

**PROJECT INFORMATION DOCUMENT (PID)
ADDITIONAL FINANCING**

Report No.: PIDA14404

Project Name	GZ Emergency Response Second Municipal Development Project AF (P152523)
Parent Project Name	GZ-Second Municipal Development Project (P127163)
Region	MIDDLE EAST AND NORTH AFRICA
Country	West Bank and Gaza
Sector(s)	Sub-national government administration (26%), Transmission and Distribution of Electricity (23%), Urban Transport (23%), General water, sanitation and flood protection sector (23%), Other Renewable Energy (5%)
Theme(s)	Urban services and housing for the poor (76%), e-Government (8%), Climate change (6%), Gender (5%), Municipal governance and institution building (5%)
Lending Instrument	Investment Project Financing
Project ID	P152523
Parent Project ID	P127163
Borrower(s)	Palestine Liberation Organization
Implementing Agency	Municipal Development and Lending Fund
Environmental Category	B-Partial Assessment
Date PID Prepared/Updated	02-Oct-2014
Date PID Approved/Disclosed	24-Sep-2014, 02-Oct-2014
Estimated Date of Appraisal Completion	24-Sep-2014
Estimated Date of Board Approval	30-Oct-2014
Decision	

I. Project Context

Country Context

The recent armed conflict in Gaza lasted from July 8 through August 26, with devastating impacts on both the population and infrastructure in the Gaza Strip. UNOCHA estimates that 2,131 people died; close to 11,000 people have been wounded; and about 0.5 million residents, equivalent to around a third of Gaza's total population, have been displaced. Already prior to the conflict, unemployment in Gaza had jumped to 45 percent (June 2014), with youth unemployment close to 70 percent. While there are no recent poverty estimates, it is believed that close to half of Gaza's population lives in poverty. Some 70 percent of Gaza's population had already been aid dependent prior to the recent conflict. The economic impact of the war has not been fully quantified yet, but is doubtless severe. The loss in national GDP compared to the pre-conflict forecast is estimated at

more than USD0.65 billion. Economic activity in Gaza has all but stopped for almost two months. Largely, the World Bank and IMF are forecasting that the Palestinian economy will shrink by almost 4 percent in real terms, with growth projected at -15 percent for Gaza and 0.5 percent for the West Bank.

The conflict resulted in massive destruction of infrastructure. As a result, needs for immediate relief and early recovery assistance are huge. The PA, in close collaboration with the international community, has provided immediate humanitarian assistance to alleviate the impact of the war in Gaza. In parallel, the PA has been preparing a comprehensive plan to address the aftermath of the Gaza war. At the request of the PA, the Bank is contributing to the damage assessments in the sectors where the Bank is one of the PA partners in project implementation. These include water and sanitation, energy, and municipal development. The Bank is supporting the relevant PA institutions in the baseline construction; analysis, validation and quantification of damages; analysis of the service delivery and socio-economic impacts; and a preliminary quantification of reconstruction needs. Rapid assessments estimate damages to the water and sanitation infrastructure at around USD34 million; and at around USD42.5 million in the electricity sector. Damages to municipal infrastructure and public facilities are estimated at around USD58.6 million, excluding the infrastructure and networks owned and operated by utilities.

Based on the rapid damage assessments, an early draft of the plan called “The National Early Recovery and Reconstruction Plan for Gaza (NERRPG)” has been prepared and was shared for consultation with the Bank and other development partners. Given that full damage and needs assessments for all relevant sectors are yet to be completed, the PA is cognizant that the plan will be a living document for the next few months. A detailed Damage and Needs Assessment (DNA) to assess the full scope of damages, economic losses and reconstruction needs is currently being launched by the PA. The DNA will utilize existing data and sectoral assessments currently conducted by the PA and compile them into one internationally accepted standard for determining damages, losses and needs. This standard will be used to finalize the NERRPG and prioritize the PA’s and donor interventions for recovery and long-term reconstruction. The DNA would be led and owned by the Government with assistance from a multi-disciplinary, multiagency team comprising the relevant UN agencies, the European Commission, and the World Bank.

Sectoral and institutional Context

The July-August 2014 Gaza conflict caused significant damage across the Gaza Strip. Municipal infrastructure has been severely hit. The MDLF, in close collaboration with the 25 Gaza municipalities, has prepared a municipal damage assessment endorsed by the Ministry of Local Government (MoLG). The assessment estimates total damages in the amount of around US\$58.6 million. Damaged infrastructure includes local roads, solid waste management infrastructure, administrative buildings and equipment, street lighting, but also municipal cultural centers, markets, public parks and other recreational facilities. About 50 percent of the damages are borne by Gaza City (US\$ 27.8 million), followed by Rafah (US\$ 5.6 million), Bait Hanoun (US\$ 4.6 million), and Khuza’aa (US\$ 3.1 million). Seven other municipalities incurred estimated damage of over US\$1 million. Although the larger municipalities with a wider range of assets have suffered greater damages in terms of absolute costs, the smaller municipalities have accumulated higher per capita damages. For example, Wadi Gaza and Khuza’a, both located close to the green-line (i.e., the Gaza restricted access zone next to the Gaza separation wall), account for some of the highest per capita damages in the range of US\$356 to US\$326 per capita.

In addition to the physical damages, municipalities' ability to sustain basic service provision has been seriously affected by the conflict's impact on their financial position. Municipal revenue sources comprise predominantly of user fees and charges from citizens who are unable to pay following the war. Gaza municipalities require significant financial support to restore basic service provision to the population. Immediate needs to support municipal operation and maintenances costs are estimated at around US\$14.5 million. MDP-2 has been a reliable source of investment funding to municipalities and is considered a dependable and fast channel to provide demand-based support through a transparent allocation mechanism. However, although grants provided by MDP-2 have been an important source of municipal investment financing in Gaza in the past, the limited funds available under the project would not allow meeting the critical emergency needs faced by Gaza municipalities following the July-August 2014 war.

II. Proposed Development Objectives

A. Current Project Development Objectives – Parent

The objective of the project is to improve municipal management practices for better service delivery and municipal transparency.

B. Proposed Project Development Objectives – Additional Financing (AF)

The revised PDO will be “to improve the Recipient’s municipal management practices for better municipal transparency and service delivery, and to restore priority municipal services following the conflict in Gaza”.

III. Project Description

Component Name

Component 1: Municipal Grants for Capital Investments

Comments (optional)

This component allocates performance-based grants for capital investments or operating expenditures through a transfer formula based on population, need and municipal performance

Component Name

Component 2: Support to Municipal Innovations and Efficiency

Comments (optional)

This component promotes learning and innovation to promote municipal development.

Component Name

Component 3: Capacity-Building for municipalities and the Municipal Development and Lending Fund (MDLF)

Comments (optional)

This component supports municipalities to graduate to a higher performance category, and supports the implementing agency to build its capacity.

Component Name

Component 4: Project Implementation Support and Management Costs

Comments (optional)

This component finances costs related to project implementation support and management.

Component Name

Component 5: Gaza Municipal Emergency Grants

Comments (optional)

This component will allocate grants from the AF to Gaza municipalities for capital investment service provision, per mandate of municipalities defined in the Local Councils Law No. 1 of 1997, for sectors described as eligible in the Operations Manual (OM) as well as for operating expenditures, similar to Component 1. Allocations to municipalities will be made based on the results of the Municipal Damage Assessment, which will determine the share of grants allocated to individual municipalities. Municipalities will then propose priority sub-projects which will be financed and implemented with assistance from the MDLF. Public disclosure of sub-project information will ensure transparency and enhance social accountability between municipalities and citizens.

IV. Financing (in USD Million)

Total Project Cost:	15.00	Total Bank Financing:	0.00
Financing Gap:	0.00		
For Loans/Credits/Others			Amount
Borrower			0.00
Partnership for Water and Urban Development in the West Bank			12.00
Special Financing			3.00
Total			15.00

V. Implementation

Since effectiveness, the original project's PDO and implementation progress have both been consistently rated as 'Satisfactory'. Ratings for Environmental and Social Safeguards are also Satisfactory, as are Procurement and Financial Management ratings. OP4.01 (Environmental Assessment) and OP 4.09 (Pest Management) were triggered. However, all sub-projects currently implemented have complied with category B status. The implementation of Bank safeguards requirements is progressing well. The subproject level screening mechanism, Environmental Management Plan (EMP) formulation, implementation, supervision, and reporting procedures are satisfactory, with quarterly progress reports being submitted in a timely manner. The AF will apply simplified procurement procedures and the option of retroactive financing per OP/BP 10.00 paragraph 12. The legal covenants, most of which are recurrent, are continuously being monitored and complied with.

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	x	
Natural Habitats OP/BP 4.04		x
Forests OP/BP 4.36		x
Pest Management OP 4.09	x	
Physical Cultural Resources OP/BP 4.11		x
Indigenous Peoples OP/BP 4.10		x
Involuntary Resettlement OP/BP 4.12		x
Safety of Dams OP/BP 4.37		x
Projects on International Waterways OP/BP 7.50		x

Projects in Disputed Areas OP/BP 7.60		x
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Comments (optional)

VII. Contact point

World Bank

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