



Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 22-Apr-2024 | Report No: PIDA37554



BASIC INFORMATION

A. Basic Project Data

Country West Bank and Gaza	Project ID P181678	Project Name Additional Financing - Resilient Municipal Services Project	Parent Project ID (if any) P178723
Parent Project Name West Bank and Gaza Resilient Municipal Services Project	Region MIDDLE EAST AND NORTH AFRICA	Estimated Appraisal Date 29-Apr-2024	Estimated Board Date 29-May-2024
Practice Area (Lead) Urban, Resilience and Land	Financing Instrument Investment Project Financing	Borrower(s) Palestine Liberation Organization (For The Benefit of the Palestinian Authority)	Implementing Agency Municipal Development Lending Fund (MDLF)

Proposed Development Objective(s) Parent

To strengthen municipal capacity to deliver accountable, sustainable, inclusive and resilient services to the municipal population in the West Bank and Gaza.

Proposed Development Objective(s) Additional Financing

To strengthen municipal capacity to deliver accountable, sustainable, inclusive and resilient services to the municipal population in the West Bank.

Components

- Component 6: Emergency O&M support to participating municipalities
- Component 1: Performance Based Service Delivery Grant
- Component 2. Sector Policy and Institutional Development
- Component 3. Competitive Grants for Natural hazard and Climate Change Resilience
- Component 4: Project implementation support and management
- Component 5: Contingency Emergency Response Component (CERC)

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	22.00
Total Financing	22.00
of which IBRD/IDA	0.00



Financing Gap	0.00
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DETAILS

Non-World Bank Group Financing

Trust Funds	22.00
Partnership for Infrastructure Development MDTF	7.00
Special Financing	15.00

Environmental and Social Risk Classification
Substantial

Other Decision (as needed)

B. Introduction and Context

Country Context

1. The ongoing conflict in the Middle East that erupted in early October 2023, is expected to have lasting effects on the Palestinian economy. Since the start of the conflict, the Palestinian economy experienced one of the largest economic shocks recorded in recent history. The Gross Domestic Product (GDP) for all the Palestinian territories declined by 6.4 percentage points in 2023, wiping out the progress in welfare achieved since the end of the pandemic. Poverty levels in West Bank and Gaza (WB&G) at the close of 2023 are estimated to have been higher than the 26.5 percent in 2020, at the peak of COVID-related restrictions. The impacts of the conflict have been consequential due to the scale of damages to fixed assets, loss of life, and reduction in income flows across the Palestinian territories. Since the start of the conflict, the economy has seen a substantial decline in GDP growth and high rates of unemployment. Several compounding factors contributed to this decline, including the loss of access to jobs in Israel, increased restrictions on movement and access within the West Bank, and a sharp decline in clearance revenue transfers from Israel to the Palestinian Authority (PA). In combination with decade-low levels of donor assistance, this has compounded the already dire fiscal situation of the PA.

Sectoral and Institutional Context

2. The fiscal impact of the conflict is particularly acute on Local Government Units (LGUs), which are tasked with the provision of key public services and rely on intergovernmental fiscal transfers from the PA and their own local source revenues to deliver public services. LGUs in the WB&G are at the forefront of delivering basic services to citizens. The responsibility of delivering local services in the WB&G is assigned to LGUs, including 159 municipalities responsible for cities and towns geographically dispersed across the WB&G. These LGUs carry out as many as 27 different service functions, ranging from utility provisions such as electricity and water distribution to solid waste management, primary health care services, building and maintaining primary and secondary schools, etc.



3. The steep 22 percent decline in intergovernmental transfers from the PA to LGUs combined with sharp decline in local revenues are impeding the municipalities' ability to maintain delivery of basic services, as they will be unable to pay the operational expenditures required to carry out the work. A financial evaluation conducted in November 2023 for West Bank municipalities indicated a significant 23 percent drop in expenditure and a 16 percent decline in revenues. This declining trend in revenue is projected to reach 25 percent by May 2024, roughly translating to a revenue loss of NIS 217 million (12 percent of the total annual revenue) for West Bank Municipalities. Urgent financial assistance is needed to ensure the operational service continuity of municipalities and maintain basic public provisions.

4. The proposed additional financing (AF) responds to the PA's request for urgent international financial assistance to support municipalities in the West Bank to respond to the economic crisis, maintain basic service delivery, and ensure operational service continuity. While the parent Resilient Municipal Services Project (RMSP) provided support to both Gaza and the West Bank, since the start of the conflict in October 2023, project implementation in Gaza has been significantly impacted and all planned activities under the project for Gaza municipalities have been halted. Given the uncertainties and unfeasible implementation circumstances in Gaza, the project is proposed to be restructured, focusing on providing support to the West Bank municipalities, where project implementation is progressing well despite the residual impacts of the conflict, particularly on the fiscal situation of the municipalities. Accordingly, the AF will provide urgent financial support to municipalities in the West Bank to maintain basic service provision. It will finance part of the municipalities' recurrent operating expenditures to continue service delivery. No salaries of municipal servants will be financed under this AF. The AF will also contribute to sustaining basic services through implementing labor-intensive cash-for-work (C4W) activities to support the operation and maintenance of municipal assets. In doing so, the AF will alleviate the financial burden imposed on municipalities as well as directly contribute to the local economy and socio-economic conditions across the West Bank through temporary job creation provided under the program.

C. Proposed Development Objective(s)

Original PDO

To strengthen municipal capacity to deliver accountable, sustainable, inclusive and resilient services to the municipal population in the West Bank and Gaza.

Current PDO

To strengthen municipal capacity to deliver accountable, sustainable, inclusive and resilient services to the municipal population in the West Bank.

Key Results

5. The direct beneficiaries are the West Bank residents who will benefit from continued basic municipal service delivery. The project will provide support to municipalities by financing part of their recurrent expenditures and creating temporary jobs through a C4W labor intensive operations and maintenance (O&M) program, through the newly added emergency Component 6.



D. Project Description

Proposed Changes

PDO

6. The PDO will be revised to as indicated in Section C. The PDO revision reflects the adjustment in the project's geographic scope by focusing only on the West Bank. Due to the severity and extent of damage incurred on critical infrastructure, municipalities in Gaza can no longer provide basic services nor benefit from the RMSP grant allocations and RSMP can no longer be implemented as originally envisioned and achieve the project's original development objective (PDO). Given this context, the project scope and PDO are revised to focus only on the West Bank municipalities where fiscal support is urgently needed to sustain basic services and to make the municipalities resilient, thereby upholding the project's main objective.

Components and Costs

7. **Component 1. Performance Based Service Delivery Grant towards West Bank Municipalities (US\$16.01).** The component will continue to provide the Participating Municipalities with Performance Based Grants to finance Strategic Development Investment Plans (SDIPs) subprojects. However, the geographic scope of the activities is changed by focusing only on West Bank municipalities to receive the grant financing under the AF. All other aspects of the grant allocation mechanism, including the minimum access conditions, type of grants, performance assessment, grant utilization, and the number of cycles, will remain unchanged. The original results indicators targets will be revised to reflect the changes in the component scope and the extended implementation timeframe.

8. **Component 2. Sector Policy and Institutional Development** (revised allocation US\$1.95). Activities implemented under component 2 will remain the same under the proposed AF, with some adjustment to the capacity building subcomponent, to effectively respond to the current circumstances. The proposed change under this component also includes a reallocation of US\$0.5 million to the new Component 6. The results indicators targets will be revised to reflect the changes in the component scope and the extended implementation timeframe.

9. **Component 3. Competitive Grants for Natural Hazard and Climate Change Resilience** (revised allocation US\$1.36 million). The original proposed activity under subcomponent 3.1 Natural hazard and climate change risk assessments which supports "the development of primary and secondary level Urban Risk Assessments (URA) for natural hazard risks for 60 participating municipalities" will be scaled down by focusing only on secondary risk assessments of reduced number of West Bank municipalities. The proposed change under this component also includes a reallocation to Component 6. The results indicators targets will be revised to reflect the changes in the component scope and the extended implementation timeframe.

10. **Component 4. Project Implementation Support and Management Costs** (revised allocation US\$3.43). This component will cover project implementation support for the execution of the additional emergency component, including funding of goods and consultants' services for preparing the O&M plans, monitoring and evaluation, outreach and communication, and local technical consultants for the engineering supervision of Component 1, 3 and 6, and the Municipal Development and Lending Fund (MDLF) management fee.

11. **Component 5. Contingency Emergency Response Component (CERC)** (US\$0). This component will remain unchanged in the parent project to make funds available to the government by reallocation or additional financing in the



event of a natural, man-made or health crisis. A CERC manual and Emergency Action plan will be prepared as part of this component.

12. **New Component 6. Emergency O&M support to participating municipalities.** (US\$20.31 million from new AF, and US\$0.94 million from Component 2 and 3 reallocations, total US\$21.25). Building on the lessons learned from the Third Municipal Development Project (MDP 3), the proposed AF will add a new component to support the scaling up of O&M activities to restore or maintain critical municipal services in the West Bank. Component 6 will comprise two subcomponents: (a) Recurrent Operating Expenditures; and (b) Emergency labor-intensive O&M municipal services.

Results Framework

13. New result indicators will be added to capture the benefits resulting from the scale-up of project activities, through the addition of component 6. End targets of PDO indicators will also adjusted in line with the scope revisions proposed under component 1 and 3.

Project Closing

14. The Project closing date will be extended by 18 months, from June 30, 2027, to December 31, 2028. This will compensate for the delays caused by the conflict and allow adequate time for the completion of all project components.

Environmental and Social Framework

15. There is no expected change in ESF standards relevant to the project. Assessment of the AF activities related to new O&M and C4W activities under Component have been conducted, and the updates are reflected in the Environmental and Social Review Summary, including updated ESCP and SEP.

Legal Operational Policies

	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

Summary of Assessment of Environmental and Social Risks and Impacts

E. Implementation

Institutional and Implementation Arrangements

16. The proposed AF will rely on the existing implementation arrangements under the parent project. No changes would be made to the implementation arrangements, i.e., the MDLF will continue to be fully responsible for project implementation, including safeguards, fiduciary, monitoring and reporting arrangements. The safeguards instruments that are currently in place for the Project are appropriate for the proposed AF as well and are in compliance with the Bank



IPF Policy (Projects in Situations of Urgent Need of Assistance or Capacity Constraints), including application of condensed procedures.

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APPROVAL

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