

The World Bank Programs “Emergency Services Support Project” (ESSP) and “Reform Trust Fund”

West Bank and Gaza

Carl-Johan Belfrage

Asia Department

The World Bank Programs “Emergency Services Support Project” (ESSP) and “Reform Trust Fund”

West Bank and Gaza

Carl-Johan Belfrage

Sida Evaluation 05/10

Asia Department

This report is part of *Sida Evaluations*, a series comprising evaluations of Swedish development assistance. Sida's other series concerned with evaluations, Sida Studies in Evaluation, concerns methodologically oriented studies commissioned by Sida. Both series are administered by the Department for Evaluation and Internal Audit, an independent department reporting directly to Sida's Board of Directors.

This publication can be downloaded/ordered from:
<http://www.sida.se/publications>

Author: Carl-Johan Belfrage.

The views and interpretations expressed in this report are the author's and do not necessarily reflect those of the Swedish International Development Cooperation Agency, Sida.

Sida Evaluation 05/10
Commissioned by Sida, Asia Department

Copyright: Sida and the author

Registration No.: ASIEN 023663
Date of Final Report: April 2005
Printed by Edita Communication AB, 2005
Art. no. Sida4771en
ISBN 91-586-8667-3
ISSN 1401—0402

SWEDISH INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
Address: SE-105 25 Stockholm, Sweden. Office: Sveavägen 20, Stockholm
Telephone: +46 (0)8-698 50 00. Telefax: +46 (0)8-20 88 64
E-mail: sida@sida.se. Homepage: <http://www.sida.se>

Table of contents

1. Background	3
2. Description of assignment	4
3. Methodological preliminaries	4
3.1. Sources of information	4
3.2. How to evaluate impacts and results	5
3.3. How to evaluate relevance	6
4. ESSP effects, relevance, efficiency and quality	7
4.1. Program objectives and expected outcomes	7
4.2. Effects	8
4.3. Relevance	17
4.4. Efficiency and quality	19
4.5. Sustainability	22
5. Reform Trust Fund effects, relevance, efficiency and quality	23
5.1. Program objectives and expected outcomes	23
5.1. Effects	24
5.2. Relevance	26
5.3. Cost effectiveness of the RTF	27
6. Concluding analysis and recommendations	27
6.1. An analysis of differences, advantages and overlaps between the programs	27
6.2. General recommendations	28
6.3. Recommendations concerning future Swedish support	29
Annex 1. List of abbreviations	31
Annex 2. Reference data for the West Bank and Gaza	32
Annex 3. External interviewees	33
Annex 4. Reference documents	34
Annex 5. Terms of reference	36

1. Background

The al-Aqsa intifada which began in September 2000, and particularly the Israeli reactions to it in the form of military strikes on Palestinian infrastructure, violent incursions into the West Bank and Gaza, severe restrictions on movement of persons and goods, as well as a policy of not transferring tax revenue collected on behalf of the Palestinian Authority (PA), led to a drastic deterioration in PA revenues coupled with an increased demand for the services of PA institutions in the social sector. By early 2002, central government revenue had fallen to less than a quarter of its pre-intifada level and the revenues of municipalities, mainly in the form of user fees for services provided, suffered similar declines as residents' incomes deteriorated. The developing humanitarian crisis – resulting from physical injuries, destroyed infrastructure for electricity, water and waste handling, as well as reduced access to jobs and other income sources – meanwhile required additional spending on healthcare, emergency social assistance, job creation, etc.

During 2001 and 2002, there was a substantial inflow of budget support (compensating for most of the Israeli withholding of tax revenues collected on behalf of the PA), but a significant shortfall remained and the PA responded by a combination of severe cutbacks in non-wage expenditures, accumulation of arrears to suppliers, borrowing from domestic banks and delays in payments of salaries, pensions and welfare assistance.

The cutbacks in non-wage expenditure involved a reduction by almost two thirds in non-emergency operating expenditures, resulting in non-availability of certain drugs, fuel for vehicles, school textbooks and preventive maintenance of public facilities (including those for water, electricity, sewage and waste management).

Fearing a further deterioration in public services with long-term consequences for the health and education of the Palestinian population as well as the survival of PA institutions, a number of donors (including Sida and the European Commission (EC)) began supporting the West Bank and Gaza Emergency Services Support Project (ESSP) designed by the World Bank in collaboration with the PA. The project provides budget support earmarked for the kinds of non-wage expenditure of the Ministries of Health, Education, Social Affairs and Local Government (only in ESSPI), that were cut during the early stages of the crisis. The first phase of the project became effective in March 2002 and a second phase (ESSPII) in early 2003. As of December 31, 2004, US\$140 million had been disbursed (including US\$18 million from Sida), with US\$29 million remaining (of which none from Sida). A third phase is currently being considered.

In the midst of the crisis, the PA embarked on an ambitious program of reform in the public financial management area under the leadership of Minister of Finance Salam Fay'yad. Once some crucial reforms with regard to financial disclosure and control had been undertaken, the World Bank carried out a Country Financial Accountability Assessment (CFAA) which concluded that the PA financial management systems were adequate to justify World Bank budget support, while identifying actions for further improvement.

While the conclusions from the CFAA and an express intent to continue the successful reform program served to reduce donor hesitation to provide budget support, a substantial decline in budget support from Arab donors made such support more urgent. The PA, in cooperation with the World Bank, responded to this by articulating a Public Financial Management Reform Program, on the basis of which a number of donors (the EC, the World Bank (IDA), UK, Norway, Japan, Canada, Australia, and Korea in order of contribution size) agreed to provide budget support (through the Public Financial Management Reform Trust Fund (RTF) managed by the World Bank) to be disbursed after completion of specific reform benchmarks established on a bi-annual basis. As of February 1, 2005,

US\$123.5 million had been disbursed, with another US\$28 million awaiting completion of the end-2004 benchmarks. Further early commitments for continued operation of this budget support program during 2005 include US\$88 million from the EC and \$30 million from Japan.

2. Description of assignment

The specific purposes of this evaluation are:

- a) to give Sida an overall picture of the impacts and results of the ESSP and the RTF;
- b) to assess the relevance of the ESSP and the RTF in relation to the Swedish objectives for development cooperation;
- c) to contribute to improvements of the quality and efficiency of the ESSP; and
- d) to give Sida a better basis for a decision on increased future funding of the ESSP; as stated in the terms of reference which are available in full as Annex 5.

This evaluation has been carried out in parallel with a World Bank review of the ESSP. While some of the information emanating from the latter has been utilized here, the reviews are somewhat different in foci. While the review carried out by the World Bank focuses on the ESSP implementation process, the present evaluation has its main focus on the overarching effects of the program and its relevance to the priorities of Swedish development cooperation.

3. Methodological preliminaries

3.1. Sources of information

The present evaluation has relied on document reviews, interviews and some economic analysis. The documents in question have generally been prepared by the World Bank, the IMF, the PA, donors or their consultants, as well as some sources external to the development cooperation process under consideration. They contain descriptions (and to a lesser extent analyses) of the status of the Palestinian economy, reforms, public sector budgets and service offerings, as well as of the properties of the two support programs under consideration and are listed in Annex 4.

Particular note has been taken of some preliminary findings of a concurrent World Bank review of the ESSP, provided in a brief Stakeholders' Report based on interviews with representatives of relevant PA ministries and recipient service providers, as well as in a summary of lessons learnt from the World Bank experiences with the ESSP so far.

Altogether 15 interviews, lasting between 45 and 120 minutes each and involving 24 individuals, were conducted (see Annex 3), excluding informal talks with Sida staff at the Swedish Consulate General. The interviewees included representatives of the Ministry of Finance (MoF), the main line ministries involved in the ESSP,¹ a couple of ESSP receiving service providers, World Bank representatives

¹ Due to information mismatches and eventually time limitations, it was difficult to establish contact and set up an interview with representatives of the Ministry of Social Affairs. As this ministry's share in overall disbursements has been a mere 3 percent of the total, and as some information from interviews conducted by World Bank consultants could be used, the efforts to obtain more direct inputs from the ministry were discontinued.

involved with the ESSP as well as the RTF, major donors to both programs, as well as insightful outsiders like Dr Mahdi Abdel Hadi, the Director of PASSIA.

For practical reasons, the sources of information on who to talk to and documents reviewed, as well as the interviewees themselves have in a large share of the cases been people who might have had interests in which way the evaluation recommendations should point. The representatives of PA government units, the World Bank, the IMF, donors, and receiving service providers that have been interviewed have not necessarily been representing the general interest of those organizations either, in cases where their own positions and work assignments are linked to the programs under consideration in this review (particularly the ESSP which involves a number of people with possible stakes in maintaining valuable know-how and intra-organizational influence). Hence, it can not be ruled out that there has been some bias in the information received, and despite the fact that an awareness of this possibility has been present in the course of this evaluation, readers are recommended to keep it in mind.

3.2. How to evaluate impacts and results

The important first step towards an assessment of the effects of a financial assistance program is a determination of how it has affected recipient (here the PA) revenues and expenditures. It is for example easy and therefore tempting to conclude that ESSP disbursements of US\$200 million from the ESSP have led to US\$200 million in additional non-recurrent expenditure in the social sector as intended. Such a conclusion does, however, not only rely on the absence of criminal misuse of funds but rests on the assumption that the receipts of ESSP funds have had no effects on the PA's allocation of resources between sectors and expenditure types, or on its other sources of revenue. Most importantly, it disregards two types of possibilities (closely associated with fungibility):

- *Expenditure shifting.* Some PA expenditures on recurrent items in the social sectors may not be carried out because donors cover them through the ESSP. The PA funds that would otherwise have been spent on recurrent items in the social sectors are then used to pay for whatever has top priority according to the PA, which may have nothing to do with recurrent expenditures in the social sectors.

The prevalent practice of accumulating arrears with suppliers when public funds are running low can be an important source of expenditure shifting. If, in the absence of the ESSP, arrears are accumulated with suppliers to the social sectors which are paid off during a period with larger PA revenues, then the ESSP would not ensure more supplies as intended but instead smaller debts to be paid in the future. The real support provided by the ESSP would then be to whatever additional expenditures (or perhaps reduced taxes) are incurred in the future thanks to a smaller debt burden then. To the extent that the ESSP leads to expenditure shifting, it is equivalent to pure budget support (current or future, depending on arrears accumulation), such as that provided through the RTF. Expenditure shifting is of course only relevant in cases where the donor has any particular intention with regard to the use of funds provided, and is hence irrelevant in the case of the RTF.

- *Revenue adjustment.* Since raising revenue through taxation is likely to be costly to the government in terms of effort and perhaps political support, an inflow of foreign aid may lead to reduced tax revenues. Revenue adjustment is potentially relevant to the effects of the RTF, as well as to the effects of the ESSP insofar as it relieves some budgetary pressure by financing expenditures that the PA would otherwise have been willing to finance itself. In other words, to the extent that the ESSP leads to expenditure shifting it may also lead to revenue adjustment.²

² Suppose, somewhat realistically, that the Swedish support for some civil society organizations is not highly valued by the PA in the sense that they would be willing to spend anything on it themselves. Then there is no relief of valued expenditures and hence no possibility that the aid inflow would affect PA tax revenue (aside from possible multiplier effects due to the injection of resources into the economy).

A common finding in empirical studies is that between 50 and 100 percent of funds provided through development cooperation projects and programs are fungible and hence not used as (at least officially) intended, unless donor and recipient have the same priorities. It is thus indefensible not to consider expenditure shifting and revenue adjustment when evaluating the impact of the ESSP and the RTF, although it is very difficult since it essentially requires knowledge of what the situation would have been like without the programs.

Since expenditure shifting is relevant to the analysis of the ESSP only, it will be considered in more detail in connection with the analysis of ESSP effects. As far as revenue adjustment is concerned, it is not inconceivable that with an even larger hole in the budget, the PA would make additional efforts to raise tax revenue if it could. It may on the one hand be argued that a quasi-government that is widely seen as corrupt or at least ill-managed would have a difficult time raising taxes from people whose incomes are under pressure and subject to high degrees of uncertainty due to the conflict situation. On the other hand, there are reasons to believe that tax revenue has been far from maximized. Direct taxes (with rates of 8, 12 or 16 percent) are low and the IMF reports that improvements in tax administration in 2004 led to a 14 percent increase in annual direct tax collection. Hence, it is possible that PA tax revenues would have been somewhat higher in the absence of the programs under consideration, implying that they may have caused some redistribution of resources in favor of those who would have paid the taxes in question. Any revenue adjustment that has occurred as a result of these programs would thus probably have involved some redistribution to the advantage of richer segments of Palestinian society.

Related to revenue adjustment is the difficult question of how a program like the RTF or the ESSP affects other donor contributions. For a number of reasons (donors themselves not knowing which decisions that otherwise would have been made; in any case not being willing to provide that information; etc.) it is probably impossible even to get close to a tentative answer. It can be argued, however, that the question is unreasonable to ask since if all aid programs were simultaneously subjected to independent evaluations, each individual program would have to be evaluated as if it added to (rather than substituted for) the other programs. Effects on other contributions, by Sweden or other donors, will therefore be disregarded and the analysis will be carried out as if funds contributed to the ESSP or the RTF have added to the overall amount of financial assistance to the West Bank and Gaza.

3.3. How to evaluate relevance

The relevance of each of the programs under consideration is to be evaluated with respect to the Swedish development cooperation objectives and “the development priority needs of the Palestinian society”. It is therefore necessary to establish what those objectives can be assumed to be.

The overall objective for Swedish development cooperation is to create conditions under which poor people can improve their living conditions. According to the most recent version of Sida’s country strategy this does for the case of the West Bank and Gaza translate into efforts to promote a peaceful and just solution to the conflict and the establishment of an independent and viable Palestinian state based on democracy and human rights. More specifically, yet in short, the country strategy states that current Swedish development cooperation efforts should

- *mitigate the effects of the ongoing conflict*, in the sense of alleviating the humanitarian crisis that has arisen in the OPT, by means of assistance to those who are suffering, job creation, support for the PA’s ability to maintain basic social services, and support to the health sector.
- promote peace negotiations

- *promote Palestinian nation building*, in a broad sense including support for improved governance, civil society, cultural heritage and infrastructure.

While links between either of the programs under review and peace negotiations may exist, e.g. in the form of effects on popular support for the PA leadership and thus its ability to enter into agreements, they are too remote and ambiguous for consideration in this review. Besides, any effects that the programs may have on popular support for the PA leadership are likely to go via effects on support for PA institutions and will thus be considered in connection with the third sub-goal, i.e. the promotion of Palestinian nation building. Therefore, aside from the separately specified effects on women, children and the environment, the analysis of the programs' relevance in relation to Swedish development cooperation objectives will focus on how they have affected humanitarian conditions and Palestinian nation building.

After consultation with Sida, it was determined that the Palestinian development priority needs to be taken into account are the ones contained in official PA documents on the topic. During the life span of the programs, three different official PA planning documents can be said to have been operational – the Emergency Public Investment Plan, 2003 (EPIP), the Quick Impact Intervention Program (QIIP) prepared as an amendment of the EPIP for the second half of 2003, and most recently the Socio-Economic Stabilization Plan, 2004–2005 (SESP). Since the political situation has been stagnant or deteriorating throughout the planning periods, and since the SESP is the most recent, longest running, and most ambitious in terms of prioritization of the three, the development priority needs spelled out there will guide the evaluation of relevance. Those needs, in order of SESP priority (not as clearly spelled out for points 4–6) are:

1. Budget support since it guarantees incomes for 133,000 employees, and as a result the social services performed by them, as well as the incomes of their estimated 550,000 dependents.
2. Humanitarian and social assistance to the most distressed.
3. Rehabilitation and reconstruction of damaged property, with job creation elements.
4. Public infrastructure development
5. Private sector support
6. Reform and institutional capacity building

4. ESSP effects, relevance, efficiency and quality

In the following, the ESSP will be treated as one continuous program, except in instances where it is possible to discern differences between ESSP I and ESSP II. Those differences will then be pointed out in separate paragraphs. Since one of the questions to be answered is concerned with the program's ability to deliver its expected outcomes and meet its objectives, those are summarized before the analysis of impacts and results can proceed.

4.1. Program objectives and expected outcomes

According to the World Bank's project assessment document for the ESSP, the project's objective is to "[m]itigate the deterioration of basic social and municipal services brought about by the ongoing conflict and its negative effects on economic activity and Government revenue."

The expected outcomes are summarized in the selection of what to use for monitoring project performance, namely the “(a) availability of textbooks and other supplies in schools; (b) availability of basic services in the health sector; (c) continued municipal waste management, water supply and electric supply; and (d) availability of services offered by the rehabilitation centers and the social shelters operated under the Ministry of Social Affairs.”

The quoted objectives and expected outcomes were expressed for ESSPI. ESSPII did not include expenditures of the Ministry of Local Government (MoLG) for reasons of recipient administrative capacity and a desire to narrow the project’s focus, but added higher education. The program objectives of ESSPII thus excluded the municipal service component while the expected outcomes with regard to textbooks and other supplies were presumably extended to university level educational institutions.

4.2. Effects

As pointed out in section 3.2, the first step in analyzing the effects of a program such as the ESSP is to try to get an idea of the extent of expenditure shifting and revenue adjustment. The next step is to consider to which areas the ESSP expenditures may have been shifted and the impact they may have had there. In case it seems likely that expenditure shifting and revenue adjustment has not been present at all or only for parts of the ESSP funds, attention can finally be turned to the details of ESSP expenditures and the impact of not having to go without those textbooks, drugs, cleaning materials, etc.

4.2.1. An assessment of expenditure shifting and revenue adjustment

Establishing the extent of expenditure shifting and revenue adjustment requires knowledge of PA spending priorities. Since the ESSP became operational, the PA has not contributed any of its own resources (aside from the staff time required to administer the funds received) to the kinds of items covered by the ESSP. Is this because those kinds of items have not been of high enough priority during the prevailing crisis situation, or because the ESSP funds have allowed the PA to cover other urgent needs? In other words, the first question to answer is: To what extent would the PA have allocated funds to the kinds of expenditures covered by the ESSP also in the absence of that program?

There is unfortunately a severe lack of objective information on expenditure priorities. A long series of comprehensive public financial statements covering periods with the current leadership and current external conditions, would make it possible to use actual spending patterns to infer spending priorities. A Public Expenditure Review (PER), such as the one that the Ministry of Finance has committed itself to carry out with World Bank assistance during 2005 (included as one of the likely conditions for future disbursements from the RTF), may have given some indication of priorities. As none of the just mentioned kinds of information is available, this review must rely on a combination of a few pieces of information about actual spending, constraints on PA expenditure imposed by political survival considerations and conditions imposed by donors in other aid programs, as well as public statements and answers to relevant questions by PA representatives, civil society representatives, and people in the donor community who have obtained some familiarity with PA decision-making.

The World Bank project appraisal document drawn up in conjunction with the launch of the ESSP reveal some awareness of the possibility of expenditure shifting, as there are formulations claiming that ESSP expenditures largely belong to the category of expenditures that in the prevailing emergency situation would neither be paid for nor be subject to arrears accumulation.

The most compelling evidence against a presence of expenditure shifting in the ESSP case is that there was in fact a significant decline in non-wage recurrent expenditures during the beginning of the intifada crisis, when domestic revenues were depressed and Israel withheld clearance revenues. MoF and IMF staff estimates (reported in the project appraisal document) point to a reduction in PA non-wage

expenditures by US\$20 million per month between the third quarter of 2000, i.e. just before the intifada, and the severe liquidity squeeze that prevailed during 2001, despite relatively large inflows of budget support (of close to US\$50 million per month) from Arab states and the EU. The conditions also led to additional (emergency) non-wage expenditures of an estimated US\$16 million per month, primarily in the health and social assistance areas. The total decline in ordinary non-wage expenditures would thus have amounted to US\$36 million per month between their peak just before the intifada and the crisis conditions prevailing a year later.³

Furthermore, official as well as unofficial statements by PA representatives suggest that absolute priority has been given to the maintenance of salary payments to the growing numbers of PA employees (133 000 as of end-2004 compared to 98 000 in 1999 as seen in the table in Annex 2). The main argument for giving top priority to budget support in the SESP (mentioned in section 3.3 above) is for instance to guarantee continued salary payments (supposedly as a means of ensuring continued public service provision and the main income source of about 550,000 dependents). When an argument to the effect that there certainly must be some point at which medical supplies become more important than keeping and paying a full salary to every PA employee is put forward, a common response is that the salary factor remains the most critical for the political survival of the PA. There is probably some substance to that since the PA employees and their dependents constitute a non-negligible share (15–20 percent) of the population in the OPT, and since most of those PA employees who are not in themselves crucial to the provision of essential public services belong to the various security services which could become threats to political stability if disenchanted.

However, the seemingly absolute priority for PA employment and wages as well as the observed declines in ordinary non-wage recurrent social sector expenditures do not rule out the possibility that the PA would eventually have made some of those expenditures also in the absence of the ESSP. The anticipation of donor support and the knowledge that donors are reluctant to pay directly for salaries of public employees, may have made it strategically beneficial for the PA to maintain (or appear to be maintaining) a policy of giving absolute priority to salary payments in the use of its own funds. Another hint is that a lasting impression reported from interviews carried out by the World Bank evaluation team and confirmed by responses received in interviews for this review, was that line ministries and recipient service providers in many cases have maintained a business as usual approach during the crisis, trusting from experience that the MoF (with the help of donors) eventually will step in to pay its suppliers, perhaps after a period of arrears accumulation.⁴

The case against expenditure shifting may also have lost some of its strength over time. Deferring the printing of textbooks, maintenance of waste management infrastructure, etc. may at first be prime candidates for actions to handle a liquidity squeeze as they do not threaten essential service delivery in the very short term, but the associated decline in the quality of education, health and social services provision would eventually have raised the benefit of the expenditures in question relative to e.g. the maintenance of full salary payments.

Just as the drastic cuts in overall PA income and expenditure experienced between 2001 and 2003 spoke against expenditure shifting then, the substantial PA revenue growth and increases in budget support

³ When comparing non-wage expenditure levels to the pre-intifada situation, one should be aware that those expenditures were extraordinarily high in the year 2000 – some 38 percent higher than in 1999 in nominal terms (corresponding to 34 percent in real terms and 29 percent in real per capita terms). The level of non-wage expenditure was actually roughly the same in 2001 as in 1999 (nominally, and some 4 percent less in real terms). The non-wage recurrent expenditures did however continue to fall drastically in 2002 and 2003. In real terms they were 32 percent lower in 2003 than in 1999, despite US\$44 million in ESSP disbursements, while the wage bill had grown by 25 percent.

⁴ As for instance noted by representatives of the MoH, necessary items are sometimes ordered on credit so that arrears are being accumulated with suppliers – all based on a trust that the MoF will step in and pay off the debts once the liquidity crisis has passed. Awareness by the MoF that a pattern of arrears financing has been a problem has however meant tighter budgets and tighter controls on line ministry spending as part of reforms implemented beginning in 2002.

during 2004 and anticipated for 2005 may be reasons to expect it in connection with recent and possible future ESSP disbursements. Figuring out its extent during 2004 and during ESSP arrangements expected in the near future is of course something of a guessing game, but possibly an important one for those concerned with the viability of Palestinian social sector services. Guessing what the PA would currently spend on items covered by the ESSP has to be based on

- how large those expenditures were prior to the intifada crisis,
- comparisons to pre-crisis total expenditures
- comparisons to the pre-crisis situation with regard to the needs for these services relative to other needs that the PA must address (i.e. whether ESSP items have become more or less important given changes in the size and needs of the population)

The size of spending on ESSP items prior to the intifada is quite difficult to establish given the lack of transparent reporting of PA fiscal operations at that time. The IMF does in its 2003 report “Economic Performance and Reform under Conflict Conditions” mention that the social sectors have typically been allowed about one third of total non-wage expenditure, which would suggest close to US\$200 million in 2000, but would include transfers (including pensions and a low-level hardship relief program carried out by the MoSA) that are outside the ESSP scope (limited to operating costs). Assuming the same proportions of operating costs and transfers as in 2003 (when the latter amounted to 62% of the non-wage total), PA spending on ESSP items would have amounted to US\$73 million in 2000 (when total non-wage recurrent expenditures amounted to US\$577 million) and US\$53 million in 1999 (when total non-wage recurrent expenditures were US\$418 million).

In 2004, total PA expenditures excluding the ESSP were 5 percent higher than in 2000 and 36 percent higher than in 1999. During this period, however, there has been a substantial shift away from non-wage expenditures in the direction of paying higher wages to a larger number of PA employees. Some of it may have been indirectly supported by the ESSP, but hardly that which took place prior to 2002. In order to develop a guess about what PA expenditure on ESSP items might have been in the absence of the program’s contributions in that area, it may therefore be of use to try to determine how large the wage bill would have been, given PA employment at the 2001 level. The 2001 wage bill was US\$678 million, which would have left room for non-wage recurrent expenditure (without the ESSP) of $1348 - 678 =$ US\$670 million. That is US\$93 million above the 2000 level and US\$252 million higher than in 1999.

From the above, one may conclude that at least the same nominal expenditure on ESSP items would be expected from the PA itself in 2004 as just before the intifada, implying that most or all of the US\$69 million disbursed under the ESSP was shifted towards other areas, such as the raise in PA salaries associated with the new Civil Service Law implemented in 2003.

Left for consideration is how the needs in different expenditure areas have developed since before the crisis. If one were to conclude that expenditures included in the ESSP would have become a relatively more urgent priority over the years considered, then (at a given level of total expenditure) it would be more likely that the PA would have incurred them also in the absence of donor contributions through the ESSP, and vice versa.

Assuming that price developments in relevant areas have roughly followed the consumer price index, obtaining the same goods and services procured under the ESSP would have been 18% more expensive in 2004 than in 2000 (and 15% more expensive than in 1999) while (although many teachers and others can be said to be underpaid) it may have been possible to retain the services of the PA staff without adjusting their salaries for inflation during these years.⁵

⁵ The average inflation rate hides the fact that the Gaza Strip has experienced close to zero inflation due to the depressed economic conditions, whereas the West Bank has suffered inflation mainly due to the way internal closures have raised transportation costs.

The close to 5 percent annual population growth is another source of changing relative needs. At least some of the operating expenditures covered by the ESSP are likely to grow with the population served, but other important expenditure areas such as teachers and medical service staff must also increase with the population in order to maintain service levels. If absolute priority would have been given to letting employment in the health, education and social affairs parts of the civil service grow at the population growth rate since 1999, then the wage bill (at 2001 wage levels) would have been somewhere around US\$720 million in 2004 if no inflation adjustment of wages would have taken place. That would still leave the PA with more dollars to spend in ESSP areas than before the intifada, and suggests full expenditure shifting.

A potentially important reason to expect that PA priorities would have developed in a manner that would not have allowed it to spend much on ESSP items by itself even at the 2004 overall expenditure level, is the need for transfers to the expanding numbers of poor West Bank and Gaza residents. While the hardest hit have largely had to rely on private transfers from domestic or foreign sources, as the publicly administered social safety net is too limited to do much to soften a landing in deep poverty, the needs of the programs that exist are likely to have expanded faster than any other spending area. The IMF (in the 2003 report “Economic Performance and Reform under Conflict Conditions”) notes that “the Ministry of Social Affairs [has] succeeded in setting up a well targeted allocation mechanism for poor households” – the Special Hardship Case program, but the size of its budget in the crisis year 2003 of a mere US\$15 million (according to the World Bank in “Four Years – Intifada, Closures and Palestinian Economic Crisis”) leaves no indication that it would have crowded out much of PA expenditures on ESSP items in the absence of the ESSP program.

A tentative conclusion based on the preceding (admittedly very imprecise) analysis is that expenditure shifting was limited during the early ESSP phases in 2002 and 2003, but may have become more significant in recent months as a continued sharp decline in service quality together with an expanded overall budget would have induced the PA to step in and pay for some of the items now covered by the ESSP. After all, 2004 non-wage expenditure (net of ESSP) itself is close to the pre-intifada levels.

If expenditure shifting has been present, then (as explained in section 3.2) it is also quite possible that some revenue adjustment has taken place, i.e. that PA revenues have been somewhat smaller than would have been the case in the absence of the ESSP, implying that some redistribution from those less likely to be taxed to those more likely to be taxed. Considering the rather large budget shortfalls, however, one would imagine revenue adjustment to play a minor role, and it will not receive further attention in the remaining analysis.

4.2.2. Possible uses of ESSP resources in other areas

To the extent that the resource inflow generated by the ESSP in effect has contributed to spending in other areas of the PA budget, an attempt to determine the impact of the ESSP must begin with the extremely difficult task of identifying the spending priorities of the PA as it receives budget support (a task that of course also arises in the case of the RTF). One way of approaching this problem would be to assume that those spending priorities are reflected in the percentages of total spending allocated to different areas and expenditure types. If for instance salaries of PA security service staff amount to 25 percent of all central government expenditure, as it did in 2004, one would then conclude that 25 percent of all expenditure shifted ESSP funds went to increased expenditure on security service staff salaries. Although there are some indications that much of PA budget allocation exercises amount to using last year’s percentages, the assumption of constant percentages is far from satisfactory and does for example contradict one of the important justifications for the ESSP, namely that recurrent non-wage social sector expenditures suffered disproportionately when the PA liquidity crisis arose.

In other words, it is the spending priorities on the margin (i.e. for the small addition to the overall budget, about 5 percent in 2004) that count. Unfortunately, those marginal spending priorities are very

difficult to figure out. Questions posed to PA representatives at both the MoF and line ministry levels concerning expected cuts or expansions if revenues were to deteriorate or increase from the present level did not yield much in terms of usable answers. With regard to the example just used, however, one of the conditions attached to disbursements from the RTF is that no expansions in security service employment take place. Any indirect contribution by the ESSP to the security service wage bill during 2004 must thus have been limited to the salary raises that took place across the board (see below).

Other spending areas have not been subjected to such explicit restrictions and all that can be said is that to the extent that expenditure shifting has taken place, the ESSP may have contributed to one, some or all of the following developments:

- The increase (by 5900 persons) in, and increased wage payments of US\$134 million to, civil service personnel during 2003 and 2004. Most of this employment expansion has been in the social sectors, however, so that while it may not in practice have hit its target, the ESSP may in this case have come fairly close.
- The 15 percent increase in PA salaries (at an annual cost of US\$130 million at the 2004 public employment level) resulting from the implementation of the new Civil Service Law in September 2003. It should be noted that this raised real salaries to a level only 5 percent above the one prevailing in 1999 and has been considered an important reform, although it was perhaps not intended to be paid for by ESSP funds.
- The US\$145 million paid off on the arrears to suppliers during 2003 and 2004. If so, this may indirectly have contributed to social sector services by keeping suppliers in business.
- The payments to Israel for utility bills owed by municipalities of in total US\$330 million during 2003 and 2004. If the alternative would have been to put those payments off until later, the contribution would be to larger future spending (whatever that might have been devoted to).
- The continuation and expansion of the special hardship program involving cash and food transfers to households in acute poverty.
- Continued payments of operating costs by ministries outside the social sector, such as those of the central administration.

It is important to keep in mind, however, that the overall *need* for spending on items covered by the ESSP was beyond PA commitments to such items already before the crisis and has continued to rise with a growing population and a status quo with regard to the occupation. It therefore significantly exceeds what has been covered by the ESSP at its 2004 level, and the PA is neither able nor willing to pay for the total amounts required for long-term sustainability of the services provided by the social sectors. This calls for some arrangement that removes the incentives for expenditure shifting and revenue adjustment, so that both the PA's own resources and donor contributions can go into social sector spending. See the recommendations for improved effects in section 4.2.9 below.

4.2.3. ESSP effects in intended spending areas

To the extent that expenditure shifting and revenue adjustment has *not* taken place, the ESSP has ensured the continued provision of a number of items crucial to the services provided under the auspices of the ministries of education and higher education (MoE), health (MoH), local government (MoLG) and social affairs (MoSA). The progress reports from the MoF, although somewhat difficult to digest, allow one to break down the ESSP expenditures along a number of dimensions. This is done in table 1.

Table 1. ESSP Disbursements by Ministry and Purpose until December 31, 2004

(Amounts in US dollars)

		2002	2003	2004	Total 2002-2004	Share of total
MOEHE		2 075 448	12 988 638	26 028 054	41 092 140	29.3%
Goods	School and office furniture; scientific text books; vehicles for directorates; materials and tools for school activities; raw materials for vocational training and scientific equipment; general examination and printing material; animal food for agricultural schools; printing of text books	425 326	3 585 697	4 849 785	8 860 808	6.3%
Incremental operating costs	Annual rent for schools and directorates; payments to state examination controllers; maintenance; car insurance	1 650 122	8 140 462	7 440 931	17 231 515	12.3%
Salaries	University staff salaries		1 262 480	13 317 026	14 579 506	10.4%
Small works			0	420 311	420 311	0.3%
MOH		13 877 572	24 516 326	35 361 069	73 754 967	52.6%
Goods	Drugs; lab materials; blood bank disposables; medical supplies; medical gases	7 280 257	15 212 458	26 171 743	48 664 458	34.7%
Services	Cleaning; tertiary health care services provided by local NGOs and private clinics	1 558 936	1 685 064	2 400 085	5 644 086	4.0%
Food	Hospital food	712 444	1 115 658	975 836	2 803 937	2.0%
Incremental operating costs	Maintenance of 2613 primary health care centers and MOH directorates	4 325 934	6 503 146	5 813 405	16 642 485	11.9%
MOSA		1 040 580	2 279 575	1 083 667	4 403 822	3.1%
Civil and small works	Maintenance of 6 training centers; 5 rehabilitation centers; 3 social shelters and the ministry's main building	79 428	413 703	47 872	541 003	0.4%
Goods	Office furniture; raw materials and tools for training centers; professional and vocational training equipment and tools; computers and other office equipment	180 301	1 091 467	504 213	1 775 981	1.3%
Food	Food for the rehabilitation and training centers	51 784	199 621	207 588	458 993	0.3%
Incremental operating costs	Maintenance of cars and equipment; communication, water and electricity; rent for centers and directorates	729 068	574 784	323 994	1 627 846	1.2%
MOF and other ministries		146 959	2 717 876	1 985 986	4 850 820	3.5%
Goods	Office equipment and office supplies	79 309	302 305	333 839	715 453	0.5%
Services	Auditing services; training; and PCU salaries	54 241	104 325	146 880	305 447	0.2%
Incremental operating costs	Electricity; water; communication; rents	13 408	2 311 245	1 505 267	3 829 921	2.7%
MOLG		3 523 079	8 108 775	4 607 751	16 239 605	11.6%
Civil and small works	Maintenance of water and wastewater facilities, roads and electricity networks	1 058 539	2 979 141	2 794 253	6 831 934	4.9%
Goods	Cleaning materials; solid waste containers; equipment, tools and material for water, electricity and sewage networks; vehicles	1 524 176	4 028 731	1 366 360	6 919 268	4.9%
Incremental operating costs	Solid waste dumping fees; water; electricity; communication; maintenance	940 363	1 100 902	447 139	2 488 404	1.8%
Total		20 663 637	50 611 190	69 066 527	140 341 354	100.0%

Source: Compilations of data made available in the ESSP Quarterly Progress Report September 2004 and separately provided tables.

The main beneficiary has been the MoH, which received 52.6 percent of the funds disbursed as of end-2004 and used two thirds for drugs, lab materials and other medical supplies. The benefits of maintaining availability of drugs and medical supplies are unquestionable, as are those of maintaining operations of some 2600 primary health care centers which was the second most important area of ESSP expenditure in the health care sector.

The ESSP has since its inception covered all non-wage recurrent expenditures of the MoH, except for treatments abroad (offered when not domestically available) and a few non-covered medical items for which the MoF has paid (occasionally after some accumulation of arrears with suppliers). The ESSP became particularly urgent as health insurance premiums and nominal co-payments (1 NIS per service offered) largely dried up once the crisis was under way.

Representatives of the MoH pointed out that it is impossible not to give absolute priority to medical

emergencies, which implies that financially required cuts in health services are always at the expense of preventive care and treatment of chronic conditions. To the extent that it has added to overall health sector expenditures, the ESSP has thus helped maintain those forms of health care.

The MoE has been the second most important recipient of ESSP funds, most of which have been used to cover incremental operating costs (rents, maintenance, supplies, etc.). Schools at all levels and nine universities were beneficiaries, and besides keeping operations going the latest progress report also claims that the ESSP has helped those units improve their capabilities. As an exception to the rule of not using the ESSP directly for wage expenditures, about one half (US\$13.3 million) of the program's 2004 disbursements were used for covering university staff salaries during a three-month period.

The crisis situation made the NIS 50–70 per year student fees used for buying stationery difficult for some parents to pay, and put great additional strains on teachers (due to travel problems and needs for special arrangements for continued teaching), but schools have generally been able to continue to operate with the exception of periods of severe closure when it has been impossible for some students to reach their schools.⁶ Growing class sizes and traumatic experiences of the conflict have (in addition to putting more pressure on teachers) increased the need for school buildings, teachers and psychological counselors, which may have been indirectly supported by the ESSP through expenditure shifting. Universities have experienced severe drops in tuition revenue, but have been able to continue to operate, however with a gradual decline in lab facilities (as renovations and upgrades have been put on hold) and teacher competence (as research and training has been postponed).

The MoLG received funds through the first ESSP program, mainly for maintenance of water and wastewater facilities as well as roads and electricity networks. This has been considered critical for municipal service delivery and may in some instances have prevented the deterioration of facilities beyond repair.

Aside from providing cash and food assistance to those in severe distress, the MoSA runs a number of youth training and social centers and shelters, as well as rehabilitation centers. The cash and food assistance has not been included among allowed ESSP expenditures, and the MoSA's share of the ESSP funds has therefore been very limited (about 3 percent of total disbursements) and devoted only to supplies, food and operating costs of the centers and shelters. It is likely that this has led to some expenditure shifting within MoSA in favor of the cash and food assistance.

4.2.4. Effects on the conflict induced humanitarian crisis

By in parts (i) raising the PA's ability to provide essential social services, (ii) (to the extent expenditure shifting is present) adding to the overall spending capacity of the PA, and (iii) (to the extent revenue adjustment through reduced taxation is present) raising the disposable income of West Bank and Gaza residents, the ESSP has contributed to alleviating some of the hardship of the conflict induced humanitarian crisis. Since allocations between and within ministry areas of responsibility have been determined by PA budgeting procedures, and since the needs and prioritization in those procedures have not yet been subjected to a proper PER and since no performance indicators have been in operation, it is however very difficult to evaluate in more detail how close the ESSP has come to hitting Sida's target of mitigating the impact of the crisis.

4.2.5. Effects on Palestinian nation building

A widely held view is that successful Palestinian nation building depends on improvements in the PA institutions as well as on improvements in public regard for those institutions. Most ESSP expenditures have been directed toward areas where most of the interaction between the PA and the Palestinian public at large takes place. The maintenance of high service levels in health care and education under obviously difficult conditions is likely to become known to and impress many, at least to the extent that they are unaware of the external funding made available to the PA for these purposes.

⁶ A UNICEF program provided educational television solutions for maintaining some teaching during prolonged closure periods.

As detailed in section 4.4.1 below, the requirement to follow World Bank procurement and other financial operating procedures has imposed additional work on the MoF as well as on some line ministries and major receiving service providers, but, more importantly, it has also given the ESSP an element of capacity building that takes the form of increased skills and experience among individuals (in dealing with donor, and eventually the PA's own, demands) as well as institutional adaptation to new improved practices.

Although it can not be ruled out that expenditures may be shifted towards less well-monitored and more corruption prone activities, the World Bank requirements and extensive monitoring at least serve to reduce the fiduciary risk where ESSP payments are made, and may as a consequence raise public trust in those high visibility PA operations.

The detailed World Bank involvement in procurement and financial management associated with a large share of ESSP expenditures, does not signal complete PA ownership of the program. All decisions on expenditure allocation are however in PA hands. Furthermore, some PA-initiated efforts are undertaken to narrow the gap between PA and World Bank procurement and financial management procedures, suggesting an active involvement at the recipient end which may influence practices beyond the ESSP and its time horizon. There are no signs, however, that ownership of the ESSP extends beyond the management of major PA ministries and institutions. Interviews have revealed that those in charge of service providers receiving ESSP funds are rarely more than vaguely aware of the program, and any popular involvement in e.g. expenditure allocation decisions is clearly unheard of.

4.2.6. Effects on women and children

As women and children are the primary recipients of preventive and other non-emergency healthcare, e.g. through maternal care and vaccinations, while men are more prone to work- and conflict related injuries of an urgent nature, the ESSP (by contributing to the PA's ability to offer the former kinds of care) can be said to improve the distribution of healthcare in the direction of women and children.

The availability of supplies and maintenance ensured through the ESSP will also be of importance to the working conditions of the many women employed as nurses, teachers and other staff in the social service sectors.

Furthermore, one may speculate that those who manage and carry out most of the household chores are disproportionately sensitive to the availability of municipal services like electricity, water, and waste management (not supported in ESSPII).

Also in the presence of expenditure shifting there is reason to expect that women have benefited from the ESSP in terms of empowerment and resource allocation. Ignoring the possibility that a more severe crisis or even breakdown of PA institutions would lead to removal of the current patriarchal structures in favor of a more gender neutral form of social organization, an addition of resources under PA control in combination with improved public financial management is likely to go some way toward relative empowerment of women by means of employment and household resources.

The patchy employment data with gender identification that is available points to services (as one major subdivision of labor market activity, the others being industry and agriculture) as the one sector where women actually outnumber men (by 107 to 100 according to the UNDP). As the service sector includes virtually all PA employment, as well as some of the NGO activities supported by the PA (primarily in healthcare), and especially as the only clearly male dominated area of PA employment (security services) has not been expanding, the ESSP has probably empowered women through employment to the extent that it has involved expenditure shifting towards PA employment expansion and salary increases.

To the extent that any ESSP expenditure shifting has not favored PA employment expansion and salary increases, it may as noted earlier have facilitated non-wage expenditure outside the social sectors but

also continued and expanded transfers to households in acute poverty by the MoSA. In the latter case, women and children may be key beneficiaries, considering the widely accepted view that household poverty disproportionately falls on the shoulders of weaker parties as determined by social structures.

4.2.7. Effects on the environment

According to the World Bank, the ESSP belongs to the C Category of World Bank Projects which means that it is not assessed as having potentially negative environmental impact. A few direct positive environmental effects can be attributed to the ESSP (to the extent that it has added to overall expenditure in those areas – see the discussion on expenditure shifting) because of its support for rehabilitation and maintenance of land fills; solid waste vehicles; garbage collectors and containers; water pipelines, networks and pumps; and waste water lines and pumps. Those expenditures, and other influences the ESSP has had on government spending and as a consequence on economic behavior in the West Bank and Gaza, are in turn indirectly responsible for many effects – good and bad – on the environment. Tracing those would require a full systems analysis which is of course far beyond the scope of the present review.

4.2.8. Relationship between effects and program objectives and expected outcomes

Although a host of simultaneous political and economic developments with hard-to-measure consequences makes this a very vague indicator of ESSP success, it is clear that operations have continued in all supported areas and that most services have remained available to West Bank and Gaza residents.

4.2.9. Recommendations for improved program effects

Introduce a matching funds arrangement to ensure added spending on intended items

As indicated by the extensive discussion about expenditure shifting and revenue adjustment, and the numerous references to those possibilities in the review of likely effects on e.g. women and children, this reviewer has concluded that (under the currently prevailing political and economic conditions) it is probable that a significant part of ESSP funds end up financing items other than those for which they are earmarked. If there is a true desire among donors for their ESSP contributions to add to the overall spending on ESSP items – rather than to function as covert yet plain, unconditional, budget support – incentives for the PA to spend some of their non-earmarked funds (from their own revenues or budget support from donors) on ESSP items need to be introduced.

A simple mechanism which could achieve this objective (while avoiding a situation where donors in effect take command over the PA budgeting process) is a matching funds arrangement, whereby ESSP disbursements match PA spending on ESSP items (up to a certain limit representing the maximum donor willingness to contribute to the program). For instance, one dollar of PA spending on textbooks for schools could be matched by one dollar from the ESSP.

The practical details of such an arrangement, including the “matching rate” (the matching payment from the ESSP need of course not be a dollar for a dollar but any multiple thereof) need to be subjected to further analysis. However, a preliminary suggestion for the design of the proposed matching funds arrangement is to let the PA itself be a contributor to the ESSP, and those donors who like can then make matching contributions at a desired rate. This would also be a way of ensuring that all expenditures on ESSP items are subjected to the same financial management procedures, i.e. the procurement, accounting and monitoring currently carried out according to World Bank standards.

In economic terms, the proposed matching funds arrangement can give the PA a strong incentive to spend some of their own funds on ESSP items as a dollar of their own will then “command” one or several donor dollars of spending on those items (while no donor funding of ESSP items will be forthcoming at all without PA spending). In effect, it would be equivalent to (possibly heavy) donor subsidies for everything that is earmarked by the ESSP. With a one-to-one matching rate, the PA would for example be able to get two textbooks for the price of one.

It is also noteworthy that while a matching funds arrangement applied to all ESSP funds would yield stronger effects and under a wider set of circumstances, some benefits can be achieved even if applied only to the contributions of a relatively small individual donor. This is particularly likely in a situation where donor contributions to the ESSP and PA spending priorities are such that (in the absence of the small donor in question) the PA would wish to spend a little of its own funds on ESSP items. If instead contributions from other donors are so large that the PA does not find it worthwhile to spend any of its own resources on ESSP items (as has arguably been the case during the last couple of years) an additional small donor contribution will clearly raise overall spending on ESSP items by the value of that contribution. However, this does not make the scheme uninteresting since by attaching a matching funds requirement to its own contributions, the small donor can induce some PA spending in the area, thereby raising the social sector expenditure effect of its own contribution and contributing to the overall effectiveness of the program.

The small donor's individually applied matching funds scheme will be least effective (or at least most difficult to design for maximum effect), and a coordinated effort thus most important, if contributions to the ESSP are so small and the PA willingness to spend on such items so large that the ESSP only covers a minor share of overall spending on items covered by the program. The reason is that the standard matching scheme would then involve already existing PA expenditures and maximum effectiveness would under those circumstances require a slightly different design of the scheme (in which the matching is done for any PA spending above a certain minimum) based on a good estimate of what the PA would spend itself in the absence of the small donor's contribution.

Take domestic content into consideration to help reduce unemployment in the process

Under the prevailing conditions, there are likely to be instances where a multiplier effect of public spending can occur. As a dollar of additional public spending raises the income of somebody providing the good or service paid for, who in turn spends that income on other goods and services, and raises the incomes of providers of those goods and services, etc. it can raise overall production of goods and services in the economy if there are resources which can be utilized but are not fully utilized (an obvious example is labor, given the low levels of employment, but the requirement that it can be utilized is important – the effect will not occur to the extent that the unemployed individuals are unable to transport themselves to areas where their services are demanded).

Such multiplier effects can arise when ESSP funds are spent, but only to the extent that they are spent in ways that raise incomes of West Bank and Gaza residents. When ESSP funds are used for obtaining imported goods, no multiplier effects will arise (aside from minor ones associated with payments for their domestic transportation and any increase in demand for Palestinian exports that is generated in the process). Although it may not be efficient from the narrow perspective of getting the most ESSP items for ESSP dollars, it may thus be of some value to review the import content of ESSP procurement, and review the extent to which more expensive domestically produced alternatives are allowed under current regulations.

4.3. Relevance

4.3.1. Relevance in relation to Swedish development cooperation objectives

Although it is exceedingly difficult to pinpoint the effects of the ESSP, it has (as noted above) most likely contributed to alleviating some of the hardship associated with the humanitarian crisis, whether it has been through the intended facilitation of essential social services (the likely case during 2002 and 2003) or through general support for the overall spending capacity of the PA (at least partially true for 2004).

By ensuring continued PA provision of services reaching large parts of the population, or by ensuring that the resources used for these purposes have not been mismanaged and by strengthening financial

management capacity, the ESSP has likely been to the advantage of popular respect for PA institutions, and by extension probably Palestinian nation building.

In the review of the effects of the ESSP on women and children above, it was deemed likely that women were favored (relative to men) by the program due to their likely overrepresentation among recipients of preventive and non-emergency healthcare (this would be true also for children) as well as among those who work in the social service sectors and among those whose conveniences in daily life rely most heavily on functioning municipal services.

Also in the presence of extensive expenditure shifting toward wage bill expansion, the likely overrepresentation of women among non-security service public employees would make the inflow of ESSP funds favorable to the empowerment of women in Palestinian society (through income and employment). To the extent that expenditure shifting has made the ESSP indirectly support transfers to poor households, it may also have relieved the pressure on poor households and thus particularly on weaker parties within those households (which presumably include women and children).

This summary of ESSP contributions toward the central Swedish development cooperation objectives for the West Bank and Gaza, points to a rather high degree of relevance.

4.3.2. Relevance in relation to Palestinian priorities

In relation to the Palestinian top priority for budget support (motivated with support for the wage bill), the ESSP has been successful only to the extent that it has led to expenditure shifting, i.e. only to the extent that it has paid for items that the PA would otherwise have paid for. As extensively discussed above, this may well have been the case during 2004 when almost half of the ESSP funds were disbursed.

The ESSP can also be said to have contributed to humanitarian and social assistance, through the support for MoSA and MoH expenditures but not with a particularly strong targeting of the most distressed. To the extent the latter group has been reached, it has been “by accident” through expenditure shifting toward the special hardship program. Some support for reform and institutional capacity building (no. 6 on the PA list of priorities) has also been identified.

The relevance of the ESSP in relation to Palestinian priorities has thus been strong only to the extent that it has functioned as pure budget support due to expenditure shifting.

4.3.3. Recommendations for improved relevance to Swedish development cooperation objectives and Palestinian priorities

The *matching funds arrangement* described in section 4.2.9 above would probably raise the relevance of the ESSP to Swedish development cooperation, or at least raise the level of certainty that the ESSP actually promotes spending areas of such relevance. By reducing the likelihood of expenditure shifting and revenue adjustment, it would however have less of a budget support element and thus go against the top Palestinian priority.

Consider inclusion of other social sector expenditures fulfilling basic ESSP criteria

While a narrow focus in terms of expenditure types may facilitate ESSP management, it seems that the most important criteria for including a range of expenditures in the program must be their non-capital, emergency and social service character. A prime candidate for inclusion according to those criteria would be the special hardship case program of cash and food assistance run by the MoSA, provided it can be monitored in an adequate manner. This would raise the relevance of the program in terms of Swedish development cooperation priorities and simultaneously satisfy the no. 2 priority on the Palestinian list that is currently given scant attention by the ESSP. In order to ensure that this new category of social sector expenditures that is currently financed by the PA will get additional funding if included in the ESSP, current levels of spending need to be taken into account in the design of the matching funds arrangement.

4.4. Efficiency and quality

4.4.1. Ministry, World Bank and donor roles in the implementation and monitoring of the project

Overall management of the ESSP, including decision-making on the allocation of funds among line ministries, is handled by the MoF through a Project Coordination Unit (PCU) consisting of about ten persons (the inexactness has to do with an ongoing expansion of this unit). The management of the various project components is in turn handled by the financial management units of the line ministries (that are usually responsible for procuring and paying for goods and services needed by the recipient service providers like schools and clinics), apparently with the exception of universities who deal directly with the MoF. The World Bank provides continuous technical support to these units to ensure proper monitoring and compliance with World Bank procurement, financial management and reporting procedures. In many cases, there is a requirement of prior review by World Bank staff for expenditures to qualify under the ESSP.

The MoF has opened special accounts with a commercial bank for each of the four (in ESSP II only three) line ministries involved but the day-to-day handling of the accounts and payments have been assigned to each line ministry. The World Bank, as fund administrator, advances a few months' worth of expected expenditures to each special account and then, upon receiving a withdrawal application co-signed by the respective line ministry and the MoF, replenishes the accounts based on the amount of eligible expenditures from the account supported by proper documentation. An external auditing firm carries out financial audits of all project activities as well as spot checks to verify that purchased goods are not diverted from their intended points of use.

An Inter-Ministerial Committee, consisting of representatives of the line ministries and the MoF, is supposed to exercise project oversight and meet every three months, with invitations for participation extended also to donors, in order to review quarterly progress reports which summarize the progress in the implementation of the project, and to discuss any impeding factors. Those quarterly meetings are also intended to involve an exchange of information with donors about the revenues and expenditures of line ministries for the purpose of coordinating with other vehicles for donor support of PA operating costs. There have, however, been indications that the committee has played a very limited role and that all major decisions (such as budget allocations) in practice have been taken independently by the MoF.

4.4.2. Administrative costs

Ignoring the close to negligible efforts that the ESSP requires of donors, the additional staff time and other project implementation and monitoring costs of the program can be said to arise in the World Bank, in the MoF, in line ministries, and among some receiving service providers.

The World Bank charges a fee of 2 percent of managed funds which is claimed to be considerably less than the cost of staff time, especially that needed to handle the technical assistance involved in helping PA recipients ensure the eligibility of expenditures (that items qualify under the ESSP, that they are procured according to World Bank standards, etc.).

At the MoF, they estimate their running costs for the ESSP, which mostly consist of salaries for PCU staff, to \$4000–5000 per month. Whether this amounts to a proper valuation of the staff time is unclear. It is for instance possible that staff with the skills possessed by those at the PCU are in short supply and that their salaries therefore likely underestimate the value of what they may be able to contribute in other assignments. Assuming that MoF claims of capacity to handle substantially larger budgets are correct, however, the provided cost estimate can be considered acceptable and corresponds to about 0.1 percent of ESSP funds disbursed.

In line ministries, and in major receiving service providers such as universities, the ESSP has also put some demands on accounting/budget staff time, for handling reports, invoices and other paperwork.

While not necessarily representative, an indication was provided by the person who does most of the day-to-day handling of ESSP matters at the Palestine Polytechnic University in Hebron. She estimated that the ESSP necessitated two hours of additional work per day (compared to what similar regular funding would have required). Valuing her work at the average civil service salary rate (\$7,084 annually in 2004), and considering that the university received about \$500,000 of ESSP funds during 2004, the associated management cost at the line ministry/university level would then be approximately 0.35 percent of ESSP funds received.

Aside from the universities, it seems that most receiving service providers like schools and clinics or even the directorates responsible for a number of those, are largely unaware of the ESSP. This is probably because purchases are generally handled at the line ministry level. It is therefore safe to assume that the ESSP has not given rise to any direct administrative costs among receiving service providers other than those (like the universities) that deal directly with the MoF (and thus take on and replace the line ministry role in ESSP management).

To summarize, the overall administrative costs attributable to the ESSP are quite small. If the undercharging by the World Bank is treated as an additional grant rather than accounted for as project management cost, then the administrative costs run at about 2.5 percent of total ESSP funds disbursed. In the early phase of the ESSP, they were probably higher, both at the World Bank and among the MoF and line ministries, as considerable efforts at adjustment to World Bank procurement standards and other requirements have been reported. It may however be argued that those additional efforts were made at a time when ministry resources may have been underutilized anyway (due to the depressed budgetary situation) and should otherwise be considered expenditures for capacity development as there, arguably perhaps, are benefits to establishing routines compatible with World Bank standards.

4.4.3. Comments on implementation

A readily available indicator of implementation performance is the rate of disbursement of funds. In an emergency program like the ESSP, unlike in development oriented aid programs, this seems to be an important indicator of program efficiency (assuming that financial management standards are not compromised in the process). The only problem from an evaluation standpoint is to establish a proper benchmark for comparison. A comparison against pure budget support would be unfair to the ESSP since many transactions require time consuming procurement processes and since upholding of proper financial management standards requires monitoring of virtually every purchase that is made. The disbursement rates of traditional development projects would at the same time be too lax a standard as the ESSP merely involves support for already well established transaction patterns. What can be concluded from available information, however, is that disbursement rates have increased over time and that the current (2004) rate of close to \$6 million per month has been maintained without material deviations from the World Bank's procurement, financial management, or reporting standards.

The discrepancies in procurement regulations described above have constituted the major bottleneck in terms of disbursement. Learning, and some adaptation of the original rules set out by the World Bank have however gradually removed most obstacles. As an illustration, representatives of the MoH explained how early ESSP implementation rules required new tenders, e.g. for hospital supplies, every time new ESSP funds were received by the ministry (usually every one or two months) and a multi-month process would ensue. In the beginning of 2004, an agreement was reached with the World Bank to allow tenders to be made only twice a year with the terms including a provision that the tender was subject to availability of funds.

Among some recipient line ministries and receiving service providers it has been noted that the exclusion of capital expenditures from allowed ESSP items sometimes leads to unnecessarily high costs, as buying new durable goods such as computers may be cheaper than replacing and/or servicing non-functioning parts on the old ones.

It has also been pointed out that the dissemination of information about proper procedures regarding expenses to be covered by the ESSP has been unnecessarily indirect and incomplete. One representative of a major receiving service provider with its own special account contended that much unnecessary confusion and additional work could have been spared through attempts to provide a big picture early on and through more direct contacts with the World Bank instead of via the MoF.

4.4.4. Comments on the monitoring and evaluation processes

The quarterly progress reports put together by the MoF are the main form of reporting to donors. They are full of detail and some efforts have been put into presentation design, but the text in the main report document is little more than uncommented reporting of data also presented in tables. The latter are unfortunately provided separately and their large number, overlapping or non-matching categories, and lack of explanations stand in the way both of attempts to obtain a quick overview and of attempts to carry out more in-depth analyses.

Besides observations on the fulfillment of the program objectives of continued availability of textbooks and other supplies in schools; basic services in the health sector; municipal waste management, water supply and electric supply; and services offered by the MoSA rehabilitation centers and social shelters; there is a complete lack of more precise performance indicators which could reveal something about the efficiency of ESSP expenditures. Unfortunately, this is partly a matter of tradition. Representatives of the MoH who had begun initiating some service satisfaction tests did for instance claim that a fundamental culture change within the PA would be necessary for obtaining practical acceptance for the kind of performance indicators that would make a closer evaluation of outcomes possible. Considering the intended short-term emergency nature of this program, the ESSP management at the World Bank may be excused for not prioritizing collection of performance indicators which would probably need to be monitored for years (together with many other variables) before any effects of the ESSP could be separated from other influences.

The qualitative monitoring performed by the World Bank includes evaluation missions. Interviews with line ministry and receiving service provider representatives are carried out in the process which leaves an opportunity to communicate implementation problems. When such problems were articulated in the course of interviews for this review (for instance that drug imports would be facilitated if nominally purchased by donors so that they are treated by Israeli authorities as donations rather than as commercial imports), it was also confirmed that they had been mentioned in recent meetings with World Bank mission members. Communication of implementation problems thus seems to take place, and other anecdotal evidence indicate that at least some complaints lead to changes in procedures.

The practice of monitoring many expenditures by means of prior reviews by World Bank staff of tenders, bids, etc. adds to lead times and PA as well as World Bank staff efforts. This practice does of course minimize fiduciary risk and carries an element of technical assistance, but proper guidelines, information and certainty of post-reviews may in some instances serve the same purposes.

4.4.5. Comments on adequacy, strengths and weaknesses of the World Bank, Sida, implementing ministries

Overall, there seems to be adequate capacity in the World Bank as well as in implementing ministries for handling the ESSP at the monthly disbursement rates seen so far. The main exception has been the management capacity in the MoLG which led to a decision not to involve that ministry in ESSPII and instead set up a customized program for answering its needs. A minor exception to the capacity adequacy rule has been that the entire ESSP Project Coordinating Unit of the MoF has been located in Gaza despite the harsh restrictions on travel between the West Bank and Gaza. Recently, this has been addressed by the establishment of a liaison unit at the MoF in Ramallah.

4.4.6. Recommendations for improvement of efficiency and quality

Generally speaking, the key parties in the implementation of the ESSP seem to have been willing to change implementation rules, practices and organizational arrangements when problems have been identified, but some efficiency and quality issues mentioned above give rise to recommendations for improvement.

- Increase flexibility with respect to those capital expenditures that (over the time horizon of the next phase of the ESSP) would be lower than those for parts replacements and repairs that are currently used to maintain the operational capacity of some machinery.
- Arrange a workshop on ESSP regulations and practices for those in line ministries and recipient service providers who are new to the program and also when major changes are introduced, rather than having necessary information seep through over time.
- Make the quarterly progress reports more useful by streamlining the plethora of tables provided, and attaching basic explanations of their contents. Among the annexed files, do also include one with the base data used in the compilation of all the tables, as this would make independent analyses possible.
- Look for social service provision performance indicators, particularly ones that may already be compiled for other purposes and can be used to recapitulate pre-ESSP and even pre-crisis conditions.
- Review the demands for prior World Bank review of some expenditures, with an eye toward extending the range of expenditure types and sizes for which it is left to the PA units in question to decide whether there is any risk that a post-review (which should always be undertaken) will come to the conclusion that the expenditures in question do not qualify for the ESSP and must be financed in some other way.

4.5. Sustainability

Although items included in the ESSP are recurrent expenditures as far as financial reporting goes, they have an investment component in the sense of having potentially important effects on future conditions in the West Bank and Gaza. Insofar as the ESSP has prevented a decline in the quality of education during the 2002–2004 period, it has safeguarded the future productivity of a segment of the population. A similar argument can be made about the consequences of maintaining health care service levels, as it may help ensure that some of those who have become ill or suffered injuries can return to productive work. In the case of health care, there is also the possibility that expenditures ensuring good quality care today may significantly reduce the need for costly future care. Continued operations of the MoSA shelters clearly have long-term implications very similar to those of health care facilities.

The ESSP can also be said to have achieved sustainable increases in capacity, in terms of project management experience and hands-on knowledge of procurement according to World Bank standards, in the MoF as well as in budget/accounting units at line ministries and major receiving service providers.

5. Reform Trust Fund effects, relevance, efficiency and quality

5.1. Program objectives and expected outcomes

According to the document formally proposing the RTF, its objectives are (i) to harmonize donor assistance in exchange for a commonly agreed reform program designed to improve the PA's financial management systems within a broader national reform agenda; (ii) to provide budgetary and fiduciary assurances to donors sufficient to ensure their financial support during the 2004 and 2005 budget years; and (iii) to simplify procedures for the PA.

The specific objectives and expected outcomes with regard to reforms are borne out in the formulation of prior actions and benchmarks. The first tranche of the RTF, disbursed in May 2004, relied on the following set of so called prior actions (quoted from the World Bank document that provides the formal proposal of the RTF):

1. Submission to the Palestinian Legislative Council (PLC) and passage of the PA Budget Law for 2004.
2. Submission to the PLC of statements on the PA's fiscal operations in 2002.
3. Full implementation of the 2004 Budget Law's requirement that the salary payments of all PA security personnel be directly deposited into individual bank accounts.
4. Completion and publication of the final report of the valuation of assets of the Palestine Investment Fund (PIF).
5. Full compliance with the 2004 Budget Law in relation to public sector hiring, which should not exceed programmed net additional hiring of 3,500 personnel to be allocated as follows: (a) at least 90% of these positions to the social sector ministries (Health, Education, Social Affairs) and for Reform Program related needs; and (b) the remaining 10% to other civil service entities.

The next tranche relied on the fulfillment of the following list of mid-2004 reform benchmarks:

1. Adoption by the Council of Ministers of an Action Plan to contain the wage bill.
2. Best efforts to adhere to a minimum quarterly level of NIS 160 million in essential non-salary social recurrent expenditures.
3. Submission to the PLC of a revised External Audit Law which would ensure compliance by a new auditing institution with the provisions of the Basic Law (independence of the institution, responsiveness of the PLC), and clear responsibility for auditing all PA institutions' budget execution reports.
4. The assumption of full jurisdiction by the Department of Supplies and Tenders in the Ministry of Finance over all purchases made by PA ministries and agencies, including the Security Financial Administration.
5. Approval by the National Pension Committee of a detailed outline of a pension reform program and a draft Pension Law, including implementation regulations, setting out the parameters, institutions, and management of a unified and sustainable public sector pension scheme.
6. Full implementation of the council of Ministers' decision of June 2003 to retire PA employees at the age of 60.

7. Submission to the PLC of statements on the PA's fiscal operations in 2003, and PA commitment to their external audit by the new auditing institution (benchmark 3) by end-March 2005, or by external auditors, commissioned by the PA as a one-time stop-gap measure, by end-June 2005.

Those benchmarks were considered to be met at the time of a supervision mission, involving representatives of major donors and the World Bank, carried out in June–July 2004.

The end-2004 benchmarks were

1. Submission to the PLC of a 2005 Budget that includes a public sector salary and employment mix consistent with the Wage Bill Containment Plan.
2. Review of recruitment and promotion procedures for PA employees (both civil service and security personnel).
3. Development of a comprehensive database of PA employees (both civil service and security personnel), containing a minimum set of information on every person on the PA payroll.
4. Establishment of an adequately staffed Pension Project Coordination Unit in the MoF charged with overseeing preparation and implementation of the new pension system.
5. Submission to the PLC of final statements on the PA's fiscal operations in 2003 containing comprehensive information on the PA's financial results and position as well as budget execution.
6. Recruitment of an auditing firm to audit 2003 final statements using international auditing standards.
7. Development of an action plan to set up the new external audit institution.
8. Commitment to undertake a Public Expenditure Review in 2005.

The RTF benchmarks for 2005 are currently being negotiated between the World Bank and the MoF with some input from donors. The delay is attributed to the elections, the forming of a new cabinet which the MoF thinks should be in on the decision to accept the new set of benchmarks, and to some extent also to the presence of unmet 2004 benchmarks.

It is anticipated that the new benchmarks will be follow-ups on previous benchmarks, such as the completion of a Public Expenditure Review (PER), implementation of improved recruitment and promotion procedures for PA employees, and the setup of a new Palestinian external audit institution. The World Bank has also tabled some benchmarks related to legal and judicial reforms but does not anticipate having those included among the mid-2005 benchmarks.

The limited prospects for a broadening of the set of reforms beyond the public financial management area can be ascribed to the Palestinian Minister of Finance's (the main promoter of reforms and PA counterpart for the RTF) lack of ability and therefore willingness to guarantee completion of reforms in areas outside the jurisdiction of his Ministry, as well as a fear (common to many of the donors and the MoF) that the momentum will be lost in the efforts to reform public financial management if the inflow of RTF funds is stopped due to non-completion of benchmarks in other areas.

5.1. Effects

There are two types of effects to consider in the case of the RTF – the effects of the additional expenditure (and possibly to some extent reduced tax collection efforts) made possible by the program, and the effects of the conditions imposed for disbursement.

5.1.1. Possible effects of additional spending power

A proper review of the effects of the additional resources provided must handle the extreme difficulty (described already in section 4.2.2 above) of determining the marginal spending priorities of the PA. As was done in connection with the ESSP review above, a review of preliminary PA financial statements (in this case with a focus on changes between 2003 and 2004 as the RTF did not become operational until 2004) yields a number of examples of possible uses of budget support, including:

- Maintenance of the newly raised level of PA salary payments (by an annual amount of about US\$130 million) following the 15 percent increase in PA salaries resulting from the implementation of the new Civil Service Law in September 2003.
- The US\$29 million paid off on the arrears to suppliers.
- The payments to Israel for utility bills owed by municipalities of in total US\$157 million. If the alternative would have been to put those payments off until later, the contribution would be to larger future spending (whatever that might have been devoted to).
- The continuation and expansion of the special hardship program involving cash and food transfers to households in acute poverty.
- Continued payments of operating costs by ministries outside the social sector (since the social sector was covered by the ESSP), such as those of the central administration.

Using these examples to draw conclusions about the impact of the RTF on areas of priority to Swedish development cooperation and Palestinian development planning, is of very limited use. The tentative conclusions about RTF effects will therefore be limited to the non-controversial observation that it has added to the overall spending capacity of the PA, as well as the results of the following brief analysis of how the conditions for disbursement may have influenced the PA.

5.1.2. Possible effects of disbursement conditions

It is hardly controversial to claim that the listed reforms will ensure more efficient use of resources and for that and public trust reasons are of benefit to Palestinian nation building. Of key importance to the present analysis is however whether the RTF contributes to this reform process. The reforms concerned have been initiated by the MoF, who is also prone to claiming that they would be undertaken with or without the RTF. This establishes the presence of a desired feature of aid programs – recipient ownership, but does at the same time put in question whether the RTF makes a difference.

There are, however, a few reasons to believe that the reform program would not have reached its present stage and would not have as favorable an outlook for the near future as it presently has without the RTF:

- If perceived to be bringing in donor funds, the domestic position of the Minister of Finance will be strengthened and his ability to overcome the resistance of reform averse individuals within the PA improved.
- Some of the reforms, such as the pension programs and the setup of an external audit institution, are costly to implement and therefore need to be accompanied by funding.
- There are some instances where World Bank/donor priorities differ from those of the MoF and the RTF scheme adds some weight to the former.
- It can be argued that the RTF naturally builds momentum for reforms, not merely by imposing time limits but also by letting new benchmarks follow up on the achievement of earlier benchmarks. An example is the end-2004 benchmark to develop an action plan to set up the new external audit institution. The natural follow-up benchmark is implementation of the action plan, which keeps the

reform momentum going in that area and the anticipation that the implementation will be the next benchmark makes for a better plan in the first place. Similar things can be said for the benchmarking of pension reforms and the public expenditure review.

The handling of non-completion of reform benchmarks is an issue that may be a threat to RTF effectiveness. When the situation arises, the parties involved have to face the question of what in practice was meant by the benchmark (experience shows that this has not always been a matter of full agreement), as well as whether hindsight shows that the benchmark in question was unreasonable or whether the non-completion was by true choice of the PA. Although completion has so far been achieved for most benchmarks, there have been exceptions (most notably the end-2004 benchmarks 1, 2 and 7, dealing with public sector employment and the external audit institution, which had not been met as of February 13, 2005) and it has also become clear that some room for amendment of benchmarks exists, e.g. through extensions of the time horizon or rewording.

Since a maximization of the effect of this reform scheme requires that benchmarks be just barely achievable, however, it is difficult to avoid non-compliance situations, and it should be pointed out that no new disbursements have so far been made without completion of all benchmarks (possibly in amended form), but the willingness to amend benchmarks does nevertheless make it unclear whether the entire set of conditions is truly binding. The benevolent interpretation is that the execution of this program is a learning experience for the parties involved, and that there is a distinct possibility that the benchmarking will improve, that the reform capacity will be better understood, and that the ambiguities concerning RTF conditionality will therefore diminish.

5.1.3. Tentative conclusions about RTF effects on the conflict induced humanitarian crisis, Palestinian nation building, women, children and the environment

Since the analyses of spending priorities and effects of the benchmarking process could not possibly move far beyond mere speculation, the overall effects of the RTF on areas of priority to Swedish development cooperation and Palestinian development planning can only be roughly sketched out.

- By adding to the overall spending capacity of the PA, the RTF has probably contributed to alleviating some of the hardship of the conflict induced humanitarian crisis by helping maintain salary payments (to the primary benefit of PA employees and their dependents) and possibly transfers to hardship cases.
- By supporting the spending power of the PA while lending support and probably some momentum to a popular reform process, the RTF probably helps raise the stature and viability of PA institutions, which is considered central to Palestinian nation building.
- Since it is quite possible that the RTF budget support has supported the civil service wage bill and perhaps also transfers to the destitute, the relative position of women is more likely than not to have improved thanks to the program, as women are thought to be overrepresented among non-security service public employees and among the poorest.
- It is impossible to trace the environmental effects of this form of budget support in any detail, but at least the program contains no element normally associated with significant damage to the environment.

5.2. Relevance

The relevance of the RTF to Swedish development cooperation objectives lies primarily in its likely support for Palestinian nation building by strengthening the Minister of Finance's agenda for public financial management reform. The contribution to PA spending power probably helps alleviate the humanitarian crisis and a vague positive relationship with the relative position of women can be traced. The relevance to Palestinian priorities is more obvious considering the budget support involved.

5.3. Cost effectiveness of the RTF

Budget support is by its nature as cost effective as aid programs come. The World Bank charges a fixed annual fee of US\$600,000 to cover all administrative expenses involved in running the program, which for 2004 corresponds to a mere 0.5 percent of disbursed funds.

6. Concluding analysis and recommendations

6.1. An analysis of differences, advantages and overlaps between the programs

In the severe liquidity crisis suffered by the PA during 2002 and to a lesser extent in 2003, the ESSP probably contributed significantly to spending on operating costs in the social sectors. Significant improvements in the political and economic environment in 2004 did however allow the PA to raise expenditures above pre-crisis levels and a review of the limited information available on its spending priorities and needs (presented in section 4.2.1) indicates that the ESSP in its current form and under current conditions probably can not be differentiated from plain budget support due to extensive expenditure shifting.

Unless contributions rise dramatically (and therefore above what the PA would have spent on ESSP items without the program), the earmarking of ESSP funds for operating costs in the social service sectors is therefore of little practical relevance and the real differences between the ESSP and the RTF are reduced to which conditions they impose and the insurance that the ESSP provides for certain expenditures against another dramatic deterioration in the spending power of the PA. Table 2 offers a summary comparison between the two programs based on those premises.

Table 2. A comparison of important current features of the ESSP and the RTF

ESSP	RTF
General support for the PA budget (in the ESSP case due to probable expenditure shifting under current fiscal conditions)	
Micro-level conditions in the form of required compliance with World Bank procurement, financial management and reporting procedures. + Associated extensive monitoring prevents corruption in important and visible areas of PA operations + Capacity building in terms of staff skills and procedural adaptation to envisioned future demands	Macro-level conditions on public financial management reforms + Lends support for and momentum to much needed reforms – True PA ownership of reforms may be questioned
The minimum total expenditure on ESSP items is (as currently is the case) the amount of ESSP funds disbursed + Insurance for coverage of social sector operating costs in case of deteriorating economic and/or PA fiscal conditions	+ Through a key condition, the RTF prevents the PA from further increasing security service employment and restricts civil service employment increases to the social service area
Donor coordination through the World Bank	

The main practical differences are the kinds of conditions attached to disbursements from the programs. While the ESSP offers micro-level conditions on procurement, financial management and reporting procedures which contribute to corruption prevention and capacity building, the RTF offers macro-level conditions on public financial management that may contribute to the important reform

process in that area (including corruption prevention). Those sets of conditions are likely to contribute to Palestinian nation building, albeit in slightly different ways, but it is clearly beyond the scope of this report to evaluate their relative importance in this regard. In more concrete matters of spending allocation, the RTF contributes significantly by regulating the development of the public payroll, while the ESSP provides insurance for social sector operating costs.

In a development cooperation context which is widely considered to be fragmented and lacking in donor coordination – to the detriment of PA planning and administration, donor coherence and hence of course aid effectiveness – a noteworthy common feature of the programs under consideration is that they offer maximum donor coordination through the World Bank.

6.2. General recommendations

From a strategic perspective for the donor community as a whole, the benefits of both programs could be assured either by maintaining support for both or by revamping one of them so that it incorporates the separate benefits of the other. For instance, the RTF conditions could be expanded to include a minimum level of expenditure on ESSP items (which would amount to a more specifically directed and binding condition than the already existing one requiring that “best efforts” be made to maintain a certain quarterly amount of social sector spending) according to the procedures and with the kind of World Bank monitoring currently applied in the ESSP. An alternative would be to introduce the RTF benchmarks as conditions for ESSP disbursements.

Assuming that such a far-reaching merger of the programs is not a realistic option, since it would come at the expense of the often striven for simplicity in aid programs, the following notes and recommendations are offered to the donor community as a whole:

- A certain level of contributions must be made to the RTF in order to make adjustment to the RTF conditions worthwhile to the PA and not just a liability to the Minister of Finance by making him appear to bend over backwards to satisfy donor demands. After all, if the conditionality inherent in the RTF is at all effective in generating and/or speeding up reform, it follows that there must be some correlation between the size of contributed funds and the reform effects achieved.
- Since, in its present shape and under current conditions, the ESSP may be serving as general budget support (due to expenditure shifting), the restrictions on PA expenditure patterns (particularly those related to the PA wage bill) provided by the RTF are of high importance to the impact of the ESSP.
- A new version of the ESSP should involve a matching funds arrangement (as described in section 4.2.9) in order to ensure that donor funds contribute to recurrent social sector spending as originally envisioned instead of functioning as general budget support by allowing the PA to shift expenditure to other budget areas.
- The provisions in the ESSP for allowing domestic procurement at a premium to imports should be reviewed, and extended if deemed to contribute to higher capacity utilization in the West Bank and Gaza (as discussed in section 4.2.9).
- As discussed in section 4.3.3, in order to raise the poverty relevance of the ESSP without deviating from its non-capital, emergency and social sector character, a program such as the one that is providing cash and food assistance to special hardship cases that is run by the MoSA should be considered for inclusion among qualifying expenditures. Current levels of PA spending on this program should then be taken into account and ideally used as a basis for inclusion in the matching funds scheme.
- Despite being a relatively efficient program, further improvements in the efficiency and quality of the ESSP are possible. Some candidate areas identified in section 4.4.6 are minor capital expendi-

tures that are more cost-effective than their recurrent expenditure equivalents, the distribution of information about ESSP regulations and practices, the quarterly progress reports, performance indicators, and the scope for post-reviews of line ministry expenditures.

6.3. Recommendations concerning future Swedish support

There are clear indications that the way they are currently designed, both programs have elements of relevance to Swedish development cooperation priorities, particularly as promoters of Palestinian nation building, but that a comparison between the respective degrees of relevance in that regard is infeasible. The recommendations for future Swedish support will instead rely on the difference that a Swedish contribution could make and the programs' relevance to the priorities on humanitarian conditions, women and children.

The RTF can be said to have two elements: support for public financial management reform and general budget support. The former element will require a certain threshold level of contributions to become functional, as noted in section 6.2 above, but above that threshold (i.e. as long as the RTF gets considerable support from e.g. the EC as anticipated) the reform agenda is not likely to be sensitive to the small addition to RTF contributions that Swedish support could yield. Aside from possible political signals with which this report is not concerned, the effect of a Swedish contribution to the RTF would thus most likely be equivalent to unconditional budget support. While it is possible that this would have beneficial effects in areas of Swedish priority since those at least partially coincide with stated PA priorities, the Swedish country strategy (as of March 10, 2005) rules out pure budget support. The implication is that a Swedish contribution to the RTF should not be undertaken unless it can be shown that Sweden is in the highly unlikely position of being pivotal in bringing the overall contribution total above the threshold level for reform conditionality effectiveness.

The effect of a Swedish contribution to the ESSP also depends on the overall size of other donor contributions but in a different manner. If the PA spending capacity remains at its current level, and total ESSP contributions from other donors fall significantly below the 2004 level, then a Swedish ESSP contribution would simply help replace some PA expenditures on covered items and would hence be practically indistinguishable from unconditional budget support (except for the benefit associated with World Bank monitoring of a somewhat larger expenditure total). If all other donors' contributions to the ESSP instead become large enough to pay for all the covered expenditures, then a Swedish contribution will necessarily add to spending in the designated areas, thereby adding to the ESSP benefits discussed in sections 4.2.3–4.2.6 with high relevance in terms of Swedish priorities. It can also be said that the larger the total ESSP contributions, the greater the value of the insurance component highlighted in table 2 and the greater the ease of designing and implementing the proposed matching funds arrangement.

The relevance of the ESSP to Swedish priorities could however be raised further (and surpass that of general budget support in the case of a poorly funded ESSP) if the recommended matching funds arrangement and inclusion of well-targeted transfers to the poorest are implemented in its next phase. It is therefore recommended that a matching funds arrangement be suggested to the World Bank and other donors as an integral part of the design of a new ESSP phase. In the absence of support for this idea among other donors, Sida should consider applying such conditions to its own contributions since some of the benefits can then still be reaped (see the discussion in section 4.2.9). In either case, a further review of implementation arrangements for a matching funds scheme should be undertaken. The recommended inclusion of well-targeted transfers to the poorest in a future ESSP can not be independently handled by a small donor but should at least be proposed for review.

In sum, Swedish contributions to a reasonably well funded RTF would in practice violate the provision against pure budget support in the country strategy for the West Bank and Gaza. The same can be said

for Swedish contributions to a poorly funded ESSP unless part of a well-designed matching funds scheme. A well funded new phase of the ESSP would on the other hand be well aligned with Swedish priorities on humanitarian conditions and Palestinian nation building, and the desired effects of the ESSP could be augmented by the recommended matching funds scheme and inclusion of an expanded range of relevant non-wage social sector expenditures.

Since the uncertainty of the political situation as well as the PA's poor record of planning for sustainability of long-term development projects puts the return on such projects in question, and since a shift toward more coordinated donor efforts would be likely to increase overall aid effectiveness, it may also be a good idea to shift Swedish funds away from some bilateral development projects toward a future ESSP with a somewhat widened scope and financing participation by the PA as outlined above. The administrative capacity thus freed, may be used towards a closer involvement in the PA budgeting process and monitoring of reform.

Annex 1. List of abbreviations

CFAA	Country Financial Accountability Assessment
EC	European Commission
EPIP	Emergency Public Investment Plan
ESSP	West Bank and Gaza Emergency Services Support Project
IDA	International Development Association
IMF	International Monetary Fund
MoE	Ministry of Education and Higher Education
MoF	Ministry of Finance
MoH	Ministry of Health
MoLG	Ministry of Local Government
MoSA	Ministry of Social Affairs
NGO	Non-Governmental Organization
NIS	New Israeli Shekel
PA	Palestinian Authority
PASSIA	Palestinian Academic Society for the Study of International Affairs
PCBS	Palestinian Central Bureau of Statistics
PCU	Project Coordination Unit
PER	Public Expenditure Review
PIF	Palestine Investment Fund
PLC	Palestinian Legislative Council
QIIP	Quick Impact Intervention Program
RTF	Public Financial Management Reform Trust Fund
SESP	Socio-Economic Stabilization Plan
UNICEF	United Nations International Children's Emergency Fund
WB	World Bank

Annex 2. Reference data for the West Bank and Gaza

All figures in US\$ million and nominal unless otherwise stated

	1999	2000	2001	2002	2003	Prel. 2004
GDP	4517	4442	3686	3087	3548	3746
GNI	5550	5274	4131	3483	4047	4197
Per capita GDP	1496	1410	1117	889	973	979
Per capita GNI	1838	1674	1252	1003	1109	1097
Revenues, excl. external financing	942	939	275	296	763	963
Gross domestic	362	352	275	224	291	347
Tax revenue						191
Non-tax revenue						156
Gross clearance revenue	580	587	0	72	472	617
Expenditures	937	1212	1117	1018	1104	1348
Wages	519	622	678	643	744	871
Civilian	319,7	377,8	426	404	456	538
Security	202,9	241	252	239	288	333
Non-wage expenditure (operating and transfers)	418	577	417	352	324	452
Operating					124	
Transfers (incl. pensions)					201	
PA financed capital expenditures	0	13	22	23	36	25
Payments for municipality utility bills owed to Israel	0	0	0	0	173	157
VAT refunds			2	5	16	20
Budget balance	5	-273	-844	-727	-530	-562
External budget support		54	530	467	261	360
RTF						118
ESSP				21	51	69
Other		54	530	446	210	173
Balance including budget support	5	-219	-314	-260	-269	-201,59
Other financing	-5	219	314	260	269	201,59
Gross transfer of withheld clearance revenue	0	0	0	82	300	68
Accum. transfer of clearance rev. since 1999	0	0	0	82	382	450,41
Net domestic Bank financing	-15	154	83	115	85	163
Accum. domestic bank debt since 1999	-15	139	222	337	422	584,62
Net change in arrears	10	65	231	63	-116	-29
Accum. arrears since 1999	10	75	306	369	253	223,56

Other indicators

Average PA annual salary	5269	5413	5494	5258	5763	6545
Average civil service annual salary	5909	5759	6086	5763	6290	7084
Average security service annual salary	4570	4888	4719	4579	5088	5828
Exchange rate NIS/USD	4,14	4,08	4,21	4,74	4,54	4,48
Consumer price index in NIS (1999=100)	100	102,80	104,03	109,96	114,80	117,67

Quantity data

Population (thousands)	3020	3150	3300	3472	3646	3826
growth		4,3%	4,7%	5,2%	5,0%	4,9%
Unemployment (in percent of total labor force)	11,8	14,4	25,5	31,3	25,6	27,5
Employment (thousands)	588	596	507	486	589	592
Employed share of the population	19,5%	18,9%	15,4%	14,0%	16,2%	15,5%
No. of individuals per employed	5,1	5,3	6,5	7,1	6,2	6,5
Employment in Israel (thousands)	135	117	70	50	57	53
Employment in West Bank and Gaza (thousands)	453	479	437	436	532	539
Private (incl. local gov't and public enterprises)	354,5	364,1	313,6	313,7	402,9	405,9
PA employment	98,5	114,9	123,4	122,3	129,1	133,1
Civilian	54,1	65,6	70	70,1	72,5	76
of which Health, Education and MoSA			44,1		44,6	48,2
Security	44,4	49,3	53,4	52,2	56,6	57,1

Subsistence poverty (share of pop on < \$1.53/day)		16%
Share of pop below official poverty line (\$2,25/day)	23%	46%

Sources:

IMF: "Macroeconomic and fiscal developments, outlook, and reform in the West Bank and Gaza", December 8, 2004.
World Bank: "Four Years - Intifada, Closures and Palestinian Economic Crisis", October, 2004.
World Bank: "Public Financial Management Reform Program and Trust Fund Pre-Mission Brief", February 14, 2005.
MoF: Preliminary monthly budget reports Jan-Dec 2004 published at <http://www.mof.gov.ps/english/reports.asp>.
IMF: "Economic Performance and Reform under Conflict Conditions", September 15, 2003.
MoF: ESSP quarterly progress reports (table "ESSP Dis. 31.12.04").
World Bank and PCBS: "Poverty in the West Bank and Gaza after Three Years of Economic Crisis", October 2004
Calculated based on other data in table

Annex 3. External interviewees

Dr Mahdi Abdel Hadi, Director, Palestinian Academic Society for the Study of International Affairs
PASSIA

Dr Karim Nashashibi, Resident representative, IMF

Ms Lina Tutunji, MoE

Mr Samid al Abed, Deputy Minister, MoP

Mr Alexander Costi, Chief of Coordination, UNSCO

Mr Hani al Kayed and two associates, MoLG

Mr Mazen Jadallah, Director General, MoF

Ms Sima Kanaan, ESSP Task Manager, World Bank

Mr Mohammr Omran Al Qawasmi, Director General, and one associate, Hebron School District

Dr Daoud Zatar, Vice-Chancellor, and three associates, Palestine Polytechnic University

Dr Majed Abu Ramadan, Director General for International Relations, and three associates,
MoH Gaza

Dr Yousef Daoud, Chairman, Department of Economics, Bir Zeit University

Mr Stefan Kossoff, DFID

Mr Claus Astrup, Country Officer, World Bank

Ms Yasmine Rockenfeller, Social Sector Task Manager, European Commission

Annex 4. Reference documents

The documents are ordered alphabetically by author and then by date of publication.

1. Daoud, Y ousef (2004), “Financial Reform in the Palestinian National Authority: An Assessment”, Policy Papers series 8, Health, Development, Information and Policy Institute.
2. Department for International Development (2004a), “Annex 4: Emergency Services Support Project (ESSP)”.
3. Department for International Development (2004b), “Project Memorandum: The Palestinian Territory: The World Bank’s Financial Management Reform Trust Fund”.
4. IMF (2003), “Economic Performance and Reform under Conflict Conditions”.
5. IMF (2004), “Macroeconomic and Fiscal Developments, Outlook, and Reform in the West Bank and Gaza”.
6. Palestinian Authority Ministry of Planning (2003a), “Palestinian National Authority Emergency and Public Investment Plan 2003–2004 (EPIP)”.
7. Palestinian Authority Ministry of Planning (2003b), “Quick Impact Intervention Program July–December 2003 (QIIP)”.
8. Palestinian Authority Ministry of Finance Project Coordination Unit (2004a), “ESSP Quarterly Progress Report September 2004”.
9. Palestinian Authority Ministry of Planning (2004b), “Palestinian Socio-Economic Stabilization Plan 2004–2005 (SESP)”.
10. Sida (2002), “Beslutsunderlag – Västbanken/Gaza – Stöd till Emergency Services Support Programme (ESSP)”.
11. Sida (2003), “Västbanken/Gaza – Beslutsunderlag – Fortsatt krisstöd till Emergency Services Support Programme ESSP (ESSP II)”.
12. Sida (2004a), “Västbanken/Gaza – Beslutsunderlag – Fortsatt krisstöd till Emergency Services Support Programme ESSP (ESSP II)”.
13. Sida (2004b), *Looking Back, Moving Forward. Sida Evaluation Manual*.
14. Sida (2004c), “Förslag till landstrategi för utvecklingssamarbetet med Västbanken och Gaza 2005”.
15. Sida (2005), “Landsstrategi för utvecklingssamarbetet med Västbanken och Gaza 2005”.
16. UNDP (2005), “Programme on Governance in the Arab Region: “Statistics and Indicators: Palestine”, retrieved from <http://www.pogar.org/countries/stats.asp?cid=14&gid=10> on 13 March 2005.
17. World Bank (2001), “Project Information Document ESSP1”.
18. World Bank (2002a) “Project Appraisal Document on a Proposed Trust Fund Credit in the Amount of US\$20 Million to the West Bank and Gaza for an Emergency Services Support Project”.
19. World Bank (2002b) “West Bank and Gaza Proposed Trust Fund Grant of US\$25.0 Million for a Second Emergency Services Support Project. Technical Annex”.

20. World Bank (2002c), “Project Information Document ESSP2”.
21. World Bank and PCBS (2004a), “Poverty in the West Bank and Gaza after Three Years of Economic Crisis”.
22. World Bank (2004b), “Four Years – Intifada, Closures and Palestinian Economic Crisis”.
23. World Bank (2004c), “West Bank and Gaza: Country Financial Accountability Assessment”.
24. World Bank (2004d), “West Bank and Gaza Proposed Public Financial Management Reform Trust Fund”.
25. World Bank (2004e), “West Bank and Gaza Public Financial Management Reform Program and Trust Fund: Joint supervision mission report 27 June–2 July 2004”.
26. World Bank (2004f), “West Bank and Gaza Country Procurement Assessment Report”.
27. World Bank (2005a), “West Bank and Gaza Emergency Services Support Project: Terms of Reference for ICR Review”.
28. World Bank (2005b), “West Bank and Gaza Emergency Services Support Project: Terms of Reference for ICR Review Stakeholders/Beneficiary Views”.
29. World Bank (2005c), “Second report – beneficiaries”.
30. World Bank (2005d), “West Bank and Gaza Emergency Services Support Project (ESSP I & ESSP II) Proposed Questionnaire for Line Ministry Interviews Service provider Interviews for the Planned ICR”.
31. World Bank (2005e), “West Bank and Gaza Emergency Services Support Project Stakeholders’ Report”.
32. World Bank (2005f), “The Public Financial Management Reform Trust Fund Status, December 2004”.
33. World Bank (2005g), “West Bank and Gaza Public Financial Management Reform Program and Trust Fund Pre-Mission Brief”.
34. World Bank (2005h), “West Bank and Gaza Emergency Services Support Project (ESSP) ICR Mission Lessons learnt from Phases 1 and 2 and implications for a possible Phase 3”.

Annex 5. Terms of reference

Terms of Reference for an evaluation of the Emergency Services Support Programme (ESSP) and the Public Financial Management Reform Trust Fund

1. Background

1.1 The Emergency Services Support Programme (ESSP)

ESSP is an emergency programme designed by the World Bank (The Bank) in consultation with the Palestinian Authority (PA). Its overall objective is to reduce the undermining of public social services which has emerged as a result of PA's lack of incomes to cover the running costs for its work. Through ESSP the ministries within the social sector, i.e. the Ministry of Education and Higher Education (MoEHE), the Ministry of Health (MoH), the Ministry of Social Affairs (MoSA) and the Ministry of Finance (MoF), provide the Palestinian population with basic social needs. MoF has a coordination and follow-up responsibility. Ministry of Local Governance (MoLG) was part of the programme from the start, but has later been separated from ESSP and constitutes a programme of its own.

ESSP is designed to cover non-salary costs at the respective line ministries. The programme is administered by the The Bank and thus undergo the Bank's systems for evaluation, follow-up and procurement. The first phase of the programme (ESSP I) took place in 2002 with the The Bank and seven other donors, among them Sweden, contributing to a total amount of USD 59 million. In 2003 (ESSP II), the The Bank, Sweden and seven other donors⁷ contributed with a total amount of USD 84,5 million. During 2004 the total contribution amounts to USD 56 million (Sweden excluded) which leaves a financial gap of USD 30 million for the ministries in question for the fiscal year 2004. Sweden has decided to contribute with SEK 45 million to cover part of that gap.

1.2 The Reform Fund

In April 2004 the World Bank offered the donors a new mechanism to support the PA's budget, the Public Financial Management Reform Trust Fund (The Reform Fund). The Reform Fund builds on the successful budget support mechanisms implemented by the European Commission since September 2000 and seeks to mobilize additional donor resources to support the PA's budget under transparent and responsible forms. It is a two year instrument (2004–2005) with possibility for continuation. The donors who have come onboard so far are EC, DFID, Norway, Canada, Australia, Korea and Japan. Their total contribution amounted to USD 19 million in May 2004. Countries which have indicated to support the Reform Fund in the near future are Italy, France and Belgium.

1.3 Sweden's contribution

Sida's contribution was USD 4,8 million (SEK 40 milj) for ESSP I and 6,1 million (SEK 45 milj) for ESSP II. The first contribution was operational in May 2003 and totally disbursed in June 2004. It was used for rents, electricity and water bills, office materiel, and water and sewage systems service. The ministries concerned were MoEHE, MoH and MoLG. The Swedish contribution for ESSP II was totally disbursed in June 2003. It was used in two months for university teachers' salaries, the only exception made for salaries due to lack of other income sources. For 2004, Sweden's contribution is indicated to USD 6,3 million (SEK 45 milj) and will not be used for teachers' salaries. Sweden has not contributed to the Reform Trust Fund.

⁷ EC, DFID, Netherlands, Finland, Denmark, Sweden, Italy and Switzerland

1.4 Evaluation

Since one of Sida's objectives with the support to ESSP is that the programme should be easily administered, Sida has chosen a form of co-financing with The Bank, which means that the ESSP undergoes the evaluation systems of The Bank. The Bank provides Sida with audit reports and the MoF submits quarterly financial reports. There is a lack of more narrative reporting to Sida, to show real impacts of ESSP on the Palestinian society. ESSP has not yet been evaluated by an evaluator identified by Sida.

2. Objective and Purpose

CG/Jerusalem's contacts with The Bank among others, have led to the assumption that increased support is needed for the ESSP from 2005 and forward. The main objective of this evaluation is to examine whether such a support is justifiable. The results of the evaluation will constitute basis for decision at Sida's decision committee at their proposed meeting in the end of April 2005.

The evaluation has the following specific purposes:

- a) to give Sida an overall picture of the impacts and results of ESSP and the Reform Fund
- b) to assess the relevance of ESSP and The Bank's Reform Fund in relation to the Swedish objectives for development cooperation
- c) to contribute to improvements of the quality and efficiency of the ESSP
- d) to give Sida a better basis for decision on increased future funding of ESSP

3. Scope of the study

The evaluation shall focus on the following areas: a) impacts and results, b) relevance, and c) efficiency and quality of the two programmes.

a) impacts and results

- an analysis of impacts and results of the programmes in Palestine, on different levels, national and municipality
- included an analysis of beneficiaries with a gender perspective and a children's perspective
- an analysis of the environmental impacts of the programmes
- recommendation for potential improvements of programme impacts and results

b) relevance

- an analysis of the relevance of the programmes in relation to Swedish development cooperation objectives
- and in relation to the development priority needs for the Palestinian society
- to examine whether Swedish support is justifiable
- recommendation for potential improvements of programme relevance and future Swedish support

c) efficiency and quality

- an analysis of the programmes' ability to deliver its expected outcomes and meet its objectives
- an analysis of the monitoring, implementation and evaluation processes/performance

- an analysis of the programmes' sustainability
- an analysis of the different stakeholders; The Bank, Sida, implementing ministries' relations, roles, adequacy, strengths and weaknesses in performance
- recommendations for improvement of efficiency and quality, improved monitoring, implementation and evaluation processes/performances
- an independent response to the Bank of the quality and efficiency

4. Methodology

The evaluation shall be carried out through interviews and visits at relevant beneficiary instances, for example hospitals, schools, social affair offices, municipalities in both Gaza and the West Bank, and also through interviews with key persons from The Bank, Sida, Swedish Foreign Ministry as well as from implementing and coordinating ministries.

The evaluation shall be carried out in collaboration with the Bank's own review, which will take place during November–December 2005, see ToR in appendix 1. For The Bank's review, Implementation Completion Report (ICR), two local consultants will be engaged, one in the West Bank and one in Gaza. ICR will result in two reports. The first one, dealing with ESSP I, will be launched in Mid-December, and the second one, dealing with ESSP II, in June 2005. Both of them will be based on field visits carried out in November 2004.

Sida's evaluation will be separate from The Bank's, and are planned to take place during January 2005. The consultant shall cooperate with The Bank's consultants, take part of and get access to their results and working material. The result of Sida's evaluation shall also be an input to The Bank's report in June. The Bank's expectations are that the Swedish evaluation could lead to improvements of the programmes.

The Report from the evaluation shall present ESSP and the Trust Fund separately, but analyse differences, advantages and overlaps. The two phases of ESSP shall also be presented separately. The result of the evaluation will be a basis for decision on increased and continued support to ESSP and examine potentials of the Reform Fund.

5. Specific requirements

Sida wishes to hire a consultant to assist in compiling the views of ESSP and the Reform Fund partners and stakeholders, including line ministries (MoEHE, MoH, MoSA, MoLG) and service providers (schools, clinics, universities, municipalities etc), on the success/effectiveness of the programmes along the criteria listed in the ToR. In addition to this the consultant must have the following specific requirements:

- Experience and knowledge of the World Bank and the Swedish development cooperation systems
- Economic competence with social alignment
- Knowledge of the political situation in Israel and Palestine

6. Reporting and timing

The field trip shall take place in January 2005 and a draft report shall be submitted to Sida electronically not later than the 28 February 2005. Sida will give the consultant comments on the draft report within two weeks of the receipt of the draft. A final report shall be submitted to Sida electronically and in 30 hardcopies no later than 3 April 2005.

The evaluation report shall be written in English and should not exceed 30 pages, excluding annexes.
The format of the final report shall follow the guidelines in Sida *Evaluation Report – A standardised Format*.
The evaluation report shall be presented in a way that enables publication without further editing.

Appendices to the ToR:

1. The World Bank's ToR for the Implementation Completion Report

Recent Sida Evaluations

- 04/36 Life and Peace Institute's Projects in Somalia and the Democratic Republic of Congo**
Gordon Tamm, Michael Schulz, Ingrid Samset, Malin Nystrand
Department for Cooperation with Non-Governmental Organisations and Humanitarian Assistance
- 04/37 Innovations Wasted or Wastelands Reclaimed?
An Evaluation of Sida's Support to Human and Land Resources Development Project and
the National Tree Growers Cooperative Federation in India**
Thorsten Celander, Shashikant Chopde, Mamta Borgoyary
Department for Asia
- 04/38 Sida's Work with Culture and Media (Volume 1, Main Report; Volume 2, Annexes)**
Cecilia M. Ljungman, Helge Rønning, Tejeshwar Singh, Henrik Steen Pedersen, et.al.
Department for Evaluation and Internal Audit
- 05/01 The News Agency "Agencia Informativa Púlsar". Project 2001–2003**
Victor van Oeyen
Department for Democracy and Social Development
- 05/02 Sida's Exchange Programme – Evaluation of its Pilot Phase 2002–2004**
Peter Winai
Department for Co-operation with Non-Governmental Organisations, Humanitarian Assistance and
Conflict Management
- 05/03 El Apoyo Institucional a la Defensoría del Pueblo de Colombia 2003–2004**
Kimberly Inksater, Carmen Beatriz Ruiz
Department for Democracy and Social Development
- 05/04 Regional Training Programme in Environment Journalism and Communication
in the Eastern African Region**
Gustav Böklin
Department for Democracy and Social Development
- 05/05 Sida Support to Teacher Education in Tanzania 1997–2002**
Valdy Lindhe, Kristina Malmberg, Elisei Basil Temu
Department for Democracy and Social Development
- 05/06 Phasing out Ozone Depleting Substances in the Solvent Sector in China**
Darrel Staley, Ann Jennervik
Department for Infrastructure and Economic Co-operation
- 05/07 Swedish Support to Urban Development and Housing in South Africa**
Steve Topham, Ingrid Obery, Hans Hede
Department for Africa
- 05/08 District Heating Projects in Latvia and Russia**
Anders Grettve, Tord Holmström, Christofer Hök, Karl-Erik Ramström
Department for Infrastructure and Economic Co-operation
- 05/09 Gender Projects in Estonia, Kazakhstan, Kyrgyz Republic, Russia and Ukraine**
– Projekt Implemented by Språngbrådan
Thomas Bjørnkilde, Karin Attström, Alexandra Wynn
Department for Europe

Sida Evaluations may be ordered from:

Infocenter, Sida
SE-105 25 Stockholm
Phone: +46 (0)8 779 96 50
Fax: +46 (0)8 779 96 10
sida@sida.se

A complete backlist of earlier evaluation reports may be ordered from:

Sida, UTV, SE-105 25 Stockholm
Phone: +46 (0) 8 698 51 63
Fax: +46 (0) 8 698 56 10
Homepage: <http://www.sida.se>



SWEDISH INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
SE-105 25 Stockholm, Sweden
Tel: +46 (0)8-698 50 00. Fax: +46 (0)8-20 88 64
E-mail: sida@sida.se. Homepage: <http://www.sida.se>