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# ANNUAL PROGRESS REPORT

## INVESTMENT CLIMATE IMPROVEMENT PROJECT

YEAR THREE (October 1, 2012 TO SEPTEMBER 30, 2013)



**JULY 29, 2013**

CGE Certificate Awarding Ceremony and ministerial level meeting with Professor Ali Bayari from ECOMOD President and Minister of National Economy Dr. Jawad Najji and Mr. Conan Peisen USAID PO Director.

# ANNUAL PROGRESS REPORT

## INVESTMENT CLIMATE IMPROVEMENT PROJECT

**Contract No.EEM-13-07-00008-00**

# CONTENTS

|   |               |
|---|---------------|
| <b>ACRONYMS</b> .....   | <b>i</b>      |
| <b>EXECUTIVE SUMMARY</b> .....  | <b>3</b>      |
| <b>PROJECT BACKGROUND AND CONTEXT</b> .....                                     | <b>5</b>      |
| Component one: Policy Reform – Subcomponent on WTO Status & Compliance .....    | 7             |
| <b>Summary</b> .....  | 7             |
| <b>Highlights</b> .....   | 7             |
| <b>Looking Forward</b> .....  | 11            |
| Component one: Policy Reform – Business Enabling Environment Subcomponent ..... | 12            |
| <b>Summary</b> .....  | 12            |
| <b>Highlights</b> .....   | 13            |
| <b>Looking Forward</b> .....  | 16            |
| Component 2: Fiscal Reform .....  | 17            |
| <b>Summary</b> .....  | 17            |
| <b>Highlights</b> .....   | 17            |
| <b>Taxpayer service centre</b> .....  | <b>20</b>     |
| <b>Looking Forward</b> .....  | <b>21</b>     |
| Grants component .....  | 22            |
| <b>A Summary</b> .....  | 22            |
| <b>Highlights</b> .....   | 22            |
| <b>Challenges, Lessons Learned, Areas for Improvement</b> .....                 | <b>24</b>     |
| <b>SUMMARY TABLE OF MANAGEMENT INDICATORS</b> .....                             | <b>26</b>     |
| <b>SUMMARY TABLE OF OP INDICATORS</b> .....                                     | <b>32</b>     |
| <b>SUMMARY TABLE OF OP INDICATORS MODIFICATIONS</b> .....                       | <b>Error!</b> |
| Bookmark not defined.   |               |
| <b>Deliverable Table</b> .....  | <b>36</b>     |

## ACRONYMS

|         |   |
|---------|---|
| BEE     | Business Enabling Environment                             |
| BizCLIR | Business Climate, Legal & Institutional Reform            |
| CGE     | Computable General Equilibrium                            |
| COP     | Chief of Party  |
| CTT     | Core Technical Team                                       |
| DFID    | Department of International Development                   |
| EU      | European Union  |
| GAMS    | Generalized Algebraic Modeling System                     |
| GATS    | General Agreement on Trade in Services                    |
| GATT    | General Agreement on Tariffs and Trade                    |
| GIZ     | German Society for International Cooperation              |
| IBLAW   | International Business Legal Associate                    |
| ICI     | Investment Climate Improvement                            |
| IFC     | International Finance Cooperation                         |
| IMF     | International Monetary Fund                               |
| IPR     | Intellectual Property Rights                              |
| IT      | Information Technology                                    |
| LTPO    | Large Tax Payers Office                                   |
| MCR     | Minimum Capital Requirement                               |
| MONE    | Ministry of National Economy                              |
| MOF     | Ministry of Finance                                       |
| MTIT    | Ministry of Telecommunications and Information Technology |
| NGO     | Non-Governmental Organization                             |
| NTF     | National Task Force                                       |
| PA      | Palestinian Authority                                     |
| PACPA   | Palestinian Associate for Certified Public Accountants    |
| PBA     | Palestinian Businessmen Association                       |
| PFI     | Palestinian Federation of Industries                      |
| PIPA    | Palestine Investment Promotion Agency                     |
| PLC     | Palestinian Legislative Council                           |
| PMP     | Palestine Monetary Authority                              |
| PSO     | Private Sector Organization                               |
| RMS     | Revenue Management System                                 |
| RFA     | Request for Applications                                  |
| SAM     | Social Accounting Matrix                                  |
| SPS     | Sanitary and Phytosanitary                                |

|       |  |
|-------|--|
| STTA  | Short Term Technical Assistance                        |
| SWG   | Sectorial Working Groups                               |
| TAT   | Technical Advisory Team                                |
| TOT   | Training for Trainers                                  |
| TRIPS | Trade-Related Aspects of International Property Rights |
| TPSC  | Tax Payer Service Center                               |
| UN    | United Nations   |
| USAID | United States Agency for International Development     |
| VAT   | Value-Added Tax  |
| WBDB  | World Bank Doing Business                              |
| WTO   | World Trade Organization                               |

## EXECUTIVE SUMMARY

The Investment Climate Improvement Project (ICI) is pleased to present the accomplishments achieved and challenges overcome during its third year of operation, from October 1<sup>st</sup>, 2012 to September 30<sup>th</sup>, 2013. The Project made significant progress and achievements in its third year, operating within a context of political instability, funding limitations, and uncertainties.

In March of 2013, the ICI project received modification 6 to the contract, increasing its obligation by \$1,000,000 from \$13,150,000 to \$14,150,000. Later in the year, in July, the project received modification 7 to the contract which extended the project's end date to September 30<sup>th</sup>, 2014 in addition to increasing the project's funding by \$4,500,000. Immediately following this obligation and extension, ICI developed a work plan for Year 4, which was approved on October 4, 2013. Prior to this modification, ICI anticipated closure on the original contract end date of August 30, 2013. This extension will allow ICI to continue major initiatives and interventions from Years 1, 2, and 3, and will enable the project to better prepare the Palestinian Authority (PA) to become financially self-sufficient, more friendly to business and investment, and more compliant with international trade standards.

The project has the following three components/subcomponents, as well as a grants program listed below:

- *Policy Reform – Subcomponent on WTO Status and Compliance:* WTO compliance and eventual accession is a major development priority of the PA. Additionally, compliance in key multi-lateral trade areas will make the Palestinian Territories a more competitive international economy, and much more friendly to international investors. ICI continued its assistance to the PA in Year 3 mainly through continuing its extensive training program for Ministry of National Economy (MONE) counterparts, as well as for members of the National Task Force (NTF), the Technical Advisory Team (TAT) on specialized topics. Additionally, ICI continued reviewing and drafting key pieces of legislation, and completed its extensive assistance in developing a WTO Resource Center with the MONE. ICI also developed a Core General Equilibrium model to assist PA policymakers in making evidence-based economic decisions.
- *Policy Reform - Business Enabling Environment (BEE) subcomponent:* The BEE subcomponent of the ICI Project partners with the Ministry of National Economy (MONE) staff and other related counterparts and private sector representatives to address key policy, legal, regulatory, and procedural constraints that have been identified in the USAID-funded BizCLIR (Business Climate, Legal and Institutional Reform) report and the World Bank Doing Business (WBDB) Report. In year 3, the ICI Project aimed to improve the PA's ranking on the WBDB report by analyzing several of the report's key indicators and by creating a platform for discussion between public and private stakeholders focused on eliminating unnecessary procedures, time, and costs. Moreover, in cooperation with MONE, the ICI Project was able to eliminate the Minimum Capital Requirement (MCR) to encourage business registration and legitimacy. Additionally, the ICI Project continued to propose modifications to the PA's legal framework, and continued its efforts to make that legal framework more accessible to local and international investors.

- *Fiscal Reform:* ICI's fiscal reform component partners with the Palestinian Ministry of Finance (MOF) to ultimately increase fiscal transparency and reduce the budget deficit. Major efforts and successes in 2013 focused on: the implementation of the Revenue Management System, Phase I of which was completed in June 2013; and the completion of the first ever Taxpayer Service Center in the West Bank. This service center was officially opened in September 2013 with Jonathan Kamin, the USAID Deputy Mission Director and Mr. Basil Alramahi, Deputy General of Administrative and Financial Affairs from the Ministry of Finance. The Taxpayer Service Center will serve as a one-stop-shop for VAT, income tax, and customs services requested by taxpayers.
- *Grants:* ICI completed its approximately \$850,000 grants component in June 2013. Altogether 100 applications were submitted from 70 organizations, 12 of which received funding from the project. The grants program supported policy advocacy, and institutional development on the part of private sector organizations, universities, and non-governmental organizations, all of which was meant to work in concert with ongoing ICI activities.

All ICI activities in 2013 were implemented with an integrated, gender-sensitive approach meant to benefit both men and women, and focus on creating enhanced opportunities for women in both public and private sectors

## PROJECT BACKGROUND AND CONTEXT

The Investment Climate Improvement (ICI) Project is designed to respond to the unstable political environment in West Bank/Gaza that has served to undermine the Palestinian Authority's (PA) capacity to sustain effective governmental institutions and policies. Although the PA is officially committed to facilitating sustainable economic growth, its capacity to build and sustain the institutional infrastructure required for substantial economic reform is weak, uneven and requires capacity building in numerous areas.

Responding to this need, the ICI Project is working to foster the legal and regulatory frameworks, transparent procedures, and private-sector participation that are crucial for both economic reform and international relationships. ICI is working in cooperation with the Ministry of National Economy (MONE), the Ministry of Finance (MOF), private-sector organizations (PSOs), governorate and municipal officials, and other key stakeholders to address the priority areas of trade, fiscal, and business enabling environment reform.

The Project has two components: Policy Reform and Fiscal Reform. The Policy Reform component has two subcomponents: Preparing the PA to achieve World Trade Organization (WTO) Compliance and Improving the Business Enabling Environment. The expected overall project results are:

- The PA will achieve a WTO-compliant trade regime;
- The Palestinian private sector will be prepared to participate with the PA to fulfill the requirements for WTO compliant;
- The ranking in the World Bank Doing Business Report's indicators for West Bank/Gaza will be improved; and
- PA revenues will increase progressively, reducing the large gap that exists between PA fiscal revenues and expenditures.

Additionally, through grants and subcontracts, the ICI Project is implementing four cross-cutting activities:

- A grants under contract program supporting policy advocacy and institutional development on the part of PSOs, universities, and NGOs.
- As part of ICI's gender plan, gender-related activities meant to increase the role of women and women-owned/managed businesses in the Palestinian economy are being implemented.
- A public information and outreach campaign to increase public awareness and support for reforms being addressed by the project through all its activities and goals.
- Institutional capacity-building and training programs for public and private counterparts in order to increase knowledge and skills needed for effective policy analysis and advocacy.

Donor coordination at MOF and MONE is extensive as both Ministries receive technical assistance from several donor organizations. In the areas of concern to ICI, the principal donors are the International Monetary Fund (IMF), the German Society for International Cooperation (GIZ), the International Finance Corporation (IFC), Department for International Development (DFID), and the

European Union (EU). ICI staff members regularly meet with or contact representatives of those organizations and, in the case of MONE, carry out consultations through the Ministry's Aid Coordination Unit. As a result of this coordination, the ICI Project has been able to identify ways in which assistance can be provided on a collaborative basis to address Project objectives with efficiency and increased effectiveness.

# COMPONENT ONE: POLICY REFORM – SUBCOMPONENT ON WTO STATUS & COMPLIANCE

## Summary

WTO compliance is a major development priority of the PA. The WTO Subcomponent focused its efforts on its Year 3 through continuing assistance to the Ministry of National Economy (MONE), the National Task Force (NTF) and the Technical Advisory Team (TAT).

The WTO efforts focused on building understanding and reforming the PA international trade regime and ensuring its compatibility with the WTO agreements. In addition, specialized trainings to the NTF, TAT and MONE staff have taken place during the period. Furthermore, legal reforms of specific and vital areas have been conducted to improve the PA regulatory framework and modernize some of its key legislations to ensure their compliance with the WTO and international best practice. Specifically, ICI assistance focused on reviewing and drafting key legislations of IPR, Debt Resolution and trade Remedies which helped the PA strengthen its legislative and regulatory framework. Moreover, the WTO subcomponent focused on facilitating workshops and dialogues and involving the Private Sector to create a culture of partnership between Public and Private sectors. In addition, specialized and general skills trainings to the NTF, TAT and MONE staff have been provided which improved their skills in terms of international trade regime.

The ICI Project's assistance to the WTO Resource Center is notable as it provides the Library Software for the WTO Resource Center Library and will enhance the PA's goal of achieving WTO compliance. The ICI Project activities centered on developing a core computable general equilibrium model to assist PA policymakers; organizing a conference on trade policy and development for the PA to discuss trade policy options within WTO framework; reviewing compliance with GATT and SPS transparency requirements; foreign trade law, building individual and institutional capacity and promoting TRIPS-compliant industrial property rights laws; and assisting key sectors to undertake impact assessment studies of WTO rules on the economy.

## Highlights

**Supporting the WTO National Task Force:** In its third year, the ICI Project continued its technical assistance to NTF and TAT members. ICI WTO Expert, Mr. Luis Abugattas, developed the Draft Principles of a Palestinian Foreign Trade Law, which adopts principles compatible with WTO Agreements, inter alia fair trade, Most-Favored-Nation (MFN) treatment, reciprocity and transparency. The ICI Project has translated these principles into Arabic and circulated them among NTF and TAT members which will be developed as a draft law. Additionally, in Y3, ICI prepared a draft paper for restructuring the PA's WTO NTF and TAT. The paper covers recommendations to consider options that clearly indicate the purpose, function, and aim of the NTF and TAT. The paper was shared with MONE WTO Unit for review and submittal to the Minister of National Economy H.E. Dr. Jawad Naji to guide potential activities related to restructuring.

It should be noted that the NTF and TAT recommended, during last year's retreat facilitated by ICI Project, restructuring the teams and create Special Working Groups to realign to the current needs. ICI Project conducted a workshop with MONE WTO Unit on the draft paper. Participants discussed ICI recommendations to restructure the NTF and TAT. Mr. Abugattas also briefed H.E. Dr. Jawad Naji, on the main recommendations. Additional follow-up actions will be led by the WTO Unit in the next year.

**Trade Policy Options Paper:** The ICI Project, through its WTO Expert, Mr. Luis Abugattas, prepared the Trade Policy Options Paper which addresses two main options of trade policy, the neo-liberal approach and the neo-developmentalism. Both approaches recognize the role of the state in development, but radically differ in their objectives and nature. The neo-liberal approach has developed a framework of good governance as market-enhancing interventions, focusing on governance capabilities that reduce transaction costs and enable markets to work more efficiently. In contrast, neo-developmentalism stresses the role of growth-enhancing interventions, focusing on governance capabilities to overcome entrenched market failures, acquiring productivity-enhancing technologies and maintaining political stability in a context of rapid social transformation. The paper has been translated into Arabic and will be discussed and endorsed by the NTF and TAT.

**Trade Policy Options Meeting at Palestinian Businessmen Association (PBA):** The ICI Project's WTO Expert, Mr. Luis Abugattas, continued working on his tasks and deliverables in Y3. ICI facilitated a meeting with the Palestinian Businessmen Association (PBA), in which Mr. Luis Abugattas presented on the options available for a future Palestinian trade policy. The meeting was opened by Mr. Mohammad Masroji, Chairman of the PBA Board of Directors, followed by welcoming remarks by Dr. Nidal Sliman, ICI's former Policy Reform Team Leader, and Ms. Soha Awadallah from MONE's WTO Unit. The presentation covered the new trading environment, trade and development policy, tariff and services trade policy, and options for future Palestinian regional and bilateral trade relations. Participants discussed with the WTO expert the role and importance of the private sector in shaping and formulating Palestinian trade policies.

**National Production Protection Law (Trade Remedies):** As part of its technical assistance in trade related issues, the ICI Project continued its effort to assist the PA in building sound and effective legal framework. In Y3, the ICI Project contracted the Jordanian Law Firm, International Business Legal Associates (IBLAW), to assist the MONE draft trade remedies legislation that is compliant with the WTO Agreements on anti-dumping, subsidies and countervailing measures and safeguards. During Y3, IBLAW submitted the first draft of the National Production Protection Law (trade remedies), which addresses the WTO Agreements. The ICI Project organized and facilitated three workshops on the Draft Law between May 13 and 15, 2013 in Ramallah, Nablus, and Hebron. The aim of the workshops was to present the Draft Law to public and private



Workshop on Draft National Production Protection Law (Trade Remedies) at ANKARS Suits. On May 20th, 2013. From left to right, Mr. Maher Hamdan, COP, H.E. Dr. Jawad Naji, Minister of Ministry of National Economy, and Dr. Salah Al Deen Bashir, Senior Partner, IBLAW.

stakeholders and to listen to their comments and suggestions. Mr. Maher Hamdan, ICI's Chief of Party, chaired Ramallah's workshop with opening remarks from H.E. Dr. Jawad Naji, Minister of National Economy. The discussion of the Draft Law substantiated several comments and suggestions during the three events. Taking into consideration all feedback received from the public and private sectors, IBLAW submitted a revised Draft Law. Subsequently, the ICI Project organized a roundtable on the final Draft National Production Protection Law (Trade Remedies) in Ramallah. About 50 professionals from the public and private sectors made comments and suggestions, which were incorporated into the final version of Draft Law that was submitted to MONE and contains legislative memorandums for the PA legislative process.

**Specialized TRIPS Training:** As part of ICI Project capacity building activities for NTF/TAT members, Mr. Luis Abugattas, conducted a one-day training session for members of PA NTF and TAT on intellectual property protection under the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) of the WTO. The training focused on the Palestinian international commitments on the protection of Intellectual Property Rights, the economic underpinnings of IPR systems and the obligations & flexibilities under the WTO TRIPS agreement.

**NTF/TAT Transparency Subcommittee:** ICI Project continues to support the Transparency Subcommittee during Y3. The Transparency Subcommittee, established upon ICI Project's recommendation, focused mainly on assessing the PA transparency practices vis-à-vis WTO transparency rules, and on making recommendations to achieve compliance. The ICI Project facilitated two meetings of the Subcommittee held at the MONE on April 25 and May 6, 2013. In addition, the ICI Policy Reform Team supported the Subcommittee in presenting the findings of the Questionnaire on Transparency Requirements of the Sanitary and Phytosanitary (SPS) Agreement of the WTO for the Ministry of Agriculture, the Palestine Standard Institution, and the Ministry of Health. Participants representing the Ministry of Planning, the Ministry of Agriculture, the Ministry of Telecommunication and Information Technology, the Palestine Central Bureau of Statistics, and the MOF attended the meeting. Other stakeholders provided their input for the second Questionnaire on the Transparency Requirements under the General Agreement on Tariffs and Trade (GATT). The report summarizes the data and information generated from SPS and GATT questionnaires designed to measure the level of transparency in PA official institutions against the WTO agreements. The ICI Policy Reform Team assisted the Subcommittee to analyze the results of both questionnaires. The PCBS utilized the results and prepared a final draft report and recommendations on future reforms needed to achieve compliance with the WTO transparency rules. In addition, ICI Project facilitated a workshop during September 2013 which was attended by public and private stakeholders to present the final findings and recommendations of the SPS and GATT Transparency report. The recommendations of the report will be submitted to the NTF for endorsement and reform.

**WTO Resource Center Library Software:** In Y3, ICI completed the installation of the library software at the PA's Ministry of National Economy's (MONE) WTO Unit. The software helped MONE manage the books and resources currently hosted by its WTO Resource Center, as well as trade-related publications purchased by ICI Project for the Ministry. The WTO Resource Center will function as a research and analysis center on trade and economics at MONE. In addition to MONE

staff, the Center will be available to members of the WTO National Task Force and Technical Advisory Team as well as to the public. ICI also completed two-day training for the MONE IT Directorate on the library software, its configuration, customization, and localizations. Additionally, a five-day Data Entry and Web OPAC practical training for staff of the WTO Unit was implemented. The training covered catalog data entry for books, collections, and periodicals. In addition, it covered circulation services, such as defining patrons for check-in and check-out policies.

Furthermore, ICI delivered to the MONE the second and third (final) batches of specialized books for the WTO Resource Center. The books covered relevant WTO agreements, small and medium enterprises, and trade in services. In addition to MONE staff, the books will be available to members of the WTO NTF and TAT, as well as to the public. It should also be noted that ICI obtained online subscriptions for the WTO Unit to two electronic resources on international trade law and policy (JSTOR and Hein Online).

The WTO Resource Center will serve as an extensive resource for MONE staff, as well as for other public and private sector actors, giving them access to resources that are currently unavailable in West Bank and Gaza. It will also support the needs of the NTF as it prepares for WTO observer and membership negotiations.

**Note on General Agreement on Trade in Services (GATS) and Accounting Services (PACPA Conference):** The ICI Project participated in the Palestinian Association of Certified Public Accountants (PACPA) conference between November 7 and 8 in Ramallah. The WTO Expert Mr. Luis Abugattas prepared and presented a paper titled “Note on GATS and Accounting Services: Potential Implications for the Palestinian Accounting Profession,” at the event. Furthermore, the ICI Project continued to facilitate better coordination between PACPA and the MONE’s WTO Unit.

**Intellectual Property Rights (IPR):** During Y3, the ICI Project concluded a three-part training course titled “The Arab Certified Intellectual Property Practitioner Program,” with the help of its subcontractor Abu Ghazaleh Intellectual Property. The program, which took place over three weeks, included comprehensive courses on all aspects of trademarks and commercial processes, patents and inventions, and copyrights and neighboring rights concluded with a final exam. Upon successful completion of all three courses, participants were awarded a certificate branded by USAID, the ICI Project, and Abu Ghazaleh, a prestigious intellectual property organization that is well known throughout the Middle East. Additionally, the ICI Project implemented a MONE Intellectual Property Rights Directorate assessment. The aim of this assessment is to assist the MONE evaluate the capacity of its IPR Directorate to administer a Trade-Related Aspects of Intellectual Property (TRIPS) Rights-compliant IPR framework and provide services to the public and make recommendations for improvement.

On the other hand, the ICI Project, in coordination with MONE, developed and implemented an awareness campaign aimed at increasing public knowledge of intellectual property and its importance. The campaign included radio spots, newspaper advertisements, phone bill inserts, foam boards and rollups. In addition, billboards were posted in all major cities of the West Bank. The ICI Project also designed and printed 1,000 brochures on patents.

**CGE Model:** ICI signed a subcontract with a technical US-based subcontractor to build a computable general equilibrium (CGE) model for policy analysis for the Palestinian Authority. For this purpose, the ICI assisted the Palestinian Authority's Ministry of National Economy (MONE) developed the PalMod model and built capacity among 25 PA professionals to enable them to conduct evidence-based policy simulations on fiscal, industrial, labor, and trade policy issues. PalMod is a multi-sector Computable General Equilibrium (CGE) model that simulates the workings of a market economy and is unique in their ability to analyze the impacts of economic policy decisions. The CGE modeling is a proven technique that captures economy-wide impacts of policy changes through input-output (IO) and Social Accounting Matrix (SAM) analysis. The 25 PA professionals representing 6 PA authorities (Ministry of National Economy, Ministry of Finance, Ministry of Labor, Ministry of Planning and Development, Palestinian Central Bureau of Statistics, and Palestine Monetary Authority) and other institutions in Palestine have been trained to master the PalMod. In addition, the ICI subcontractor, EcoMod Company, delivered 15 intensive training sessions between May and July 2013. The trainings covered the Generalized Algebraic Modeling System (GAMS) Software used as a high-level modeling system for mathematical programming solutions and an introduction to CGE modeling theory.



CGE Certificate Awarding Ceremony at the Movenpick Hotel in Ramallah on July 29th, 2013. From left to right: Prof. Ali Bayar, EcoMod President, Mr. Conan Peisen, Director of the Private Enterprise Office at USAID, Ms. Ola Awad, Head of PCBS, H.E. Dr. Jawad Naji, Minister of National Economy.

During the training, the participants were able to analyze the structure of the Palestinian economy using the system of national accounts and Palestinian social accounting matrix. ICI Project assisted MONE in installing PalMod interface at the 6 PA institutions to be used for building its evidence-based policy making and analysis capacities to achieve sound macroeconomic stability.

**Looking Forward**

In Year 4, the ICI Project will continue to build on its WTO work with MONE. It will provide extensive technical expertise as the project designs and implements targeted trainings on the WTO specific topics to the Sectoral Working Groups (SWGs) of the TAT and other trade-related ministries with active private sector involvement.

As part of its building capacity, the ICI Project will support the PA's efforts in Year 4 by providing assistance through preparing concept papers that will lead the work of the SWGs, providing specialized training and coaching them to produce documents and outputs and fulfill their WTO related duties. The specialized training will address the agriculture and tariffs on non-agriculture topics. Additionally, the ICI Project will focus on developing sustainability of its efforts with MONE:

- Empowering counterparts to embark on self-improvements.
- Building awareness, and developing dialogues among stakeholders from which business enabling reforms and steps toward WTO compliance will naturally flow.
- Support the PA's efforts in Year 4 by conducting review of the Sanitary and Phytosanitary (SPS) legislative framework vis-à-vis the WTO SPS Agreement.
- Continue to build capacity of other trade related institutions through supporting the TAT's Transparency Initiative. Based on the assessment of the current transparency practices,
- Provide instructions to improve practices and facilitate Public/Private Dialogue on current practices and needed reforms.
- The ICI project will continue its assistance to build the IPR awareness through printing IPR educational materials to reach the general public and key constituent groups.
- Engage private sector institutions in the awareness process.

## **COMPONENT ONE: POLICY REFORM – BUSINESS ENABLING ENVIRONMENT SUBCOMPONENT**

### **Summary**

The BEE subcomponent of the ICI Project continued to work with MONE staff and other related counterparts and private sector representatives to address key policy, legal, regulatory, and procedural constraints that have been identified in the USAID-funded BizCLIR (Business Climate, Legal and Institutional Reform) report and the World Bank Doing Business (WBDB) Report to create a more business-friendly legal and regulatory environment.

The ICI Project focused on analyzing several indicators aiming at improving the PA ranking on the WBDB Report. The areas that were reviewed and analyzed were the “Starting a Business”, “Dealing with Construction Permits”, “Registering Property”, “Trading Across Borders”, and “Getting Credit” Indicators. Also the ICI Project facilitated and conducted workshops where public and private stakeholders participated to discuss ways of reducing the number of procedures, time and cost to eventually improve the PA ranking on the WBDB Report. The ICI Project, in cooperation with MONE, successfully eliminated the Minimum Capital Requirement (MCR) which will reduce the cost of business registration and improve the PA ranking on the WBDB Report.

Additionally, the ICI Project conducted a legislative review of the Commercial Agency Law of 2000 and proposed modifications to modernize the legal framework of commercial agency practice. Simultaneously, the ICI Project created a compendium of commercial laws which is a searchable database available online for the public, researchers and potential investors.

## Highlights

**Core Technical Team:** The ICI project continues its support to the recently established Core Technical Team (CTT). The ICI Project assisted the CTT to develop an action plan which includes short and medium term interventions. The action plan focused on the “Starting a Business” indicator in addition to reviewing and analyzing the “Dealing with Construction Permits”, “Registering Property”, “Getting Credit”, and “Trading Across Borders” indicators, plus looking at the “Resolving Insolvency”. In order to focus efforts, the ICI Project started by examining the “Starting a Business” indicator which will encourage the registration of formal and informal businesses.

As a result, the ICI Project drafted a legal memorandum with specific recommendations for MONE to interpret the Companies Law in a manner that would not impose the requirement to deposit 25% of the Minimum Capital Requirement (MCR) when registering new private limited liability companies within 3 months of registration. ICI presented its main recommendations to the Minister to remove this requirement and H.E. Dr. Jawad Naji accepted ICI’s recommendations.

In addition, ICI assisted the MONE draft an Amendment to the Companies Law setting the minimum capital requirement on one Jordanian Dinar, and giving the Council of Ministers the authority to fix the MCR. ICI also assisted the MONE Legal Affairs Directorate draft new ministerial decision to remove the minimum capital requirement condition, which will result in improving the business enabling environment and WB/G ranking on the WBDB Report under the “Starting a Business” Indicator.

Furthermore, the ICI Project contracted two experts to review, process map and proposes improvements under the said indicators. The “Dealing with Construction Permits” and “Registering Property” indicators have been reviewed by ICI Expert, Abdurrahman Sawayfeh, and the “Trading Across Borders” was reviewed and analyzed by ICI Expert, Edris Altaani, who conducted interviews, field studies and consultations with relevant stakeholders to identify gaps and reengineer the processes in order to improve the PA ranking under those indicators. ICI Project conducted three workshops for the Public and Private sectors and other relevant stakeholders in order to discuss the analytical reports, recommendations including the procedures and the cost and time covered by each indicator. Also, the consultations aimed at discussing the potential reforms that could be considered to improve the efficiency of the process and subsequently the ranking of WB/G in the WBDB Report.

Further, the ICI Project examined the potential work under the “Getting Credit” indicator. The Palestine Monetary Authority (PMA), in cooperation with ICI, prepared an analytical report on the PMA reforms that have been undertaken recently which are not yet reflected in the WBDB Report. ICI assisted the CTT in conducting a workshop with the PMA on the “Getting Credit” Indicator. The PMA presented on its reforms relevant to the Getting Credit Indicator, particularly on the Public and Private Credit Registry (Hybrid System), the Credit Bureau and Credit Scoring System. The workshop was attended by public and private stakeholders, including local contributors to the WBDB Report and IFC. Additionally, ICI assisted the CTT and the PMA draft a summary report on the achievements and reforms that the PMA recently adopted. The purpose of the report is to communicate to the WBDB Team the PMA reforms to improve PMA’s performance on the “Getting Credit” Indicator, which will lead to improving the BEE and ranking of the West Bank/Gaza on the WBDB Report.

**Debt Resolution Draft Law:** The PA was ranked last in the 2013 WBDB Report's under the "Resolving Insolvency" indicator. As a result, the ICI Project assisted the PA in Y3 to create tangible changes that will be reflected through measurable improvements to the PA ranking, such as an improved Debt Resolution Law. The ICI Project contracted one of the leading law firms in the region in bankruptcy, IBLAW, to prepare the Debt Resolution Law which will establish the practice in the PA. IBLAW worked closely with MONE and prepared a debt resolution draft law that is compliant with international standards and best practices. The ICI Project conducted four workshops throughout the West Bank to present and discuss the draft law with Public and Private Stakeholders. In addition, two legislative and explanatory memoranda were prepared that provide explanation and illustrate the concepts of the draft law. Once enacted, the law would establish the appropriate legal practice in the PA and would eventually improve the PA ranking under the "Resolving Insolvency" WBDB Report indicator. The draft law and its memoranda are ready for the MONE to take through the PA legislative process.



*Workshop on the Draft Debt Resolution Law held at Caesar hotel in Ramallah on November 8, 2012*

*From left to right: Mr. John Carihfield, USAID PEO Director, Dr. Mohamad Abu Kosh, and Advisor to Minister of National Economy. Mr. Maher Hamadan, ICI COP, and Dr.. Salah Al Deen Bashir, Senior Partner at IBLAW,*

**Meeting with WBDB Team:** In Y3, the ICI team participated in meetings, workshops and site visits over three days with a mission from the World Bank and IFC team working on the annual Doing Business Report. The WB and IFC team composed of Mr. Karim Belayachi of the WBDB Team in Washington DC and Yehya Eldozdar, the IFC representative. The first meeting was attended by the Minister of National Economy, H.E. Dr. Jawad Najji, Mr. Fadi Abdellatif of USAID, and Mr. Youssef Habesch of the IFC. The purpose of the meetings was to brief the WBDB and IFC team on the ICI Project technical assistance to the CTT at MONE. The activities started on March 26, 2013 with a workshop for members of the Core Technical Team. In addition, the participants discussed a presentation on the WBDB Indicators and the ICI Project progress report on CTT work. The main purpose of the mission was to meet with key stakeholders and contributors to the WBDB Report and brief them on the WBDB Report methodology and data collection for "Starting a Business", "Dealing with Construction Permits", "Registering Property", and "Trading Across Borders" Indicators. In addition to discussing the methodology used by the World Bank, participants listened to comments on data collection methods and it was agreed to add the MONE to the cycle of data collection and



*WBDB REPORT Mission visit between 27-29 March 2013. Meeting with H.E. DR. Jawad Najji, Minister of National Economy, USAID/ ICI and IFC Team.*

verification to ensure that the report accurately reflects the reforms that took place during the reporting period.

**Compendium of Key Commercial Laws:** In Y3, ICI continued the development of the Compendium of Key Commercial Laws, which will be hosted by the Palestinian Investment Promotion Agency's (PIPA) website. Several laws were uploaded to the Compendium during Y3, and more will be uploaded in Y4 upon ICI's completion of its review of the outstanding laws for accuracy.

During Y3, ICI and PIPA reviewed the layout of the Compendium of Key Commercial Laws, which includes the categorization of the key economic and commercial legislation. ICI's subcontractor, Intertech, uploaded to the Compendium Portal key commercial legislations in Arabic and English. In Y3, ICI contracted a legal consultant to review the current inventory of commercial and business-related laws, and to produce final versions of the legislation so that Intertech could complete uploading the remaining laws. The Compendium will function as a central repository of business-related laws and regulations available for local and foreign entrepreneurs (in English and in Arabic) who are considering investing in the West Bank and need timely and up-to-date information on legal requirements to operate effectively. In addition, the established compendium will help the PA to meet the WTO requirement to submit relevant laws in English.

**The Review of Commercial Agents Law:** In cooperation with the Legal Affairs Directorate and Commercial Agents Department at MONE, the ICI Project reviewed and prepared an amendment to the Commercial Agents Law No. 2 of 2000 in Y3. The Commercial Agency Law promotes the movement of goods to and from the PA which promotes the business enabling environment of the PA. Furthermore, the Draft Law provides more protection to local commercial agents and distributors and resolves and addresses critical issues related to the registration of commercial agents. Additionally, the draft law is compliant with international standards in terms of commercial agencies and distribution agreements. On March 10, 2013, ICI Project, in coordination with MONE, conducted the first workshop on the Draft Amendment to Commercial Agents Law in Ramallah. The workshop was attended by 54 Public and Private Stakeholders, mainly commercial agents, lawyers representing companies and import/export companies. The workshop was opened by the Deputy Minister of National Economy, Mr. Naser Tahboub and ICI opening remarks, followed by a presentation on the Draft Law, its goals, and objectives. At the end of the workshop, substantial comments were received from the stakeholders.



Roundtable on the revised Draft Commercial Agents Law held in Ramallah, April 23, 2013.

The second and third workshops on the Draft Amendment of Commercial Agents Law were conducted in March 2013 in Hebron and Nablus. The two workshops were attended by approximately 100 public and private stakeholders. Additionally, two legislative and explanatory memoranda were prepared. Based on the comments, remarks and suggestions, a revised draft law has been prepared.

The draft law and its legislative memoranda are ready for the MONE to take through the PA legislative process.

**Draft Copyright Law:** In Y3, the ICI Policy Reform Team provided technical assistance to the Ministry of Culture in reviewing the translation of comments by ICI Project Consultant Craig Blakely on the Draft Copyright Law, which were translated into Arabic by ICI Subcontractor Ittqan Law Firm. ICI team met with the General Director of the Intellectual Property Directorate at the Ministry of Culture, Mr. Sami Batrawi, to discuss these comments. The Draft Law is compliant with the WTO Agreement on TRIPS and submitted by the Ministry of Culture to the PA Council of Ministers to initiate the legislative process.

**MONE Services Guide:** The ICI Project continued its technical assistance to the MONE to improve its level of service provision. Therefore, ICI subcontracted ZOOM for Advertising to design an update the MONE Services Guide with the aim to print 500 copies. As MONE provides hundreds of services to the public, including registering companies, intellectual property (trademarks and patents), and commercial registry services among other services, the Service Guide is essential for the public and others. The English version of the Services Guide will be helpful to foreign investors interested in investing in the PA and will improve the transparency of the business enabling environment. The copies of the Services Guide have been distributed in the MONE headquarter and its district offices, and also online, for public use.

**MONE IT Equipment:** During Y3, the ICI Project procured and delivered eight laptop computers with their docking stations and monitors, and one desktop computer to the MONE based on an IT needs assessment ICI Project prepared and that USAID approved. The equipment's will benefit the ICI Project's main counterparts at the Ministry, which include the WTO Unit, the Legal Affairs Directorate, and IPRD. Several laptops have been already used or the CGE Model Training Course conducted on May and July 2013 with ICI Subcontractor, EcoMod.

## Looking Forward

The BEE subcomponent of the ICI Project will continue to work with its counterparts, mainly with MONE staff and others in trade-related ministries, and private sector representatives to address key policy, legal, regulatory, and procedural constraints that have been identified in the USAID-funded BizCLIR (Business Climate, Legal and Institutional Reform) report and the WBDB Report.

The ICI Project will build on its Year 3 review of the WBDB Report and the strategy of the CTT to adopt and implement the actions necessary to improve the West Bank and Gaza ranking on the WBDB Report. The main activities under the BEE subcomponent include: implementing the recommendations of the analytical reports of the "Dealing with Construction Permits" and "Registering Property", "Getting Credit", reviewing the "Paying Taxes" as an additional indicator of the WBDB Report and "Resolving Insolvency" indicator, and completing the repository of the compendium of the commercial laws in English and Arabic. Additionally, other activities will focus on conducting output gap study which will help in enabling the financial sector environment.

Furthermore, the ICI Project will explore options for capacity building to MONE staff through study tours to neighboring countries. The study tours aims at exploring the neighboring countries experience in relevant areas, such as in intellectual property aspects, which will improve the skills of MONE staff.

## COMPONENT TOW: FISCAL REFORM

### Summary

ICI's major accomplishments in the area of fiscal reform in FY 2013 were related to assisting the PA in building an automated revenue management system, reorganizing the revenue administration along functional lines, reforming the tax legal structure, adding administrative capacity and infrastructure, and upgrading taxpayer services. While substantial progress was achieved in each of the areas during Year 3, and immediate measurable benefits received, much work remains to be done. In addition, ICI was given a new major area of responsibility for technical assistance, specifically, risk management in customs administration.

### Highlights

**Revenue Management System:** In September 2012, the Ministry of Finance decided to issue a local procurement to build an integrated tax system. The Revenue Management System (RMS) is intended be a repository of information from taxpayer declarations and tax payments, as well as information about taxpayers from other sources. It will assist the revenue authority in processing declarations, accounting for assessments and payments, selecting and conducting audits, collecting delinquent payments, pursuing enforcement actions, and handling of appeals cases and related activities.



In Year 3, ICI assisted the MOF in the implementation of the RMS through technical assistance in issuing the procurement and evaluating the bids, followed by technical supervision of the contractor. Phase I of development of the new system was completed in June, replacing the current data management system called Sha'am that is provided from Israel through a commercial contract with the Israeli MOF and other two systems; Almakasa (clearance) system and the payments system. Phase I development provides the ability to manage tax files of essentially compliant taxpayers. ICI also provided IT hardware for the new system, including servers, scanners, bar-code, check readers, and PCs for the IT staff in the Computer Tax Directorate.

In mid-2013, ICI worked with three members of the MOF change management committee to develop the high-level functional requirements for Phase II of the RMS. Phase II of the system development will add functionality through new modules designed to support MOF efforts to expand the taxpayer base and improve voluntary compliance with tax laws.

ICI facilitated RMS training of MoF trainers (TOT) by BISAN, the system developer, during the second half of August, 2013. In September 2013, ICI facilitated a two-day training course in RMS in Ramallah and Nablus, conducted by the MOF trainers for approximately 100 MoF employees, with additional training for the remaining 300 employees scheduled for October and November in Ramallah, Nablus and Bethlehem. BISAN also participated in supervising both trainings.

**Integration/Reorganization of Revenue Administration:** Pursuant to an IMF recommendation and international best practice, the Ministry of Finance began an effort in mid-2013 to reorganize the revenue administration along functional lines (e.g. processing, audit, collections, taxpayer service, appeals) to replace the current structure based on the source of revenue (customs, income tax, VAT). A functional organization is inherently more efficient and cost-effective because of elimination of duplication in key function such as registration, audit, and collections. From September 2013 to February 2014, ICI experts assisted the Head of the Tax Council in developing the new structure, followed by collaboration with the Ministry’s change management team to develop flowcharts for the revised tax administration processes, including delegation matrices and finalized job and office descriptions. The reorganization plan was approved by the Cabinet, but then put on hold until enabling legislation could be enacted.

The ICI Project provided the Ministry with a regionally-based legal drafting expert to research and draft a new administrative law for establishing a unified tax and customs authority. In May 2013, President Mahmud Abbas signed the Law by Decree on The General Commission of Public Revenues of 2013. The new law establishes a unified Revenue Commission within the Ministry of Finance that is responsible for collection of all tax revenues, customs revenues, and non-tax revenues and grants collected by the Ministry. Publication and implementation of the revenue unification law was put on hold until the new Minister – appointed in July 2013 – has completed a review and revision of the proposed new structure and a review of the tax laws.

Additionally, ICI conducted a workshop on the unification of the VAT and the Income Tax at the Large Tax Payers Office in Ramallah. The main goal of this workshop was to increase the awareness of large taxpayers on the new procedures and regulations for the unification of VAT and Income Tax. More than 135 large taxpayers attended this workshop.

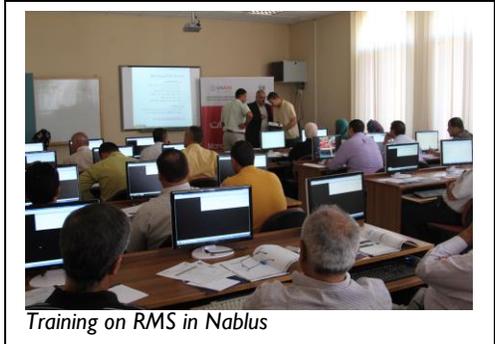
During the second week of May, 2013, the ICI Fiscal Reform Team led a delegation of eight revenue employees from the Change Management Team at the MOF in a one-week study visit to the General Administration of Taxes of the Moroccan Ministry of Finance. The objective of the visit was to review



Morocco, May 24th, Head of Tangier Tax Office answering the Palestinian delegations questions

the Moroccan experience in the unification of revenue systems, automated processing of tax declarations and payments, handling of legal cases and objections, conduct of auditing and collections, and taxpayer services.

**Unified Tax Procedures Law and VAT Law:** In October 2012, ICI developed an analysis of the current VAT Law and regulations. In May 2013, ICI assisted the Ministry in preparing an updated draft of the Unified Tax Procedures Law. This law will incorporate international best practices to establish a common set of administrative procedures to be applied to VAT, income tax, and other taxes administered at the national level, such as property tax. The new law will also establish the legal authority for reorganizing the tax administration along functional lines, strengthen enforcement powers of the revenue authority, and identify taxpayer rights. It was originally anticipated that a final draft would be prepared in autumn 2013, with public review and then enactment by the end of the year. However, the change in top management at the Ministry resulted in postponement of the internal review of this draft law.



**Self- Assessment :** One of the IMF report recommendations for a modern revenue administration is to implement Self-Assessment for Income Tax. To continue its initiative of development of the self-assessment forms from 2012, ICI printed and delivered five different self-assessment forms for income tax. In February, ICI assisted MOF in conducting three workshops on the self-assessment forms in regional locations to cover all the cities of the West Bank, in cooperation with the Palestinian Association for Public Accountants and the Accountants Union. The goal of these workshops was to inform accountants and auditors on the importance and use of the new self-assessment forms. The three regional workshops were conducted first in Ramallah to cover the central cities of the West Bank, in Bethlehem for the southern cities, and finally in Nablus for the northern cities. More than 200 accountants and auditors attended the three workshops. also developed a draft strategy and criteria for self-assessment strategy, including a set of five income tax declaration forms, and conducted roundtable meetings to review the draft strategy and discuss related training plans. The forms have now been incorporated in RMS Phase I, and self-assessment is being implemented on a pilot basis in the Large Taxpayers office (LTPO). ICI contracted with an auditor to develop the audit manual, this manual will assist the Income Tax staff in the auditing and in the implementation of the self-assessment.



**LTPO:** The Large Taxpayers Office (LTPO) currently administers VAT and income tax collection from the approximately 290 largest businesses in the West Bank, accounting for approximately 50% of all tax revenues. Because of the intensified coverage of taxpayers provided by this office, increasing the number of large taxpayers administered by the LTPO is one of the main MoF initiatives to increase revenues. At MOF's request, ICI assisted in adding three offices to the LTPO facility to house six additional tax auditors, which will enable the LTPO to expand its caseload by 170. On March 10, the

construction contractor and engineer completed their refurbishment work. Transfer of auditors and taxpayer files to the LTPO awaits a decision by the Minister of Finance.

**Capacity Building for Counterparts:** In addition to the RMS training mentioned above, the ICI Project conducted numerous trainings during the period for employees in the Income Tax Directorate, VAT Directorate, and LTPO. Topics included the new income tax and VAT regulations, web design, bookkeeping, auditing, and customer satisfaction.

**Ramallah Taxpayer Service Center:** In May and June, ICI renovated existing office space in the Ramallah tax office to house a Taxpayer Service Center (TPSC), designed to facilitate the services provided to the taxpayers. The TPSC is designed to serve as a one-stop shop for VAT, income tax, and customs services requested by taxpayers. The Center is a state-of-the-art facility, incorporating best practices in tax administration and customer services, that will assist the revenue unification process, facilitate unified tax registration, increase tax awareness, and make the payments procedures more clear. It is intended to serve as a pilot demonstration facility, with the objective of establishing similar facilities in the other major population centers in West Bank. The Center will use the new Revenue Management System for accessing customer accounts and tracking requests. Providing a higher level and more efficient delivery of service to taxpayers is a key element in the PA Authority's efforts to narrow the budget deficit and assure sustainable government services.



USAID Deputy Mission Director and Minister of Finance representative opening the Tax Payers Service Center

In preparation for service delivery at the TPSC, the Fiscal Reform Component assisted the Ministry in organizing and conducting a workshop in Ramallah on June 20, 2013. The objective of the workshop was to agree on a provisional design for delivery of services during the transition from Sha'am system to the RMS. Senior management of the Ramallah Tax Office and headquarters' officials from Computer Tax and IT Directorates participated.

In September 2013, USAID and the MoF officially opened the Ramallah Taxpayer Service Center. Mr. Jonathan Kamin – USAID Deputy Mission Director, Mr. Basil Alramahi – D.G of Administrative and Financial affairs at MOF, the D.G's of the revenues departments and representatives from several donor institutions and private sector participated in this ceremony.

Please click the Link below to watch the video

[Taxpayer service centre](#)

**Tax Awareness:** The ICI Project developed and implemented an awareness campaign across the West Bank that included 30 billboards, websites, advertisements on seven radio stations and the three main newspapers, and foam boards with five specific messages targeted toward West Bank citizens focused on the payment of income tax.

**Improvement of Tax Collection Capabilities:** The ICI Project procured four much-needed U.S.-made vehicles for the MOF. Delivered specifically to the Income Tax and VAT Directorates on December 13, 2012, these resources will allow the MOF to more consistently and reliably conduct site visits to and audits of large taxpayers in the West Bank. In September 2013, ICI began on development of the functional requirements for a Collections and Enforcement module to be included in RMS.

## Looking Forward

Efforts for ICI in this component for Year 4 will focus on assisting the MOF in completing activities and reforms that it has already initiated in system development, integration/reorganization, self-assessment, strengthening of the LTPO, and taxpayer service centers.

**Revenue Management System:** In Year 4, ICI will assist in developing the requirements for the compliance-oriented modules of the RMS (those that focus on non-compliant businesses and individuals), including modules to facilitate selection and tracking of audit cases, collection of delinquent payments, pursuance of enforcement actions, and identification of non-filers, and standard operating procedures for the administrative units that are responsible for the above functions.

**Integration/Reorganization of Revenue Administration:** ICI will provide additional assistance in this area in Year 4 upon request by the Ministry, specifically training and technical assistance to the field office units that are charged with the new functions.

**Unified Tax Procedures Law and VAT LAW:** The Ministry's current plan for improvement of tax legislation is to:

- 1) Review all of the current tax legislation, including the income tax, VAT, and customs laws, along with the draft revenue procedures law.
- 2) Produce an integrated package of legal reforms. ICI will participate in the meetings of the committee that has been formed for this purpose, and will provide technical assistance from international tax law and drafting experts as needed.

**Self-Assessment:** In Year 4, ICI project will assist the LTPO in conducting its self-assessment pilot. Specifically, we will review the LTPO's experience in using risk management for audit case selection, and suggest incremental changes in the criteria. ICI will also recommend an action plan and schedule for rollout of self-assessment to the regional field offices.

**LTPO:** Once the Ministry has approved the functional reorganization plan, ICI will assist the LTPO in Year 4 in setting up new units (audit, collections, taxpayer services, taxpayer identification) and establishing standard operating procedures, as well as raining of staff for the new units.

**Capacity Building for Counterparts:** ICI is currently creating an income tax audit manual under a subcontract with a local Palestinian accounting firm. The subcontract includes training for auditors, which will take place in March 2014. Additional training and capacity building will be conducted in collections, audit and advanced VAT training for LTPO staff.

**Taxpayer Service Center:** ICI plans to build two additional taxpayer service centers in Year 4, in Hebron and Nablus.

**New Assignments in Customs Risk Management and Expenditure Analysis:** In Year 4, ICI was given two new major areas of responsibility for technical assistance, specifically, risk management in customs administration. The first assignment involves making use of the new data transfer interface with Israeli Customs Service to develop a comprehensive risk management strategy to reduce customs and tax evasion and increase revenues. The second involves finding ways to reduce governmental expenditures, including utility and health service expenditures in Israel that are deducted by the Israeli MoF from the import clearance revenue transfers to the PA.

## GRANTS COMPONENT

### A Summary

During Y3, ICI was able to complete an ambitious grants cycle in which grantees accomplished all grant agreements activities that includes a broad range of capacity building and awareness raising activities in support of both components. All ICI grants were closed as of June 30. Total Number of Grants is 12 with a total grant amount reimbursed of \$852,224.39.

### Highlights

From June 2012 to January 2013, ICI evaluated a total of 100 applications submitted by 70 organizations. 12 organizations were awarded grants to conduct several projects in compliance with ICI project goals. The grantees started the implementation on October 2012 and ended on June 2013. The following table gives brief about the grant agreements:

| NO. | Organization  | Grant period | Grants achievement   | Amount Reimbursed (USD) |
|-----|---|--------------|--|-------------------------|
| 1   | Palestine Trade Center (PalTrade)                                       | 7 months     | Awareness Raising Among Private Sector and other Stakeholders of the Implications, Benefits and Mechanics of WTO Accession | \$132,083.26            |
| 2   | The Palestinian IT Association (PITA)                                   | 8.5 months   | Building the ICT Business Environment  | \$85,389.64             |
| 3   | Net Investment & Services Company (NET)                                 | 7 months     | Intellectual Property Rights Training for Judges and Attorneys   | \$149,389.37            |
| 4   | International Chamber of Commerce (ICC) - Palestine                     | 7 months     | Implementing Sector Assessments on WTO impact on the Pharmaceutical and Financial Sectors                                  | \$64,811.92             |
| 5   | Palestinian Center for Communication and Development Strategies (PCCDS) | 5.5 months   | Enhancement of the role of businesswomen through registration in north Hebron Chamber of Commerce                          | \$66,129.12             |
| 6   | Al-Ayyam Press, Printing, Publishing, & Distribution Co.                | 5.5 months   | Quarterly Briefing on Investment and Economic Research in Palestine  | \$76,350.00             |
| 7   | Palestinian Association of Certified Public Accountants (PACPA)         | 5 months     | Increasing tax awareness for accountants and auditors  | \$43,570.00             |
| 8   | The Palestinian American Chamber of Commerce (PACC)                     | 6 months     | Palestinian American Business Enabling Environment   | \$89,329.00             |
| 9   | Palestinian Federation of Industries (PFI)                              | 5.5 months   | Improving trade environment in Palestine – Bar code  | \$60,783.00             |
| 10  | Palestinian Solar and Sustainable Energy Society (PSSSES)               | 5 months     | Stimulation of Investment in Renewable Energy  | \$47,664.08             |
| 11  | Palestinian Businessmen Association (PBA)                               | 2.5 months   | Field survey of investment determinants (Factors affecting Palestinian private investment flows) from the perspective of   | \$19,500.00             |

|    |                                    |          |   |             |
|----|------------------------------------|----------|---|-------------|
|    |                                    |          | business owners and managers with a focus on Small and Medium Enterprises (SMEs). |             |
| 12 | Hebron Chambers of Commerce (HCCI) | 2 months | Development of an online Investment Data Bank                                     | \$17,225.00 |

On July 31, 2013 ICI conducted a closing ceremony for the Grants program to acknowledge the grantees achievements. 90 persons attended the ceremony including representatives from the Ministry of National Economy, USAID, Grantees, consultants and Media.

During the event the project distributed certificates of appreciation to grantees and screened a short video about the grants. [Grants Video](#)

## Challenges, Lessons Learned, Areas for Improvement

**Legislative Process:** Due to the political situation, the PA Legislative Council (PLC) has been inactive since 2007, and although the Palestinian Basic Law allows the President of the PA to issue laws by decree, the President has rarely used his authority due to limitation on his powers that can be used only on urgent matters. ICI has assisted the Ministry of National Economy draft several laws (IPR, Debt Resolution, and Commercial Agents). All ICI drafts are ready for the PA legislative process, to which some have been already submitted (IPR, Debt Resolution).

**Hierarchy Level:** Due to the hierarchy of working mainly with high-ranking government officials, the decision-making process on routine work is sometimes slow. This, in turn, sometimes causes unnecessary delays in activities.

**Funding Uncertainties:** Juggling between planning for project close-out and preparing for the possibility of an extension presented challenges in terms of managing expectations of clients as well as project staff. Also, funding uncertainties created some challenges to the technical teams dealing directly with the Ministry of National Economy; especially with regard to ICI ability to satisfy the IT and non-IT needs of main counterparts at the Ministry to fully achieve objective of ICI.

**Turnover:** Changes of leadership at key ICI Project counterparts within the MONE— such as the IPR Directorate, the WTO Unit, and the Aid Coordination Unit—have provided challenges to the ongoing implementation of planned ICI Project activities.

**PA Financial Crisis/Strikes:** ICI Year 3 was marked by the deepening severity of the PA’s ongoing financial crisis. Employee frustrations led to strikes at both the MOF and MONE. With Ministry

employees working just 2-3 days per week, the ICI Project faced significant challenges in working with its PA counterparts.

***New Policy-Level Assistance Requests:*** As a result of the worsening PA deficit situation, the resumption of peace negotiations with Israel and increased willingness to cooperate in trade and fiscal matters, and the completion of Phase I of the RMS, both new pressures and opportunities have arisen to increase revenues. Some of the initiatives could involve policy changes such as new taxes; new integrated enforcement efforts involving customs, VAT, and income tax; and innovative uses of information collected from diverse sources to detect and deter tax evasion. The above circumstances present a challenge to ICI to expand its horizons and take a more central role in advising the Ministry of Finance on initiatives that could help address and provide a sustainable solution to its midterm budget deficit disaster prognosis.

## SUMMARY TABLE OF MANAGEMENT INDICATORS<sup>1</sup>

| PE Code                   | PE Name       | GEO MIS Indicator or Code | ICI PMP CODE | Indicator Name  | Type of modification | Baseline value   | PMP Indicator Type | Outcome/ Output | Target FY12<br>.....<br>Achieved FY12 | Target FY13<br>.....<br>Achieved FY13 | Target FY14<br>.....<br>Achieved FY14 | Reasons of deviation  |
|---------------------------|---------------|---------------------------|--------------|---|----------------------|--|--------------------|-----------------|---------------------------------------|---------------------------------------|---------------------------------------|---|
| <b>OUTCOME INDICATORS</b> |               |                           |              |   |                      |  |                    |                 |                                       |                                       |                                       |   |
| 4.1.1                     | Fiscal Reform | 4.1.1-C02                 | TBD          | Percentage increase of income tax collection                            | No Change            | FY 2012: NIS638M (US\$168M)                                  | Mgmt               | Outcome         | 10%<br>-----<br>38.23%                | 15%<br>-----<br>4.28%                 | 10%<br>-----                          | The PA National Development plan 2011-2013 projected an increase in revenues of 20% in 2013, based on expected RGDP growth of 12%. The actual increase between the 12-month periods of October 2011-September 2012 and October 2012-September 2013 was much less than that. The main factors contributing to the shortfall in revenue increase were as follows:<br>1- GDP growth was only 4.5%.<br>2- The Development expenditures (financed mainly by donors) reached only about 50% of the budget projection.<br>3- The delay in the implementation of tax reform administrative tasks such as: (Tax Procedures Code, Unification of tax administration).<br>4- The increase in the deductions from the PA clearance revenues (e.g. due to increase in the electricity bills by 52%). |
| 4.1.1                     | Fiscal Reform | 4.1.1-C03                 | TBD          | Percentage increase of VAT collection – domestic and clearance combined | No Change            | FY 2012 (domestic & clearance combined): NIS 2.5B (US\$658M) | Mgmt               | Outcome         | 10%<br>-----<br>16.02%                | 15%<br>-----<br>9.08                  | 10%<br>-----                          | The PA National Development plan 2011-2013 projected an increase in revenues of 20% in 2013, based on expected RGDP growth of 12%. The actual increase between the 12-month periods of October 2011-September 2012 and October 2012-September 2013 was much less than that. The main factors contributing to the shortfall in revenue increase were as follows:<br>1- GDP growth was only 4.5%.<br>2- The Development expenditures (financed mainly by donors) reached only about 50% of the budget projection.   |

|       |                               |           |     |   |           |                                 |      |         |  |                                      |                         |   |
|-------|-------------------------------|-----------|-----|---|-----------|---------------------------------|------|---------|--|--------------------------------------|-------------------------|---|
|       |                               |           |     |   |           |                                 |      |         |  |                                      |                         | <p>3- The delay in the implementation of tax reform administrative tasks such as: (Tax Procedures Code, Unification of tax administration).</p> <p>4- The increase in the deductions from the PA clearance revenues (e.g. due to increase in the electricity bills by 52%). Total clearance deductions for ICI Year 3 (Oct 2012-Sep 2013) increased by 423 million ILS over ICI Year 2 (Oct 2011 - Sep 2012). The increase in clearance deductions represents approximately 6% of total annual clearance revenues. Therefore, the increase in total clearance revenues was 423 million more than the increase in net revenues. If VAT revenues are adjusted proportionately, the increase in total VAT from FY2 to FY3 would be 11.6 % instead of 9.0%.</p>   |
| 4.1.1 | Fiscal Reform                 | 4.1.1-C06 | TBD | Percentage increase in revenue from Large Tax Payers Office | No Change | FY 2012 NIS 816.7M (US\$215.6M) | Mgmt | Outcome | <p>NA</p> <p>-----</p> <p>Na</p> <p>Revenues increased by 76% in Income tax collections at LTPO</p>                          | <p>20%</p> <p>-----</p> <p>9.05%</p> | <p>10%</p> <p>-----</p> | <p>The PA National Development plan 2011-2013 projected an increase in revenues of 20% in 2013, based on expected RGDP growth of 12%. The actual increase between the 12-month periods of October 2011-September 2012 and October 2012-September 2013 was much less than that. The main factors contributing to the shortfall in revenue increase were as follows:</p> <p>1- GDP growth was only 4.5% .</p> <p>2- The Development Expenditures (financed mainly by donors) reached only about 50% of the budget projection.</p> <p>3- The delay in the implementation of the tax reform administrative tasks such as: (Tax Procedures Code, Unification of tax administration).</p> <p>4- The increase in the deductions from the PA clearance revenues (e.g. due to increase in the electricity bills by 52%).</p> |
| 4.2.2 | Trade and Investment Capacity | 4.1.1-C07 | TBD | PA is technically prepared for Observer status in the WTO   | No Change |                                 | Mgmt | Outcome | <p>PA is technically prepared for Observer status in the WTO</p> <p>-----</p> <p>PA is technically prepared for Observer</p> |                                      |                         |   |

|       |                               |            |     |  |           |      |         | status in the WTO   |   |                                   |   |  |
|-------|-------------------------------|------------|-----|--|-----------|------|---------|---|---|-----------------------------------|---|--|
| 4.2.2 | Trade and Investment Capacity | 4.1.1-C08  | TBD | PA is prepared for TRIPS compliance  | No Change | Mgmt | Outcome | PA is prepared for TRIPS compliance<br>-----<br>PA is prepared for TRIPS compliance |   |                                   |   |  |
| 4.2.2 | Trade and Investment Capacity | 4.1.1-C09  | TBD | PA is prepared to adopt GATT-compliant transparency rules                                      | No Change | Mgmt | Outcome | NA  | PA is prepared to adopt GATT-compliant transparency rules<br>-----<br>PA is prepared to adopt GATT-compliant transparency rules   |                                   |   |  |
| 4.2.2 | Trade and Investment Capacity | 4.1.1-C011 | TBD | PA is prepared for SPS-compliance  | No Change | Mgmt | Outcome | NA  | PA is prepared for SPS-compliance<br>-----<br>PA is not prepared for SPS-compliance   | PA is prepared for SPS-compliance | The Ministry of National Economy requested the postponement of the implementation of this activity as the Ministry of Agriculture was conducting a separate basic SPS assessment in cooperation with FAO. The request was made to avoid overlaps between the FAO and the ICI assessment over the SPS. |  |
| 4.6.1 | BEE                           | 4.1.1-C012 | TBD | PA is prepared to improve West Bank and Gaza's ranking on the World Bank Doing Business Report | No Change | Mgmt | Outcome | NA  | PA is prepared to improve West Bank and Gaza's ranking on the World Bank Doing Business Report<br>-----<br>PA is prepared to improve West Bank and Gaza's ranking on the World Bank Doing Business Report |                                   |   |  |

|       |  |            |       |   |           |   |      |         |                                  |                      |              |  |
|-------|--|------------|-------|---|-----------|---|------|---------|----------------------------------|----------------------|--------------|--|
| 4.1.1 | BEE  | 4.1.1-C013 | TBD   | PA prepared to reform the legal and regulatory framework for resolving insolvency.  | No Change |   | Mgmt | Outcome | NA                               |                      |              | PA prepared to reform the legal and regulatory framework for resolving insolvency<br>-----<br>PA prepared to reform the legal and regulatory framework for resolving insolvency  |
| 4.2.1 | Trade and Investment Capacity and BEE                | TIE016     | I.1.5 | Number of organizations/women owned or managed business that will participate in economics development activities                                     | No Change | Two grantees were engaged in gender specific activities | Mgmt | Outcome | NA                               | 51<br>-----<br>77    |              | Through ICI's grants program, two grantees exceed expectations and encouraged women owned or managed businesses to join the North Hebron Chamber of Commerce.  |
| 4.1.1 | Fiscal Reform, Trade and Investment Capacity and BEE | TIC040     | TBD   | Number of participants trained and participated in fiscal policy, trade and investment capacity and BEE provided through USG assistance. <sup>2</sup> | No Change |   | Mgmt | Output  | 735<br>-----<br>849              | 850<br>-----<br>1087 | 707<br>----- | -Number of participants and training increased due to the requests of counterparts.<br>-Some of the planned activities from FY4 were pushed and completed in August and September such as RMS trainings and the Transparency workshop, which increased the number of Participants for FY3. |
| 4.1.1 | Fiscal Reform, Trade and Investment Capacity and BEE | TIC042     | TBD   | Number of participants trained and participated in fiscal policy, trade and investment capacity and BEE provided through USG assistance. (women)      | No Change |   | Mgmt | Output  | 147 <sup>3</sup><br>-----<br>165 | 160<br>-----<br>203  | 141<br>----- | -Number of participants and training increased due to the requests of counterparts.<br>-Some of the planned activities from FY4 were pushed and completed in August and September such as RMS trainings and the Transparency workshop, which increased the number of Participants for FY3. |
| 4.1.1 | Fiscal Reform, Trade and Investment Capacity and BEE | TIC041     | TBD   | Number of participants trained and participated in fiscal policy, trade and investment capacity and BEE provided through USG assistance.. (men)       | No Change |   | Mgmt | Output  | 588<br>-----<br>684              | 690<br>-----<br>884  | 566<br>----- | -Number of participants and training increased due to the requests of counterparts.<br>-Some of the planned activities from FY4 were pushed and completed in August and September such as RMS trainings and the Transparency workshop, which increased the number of Participants for FY3. |

<sup>2</sup> This indicator includes number of participants in PR components, however the number is already included in OPE0050 in OP indicators

<sup>3</sup> 20% out of the total number of participants

|       |  |           |       |  |           |                   |      |        |                   |                        |             |   |
|-------|--|-----------|-------|--|-----------|-------------------|------|--------|-------------------|------------------------|-------------|---|
| 4.1.1 | Fiscal Reform, Trade and Investment Capacity and BEE | TIC029    | 4.3.7 | Number of activities (e.g. training, workshops, focus groups, seminars, symposiums, public-private dialogues, technical discussions, courses, on-the-job training, roundtables) to address fiscal reform, trade and investment capacity and BEE subjects | No Change |                   | Mgmt | Output | 26<br>-----<br>43 | 10<br>-----<br>58      | 51<br>----- | -Number of activities increased due to the requests of counterparts and the need of participants.<br>-A number of the planned activities from FY4 were pushed and completed in August and September.  |
| 4.6.1 | Fiscal Reform, Trade and Investment Capacity & BEE   | TIC028    | 2.1.2 | Number of Palestinian delegations to regional and international events to increase understanding of fiscal reform, WTO and BEE   | No Change |                   | Mgmt | Output | 2<br>-----<br>2   | 2<br>-----<br>1        | 2<br>-----  | One of the study tours was planned to Jordan but MONE decided to postpone it, giving the tour less priority compared to the other activities.   |
| 4.1.1 | Fiscal Reform  | TIC026    | 3.3.1 | Percentage of increased understanding among Palestinian public of obligation to pay taxes <sup>4</sup>   | No Change | Jun 12:<br>43.50% | Mgmt | Output | NA                | 8%<br>-----<br>14.37%  |             | Initially only one question was used to reflect the baseline results. However, upon further review it was noted that the one question did not accurately reflect the indicator in question. As such, the baseline and post results were updated to include the average those who answered "Yes" and "Yes, to Some Extent" to Q1 - Familiarity with the tax system and Q4 - The government is using tax for the public interest from the survey. |
| 4.2.1 | Trade and Investment Capacity                        | TIE011    | 1.3.1 | Percentage of increased awareness of the importance of WTO among Palestinian public, business and academic community   | No Change | Jun 12:<br>51.92% | Mgmt | Output | NA                | 20%<br>-----<br>38.35% |             | Initially the percentages were not calculated correctly, nor did the results include those individuals who expressed "Yes, to Some Extent". The numbers were adjusted accordingly and reflected in the Post Awareness Survey and updated for ICI's reporting.   |
| 4.2.2 | Trade and Investment Capacity, BEE                   | 4.2.2-C15 | TBD   | Percentage of increased awareness of Intellectual Property among the Palestinian public, business, & academic community  | No Change | Jun 12:<br>41.13% | Mgmt | Output | NA                | 5%<br>-----<br>17.34%  |             | Initially the percentages were not calculated correctly, nor did the results include those individuals who expressed "Yes, to Some Extent". The numbers were adjusted accordingly and reflected in the Post Awareness Survey and updated for ICI's reporting.   |
| 4.6.1 | Trade and Investment Capacity, BEE                   | TIE010    | 4.2.4 | Number of laws, regulation, administrative procedures, policy papers, concept and studies that have been   | Modified  |                   | Mgmt | Output | 14<br>-----<br>1  | 5<br>-----<br>5        | 9<br>-----  |   |

<sup>4</sup> Base year will be June 2012

|     |               |     |     |   |     |                                     |      |         |                   |                   |              |   |
|-----|---------------|-----|-----|---|-----|-------------------------------------|------|---------|-------------------|-------------------|--------------|---|
| TBD | Fiscal Reform | TBD | TBD | drafted, simplified and presented for public/stakeholder consultation in accordance with international standards as a result of USG assistance. | NEW | FY 2013:<br>NIS2.204B<br>US\$(599M) | Mgmt | Outcome | NA<br>-----<br>NA | NA<br>-----<br>NA | 10%<br>----- | Customs is a new focus area during the extension period, and thus this indicator was added. |
|-----|---------------|-----|-----|---|-----|-------------------------------------|------|---------|-------------------|-------------------|--------------|---|

## SUMMARY TABLE OF OP INDICATORS

| PE Code | PE Name       | GEO MIS Indicator Code | ICI PMP CODE | Indicator Name  | Indicator Format | PMP Indicator Type | Outcome/Output | Baseline Value | Starting Fiscal Year | Planned Value for FY1 | Actual Value for FY1 | Planned Value for FY2 | Actual Value for FY2 | Planned Value for Y3 | Actual Value for FY3 | Achievements % in Y3 | Planned Value for Y4 | Justification of Deviation   |
|---------|---------------|------------------------|--------------|---|------------------|--------------------|----------------|----------------|----------------------|-----------------------|----------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|--|
| 4.1.1   | Fiscal Policy | TIC024                 | C-OP         | Number of policy reforms/regulations /administrative procedures drafted and presented for public/stakeholder consultation as a result of USG assistance | Integer          | OP_std             | Output         | 0              | FY11                 | 10                    | 2                    | 8                     | 3                    | 4                    | 2                    | 50%                  | 3                    | ICI's goal was to complete the Self-Assessment - administrative procedure, Legal Memo Establishing Revenue Commission, VAT Law, and Tax Procedures Code. However due to delays in the implementation of the tax reform administrative tasks the VAT Law and Tax Procedures Code were not able to be completed in FY13. |
| 4.1.1   | Fiscal Policy | OPE143                 | D-OP         | Number of key personnel in fiscal policy and fiscal administration trained with USG assistance  | Integer          | OP_std             | Output         | 0              | FY11                 | 50                    | 38                   | 100                   | 24                   | 0                    |                      |                      |                      | This indicator was dropped in FY13.  |
| 4.1.1   | Fiscal Policy | OPE145                 | D-OP (F)     | Number of key personnel in fiscal policy and fiscal administration trained with USG assistance (women)  | Integer          | OP_std             | Output         | 0              | FY11                 | 10                    | 3                    | 20                    | 3                    | 0                    |                      |                      |                      | This indicator was dropped in FY13.  |
| 4.1.1   | Fiscal Policy | OPE144                 | D-OP (M)     | Number of key personnel in fiscal policy and fiscal administration trained with USG assistance (men)  | Integer          | OP_std             | Output         | 0              | FY11                 | 40                    | 35                   | 80                    | 21                   | 0                    |                      |                      |                      | This indicator was dropped in FY13.  |
| 4.1.1   | Fiscal Policy | 411-S02                | 4.3.1        | Tax administration and compliance improved (% increase in tax collections) as a result of USG assistance.   | %                | OP_std             | Outcome        | US\$1.8B       | FY12                 | 0                     | 0                    | 16%                   | 12%                  | 15%                  | 6.68% <sup>5</sup>   | 45%                  | 10%                  | The PA National Development plan 2011-2013 projected an increase in revenues of 20% in 2013, based on expected RGDP growth of 12%. The actual increase between the 12-month periods of October 2011-September 2012 and October 2012-September 2013 was much  |

<sup>5</sup> This number was adjusted to add back clearance deductions based on information provided by the MOF

less than that. The main factors contributing to the shortfall in revenue increase were as follows:

- 1- GDP growth was only 4.5%
- 2- The Development expenditures (financed mainly by donors) reached only about 50% of the budget projection.
- 3- The delay in the implementation of the tax reform administrative tasks such as: (Tax Procedures Code, Unification of tax administration).
- 4- The increase in the deductions from the PA clearance revenues (e.g. due to increase in the electricity bills by 52%).

Total clearance deductions for ICI Year 3- (Oct 2012-Sep 2013) increased by 423 million ILS over ICI Year 2 (Oct 2011 - Sep 2012). The increase in clearance deductions represents approximately 6% of total annual clearance revenues. Therefore, the increase in gross clearance revenues was 423 million more than the increase in net revenues. If total tax revenues are adjusted to add back clearance deductions, the increase in total tax from FY2 to FY3 would be 6.68% instead of 1.66%.

|       |                               |         |          |  |         |        |        |   |      |     |   |     |    |    |    |      |    |
|-------|-------------------------------|---------|----------|--|---------|--------|--------|---|------|-----|---|-----|----|----|----|------|----|
| 4.2.2 | Trade and Investment Capacity | OPE0050 | A-OP     | Number of participants in USG supported trade and investment capacity building trainings         | Integer | OP_std | Output | 0 | FY11 | 100 | 0 | 100 | 85 | 72 | 73 | 101% | 18 |
| 4.2.2 | Trade and Investment Capacity | TIC022  | A-OP (F) | Number of participants in USG supported trade and investment capacity building trainings (women) | Integer | OP_std | Output | 0 | FY11 | 33  | 0 | 30  | 32 | 27 | 22 | 81%  | 4  |
| 4.2.2 | Trade and Investment Capacity | TIC021  | A-OP (M) | Number of participants in USG supported trade and investment capacity building trainings (men)   | Integer | OP_std | Output | 0 | FY11 | 67  | 0 | 70  | 53 | 45 | 51 | 113% | 14 |

Our approach for calculating the target number related to this indicator is 20% of the total number from OPE0050 Indicator. But we achieved our total target number as overall.

Our approach for calculating the target number related to this indicator is 80% of the total number from OPE0050 Indicator. But as overall we achieved our total target number as overall.

|       |     |        |      |  |         |            |        |   |      |   |   |   |   |   |   |     |   |  |
|-------|-----|--------|------|--|---------|------------|--------|---|------|---|---|---|---|---|---|-----|---|--|
| 4.6.1 | BEE | TIC023 | B-OP | Business Enabling Environment improved number of changes made to business enabling environment | Integer | OP_s<br>td | Output | 0 | FY11 | 3 | 3 | 7 | 1 | 5 | 1 | 20% | 2 | ICI produced several reports with specific recommendations to various PA institutions to change the current processes of several indicators. Without the relevant decision making bodies adopting and enforcing such changes, ICI cannot report on them. |
|-------|-----|--------|------|--|---------|------------|--------|---|------|---|---|---|---|---|---|-----|---|--|

## 9. SUMMARY TABLE OF MANAGMENT INDICATORS MODIFICATIONS

| PE Code | PE Name                            | GEO MIS Indicator Code | ICI PMP CODE | Indicator Name   | Indicator Format | PMP Indicator Type | Outcome/ Output | Justification of dropping/adding/ Modifying Management Indicator   |
|---------|------------------------------------|------------------------|--------------|--|------------------|--------------------|-----------------|--|
| 4.6.1   | Trade and Investment Capacity, BEE | TBD                    | 4.2.4        | Number of laws, regulation, and administrative procedures, policy papers, concept and studies that have been drafted, simplified and presented for public/stakeholder consultation in accordance with international standards as a result of USG assistance. | Modified         | Mgmt               | Output          | The language for this indicator was modified to include policy papers, concept and studies that have been drafted. |
| TBD     | Fiscal Reform                      | TBD                    | TBD          | Percentage increase of customs collection  | NEW              | Mgmt               | Outcome         | Customs is a new focus area during the extension period and thus this indicator was added.                         |

## Deliverable Table

| Deliverable  | Submission Date in Contract   | Submission Date                   | Status    |
|--|---|-----------------------------------|-----------|
| <b>Contract Deliverables</b>                               |   |                                   |           |
| <b>Initial Annual Work Plan</b>                            | Within 45 days of Task Order execution                                | 11/12/10                          | Approved  |
| <b>Annual Work Plan Y2</b>                                 | Within 30 days before completion of each year                         | 10/6/11                           | Approved  |
| <b>Annual Work Plan Y3</b>                                 | Within 30 days before completion of each year                         | 9/30/12                           | Approved  |
| <b>Annual Work Plan Y4</b>                                 | Within 30 days before completion of each year                         | 8/23/13                           | Approved  |
| <b>Performance Monitoring Plan (PMP)</b>                   | Within 45 days of Task Order execution                                | 11/14/10                          | Approved  |
| <b>Gender Strategy</b>                                     | Within 45 days of Task Order execution                                | 11/14/10                          | N/A       |
| <b>Weekly Progress Reports</b>                             | Weekly  | Weekly since 10/29/11             | Delivered |
| <b>Quarterly Performance Reports</b>                       | 30 days after the end of each quarter                                 | Q1: 1/30/11                       | Delivered |
|  |   | Q2: 4/30/11                       |           |
|  |   | Q3: 7/30/11                       |           |
|  |   | Q1: 1/30/12                       |           |
|  |   | Q2: 4/30/12                       |           |
|  |   | Q3: 7/30/12                       |           |
|  |   | Q1: 1/30/13                       |           |
|  |   | Q2: 4/30/13                       |           |
|  |   | Q3: 7/30/13                       |           |
| <b>Quarterly Financial Accrual and Projections Reports</b> | By the 20th of the final month of the quarter or as requested by COTR | Q1: 12/15/10                      | Delivered |
|  |   | Q2: 3/20/11                       |           |
|  |   | Q3: 6/20/11                       |           |
|  |   | Q4: 9/9/11                        |           |
|  |   | Q1: 12/14/11                      |           |
|  |   | Q2: 3/19/12                       |           |
|  |   | Q3: 6/18/12                       |           |
|  |   | Q4: 9/7/12                        |           |
|  |   | Q1: 12/4/13                       |           |
|  |   | Q2: 3/12/13                       |           |
|  |   | Q3: 6/17/13                       |           |
|  |   | Q4: 9/12/13                       |           |
|  |   | <b>Annual Performance Reports</b> |           |

|   |   |  |                   |
|---|---|--|-------------------|
|   |   | FY2: 10/31/12  |                   |
|   |   | FY3: 10/31/13  |                   |
| <b>Grants Manual</b>                      | No later than 90 days from award  | No submission requested by USAID                             | Not required      |
| <b>TraiNet Reporting</b>                  | TraiNet Database should be updated immediately after an applicable training takes place | ICI updates TraiNet after every applicable training          | Updates completed |
| <b>Geo-MIS</b>                            | Monthly   |  | Updates completed |
| <b>Success Stories and press releases</b> | As appropriate when successes arise and subject to the COTR's review and approval       | Increasing Private Sector Tax Awareness: 6/24/12             | Delivered         |
|   |   | Vehicles Facilitate Tax Collection: 6/28/12                  | Delivered         |
|   |   | A Record Breaking Month: 7/11/12                             | Delivered         |
|   |   | Building WTO Compliance: 8/8/12                              | Delivered         |
|   |   | Increasing Income Tax Employees Tax Awareness: 8/8/12        | Delivered         |
|   |   | Income Tax Judges Learn from Jordanian Counterparts: 9/27/12 | Delivered         |
|   |   | Increasing Private-Sector Tax Awareness: 10/14/2012          | Delivered         |
|   |   | Building World Trade Organization (WTO) Compliance: 10/14/13 | Delivered         |
|   |   | Geneva Study Tour: 2/3/13                                    | Delivered         |

|                             |  |   |           |
|-----------------------------|--|---|-----------|
|                             |  | Building Capacity in Intellectual Property; 2/3/13  | Delivered |
|                             |  | ICI Project Prepares the Palestinian Authority Improve BEE and Ranking on World Bank Doing Business Report: 5/16/13   | Delivered |
|                             |  | Promoting Palestinian Entrepreneurship by eliminating Paid-In MCR as Condition for Registering New Companies; 5/16/13 | Delivered |
|                             |  | Building Local Capacity to Promote and Enforce IPR; 6/26/13   | Delivered |
| <b>STTA Deliverables</b>    |  |   |           |
| <b>Consultant</b>           |  | <b>Deliverable</b>  |           |
| <b>Tom Balderston</b>       |  | Data Requirement Analysis   |           |
|                             |  | Process flows for RMS   |           |
|                             |  | ADS for RMS hardware – Phase I  |           |
| <b>Susan Himes</b>          |  | Draft of the Tax Procedures Code - English  |           |
| <b>Baha Armouti</b>         |  | Draft of the Tax Procedures Code - Arabic   |           |
|                             |  | Drafted Law for Establishing the Commission – The Organization supported by a Legal Brief                             |           |
| <b>Saeed Elnaj</b>          |  | Prepared the Technical Specifications for the RMS Hardware Needs  |           |
|                             |  | RMS Tender Document   |           |
| <b>Luis Abugattas</b>       |  | Note on the GATS and Accounting Services: Potential Implications for the Palestinian Accounting Profession            |           |
|                             |  | NTF and TAT Restructuring Proposal  |           |
| <b>Edris Altani</b>         |  | Final Report  |           |
| <b>Abdulrahman Sawayfeh</b> |  | Final Report  |           |