

The Palestinian Authority's Ministry of Finance

State building and Service Delivery Grant to the Palestinian Authority

Funded by

The Government of the United Kingdom

Acting through the Department for International Development (DFID)

Statement of Cash Receipts, Disbursements and Fund Balance

For the Period from January 1, 2013 to June 30, 2013

El Wafa Company

For Financial Consulting & Accounting Services
Correspondents of the International Firm
"MAZARS"

Abu Shosheh bldg., - 1st floor, Opposite of
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Independent Auditors' Report

To: The Palestinian Ministry of Finance
Ramallah

We have audited the accompanying statement of cash receipts, disbursements and fund balance (the Statement) of the State building and Service Delivery Grant to the Palestinian Authority (the Grant), funded by the Government of the United Kingdom acting through the Department for International Development (DFID), and managed by the Palestinian Ministry of Finance (MoF), for the period from January 1, 2013 to June 30, 2013, and a summary of significant accounting policies and other explanatory information. The Statement is the responsibility of the MoF's management. Our responsibility is to express an opinion on this Statement based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The MoF's policy is to prepare the accompanying Statement on the cash basis of accounting. On this basis, contributions are recorded when cash is received and disbursements are recorded when cash is disbursed.

In our opinion:

- The Statement referred to above presents fairly, in all material respects, the cash receipts and disbursements of the Grant for the period from January 1, 2013 to June 30, 2013, and its fund balance as of June 30, 2013 in accordance with the basis of accounting as described in note (2) to the accompanying Statement;
- The MoF complied in all material respects with the provisions of the memorandum of understanding (MoU) signed between DFID and the MoF especially with regard to payment of salaries to eligible beneficiaries in accordance with the process described in the MoU.

El Wafa Company

[REDACTED]
Ramallah, Palestine
July 9, 2013

The Palestinian Authority's Ministry of Finance

State building and Service Delivery Grant to the Palestinian Authority

Funded by

The Government of the United Kingdom

Acting through the Department for International Development (DFID)

Statement of Cash Receipts, Disbursements and Fund Balance

For the Period from January 1, 2013 to June 30, 2013

	<u>Note</u>	<u>USD</u>
FUND BALANCE - BEGINNING OF PERIOD		-
<i>Cash received</i>		
UK funds received through DFID	3	29,008,418
Total cash received		<u>29,008,418</u>
<i>Cash disbursed</i>		
Palestinian Authority's (PA) Civil Servants and Pensioners Salaries	4	27,571,668
Total cash disbursed		<u>27,571,668</u>
FUND BALANCE - END OF PERIOD	5	<u>1,436,750</u>

The Accompanying Notes form an Integral Part of this Statement

The Palestinian Authority's Ministry of Finance

State building and Service Delivery Grant to the Palestinian Authority

Funded by

The Government of the United Kingdom

Acting through the Department for International Development (DFID)

Notes to the Statement of Cash Receipts, Disbursements and Fund Balance

For the Period from January 1, 2013 to June 30, 2013

1. *The Grant and its Financing*

The Government of the United Kingdom of Great Britain and Northern Ireland (UK), acting through the Department for International Development (DFID), and the Palestinian Authority's Ministry of Finance (MoF) signed a Memorandum of Understanding (MoU) whereby UK, through DFID, agreed to provide funding in the amount of Great British Pound (GBP) 57 million to the Palestinian Authority's annual budget (the Grant) for the purpose of contributing to the payment of eligible civil servants salaries who meet the DFID's eligibility criteria. The MoU defines DFID's eligible beneficiaries as those listed and approved by the "Palestino-Europeen de Gestion et d'Aide Socio-Economique" (PEGASE) programmes of support to Civil Servants and Pensioners (CSP) and support to Civil Police and Defence (CDP) employees.

The UK, through DFID, will make available up to GBP 35 million and GBP 22 million in the 2013/14 and 2014/15 financial years respectively.

UK funds under the Grant are transferred by DFID in GBP to the World Bank Palestinian Reform and Development Plan (PRDP) Trust Fund (TF) No. TF071607 (successor of TF071011), which in turn, converts these funds to USD and transfers these USD funds to the Palestinian Authority's (PA) USD single treasury bank account. The MoF converts received USD funds, at prevailing exchange rates, to New Israeli Shekel and transfers them to a PA single treasury account which is used to pay for PA civil servants and pensioners.

During the period from January 1, 2013 to June 30, 2013 (the Audit Period), DFID effected two transfers in GBP to the World Bank TF071607 as follows:

<u>Transfer</u>	<u>Date of transfer</u>	<u>Amount (GBP)</u>
1 st Transfer	February 13, 2013	11,600,000
2 nd Transfer	May 16, 2013	7,500,000
		<u>19,100,000</u>

The World Bank converted the two above listed transfers to USD, deducted its due administrative fees, and transferred the underlying USD amounts to the PA USD single treasury account as follows:

<u>Transfer</u>	<u>Converted amount (USD)</u>	<u>World Bank administrative Fee*</u>	<u>Amount transferred to MoF (USD)</u>
1 st Transfer	17,749,160	(177,492)	17,571,668
2 nd Transfer	11,436,750	-	11,436,750
	<u>29,185,910</u>	<u>(177,492)</u>	<u>29,008,418</u>

* Based on the Administrative Agreement signed between the World Bank and DFID and its related amendments, the World Bank may deduct 1% of contributions received in recovery of its administrative fees in managing the Grant.

2. *Summary of Significant Accounting Policies*

The Statement has been prepared under the historical cost convention. Significant accounting policies follow: -

- **Basis of accounting** - The Statement has been prepared using the cash basis of accounting, which is a comprehensive basis of accounting other than International Financial Reporting Standards (IFRS). Under this basis, contributions are recorded when cash is received and disbursements are recorded when cash is disbursed.
- **Foreign currency** - The basic functional currency of the Palestinian Authority's Ministry of Finance (MoF), is the New Israeli Shekel (ILS). The Grant funds were received by MoF in USD and were converted to ILS using actual exchange rates used by MoF's local bank at the date of each transfer. Exchange rates against USD used for each transfer are as follows:

ILS	One USD	
	<u>1st Transfer</u>	<u>2nd Transfer</u>
	3.5935	3.6800

3. *UK funds received through DFID*

During the period from January 1, 2013 to June 30, 2013, the MoF received from DFID, through the World Bank Trust Fund, the amount of USD 29,008,418; MoF then converted the amount of USD 27,571,668 from received funds to ILS to be used for payment of salaries as detailed in note 4 below. The following table presents amounts received in USD and converted to ILS:

<u>Date of transfer</u>	<u>Amount received (USD)</u>	<u>Amount converted to ILS (USD)</u>	<u>Converted amount (ILS)</u>
March 13, 2013	17,571,668	17,571,668	63,143,791
May 29, 2013	11,436,750	10,000,000	36,800,000
	<u>29,008,418</u>	<u>27,571,668</u>	<u>99,943,791</u>

4. *PA's Civil Servants and Pensioners Salaries*

This amount represents the USD equivalent amount of salaries paid in ILS to PEGASE approved civil servants and pensioners of certain PA's ministries and institutions for the months of April and May 2013, as follows:

	<u>Amount paid in ILS</u>	<u>Equivalent amount in USD</u>
April 2013 Salaries		
Ministry of Education and Higher Education	61,430,717	17,094,954
President Office	1,054,654	293,489
General Personnel Council	563,423	156,789
Other	94,997	26,436
	<u>63,143,791</u>	<u>17,571,668</u>
May 2013 Salaries		
Ministry of Health	23,679,674	6,434,694
Ministry of Finance	3,743,857	1,017,352
High Judicial Council	2,363,540	642,266
Ministry of Interior	1,873,597	509,130
Ministry of Justice	1,587,316	431,336
Ministry of Social Affairs	1,476,855	401,319
President Office	1,041,095	282,906
General Personnel Council	576,942	156,778
Other	457,124	124,219
	<u>36,800,000</u>	<u>10,000,000</u>
	<u>99,943,791</u>	<u>27,571,668</u>

5. *Fund Balance - End of Period*

Fund balance represents the undisbursed amount of the Grant as of June 30, 2013, which will be added to the next transfer received from DFID for payment of eligible civil servants and pensioners salaries.

The Palestinian Authority's Ministry of Finance

State Building and Service Delivery Grant to the Palestinian Authority

Funded by

The Government of the United Kingdom

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Statement of Cash Receipts, Disbursements and Fund Balance

For the Period from January 1, 2014 to June 30, 2014

Together With Independent Auditors' Report

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Independent Auditors' Report

To: The Palestinian Ministry of Finance
Ramallah

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We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The MoF's policy is to prepare the accompanying Statement on the cash basis of accounting. On this basis, contributions are recorded when cash is received and disbursements are recorded when cash is disbursed.

In our opinion:

- The Statement referred to above presents fairly, in all material respects, the cash receipts and disbursements of the Grant for the period from January 1, 2014 to June 30, 2014, and its fund balance as of June 30, 2014 in accordance with the basis of accounting as described in note (2) to the accompanying Statement;
- The MoF complied in all material respects with the provisions of the memorandum of understanding (MoU) signed between DFID and the MoF especially with regard to payment of salaries to eligible beneficiaries in accordance with the process described in the MoU.

El Wafa Company
[REDACTED]

Ramallah, Palestine
September 28, 2014

The Palestinian Authority's Ministry of Finance

State Building and Service Delivery Grant to the Palestinian Authority

Funded by

The Government of the United Kingdom

Acting through the Department for International Development (DFID)

Statement of Cash Receipts, Disbursements and Fund Balance

For the Period from January 1, 2014 to June 30, 2014

	<u>Note</u>	<u>USD</u>
FUND BALANCE - BEGINNING OF PERIOD		-
<i>Cash received</i>		
UK funds received through DFID	3	27,510,211
Total cash received		<u>27,510,211</u>
<i>Cash disbursed</i>		
Palestinian Authority's (PA) Civil Servants and Pensioners Salaries	4	27,510,211
Total cash disbursed		<u>27,510,211</u>
FUND BALANCE - END OF PERIOD		<u>-</u>

The Accompanying Notes form an Integral Part of this Statement

The Palestinian Authority's Ministry of Finance

State Building and Service Delivery Grant to the Palestinian Authority

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The Government of the United Kingdom

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Notes to the Statement of Cash Receipts, Disbursements and Fund Balance

For the Period from January 1, 2014 to June 30, 2014

1. *The Grant and its Financing*

The Government of the United Kingdom of Great Britain and Northern Ireland (UK), acting through the Department for International Development (DFID), and the Palestinian Authority's Ministry of Finance (MoF) signed a Memorandum of Understanding (MoU) whereby UK, through DFID, agreed to provide funding in the amount of Great British Pound (GBP) 57 million to the Palestinian Authority's annual budget (the Grant) for the purpose of contributing to the payment of eligible civil servants salaries who meet the DFID's eligibility criteria. The MoU defines DFID's eligible beneficiaries as those listed and approved by the "Palestino-Europeen de Gestion et d'Aide Socio-Economique" (PEGASE) programmes of support to Civil Servants and Pensioners (CSP) and support to Civil Police and Defence (CPD) employees.

The MoU stated that the UK, through DFID, will make available up to GBP 35 million and GBP 22 million in the 2013/14 and 2014/15 financial years respectively.

UK funds under the Grant are transferred by DFID in GBP to the World Bank Palestinian Reform and Development Plan (PRDP) Trust Fund (TF) No. TF071607 (successor of TF071011), which in turn, converts these funds to USD and transfers these USD funds to the Palestinian Authority's (PA) USD single treasury bank account. The MoF converts received USD funds, at prevailing exchange rates, to New Israeli Shekel and transfers them to a PA single treasury account which is used to pay for PA civil servants and pensioners salaries.

During the period from January 1, 2014 to June 30, 2014 (the Audit Period), DFID effected two transfers in GBP to the World Bank TF071607 as follows:

<u>Transfer</u>	<u>Date of transfer</u>	<u>Amount (GBP)</u>
1 st Transfer	January 31, 2014	11,667,000
2 nd Transfer	May 02, 2014	5,000,000
		<u>16,667,000</u>

The World Bank converted the two above listed transfers to USD and transferred the underlying USD amounts to the PA USD single treasury account as follows:

Transfer	Converted amount (USD)	World Bank administrative Fee*	Amount transferred to MoF (USD)
1 st Transfer	19,055,711	-	19,055,711
2 nd Transfer	8,454,500	-	8,454,500
	<u>27,510,211</u>	<u>-</u>	<u>27,510,211</u>

* Based on the Administrative Agreement signed between the World Bank and DFID and its related amendments, the World Bank may deduct 1% of contributions received in recovery of its administrative fees in managing the Grant. No administrative fees were deducted during the Audit Period.

2. Summary of Significant Accounting Policies

The Statement has been prepared under the historical cost convention. Significant accounting policies follow: -

- **Basis of accounting** - The Statement has been prepared using the cash basis of accounting, which is a comprehensive basis of accounting other than International Financial Reporting Standards (IFRS). Under this basis, contributions are recorded when cash is received and disbursements are recorded when cash is disbursed.
- **Foreign currency** - The basic functional currency of the Palestinian Authority's Ministry of Finance (MoF), is the New Israeli Shekel (ILS). The Grant funds were received by MoF in USD and were converted to ILS using actual exchange rates used by MoF's local bank at the date of each transfer. Exchange rates against USD used for each transfer are as follows:

	ILS	
	1 st Transfer	2 nd Transfer
One USD	3.468	3.430

3. UK funds received through DFID

During the period from January 1, 2014 to June 30, 2014, the MoF received from DFID, through the World Bank Trust Fund, the amount of USD 27,510,211; then MoF converted the received amount in USD to ILS to be used for payment of April and June 2014 salaries as detailed in note 4 below. The following table presents amounts received in USD and converted to ILS:

Date of Conversion from USD to ILS	Amount received (USD)	Converted amount (ILS)
May 4, 2014	19,055,711	66,085,206
June 25, 2014	8,454,500	28,998,935
	<u>27,510,211</u>	<u>95,084,141</u>

4. *Palestinian Authority's (PA) Civil Servants and Pensioners Salaries*

This amount represents the USD equivalent amount of salaries paid in ILS to PEGASE approved civil servants and pensioners of certain PA's ministries and institutions for the months of April and June 2014, as follows:

	<u>Amount paid in ILS</u>	<u>Equivalent amount in USD</u>
April 2014 Salaries		
Ministry of Education and Higher Education	62,767,376	18,099,013
Ministry of Finance	2,747,687	792,297
Palestinian Central Bureau of Statistics	570,143	164,401
	<u>66,085,206</u>	<u>19,055,711</u>
June 2014 Salaries		
Ministry of Education and Higher Education	28,998,935	8,454,500
	<u>28,998,935</u>	<u>8,454,500</u>
	<u>95,084,141</u>	<u>27,510,211</u>

The Palestinian Authority's Ministry of Finance and Planning
State Building and Service Delivery Grant to the Palestinian Authority

Funded by
The Government of the United Kingdom
Acting through the Department for International Development (DFID)

Statement of Cash Receipts, Disbursements and Fund Balance

For the Period from January 1, 2015 to June 30, 2015

Together With Independent Auditors' Report

El Wafa Company

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Independent Auditors' Report

To: The Palestinian Ministry of Finance and Planning
Ramallah

We have audited the accompanying statement of cash receipts, disbursements and fund balance (the Statement) of the State Building and Service Delivery Grant to the Palestinian Authority (the Grant), funded by the Government of the United Kingdom (UK) acting through the Department for International Development (DFID), and managed by the Palestinian Ministry of Finance and Planning (MoFP), for the period from January 1, 2015 to June 30, 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Statement

The management of MoFP is responsible for the preparation and fair presentation of the Statement in accordance with the cash basis of accounting described in note 2, and for such internal control as management determines is necessary to enable the preparation of the Statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the Statement based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the Statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Statement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

El Wafa Company

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Opinion

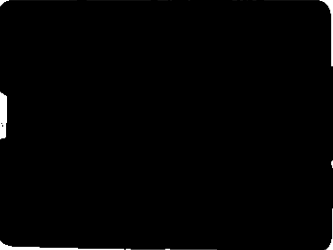
In our opinion:

- The Statement referred to above presents fairly, in all material respects, the cash receipts and disbursements of the Grant for the period from January 1, 2015 to June 30, 2015, and its fund balance as of June 30, 2015 in accordance with the basis of accounting as described in note (2) to the accompanying Statement;
- The MoFP complied in all material respects with the provisions of the memorandum of understanding (MoU) signed between DFID and the MoFP especially with regard to payment of salaries to eligible beneficiaries in accordance with the process described in the MoU; and
- Salary payments funded under the Grant were executed by implementing banks, in all material respects, to individual bank accounts of Civil Servants and Pensioners (CSP) listed and approved under the PEGASE CSP Programme.

Basis of Accounting and Restriction on Distribution

Without modifying our opinion, we draw attention to note 2 to the Statement, which describes the basis of accounting. The Statement is prepared to provide information for DFID and MoFP. As a result, the Statement may not be suitable for another purpose. Our report is intended solely for DFID and MoFP and should not be distributed to other parties.

El Wafa Company



Ramallah, Palestine
April 7, 2016

The Palestinian Authority's Ministry of Finance and Planning
State Building and Service Delivery Grant to the Palestinian Authority
Funded by
The Government of the United Kingdom
Acting through the Department for International Development (DFID)
Statement of Cash Receipts, Disbursements and Fund Balance
For the Period from January 1, 2015 to June 30, 2015

	<u>Note</u>	<u>USD</u>
FUND BALANCE - BEGINNING OF PERIOD		-
<i>Cash received</i>		
UK funds received through DFID and the World Bank	3	14,908,000
Total cash received		<u>14,908,000</u>
<i>Cash disbursed</i>		
Palestinian Authority's (PA) Civil Servants and Pensioners Salaries	4	14,907,445
Total cash disbursed		<u>14,907,445</u>
CHANGE IN FUND BALANCE		555
FUND BALANCE - END OF PERIOD	5	<u>555</u>

The Accompanying Notes form an Integral Part of this Statement

The Palestinian Authority's Ministry of Finance and Planning

State Building and Service Delivery Grant to the Palestinian Authority

Funded by

The Government of the United Kingdom

Acting through the Department for International Development (DFID)

Notes to the Statement of Cash Receipts, Disbursements and Fund Balance
For the Period from January 1, 2015 to June 30, 2015

1. *The Grant and its Financing*

The Government of the United Kingdom of Great Britain and Northern Ireland (UK), acting through the Department for International Development (DFID), and the Palestinian Authority's Ministry of Finance and Planning (MoFP) signed a Memorandum of Understanding (MoU) on February 25, 2013, whereby UK, through DFID, agreed to provide funding to the Palestinian Authority's annual budget (the Grant) for the purpose of contributing to the payment of eligible civil servants salaries who meet the DFID's eligibility criteria.

Further, on March 19, 2015, an amendment to the MoU was signed between the two parties, whereby the UK, through DFID, will make available up to GBP 25 million during the year 2015.

The MoU and the related amendment define DFID's eligible beneficiaries as those listed and approved by the "Palestino-Europeen de Gestion et d'Aide Socio-Economique" (PEGASE) programmes of support to Civil Servants and Pensioners (CSP) and support to Civil Police and Defence (CDP) employees.

UK funds under the Grant are transferred by DFID in GBP to the World Bank's Palestinian Reform and Development Plan (PRDP) Trust Fund (TF) No. TF071607 (successor of TF071011). World Bank converts the received GBP funds into USD and, upon review and satisfaction that policy reforms described in the policy matrix of the immediately preceding Development Policy Grant are met, disburses these funds, as part of a larger tranche payment and net of administrative fee, to the Palestinian Authority's (PA) USD single treasury bank account. The MoFP converts received USD funds, at prevailing exchange rates, to New Israeli Shekel (ILS) and transfers the resulting fund to a PA single treasury account which is used to pay for PA civil servants and pensioners salaries.

During the period from January 1, 2015 to June 30, 2015 (the Audit Period), DFID effected one transfer in GBP to the World Bank TF071607 as follows:

<u>Date of transfer</u>	<u>Amount (GBP)</u>
April 2015	10,000,000
	<u>10,000,000</u>

The World Bank converted the above listed transfer to USD and transferred the underlying USD amount to the PA USD single treasury account as follows:

Converted amount (USD)	World Bank administrative Fee*	Date of transfer to MoFP	Amount transferred to MoFP (USD)**
14,908,000	-	May 18, 2015	14,908,000
14,908,000	-		14,908,000

* Based on the Administrative Agreement signed between the World Bank and DFID and its related amendments, the World Bank may deduct 1% of contributions received in recovery of its administrative fees in managing the Grant. Administrative fee, if deducted, applies to the trust fund as a whole and cannot be specified to each individual donor contribution.

** The tranche payment from World Bank to MoFP effected on May 18, 2015 was of a larger amount and included the transfer received from DFID (GBP 10,000,000 converted to USD 14,908,000) in addition to funds from other donors.

2. Summary of Significant Accounting Policies

The Statement has been prepared under the historical cost convention. Significant accounting policies follow: -

- **Basis of accounting** - The Statement has been prepared using the cash basis of accounting, which is a comprehensive basis of accounting other than International Financial Reporting Standards (IFRS). Under this basis, contributions are recorded when cash is received and disbursements are recorded when cash is disbursed.
- **Foreign currency** - The basic functional currency of the Palestinian Authority's Ministry of Finance and Planning (MoFP), is the New Israeli Shekel (ILS). The Grant funds were received by MoFP in USD and have been converted to ILS using actual exchange rate used by MoFP's local bank at the date of the transfer. Exchange rate against USD used for the transfer is as follows:

	<u>ILS</u>
One USD	3.8640

3. *UK funds received through DFID*

During the period from January 1, 2015 to June 30, 2015, the MoFP received from DFID, through the World Bank Trust Fund, the amount of USD 14,908,000; MoFP converted the received amount in USD to ILS to be used for payment of May 2015 salaries as detailed in note 4 below. The following table presents amounts received in USD and converted to ILS:

<u>Date of Conversion from USD to ILS</u>	<u>Amount received (USD)</u>	<u>Converted amount (ILS)</u>
May 28, 2015	14,908,000	57,604,512
	<u>14,908,000</u>	<u>57,604,512</u>

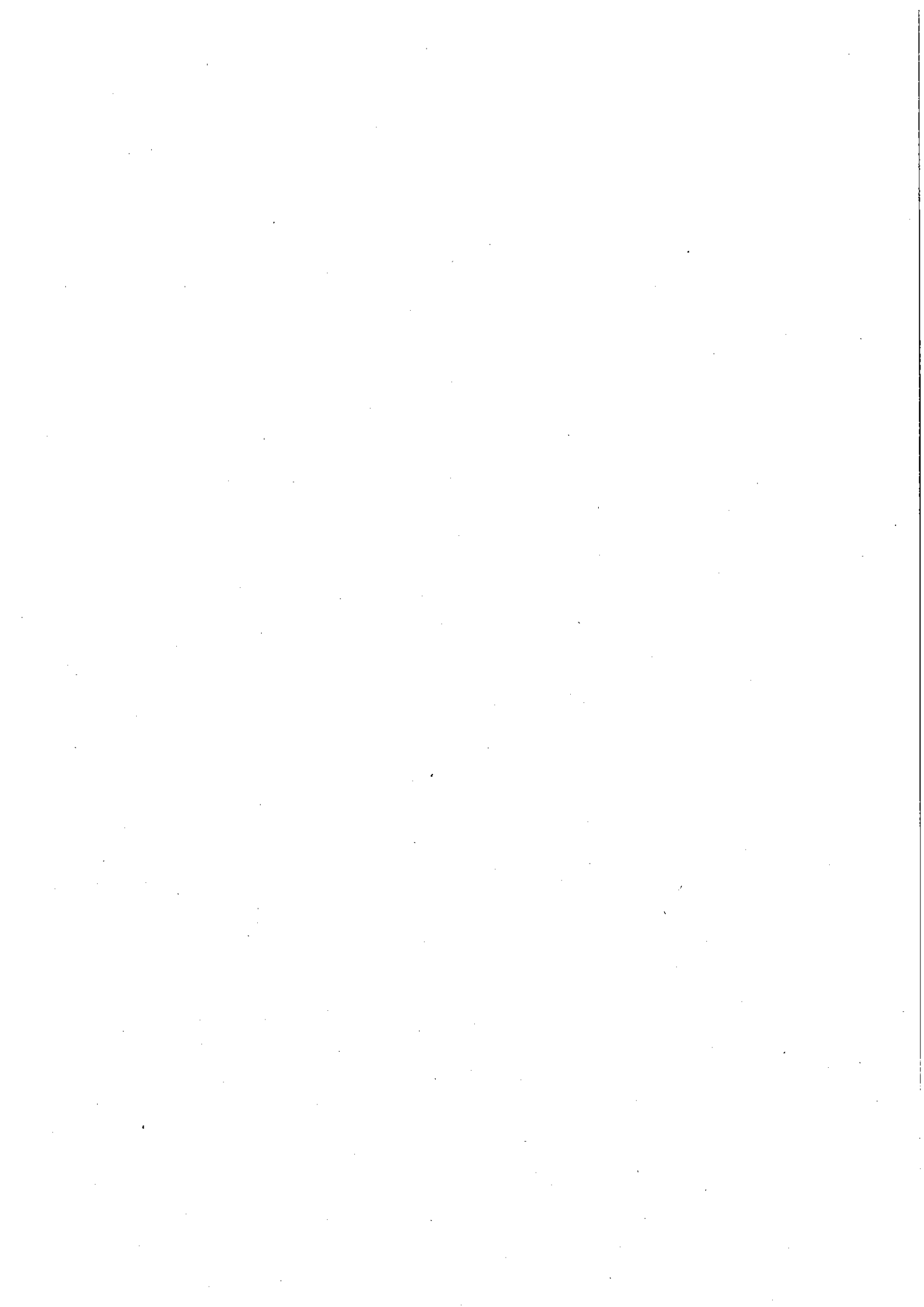
4. *PA's Civil Servants and Pensioners Salaries*

This amount represents the USD equivalent of salaries paid in ILS to PEGASE approved civil servants and pensioners of certain PA's ministries and institutions for the month of May 2015, as follows:

	<u>Amount paid in ILS</u>	<u>Equivalent amount in USD</u>
May 2015 Salaries		
Ministry of Education and Higher Education	54,031,358	13,983,271
Ministry of Finance and Planning	3,573,154	924,729
	<u>57,604,512</u>	<u>14,908,000</u>
Salary rejected by bank (Note 5)	(2,144)	(555)
Salaries successfully executed by banks	<u>57,602,368</u>	<u>14,907,445</u>

5. *Fund Balance - End of Period*

Fund Balance represents one CSP salary rejected by Cairo Amman Bank in the amount of ILS 2,144 (equivalent to USD 555) due to the death of the beneficiary.



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Ramallah

We have audited the accompanying statement of cash receipts, disbursements and fund balance (the Statement) of the State Building and Service Delivery Grant to the Palestinian Authority (the Grant), funded by the Government of the United Kingdom (UK) acting through the Department for International Development (DFID), and managed by the Palestinian Ministry of Finance (MoF), for the period from July 1, 2013 to December 31, 2013, and a summary of significant accounting policies and other explanatory information. The Statement is the responsibility of the MoF's management. Our responsibility is to express an opinion on this Statement based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The MoF's policy is to prepare the accompanying Statement on the cash basis of accounting. On this basis, contributions are recorded when cash is received and disbursements are recorded when cash is disbursed.

In our opinion:

- The Statement referred to above presents fairly, in all material respects, the cash receipts and disbursements of the Grant for the period from July 1, 2013 to December 31, 2013, and its fund balance as of December 31, 2013 in accordance with the basis of accounting as described in note (2) to the accompanying Statement;
- The MoF complied in all material respects with the provisions of the memorandum of understanding (MoU) signed between DFID and the MoF especially with regard to payment of salaries to eligible beneficiaries in accordance with the process described in the MoU.

El Wafa Company
(Permit No. 203/2012)

[REDACTED]
Ramallah, Palestine
January 28, 2014

The Palestinian Authority's Ministry of Finance

State Building and Service Delivery Grant to the Palestinian Authority

Funded by

The Government of the United Kingdom

Acting through the Department for International Development (DFID)

Statement of Cash Receipts, Disbursements and Fund Balance

For the Period from July 1, 2013 to December 31, 2013

	<u>Note</u>	<u>USD</u>
FUND BALANCE - BEGINNING OF PERIOD	3	<u>1,436,750</u>
<i>Cash received</i>		
UK funds received through DFID	4	<u>35,383,365</u>
Total cash received		<u>35,383,365</u>
<i>Cash disbursed</i>		
Palestinian Authority's (PA) Civil Servants and Pensioners Salaries	5	<u>36,820,075</u>
Bank Charges		<u>40</u>
Total cash disbursed		<u>36,820,115</u>
FUND BALANCE - END OF PERIOD		<u>-</u>

The Accompanying Notes form an Integral Part of this Statement

The Palestinian Authority's Ministry of Finance

State Building and Service Delivery Grant to the Palestinian Authority

Funded by

The Government of the United Kingdom

Acting through the Department for International Development (DFID)

Notes to the Statement of Cash Receipts, Disbursements and Fund Balance
For the Period from July 1, 2013 to December 31, 2013

1. *The Grant and its Financing*

The Government of the United Kingdom of Great Britain and Northern Ireland (UK), acting through the Department for International Development (DFID), and the Palestinian Authority's Ministry of Finance (MoF) signed a Memorandum of Understanding (MoU) whereby UK, through DFID, agreed to provide funding in the amount of Great British Pound (GBP) 57 million to the Palestinian Authority's annual budget (the Grant) for the purpose of contributing to the payment of eligible civil servants salaries who meet the DFID's eligibility criteria. The MoU defines DFID's eligible beneficiaries as those listed and approved by the "Palestino-Europeen de Gestion et d'Aide Socio-Economique" (PEGASE) programmes of support to Civil Servants and Pensioners (CSP) and support to Civil Police and Defence (CDP) employees.

The UK, through DFID, will make available up to GBP 35 million and GBP 22 million in the 2013/14 and 2014/15 financial years respectively.

UK funds under the Grant are transferred by DFID in GBP to the World Bank Palestinian Reform and Development Plan (PRDP) Trust Fund (TF) No. TF071607 (successor of TF071011), which in turn, converts these funds to USD and transfers these USD funds to the Palestinian Authority's (PA) USD single treasury bank account. The MoF converts received USD funds, at prevailing exchange rates, to New Israeli Shekel and transfers them to a PA single treasury account which is used to pay for PA civil servants and pensioners.

During the period from July 1, 2013 to December 31, 2013 (the Audit Period), DFID effected three transfers in GBP to the World Bank TF071607 as follows:

<u>Transfer</u>	<u>Date of transfer</u>	<u>Amount (GBP)</u>
1 st Transfer	July 23, 2013	7,500,000
2 nd Transfer	October 16, 2013	7,500,000
3 rd Transfer	October 22, 2013	7,500,000
		<u>22,500,000</u>

The World Bank converted the three above listed transfers to USD, deducted its due administrative fees, and transferred the underlying USD amounts to the PA USD single treasury account in two tranches as follows:

Tranche	Converted amount (USD)	World Bank administrative Fee***	Date of transfer to MoF	Amount transferred to MoF (USD)
1 st Tranche*	11,461,500	-	September 3, 2013	11,461,500
2 nd Tranche**	24,163,500	(241,635)	November 27, 2013	23,921,865
	<u>35,625,000</u>	<u>(241,635)</u>		<u>35,383,365</u>

* The tranche payment from World Bank to MoF effected on September 3, 2013 was of a larger amount which included the first transfer received from DFID (GBP 7,500,000 converted to USD 11,461,500) and funds from other donors. World Bank administrative fee per fund/donor is not specified.

** The 2nd tranche transferred to MoF includes the 2nd and 3rd transfers received from DFID.

*** Based on the Administrative Agreement signed between the World Bank and DFID and its related amendments, the World Bank may deduct 1% of contributions received in recovery of its administrative fees in managing the Grant.

2. *Summary of Significant Accounting Policies*

The Statement has been prepared under the historical cost convention. Significant accounting policies follow: -

- **Basis of accounting** - The Statement has been prepared using the cash basis of accounting, which is a comprehensive basis of accounting other than International Financial Reporting Standards (IFRS). Under this basis, contributions are recorded when cash is received and disbursements are recorded when cash is disbursed.
- **Foreign currency** - The basic functional currency of the Palestinian Authority's Ministry of Finance (MoF), is the New Israeli Shekel (ILS). The Grant funds were received by MoF in USD and were converted to ILS using actual exchange rates used by MoF's local bank at the date of each transfer.

3. *Fund Balance - Beginning of Period*

Fund balance beginning of period represents the undisbursed amount of the Grant as of June 30, 2013 which amounts to USD 1,436,750. On July 31, 2013, MoF converted this amount to ILS 5,136,381 (at the exchange rate of 1 USD to 3.575 ILS) to be used for payment of July 2013 salaries as detailed in note 5 below.

4. UK funds received through DFID

During the period from July 1, 2013 to December 31, 2013, the MoF received from DFID, through the World Bank Trust Fund, the amount of USD 35,383,365; an amount of USD 40 was deducted as bank charges, then MoF converted the net received amount of USD 35,383,325 to ILS to be used for payment of September and November 2013 salaries as detailed in note 4 below. The following table presents the dates amounts were converted to ILS and transferred to a PA ILS single treasury account, amounts received in USD, amounts converted to ILS and the converted amounts in ILS:

<u>Date of transfer</u>	<u>Amount received (USD)</u>	<u>Amount converted to ILS (USD)</u>	<u>Converted amount (ILS)*</u>
September 30, 2013	11,461,500	11,461,500	40,493,480
December 1, 2013	23,921,865	23,921,825	84,515,808
	<u>35,383,365</u>	<u>35,383,325</u>	<u>125,009,288</u>

* Both transfers were converted from USD to ILS using the exchange rate of 1 USD to 3.533 ILS.

5. PA's Civil Servants and Pensioners Salaries

This amount represents the USD equivalent amount of salaries paid in ILS to PEGASE approved civil servants and pensioners of certain PA's ministries and institutions for the months of July, September and November 2013, as follows:

	<u>Amount paid in ILS</u>	<u>Equivalent amount in USD</u>
July 2013 Salaries		
Ministry of Finance	4,372,923	1,223,196
Other	763,458	213,554
	<u>5,136,381</u>	<u>1,436,750</u>
September 2013 Salaries*		
Ministry of Health	20,120,676	5,695,068
Ministry of Education and Higher Education	16,157,538	4,573,320
Ministry of Social Affairs	1,177,987	333,424
Other	3,037,279	859,688
	<u>40,493,480</u>	<u>11,461,500</u>
November 2013 Salaries		
Ministry of Education and Higher Education	67,097,208	18,991,567
Ministry of Health	14,530,747	4,112,864
Ministry of Finance	2,887,853	817,394
	<u>84,515,808</u>	<u>23,921,825</u>
	<u>130,145,669</u>	<u>36,820,075</u>

* There was no PEGASE contribution to September 2013 salaries, Accordingly, MoF used the list of PEGASE beneficiaries approved by the European Commission for the payment of July 2013 salaries.

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The Palestinian Authority's Ministry of Finance

State Building and Service Delivery Grant to the Palestinian Authority

Funded by

The Government of the United Kingdom

Acting through the Department for International Development (DFID)

Statement of Cash Receipts, Disbursements and Fund Balance

For the Period from July 1, 2014 to December 31, 2014

Together With Independent Auditors' Report

El Wafa Company

For Financial Consulting & Accounting Services

Correspondents of the International firm
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Independent Auditors' Report

To: The Palestinian Ministry of Finance
Ramallah

We have audited the accompanying statement of cash receipts, disbursements and fund balance (the Statement) of the State Building and Service Delivery Grant to the Palestinian Authority (the Grant), funded by the Government of the United Kingdom (UK) acting through the Department for International Development (DFID), and managed by the Palestinian Ministry of Finance (MoF), for the period from July 1, 2014 to December 31, 2014, and a summary of significant accounting policies and other explanatory information. The Statement is the responsibility of the MoF's management. Our responsibility is to express an opinion on the Statement based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The MoF's policy is to prepare the accompanying Statement on the cash basis of accounting. On this basis, contributions are recorded when cash is received and disbursements are recorded when cash is disbursed.

In our opinion:

- The Statement referred to above presents fairly, in all material respects, the cash receipts and disbursements of the Grant for the period from July 1, 2014 to December 31, 2014, and its fund balance as of December 31, 2014 in accordance with the basis of accounting as described in note (2) to the accompanying Statement;
- MoF complied in all material respects with the provisions of the memorandum of understanding (MoU) signed between DFID and the MoF especially with regard to payment of salaries to eligible beneficiaries in accordance with the process described in the MoU.

El Wafa Company
(Permit No. 203/2012)

[REDACTED]
Ramallah, Palestine
February 25, 2015

The Palestinian Authority's Ministry of Finance

State Building and Service Delivery Grant to the Palestinian Authority

Funded by
The Government of the United Kingdom
Acting through the Department for International Development (DFID)

Statement of Cash Receipts, Disbursements and Fund Balance
For the Period from July 1, 2014 to December 31, 2014

	<u>Note</u>	<u>USD</u>
FUND BALANCE - BEGINNING OF PERIOD		<u>-</u>
<i>Cash received</i>		
UK funds received through DFID and the World Bank	3	<u>27,617,700</u>
Total cash received		<u>27,617,700</u>
<i>Cash disbursed</i>		
Palestinian Authority's (PA) Civil Servants and Pensioners Salaries	4	<u>27,617,700</u>
Total cash disbursed		<u>27,617,700</u>
FUND BALANCE - END OF PERIOD		<u>-</u>

The Accompanying Notes form an Integral Part of this Statement

The Palestinian Authority's Ministry of Finance

State Building and Service Delivery Grant to the Palestinian Authority

Funded by

The Government of the United Kingdom

Acting through the Department for International Development (DFID)

Notes to the Statement of Cash Receipts, Disbursements and Fund Balance
For the Period from July 1, 2014 to December 31, 2014

1. *The Grant and its Financing*

The Government of the United Kingdom of Great Britain and Northern Ireland (UK), acting through the Department for International Development (DFID), and the Palestinian Authority's Ministry of Finance (MoF) signed a Memorandum of Understanding (MoU) whereby UK, through DFID, agreed to provide funding in the amount of Great British Pound (GBP) 57 million to the Palestinian Authority's annual budget (the Grant) for the purpose of contributing to the payment of eligible civil servants salaries who meet the DFID's eligibility criteria. The MoU defines DFID's eligible beneficiaries as those listed and approved by the "Palestino-Europeen de Gestion et d'Aide Socio-Economique" (PEGASE) programmes of support to Civil Servants and Pensioners (CSP) and support to Civil Police and Defence (CDP) employees.

The MoU stated that the UK, through DFID, will make available up to GBP 35 million and GBP 22 million in the 2013/14 and 2014/15 financial years respectively.

UK funds under the Grant are transferred by DFID in GBP to the World Bank Palestinian Reform and Development Plan (PRDP) Trust Fund (TF) No. TF071607 (successor of TF071011). World Bank converts the received GBP funds into USD and, upon review and satisfaction that the policy reforms described in the policy matrix of the immediately preceding Development Policy Grant are met, disburses these funds, as part of a larger tranche payment and net of administrative fee, to the Palestinian Authority's (PA) USD single treasury bank account. The MoF converts received USD funds, at prevailing exchange rates, to New Israeli Shekel and transfers them to a PA single treasury account which is used to pay for PA civil servants and pensioners salaries.

During the period from July 1, 2014 to December 31, 2014 (the Audit Period), DFID effected three transfers in GBP to the World Bank TF071607 as follows:

<u>Transfer</u>	<u>Date of transfer</u>	<u>Amount (GBP)</u>
1 st Transfer	July 23, 2014	5,000,000
2 nd Transfer	October 24, 2014	10,000,000
3 rd Transfer	November 25, 2014	2,000,000
		<u>17,000,000</u>

The World Bank converted the three above listed transfers to USD and transferred the underlying USD amounts to the PA USD single treasury account as follows:

Tranche	Converted amount (USD)	World Bank administrative Fee***	Date of transfer to MoF	Amount transferred to MoF (USD)
1 st Tranche*	8,493,000	-	August 14, 2014	8,493,000
2 nd Tranche**	19,124,700	-	December 23, 2014	19,124,700
	<u>27,617,700</u>	<u>-</u>		<u>27,617,700</u>

* The 1st tranche payment from World Bank to MoF effected on August 14, 2014 was of a larger amount and included the first transfer received from DFID (GBP 5,000,000 converted to USD 8,493,000) in addition to funds from other donors.

** The 2nd tranche payment from World Bank to MoF effected on December 23, 2014 was of a larger amount and included the second and third transfers received from DFID (GBP 12,000,000 converted to USD 19,124,700) in addition to funds from other donors.

*** Based on the Administrative Agreement signed between the World Bank and DFID and its related amendments, the World Bank may deduct 1% of contributions received in recovery of its administrative fees for managing the Grant. Administrative fee, if deducted, applies to the trust fund as a whole and cannot be specified to each individual donor contribution.

2. Summary of Significant Accounting Policies

The Statement has been prepared under the historical cost convention. Significant accounting policies follow: -

- **Basis of accounting** - The Statement has been prepared using the cash basis of accounting, which is a comprehensive basis of accounting other than International Financial Reporting Standards (IFRS). Under this basis, contributions are recorded when cash is received and disbursements are recorded when cash is disbursed.
- **Foreign currency** - The basic functional currency of the Palestinian Authority's Ministry of Finance (MoF), is the New Israeli Shekel (ILS). The Grant funds were received by MoF in USD and have been converted to ILS using actual exchange rates used by MoF's local bank at the date of each transfer from USD to NIS. Exchange rates against USD used for each transfer as follows:

One USD	ILS	
	1 st Transfer	2 nd Transfer
	3.570	3.926

3. *UK funds received through DFID*

During the period from July 1, 2014 to December 31, 2014, the MoF received from DFID, through the World Bank Trust Fund, the amount of USD 27,617,700; MoF converted the amount received to ILS to be used for payment of September and December 2014 salaries as detailed in note 4 below. The following table presents amounts received in USD and converted to ILS:

<u>Date of Conversion from USD to ILS</u>	<u>Amount received (USD)</u>	<u>Converted amount (ILS)</u>
September 1, 2014	8,493,000	30,320,010
December 29, 2014	19,124,700	75,083,572
	<u>27,617,700</u>	<u>105,403,582</u>

4. *PA's Civil Servants and Pensioners Salaries*

This amount represents the USD equivalent amount of salaries paid in ILS to PEGASE approved civil servants and pensioners of certain PA's ministries and institutions for the months of September and December 2014, as follows:

	<u>Amount paid in ILS</u>	<u>Equivalent amount in USD</u>
September 2014 Salaries		
Ministry of Health	28,640,373	8,022,513
Ministry of Social Affairs	1,679,637	470,487
	<u>30,320,010</u>	<u>8,493,000</u>
December 2014 Salaries*		
Ministry of Education and Higher Education	68,306,392	17,398,470
High Judicial Council	1,746,022	444,733
Ministry of Social Affairs	1,619,914	412,612
Ministry of Travel and Transport	1,483,642	377,902
Ministry of National Economy	1,398,981	356,337
Other	528,621	134,646
	<u>75,083,572</u>	<u>19,124,700</u>
	<u>105,403,582</u>	<u>27,617,700</u>

* There was no PEGASE contribution to December 2014 salaries, Accordingly, MoF used the list of PEGASE beneficiaries approved by the European Commission for the payment of November 2014 salaries.

The Palestinian Authority's Ministry of Finance and Planning
State Building and Service Delivery Grant to the Palestinian Authority
Funded by
The Government of the United Kingdom
Acting through the Department for International Development (DFID)
Statement of Cash Receipts, Disbursements and Fund Balance
For the Period from July 1, 2015 to December 31, 2015
Together With Independent Auditors' Report

El Wafa Company

For Financial Consulting & Accounting Services

Correspondents of the International firm

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Independent Auditors' Report

To: The Palestinian Ministry of Finance and Planning
Ramallah

We have audited the accompanying statement of cash receipts, disbursements and fund balance (the Statement) of the State Building and Service Delivery Grant to the Palestinian Authority (the Grant), funded by the Government of the United Kingdom (UK) acting through the Department for International Development (DFID), and managed by the Palestinian Ministry of Finance and Planning (MoFP), for the period from July 1, 2015 to December 31, 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Statement

The management of MoFP is responsible for the preparation and fair presentation of the Statement in accordance with the cash basis of accounting described in note 2, and for such internal control as management determines is necessary to enable the preparation of the Statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the Statement based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the Statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Statement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

El Wafa Company

For Financial Consulting & Accounting Services

Correspondents of the International firm
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Opinion

In our opinion:

- The Statement referred to above presents fairly, in all material respects, the cash receipts and disbursements of the Grant for the period from July 1, 2015 to December 31, 2015, and its fund balance as of December 31, 2015 in accordance with the basis of accounting as described in note (2) to the accompanying Statement;
- The MoFP complied in all material respects with the provisions of the memorandum of understanding (MoU) signed between DFID and the MoFP especially with regard to payment of salaries to eligible beneficiaries in accordance with the process described in the MoU; and
- Salary payments funded under the Grant were executed by implementing banks, in all material respects, to individual bank accounts of Civil Servants and Pensioners (CSP) listed and approved under the PEGASE CSP Programme.

Basis of Accounting and Restriction on Distribution

Without modifying our opinion, we draw attention to note 2 to the Statement, which describes the basis of accounting. The Statement is prepared to provide information for DFID and MoFP. As a result, the Statement may not be suitable for another purpose. Our report is intended solely for DFID and MoFP and should not be distributed to other parties.

El Wafa Company
(Permit No. 203/2012)



Ramallah, Palestine
April 12, 2016

The Palestinian Authority's Ministry of Finance and Planning
State Building and Service Delivery Grant to the Palestinian Authority
Funded by
The Government of the United Kingdom
Acting through the Department for International Development (DFID)
Statement of Cash Receipts, Disbursements and Fund Balance
For the Period from July 1, 2015 to December 31, 2015

	<u>Note</u>	<u>USD</u>
FUND BALANCE - BEGINNING OF PERIOD		<u>555</u>
<i>Cash received</i>		
UK funds received through DFID and the World Bank	3	<u>22,799,510</u>
Total cash received		<u>22,799,510</u>
<i>Cash disbursed</i>		
Palestinian Authority's (PA) Civil Servants and Pensioners Salaries	4	<u>22,798,592</u>
Total cash disbursed		<u>22,798,592</u>
CHANGE IN FUND BALANCE	4, 5	<u>918</u>
FUND BALANCE - END OF PERIOD	5	<u>1,473</u>

The Accompanying Notes form an Integral Part of this Statement

The Palestinian Authority's Ministry of Finance and Planning

State Building and Service Delivery Grant to the Palestinian Authority

Funded by

The Government of the United Kingdom

Acting through the Department for International Development (DFID)

Notes to the Statement of Cash Receipts, Disbursements and Fund Balance

For the Period from July 1, 2015 to December 31, 2015

1. *The Grant and its Financing*

The Government of the United Kingdom of Great Britain and Northern Ireland (UK), acting through the Department for International Development (DFID), and the Palestinian Authority's Ministry of Finance and Planning (MoFP) signed a Memorandum of Understanding (MoU) on February 25, 2013, whereby UK, through DFID, agreed to provide funding to the Palestinian Authority's annual budget (the Grant) for the purpose of contributing to the payment of eligible civil servants salaries who meet the DFID's eligibility criteria.

Further, on March 19, 2015, an amendment to the MoU was signed between the two parties, whereby the UK, through DFID, will make available up to GBP 25 million during the year 2015.

The MoU and the related amendment define DFID's eligible beneficiaries as those listed and approved by the "Palestino-Europeen de Gestion et d'Aide Socio-Economique" (PEGASE) programmes of support to Civil Servants and Pensioners (CSP) and support to Civil Police and Defence (CPD) employees.

UK funds under the Grant are transferred by DFID in GBP to the World Bank's Palestinian Reform and Development Plan (PRDP) Trust Fund (TF) No. TF071607 (successor of TF071011). World Bank converts the received GBP funds into USD and, upon review and satisfaction that policy reforms described in the policy matrix of the immediately preceding Development Policy Grant are met, disburses these funds, as part of a larger tranche payment and net of administrative fee, to the Palestinian Authority's (PA) USD single treasury bank account. The MoFP converts received USD funds, at prevailing exchange rates, to New Israeli Shekel (ILS) and transfers the resulting fund to a PA single treasury account which is used to pay for PA civil servants and pensioners salaries.

During the period from July 1, 2015 to December 31, 2015 (the Audit Period), DFID effected two transfers in GBP to the World Bank TF071607 as follows:

<u>Transfer</u>	<u>Date of transfer</u>	<u>Amount (GBP)</u>
1 st Transfer	July 2015	7,300,000
2 nd Transfer	October 2015	7,500,000
		<u>14,800,000</u>

The World Bank converted the two above listed transfers to USD and transferred the underlying USD amounts to the PA USD single treasury account as follows:

Tranche	Converted amount (USD)	World Bank administrative Fee***	Date of transfer to MoFP	Amount transferred to MoFP (USD)
1 st Tranche*	11,323,760	-	September 9, 2015	11,323,760
2 nd Tranche**	11,475,750	-	December 23, 2015	11,475,750
	<u>22,799,510</u>	<u>-</u>		<u>22,799,510</u>

* The 1st tranche payment from World Bank to MoFP effected on September 9, 2015 was of a larger amount and included the first transfer received from DFID (GBP 7,300,000 converted to USD 11,323,760) in addition to funds from other donors.

** The 2nd tranche payment from World Bank to MoFP effected on December 23, 2015 was of a larger amount and included the second transfer received from DFID (GBP 7,500,000 converted to USD 11,475,750) in addition to funds from other donors.

*** Based on the Administrative Agreement signed between the World Bank and DFID and its related amendments, the World Bank may deduct 1% of contributions received in recovery of its administrative fees for managing the Grant. Administrative fee, if deducted, applies to the trust fund as a whole and cannot be specified to each individual donor contribution.

2. Summary of Significant Accounting Policies

The Statement has been prepared under the historical cost convention. Significant accounting policies follow: -

- **Basis of accounting** - The Statement has been prepared using the cash basis of accounting, which is a comprehensive basis of accounting other than International Financial Reporting Standards (IFRS). Under this basis, contributions are recorded when cash is received and disbursements are recorded when cash is disbursed.
- **Foreign currency** - The basic functional currency of the Palestinian Authority's Ministry of Finance and Planning (MoFP), is the New Israeli Shekel (ILS). The Grant funds were received by MoFP in USD and have been converted to ILS at actual exchange rates used by MoFP's local bank at the date of each transfer from USD to ILS. Exchange rate against USD used for each transfer follows:

One USD	ILS	
	1 st Transfer	2 nd Transfer
	3.8625	3.8935

3. *UK funds received through DFID and the World Bank*

During the period from July 1, 2015 to December 31, 2015, the MoFP received from DFID, through the World Bank Trust Fund, the two amounts totalling USD 22,799,510; MoFP converted the amounts received to ILS to be used for payment of September and December 2015 salaries as detailed in note 4 below. The following table presents amounts received in USD and converted to ILS:

<u>Date of Conversion from USD to ILS</u>	<u>Amount received (USD)</u>	<u>Converted amount (ILS)</u>
September 17, 2015	11,323,760	43,738,023
January 4, 2016	11,475,750	44,680,833
	<u>22,799,510</u>	<u>88,418,856</u>

4. *PA's Civil Servants and Pensioners Salaries*

This amount represents the USD equivalent of salaries paid in ILS to PEGASE approved civil servants and pensioners of certain PA's ministries and institutions for the months of September and December 2015, as follows:

	<u>Amount paid in ILS</u>	<u>Equivalent amount in USD</u>
September 2015 Salaries*		
Ministry of Health	21,647,263	5,604,469
Ministry of Education and Higher Education	18,801,897	4,867,805
Ministry of Finance and Planning	3,288,863	851,486
	<u>43,738,023</u>	<u>11,323,760</u>
December 2015 Salaries**		
Ministry of Health	37,519,932	9,636,556
Ministry of Education and Higher Education	4,044,075	1,038,674
Ministry of Finance and Planning	3,116,826	800,520
	<u>44,680,833</u>	<u>11,475,750</u>
Salaries rejected by bank (Note 5)	<u>(3,546)</u>	<u>(918)</u>
Salaries successfully executed by banks	<u>88,415,310</u>	<u>22,798,592</u>

* There was no PEGASE contribution to September 2015 salaries. Accordingly, MoFP used the list of PEGASE beneficiaries approved by the European Commission for the payment of May 2015 salaries.

** There was no PEGASE contribution to December 2015 salaries. Accordingly, MoFP used the list of PEGASE beneficiaries approved by the European Commission for the payment of November 2015 salaries.

5. *Fund Balance - End of Period*

This item comprises:

	<u>Amount in ILS</u>	<u>Equivalent amount in USD</u>
Fund Balance - Beginning of Period*	2,144	555
Two CSP salaries rejected by Palestine Islamic Bank under September 2015 Salaries due to the demise of the beneficiaries	<u>3,546</u>	<u>918</u>
	<u>5,690</u>	<u>1,473</u>

* Represents One CSP salary rejected by Cairo Amman Bank during the period from January 1, 2015 to June 30, 2015.