وزارة المالية

The Palestine Liberation Organization

(for the benefit of The Palestinian Authority)

Public Financial Management Improvement Project Phase 2 (PFMI2)

– Additional Financing (AF) –

(P177742)

Addendum to the Stakeholder Engagement Plan (SEP)

December 2025

Brief Project Description

This Stakeholder Engagement Plan (SEP) Addendum relates to the Additional Financing (AF) to the Parent Public Financial Management Improvement Phase 2 (PFMI 2) Project. The PFMI 2 is an US$8 million operation that supports the Palestinian Authority (PA) to strengthen core public financial management systems, improve budget execution and financial accountability, and enhance domestic revenue mobilization. The project is implemented by the Ministry of Finance (MoF) and the High Council for Public Procurement Policies (HCPPP), with implementation managed through the Directorate General of International Relations and Projects (DGIRP). Since it became effective in June 2022, PFMI2 has focused on improving expenditure management, modernizing financial reporting and debt management, strengthening revenue administration, enhancing public procurement, closing critical data gaps, and supporting project implementation.

The operation is structured around six components that together aim to improve how public resources are planned, spent, reported, and overseen. Component 1 supports better budget expenditure management and control through strengthened commitment control and links between budget preparation, cash management, and procurement. Component 2 focuses on financial accountability, including upgrading key modules of the Integrated Financial Management Information System (IFMIS), strengthening debt management, and aligning accounting and reporting with international standards. Component 3 targets revenue administration, including the development of the Revenue Commission's functions, taxpayer services, and revenue IT systems. Components 4 and 5 improve public procurement management and address critical data gaps and statistics, while Component 6 finances overall project management, fiduciary functions, monitoring and evaluation, and safeguards compliance. For more information on the parent project's components and activities, please refer to the Parent PFMI 2 SEP: https://documents1.worldbank.org/curated/en/099315302162220003/pdf/Stakeholder0En0t0Phase02000P177742.pdf.

Consequently, and In light of persistent fiscal pressures and the need to modernize tax administration, an Additional Financing (AF) of US$20 million has been proposed, bringing the total project envelope to US$28 million. The AF primarily scales up Component 3 on enhancing revenue mobilization, focusing on the procurement and implementation of a modern Revenue Management System (RMS), capacity building for the Revenue Commission to operate and use the new system, and technical assistance for system maintenance and integration with other PFM systems. The AF will also reinforce ongoing activities under Components 1, 2 and 6, including further rollout of the commitment control system and e-procurement across line ministries, continued work on debt management and financial reporting, and sustained support to project management and fiduciary functions. Yet, the project's Development Objective (PDO) remains the same; to improve public financial management, procurement management, and data use in the Palestinian Authority.

Overall, the AF is expected to strengthen the PA's capacity to mobilize and manage domestic revenues in a more transparent, efficient, and predictable manner. A functioning, integrated RMS will help reduce leakages, improve compliance and taxpayer services, and generate better-quality data for decision-making across government, while the scaled-up support to other components will consolidate earlier PFM and procurement reforms and improve the enabling environment for service delivery and private sector activity. The implementation arrangements remain unchanged, with MoF (through DGIRP) continuing to lead project coordination alongside HCPPP, and the project closing date extended from April 30, 2027 to

April 30, 2030 to allow sufficient time to complete the expanded scope and fully operationalize the new RMS and related reforms.

Project Affected and Interested Parties

For the purposes of effective and tailored engagement under PFMI2 and its proposed AF, stakeholders continue to be grouped into: (i) Project Affected Parties (PAPs), (ii) Other Interested Parties (OIPs), and (iii) disadvantaged/vulnerable individuals or groups. Stakeholder identification for the AF builds on the parent PFMI2 SEP and was updated during AF preparation to reflect the scaled-up focus on revenue administration reforms, including procurement and implementation of a modern Revenue Management System (RMS), and the scale-up of related PFM and procurement activities.

PAPs for PFMI2 and its AF include (not limited to) institutional actors that are directly involved in, or expected to benefit from, strengthened PFM, revenue, procurement and statistics systems. These includes the Ministry of Finance (MoF) and relevant departments (DGIRP, General Accounting, Debt Department, and the newly established Revenue Commission), the High Council for Public Procurement Policies (HCPPP), the State Audit and Administrative Control Bureau (SAACB), the Palestinian Anti-Corruption Commission (PACC), the Palestinian Central Bureau of Statistics (PCBS), and line ministries whose financial management and procurement processes are supported and/or targeted under PFMI2 (notably the Ministries of Health, Education, National Economy, and Local Government). PAPs also include direct and contracted project workers, consultants, and staff of the above institutions who will use upgraded systems and participate in project-supported training and capacity building. Given the AF's focus on revenue administration and procurement, PAPs further encompass taxpayers and users of revenue services (including property owners), as well as private sector firms/contractors that participate in government tenders or interact with the RMS and e-procurement platforms; particularly small firms, women-owned firms, and firms owned by or employing persons with disabilities.

Parties interested include (but are not limited to) a broader group of entities that do not experience direct project impacts but have an interest in, or can influence, PFMI2 and the AF. These comprise, for example, additional ministries and public bodies (e.g. MoSD, MTDE, MoI, MoWA, and the Pension Fund); local government units and municipal actors, including the Municipal Development and Lending Fund (MDLF) and a number of municipalities; the private sector (e.g. Chambers of Commerce and Industry, Palestine IT Association; PITA, IT firms, Micro, small and medium enterpirses (MSMEs), and business owners); civil society organizations and CBOs engaged on governance, transparency, women's rights and inclusion of persons with disabilities (such as SAWA, Juhoud for Community and Rural Development, Al-Haq, Qader, Women's Center for Legal Aid and Counseling (WCLAC), and Maan Development Center); development partners and UN agencies (including the EU, UNRWA, UNDP and UN Women); local media outlets (WAFA, Al-Hayat, Ajjyal Radio, and Al-Ayyam); utility service providers including water and electricity distribution companies, and commercial banks involved in the broader fiscal and financial system (Bank of Palestine, Arab Bank, TNB, and Housing Bank).

Disadvantaged and vulnerable groups in the context of the AF are those who may face barriers in accessing or understanding project information or in benefiting from system improvements, including small and women-owned firms and firms owned by or employing persons with disabilities, women property owners and women-headed households, staff with lower IT literacy and others facing risks of exclusions from capacity building, information dissemination, and training, and other groups at risk of exclusion from

revenue and procurement reforms, access to information, and participation in stakeholder engagement activities.

Summary of Stakeholder Engagement Under the Parent Project

Stakeholder engagement for the parent PFMI2 project has to date relied primarily on institutional consultations, reflecting the project's focus on strengthening national systems and capacity building. Consultations during project preparation were scoped to core implementing and beneficiary institutions, with the understanding that more detailed and bilateral meetings would follow once component-level activities were fully developed.

On 13 December 2021, the Ministry of Finance (MoF) held an initial consultation meeting (virtually via Zoom) with focal points from key PAPs, including MoF, HCPPP, SAACB, PACC, PCBS, MoH, and MoE, and in line with the Ministry of Health and World Bank guidance for consultations during the COVID-19 context. The session introduced the first phase of PFM reforms and the scope and expected outcomes of PFMI2, and presented the proposed project grievance mechanism (including handling of GBV/SEA/SH-related complaints). The list of attendees and their affiliations is included in Annex 2 of the parent SEP.

Key discussion points and feedback from participating institutions focused on priority technical needs, implementation constraints, and areas requiring targeted capacity strengthening, including:

- HCPPP emphasized alignment with their developmental strategies and noted the importance of implementing plans developed during the first phase of the project with regards to improving the capacity of Council staff, public sector procurement officers and continue collaboration with MoH to develop procurement policies.
- MoE highlighted the need to address existing challenges related to the BISAN accounting system and to improve reporting and coordination between MoF and ministry directorates.
- PCBS stressed the importance of continued coordination and raised the need to expand cooperation to cover additional government units (e.g., pension and insurance funds), and to ensure engagement of relevant MoF reporting staff in technical discussions.
- SAACB emphasized moving away from paper-based processes and strengthening electronic document management and archiving systems.
- MoH flagged the need for improved analytical reporting related to referral procedures and strengthened data visibility and traceability.
- PACC highlighted the importance of organizational capacity strengthening, including budgeting and procurement functions, and supporting the transition toward electronic systems to enhance accountability and prevention of corruption.

The parent SEP captured these early inputs and set the basis for continued engagement throughout implementation, including through ongoing coordination and more detailed technical consultations as component activities are developed and rolled out. Further details of the stakeholder engagement program are available in the Parent Project SEP: https://documents1.worldbank.org/curated/en/099315302162220003/pdf/Stakeholder0En0t0Phase02000P177742.pdf.

Summary of Stakeholder Engagement Conducted During the AF Preparation

During preparation of the AF, the PMU sent a bilingual (Arabic/English) email invitation to 50 recipients representing the stakeholders identified above, outlining the objectives of the consultation session, and the intent to present the AF and the updated environmental and social instruments (including the SEP addendum). A virtual public consultation workshop was then held on Thursday 11 December 2025 at 11:00 a.m. via Zoom. The workshop was attended by 11 participants, representing PAPs and OIPs from central ministries and agencies including MoF departments, SAACB, PACC, and HCPPP. The consultation workshop introduced the parent project components, presented the rationale and design of the AF, and explained the PDO, implementation arrangements, and the focus of the AF on the modernization of the Revenue Management System and the scaling-up of selected PFM and procurement activities. It also provided an overview of applicable environmental and social standards and national legal frameworks, summarized the potential social and environmental risks and impacts (including risks of exclusion of certain user groups, labor and working-conditions issues, and SEA/SH risks linked to training), and presented the proposed mitigation measures and instruments, namely the SEP (and AF addendum), the Labor Management Procedures (LMP), the Environmental and Social Commitment Plan (ESCP), Code of Conduct, the e-waste checklist and the project GMs, including SEA/SH referral pathways and the World Bank's Grievance Redress Service (GRS). Participants were invited to comment on the project design, the AF scope, the identified risks and mitigation measures, and the proposed arrangements for information disclosure, stakeholder engagement and grievance redress. Two substantive questions were raised; a representative from SAACB asked whether the complaint system would be specific to the project or applicable to all MoF activities; MoF clarified that the existing MoF-wide complaint system serves as the project GM, and that the project will continue to use and strengthen this system for PFMI2 and the AF. A representative from HCPPP inquired whether the project's design had adequately taken national policies and agendas into account; the team explained that the parent project and the AF are grounded in the PA's PFM Strategy, revenue and procurement strategies and related national plans, and that design has been developed in a participatory manner with relevant institutions. No concerns were expressed regarding the AF's scope or proposed E&S measures; overall feedback was supportive and highlighted the importance of continued coordination, alignment with national reforms, and clear communication on the GM and PFM reforms. Screenshots of the consultation session are available in Annex 1 below.

Stakeholder engagement during project implementation

During the PFMI2 AF implementation, the DGIRP/PMU at the Ministry of Finance, in coordination with the HCPPP and other partners will maintain proactive engagement with the identified project stakeholders, consistent with the SEP and its addendum and the updated ESCP. Engagement with representatives of vulnerable groups will also be ensured. The updated ESCP requires preparing and disclosing an AF SEP addendum and then implementing it to ensure stakeholders receive timely, relevant, understandable, and accessible information, and are consulted in a culturally appropriate manner, free of manipulation, interference, coercion, discrimination, or intimidation; these measures will continue throughout implementation.

Engagement during implementation will be particularly important during the design, procurement, testing, and rollout of the Revenue Management System (RMS) and related capacity building under Component 3, and during the scaling up of selected PFM and procurement reforms. Engagement will be designed to reduce the identified social risks including (not limited to) the exclusion of certain user groups

from project information and opportunities to provide feedback, including private sector firms and contractors (particularly small firms, women-owned firms, and persons with disabilities), and relevant government personnel and service users. Consistent with PFMI2 implementation arrangements, MoF will maintain the assigned PMU focal point responsible for managing ESF requirements, including SEP implementation, documentation, and follow-up.

Stakeholder engagement activities will be conducted through appropriate means (technical meetings, bilateral consultations, workshops and trainings, and virtual sessions), with a focus on ensuring accessibility and meaningful participation. The PMU will document consultations through attendance lists and concise minutes, and will track follow-up actions and feedback integration as part of routine implementation support and reporting. Grievances and stakeholder feedback trends will also inform adaptive management of stakeholder engagement methods during implementation.

The project will continue to publicize, maintain, and operate the existing grievance mechanism for PFMI2 as the grievance mechanism for the AF. In line with the Parent SEP, grievances are handled at the project level and logged by the responsible PMU function, with grievance reporting consolidated into the semi-annual project progress reports submitted to the World Bank. The AF will use the same uptake channels described in the parent SEP, allowing project stakeholders and beneficiaries to submit complaints electronically via the MoF electronic grievance form available through the MoF "Contact Us" page (http://www.pmof.ps/pmof/internal.php?var=60) and/or through the government electronic complaint portal (https://cs.pmo.gov.ps/). Complaints may also be submitted in person to the Head of the MoF Complaints Unit, or through email (ikhlasbader2018@gmail.com) and mobile contact (+972 (0) 599370517). The GM will be strengthened to receive anonymous complaints, strengthening the escalation mechanism, and strengthening the uptake and survivor-centered handling for SEA/SH-related grievances, processed at the unit level in close coordination with MoF's Gender Unit and with referral to specialized service providers as needed. A separate workers' GM remains addressed through the parent project Labor Management Procedures (LMP).

Information Disclosure/Beneficiary Feedback

Similar to the parent project, information disclosure and feedback under PFMI2 and the AF will rely on MoF's existing communication channels and established processes under the parent SEP, with a stronger focus on reaching stakeholder groups that may not readily access, receive, or understand project information (for example, smaller private sector firms and women-owned firms, and persons with disabilities). In practice, the MoF will continue to use its official communication platforms, including its Facebook page (Arabic as the default, and bilingual as needed), to announce key project milestones, training and capacity building updates, and any relevant changes related to the AF-supported Revenue Management System and associated reforms. The existing MoF Facebook page will be used for the project: https://www.facebook.com/PMOFPS?locale=ar_AR.

To support two-way communication and responsiveness, the MoF's relevant communication function (in coordination with the DGIRP/PMU) will monitor and respond to public inquiries received through official channels, and will route any issues that constitute grievances to the project GM intake channels. This approach will be used to reduce information gaps, respond to questions from different stakeholder categories (including the private sector and oversight bodies), and strengthen feedback loops during implementation, consistent with the SEP's approach to ongoing consultation and disclosure.

Official project documents will continue to be disclosed through MoF channels in line with ESF requirements, including the AF SEP Addendum, the updated ESCP, and any updated environmental and social instruments. In addition, stakeholders will be reminded of the GM and its electronic intake options through the MoF website "Contact Us" grievance form and the government e-complaints portal. Technical preparations for the launch of the new Ministry of Finance website were finalized during the first half of 2025, pending the official launch which has been delayed due to changes in interministrial procedures and new internal policies by MTDE.

Grievance Redress

The PFMI2 parent project Grievance Mechanism (GM) will continue to be used for the Additional Financing (AF). The GM is managed through the MoF Complaints Unit, with DGIRP/PMU support as relevant, and is available to all project stakeholders, including project workers, participating institutions, and external users who may interact with strengthened PFM, procurement, and revenue administration systems. The GM will be strengthened to better receive anonymous complaints and includes an escalation mechanism. The updated ESCP requires the MoF to publicize, maintain, and operate this GM so it is readily accessible at no cost and without retribution, and to ensure it is equipped to handle SEA/SH cases safely and confidentially with survivor-centered referral to GBV service providers.

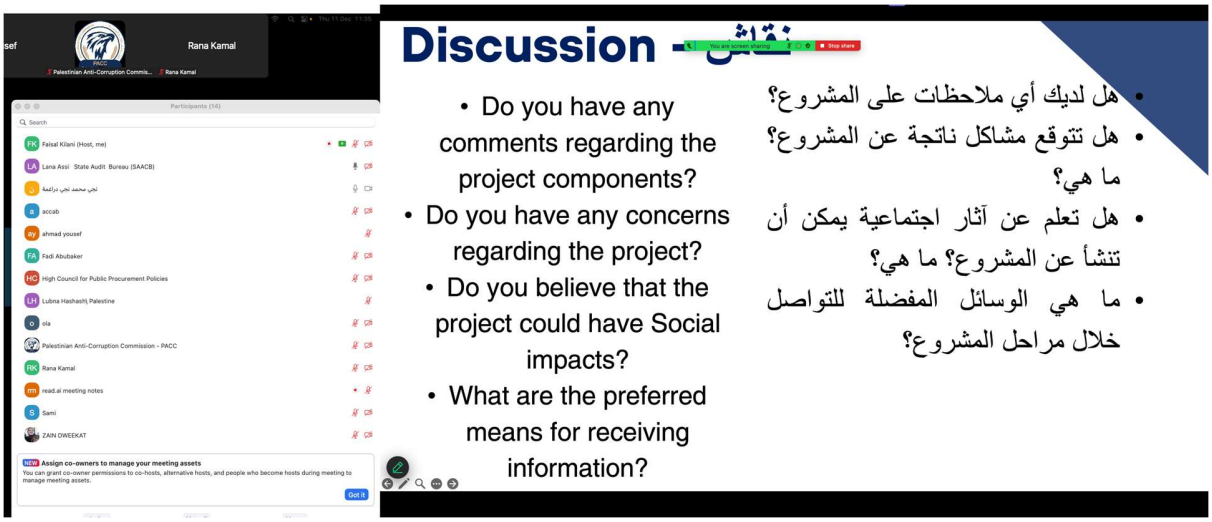
Submissions can be made via:

(i) the electronic form on the MoF website (under "Contact Us"); http://www.pmof.ps/pmof/internal.php?var=60.
(ii) the Government Complaints Portal at https://cs.pmo.gov.ps;
(iii) email to the Complaints Unit: ikhlasbader2018@gmail.com;
(iv) Through DGIRP/PMU focal points as per the parent SEP (phone +970 (2) 297 8830 ext. 3301, email skhalifa@pmof.ps).
(v) mobile: +972 (0) 598626505;
(vi) and in-person at MoF headquarters.

These channels remain active and are used in parallel with the Ministry's engagement on social media.

Once received, grievances are registered and documented in a GM log, including key details such as the date, complainant details (if provided), summary of the complaint, classification, actions taken, and status. The parent SEP provides an indicative processing timeline, including initial assessment within 24 hours, assignment of responsibility within 2 days, preparing a response within 7 days, and closure following confirmation of implementation and satisfaction. The GM includes an appeals process, allowing complainants to request a review if they are not satisfied with the outcome. GM performance, trends, and the status of grievances are consolidated and reported to the World Bank through periodic E&S reporting.

- **SEA/SH-sensitive grievances**: The GM includes dedicated uptake channels for SEA/SH-related grievances. In line with the parent SEP, SEA/SH complaints are handled with confidentiality and a survivor-centered approach, without pursuing investigation by the project, and with referral to specialized service providers and the relevant national referral structures as applicable. For the AF, SEA/SH complaints are processed at unit level in cooperation with the MoF Gender Unit and the national referral system.

- **World Bank Grievance Redress Service**: In addition to the project-level GM, communities and individuals who believe they are adversely affected may submit complaints to the World Bank's Grievance Redress Service (GRS) and the independent World Bank Accountability Mechanism: https://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service.

Annex 1: Consultation Session Screenshots