

**INTEGRATED SAFEGUARDS DATASHEET
APPRAISAL STAGE**

I. Basic Information

Date prepared/updated: 07/22/2009

Report No.: AC4220

1. Basic Project Data

Country: West Bank and Gaza	Project ID: P111741	
Project Name: Municipal Development Program		
Task Team Leader: Meskerem Brhane		
Estimated Appraisal Date: June 22, 2009	Estimated Board Date: September 17, 2009	
Managing Unit: MNSSD	Lending Instrument: Specific Investment Loan	
Sector: Sub-national government administration (35%);Power (23%);Roads and highways (18%);General public administration sector (12%);Other social services (12%)		
Theme: Access to urban services and housing (25%);Other social protection and risk management (25%);Municipal finance (24%);Social safety nets (13%);Pollution management and environmental health (13%)		
IBRD Amount (US\$m.):	0.00	
IDA Amount (US\$m.):	0.00	
GEF Amount (US\$m.):	0.00	
PCF Amount (US\$m.):	0.00	
Other financing amounts by source:		
Borrower		0.00
Special Financing		10.00
		10.00
Environmental Category: B - Partial Assessment		
Simplified Processing	Simple <input type="checkbox"/>	Repeater <input type="checkbox"/>
Is this project processed under OP 8.50 (Emergency Recovery) or OP 8.00 (Rapid Response to Crises and Emergencies)	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>

2. Project Objectives

The objective of Phase I of the MDP is to improve municipal management practices for better transparency. This is the necessary condition for improving service delivery in subsequent phases. The key performance indicators are as follows: At the end of Phase I,

(a) Percentage of municipalities that graduate up the performance category in which they are currently classified.

(b) Percentage of municipalities that apply at least 2 public disclosure methods (publicly available SDIPs, Annual External Audits, project related data, municipal budgets and performance rankings).

3. Project Description

The MDP has 4 Windows through which funds will be dispersed in its first Phase (2009-2012). In addition to the Bank, six other donors have committed to financing the program (AFD, Denmark, KfW, GTZ, Netherlands and Sweden). The funding amount reflected

below is only for commitments made in 2009 but donors are expected to put additional funds in the second and third years of the program.

Window 1: Municipal Grants for Capital Investment (Total US\$ 58.6 million of which US\$7.6 million will be under TFGWB financing)

Window 1 allocates grants to municipalities for capital investments or operating expenditures for service provision, per their mandate defined in the Local Administration Law of 1997. The Phase 1 of the MDP will provide eligible municipalities with performance based grants for investments in service delivery, using an allocation formula designed to incentivize better management practices. The formula allocates resources to municipalities in an equitable, efficient, and accountable way, based on three weighted criteria that determine the distribution of the funds available through MDP Phase 1: population (40%), needs (20%), and performance (40%). Municipalities are ranked on an annual basis, from levels 0 to 5, using 8 key indicators of good municipal management, and will receive higher or lower allocations based on their rank (further details on the formula are in Annex 4). Eligible sectors per the Local Administration Law of 1997 are as follows: (i) water and waste water services if provided by the municipality for the purpose of ensuring continuous supply; (ii) solid waste management; (iii) roads; (iv) public facilities (v) street lighting and (vi) electricity services not provided by a utility. The interventions could include rehabilitation, reconstruction, construction, or the supply of equipment and spare parts to sustain municipal service provision.

Taking note of the special circumstances of municipalities in Gaza, and the continued closure regime, Gaza municipalities may use their allocations for recurrent expenditures (excluding salaries of municipal employees) as direct inputs for sustaining essential municipal services. Examples of eligible expenses include maintaining public health services such as cost of cleaning and maintaining public land, facilities and assets, water purification and pest control; cost of solid waste collection and disposal; cost of maintaining and operating municipal service vehicles, road maintenance, water supply and wastewater services etc). This can also include fees for temporary workers.

Window 2: Support to Municipal Innovations and Efficiency (Total US\$3.7m of which US\$ 0.7 million under TFGWB financing)

This window promotes learning and innovation to promote municipal development, including implementation of MoLG policy decisions. The two main areas of intervention envisaged are: (a) strengthening amalgamation of local governments and (b) piloting innovations that promote municipal revenue generation or cost savings.

(a) Strengthening newly amalgamated local governments (US\$2.8 million, entirely financed by Denmark). This activity will promote the amalgamation of local governments and fund the expansion of their services, including some small scale infrastructure and capacity building. This activity is entirely funded by the Government of Denmark, building on lessons learned of an ongoing operation in Jenin governorate. Under the MDP Phase 1, additional new areas may be included, subject to the MoLG policy for municipal development. All activities of this sub-window should be outside the scope of Windows 1 and 3.

(b) Piloting Innovations to improve municipal revenue (Total of US\$.9 million of which US\$0.7 million in financing from TFGWB): This activity will support studies,

consultations, and implementation / testing of innovative approaches to enhance municipal revenue generation or cost savings. The three main areas of support envisaged are:

(i) promoting energy efficiency to reduce municipal expenditures through an energy audit and some investments to increase efficient use of energy in municipal service delivery in 3 to 4 large municipalities, likely to most benefit from energy savings; the total budget is estimated at US\$0.7.

(ii) One-stop-shops: #One-stop shops# (OSS) or customer-service-centers to promote municipal transparency, accountability, citizen-responsiveness and public participation efforts in management and service delivery in 3 municipalities in Gaza (for a total budget of US\$200,000). The One-stop-shops will be centers where citizens may obtain information about all the services provided by the municipality and how to obtain this service. They will also enable citizens to provide feedback on municipal services so that municipal leaders may improve the ways in which services are provided and make decisions that are citizen responsive.

Window 3: Capacity Building for municipalities and the MDLF (US\$3.75 in total of which US\$0.6 million to be financed by TFGWB)

For Municipalities (US\$3.6 million total of which US\$0.55 financing under TFGWB)

This window will support municipalities to move up the performance ranking system in which they are currently classified. Building on the Local Government Capacity Building Project (LGCBP) that is currently being implemented by the MDLF, administered by the Bank and financed by Denmark, it will provide technical assistance to municipalities to improve their (i) financial management, including revenue enhancement, (ii) planning capacities, with a specific focus on community participation, and (iii) technical capabilities, in particular for asset maintenance and improving service delivery. The technical assistance packages described below are demand driven and training targets are determined by the number of municipalities within each rank.

(a) Improved Financial Management (US\$2.20 million). Support will be provided for: (i) the roll out of the financial management manual which includes the basic use of the new chart of accounts, to a minimum 50 municipalities not yet targeted by LGCBP; (ii) asset registration and valuation support to a minimum of 30 municipalities; (iii) roll out of the municipal budgeting procedures, developed under the LGCBP to a minimum of 20 municipalities; (iv) promotion of municipal external audits; (v) office and IT equipment based on MDLF's assessment of the municipal financial departments, already carried out under the LGCBP, for a minimum of 30 municipalities; and (vi) the roll out of an Integrated Financial Management Information System for a minimum of 20 municipalities that are currently not covered under the LGCBP.

(b) Strategic Development and Investment Plans (SDIP) (US\$1.2 million): This activity will support a minimum of 40 municipalities to develop simple strategic development and investment plans with the participation of communities and relevant stakeholders. The methodology for the development of these plans will draw upon (i) the manual and procedures being tested by the SDIP working group led by the MoLG with

members from MDLF, MoP, and municipalities, being supported by GTZ and cleared by MoLG, as well as (ii) lessons learned from the MDLF pilot project in the Jenin area under Danish financing.

(c) Technical Assistance to Municipalities for overall improved management, especially for operations and maintenance (O&M) plans and procurement (US\$0.2 million). This will include (i) the development of O&M guidelines and a procedural manual and (ii) piloting use of the manual in 5 municipalities.

For MDLF (Total of US\$0.2m of which US\$0.05 million in financing from TFGWB)

This activity will strengthen the MDLF#s capacity to implement the MDP, ensuring that it continues to use innovative approaches that build on international best practices. It will provide support for human resource development and institutional building based on the MDLF#s Medium Term Strategic Plan and its Human Resources Development Plan. The specific activities will be based on an annually approved detailed plan of activities by the Financing Partners and drawing on the Strategic and Human Resources Development plan.

Window Four # MDP Management (Total of US\$ 6.1 million of which US\$ 1.1 million financing from TFGWB)

MDLF Management Fee (Total of US\$ 4.1 million in financing of which US\$ 0.7 million is from TFGWB financing). All Financing Partners will pay a 7 percent administration fee on their grants to MDLF. This was estimated on the basis of a fully costed budget for the implementation of MDP Phase 1, taking into account its fixed and variable costs, including staff, equipment and operating costs. This administrative fee was reviewed by the Financing Partners and assessed to be adequate.

4. Project Location and salient physical characteristics relevant to the safeguard analysis

The program will be located in all 132 municipalities in both the West Bank and Gaza.

5. Environmental and Social Safeguards Specialists

Ms Sabine W. Beddies (MNSSD)

Mr Zeyad Abu-Hassanein (MNSSD)

6. Safeguard Policies Triggered	Yes	No
Environmental Assessment (OP/BP 4.01)	X	
Natural Habitats (OP/BP 4.04)		X
Forests (OP/BP 4.36)		X
Pest Management (OP 4.09)	X	
Physical Cultural Resources (OP/BP 4.11)		X
Indigenous Peoples (OP/BP 4.10)		X
Involuntary Resettlement (OP/BP 4.12)		X
Safety of Dams (OP/BP 4.37)		X
Projects on International Waterways (OP/BP 7.50)		X
Projects in Disputed Areas (OP/BP 7.60)		X

II. Key Safeguard Policy Issues and Their Management

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts: The development and rehabilitation of municipal infrastructure includes roads, water wells, water networks, wastewater and sanitation, parks, and others. The negative environmental impacts associated with municipal subprojects are expected to be minor during the construction phase. These impacts will be mitigated by the MDLF through EMP implementation and the project is classified as category "B". Furthermore, the size of funds available to municipalities under this program limit the scope of the subprojects, and hence Larger scale subprojects which require a full-fledged EIA (category A) will be excluded (negative list) in the sub-project screening process and will not be feasible due to the ceilings of funds available under the project. Operational Policy 4.01 is triggered and requires an environmental assessment for activities that involve infrastructure construction. Subprojects that might trigger involuntary resettlement or cultural heritage operational policies will also be excluded. Also, since municipalities will be purchasing some chemicals for pest control, operational policy Op 4.09 was triggered and a pest management plan has been prepared and annexed to the EMP.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:

None.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.

Minor environmental impacts will occur. The EMP provides adequate guidance on mitigating negative impacts.

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described. The client has an EMP prepared for a previous project and has expertise in addressing safeguards issues. It has a full time environmental specialist on its staff who is providing guidance to municipalities on environmental issues. The specialist has revised the EMP and incorporated the Bank's comments on the draft. The English version of the EMP has already been disclosed in-country on MDLF's website. The Arabic version has also been disclosed. It is agreed with MDLF that the EMP will be upgraded and updated according to project/program needs.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people. The key stakeholders are municipal leaders/staff, contractors (who carry out public works) and communities. Municipalities have units responsible for environmental issues who will serve as MDLF's primary counterpart. The draft EMP was discussed with these stakeholders. It was also reviewed by the Environmental Quality Authority whose comments have been incorporated (and final version already approved).

B. Disclosure Requirements Date

Environmental Assessment/Audit/Management Plan/Other:

Was the document disclosed prior to appraisal?	Yes
Date of receipt by the Bank	06/01/2009
Date of "in-country" disclosure	05/31/2009
Date of submission to InfoShop	06/01/2009
For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors	

Resettlement Action Plan/Framework/Policy Process:

Was the document disclosed prior to appraisal?	
Date of receipt by the Bank	
Date of "in-country" disclosure	
Date of submission to InfoShop	

Indigenous Peoples Plan/Planning Framework:

Was the document disclosed prior to appraisal?	
Date of receipt by the Bank	
Date of "in-country" disclosure	
Date of submission to InfoShop	

Pest Management Plan:

Was the document disclosed prior to appraisal?	Yes
Date of receipt by the Bank	06/01/2009
Date of "in-country" disclosure	05/31/2009
Date of submission to InfoShop	06/01/2009

*** If the project triggers the Pest Management and/or Physical Cultural Resources, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP.**

If in-country disclosure of any of the above documents is not expected, please explain why:

C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting)

OP/BP/GP 4.01 - Environment Assessment

Does the project require a stand-alone EA (including EMP) report?	Yes
If yes, then did the Regional Environment Unit or Sector Manager (SM) review and approve the EA report?	Yes
Are the cost and the accountabilities for the EMP incorporated in the credit/loan?	Yes

OP 4.09 - Pest Management

Does the EA adequately address the pest management issues?	Yes
Is a separate PMP required?	No
If yes, has the PMP been reviewed and approved by a safeguards specialist or	N/A

SM? Are PMP requirements included in project design? If yes, does the project team include a Pest Management Specialist?

The World Bank Policy on Disclosure of Information

Have relevant safeguard policies documents been sent to the World Bank's Infoshop? Yes

Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs? Yes

All Safeguard Policies

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies? Yes

Have costs related to safeguard policy measures been included in the project cost? Yes

Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies? Yes

Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents? Yes

D. Approvals

<i>Signed and submitted by:</i>	<i>Name</i>	<i>Date</i>
Task Team Leader:	Ms Meskerem Brhane	07/20/2009
Environmental Specialist:	Mr Alaa Ahmed Sarhan	07/20/2009
Social Development Specialist	Mr Colin S. Scott	07/20/2009
Additional Environmental and/or Social Development Specialist(s):		
<i>Approved by:</i>		
Regional Safeguards Coordinator:	Mr Hocine Chalal	07/20/2009
Comments:		
Sector Manager:	Ms Anna M. Bjerde	07/20/2009
Comments:		