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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT PAPER

ON A

PROPOSED ADDITIONAL GRANT AND RESTRUCTURING

IN THE AMOUNT OF US\$15 MILLION

FROM THE TRUST FUND FOR GAZA AND THE WEST BANK (TFGWB)

WITH CO-FINANCING FROM THE PARTNERSHIP FOR INFRASTRUCTURE DEVELOPMENT MULTI-DONOR TRUST FUND (PID MDTF)

IN THE AMOUNT OF US\$7 MILLION

TO THE

PALESTINE LIBERATION ORGANIZATION
(FOR THE BENEFIT OF THE PALESTINIAN AUTHORITY)

FOR THE

WEST BANK AND GAZA RESILIENT MUNICIPAL SERVICES PROJECT

May 20, 2024

Urban, Resilience And Land Global Practice
Middle East And North Africa Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective as of Apr 31, 2024)

Currency Unit =	NIS
US\$1 =	EURO.93
US\$1 =	NIS 3.74

FISCAL YEAR
January 1 - December 31

Regional Vice President: Ousmane Dione

Country Director: Stefan W. Emblad

Regional Director: Meskerem Brhane

Practice Manager: Catherine Tovey

Task Team Leaders: Haji Huseynov, Dana Almubaied

ABBREVIATIONS AND ACRONYMS

AF	Additional Financing
C4W	Cash-for-work
DANIDA	Danish International Development Agency
DP	Development Partner
E&S	Environmental and Social
ESMP	Environmental and Social Management Plan
ESCP	Environment and Social Commitment Plan
FM	Financial Management
GMs	Grievance Mechanisms
GHG	Greenhouse Gas
GOI	Government of Israel
GIZ	German Technical Cooperation
IFMIS	Integrated Financial Management Information System
IGFT	Intergovernmental Fiscal Transfer System
ISR	Implementation Status and Results Report
KfW	Kreditanstalt für Wiederaufbau (Credit Institute for Reconstruction)
LALF	Land Acquisition and Livelihood Framework
LGU	Local Government Unit
LMP	Labor Management Procedure
LTC	Local Technical Consultant
MDLF	Municipal Development and Lending Fund
MDP	Municipal Development Project/Program
M&E	Monitoring and Evaluation
MOF	Ministry of Finance
MOLG	Ministry of Local Government
MTR	Mid-Term Review
NDC	Nationally Determined Contributions
NIS	New Israeli Shekels
OHS	Occupational Health and Safety
O&M	Operation and Maintenance
PA	Palestinian Authority
PCBS	Palestinian Central Bureau of Statistics
PLO	Palestinian Liberation Organization
PP	Procurement Plan
PDO	Project Development Objective
PID-MDTF	Partnership for Infrastructure Development Multi-Donor Trust Fund
POM	Project Operations Manual
PV	Photovoltaic
SEP	Stakeholder Engagement Plan

SDIP	Strategic Development and Investment Plan
SIDA	Swedish International Development Cooperation Agency
SWM	Solid Waste Management
TFGWB	Trust Fund for Gaza and West Bank
WB&G	West Bank and Gaza

Additional Financing - Resilient Municipal Services Project

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BASIC INFORMATION – PARENT (West Bank and Gaza Resilient Municipal Services Project - P178723)

Country	Product Line	Team Leader(s)		
West Bank and Gaza	Special Financing	Haji Huseynov		
Project ID	Financing Instrument	Resp CC	Req CC	Practice Area (Lead)
P178723	Investment Project Financing	SMNUR (9352)	MNC04 (5562)	Urban, Resilience and Land

Implementing Agency: Municipal Development Lending Fund (MDLF)

Is this a regionally tagged project?	
No	

Bank/IFC Collaboration
No

Approval Date	Closing Date	Expected Guarantee Expiration Date	Environmental and Social Risk Classification
28-Feb-2023	30-Jun-2027		Substantial

Financing & Implementation Modalities

<input type="checkbox"/> Multiphase Programmatic Approach [MPA]	<input checked="" type="checkbox"/> Contingent Emergency Response Component (CERC)
<input type="checkbox"/> Series of Projects (SOP)	<input checked="" type="checkbox"/> Fragile State(s)
<input type="checkbox"/> Performance-Based Conditions (PBCs)	<input type="checkbox"/> Small State(s)
<input type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a Non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input checked="" type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input type="checkbox"/> Responding to Natural or Man-made disaster
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	<input type="checkbox"/> Hands-on Expanded Implementation Support (HEIS)



Development Objective(s)

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

Ratings (from Parent ISR)

	Implementation	Latest ISR
	07-Jun-2023	19-Dec-2023
Progress towards achievement of PDO	S	S
Overall Implementation Progress (IP)	S	S
Overall ESS Performance	S	S
Overall Risk	S	S
Financial Management	S	S
Project Management	S	S
Procurement	S	S
Monitoring and Evaluation	S	S

BASIC INFORMATION – ADDITIONAL FINANCING (Additional Financing - Resilient Municipal Services Project - P181678)

Project ID	Project Name	Additional Financing Type	Urgent Need or Capacity Constraints
P181678	Additional Financing - Resilient Municipal Services Project	Restructuring, Scale Up	Yes
Financing instrument	Product line	Approval Date	
Investment Project Financing	Special Financing	03-Jun-2024	
Projected Date of Full Disbursement	Bank/IFC Collaboration		
30-Apr-2029	No		




Is this a regionally tagged project?	
No	

Financing & Implementation Modalities

<input type="checkbox"/> Series of Projects (SOP)	<input checked="" type="checkbox"/> Fragile State(s)
<input type="checkbox"/> Performance-Based Conditions (PBCs)	<input type="checkbox"/> Small State(s)
<input type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a Non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input checked="" type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input type="checkbox"/> Responding to Natural or Man-made disaster
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	<input type="checkbox"/> Hands-on Expanded Implementation Support (HEIS)
<input checked="" type="checkbox"/> Contingent Emergency Response Component (CERC)	

Disbursement Summary (from Parent ISR)

Source of Funds	Net Commitments	Total Disbursed	Remaining Balance	Disbursed
Grants	22.00	7.25	14.75	 33 %

PROJECT FINANCING DATA – ADDITIONAL FINANCING (Additional Financing - Resilient Municipal Services Project - P181678)

FINANCING DATA (US\$, Millions)

SUMMARY (Total Financing)

	Current Financing	Proposed Additional Financing	Total Proposed Financing
Total Project Cost	90.00	22.00	112.00
Total Financing	90.00	22.00	112.00
Financing Gap	0.00	0.00	0.00

DETAILS - Additional Financing



Non-World Bank Group Financing

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

COMPLIANCE

Policy

Does the project depart from the CPF in content or in other significant respects?

Yes No

Does the project require any other Policy waiver(s)?

Yes No



Environmental and Social Standards Relevance Given its Context at the Time of Appraisal

E & S Standards	Relevance
Assessment and Management of Environmental and Social Risks and Impacts	Relevant
Stakeholder Engagement and Information Disclosure	Relevant
Labor and Working Conditions	Relevant
Resource Efficiency and Pollution Prevention and Management	Relevant
Community Health and Safety	Relevant
Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Relevant
Biodiversity Conservation and Sustainable Management of Living Natural Resources	Relevant
Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Not Currently Relevant
Cultural Heritage	Relevant
Financial Intermediaries	Not Currently Relevant

NOTE: For further information regarding the World Bank’s due diligence assessment of the Project’s potential environmental and social risks and impacts, please refer to the Project’s Appraisal Environmental and Social Review Summary (ESRS).

INSTITUTIONAL DATA

Practice Area (Lead)

Urban, Resilience and Land

Contributing Practice Areas

Climate Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks

**PROJECT TEAM****Bank Staff**

Name	Role	Specialization	Unit
Haji Huseynov	Team Leader (ADM Responsible)		SMNUR
Dana Mohammad Luai M. Almubaied	Team Leader	Urban Development	SMNUR
Ala' Abd Minem Mohammad Turshan	Procurement Specialist (ADM Responsible)		EMNRU
Mohammad Ali Mousa Jaber	Financial Management Specialist (ADM Responsible)		EMNGU
Manal M F Taha	Environmental Specialist (ADM Responsible)		SMNEN
Najm-UI-Sahr Ata-Ullah	Social Specialist (ADM Responsible)		SMNSO
Areej Mamon Faidi Madi	Team Member		MNCGZ
Elena Gagieva-Petrova	Team Member		SMNEN
Felipe Abel Flores Meregote	Team Member	Urban Development	SMNUR
Khaled Mohamed Ben Brahim	Team Member		WFACS
Ma Dessirie Kalinski	Team Member		WFACS
Mariana Margarita Montiel	Counsel		LEGAM
Nathalie Mihajloski Zivkovic	Team Member		WFACS
Priyantha Jayasuriya Arachchi	Team Member		SMNUR
Rumana Kemer Abubeker	Team Member		SMNUR
Sekai Nodoro	Team Member		LEGAM
Stephen George Karam	Team Member		SMNUR
Thao Phuong Tuong	Team Member		SMNUR

Extended Team

Name	Title	Organization	Location
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I. BACKGROUND AND RATIONALE FOR ADDITIONAL FINANCING

A. Introduction

1. **This Project Paper (PP) seeks the approval of the World Bank Board of Executive Directors to authorize an Additional Financing (AF) grant of US\$15 million to the Palestinian Liberation Organization (PLO) for the benefit of the Palestinian Authority (PA) for the Resilient Municipal Services Project (RMSP, the Project, P181678).** In addition, the proposed AF will be co-financed by a grant in the amount of US\$7million from the World Bank administered Partnership for Infrastructure Development Multi-Donor Trust Fund (PID-MDTF)¹. The AF meets the PA's request, dated April 4, 2024, for urgent assistance from the international development partners to channel support to municipalities. It will respond to the urgent needs of conflict-affected West Bank municipalities by (i) sustaining basic services through implementing labor-intensive activities for operation and maintenance (O&M) of municipal services, and (ii) providing budgetary support to cover part of their recurrent operational expenditures to continue with service delivery.

2. **This PP seeks approval of the restructuring of the parent project to:** (a) change the project development objective (PDO) to support the West Bank only; (b) reallocate funds among Project components; (c) revise the component descriptions to focus project implementation on the West Bank; (d) add a new component to support emergency labor intensive O&M activities; (e) revise the results framework (RF); (f) extend the Project closing date from June 30, 2027 to December 31, 2028² to accommodate delays arising from the ongoing conflict. The proposed AF is being processed under paragraph 12 of section III of the World Bank Investment Project Financing Policy (Projects in Situations of Urgent Need of Assistance or Capacity Constraints).

B. The Parent Project

3. The RMSP was approved on February 28, 2023, and became effective on August 15, 2023, and has a project closing date of June 30, 2027.³ Its PDO was to strengthen municipal capacity to deliver accountable, sustainable, inclusive, and resilient services to the municipal population in the West Bank and Gaza (WB&G). The Project was financed out of the Trust Fund for Gaza and the West Bank (TFGWB) in the amount of US\$15.00 million and co-financing from the PID-MDTF in the amount of US\$7.00 million. RMSP also receives parallel financing in the total amount of US\$68 million (financing from the Development Partners (DPs) in the amount of US\$59.90 million and counterpart financing from the PA in the amount of US\$8.1 million) (Table 1).

4. **A short time after the effectiveness of the Project, the conflict in the Middle East, centered in Gaza,**

¹ Donors for PID-MDTF include: Denmark (through Danish International Development Agency, DANIDA), Norway, Finland, Sweden (through Swedish International Development Cooperation Agency, SIDA), France (through Agence Française de Développement), Croatia, Portugal, Australia, Netherlands, and the United Kingdom.

² There are currently five grants funding RMSP. Two grants that are financed by TFGWB, namely TF0C0651 and TF0C4907, will close on December 31, 2028. On the other hand, the closing date of each grant that is financed by PID MDTF is determined by the end disbursement date of the Trustee Fund that finances this particular grant. To this end, Grant TF0C0644 will close on June 30, 2024, while Grants TF0C0645 and TF0C4878 will close on June 30, 2027.

³ The parent project was originally financed by three grants with a closing date of June 30, 2027, except for one grant (TF0C0644) that is planned to close on June 30, 2024. The Trustee fund that finances this particular grant can only be extended up to June 30, 2024, given the end disbursement date of Dec 31, 2024.



erupted, which had a significant impact on all activities in the territories. RMSP had begun its implementation and had completed its planned activities, but the conflict left eligible municipalities in Gaza unable to comply with the minimum conditions to qualify for grants, given the extensive damages incurred on the infrastructure and capacities of the municipalities tasked with basic service delivery. This impeded the execution of the project activities planned in Gaza as envisioned. Despite the challenging context faced in Gaza and the residual impacts of the conflict on the West Bank, the project is still within its initial stages and can still achieve its PDO with some proposed adjustment to the scope. To date, disbursements have reached US\$7.25 million (33 percent) of the total original grant amount in the form of advance payments covering the first six months of project implementation. Yet, the conflict has resulted in delays in approving project activities, that had been under appraisal when the conflict erupted, for the West Bank municipalities. All planned project activities in Gaza were halted, none of the activities was initiated and thus no payment was executed for any of the Gaza municipalities. The latest project implementation status and results report (ISR)⁴ rated both Progress toward the achievement of PDO and Overall implementation progress (IP) as Satisfactory since this ISR was prepared shortly after the conflict started and does not reflect the recent developments including this AF preparation. The PDO and IP ratings will be revisited as part of the next ISR which is due by mid-June 2024.

5. Below is a detailed description of the implementation progress by component:

6. **Component 1. Performance Based Service Delivery Grant (US\$9.8 million from TFGWB and US\$6.21 million from PID MDTF).** This component provides sub-grants for participating municipalities to finance municipal infrastructure for improved service delivery through: (a) Block Grants to provide the basic funding for eligible municipalities for infrastructure development based on needs and equity; and (b) a Performance Grant to provide an incentive for eligible municipalities to improve their performance in key performance areas. The total allocation for the Cycle 1 amounted to EUR 40⁵ million (US\$ 43 million equivalent) including all project financiers.⁶ After a series of initial workshops by the Municipal Development and Lending Fund (MDLF)⁷ to beneficiary municipalities, the MDLF announced the individual Performance ranking and cycle grant allocation for each municipality with a request to submit proposals for subprojects within the Strategic Development and Investment Plan (SDIPs). A total of 162 sub-project proposals, with a total value of around EUR22.5 million (US\$ 24.1 million equivalent) were submitted by 134 municipalities in the West Bank. The majority of subproject grant allocation (~62 percent) is for the road sector, followed by services equipment with an allocation share of 9.43 percent. The MDLF had approved 40 sub-projects for a total value of EUR5.6 million (US\$ 6 million equivalent). The remaining sub-projects are at various stages of appraisal, tendering and contract awarding. The municipalities in Gaza Strip were not able to submit proposals for subprojects, due to the ongoing conflict, and all operations in Gaza have been halted since October 2023. No funds were disbursed in Gaza.

7. **Component 2. Sector Policy and Institutional Development (US\$2.45 million from the TFGWB).** This component provides technical assistance, policy guidance, analytical tools, and capacity building training for the Ministry of Local Government (MoLG), Ministry of Finance, MDLF and Participating Municipalities. Its primary aim is to increase the capacities of municipalities to be able to provide better services for their citizens. This component is comprised of two sub-components: (i) Sub-component 2.1: On-demand Capacity Development Support for Municipalities (ii) Sub-component 2.b: Policy and Institutional Development Support for PA

⁴ The Project implementation status and result report dated December 13, 2023.

⁵ A total of EUR 40 million (US\$ 43 million equivalent) was allocated to 159 municipalities in WB&G (134 in WB and 25 in Gaza). The allocation was calculated based on the agreed Grant Allocation Mechanism (10% population, 35% for needs, 55% for Performance).

⁶ The World Bank financing for Cycle 1 amounts to around EUR4.6 million (US\$ 4.9 million equivalent) covering municipalities in the West Bank only.

⁷ The MDLF conducted four (4) orientation workshops for all municipalities; three (3) in the West Bank and one (1) in Gaza.



institutions. The MDLF has identified and informed municipalities about the capacity building packages they will receive under the first cycle of the Project and has started the required contracting for the most pressing packages. Other key activities supported under this component include utilization of the Net Lending Portal⁸ by municipalities, which is ongoing and is planned to be introduced as one of the minimum conditions to qualify municipalities for grant support under the second cycle of the project. Progress on the development of the Operations Manual for Intergovernmental Fiscal Transfer System (IGFT) is currently underway albeit with slight delay.

8. **Component 3. Competitive Grants for Natural Hazard and Climate Change Resilience (US\$1.5 million from the TFGWB and US\$0.3 million from the PID MDTF).** This component provides technical assistance and financing to municipalities for addressing natural hazard and climate change related risks. Two sub-components are included under Component 3: (i) Subcomponent 3.1. Natural hazard and climate change risk assessments; and (ii) Subcomponent 3.2. Natural hazard and climate change adaptation investments. MDLF has finalized the terms of reference for preparing Natural hazard and climate change risk assessments and adaptation investments and is currently recruiting a consultant to support secondary risk assessments for 15 municipalities in the West Bank. These assessments will guide the identification of investments that will contribute to strengthening the resilience to climate change at the local level.

9. **Component 4. Project implementation support and management (US\$1.25 million from the TFGWB and US\$0.49 million from the PID MDTF).** This component supports the provisions needed for project implementation, under the overall responsibility of the MDLF, the implementing agency. MDLF has required technical staff in place to implement project activities in their offices in Ramallah, and these staff are performing well. Nevertheless, due to the conflict, MDLF staff in Gaza and their capabilities to perform their functions have been impacted.

10. **Component 5. Contingency Emergency Response Component (CERC) (US\$0 from the TFGWB).** This zero-allocation component allows the PA to reallocate funds from other components in the event of an eligible emergency to mitigate, respond and recover from its potential harmful consequences. A CERC manual and Emergency Action plan will be prepared as part of this component.

C. Rationale For Additional Financing and Proposed Changes

11. **Due to the conflict, 2023 was one of the worst years on record for the Palestinian economy.** Latest official data by the Palestinian Central Bureau of Statistics (PCBS) confirm that the economy contracted by 5.5 percent in 2023, year-on-year (y/y). This is equal to a loss of 1.8 billion in nominal US dollars. Poverty was on the surge even before the conflict. The latest nationally representative data for the West Bank and Gaza is from the PECS survey conducted in 2023. Before October 2023, national poverty (covering the Palestinian population in Gaza, the West Bank and East Jerusalem) stood at 32.8 percent – a significant increase from the poverty rate in 2017, at 29.2 percent. However, the overall number hides large differences between the West Bank and Gaza, where pre-October 7 poverty rates were around 11.7 percent and 63.7 percent, respectively. The conflict has had its toll on most of the households in Gaza, pushing them into poverty at least over the short term, while West Bank households suffer from detrimental repercussions. A combination of heightened restrictions, job and income losses, and a steep drop in demand, impacted the level of wellbeing of the Palestinian population. The

⁸ A Net Lending Portal has been set up at the Ministry of Finance (MOF) to better monitor and track municipal arrears using Local Government Unit financial data.



impacts on welfare have also been felt because of increased constraints on social spending, reflecting a worsening public financial position.

12. **The PA's already challenging fiscal situation has transformed into a full-blown spiraling crisis since October 2023.** This is mainly due to the GoI's decision to increase monthly deductions from revenues it collects on behalf of the PA (clearance revenues) to around NIS500–600 million, up from the previous NIS200 million. According to Israeli authorities, this increase reflects the amount that the PA spends in Gaza and also offsets the debt owed by the Jerusalem District Electricity Company (JDECO) to the Israeli Electricity Company (IEC). As a result, clearance revenue transfers, the PA's main source of income, shrank by over 50 percent in the conflict's aftermath. In response, the PA decided to decline several of these transfers in 2023. This, on top of a natural decline in revenues given the economic contraction and the low levels of aid, led the PA to further reduce salary payments to civil servants to 60-70 percent, since October 2023. Official data by the Palestinian Ministry of Finance shows that the PA's financing need for 2023, after aid and considering clearance revenue deductions, reached US\$682 million or 3.9 percent of GDP. The gap was mostly filled with borrowing from domestic banks and arrears to the private sector, public employees and the pension fund.

13. **The fiscal impact of the conflict is particularly acute on the Local Government Units (LGUs) which are tasked with the provisions 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 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 which are responsible for cities and towns that are geographically dispersed across the West Bank (134) and Gaza Strip (25). 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. The LGUs primarily depend on intergovernmental transfers and their own local revenue to deliver critical basic services and often operate under a constrained fiscal environment. The conflict's advent is further exacerbating their financial capacity, which affects their ability to deliver quality services. Critical service areas, such as solid waste collection and disposal, are being significantly impacted due to the unaffordability and inability of municipalities to properly collect and pay for disposal services, leading to the proliferation of random dumpsites. Without urgent financial assistance, LGUs cannot maintain basic service provisions and the system is at risk of complete collapse.

14. **The steep decline in intergovernmental transfer from the PA to LGUs (by 23 percent⁹) combined with a sharp decline in local revenues are impeding the ability of municipalities to maintain the 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 expenditures 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.

15. **The 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 the operational service continuity.** While the original RMSP grant was intended to support both Gaza and the

⁹ MDLF Report: In comparison to 2022, the fiscal transfer to the Local Government Units (LGUs) for the year 2023 has decreased by 22.8% (NIS 68.74 million in FY 2023 as opposed to NIS 85.07 million in FY 2022).



West Bank municipalities, 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 scope of the project is proposed to be revised to focus on providing support to the West Bank municipalities only, where project implementation is progressing 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 with 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 O&M 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 social-economic conditions across the West Bank through temporary job creation provided under the project.

D. Strategic Alignment of the AF

16. **The AF to RMSP is aligned with the current WB&G Assistance Strategy for 2022-2025 (Report No. 156451-GZ)¹⁰**, particularly *Objective 1.2: Support service providers to be financially sustainable*, and *Objective 2.3: Improve infrastructure through Bank investment that leverages donors' resources and attracts private sector investment*. It also resonates with the strategic goals of the World Bank Group of ending extreme poverty and boosting shared prosperity on a livable planet. It does so by increasing access to basic services, providing the assets and services required to support economic growth, informing municipal decision making on natural hazard risks, as well as by supporting the reduction of greenhouse gases (GHG) emissions through improved urban planning and green technology adoption.

17. **The AF is aligned with the Bank's MENA regional strategy 2020–2024 by directly contributing to improving the quality of basic service delivery and citizen engagement** under *Strategic Pillar One: Renewing the Social Contract*. It supports the social contract by having the governments that operate closest to their citizens, LGUs, to provide services and directly respond to their needs. The Project also contributes to the MENA regional strategy pillar on *Resilience to Climate Shocks* by supporting municipalities to integrate natural hazard risk information into their strategic decision-making processes and into capital investment planning and infrastructure design. Furthermore, it is aligned with the *Reconstruction of conflict affected areas* pillar, by supporting municipalities affected by the conflict within West Bank to recover.

18. **The project is also relevant to the goals of the Bank's FCV Strategy 2020-2025 through its focus on capacity building of the institutions involved in urban service delivery** (Pillar 3: *Helping countries transition out of fragility*) and its support to local communities by providing basic services. It also supports Pillar 2 (*Remaining Engaged During Crises and Active Conflicts*) by providing an avenue to support the recovery of areas that have been affected by conflict, and by providing an operational vehicle (CERC) that could allow for emergency support when the situation allows.

19. **The PDO is aligned with the Palestinian National Development Plan (2021-2023)**; particularly with Focus Area 8, *"Improving Services to Citizens"* through its focus on the expansion and increase in quality of municipal service delivery mandates. It is also aligned with the Local Governance Sector Strategy of the PA (2021-2023) particularly with Objective 2 *"Empowerment of LGUs towards Financial Sustainability"*, through its



increased focus on the improvement of financial sustainability of the participating municipalities.

20. **The AF reflects the World Bank’s corporate commitments, including citizen engagement (CE), climate, and gender considerations.** On citizen engagement, the AF will build on the existing CE tools under the parent project which has effective grievance and feedback mechanisms. For the new activities supported under the AF, the project will adopt conflict-appropriate mechanisms for beneficiary feedback, particularly on the labor-intensive O&M programs. On climate, the parent project and AF are aligned with *World Bank’s 2025 Climate Change Targets, Bank’s Resilient, Inclusive, Sustainable and Efficient framework, and Green, Resilient and Inclusive Development strategy*, by keeping environmental sustainability and resilience at the core of all investments in the restoration and rehabilitation of urban infrastructure. On gender, the project contributes to the World Bank Gender Strategy (FY16-23) with specific attention to women’s access to more and better jobs and voice representation in the selection and design of O&M subprojects. The AF will take measures to include women in O&M employment opportunities to be generated under the AF. The technical appraisal section provides further analysis of these three priority areas.

21. **The project is consistent with the WB&G Nationally Determined Contribution (NDC).** The proposed AF is considered aligned with the Paris Agreement on both mitigation and adaptation, and it is consistent with the country’s NDC and National Adaptation Plan¹¹. The country’s updated NDC commits to reducing emissions by 26.6 percent by 2040, as compared to business-as-usual projections¹². The alignment in adaptation comes through the support to municipalities to manage urban growth, supporting the rehabilitation of resilient municipal infrastructure, especially the road infrastructure. On the mitigation side, it supports the adoption of renewable energy, improving walkability of streets, supporting improvements in solid waste management (SWM), and wastewater management. The AF is also aligned to recent flagship analytics like the WB&G Climate Change Development Report which highlight the importance of increasing water security in urban areas, reducing the vulnerability of urban assets to hydrometeorological hazards and focusing on increasing the resilience of the WASH and energy nexus.

II. DESCRIPTION OF ADDITIONAL FINANCING

A. Project Description

22. The proposed AF and restructuring will provide emergency financial support to West Bank municipalities to maintain basic service provisions. It will do so by financing labor intensive O&M projects in the West Bank, and providing budgetary support to cover part of their recurrent operational expenditures to continue with service delivery. The accompanying restructuring will adjust the geographic scope of the operation which will only be able to finance works in participating West Bank municipalities. Given the critical fiscal situation of the PA, the project will also remove the need for counterpart financing by the PA. Furthermore, it will reallocate funding from Component 2 and 3 to the new Component 6, as implementation of activities in the Gaza strip is no longer possible due to the ongoing conflict.

¹¹ The National Adaptation Plan identifies the following twelve sectors as “highly vulnerable” to climate change: agriculture, coastal and marine, energy, food, gender, health, industry, terrestrial ecosystems, tourism, urban and infrastructure, waste and wastewater, and water.

¹² These commitments in the NDCs are dependent on the successful completion of a peace agreement, if not the commitment are 17.5 percent.

**B. PDO**

23. The PDO will be revised as follows: “to strengthen municipal capacity to deliver accountable, sustainable, inclusive and resilient services to the municipal population in the West Bank”. Due to the severity and extent of damage incurred on critical infrastructure¹³, because of the conflict municipalities in Gaza¹⁴ are no longer able to provide basic services nor benefit from the RMSP grant allocations. Against this reality, the project scope is 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. The PDO revision reflects the project's geographic scope adjustment by focusing only on the West Bank.

C. Components and Costs

24. The proposed AF/restructuring will include a scale-up of project activities through the creation of a new component (Component-6: Emergency O&M support to participating municipalities), the scaling down of project activities under Component 2: Sector Policy and Institutional Development, and Component 3: Competitive Grants for Natural hazard and Climate Change Resilience, and a reallocation of proceeds between components.

Table 1. Original Project Cost World Bank and Co-Financing/Parallel Partners’ Share of RSMP Investments (US\$ million)

Component	World Bank TFGWB	PID-MDTF Financing	Total World Bank financing	Other/Parallel Financing*	Total Project Cost
Component 1: Performance Based Service Delivery Grant	9.8	6.21	16.01	54.88	70.89
Component 2: Sector Policy and Institutional Development	2.45	-	2.45	5.31	7.76
Component 3: Competitive Grants for Natural hazard and Climate Change Resilience	1.5	0.3	1.80	1.75	3.55
Component 4: Project implementation support and management	1.25	0.49	1.74	6.07	7.81
Component 5: Contingency Emergency Response Component	0	0	0	0	0
Total	15.0	7.0	22.0	68.0	90.0

*This includes US\$8.1 million of counterpart funding by the PA.

25. *Component 1: Performance Based Service Delivery Grants (Allocation US\$16.01)*. The component will continue to provide performance-based grants to participating municipalities to finance SDIPs subprojects through: (a) Block Grants to provide the basic funding for Participating Municipalities for infrastructure development based on needs and equity; and (b) a Performance Grant to provide an incentive for Participating Municipalities to improve their performance in key performance areas. 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, number of

¹³ Interim Damage Assessment of January 2024.

¹⁴ Prior to the conflict, twenty-five municipalities located in Gaza oversaw basic service delivery across the strip and were eligible to get municipal support under the RMSP and its predecessor projects.



grants, type of grants, the performance assessment, the grant utilization, and the number of cycles, will remain unchanged.

26. *Component 2: Sector Policy and Institutional Development (original allocation US\$2.45 million; revised allocation US\$1.95).* The capacity-building subcomponent will be adjusted to reflect the dropped activities originally planned to target Gaza municipalities. Accordingly, this component will include a reallocation of US\$0.5 million to the new Component 6: Emergency O&M support to participating municipalities.

27. Component 2 will focus on providing technical assistance, policy guidance, analytical tools, and capacity building training for MoLG, MoF, MDLF and Participating Municipalities to (i) improve regulatory oversight; (ii) increase transparency and accountability in administering the intergovernmental fiscal system; (iii) develop ways and means of improving local government revenues; and (iv) provide on-demand technical support, by:

- (a) Strengthening the Participating Municipalities' capacity through the provision of: (i) technical assistance in several areas identified by both the Participating Municipalities and MDLF including, budget preparation, financial management, procurement, investment planning, operation and maintenance programming, social accountability, credit worthiness and e-governance; and (ii) funding for pre-investment studies for civil works and for preparing tailored on-demand capacity building packages.
- (b) Strengthening MoLG in its capacity as policy maker and regulator of the local government sector, and MoF in implementing its property tax devolution to municipalities, municipal net lending portal, and for its fiscal transfer payments to municipalities, through:
 - Providing technical assistance to improve the existing national-level Municipal finance information system to hold and analyze annual financial and budgetary data submitted by the Participating Municipalities.
 - Providing technical assistance to (a) prepare a national operational manual for the Intergovernmental Fiscal Transfer System ("IGFT"), including the procedures, roles and functions of different entities, allocation formula for fiscal transfers, timetable and calendar for financial flow transactions, and annual reporting; and (b) produce an annual report format for the IGFT to improve transparency and accountability and, once approved and adopted, support preparation of the first-year annual report to detail the IGFT contributing source funds and their allocations to LGUs in accordance with the guidance and procedures set out in the operations manual for the IGFT.
 - Supporting MoF, MoLG and other agencies in developing strategies, processes and systems to monitor the LGU net lending within the Recipient's net lending program, as well as providing customized support to chronically distressed Participating Municipalities with high stock/flow of arrears and provide support to develop Annual Work Plans.
 - Identifying policies recommendations to increase LGU own-source revenues, as well as improving the MoF and Participating Municipalities property tax collection and devolution to Participating Municipalities.
 - Providing technical assistance in (i) rationalizing LGU functional responsibilities; (ii) updating LGU classifications; and (iii) mainstreaming and institutionalizing LGU project performance criteria into a conditional grant facility within the IGFT system.
 - Supporting MDLF transition to fulfill its mandate of improving LGU efficiency and financial sustainability.



28. *Component 3: Competitive Grants for Natural Hazard and Climate Change Resilience* (original allocation US\$1.8 million; 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. It will focus on secondary risk assessments for the 15 municipalities that completed Resilience Plans under the predecessor operation as it was seen too complex to carry out the required training under the new context. The proposed change also includes a reallocation of US\$0.44 million to Component 6: Emergency O&M support to participating municipalities.

29. Providing technical assistance and financing to Participating Municipalities for addressing natural hazard and climate change related risks, through: (i) developing primary and secondary level urban risk assessments for natural hazard risks in Participating Municipalities, as well as supporting the inclusion of risk mitigation works identified in the strategic development and investment plan; (ii) provision of support for natural hazard and climate change risk informed sub-projects.

30. *Component 4: Project Implementation Support and Management* (original allocation US\$1.74 million; revised allocation US\$3.43). This component covers provision of support for Project implementation, including: (i) management costs of the MDLF; (ii) acquisition of required goods and consulting and non-consulting services, including a local technical consultant for the engineering supervision of Part 1, Part 3(b), and Part 6; (iii) social and environmental safeguards management; (iv) procurement; (v) outreach; (vi) communications; and (vii) Monitoring and Evaluation.

31. *Component 5: Contingency Emergency Response Component (CERC) (US\$0)*. No changes to this component. It will provide immediate response to an eligible crisis or emergency, as needed.

32. *Component-6: Emergency O&M support to participating municipalities* (new component, 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 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 subcomponents¹⁵:

33. *Subcomponent-6a Recurrent Operating Expenditures*. This subcomponent will provide support to municipalities to cover a part of their recurrent operating expenditures, excluding salaries. The exact items to be financed will be defined by participating municipalities after AF approval. Nevertheless, it will include, among others, payment of the Joint Services Council (JSC) Solid Waste Management fees, spare parts for O&M, and payment of electric bills related to service delivery. Based on surveys conducted by MDLF, most of the urgent financial assistance needed by municipalities is for covering their recurrent expenditures, which is estimated to be about 80 percent of the total amount allocated under Component 6.

34. The recurrent expenditure payments will be made by MDLF to suppliers against independently verified invoices of recurrent expenditures on behalf of municipalities in accordance with the processes detailed in the Project Operations Manual (POM). No funds will be channeled to municipalities except for the reimbursement of payment. Retroactive financing for payments incurred prior to the signature of the AF will be allowed but

¹⁵ The specific allocation between subcomponents will be left flexible and shall be addressed within the POM.



cannot exceed more than 20 percent of component financing. This will be applicable only to recurrent expenditures.

35. *Subcomponent- 6b Emergency labor-intensive O&M municipal services.* This subcomponent will provide financing to eligible municipalities in the West Bank to maintain the provision of local services through labor-intensive O&M (C4W), local infrastructure development activities and the payment of professional (Backoffice) services within municipalities. Based on consultations with municipalities and the MDLF, the O&M activities to be supported can include costs of labor, equipment and supplies for roads repairs and maintenance, periodic cleanup of drainage system, solid waste collection and sorting, fumigation, and clean up, among others, as detailed in the POM. An estimated 20 percent of the total amount under Component 6 will be allocated for supporting labor-intensive O&M activities based on a rapid assessment conducted by MDLF of municipal needs. MDLF will carry out further assessment/evaluation periodically to determine the level of need and adjust the proposed allocation, as needed.

36. *Allocation Mechanism for Emergency O&M support under Component 6.* All municipalities in the West Bank will be eligible to receive financial support under Component 6, based on the following allocation mechanism:

- a) 65% for equalization (EUR 30,000 (US\$32,600 equivalent) per municipality) and the remaining will be distributed per capita.
- b) 30% based on the Poverty Index at the municipal level of PCBS.
- c) 5% based on verified¹⁶ recent damages sustained on municipal infrastructures and assets.

37. *Implementation arrangement for emergency labor-intensive O&M municipal services.* Each municipality shall identify interventions with specified labor input for O&M implementation to be reviewed and approved by the MDLF. Those proposed interventions will be based on existing or newly created O&M plans. The municipality then advertises job openings and announces specific applicant selection criteria. All the details pertaining to the labor-intensive subprojects will be included in the revised POM. The MDLF will be responsible for ensuring that selection of workers by municipalities is carried out according to the defined procedures in the POM. For work rendered, the municipality will send payment authorization to MDLF that will pay the worker directly through the banking system.

38. *Selection of beneficiaries for emergency labor-intensive O&M municipal services.* Eligible municipalities will screen and select the beneficiaries from a verifiable list of unemployed persons in the West Bank. As the Implementing Agency of the Project, MDLF will supervise the screening and selection of beneficiaries of the O&M activities. The bid documents for works contracts will include provisions for beneficiary selection. Criteria for beneficiary selection will be presented in detail in the POM.

Table 2. Cumulative World Bank financing by component in US\$ million

Component Name	Original Project Cost	Additional Financing Cost	New Total (including reallocations among components)
Component 1: Performance Based Service Delivery Grant	16.01	-	16.01

¹⁶ Assessed and verified by the MDLF, under a methodology to be determined within the POM.



Component Name	Original Project Cost	Additional Financing Cost	New Total (including reallocations among components)
Component 2. Sector Policy and Institutional Development	2.45	-	1.95
Component 3. Competitive Grants for Natural hazard and Climate Change Resilience	1.80	-	1.36
Component 4: Project implementation support and management	1.74	1.7	3.43
Component 5: Contingency Emergency Response Component (CERC)	0	0	0
Component 6: Emergency O&M support to participating municipalities	-	20.31	21.25
Total Project Cost	22.0	22.0	44.0

39. **Parallel Financing.** The project is expected to receive additional funds in parallel financing from donors. This includes confirmed commitment of EUR10 million from the French Development Agency (*Agence Française de Développement*) for Component 6, Emergency O&M support to municipalities. Other upcoming tentative/anticipated donor support for the project includes EUR3.5 million from the European Union and CHF 2.5 million from the Swiss Agency for Development and Cooperation. Germany, through KFW, is also looking into augmenting additional resources to the Project. The total AF indicated in this Project Paper and appraised activities pertains to committed funds from the World Bank (TFGWB) and PID MTF trust funds.

40. **Counterpart allocation.** To account for the PA's current fiscal crisis, worsened by the conflict, the counterpart's (PA's) share of financing requirement under the original project (US\$2.20 million) will be removed from the project. The AF will not include counterpart allocation.

D. Changes to the Results Framework.

41. New result indicators are included to capture the benefits that will result from the scale up activities under Component 6. End targets of the PDO indicators will also be revised. These changes include the addition of a PDO level outcome indicator under Component 6, namely: "Number of paid working days created through the labor-intensive O&M" and an intermediate indicator, "Percentage of O&M, out of municipal operational budgets (excluding wages and salaries) financed by the project". The project also added two intermediate custom indicators in line with the proposed corporate scorecards: i) Number of people that benefit from improved access to sustainable transport infrastructure and service, and (ii) Number of people with enhanced resilience to climate risks.

42. Changes to the parent project indicators include (i) deletion of two interlinked intermediate indicators under Component 3¹⁷ which are found to be no longer relevant, and (ii) revised end targets of the original PDO

¹⁷ 1) Number of resilience plans prepared with inputs from residents/community members (Number), and 2) Share of subprojects that address natural hazard and climate with female engineers employed in delivery of solutions (Percentage).



and intermediate indicators, in line with the reduced project scope focused only on West Bank municipalities.

E. Legal Covenants

43. The dated legal covenants¹⁸, particularly those related to Component 2, will be adjusted to account for the implementation delays accrued due to the conflict. The AF proposes to move the due dates to December 2025.

F. Extension of the project closing date

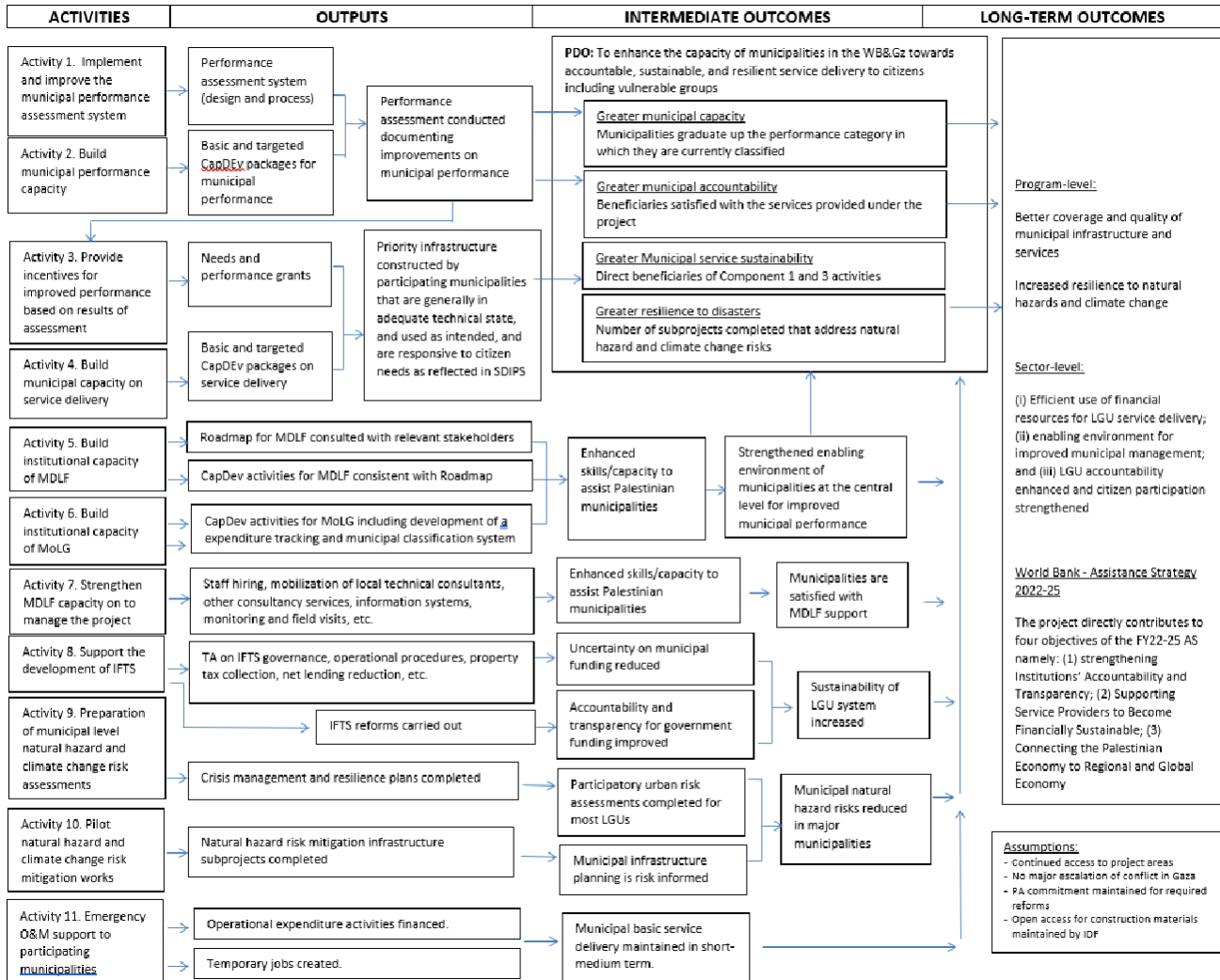
44. The Project closing date will be extended by 18 months, from June 30, 2027, to December 31, 2028 for selected trust funds. This will compensate for the delays caused by the conflict and allow adequate time for the completion of all project components, particularly Component 2 “Sector Policy and Institutional Development”. The closing dates for the trust funds and disbursement schedule of the associated grants are indicated as follows:

Trust Fund Source	US\$ (million)	Original Closing Date	Revised Closing Date
TF0C0644	2.00	30-Jun-2024	30-June- 2024
TF0C0645	5.00	30-Jun-2027	30-Jun-2027
TF0C0651	15.00	30-Jun-2027	31-Dec- 2028
TF0C4907	15.00	31-Dec-2028	31-Dec-2028
TF0C4878	7.00	30-June-2027	31-Dec-2028

¹⁸ Legal Covenants from Original Grant: The Recipient shall cause MDLF not later than 18 months after the Effective Date, or any other date agreed with the Bank, to prepare a national operational manual for the IGFT (“IGFT Operational Manual”), in a manner acceptable to the Bank; Not later than 90 days after the final draft of the IGFT Operational Manual is received by the Steering Committee for Revenue and Net Lending (SCRNL), the Recipient shall cause the SCRNL to adopt said Operational Manual in a manner acceptable to the Bank; A year after the IGFT Operational Manual is adopted, the Recipient shall cause the SCRNL to prepare the first-year annual report to detail the IGFT sources of funds and their allocations to LGUs from the previous calendar year, all in accordance with the guidance and procedures set forth in the IGFT Operations Manual.



G. Results Chain



H. Implementation Arrangements

45. 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.

I. Environmental and Social Framework

46. There is no expected change in ESF standards relevant to the project. Assessment of the AF activities related to new O&M activities under Component 6 have been conducted, and the updates are reflected in the Environmental and Social Review Summary, including updated ESCP and SEP, disclosed on April 30, 2024.



III. KEY RISKS

47. Given the ongoing conflict, the overall risk to the achievement of the project's development objective is High due to high political and governance, macroeconomic, and other risks.

48. **Political and governance risks are High.** The political uncertainty posed by the ongoing conflict poses significant risks to project implementation. The project is being adapted to be carried out in the West Bank only, where the governance associated risks are relatively manageable.

49. **Macroeconomic risk is High.** The macroeconomic outlook is challenging, given the reliance on international aid due to the large fiscal deficit that is mostly financed through donor grants. The ongoing conflict exacerbates the already strained economy and is likely to further worsen local revenue sources and the provision of basic service delivery by LGUs. The macroeconomic situation may also render the PA unable to fulfill its intergovernmental fiscal transfer to LGUs. Nevertheless, the World Bank will remain engaged and will continue to leverage donor resources to support service provisions.

50. **Technical Design risk is Substantial.** The O&M and the C4W activities to be carried out benefit from the lessons learned of the MDP3 and are included in its design. The risks identified mostly involve possible shortages of skilled & unskilled labor in the local market. As a mitigation measure the project allows for municipalities to flexibly choose between C4W activities and recurrent expenditures, depending on the labor market demand and their financial needs.

51. **Institutional capacity for implementation and sustainability risk is High.** MDLF remains the most capable partner available to deliver critical support. Since the start of the conflict, MDLF has managed to supervise and deliver the project activities in the West Bank. Nevertheless, MDLF's capability to implement the project is vulnerable due to factors beyond its capacity such as the political fragility, access, and mobility restriction within the West Bank. To the extent possible, MDLF will mitigate these exogenous risks through preemptive planning and flexible approach to project execution, relying on valuable lessons learned from other emergency operations, particularly from the MDP3 Covid Response Emergency operation (P174781). The increased focus on operational capacity building for municipalities under RMSP will also allow for improved planning and resilience under the constrained operational environment of the West Bank. On the other hand, sustaining the project gain represents a higher risk, given that the O&M interventions provided will be on a short-term basis. It may be hard to sustain the results once support provided through the project weans off.

52. **"Other" risk is rated High given the ongoing conflict.** The High rating for other risks acknowledges the inherent complexity and the unknown trajectory of the ongoing conflict. It also factors in the indirect risks associated with systems collapsing and which may limit the functioning of the proposed implementation arrangements in a manner that is not accounted for under the established risk categories above.

53. **The mitigated risk rating for financial management (FM) and procurement risk are Substantial.** MDLF has extensive experience working with World Bank projects and is currently implementing the parent project. The FM risk initially assessed as High will be mitigated to Substantial through the project-specific mitigating measures and adequate financial management arrangements replicated from the parent project, in addition to the controls and mitigation measures to be introduced as part of the AF, namely conducting ex-post Agreed Upon Procedures (AUP) engagement/spot check under Component 6 by a qualified audit firm yearly. The



procurement risk for the parent project was Moderate and has been elevated to Substantial due to the prevailing security situation in WB&G.

54. **The Environmental and Social (E&S) risk rating remains Substantial.** There is no expected change in ESF standards relevant to the project. While the additional financing activities related to new O&M activities under Component 6 are expected to be of low and moderate risk, the overall risk rating of the project will remain substantial as in the original project. The ESCP and SEP have been updated to address the AF requirements and the Project ESF Instrument (ESMF, LALF, and LMP) will be adopted for the AF to address relevant mitigation measures, including the identification of the relevant project instruments that might be updated/prepared and consulted during the project implementation.

55. **Sector Strategies and Policies risk remains Substantial.** In the Local Government sector, resources for capital investments as well as operation and maintenance for improved service delivery remain scarce. Despite the strong ownership by the PA for improving the inter-governmental fiscal transfers to LGUs to improve financial sustainability and improve basic service delivery, the PA's fiscal distress may continue putting pressure to use centrally collected local resources for national level priorities. This would deprive local authorities of much needed public financial resources and further limit fiscal space for investments. Risk considerations for this project are addressed and embedded in the proposed project design and mitigated against as part of the capacity development activities supporting the government systems and the municipalities, such as emphasis on own-source revenue performance improvement and transparency in PA's fiscal transfer.

IV. APPRAISAL SUMMARY

A. Economic and Financial (if applicable) Analysis

56. Eligible municipalities will identify and prioritize their O&M needs and activities to be supported under the AF, and MDLF will confirm their eligibility for funding under this AF. O&M activities will be evaluated based on existing MDLF screening criteria for subproject appraisal adopted in previous World Bank-financed emergency operations. These include: (a) maximum number of beneficiaries in immediate need; (b) efficiency of the type and nature of proposed subprojects to restore services; (c) job creation potential (number of jobs that can be generated by the subproject); and (d) vulnerability/inclusion (jobs for women and youth) will be added. Where applicable, existing methodologies detailed in the "guidelines for the economic and financial analysis of subprojects" will be used to calculate net present value per beneficiary as well as financial internal rate of return and cost efficiency. Regarding the labor-intensive O&M program, the Project will assess the number of short-term employments created under the AF and if feasible, the impact of such measures on the livelihood and socio-economic status of those individuals who benefited from the program.

B. Technical

57. The ongoing conflict has put enormous strain on the Palestinian economy, and by extension, on the fiscal situation of the municipalities and their ability to deliver basic services. This precarious fiscal situation warrants urgent response to help maintain basic service delivery to millions of residents in the West Bank and to prevent further collapse of these critical public service local institutions. The limited options relating to fiscal policy and loss of job opportunities nearby leaves little room for conventional policies to incentivize economic recovery.



58. Against this reality, emergency response is proposed to be provided to West Bank municipalities through additional financing to the existing *Resilient Municipal Services Project*. Providing emergency O&M support to municipalities is the most viable technical solution under the current circumstances that ensures continuity of basic services, the creation of employment opportunities, and sustains critical local institutions tasked with myriads of public service provisions. RMSP as part of the MDP project series has proved to be the most reliable, fast, and effective mechanism to channel support to municipalities, given the project's extensive engagement with municipalities, existing architecture, and project framework.

59. Following the lessons learned from the implementation of similar projects in FCV countries, working through a proven institution on the ground can guarantee the achievement of results and their sustainability. MDLF will continue to oversee the project implementation in the West Bank, as it is uniquely positioned and has demonstrated the capacity to successfully deploy and implement the emergency project, including through the most recent *Third Municipal Development AF Project (MDP3, P159258)* Covid emergency response project, which has a scheme and implementation modality like the activities proposed under this AF.

C. Paris Alignment

60. The operation is aligned with the goals of the Paris Agreement on both mitigation and adaptation.

61. **Assessment and reduction of adaptation risks:** Climate change is expected to have significant impacts on the West Bank municipalities, increasing their exposure and sensitivity to climate and natural disaster risks. One of the major impacts will be the increased frequency of extreme temperatures, floods, and landslides. This will result in damage to road infrastructure, disruption of basic urban services, and deterioration of buildings. It is also expected that the WASH-energy nexus will be impacted reducing the availability of water, forcing the treatment of wastewater, increasing desalination and their associated increases in energy costs. Hydrometeorological events pose a risk as well to electricity infrastructure and extreme heat can have an impact on electricity distribution. Additionally, heatwaves and extreme temperatures can also lead to the deterioration of urban infrastructure if climate considerations are not addressed.

62. **The parent project and the AF has included design features to reduce the risk of natural hazard and the associated increases of risk from climate change to project outcomes.** Specifically, under the AF, as well as with the parent, all investments to be carried out must go through a prioritization process, that is guided by the SDIP operations manual. This manual mandates municipalities to consider local level natural hazard risks and expected climate change effects in the selection process for the activities to be financed under RMSP, both for Component 1, 3 and the new Component 6. The manuals also mandate that in the process of the design of interventions, that site specific hazard information be considered. The World Bank through TA supported the mapping of major hazards exposure and this information is used by MDLF and municipalities in design preparation for activities under all works related components, the designs address hazard risks reducing them to low or acceptable levels. Furthermore, as part of the AF the MDLF, together with participating municipalities will carry out in depth risk assessments that will inform the preparation of disaster risk reduction activities as part of Component 3, that can also be financed in subsequent cycles and project iterations. Furthermore, the O&M activities to be supported under the AF follow international best practices in risk reduction, as maintaining infrastructure and solid waste management, specially by maintaining culverts, and removing waste can increase substantially the life of the works delivered and reduce hazard risks cost effectively.



63. **Assessment and reduction of mitigation risks:** The AF does not carry a risk of preventing West Bank's transition to a low-carbon development pathway. To the contrary, the AF will likely have a positive contribution to it by financing interventions that are considered universally aligned with the Paris Agreement or that are not expected to result in significant increases in GHG emissions. Most of the activities to be financed under the proposed new financing under component 6 are expected to be maintenance or rehabilitation works for roads (including the maintenance of road drainage), without capacity expansion, which are generally universally aligned. Other maintenance activities expected include maintenance to the existing electricity (LED street lighting, solar panels) and WASH network, both of which are universally aligned. Furthermore, the new AF will finance operational expenditures, most of which are yet to be identified. The exact items to be financed will be defined by participating municipalities after AF approval. Nevertheless, considering the experience of MDP 3, which carried out similar activities, municipalities will likely use the allocated funding to pay for Solid waste management company fees, which support waste collection and appropriate disposal.

64. More importantly, the AF will carry out emergency activities to respond to the effects of the ongoing conflict, which by their provisional or timebound nature will not lock in the country into long term carbon intensive development pathways. The exact nature of the activities to be supported is unknown, nevertheless, a negative list of activities will be presented and included in the POM.

D. Financial Management

65. The financial management (FM) assessment for MDLF that was carried out during the preparation and supervision of the Parent Project, will be adequate for the AF. The assessment evaluated the institutional capacity of MDLF to implement the FM and Disbursement arrangements under World Bank guidelines and found it to be satisfactory.

66. The existing FM and Disbursement arrangements for the Parent Project will be duplicated for the AF. There are no changes in the other implementation arrangements, disbursement arrangements and implementing agency. As under the Parent Project, the implementing agency for the AF is MDLF. MDLF will be responsible for project implementation, financial recording, and ensuring the arrangements comply with the Bank FM and disbursements guidelines. The project POM will be updated to include changes made to the FM section.

67. MDLF will ensure that an adequate computerized financial system is in place and employs qualified financial staff, including the Finance Manager. Semi-annual IFRs will continue to be submitted in excel sheet on a timely manner, within 45 days of the end of each period. The financial statements of the Project will continue to be audited by a qualified and reputable private audit firm acceptable to the Bank. In addition to the audit engagement, total disbursements under Component 6 (Emergency O&M support to participating municipalities) of the Project will be subject to an ex-post Agreed Upon Procedures (AUP) engagement/spot check to review the accuracy and validity of the payments made, eligibility of beneficiaries, and evidence of receipt of funds by beneficiaries. The AUP engagement will be performed by a qualified audit firm and will be performed on a yearly basis. The report will be due within six months after year-end. The terms of reference will be developed by MDLF and will be submitted to the World Bank for no-objection.

68. The AF will continue utilizing the same disbursement arrangements and guidelines as stipulated in the Parent Project Disbursement and Financial Information Letter (DFIL), in accordance with the World Bank's



disbursements guidelines. The AF will continue using “Reporting-Based Disbursement” with IFRs that include cash forecasts covering one or two quarters, as deemed necessary. In addition to the existing two EURO Designated Accounts (DAs) opened at the National Bank (TNB), the AF will require the opening of an additional two DAs at TNB, one DA for each of the two new trust funds. Other Financial Management and Disbursement arrangements will be the same as they are under the Parent Project including using proper Withdrawal Applications and E-disbursement.

E. Procurement

69. Procurement for the AF will be carried out in accordance with the World Bank Procurement Regulations for Borrowers under IPF dated September 2023. Furthermore, the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by International Bank for Reconstruction and Development Loans and International Development Association Credits and Grants”, dated October 15, 2006, and revised in January 2011 and as of July 1, 2016, shall apply to the AF. Procurement, subject to national procurement procedures, shall be carried out as per PA Public Procurement Law No. 8 of the year 2014 which became effective on July 1, 2016, with additional provisions specified in Section V of the Bank’s Procurement Regulations.

70. Procurement will continue to be the overall responsibility of the MDLF. Given the emergency nature of this AF, the simplified procurement procedures¹⁹ for works and goods and selection procedures for consultants’ services may apply. The MDLF will prepare an annex to the Procurement Manual and submit it for the World Bank’s review and clearance, prior to effectiveness. Other than the emergency procedure, procurement for the AF will follow the same arrangements in place for the parent project.

71. The AF will finance goods, works and non-consulting services, and consultants’ services for activities under Component 4, and the new Component 6 which will support the scaling up of O&M activities for the municipalities in the West Bank. The overall responsibility for project procurement will rest with the MDLF and will implement procurement for Component 4, while the beneficiary municipalities will be responsible for subproject procurement, under MDLF’s supervision, for Component 6. MDLF will update the Project Procurement Strategy for Development and the Procurement Plan, to include additional activities to be financed under Component 4, during the early stages of the implementation of the AF due to the emergency nature of the AF. Procurement for the subprojects under Component 6 shall be processed in accordance with the subproject procurement plan and the MDLF Procurement Manual. The municipalities will be responsible for contract management and for advising MDLF on the release of payments to contractors/suppliers in accordance with the signed contracts.

72. MDLF has established a sound control and audit system of procurement activities carried out by municipalities for infrastructure subprojects. The system, which requires municipalities to seek MDLF’s no objection prior to proceeding with key steps of the procurement process, will continue to apply for the AF. Procurement performance for the parent project is satisfactory, while the procurement risk was Moderate and has been elevated to Substantial due to the prevailing security situation in WB&G.

¹⁹ The proposed simplified procedures which may apply shall be elaborated by MDLF in an Annex to the Procurement Manual and will require the World Bank’s prior approval. Simplified procedures could include: (i) increasing the threshold for using “Request for Quotations” of Works (e.g. from US\$200K to US\$500K), and of Goods (e.g. from US\$100K to US\$200K); (ii) shortening the period for preparation of bids under National Competitive Bidding; (iii) use of Direct selection as appropriate; and (iv) other procedures defined in accordance with the Bank Guidance: Procurement in Situations of Urgent need of Assistance or Capacity Constraints.



F. Legal Operational Policies

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

G. Environmental and Social

73. The environmental and social (E&S) risk are rated as Substantial. The project continues to have positive impacts including improving service delivery at the municipal level, enhancing municipal capacity building (also including for participatory planning and social accountability), and enhanced climate -resilience. Municipalities are eligible to receive grants to implement a wide range of potential sub-projects in different infrastructure sectors.

74. The additional financing activities include labor intensive activities; costs of labor, equipment and supplies for roads repairs and maintenance (filling of potholes, crack repair and sealing, etc.), periodic cleanup of drainage system, O&M of slaughterhouses, solid waste collection and sorting, fumigation, and clean up. The activities are of similar nature to the parent project activities.

75. The environmental risk is substantial. The Parent Project and the AF environmental impacts related to the construction and operation and maintenance of sub-projects in different infrastructure sectors and scales are expected to include dust and noise emissions, interruptions to public services and infrastructure, road and traffic safety risk, and non-hazardous waste generation. Pollution and health risk related to improper hazardous waste management may result from leakage from supplied oil and fuel, e-waste generated from electronic devices, improper handling of pest control material, and improper disposal and management of wastewater and slurry. Occupational and Health Safety (OHS) risks related to civil works, and labor-intensive operation and maintenance activities. The emission of dust, bio-aerosols, odors, and vehicle exhaust due to waste collection and transportation activities, noise, and vibration from the operation of waste processing equipment. Climate change mitigation and adaptation works targeting more than one municipality under Component 3 are expected to cause impact on biodiversity conservation depending on the sub-project spatial location and the scale of interventions. The supply of equipment and vehicles is limited and not expected to have adverse impact on energy and resources efficiency.

76. The social risks are substantial and pertain to (i) potential small-scale land taking and temporary restrictions on land use; under ii) risks related to labor use, OHS and working conditions; iii) community health and safety risks; and iv) potential exclusion from or inequitable provision of project benefits and/or lack of meaningful engagement with women and comparatively marginalized/vulnerable groups (e.g. persons with disabilities, women headed households, youth, the poor, people more vulnerable to impacts of climate change etc.). The sexual exploitation and abuse and sexual exploitation risks are moderate.

77. MDLF has adequate E&S management staff and will continue engaging their E&S staff and consultants for implementation of the parent project and AF. The Gaza staff are currently relocated due to the conflict. MDLF is also undertaking Environmental and Social Framework (ESF) capacity building activities for E&S staff, consultants, and municipalities to ensure compliance with ESF requirements.



78. ESF instruments for the parent project - Environmental and Social Management Framework (ESMF), Labor Management Procedures (LMP) and Land Acquisition and Livelihood Framework (LALF) - are disclosed and will also be used for the AF. MDLF has prepared an Addendum to the parent project Stakeholder Engagement Plan (SEP) which has been reviewed by the Bank and disclosed in country on April 19, 2024. The parent project Environment and Social Commitment Plan (ESCP) has been updated for negotiations, reviewed, and disclosed in country on April 30, 2024. Relevant site-specific instruments (as required), including Environmental and Social Impact Assessments/Environmental and Social Management Plans/Environmental and Social (E&S) Management Checklists, (ESIAs/ESMPs/E&S Management Checklists) and Land Acquisition and Livelihood Plans (LALPs), will be prepared and implemented in line with the updated ESCP requirements and once the location and design of sub-project activities is finalized. Finally, the parent project grievance mechanisms (GMs) for project and workers are operational and accessible and will also be used for the AF.

H. Corporate Commitments

79. **Gender.** In addition to the overarching constraints that contribute to gender gaps in labor force participation, access to assets and leadership, women have limited access and control of environmental goods and services; they are often absent in decision-making processes related to climate mitigation and adaptation, and their role and participation are often overlooked in the management and distribution of climate benefits. In fact, global studies show that 80 percent of the population displaced by climate change are women yet close to three-quarters of speaking delegates in global climate discussions are men (OHCHR 2022; Kutz 2022). In the WB&G, only 20 percent of local council members and only 12 percent of ambassadors are women (PCBS 2020). In 2022, the share of women in management or senior level positions across government institutions is 14 percent in 2022. This is despite the readily available supply of female talent in related fields: 45 percent of university graduates in science, technology, engineering, and mathematics fields (STEM) are women yet their representation in STEM careers is less than 25 percent (PCBS 2020/2021; ILOSTAT 2022).

80. Following the activities outlined under RMSP, through the AF the project will engage with local actors and development partners focusing on the gender – climate nexus. At least 20 percent of the subprojects that address natural hazard and climate should ensure female engineers are employed in the delivery of solutions. This will be part of the selection criteria for the procurement of works and the details will be defined in the POM.

81. **Citizen Engagement.** The project will build on the advances of the MDP series by embedding citizen engagement and social accountability in the functioning and performance incentives of municipal development. A participatory public consultation process will be followed in the preparation of SDIPs, including for the new activities supported under the emergency component, as deemed appropriate. These procedures will be outlined as part of the POM. Community committees (with representation from women, people with disabilities, and youth) will be convened for each municipality as part of the annual SDIP preparation, with a quota of at least 30 percent. MDLF will also carry out satisfaction assessments of direct beneficiaries, clients, and citizens twice during the course of the project, at midterm and before project closing.

82. **Climate Co Benefits.** The project is financed through special financing, nevertheless a climate co benefit assessment was carried out. It showed that a significant proportion of the new financing will address adaptation and mitigation through the activities under Component 6 which will identify and target labor-intensive activities.



The adaptation co-benefits will come from the road maintenance interventions, which will rehabilitate roads, adding drainage within their designs. The activities will also support SWM collection and disposal, through the financing of JSC fees and maintenance on drainage infrastructure, which will reduce flood risk from waste accumulation. The SWM interventions will also produce mitigation benefits as the proper disposal of waste will reduce GHG emissions from dumpsites. Likewise, the connection of households to sanitation networks also will have significant mitigation benefits from methane emission reduction.

83. **Private Capital Mobilization.** RMSP will strive to create an enabling framework in which the private sector could participate. Under Component 2, the project will support financial intermediation of structures like the MDLF, that can serve as a vehicle to attract private financing. RMSP also expects that reforms could incentivize guarantee programs to help bring in private financing for projects.

V. WORLD BANK GRIEVANCE REDRESS

84. **Grievance Redress.** Communities and individuals who believe that they are adversely affected by a project supported by the World Bank may submit complaints to existing project-level grievance mechanisms or the Bank's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the Bank's independent Accountability Mechanism (AM). The AM houses the Inspection Panel, which determines whether harm occurred, or could occur, as a result of Bank non-compliance with its policies and procedures, and the Dispute Resolution Service, which provides communities and borrowers with the opportunity to address complaints through dispute resolution. Complaints may be submitted to the AM at any time after concerns have been brought directly to the attention of Bank Management and after Management has been given an opportunity to respond. For information on how to submit complaints to the Bank's Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the Bank's Accountability Mechanism, please visit <https://accountability.worldbank.org>.



VI SUMMARY TABLE OF CHANGES

	Changed	Not Changed
Project's Development Objectives	✓	
Results Framework	✓	
Components and Cost	✓	
Loan Closing Date(s)	✓	
Legal Covenants	✓	
Implementing Agency		✓
Cancellations Proposed		✓
Reallocation between Disbursement Categories		✓
Disbursements Arrangements		✓
Institutional Arrangements		✓
Financial Management		✓
Procurement		✓
Other Change(s)		✓

VII DETAILED CHANGE(S)

PROJECT DEVELOPMENT OBJECTIVE

Current PDO

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

Proposed New PDO

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



COMPONENTS

Current Component Name	Current Cost (US\$, millions)	Action	Proposed Component Name	Proposed Cost (US\$, millions)
	0.00	New	Component 6: Emergency O&M support to participating municipalities	21.25
Component 1: Performance Based Service Delivery Grant	16.01	No Change	Component 1: Performance Based Service Delivery Grant	16.01
Component 2. Sector Policy and Institutional Development	2.45	Revised	Component 2. Sector Policy and Institutional Development	1.95
Component 3. Competitive Grants for Natural hazard and Climate Change Resilience	1.80	Revised	Component 3. Competitive Grants for Natural hazard and Climate Change Resilience	1.36
Component 4: Project implementation support and management	1.74	Revised	Component 4: Project implementation support and management	3.43
Component 5: Contingency Emergency Response Component (CERC)	0.00		Component 5: Contingency Emergency Response Component (CERC)	0.00
TOTAL	22.00			44.00

LOAN CLOSING DATE(S)

Ln/Cr/Tf	Status	Original Closing	Current Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
TF-C0644	Effective	30-Jun-2024	30-Jun-2024	30-Jun-2024	30-Oct-2024
TF-C0645	Effective	30-Jun-2027	30-Jun-2027	30-Jun-2027	30-Oct-2027
TF-C0651	Effective	30-Jun-2027	30-Jun-2027	31-Dec-2028	30-Apr-2029

Expected Disbursements (in U \$)

Fiscal Year	Annual	Cumulative
2023	0.00	0.00



2024	7,249,953.25	7,249,953.25
2025	9,925,014.03	17,174,967.28
2026	12,900,018.70	30,074,985.98
2027	7,950,009.35	38,024,995.33
2028	3,975,004.68	42,000,000.01
2029	2,000,000.00	44,000,000.01

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Latest ISR Rating	Current Rating
Political and Governance	● High	● High
Macroeconomic	● High	● High
Sector Strategies and Policies	● Substantial	● Substantial
Technical Design of Project or Program	● Moderate	● Substantial
Institutional Capacity for Implementation and Sustainability	● Moderate	● High
Fiduciary	● Substantial	● Substantial
Environment and Social	● Substantial	● Substantial
Stakeholders	● Moderate	● Moderate
Other	● Low	● High
Overall	● Substantial	● High

LEGAL COVENANTS – West Bank and Gaza Resilient Municipal Services Project (P178723)

Loan/Credit/TF	Description	Status	Action
-	The Recipient shall cause MDLF through the Project Agreement to, not later than 30 days after the Effective Date, to hire an independent third-party verification agency, with terms of reference acceptable to the Bank and included in the POM, for the purposes of carrying out assessments of the performance of Participating Municipalities in accordance with the frequency, content	Complied with	No Change



	and procedures set forth in the POM.		
-	The Recipient shall cause MDLF not later than 18 months after the Effective Date, or any other date agreed with the Bank, to prepare a national operational manual for the IGFT (“IGFT Operational Manual”), in a manner acceptable to the Bank.	Not yet due	Revised
Proposed	The Recipient shall cause MDLF not later than December 31, 2025 to prepare a national operational manual for the IGFT (“IGFT Operational Manual”), in a manner acceptable to the Bank.	Not yet due	
-	Not later than 90 days after the final draft of the IGFT Operational Manual is received by the Steering Committee for Revenue and Net Lending (SCRNL), the Recipient shall cause the SCRNL to adopt said Operational Manual in a manner acceptable to the Bank	Not yet due	No Change
-	A year after the IGFT Operational Manual is adopted, the Recipient shall cause the SCRNL to prepare the first-year annual report to detail the IGFT sources of funds and their allocations to LGUs from the previous calendar year, all in accordance with the guidance and procedures set forth in the IGFT Operations Manual.	Not yet due	No Change

LEGAL COVENANTS – Additional Financing - Resilient Municipal Services Project (P181678)

Sections and Description

No information available

Conditions



VIII. RESULTS FRAMEWORK AND MONITORING

Results Framework

COUNTRY: West Bank and Gaza

Additional Financing - Resilient Municipal Services Project

Project Development Objective(s)

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

Project Development Objective Indicators by Objectives/ Outcomes

Indicator Name	PBC	Baseline	End Target
Greater municipal capacity			
Municipalities that graduate up the performance category in which they are currently classified (Number)		0.00	50.00
<i>Action: This indicator has been Revised</i>			
Greater municipal accountability			
Beneficiaries satisfied with the services provided under the project (Percentage)		0.00	75.00
<i>Action: This indicator has been Revised</i>			
Percentage of which are women (Percentage)		0.00	50.00



Indicator Name	PBC	Baseline	End Target
<i>Action: This indicator has been Revised</i>			
People under 18 years of age (Percentage)		0.00	50.00
<i>Action: This indicator has been Revised</i>			
Percentage of which are people with disabilities (Percentage)		0.00	10.00
<i>Action: This indicator has been Revised</i>			
Greater Municipal service sustainability			
Direct beneficiaries of Component 1 and 3 activities (Number)		0.00	600,000.00
<i>Action: This indicator has been Revised</i>			
of which are women (Number)		0.00	300,000.00
<i>Action: This indicator has been Revised</i>			
of which are people with disabilities (Number)		0.00	60,000.00
<i>Action: This indicator has been Revised</i>			
of which are people under 18 years of age (Number)		0.00	264,000.00
<i>Action: This indicator has been Revised</i>			
Operations Manual for the IGFT prepared and adopted (Yes/No)		No	Yes



Indicator Name	PBC	Baseline	End Target
<i>Action: This indicator has been Revised</i>			
Greater resilience to disasters			
Number of subprojects completed that address natural hazard and climate change risks (Number)		0.00	15.00
<i>Action: This indicator has been Revised</i>			
Number of paid working days created through the C4W (Number)		0.00	50,000.00
<i>Action: This indicator is New</i>			

Intermediate Results Indicators by Components

Indicator Name	PBC	Baseline	End Target
Component 1: Performance Based Service Delivery Grant Transfer			
Percentage of projects implemented by the program for the benefit of vulnerable communities. (Percentage)		0.00	10.00
<i>Action: This indicator has been Revised</i>			
Number of municipalities that have completed the entry of data in the net lending portal (Number)		0.00	20.00
<i>Action: This indicator has been Revised</i>			



Indicator Name	PBC	Baseline	End Target
Square meters of public spaces constructed/rehabilitated (Square Meter(m2))		0.00	15,000.00
<i>Action: This indicator has been Revised</i>			
Percentage of investments with adequate and soundness state and used as intended (Percentage)		0.00	90.00
<i>Action: This indicator has been Revised</i>			
Number of municipalities having responsive GRM for implemented projects (Number)		0.00	60.00
<i>Action: This indicator has been Revised</i>			
Number of people that benefit from improved access to sustainable transport infrastructure and services (Number)		0.00	300,000.00
<i>Action: This indicator is New</i>			
Component 2. Sector Policy and Institutional Development			
Adoption and publication of annual IGFT report carried out in each year of project implementation (Text)		No	Yes
<i>Action: This indicator has been Revised</i>			
Municipalities that adopted revenue enhancement plans (Number)		0.00	15.00
<i>Action: This indicator has been Revised</i>			
Number of municipalities with responsive complaint system (Number)		0.00	30.00
<i>Action: This indicator has been Revised</i>			



Indicator Name	PBC	Baseline	End Target
National LGU classification/ranking system enhanced (Text)		No	Yes
<i>Action: This indicator has been Revised</i>			
Number of municipalities implementing at least 2 social accountability tools (Number)		0.00	60.00
<i>Action: This indicator has been Revised</i>			
Number of municipalities with functional IFMIS (Number)		60.00	85.00
<i>Action: This indicator has been Revised</i>			
Annual reports from the net lending portal are published yearly (Text)		No	Yes
<i>Action: This indicator has been Revised</i>			
Number of municipalities with functional O&M system (Number)		88.00	118.00
<i>Action: This indicator has been Revised</i>			
Number of municipalities having electronic services (Number)		12.00	20.00
<i>Action: This indicator has been Revised</i>			
Component 3. Competitive Grants for Natural hazard and Climate Change Resilience			
Number of resilience plans prepared with inputs from residents/community members (Number)		20.00	60.00
<i>Action: This indicator has been Marked for Deletion</i>			



Indicator Name	PBC	Baseline	End Target
Number of municipalities receiving capacity building support on climate change (Number)		20.00	60.00
<i>Action: This indicator has been Revised</i>			
Share of women involved in climate resilience plans (Percentage)		0.00	30.00
<i>Action: This indicator has been Marked for Deletion</i>			
Share of subprojects that address natural hazard and climate with female engineers employed in delivery of solutions (Percentage)		0.00	20.00
Number of people with enhanced resilience to climate risks (Number)		0.00	100,000.00
<i>Action: This indicator is New</i>	<i>Rationale: This indicator is added in line with proposed corporate scorecards.</i>		
Component 4: Project implementation support and management			
Percentage of municipalities satisfied with MDLF performance (Percentage)		0.00	90.00
<i>Action: This indicator has been Revised</i>			
Component 6: Emergency O&M support to participating municipalities (Action: This Component is New)			
Percentage of O&M, out of municipal operational budgets (excluding wages and salaries) financed by the project (Percentage)		0.00	4.00
<i>Action: This indicator is New</i>			



Monitoring & Evaluation Plan: PDO Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Municipalities that graduate up the performance category in which they are currently classified	Municipal performance is measured through identified KPIs which results in different performance categories of municipalities. Municipalities that fulfill the KPI's graduate from lower levels up to a higher-ranking level.	By end of each cycle	Municipal inputs on KPIs	It is the sum of municipalities that increased their score by one letter type in each performance cycle allocation.	MDLF
Beneficiaries satisfied with the services provided under the project	This indicator will assess the perception of direct beneficiaries under project investments through a Beneficiary questionnaire classified according to gender and vulnerability. The findings of respective survey iterations will be used to inform the municipalities' efforts to improve the project's processes and results	By end of each cycle	Beneficiaries Impact Assessment	Beneficiary survey	MDLF
Percentage of which are women	Measures the percentage of beneficiaries satisfied with the services provided	At the time of the measureme	Same source as the parent indicator	Will calculate the percentage of women that are part of the	MDLF



	under the project that are women	nt of the parent indicator		parent indicator value	
People under 18 years of age	Will measure the breakdown of people under 18 years of age that satisfied with the services provided under the project	Same as parent indicator	Same as parent indicator	Calculates the percentage of people under 18 that are benefiting from the subprojects	MDLF
Percentage of which are people with disabilities	This indicator measures the percentage of beneficiaries with disabilities that are satisfied with the services provided under the project	Same frequency as parent	Same source as parent	Following the methodology of the parent. It calculates the percentage that is people with disabilities.	MDLF
Direct beneficiaries of Component 1 and 3 activities	This indicator measures the cumulative number of people living in municipal areas that have been provided with access to improved services, public spaces, parks, and/or urban environmental conditions.	By end of each cycle	MDLF reports, LTC reports, Municipalities Data	Summary based on secondary materials and municipality inputs	MDLF
of which are women	Measures the percentage of women that are part of the parent indicator measurement.	At the same frequency as the parent	Same as parent	Same as the parent	MDLF
of which are people with disabilities	Measures the percentage of people with disabilities	Same as parent	Same as parent	Same as parent	MDLF



	in the parent indicator measurement		indicator		
of which are people under 18 years of age	Describes the percentage of beneficiaries that are under 18 years of age	Same as parent indicator	Same as parent indicator	Breakdown of parent indicator calculating the number of people under age 18.	MDLF
Number of subprojects completed that address natural hazard and climate change risks	This indicator will measure the amount of subprojects under component 1 and 3 that aim to mitigate disaster risk.	By end of each cycle	MDLF reports and LTCs	Summary of number of subprojects based on specific criteria that will be described in details in the POM. The criteria will ultimately look to measure the reduction of risks to natural hazards and climate change.	MDLF
Number of paid working days created through the C4W	This indicator captures the number of temporary jobs created through the C4W program	Annual	Municipalities.	Municipality time-sheet recording of contracted workers and weekly field visits by MDLF/LTCs.	MDLF
Operations Manual for the IGFT prepared and adopted	Operations Manual for the IGFT is required to improve the efficiency and transparency of IGFT operations. The project through TA would draw on international best practices to support the PA in drafting and formally	Annually	PA	Follow up meetings	MDLF



	adopting operational guidelines that would govern the IGFT. It would detail the procedures, roles and functions of different entities, allocation formula for fiscal transfers, timetable and calendar for financial flow transactions, and annual reporting.				
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Monitoring & Evaluation Plan: Intermediate Results Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Percentage of projects implemented by the program for the benefit of vulnerable communities.	This indicator will measure the number of subprojects tackling the needs of vulnerable communities.	By end of each performance cycle	SDIPs and MDLF reports	Percentage of total projects as found in SDIPs that are located in communities that are considered to have high populations of vulnerable peoples. More specific definitions will be defined in the POM.	MDLF
Number of municipalities that have completed the entry of data in the net lending portal	Following the completion and operationalization of the PA net lending portal, the indicator will measure the number of	Yearly	Data from net lending portal	Based on the information within the net lending portal, it will calculate the number of municipalities who have	MoF



	municipalities that have successfully introduced their required data via the portal.			successfully finished submitting their required data for that year.	
Square meters of public spaces constructed/rehabilitated	It will measure the delivery of the implemented projects under window 1 and window 3. Specifically of those that relate to public spaces in participating municipalities.	By end of each cycle	LTCs reports	Based on information in the SDIPs, the indicator will sum the total square meters that have been delivered for participating municipalities	MDLF
Percentage of investments with adequate and soundness state and used as intended	This indicator will measure the percentage of investments with adequate technical state, appropriateness and sustainability, construction quality, physical status, functionality, and environmental considerations..	By end of each cycle	LTCs reports	Based on a significant sample of completed subprojects, the indicator will calculate the percentage that are deemed to be in an acceptable state at the time of delivery. It will also verify that the subproject is being used for its intended use.	MDLF
Number of municipalities having responsive GRM for implemented projects	This indicator will measure the accessibility and functionality of the GRM system endorsed by the municipality and accessed by the citizens for projects implemented under	By end of each cycle	MDLF reports and LTCs	The indicator will measure if the GRM is effective when it is accessible and is publicized through clear channels including website, media,	MDLF



	window 1 and window 3.			Facebook, radio spots, and brochures to all citizens including Vulnerable Groups (People with Disabilities, Women, youth) in addition to having a clear and known procedure for categorization by types of grievances and response taken by the municipality.	
Number of people that benefit from improved access to sustainable transport infrastructure and services	This indicator is added in line with the corporate scorecard proposal.	Annual	MDLF	MDLF reports and municipality data	MDLF
Adoption and publication of annual IGFT report carried out in each year of project implementation	The indicator will measure if the PA has published an annual report with the relevant data that has been obtained from the Net lending Fund.	Each year after the portal is adopted	MoF Net lending portal	Following the publication of the report in a relevant and public PA website	MDLF
Municipalities that adopted revenue enhancement plans	The indicator measures the number of municipalities that have adopted a revenue enhancement plan under component 2	By end of each cycle	MDLF reports	Following the municipal requests for capacity building, the indicator will sum the cumulative amount of municipalities that have requested support and adopted a revenue enhancement plan	MDLF



<p>Number of municipalities with responsive complaint system</p>	<p>This indicator will measure the functionality of complaint systems used by the municipalities. Functionality of the system is measured according to the following:</p> <ul style="list-style-type: none"> - System in place - System is disclosed to the public - System is easy access - Reports are generated from the system showing type and level of resolutions and actions taken. 	<p>By end of each cycle</p>	<p>This indicator is one of the KPI's that will be measured through municipal ranking update biannually</p>	<p>Total amount of municipalities that have a functional system at the time of the performance evaluation.</p>	<p>MDLF</p>
<p>National LGU classification/ranking system enhanced</p>	<p>The indicator will measure if the PA has adopted a revised LGU risk classification system.</p>	<p>Yearly</p>	<p>MoLG decrees and documentation</p>	<p>Following the completion of the TA, if the system is adopted and evidence is presented of its official adoption, then the indicator will be considered as achieved</p>	<p>MDLF</p>
<p>Number of municipalities implementing at least 2 social accountability tools</p>	<p>This indicator will assess the implementation of the SA tools by the</p>	<p>By end of each cycle</p>	<p>Municipal Ranking Update</p>	<p>Measures the cumulative amount of municipalities that were</p>	<p>MDLF</p>



	municipalities as identified in the SA manual/toolkit and endorsed by the MoLG. The tools will be vehicles to implement the SA plans prepared under MDP3.			found after review to be implementing social accountability tools	
Number of municipalities with functional IFMIS	<p>The verification protocol for having functional IFMIS will be based on the following conditions:</p> <ul style="list-style-type: none"> • Financial position statement generated from the system for the last FY. • Financial performance statement generated from the system for the last FY. • Comparison statement between actual and planned results for the last FY. 	By end of each cycle	MDLF reports, Municipal Ranking Update	Total amount at the time of the measurement to have a functional IFMIS	MDLF
Annual reports from the net lending portal are published yearly	The indicator will measure if the expected yearly reports relating to the operations manual for IGFTs are prepared and available to the public/LGUs	Yearly	PA decrees	If the report is published in an official source/publication/website with wide distribution, then the indicator will be considered achieved	MDLF/MoF/MoLG



<p>Number of municipalities with functional O&M system</p>	<p>Municipalities are assessed according to the following:</p> <ul style="list-style-type: none"> • O&M Plans in place • Reports produced • At least 10% of budget allocated for O&M, 	<p>By end of each cycle</p>	<p>MDLF reports and the Municipal Ranking Update</p>	<p>During the performance assessment, if the municipality is found to have complied with the conditions in the description then it will be considered as having achieved the target. The sum of such municipalities will represent the bi-yearly indicator value.</p>	<p>MDLF</p>
<p>Number of municipalities having electronic services</p>	<p>This indicator will assess the automation of main services provided to the citizens out of those provided through the citizens services centers.</p>	<p>By end of each cycle</p>	<p>MDLF reports, Municipal Ranking Update</p>	<p>If a municipality has shifted its citizen services centers to a responsive e portal, then the indicator will be considered as achieved by that municipality. The total number of municipalities that have adopted such practices under the project will be presented as the yearly target.</p>	<p>MDLF</p>
<p>Number of resilience plans prepared with inputs from residents/community members</p>	<p>The resilience plans will be prepared based on guidelines developed under MDP-phase 3.. Municipalities that are</p>	<p>By end of cycle 2</p>	<p>MDLF reports</p>	<p>Summary of the resilience plans adopted by the municipal councils after the second performance</p>	<p>MDLF</p>



	selected will be supported under window 2 to prepare these plans.			assessment.	
Number of municipalities receiving capacity building support on climate change	This indicator will measure the number of municipalities that received capacity building package that is focused on climate change mitigation and adaptation measures in the local government sector.	By end of each cycle	MDLF reports	The indicator measures the sum of municipalities that received capacity building support during the lifetime of the project.	MDLF
Share of women involved in climate resilience plans	This indicator will measure the share of women engaged in the preparation of municipal level natural hazard and climate change risk assessments as well as in the selection of sub-projects under component 3.	Each cycle	MDLF reports	Questioners filled by municipalities.	MDLF
Share of subprojects that address natural hazard and climate with female engineers employed in delivery of solutions	This indicator will measure the share of subprojects that address natural hazard and climate with female engineers employed in delivery of solutions.	Each cycle	MDLF reports	The firms selected to carry out the sub-projects financed by the climate investments will be required to demonstrate a gender diverse workforce with at least 25 percent of their technical staff filled by women as engineers, operation and maintenance, quality	MDLF



				assurance, etc.	
Number of people with enhanced resilience to climate risks		Annual	MDLF	MDLF Report	MDLF
Percentage of municipalities satisfied with MDLF performance	The indicator will measure the satisfaction of municipalities with the set of services provided under the project by the MDLF	At mid-term and project closing	Surveys to municipalities	The average value of satisfaction by surveyed municipalities will represent the value to be presented under the indicator. An average score of over 75% will represent a passing score.	MDLF
Percentage of O&M, out of municipal operational budgets (excluding wages and salaries) financed by the project	This indicator measures the recurrent expenditure support provided to municipalities	Bi-annual	Progress report from municipalities and the LTCs	Supplier invoices of recurrent expenditures submitted to MDLF in accordance with the MDLF-FM policies and procedures manual.	MDLF

