PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE

Report No.: AB4544

Project Name	Municipal Development Program
Region	MIDDLE EAST AND NORTH AFRICA
Sector	Sub-national government administration (35%);Power (23%);Roads and highways (18%);General public administration sector (12%);Other social services (12%)
Project ID	P111741
Borrower(s)	PLO FOR BENEFIT OF PALESTINIAN AUTHORITY
Implementing Agency	Municipal Development and Lending Fund
Environment Category	[ ] A [X] B [ ] C [ ] FI [ ] TBD (to be determined)
Date PID Prepared	July 20, 2009
Date of Appraisal Authorization	June 2, 2009
Date of Board Approval	September 17, 2009

1. Country and Sector Background

Country Issues

1. ***The economic climate in the West Bank and Gaza (WBG) has changed dramatically since the second intifada in 2000, from one driven by investment and private sector led growth, to one sustained mainly by government spending and significant inflows of donor aid, due to continuing Israeli restrictions on movement and access***. Moreover, the political process has continued to stagnate and there has been little visible progress for a long term peace settlement. As the economy continues to deteriorate with low investment, its productive base is hollowing out and per capita GDP is declining (by a cumulative 13 percent between 2000 and 2008). Between 1994 to 1999, before the second Intifada, the WBG economy was growing on average at about 6 percent per year. Had this growth trend continued, GDP per capita would be nearly 85 percent higher than it is currently.

2. ***Labor force participation rates are low and dropping***. Unemployment in the West Bank, as reported by the Palestinian Central Bureau of Statistics (PCBS), rose from 17.7 percent in 2007 to 20.7 percent in the third quarter of 2008. Unemployment in Gaza, however, increased from 29.7 percent to nearly 41.9 percent. Although data on poverty are limited, there are clear indications that overall poverty in both the West Bank and Gaza has risen since 2000. PCBS reports that poverty rates increased in Gaza from 47.9 percent in 2006 to 51.8 percent in 2007.

3. ***The Palestinian territories of the West Bank (population 2.35 million) and Gaza (population 1.5 million) have been effectively split since June 2007***.[1] In early 2006, a Hamas-led government won the elections through what is widely regarded as a fair and transparent process. In response, many donors withdrew their assistance to the Palestinian Authority (PA), while the Government of Israel (GOI) intensified its economic and security restrictions. In June 2007, Hamas took control of Gaza by force, and President Abbas dissolved the Hamas-led

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[1] Population figures are based on the latest census (2007) conducted by the Palestinian Bureau of Central Statistics. Figures for Gaza are based on the earlier census figures (of 1997).

government. A caretaker government of technocrats was sworn in until new presidential and parliamentary elections will be held. The caretaker government, headquartered in Ramallah, runs the West Bank and continues to provide basic services in Gaza through PA civil servants who report to and are paid by the caretaker government. The international community has restored its full cooperation with the PA in Ramallah. The continued deterioration in operational conditions in Gaza is also leading to a widening political, social and economic gap between the West Bank and Gaza.

4. ***Following these political developments, Gaza has been completely isolated by a strict closure policy applied by the GOI, crippling the local economy and leading to a deterioration of public infrastructure.*** Under the blockade, only basic foodstuffs and other necessities are allowed to enter Gaza and there are no exports. The lack of spare parts and materials necessary for maintenance of infrastructure has severely impacted its quality and ability to deliver basic services. This deterioration has only worsened since Israel's military offensive in Gaza between December 2008 and January 2009, which caused enormous loss of life and over US$ 1.3 billion in total damages, according to the *Palestinian National Early Recovery and Reconstruction Plan*.

Key Sector Issues

5. The key issue facing Palestinian local governments is ensuring adequate municipal service provision to citizens in the face of an eroding revenue base and a crippling financial and economic crisis.

6. ***The Palestinian population is largely urban and relies on municipalities for the provision of basic services.*** Seventy four percent of the Palestinian population, according to the 2007 population census of the PCBS, is urban, living in a total of 132 municipalities, with 25 municipalities in Gaza and 107 municipalities in the West Bank. Municipalities predate the establishment of the PA and have historically been responsible for the provision of a variety of infrastructure and services: electricity and water, solid waste management, roads, parks and recreation, slaughter houses, markets, building schools and health clinics.

7. ***Municipal revenues have steadily declined since 2000.*** Prior to the year 2000, 90 percent of municipal budgets were derived from local revenue collection. In contrast, over the past 8 years, municipal budgets have declined by an average of 31 percent due to the ongoing conflict and contraction in the economy. Israeli incursions have led to sizable losses in municipal assets, which in turn have negatively affected service delivery. Nevertheless, low levels of municipal revenue generation have also been exacerbated by poor municipal management practices. There is a growing culture of non-payment for services provided by municipalities. For instance, at least 20 percent of non-payments in electricity services are due to free-riders.[2] Furthermore, municipalities lack up-to-date current databases of service users and property owners, which has become an additional factor contributing to the decline in municipal revenues.

8. ***West Bank municipalities that provide electricity services are experiencing a dramatic decline in municipal revenues.*** Some municipalities in the West Bank are accumulating large amounts of arrears due to nonpayment of electricity bills to the Israeli Electric Company (IEC). These arrears have a fiscal impact on the PA since the unpaid amount is directly deducted from the PA tax revenues and recorded as net lending. It is estimated that Local Government Units (LGUs) have accumulated close to US$ 400 million dollars in arrears between the years 2000

[2] *Municipal Electricity Arrears Study*, Municipal Development and Lending Fund, January 2009

and 2008.[3] To address the challenge of net-lending and improve the quality of utility service provision, the PA is establishing utilities in the West Bank to which electricity services will be transferred. This will worsen the financial situation of those municipalities who are currently collecting more electricity revenues than they are spending in delivering this service.

9. ***Border closures of the past year have led to a near collapse of municipal services in Gaza.*** Essential, systematic, and routine maintenance of existing infrastructure has not been possible in Gaza, and investment in new municipal assets is on hold. The impoverishment of the population and the near absence of private sector activities have meant that municipalities are unable to collect taxes and fees for service provision. Municipalities have been unable to pay staff salaries: most report 4-6 months in arrears in salary payments, non-payment of their contributions for employee health insurance and pension fees over the past two years, accumulating debts to suppliers, and mounting unpaid electricity bills. This situation has now been severely exacerbated by the 22 day military offensive which was launched on December 27, 2008, where the damage in municipal assets is estimated at approximately US$50 million.[4]

10. ***The deterioration of municipal finances is resulting in a deterioration of service coverage and quality***. Substantial improvements are needed across all areas of service provision. About one fourth of the existing water network needs maintenance. Less than half of the total road network is paved. About half the equipment needed for solid waste collection is available.[5]

11. ***Despite these constraints and continued emergency and conflict, the PA, with substantial support from the international community, has moved ahead with creating the institutional structures required to provide needed services to the Palestinian people***. It has articulated a national development agenda in its *Palestinian Reform and Development Plan*, 2008-2010 (PRDP) in December 2007. The PRDP recognizes that for local governments to provide effective services for their citizens, they need to be better managed and more accountable. It, therefore, highlights the need to build the operational, administrative and financial management capacity of local governments. It calls for new legislation to clarify and regulate the relationship between central and local governments and to establish a policy framework which promotes fiscal autonomy and discipline at the local level. The Ministry of Local Government (MoLG) is taking the lead on policy formulation and oversight of the local government sector, while the Municipal Development and Lending Fund (MDLF) is charged with implementing PA policies. The PA has made significant strides in reforming systems for municipal financial management and accounting practices which will enable them to better manage and account for their tight budgets. Building on these gains, Phase 1 of the proposed Municipal Development Program, over the long-term, will be contributing to building better managed and more accountable local governments that are able to provide improved services to their citizens through a stronger social contract.

2. Objectives

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[3] *Municipal Electricity Arrears Study*, Municipal Development and Lending Fund, January 2009

[4] *Gaza Municipal Damage Assessment*, Municipal Development and Lending Fund, February 2009.

[5] *Municipal Finance Study*, World Bank, June 2009.

12. The objective of Phase I of the MDP is to improve municipal management practices for better accountability. 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 by the Grant Allocation Formula.

(b) Percentage of municipalities that apply public disclosure methods (e.g., municipal budgets and their performance ranking).

3. Rationale for Bank Involvement

13. ***With its long history of support to Palestinian local governance, the Bank has the convening power, to effectively integrate and coordinate donor and PA interventions to support local government development.*** The Bank is the Technical Advisor for the Sector Working Group on Municipal Development and Local Governance (co-Chaired by Denmark and MoLG), the local aid coordination structure that convenes key donors and relevant PA counterparts. Under the Emergency Municipal Services Rehabilitation Project (EMSRP) II – a project financed by the Bank, Netherlands, Sweden, KfW – a Donor Consultation Forum was established to ensure coordination among all stakeholders where the Bank has taken a leading role. The Bank is therefore, in a unique position to facilitate donor harmonization and aid revitalization, issues identified in the PRDP as priorities.

14. ***The Bank's main mandate in West Bank and Gaza is to contribute towards the building of a Palestinian State.*** Recognizing that this is a longer-term institution building agenda, despite a highly volatile environment, the Bank has sustained its engagement in West Bank and Gaza. The Bank's support, since its initial engagement has focused on central and local level institutions. Its portfolio of operations, includes a mix of complementary approaches of central level support to line ministries and local level service provision through local governments and NGOs as these are building blocks of effective states. Drawing on its global experience with local government development, the Bank has supported a series of operations which have contributed to local government development. In partnership with key donors (KfW, AfD, Netherlands, Sweden, Denmark), the Bank supported the establishment of the MDLF in 2005, the implementing agency for the proposed operation. The PRDP singled out the MDLF as its preferred institution to support the implementation of municipal reforms to improve fiscal autonomy, and enhance their financial, managerial, operational, administrative and technical capacity. As such, the Bank is in a unique position to assist the PA in implementing its Municipal Development Program (MDP) for improving municipal performance.

4. Description

15. 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 MDP Phase 1, totaling over US$100 million by the end of the first Phase.

	Windows	Total Program Amount (US$ m)	Financing by TFGWB Grant (US$ m)
Window 1	Municipal Grants for Capital Investments	44.4	7.6
Window 2	Support to Municipal Innovations and Efficiency	3.7	0.7
Window 3	Capacity Building	3.75	0.6
Window 4	Program Management (including Monitoring and Evaluation, Audits, Technical Assistance to municipalities)	6.1	1.1
	Program Total	**58.6**	**10**

Window 1: Municipal Grants for Capital Investment (Total US$ 44.4 million of which US$7.6 million will be under TFGWB financing*)*

16. 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 and sectors described as eligible in the Operations Manual. It will cover the costs of goods, works and services. It addresses two key constraints for municipalities as described in section A.1 above: severe municipal deficits, and poor municipal management. 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 purposes 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.

17. 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, electricity, and water supply and wastewater services etc). This can also include fees for temporary workers. A full list of eligible expenditures is included in Annex 4. As soon as the closure is lifted, recurrent expenditures will no longer be permitted.[6]

[6] Gaza municipalities will continue to receive assistance for recurrent expenditures through the Additional Financing for Emergency Municipal Services Rehabilitation Project II which was approved by the World Bank Board on May

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

18. This Window promotes learning and innovation to promote municipal development, including implementation of MoLG policy decisions. The Window will cover the costs of goods, works, training and services. 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 in the West Bank 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)

19. This window will support municipalities to graduate to higher performance categories in the performance ranking system in which they are currently classified. It will cover the costs of

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28, 2009. In addition, a co-financing agreement with Sweden has been finalized and an additional one with Sweden is being finalized. The total EMSRPII funds to support Gaza municipalities as part of early recovery following the recent military operations are expected to be US$11 million for a period of 2 to 3 years.

goods, works and services. 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, MDP will provide technical assistance to municipalities to improve their (i) financial management, including revenue enhancement for municipal service delivery, (ii) planning capacities, with a specific focus on community participation, and (iii) technical capabilities, in particular for operations and maintenance. 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$0.15m of which US$0.05 million in financing from TFGWB)

20. 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 and will cover the costs of goods, works and services. 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 approved 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). It will cover the costs of goods and services.

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.

5. Financing

Source:		($m.)
Borrower (PA has pledged 10% of donor funds)		
Special Financing		10
Other donors		48.6
	Total	58.6

6. Implementation

A. Partnership arrangements (if applicable)

21. The MDP is to be supported by a partnership that includes Denmark, Germany (GTZ and KFW), AfD, Sweden and the Netherlands. The design of the MDP was a fully collaborative effort among all partners: several joint missions were carried out in order to agree on core design elements such as the Grant Allocation Mechanism, Monitoring and Evaluation, and the main program windows. Some donors took the lead in providing assistance to the MDLF in design aspects, depending on their area of expertise and interest: For example, GtZ took the lead in design of the Capacity Building and the Monitoring and Evaluation aspects, Denmark in institutional assessment, KfW in technical aspects.

22. In a Memorandum of Understanding to signed among all Financing Partners (see Annex 15) prior to appraisal, all donors agreed to harmonize implementation systems, and adopt a programmatic approach, laying the foundations for a possible SWAp under Phase 2. Some Financing Partners (Denmark and Sweden) will put their funds through a Trust Fund Agreement to be administered by the Bank. Others (e.g., Netherlands, Germany) will have parallel financing.

B. Institutional and implementation arrangements

23. The MDLF will be responsible for the management of the MDP. Established in 2005, by a Ministerial Decree, it is has the legal mandate to provide direct development assistance to municipalities through transparent, rules-based and efficient financing. As indicated in the PRDP, it is also the PA's preferred mechanism for channeling reform and development assistance to local governments. It has successfully demonstrated its capacity to effectively administer donor funded programs since its establishment in 2005. Examples of these projects are, the World Bank's Emergency Municipal Services Rehabilitation Project (EMSRP), the EMSRP 2, the Local Government Capacity Building Project, in addition to projects financed by Germany, France, Sweden and the Netherlands. The MDP will build on the MDLF's experience and become its overarching program.

24. **MDLF's Capacity**: MDLF has the appropriate organizational structure in place. It has staffing vacancies, although it has filled some of the key positions that were vacant at

preappraisal (e.g., General Director, Procurement Officer, Public Relations Officer, and Capacity Building Manager). Recruitment of an Internal Auditor is well underway. The MDLF finances its staff and administration costs through a 7 percent Management Fee that is applied to donor funds. All MDLF staff are funded out of the Fee. MDLF has considerably strengthened its procurement unit, a point of concern in the past. In addition to its headquarters in Al Bireh, MDLF also has a branch office in Gaza and has demonstrated its ability to operate there effectively.

25. **Flow of Funds & Legal Relationships**. The Recipient of the grant is the Palestinian Liberation Organization (PLO) as with nearly all cases of assistance provided to the Palestinians under the Trust Fund for Gaza and the West Bank. Through the signing of a subsidiary agreement, the PLO designates the MDLF as the executing agency for the project. MDLF would then implement the project in accordance with Bank guidelines, the duly signed Legal Agreements and the Project Operations Manual. The Ministry of Finance (MoF) would open the Designated Account on behalf of the MDLF, under the single treasury account. The MDLF woul be responsible for managing the account but the Ministry of Finance is responsible for requesting replenishments from the World Bank.

26. **MDLF Board of Directors**: MDLF's Board of Directors (the "Board") is the policy and strategy-setting authority responsible for monitoring the direction and performance of the Fund. The Board Chairman is the Minister of Local Government and its 11 members consist of representatives of Public Sector entities (MoP, MoF, MoPWH, Ministry of National Economy), civil society (Engineers Association, Banking Association, Association of Palestinian Local Authorities, women's association) and municipalities. Since the Board members represent the key stakeholders in the local government sector, its role is to promote effective communication and coordination.

27. **Municipalities are responsible for subproject implementation**: the 132 local government units classified as municipalities by the MoLG – provided that they fulfill the grant conditions – will be responsible for implementing subprojects that they identify through a participatory public consultation process. Municipalities are responsible for all contracting but the MDLF will be responsible for making payments to contractors and suppliers.

28. **Ministry of Local Government**: The Ministry of Local Government is charged with policy making and regulatory functions of the local government sector. To strengthen this function the MoLG is currently reviewing and updating the 2004 *Diagnostic Report and Reform Action Plan of 2005*. Furthermore, it is also establishing a Policy/Strategy Unit and several donors (CHF, Bank, Denmark and Sweden) have already expressed a willingness to support.

7. Sustainability

29. The program supports municipalities in improving their performance, through a combination of incentives (grants for capital expenditures) and with hands-on and tailored capacity building. Municipalities will improve their ability to plan, manage and generate revenues so that they can continue to provide quality service to their citizens thereby working towards sustainability. Over the longer-term some municipalities may even achieve creditworthiness so that they are able to borrow from the financial markets for local investment.

8. Lessons Learned from Past Operations in the Country/Sector

30. This operations draws on several lessons from international experience in implementing urban projects. These are:

a) Clear implementation arrangements and well defined contractual distribution of roles are essential for a successful municipal development program (such as municipal compacts and conventions to foster participatory processes and facilitate speedy implementation). These have been successfully applied in the *Tunisia Municipal Development Program* and *Jordan's Regional and Local Development Project*. The proposed operation includes such arrangements.

b) Link investment grants to measurable performance standards while emphasizing capacity building aspects. This approach has been shown to improve local government accountability, transparency and service delivery.[7]

c) Well designed programming tools and clear rules of the game, allow for successful project implementation, even if the project targets a large number of municipalities. Urban projects have often shied away from working with a large number of municipalities because of the risk of spreading too thin and the complexity of supervision. This operation is designed to ensure that all 132 municipalities adhere to the discipline and rules-based approach made explicit in the grant allocation formula.

d) Keep the project simple in terms of design, scope and institutional arrangements and set modest goals that can be achieved within existing constraints. In conflict environments, keep project design flexible to allow it to adapt to changing circumstances.

e) Institution building is a slow and long process and it is therefore important for donors to stay the course.

31. **This operation also builds on the lessons learned from the Bank's two previous operations in the West Bank and Gaza** (*Emergency Municipal Services Rehabilitation Project,* EMSRP I and the EMSRPII)**.** First, experience with both projects highlighted the need to improve municipal performance and establish an institutionalized mechanism for central-local transfers that is based on equity and accountability. Experience under EMSRPII demonstrated that performance incentives work: it required municipalities to comply with law by submitting their planned and executed budgets to the MoLG. At the start of EMSRP only 24 municipalities submitted their budgets, now, under EMSRPII, this has become a routine practice with 100% compliance.

9. Safeguard Policies (including public consultation)

32. Operational policy OP 4.01 is triggered and environmental assessment of the project is required. The MDLF has prepared an EMP suitable for the implementation of the MDP, based on an updated version of the EMP for EMSRPII and submitted it for the Bank's review late March, 2009. The EA included a detailed assessment of the regulatory and institutional framework and capacity of MDLF, environmental assessment of possible impacts and mitigation measures, an environmental management plan, monitoring plan with clear indicators and mechanisms for implementation and reporting. It also included the training and capacity building required for effective environmental safeguards at the municipal level. In the preparation of the EMP, the MDLF also consulted with other Financing Partners supporting the MDP to ensure that

[7] Kusek, Jody Zall and Rist, Ray C. *Ten Steps to a Results-Based Monitoring and Evaluation System: A Handbook for Development Practitioners*. The World Bank: Washington D.C., 2004. Nayyar-Stone Ritu, et al. *Developing a Performance Management System for Local Governments: An Operational Guideline,* Prepared for The World Bank & UN_HABITAT. June 2002.

their safeguards requirements have also been accounted for, thereby prepare safeguard guidelines acceptable to all Financing Partners. The EMP was disclosed in-country in English on May 11, 2009. The client is currently translating the EMP into Arabic and disclosure is expected on May 18, 2009.

33. The sub-projects to be funded under this program are not expected to trigger other bank safeguards policies. The infrastructure rehabilitation and extensions are expected to use existing municipal property and existing roads; therefore, the Involuntary Resettlement safeguards policy (OP 4.12) is not triggered. Any projects likely to trigger OP 4.12 will be excluded and are clearly identified as ineligible in the Operations Manual. Any projects that have a potential to trigger OP.4.11 on physical cultural resources will be excluded. However, a protocol and budget line for any accidental findings during the works has been put in place as part of the EMP.

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

10. List of Factual Technical Documents

1. Evaluation of Municipal Financial Performance
2. Grant Allocation Manual
3. Study on Impacts of Electricity Transfer to Utilities

11. Contact point

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* *By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas*

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