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NEWS RELEASE

US$40 Million Grant to the Palestinian Authority to Support Institutional Reforms

WASHINGTON, February 11, 2016-- The World Bank Board of Directors approved today a US$40 million Development Policy Grant to the Palestinian Authority (PA) to support strengthening public finances and improving the business environment by facilitating land registration.

The PA's revenues performed well in 2015, with an increase of 9 percent. However, the fiscal situation continues to be precarious and the recovery is slow mainly as a result of the persistence of restrictions and the 60 percent decline in donor aid. In addition, the high political uncertainty, the lack of progress in peace talks, the 2014 Gaza war, and the delays in the transfer of revenues collected by the Government of Israel on behalf of the PA, added to the weak recovery.

"Such assistance is of utmost importance for the Palestinian economy and public finances. The grant will help ease some of the Palestinian Authority's fiscal stress, continue to advance the reform agenda, *and bring some hope amid growing pessimism amongst Palestinians, including the business community,"* said **Steen Lau Steen Lau Jorgensen**, **World Bank Country Director for West Bank and Gaza**.

The situation in Gaza remains extremely difficult. The reconstruction process has been much slower than anticipated due to restrictions on imports and lower than expected aid. Only 35 percent of pledges declared at Cairo Conference for Gaza reconstruction were disbursed (as of September 2015), and a mere 6 percent of the overall needs as outlined by the Damage and Needs Assessment was covered.

Despite the difficult operating environment, the PA is making steady progress in implementing its reform agenda including reducing energy subsidies (fuel and electricity), controlling the wage bill, and implementing health reforms. Still the PA needs to carry out additional efforts to reform the public pension system, its tax policy and enforcement measures to broaden the narrow tax base by international comparison. The Development Policy Grant has been used as a platform for continued policy dialogue and to support progress on these reforms.

The World Bank is committed to supporting the PA's reform agenda. This grant, the seventh in a series, totaling US$280 million in budget support, builds upon the reform progress supported by previous Development Policy Grants. The Bank's policy-linked budget support offers effective means of supporting the PA's reform programs. The World Bank will continue to collaborate with other donors on key issues that are critical for economic and social development in Palestine.

The World Bank Development Policy Grant along with donors' financial support through the Bank-administered Palestinian Recovery and Development Plan Trust Fund, provided US$125 million in 2015 and continue to provide a lifeline to the PA's budget.

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