given the technical sophistication of the intervention and the unpredictability of WB&G country context.

KEY UPDATES

TA is currently being channeled to improve the project outreach to international buyers and multinational technology firms, set up a project advisory committee to ensure better alignment with the market, expedite the implementation of remaining components and make the procurement and selection process for service providers more efficient. A capacity building program for the Ministry of Telecommunications and Information Technology (MTIT) staff kicked off as planned in Q3, starting with conducting English training courses for around 49 members of the MTIT team divided into two groups based on English proficiency level: Intermediate English Skills, and Advanced English for Business. This training is currently ongoing and is expected to be finished in November 2023. Following the conclusion of the English training, the project management training course will commence; it is expected to start in December 2023, though this timeline may be affected by the ongoing conflict.

Business Regulation for Investment, Digitalization, Governance and Entrepreneurship (BRIDGE) (PI78421)

Approval Date: July 23, 2022 **Closing Date:** April 24, 2025

Total Grant Financing: US\$3.2 million (including **PURSE:** US\$0.4 million; **ESPERE:** EUR2.8 million)

Objective: To promote inclusive, sustainable private sector led growth in the WB&G through business regulation reforms, improved governance, enhanced transparency and strengthened Government to Businesses service delivery.

KEY UPDATES

BRIDGE is a programmatic ASA that will support a broad set of activities encompassing both the central and municipal government levels, to improve the legal and institutional framework and business regulatory procedures across three components: Component I, on the design and implementation of a modern companies law and business registration framework; Component II, on business licensing reforms; and Component III, on business inspections reforms.

During FY23, the task team prioritized activities on the Companies Law implementation and the Companies Registry automation and delivered on critical activities by providing technical support for the procurement of the Automated Business Registration System (ABRS). Additionally, the Bank supported the MoNE to develop the first Regulation of the Companies Law on procedures, governance and fees. It also supported the development of new application forms for registration based on new data requirements. Assessments of computer hardware and ICT equipment needed for ABRS ahead of procurement were also carried out as well as assessments of the digital skills and needs of the MoNE team. These assessments will inform future training on the ABRS software packages and the hiring of two ICT specialists through the Innovative Private Sector Development (IPSD) project to support the work on ABRS.



3.4. PILLAR IV: PROTECTION TO THE POOR AND AT-RISK POPULATION

EMERGENCY SOCIAL PROTECTION AND JOBS (SPJ) COVID-19 RESPONSE PROJECT

Project Approval Date: July 27, 2020 **Project Closing Date:** December 31, 2025 (Extended)

Total Grant Financing: US\$39.4 million (including: **TFGWB:** US\$30 million; **PURSE:** US\$4.8 million)

Objective: To provide cash support and short-term employment opportunities to vulnerable populations in the West Bank and Gaza affected by emergency shocks including COVID-19 and in case of an eligible crisis or emergency, respond to it promptly and effectively.

KEY UPDATES

Progress towards achievement of the Project Development Objective (PDO) and overall implementation progress continue to be rated satisfactory. Some 95,897 households have received cash support; this number will soon rise to 111,429, thus exceeding the end target of 106,752. Some 66,741 newly enrolled households have received emergency cash transfers; this number will rise to 82,273 after the forthcoming seventh payment, exceeding the end target of 77,715. Some 3,974 beneficiaries have received cash for work under the project, exceeding the end target of 3,940. The mid-term review found that the cash transfer component of this project was instrumental in providing emergency funds that helped bridge the existing Cash Transfer Program budget gap and provide timely payments to the poor; this benefitted females and female-headed households, increased the employability of participants, and helped address the social needs of the vulnerable population.

One key bottleneck faced during project implementation was the inability to introduce a pilot on digital cash transfer payments. This proved to be impossible because of the MoF's internal financial procedures; moreover, the financial offers received from digital service providers were not as cost-effective as initially envisaged. Upon MoF's request, the digital payment pilot was therefore dropped. However, 4,621 beneficiaries are set to be piloted for the Financial Inclusion Account (FIA). This pilot will enable users to access financial products and services at a zero fee. FIAs require a zero minimum balance and allow users to store money and send and receive bank transfers, receive checks and use debit cards. The accounts will also provide online and mobile banking services, contributing to digital financial inclusion.

The World Bank aims to extend the grant closing date by two years, until December 31, 2025. Moreover, the World Bank team is currently preparing a second additional financing (AF) to the SPJ as part of the Gaza emergency response. The second AF, in the amount of US\$7.5 million funded from the TFGWB, will finance a hybrid in-kind and cash support to the affected population in Gaza. Discussions with development partners are ongoing in an effort to raise additional funds.

3.5. ANALYTICAL WORK ON CROSS-CUTTING THEMES

World Bank Country Climate and Development Report – West Bank and Gaza (PI79452)*

Approval Date: December 8, 2022 **Completion Date:** December 20, 2023

Total Financing: US\$475,000 (including **PURSE:** US\$ 90,000)

Objective: To identify and prioritize development interventions that are climate-responsive and have a high potential for impact in terms of bridging existing development gaps and strengthening resilience.

*Note: More details on the WB&G CCDR are given in Chapter 4 (Cross-cutting Themes).

Country Climate and Development Reports (CCDR) are a new type of World Bank diagnostic report which integrate climate change and development considerations. The report analyzes and costs how climate change is expected to impact the Palestinian economy by affecting the availability of water, food, and energy, as well as private-sector activity, and human capital formation. Water scarcity is predicted to be more prevalent in Gaza, while flood risk will rise fastest in the eastern part of the West Bank. Increased rainfall variability, rising sea levels, and saltwater intrusion will negatively affect aquifers and groundwater quality. Poverty rates tend to be highest in the areas most susceptible to climate shocks, and cities are also highly exposed to climate change given their large populations and densely concentrated physical assets. As the Palestinian population is growing by about 3.4 percent each year, the need for water and energy will continue to increase, as much as the pressure on public services, natural resources, and urban housing, with negative implications for human development. Because many Palestinian firms rely heavily on water, decreased water availability poses an especially serious risk to employment and growth. The CCDR structures the diagnostic under three alternative scenarios that reflect different levels of climate action and economic growth trajectories: 1) Continued Fragility, 2) Increased Resilience, and 3) Towards Sustainability. The report includes specific policy recommendations on how to maximize development outcomes and climate action gains. The final draft of the CCDR has been produced after extensive stakeholder consultations and was discussed at the Annual Meetings of the World Bank and the IMF, being held in Morocco during the month of October 2023, with the official launch planned for end-November 2023, at COP28.

Social Inclusion and Citizen Engagement Programmatic ASA (PI7796)*

Approval Date: February 8, 2022 **Completion Date:** May 31, 2024

Total Financing: US\$150,000 (including **PURSE:** US\$35,000)

Objective: To provide strategic support for and strengthen the WB&G program's approach on socially sustainable and inclusive development with a focus on vulnerable groups, gender and gender-based violence, and citizen engagement and social accountability across the PID-MDTF and other select sectors.

*Note: More details on the progress to date of the Social Inclusion and Citizen Engagement ASA are given in Chapter 4 (Cross-cutting Themes).

The three pillars of this ASA cover citizen engagement and social inclusion, including gender. Pillar I, which focuses on social inclusion and sustainability, aims to (a) sharpen understanding of issues of social inclusion and vulnerable groups; and (b) strengthen social risk management and sustainability. Pillar II, with a focus on Gender and Gender-Based Violence (GBV), aims to (a) support task teams and clients in work on gender and gender tagging; (b) sharpen understanding of GBV issues and analyzing norms and behaviors; (c) identify potential opportunities for longer-term engagement and policy dialogue on GBV; (d) provide operational support to selected task teams in the PID MDTF and other sectors; and (e) build the capacity of relevant government institutions to address GBV. Pillar III, which focuses on Citizen Engagement (CE) and Social Accountability, aims to (a) conduct analytical work on CE and social accountability, (b) undertake institutional capacity development for transparency and CE, and (c) support selected PURSE MDTF task teams to strengthen CE and meet corporate requirements.



4

CROSS-CUTTING THEMES

PURSE finances activities which contribute to the following cross-cutting themes: addressing and narrowing gender gaps, promoting citizen engagement, maximizing climate resilience, and leveraging digital technologies.

GENDER

Under **Pillar I**, DPG-12 is working to ensure that the collection and allocation of public resources is carried out in ways that contribute to advancing gender equality and women's empowerment. To this end, the PA has instructed all line ministries to prepare gender responsive budgets by the end of 2024, making the budgeting process more inclusive and contributing to enhanced transparency. A capacity building workshop was attended by participants from the MoF, MoSD and MoL, including the gender focal points from the three ministries as well as managers of the planning and costing units. Following the workshop, the MoL and MoSD have successfully prepared their gender assessment reports and shared them with the MoF. Additionally, the Bank-executed technical assistance on Bringing a Gender Lens to the Impact of Fiscal Policy and Social Programs, financed under the PURSE, aims to understand how revenue collection and public expenditure affect women compared to men, the gendered distribution effects in different areas, and what policy changes may be proposed to decrease the gender gap.

Under **Pillar II**, actions to identify gender gaps are embedded across the three pillars of SERATAC. The operation aims to enhance the ability of teachers and school counselors to support the different needs of male and female students; encourage female students to explore and nurture their STEM skills and help them overcome gender stereotypes about their abilities in mathematics and science; and ensure measures to tackle boys' underperformance are adequately reflected in the national assessment strategy.

Under **Pillar III**, Techstart will conduct assessment of gender issues in the Palestinian IT services sector and implement actionable measures to counter these. The activity will encompass identifying policy reforms to promote women's participation in the IT sector, developing and piloting proposed interventions, and conducting impact assessment of the pilots. This intervention will seek to increase the access of women to IT service companies, including to management and leadership positions.

Under **Pillar IV**, the SPJ COVID-19 Response Project pays specific attention to ensuring young women have equal access to cash for work (C4W) opportunities in the West Bank through the following actions: (i) requiring that at least half the beneficiaries of each sub-project are women; (ii) focusing the C4W on social and health services which appeal to women; (iii) ensuring that information about C4W opportunities in sub-projects is communicated in a way that will reach women and men, equally; and (iv) offering a transportation stipend to ease mobility constraints.

The **Social Inclusion and Citizen Engagement ASA** supports gender activities across the World Bank portfolio in the WB&G. During FY23, personnel working in the Project Implementation Units (PIUs) of World Bank projects were trained on the World Bank's sexual exploitation and abuse and sexual harassment requirements. PIUs were also supported to prepare and finalize project specific Codes of Conduct (English and Arabic) in accordance with Bank standards. The codes of conduct, once ready, have been disseminated among and signed by project workers.

CITIZEN ENGAGEMENT

Citizen engagement (CE), defined as the two-way interaction between citizens and governments that gives citizens a stake in decision-making, with the objective of improving development outcomes, has been shown to improve development outcomes and plays an important role in the PURSE portfolio.

Under **Pillar II**, SERATAC ensures the involvement of a range of beneficiaries, including teachers, principals, supervisors, students, and parents, in the development and rollout of activities. A variety of techniques will be used, including stakeholder consultations and online feedback mechanisms.

Under **Pillar III**, TechStart will initiate a citizen engagement program that will set up a mechanism whereby engineers, specifically women engineers, can engage with the delivery team to discuss aspects of the training and feedback information that would be designed towards enhancing both the training modules and delivery thereof. The project will measure citizen engagement through beneficiary feedback indicators.

Under **Pillar IV**, the SPJ COVID-19 Response Project facilitates CE through an existing Grievance Redress Mechanism. The Ministry of Social Development also maintains open channels with civil society organizations, beneficiaries, and other stakeholders to foster the complementarity of the program.

Citizen Engagement is further supported by the **Social Inclusion and Citizen Engagement ASA**. Support has been provided to PIUs to establish Grievance Mechanisms (GMs), for project beneficiaries and workers, and ensure that these meet Bank standards/best international practice. Existing project GM systems have been enhanced by adding uptake channels for Gender Based violence (GBV), sexual exploitation and abuse and sexual harassment related complaints. Support has been provided for the preparation of a simple, one page tip sheet in Arabic for users of the GMs, describing the uptake channels, process for submitting grievances, timeline for resolution, system of appeal and all necessary contact information. Work is underway to ensure that such tip sheets are available on project websites and social media channels and are disseminated during stakeholder consultations, outreach and training events.

CLIMATE RESILIENCE

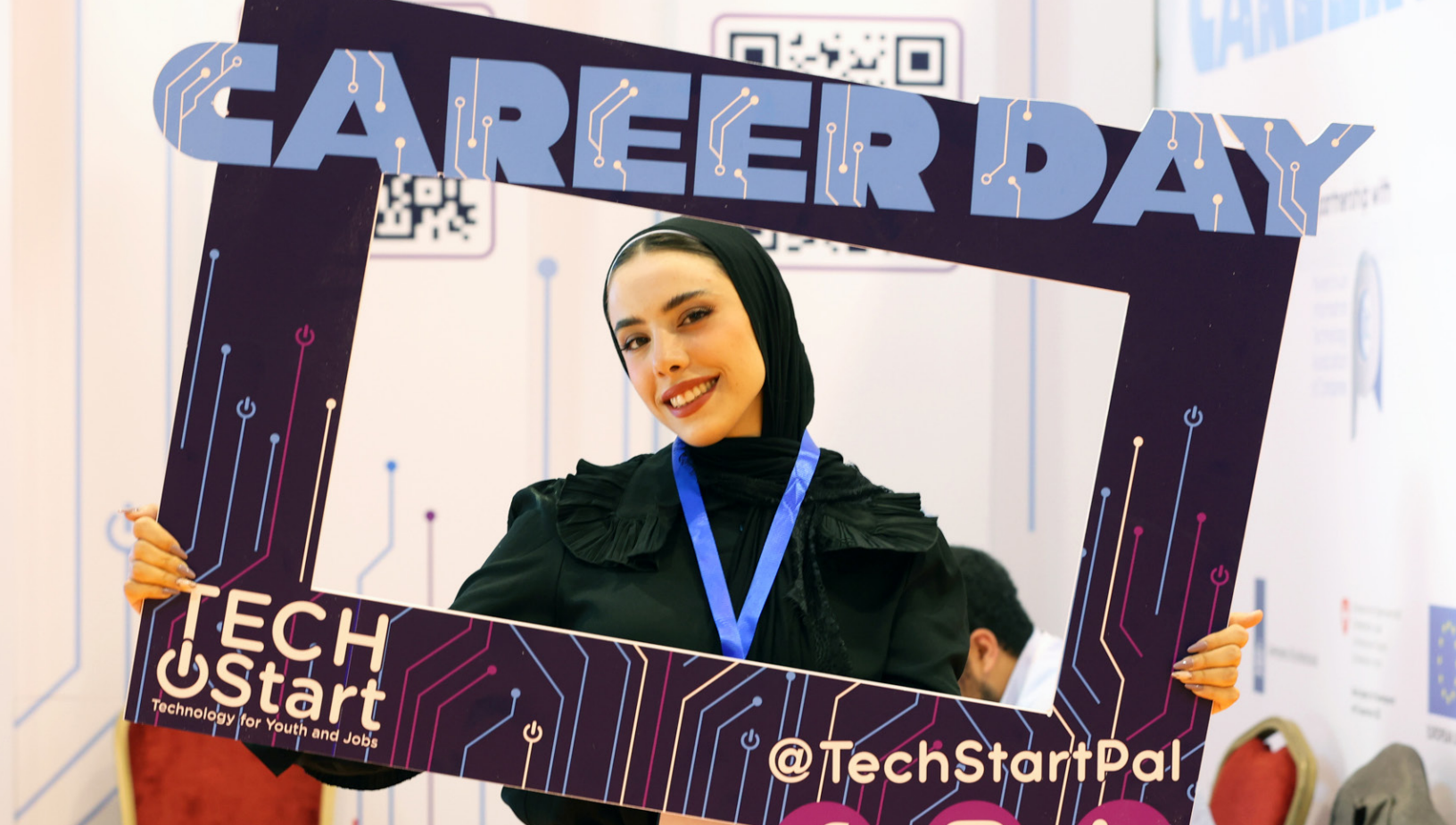
Under **Pillar I**, DPG-12 supports the greening of the economy through amendments to the environment protection law to include articles related to climate change. The PA has introduced changes to the Palestinian environmental law to: a) enhance national capacity to adapt to the negative consequences of climate change and reduce greenhouse gas emissions, b) set specifications for air emissions and request all establishments in the Palestinian territories to adhere to these specifications within a maximum period of three years, specifying penalties, jail time, and fines for those who do not comply, and c) establish a national committee to implement the Paris Agreement on climate change.

Under **Pillar II**, SERATAC will promote climate change awareness in the early grades, strengthening the content knowledge and pedagogy of STEM teachers to teach on climate change, ensuring the sustainability and energy efficiency of STEM classroom resources and lab equipment, and promoting climate change awareness through curriculum reform and capacity building of education policymakers.

Under **Pillar III**, TechStart will build climate resilience by promoting the use of solar panels for electricity generation to power IT business infrastructure, encouraging 'tele-commuting' to reduce transportation emissions, and requiring new appliances, equipment, tools, and infrastructure to be energy-efficient and use renewable energy sources instead of conventional energy sources.

Under **Pillar IV**, the SPJ COVID-19 Response Project is conducting capacity building activities which help to lay the foundation for a reliable system of providing cash transfers that will be responsive to future shocks, including climate-related shocks. When property is destroyed by floods, or when agricultural yields are destroyed by droughts, affected households need timely, targeted and effective support from the state to recover. The database of poor and vulnerable households that this project is developing can be quickly updated, including specific information on exposure to natural hazards and climate change-related risks. The targeting mechanism can be adjusted to fit the needs of a climate shock response, which can involve supporting new households and existing social assistance beneficiaries affected by the climate shock.

Looking forward, future climate interventions will be informed by the ongoing work on the **Country Climate and Development Report**. The report provides an appraisal of the social and macroeconomic impacts of climate change and presents a set of policy recommendations under two main pillars: (i) building resilience along the water-food-energy nexus, and (ii) green and resilient urban development, with cross-cutting enablers for resilience including adaptive health and social protection systems, private sector and mobilization of green finance, and good governance. Following extensive stakeholder consultations, a final draft of the report has been produced.



DIGITAL TECHNOLOGY

Under **Pillar I**, DPG-12 supports the leveraging of digital technologies to improve public resource management and support inclusiveness by instituting electronic government procurement and automating the public procurement process. DPG-13 aims to pursue digital transformation through supporting the PA's efforts in advancing the digital transformation agenda through the enactment of a national payments law regulating the use of e-money. The goal is to achieve an increase in the number of cashless transactions by 150 percent by December 2024.

Under **Pillar II**, SERATAC aims to support the transition toward a digital economy by equipping Palestinian youth with digital skills for the labor market. Moreover, an adaptive learning package leveraging relevant innovations in Artificial Intelligence (AI) and machine learning will be rolled out to support the teaching of grade five mathematics. The package will deliver content that is tailored to the learning needs of individual students, thus personalizing remedial instruction. A lower-tech alternative will be available to schools which lack the necessary digital infrastructure.

Under **Pillar III**, leveraging digital technology is integral to the TechStart project. The core objective of the operation is to increase economic opportunities for IT service firms in the WB&G, and in doing so it will enable the Palestinian economy at large to leverage digital technologies to a larger extent by both increasing the access to locally produced tech solutions, and increasing the supply of Palestinian tech talent. TechStart aims to catalyze a culture of continuous upgrading of firm capabilities in the Palestinian IT sector thereby enabling exponential employment growth. It will do so by strengthening the supply of firm capabilities, increasing demand from international buyers and investors, and stimulating the absorption of high-tech knowledge in the ecosystem.

5 FINANCIAL OVERVIEW

5.1. PURSE FINANCIALS

As of September 30, 2023, a total of US\$108 million has been pledged to PURSE and its associated trust funds since the PURSE MDTF's inception in June 2021. This section provides a financial overview of the PURSE MDTF; the following section presents a financial overview of its associated trust funds, ESPERE and ESPERE II.

Pledges

As of September 30, a total of US\$90.0 million has been pledged to PURSE since June 2021, from three development partners: France, Norway and Switzerland. Of these funds, US\$79.1 million have already been paid in. Pledges to PURSE MDTF during FY23 amounted to some US\$41.2 million: US\$26.5 million from Norway, US\$8.5 million from France, and US\$6.2 million from Switzerland. Of the pledges made during FY23, some US\$38.6 million have already been paid in.

In early FY24, France made a supplemental pledge of EUR 8 million (\$8.6 million) to PURSE on August 12, and Norway made an additional pledge of NOK 85 million (\$7.9 million) on September 12.

Table 1: Trust Fund Financial Contributions as of September 30, 2023 (Pledged and Received)

		Pledged to Date - Total (in millions)					
		Pledged		Paid-in to date		Receivables	
Contributors	Currency	Pledge Currency	USD	Pledge Currency	USD	Pledge Currency	USD
France	EUR	24.0	26.2	16.0	17.8	8.0 ^a	8.4
Norway	NOK	562.0	57.6	562.0	57.6	0.0	0.0
Switzerland	USD	6.2	6.2	3.7	3.7	2.6	2.6
Total (USD)		—	90.0	—	79.1	—	11.0

Note: a. The payment of EUR 8 million by France was made on October 10, 2023.



Commitments

PURSE funding in the amount of US\$78.5 million has been committed for co-financing, 97 percent of which is in development policy grants and investment operations. The largest share (89%) of financing, around US\$70 million, has been committed to budget support operations under Pillar I (Macro-fiscal Stability and Public Financial Management), namely DPGs 11, 12 and 13. The activity for Pillar IV (Social Protection to the Poor and at-risk Population) follows with an approximate total of US\$4.8 million—6 percent of financing. Some US\$1.6 million, 2 percent of total financing, has been committed to private sector activities under Pillar III (Financial and Private Sector Development and Job generation).

A total of US\$1.0 million—1.3 percent of committed funds—has been committed to the Bank-executed Advisory Services and Analytics (ASA) window. These funds have been committed to eight activities: US\$50,000 to the Wage Bill Note; US\$45,000 to Measuring Multi-Dimensional Poverty in the PECS 2022/2023 national survey; US\$50,000 on Bringing a Gender Lens to the impact of fiscal policy and social programs; US\$35,000 for the Social Inclusion and Citizen Engagement ASA; US\$352,222 for the TechStart TA; US\$70,000 for Human Capital and Climate Change in Palestine; US\$417,078 for Supporting Companies Law Implementation through Bridge; and US\$20,000 for Macroeconomic and Climate Change Analysis supporting the WB&G CCDR.

To date, a Program Management and Administration (PM&A) commitment of US\$700,000 has been made, which is 0.8 percent of the total pledged amount. In addition, US\$402,500 has been committed to the implementation support window; US\$200,000 for SERATAC Implementation Support, US\$200,000 for Health System Efficiency and Resilience Project Implementation Support, and US\$2,500 for Digital Project Implementation Support.

Allocations

Total PURSE MDTF funding allocations amount to US\$7.5 million. Of this amount, US\$3.6 million has been allocated to TechStart AF and will be committed in the near future. An additional US\$50,000 has been allocated for the future Ad Hoc Liaison Committee Report. Furthermore, up to US\$3.8 million has been allocated to PURSE PM&A, in compliance with the 5 percent cap based on the administrative agreement.

Table 2: PURSE MDTF Commitments and Allocations (US\$) as of September 30, 2023

Pledged	90,037,727
Funds Paid In (Available for Grants)	79,084,705
PURSE MDTF Commitments^a	
Commitments to Active (and Pending) Activities	78,494,096
Pillar I: Macro-fiscal Stability and Public Financial Management	69,928,424
Pillar III: Financial and Private Sector Development and Job Generation	1,614,772
Pillar IV: Social Protection to the Poor and at-risk Population	4,809,100
Bank-executed Advisory Services and Analytics	1,039,300
Program Management and Administration (PM&A) (up to 5%)	700,000
Implementation Support	402,500
Total Committed	78,494,096
PURSE MDTF Allocations^b	
Pillar III: Financial and Private Sector Development and Job Generation	3,639,153
TechStart AF	3,639,153
Bank-executed TA	50,000
Ad hoc Liaison Committee Reports	50,000
PM&A and Implementation Support	3,801,886
PM&A (up to 5%)	3,801,886
Total Allocated	7,491,039
Trust Fund Fee	
[Committed] Trust Fund Fee	3,217,628
[Allocated] Trust Fund Fee	607,792
Trust Fund Fee	3,825,420
Total Unallocated	227,171

Notes: a. Corresponds to resources already committed to specific activities.

b. Corresponds to planned allocations to specific activities.

5.2. ESPERE FINANCIALS

The EC has pledged a total of EUR 16.5 million to ESPERE Associated Trust Funds to PURSE, which includes contributions to ESPERE I (EUR 9 million) and ESPERE II (EUR 7.5 million). Like other trust fund (TF) arrangements, a comprehensive unaudited financial report can be accessed via the Development Partners Center portal.

5.2.1. ESPERE I Financials

PLEDGES

Since October 2022, a total of EUR 9 million (US\$9.5 million) has been pledged to ESPERE I by the EC. Of these funds, EUR 7.5 million (US\$8.1 million) has already been paid in.

Table 3: ESPERE I Financial Contributions as of September 30, 2023 (Pledged and Received)

		Pledged to Date - Total (in millions)					
Trustee Fund	Currency	Pledged		Paid-in to date		Receivables	
		EUR	USD	EUR	USD	EUR	USD
ESPERE I	EUR	9.0	9.5	7.5	8.1	1.5	1.6
Total		9.0	9.5	7.5	8.1	1.5	1.6

COMMITMENTS AND ALLOCATIONS²

ESPERE I funding in the amount of EUR 6.8 million has been committed for co-financing. Of this amount, EUR 3.7 million has been committed to IPSD II, as detailed in Chapter 3.3, under Pillar 3 (Financial and Private Sector Development and Job Generation). A total of EUR 2.8 million has been committed to Bank-executed technical assistance, namely the Business Regulation for Investment, Digitalization, Governance and Entrepreneurship TA. A PM&A commitment of EUR 300,000 has been made, which represents 3.3 percent of the total pledged amount for ESPERE I.

Total ESPERE I funding allocations amount to EUR 1.6 million. EUR 1 million has been allocated to the Financial Sector TA to support the Palestinian Monetary Authority in their implementation of an E-payment strategy. Additionally, EUR 400,000 has been allocated for potential IPSD II Implementation Support activities. Furthermore, EUR 150,000 has been allocated to ESPERE I PM&A, bringing the total for PM&A allocation to 5 percent of pledged funds.

² Commitments are funds which have been assigned to a certain project after the relevant Grant Fund Requests (GFRs) are submitted and approved, contingent upon the funds available in trustee accounts. In contrast, allocations are funds which are currently intended to go to a certain project, but about which a final decision has not yet been made; allocations are therefore provisional and subject to change depending on the actual amount of funds paid in.

Table 4: ESPERE I Commitments and Allocations (EUR) as of June 30, 2023

Pledged	9,000,000
Funds Paid In (Available for Grants)	7,500,000
ESPERE I Commitments^a	
Commitments to Active (and Pending) Activities	
Pillar III: Financial and Private Sector Development and Job Generation	3,702,675
Bank-executed Advisory Services and Analytics	2,750,000
Program Management and Administration (PM&A) (up to 5%)	300,000
Total Committed	6,752,675
ESPERE I Allocations^b	
Bank-executed ASA	
Financial Sector TA	1,000,000
IPSD II Implementation Support	400,000
PM&A and Implementation Support	
ESPERE I PM&A and Implementation Support	150,000
Total Allocated	1,550,000
Trust Fund Fee	
[Committed] Trust Fund Fee	551,134
[Allocated] Trust Fund Fee	18,000
Trust Fund Fee	569,134
Total Unallocated	128,191

Notes: a. Corresponds to resources already committed to specific activities.

b. Corresponds to planned allocations to specific activities.

5.2.2. ESPERE II Financials

PLEDGES

Since July 2023, a total of EUR 7.5 million (US\$8.1 million) has been pledged to ESPERE II by the EU. Of these funds, EUR 3.25 million (US\$3.5 million) has already been paid in.

Table 5: ESPERE II Financial Contributions as of September 30, 2023 (Pledged and Received)

Trustee Fund	Currency	Pledged to Date - Total (in millions)					
		Pledged		Paid-in to date		Receivables	
		EUR	USD	EUR	USD	EUR	USD
ESPERE II	EUR	7.5	8.1	3.25	3.5	4.25	4.6
Total		7.5	8.1	3.25	3.5	4.25	4.6

ALLOCATIONS

Total ESPERE II funding allocations amount to EUR 7.2 million. Out of this total, EUR 6.8 million has been allocated to TechStart AF (see Chapter 3.3 for details), with EUR 3.25 million of this allocation already paid by the EC to ESPERE II. EUR 321,429 has been allocated for ESPERE II PM&A, bringing the total for PM&A allocation to around 5 percent of pledged funds.

Table 6: ESPERE II Allocations (EUR) as of June 30, 2023

Pledged	7,500,000
Funds Paid In (Available for Grants)	3,250,000
ESPERE II Commitments^a	
Pillar 3	6,800,000
TechStart Additional Financing	6,800,000
PM&A and Implementation Support	321,429
ESPERE II PM&A	321,429
Total Allocated	7,121,429
Trust Fund Fee	
[Allocated] Trust Fund Fee	378,571
Trust Fund Fee	378,571
Total Unallocated	0

Notes: a. Corresponds to planned allocations to specific activities.





STRATEGIC PRIORITIES AND LOOKING AHEAD

The PURSE MDTF and its Associated Trust Funds, ESPERE I and II, play an essential role in supporting and complementing programs in the West Bank and Gaza. In the context of declining overall development assistance to the PA, the importance of the funds channeled through these trust funds to address the development priorities in the Palestinian territories is only increasing. Looking forward, the World Bank is exploring how to expand PURSE and ESPERE to further enhance their impact.

The impacts of the attack in Southern Israel and ongoing conflict in Gaza are still playing out and hard to predict but will affect progress on previously planned activities and may require changes to those plans. The World Bank's projects remain critical to providing basic services to the most vulnerable, increasing resilience and providing opportunities for youth. This includes ongoing Bank-financed projects in healthcare, water, electricity, and social protection. The Bank is working to identify ways to facilitate the continued delivery of these basic services to civilian populations in Gaza, where the situation on the ground permits. We are also preparing to conduct a rapid assessment of the damages and priority needs as soon as the situation allows. We will consider repurposing existing project funding in light of what the damage and needs assessments may show. Donor partners interested in contributing to the World Bank emergency response effort may do so through PURSE, which is capable of rapidly receiving, committing, and disbursing donor funding against critical priority needs.

During FY24, progress is expected across the four pillars, though some operations will be reformulated to meet the needs and new realities created by the ongoing conflict. In Pillar I, DPG 12 is set to close in December 2023; DPG 13 will continue to operate throughout the year, and is foreseen to be topped up through a supplemental DPG in late 2023 or early 2024. Under Pillar II, the implementation of SERATAC will continue to be supported; the operation may develop a new focus on providing emergency teaching and learning materials. Under Pillar III, operations will continue so far as the ongoing conflict allows: TechStart will work to continue to promote existing programs and roll out new activities, while the BRIDGE ASA will continue with engagement on the implementation of the Companies Law while also expanding to business licensing and inspection reforms. Under Pillar IV, the World Bank team is currently preparing a second additional financing to the Emergency SPJ COVID-19 Response Project to finance support for people in Gaza who are affected by the ongoing conflict. More details about plans for these projects can be found in the FY24 PURSE and ESPERE workplan.

The cross-cutting themes of gender, citizen engagement, climate resilience, and leveraging digital technology are increasingly central to operations in the PURSE portfolio. Their importance is expected to grow further, largely driven by the work of two analytical activities. On climate, the CCDR has identified a set of high impact, climate responsive development interventions and future operations funded by PURSE will aim to align with these. Meanwhile, the programmatic ASA on Social Inclusion and Citizen Engagement is driving improvements on gender and citizen engagement. The team is working to ensure that gender issues including gender-based violence and sexual harassment are tackled, and is amplifying the voices of beneficiaries through activities such as enhancing grievance mechanisms. Digital technology is embedded in operations across the portfolio, and is central to projects such as TechStart, which aims to transform the IT sector.

PURSE has expanded rapidly since its creation in 2021. Alongside its associated Trust Funds, it has already attracted US\$108 million in pledges, and now co-finances activities under all four pillars. Looking forward, PURSE has the potential for further growth. It has a positive track record of impact, promotes coordination between donors and the PA, and enhances the efficiency of scarce donor funds. Crucially, it is able to respond quickly and flexibly to crises. The ongoing conflict is likely to result in a significant increase in need; PURSE is well placed to channel donor funds to where they are most valuable, whether that be providing essential healthcare services, supporting vulnerable populations with the cash transfer program, or facilitating economic recovery. Existing plans for operations aim to address the critical needs of the Palestinian people across the four pillars. Under Pillar I, there is a need to expand the Public Financial Management Improvement Project, which addresses a key priority for the PA, and continue to provide the PA with budget support through supplemental financing to DPG-13 in the face of serious strains resulting from the effects of the ongoing conflict. Under Pillar II, funds are needed to help improve education and health systems and enhance digital infrastructure. Under Pillar III, two potential projects, Finance for Jobs III and Innovative Private Sector Development II, are designed to help grow the economy and provide jobs, and will be looking to scale up their activities in the coming fiscal year. Additional financing for projects under Pillar IV could help roll out mental health and psychosocial services and enhance the Cash Transfer Program. More detail on these projects can be found in the FY24 PURSE and ESPERE workplan.

To maximize the impact of these operations, additional support is needed. Over the past five years, the World Bank has maintained its own annual contribution of around US\$80 million for the WB&G despite the emergence of many competing global priorities, and there is an ongoing effort to further increase the annual allocation. Securing additional donor funding to expand the impact of the PURSE MDTF and its Associated Trust Funds is crucial for responding to the ongoing conflict in Gaza, helping with recovery, and promoting the continuing development of the Palestinian economy in a way that broadly benefits the Palestinian people.

ANNEX 1

SUMMARY OF RESULTS MATRIX OF ACTIVE PROJECTS (AS OF JUNE 30, 2023)



Results Indicators	Unit of Measure	Baseline	Previous ^a	Current	End Target
Pillar I: Macro-Fiscal Stability and Public Financial Management					
Supporting the digital foundations of the Palestinian economy, strengthening recovery and resilience post COVID-19, and improving governance and transparency (DPG-11)					
Number of outstanding e-wallet accounts	Number	0	324,083	429,255	120,000
Percentage of female ownership of outstanding e-wallet accounts	Percentage	0	26	28	20
Improving public resource management and support inclusiveness, strengthening governance in the water sector and accelerating the greening of the economy (DPG-12)					
Number of financial inclusion accounts issued since the new regulations were published	Number	0	–	2,096	10,080
Number of Regional Water Utilities established in the WB&G	Number	0	–	0	2
Improving the structural fiscal balance, strengthening the effectiveness of public procurement, and strengthening the integrity of the financial sector and pursuing digital transformation (DPG-13)					
Number of newly hired civil and security personnel on the PA's payroll as a share of total exits in the same year	Percentage	221	–	94	50
Number of cashless transactions	Percentage increase	0	–	83	150
Pillar II: Human capital Investment and Service Delivery					
Improving teaching practices in primary grades and introducing effective career guidance for secondary school students. (SERATAC)					
Share of Grade 2 students reaching a minimum oral reading fluency rate	Percentage	46	46	46	60
Share of Grade 8 students reaching the TIMSS Low International Benchmark in both mathematics and science	Percentage	48	48	48	55
Share of Grades 1-12 students in classes with improved instructional practices	Percentage	0	0	0	20
New inclusive and more flexible student pathways leading to tertiary education created	Yes/no	No	No	No	Yes





Pillar III: Private Sector Development and Job Generation

Increasing economic opportunities for IT service firms in the WB&G (TechStart)

Additional private investment generated by benefiting firms	US\$	0	880,000	1,486,309	10,000,000
Buyers signing new contracts with local IT service firms benefiting from project activities	Number	0	–	0	60
Additional IT services jobs created	Number	0	–	423	2,500
Individuals benefiting from project activities reporting satisfied or very satisfied with support received	Percentage	0	–	95	75



Pillar IV: Protection to the Poor and at-Risk Population

Providing cash support and short-term employment opportunities to vulnerable populations in the WB&G affected by emergency shocks including COVID-19 (Emergency SPJ COVID-19 Response Project)

Number of households receiving cash support	Number	0	79,015	95,897	106,752
Number of individual beneficiaries	Number	0	395,075	475,870	533,760
Number of vulnerable populations receiving cash for work from the project	Number	0	3,656	3,974	3,940
Vulnerable populations receiving cash for work from the project who are female	Percentage	0	85	85	50

Note: a. The results in the 'Previous' column are those reported in the previous Implementation Status and Results (ISR) Report.

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