Report Number : ICRR0023061

1. Project Data

Project ID	Program Name
P148896	Local Governance & Services Improvement
Country	**Practice Area(Lead)**
West Bank and Gaza	Urban, Resilience and Land

L/C/TF Number(s)	Closing Date (Original)	Total Program Cost (USD)
TF-A1039,TF-A4511	31-Dec-2020	17,999,999.30
Bank Approval Date	**Closing Date (Actual)**	
02-Nov-2015	31-Dec-2021	

	IBRD/IDA (USD)	Grants (USD)
Original Commitment	18,000,000.00	18,000,000.00
Revised Commitment	18,000,000.00	18,000,000.00
Actual	17,999,999.30	17,999,999.30

Prepared by	Reviewed by	ICR Review Coordinator	Group
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2. Program Context and Development Objectives

a. Objectives

According to the Trust Fund Grant Agreement (GA, p. 7) and the Program Appraisal Document (PAD, paragraph 38) the Program Development Objective (PDO) for this Local Governance and Services Improvement Program for Results (PforR) was "to strengthen the local government financing system and improve local service delivery in program villages."

This review will parse the PDO into two objectives also restated as the program's Results Areas (RAs) against which performance will be assessed:

- to strengthen the local government financing system.
- to improve local service delivery in program villages.

b. Were the program objectives/key associated outcome targets revised during implementation?

No

c. Will a split evaluation be undertaken?

No

d. Components

1. **Annual Capital Grants for delivery of local services** (US$13.4 million at appraisal, US$13.3 million actual). This component was to finance grants to village councils (VCs) to implement prioritized local service sub-projects from their Annual Capital Investment Plans (ACIPs). The allocations were to be based on population. The sub-projects to be financed included the rehabilitation or construction of roads and sidewalks, rehabilitation or construction of schools, clinics, public halls, provision of solid waste management, construction or rehabilitation of rainwater and flood drainage, water and wastewater networks, provision of water meters, construction or rehabilitation of electricity networks, solar systems, provision of electric meters, heavy machinery, equipment, and medical devices.

2. **Conditional Grants for Investments in Joint Projects** (US$4.3 million at appraisal, US$4.3 million actual). This component was to finance grants for infrastructure sub-projects to be jointly implemented by Joint Services Councils (JSCs). Services to be financed included the renovation of schools, construction of parking areas, renovation of JSC headquarter building, building landfill facilities, providing solid waste containers, installing solar systems, and providing heavy equipment.

3. **Capacity Support to Strengthen Local Governance Institutions** (US$0.9 million at appraisal, US$0.9 million actual). This component was to finance capacity support, training, and technical assistance activities to enhance the capacities of targeted VCs, JSCs, and the Ministry of Local Government (MOLG).

e. Comments on Program Cost, Financing, Borrower Contribution, and Dates

Program Cost: The original program cost was US$18.0 million. The grant was fully disbursed.

Financing: This PforR was financed by the Trust Fund for West Bank and Gaza (TFWBG) in the amount of US$5 million and co-financed by the Partnership for Infrastructure Development Multi Donor Trust Fund (PID MDTF) in the amount of US$13.0 million. The International Bank for Reconstruction and Development administered both Trust Funds on behalf of the donor partners. According to the ICR (Annex 3), the German government's KfW provided parallel financing to the Municipal Development and Lending Fund (MDLF) to finance the joint projects in Area C.

Borrower Contribution: The data sheet indicated that no borrower contribution was planned at appraisal or was disbursed at closing. However, the ICR reported (Annex 3) that the government committed to contribute US$2 million at appraisal and disbursed US$0.25 million at closing. At closing, a significant portion of the contribution was still pending (ICR, paragraphs 87, 93, and Annex 5-B, Table 12) and was expected six months' after closing to pay contractors for investments delivered to VCs. Delays in counterpart funding are common for all projects in the West Bank and Gaza (ICR, paragraph 73).

Dates The PforR was approved by the World Bank on November 2, 2015 and became effective on June 2, 2016. The Mid Term Review (MTR) was conducted on September 3, 2018. The original closing date was on December 31, 2020 but was extended by 12 months to close on December 31, 2021. There were two level 2 restructurings:

- On January 6, 2020, to introduce the following changes to the results framework (i) redefining the direct beneficiaries for PDO outcome indicator three to capture sub-project beneficiaries instead of the total population of the participating VC; (ii) redefining intermediate results indicator four because the original indicator was difficult to measure; and (iii) clarified that vulnerable groups referred to youth and females (intermediate results indicator seven).
- On August 20, 2020 to extend the original closing date by one year to complete all activities.

Split Rating: There is no split rating of the outcome. There were no significant changes in PDOs, results areas, Disbursement Linked Indicators (DLIs), scope, implementation arrangements, or funding allocation.

3. Relevance

a. Relevance of Objectives

Rationale

Alignment with Sector Strategy: The Program Development Objectives (PDOs) were aligned with the Bank's Middle East and Northern Africa regional strategy, Pillar One of "Renewing the Social Contract" by improving services and citizen engagement. The program promoted citizen engagement in local investment planning, strengthened complaint and grievance resolution systems, and fostered transparency and accountability in municipal budgeting through public disclosure. The program was also relevant to the new West Bank and Gaza assistance strategy (AS) for FY22-FY25. The PDOs were relevant to the two focus areas of the strategy. The first focus area was to strengthen institutions for economic and social prosperity. The PDOs supported objective 1.1, strengthen institutions accountability and transparency. The second focus area was to boost innovation and diversification for a well-connected economy. The PDOs contributed to objective 2.3, improve infrastructure through Bank investment that leveraged donor resources. In addition, the PDOs were relevant to the cross-cutting themes of promoting citizen engagement.

World Bank Experience in the Territory and in the Sector: The Bank's historical sector experience in the territory was embodied in the Municipal Development Program (MDP). The MDP was implemented through three municipal focused projects (Gaza Second Municipal Development Project (P127163), Gaza Third Municipal Development Project (P159258), and Additional Financing for the Third Municipal Development Project (P168544)). Performance-based investment grants and capacity building support were used as incentives to implement reforms and improve local government management. The MDP also included the Gaza Solid Waste Management Project, (P121648), Integrated Cities & Urban Development Project, (P150991), and Fiscal Stability and Business Environment development policy grant DPG, (P161252). The Palestinian Authority established a Municipal Development and Local Government Sector Working Group, chaired by the Ministry of Local Government (MOLG) with the Bank as its Technical Advisor. The authority, with the Bank's help, also established the Municipal Development and Lending Fund (MDLF). The government and its development partners channel investment funds and capacity building support to local governments through the MDLF.

Country Capacity and Adequacy of PforR Instrument. The 1993 Oslo Accords established the Palestinian Authority (PA) in West Bank and Gaza (WB&G) as the entity responsible for most of the residents with security powers limited to the major urban centers. This temporary measure was to be replaced by an agreement by 2000. Today (2022), a multilayered system of physical, institutional, and administrative restrictions marks the fragmented Palestinian territories and has resulted in small enclaves. The West Bank was further divided into Areas A, B and C1, each with its administrative and security arrangements. Since June 2007, the Fatah-led Authority in Ramallah governs the West Bank, and Hamas in Gaza. Local governments were defined to include both municipalities and villages, but assistance mostly focused on municipalities, leading to villages as having a weaker capacity to deliver its mandated services. This fragmentation resulted in a weak local institutional framework.

The PDOs were relevant to two of the three pillars of the National Development Program (NDP) for 2021-2023 - reform and enhancement of service delivery, and sustainable development. Subsequent MOLG sector strategies aimed for a transparent funding and systematic capacity development mechanism in delivering services to villages. The VSP focused on VCs' service delivery mandates and provided technical, institutional, and budgetary support such as its share from the Transportation Fee and and specific earmarked subsidies to the MOLG for infrastructure development in villages, and support from donor partners. This was the first PforR in the local government sector and in the West Bank and Gaza portfolio. The PforR was the appropriate instrument because it provided an incentive structure to support the government's Village Support Program in tackling the development challenges. The findings of the assessments (technical, fiduciary, social and environmental) defined the PforR operation's scope as contained in its Program Action Plan and the Disbursement Linked Indicators to provide the incentive for change and move implementation forward.

Overall, the PDOs were outcome-oriented and appropriately pitched to the Fragile, Conflict, and Violence (FCV) development status of the territory. and were substantially relevant to the Bank's strategy for the territory and the government's own development plans for improving service delivery at the village level.

Rating

Substantial

b. Relevance of DLIs

DLI 1

DLI

The Ministry of Local Government (MOLG) adopted enabling steps to strengthen local governance.

Rationale

This indicator was an **input** in the Theory of Change (TOC) and a relevant link in the results chain to achieve the PDO. This indicator was to signal the achievement of the **Results Area 2-** strengthened institutional systems for improved service delivery. This input, reflected in actions by the central agency (MOLG), was to provide the foundation for an institutional framework that has necessary conditions for efficient and accountable performance of VCs and JSC and would contribute to overall performance and achievement of results. This was to lead to **outputs** such as policies and procedures that local governments would adopt to improve local government performance in service delivery such as issuing the instructions to implement the new Procurement Law in the Local Government Sector (DLR 1.2), approving the standardized Good Governance framework for joint service provision (DLR 1.1), and adopting the formula for Annual Capital Grant allocation. These outputs were key actions that addressed constraints to achieving the PDO. The outputs were to lead to the **outcome** of strengthened local government units to achieve the PDO.
This indicator was aligned with the PDO, and was specific, measurable, achievable, relevant and time bound.

Rating

Substantial

DLI 2

DLI

Timely communication and transfers to eligible VCs of the formula-based Annual Capital Investment Grant (ACIG) allocations.

Rationale

This indicator was another **input** in the TOC and a relevant link in the results chain to achieve the PDO. This indicator was to contribute to the achievement of the **Results Area 1** - strengthened local government financing system. Annual Capital Investment Grants were to be allocated using a clear, simply defined formula and disbursed within a specific period. This input was to lead to the **output** of a more transparent, timely, and predictable resource allocation system from the PA to VCs. Periodic reports of ACIG allocations to VCs were completed and timely transfers were achieved (DLR 2.1, 2.2, 2.3, and 2.4). The output would result in an **outcome** that would enable Village Councils (VCs) to produce realistic plans and budgets and enhance their accountability to citizens. This indicator was aligned with the PDO, and was specific, measurable, achievable, relevant and time bound. This indicator captured milestones and necessary flow of funds to move the implementation forward.

Rating

Substantial

DLI 3

DLI

Percentage of Village Councils (VCs) meeting the annual program eligibility criteria

Rationale
This indicator was an **output** in the TOC and a relevant link in the results chain to achieve the **Results Area 2 -** strengthened institutional systems for improved service delivery. The **output** was to be reflected as the share of VCs that meet the program eligibility criteria (DLR 3.1, 3.2, 3.3, and 3.4). The **outcomes** were to reflect that VCs had improved their capacity to carry out mandated responsibilities such as preparing annual plans (ACIPs) and budgets in a participatory manner. Citizen engagement mechanisms for effective feedback were to have been adopted. This indicator was aligned with the PDO, and was specific, measurable, achievable, relevant and time bound.

Rating
Substantial

DLI 4

DLI
Cumulative number of approved joint projects.

Rationale
This indicator was another **output** in the TOC and a relevant link in the results chain to achieve **Results Area 2 -** strengthened institutional systems for improved service delivery. **Inputs** were to include the institutional governance arrangements in place to allow Joint Services Councils (JSCs) to propose joint projects. JSCs were to implement joint projects after achieving minimum scores in their bi-annual assessments. The **outputs** were to be the number of approved joint investment projects (DLR 4.1. 4.2, 4.3, and 4.4). The formula to allocate Conditional Capital Grants for these joint projects (i.e., the value of the joint project = the sum of pooled allocations from participating VCs * 10) meant additional funding or a 'top-up' capital grant. The **outcome** was that the inter-VC collaboration implemented by the JSCs represented economies of scale. The ICR reported that identifying and joint projects of mutual interest to VCs and communicating with JSCs took more time than anticipated. There were also some misunderstandings in the roles of VCs in joint projects that led to implementation delays (ICR, paragraphs 43 and 55). In some cases, VCs preferred the biennial ACIP reviews to receive small annual allocations rather than annual scaled up joint sub-projects. After experiencing initial delays that led to 18 approved joint projects, the outcome of this DLI demonstrated the progression of effective institutional collaboration to deliver improved services. The beneficiary surveys expressed some disappointment with the amount allocated for this intervention. Nevertheless, this indicator was aligned with the PDO and was specific, measurable, achievable, and time bound.

Rating
Substantial

DLI 5

DLI
Aggregated expenditure percentage of approved joint projects.

Rationale

This indicator was related to the **output** above (DLI 4) and was another relevant link in the results chain of the TOC to achieve the **Results Area 2-** strengthened institutional systems for improved service delivery. **Inputs** were the same as in DLI 4 above, having the institutional governance arrangements in place to allow JSCs to propose joint projects. The **outputs** were to be the aggregated expenditure to measure implementation progress of the approved joint investment projects. This indicator was to serve as a proxy to efficiency in delivering large scale projects (DLR 5.1, 5.2, and 5.3). The **outcome** was to be the demonstrated ability of the VCs to collaborate, forming JSCs to prepare and implement a larger scale sub-projects to benefit the participating VCs. As noted in DLI 4, this DLI was allocated insufficient funds to scale up joint projects to fully take advantage of the economies of scale, but this indicator was nevertheless aligned with the PDO, and was specific, measurable, achievable, and time bound.

Rating
Substantial

DLI 6

DLI
MOLG adopted steps to improve transparency and predictability in the allocation of the Transportation Fee.

Rationale
This indicator was another **input** in the TOC and a relevant link in the results chain to achieve **Results Area 1-** strengthened local government financing system. The Transportation Fee is collected by the Ministry of Transportation (MOT) and the total revenue collected is then shared between the local government units (LGUs-municipalities and VCs) and the Ministry of Finance (MOF). The share allocated to the LGUs is calculated on per capita basis (ICR, footnote 7). **Inputs** were designed to reform the clarity and predictability of the allocation mechanism, including criteria, final amounts, timeframe, and disbursement. The allocation mechanism reform was to be an important policy component of the inter-governmental fiscal system to benefit the entire local government system. The reform was to establish the Annual Capital Investment Grants (ACIGs) as a sustainable financing source for VCs. **Outputs** were to include a cabinet-approved directive in allocating the Transportation Fee using the ACIG disbursement formula in (DLR 6.1); and at least 25 percent of this allocation was disbursed (DLR 6.2). The **outcome** was that VCs were to have a predictable financing source for their capital investment requirements. This indicator was relevant and aligned with the PDO, was measurable, achievable, and time bound. In addition, this indicator served as a driver for change and addressed the specific constraint to the desired outcome (predictability of investment financing).

Rating
Substantial

DLI 7

DLI
MOLG delivered capacity building activities based on their Annual Capacity Development Plan.

Rationale

This indicator was another **output** in the TOC and a relevant link in the results chain to achieve **Results Area 2-** strengthened institutional systems for improved service delivery. **Inputs** were to include MOLG completing and implementing its Annual Capacity Building Plans. These plans were to reflect improved processes in procurement and financial management, in handling grievances, in citizen engagement for improved social accountability, and public disclosure and other transparency measures. **Outputs** were to include a five-year capacity development plan (DLR 7.1); and the execution of its Annual Capacity Development Plan (DLR 7.2, 7.3., and 7.4). The **outcomes** were the implementation of these capacity building plans to guide VCs and JSCs in prioritizing their infrastructure needs, preparing, and prioritizing ACIPs, and implementing sub-projects. Capacity support was two-fold: one was to strengthen the institutional systems of VCs and JSCs to fulfill their respective mandates; and the second was to strengthen the capacity of MOLG at the central and district levels in their local governance oversight. This indicator was broadly defined (delivery of plans) and would have benefited from specifying outcomes to be achieved by implementing the plans, for example, service standards to be met in the built capacity, or how well matched the training was to meet the capacity gap of the recipient VC. This indicator was aligned with the PDO, although broad and lacked more appropriate targets to measure specific capacity constraints.

Rating
Modest

OVERALL RELEVANCE RATING

Rationale
The overall relevance of objectives is rated Substantial. The PDOs were relevant to the country plans and the strategy of the World Bank in the country. The relevance of the Disbursement Linked Indicators is also rated Substantial, with moderate shortcomings. The indicators provided strong links to the results framework and provided a reasonable logic of the TOC. The relevance of one of the seven DLIs (7) is rated Modest because of moderate shortcomings. These shortcomings did not reduce the substantial relevance of the DLIs to provide the necessary incentives for change.

Rating
Substantial

4. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective
To strengthen the local government financing system.

Rationale

Theory of Change (TOC): A TOC was not required at the time of preparation (ICR, paragraph 8) but the results framework (PAD, Annex 2) provided a plausible, logical sequence of the activities (inputs) to outputs and to outcomes. The ICR prepared a TOC (Figure 1).

Inputs were to include designing transparent and predictable reforms of the LGU financing model. Other inputs included improving citizen participation to prioritize services, as well as training and technical assistance to build capacity both of VCs and JSCs, and the central agency, MOLG.

Outputs were the adoption and implementation of such reforms; citizen approved priorities; five year- and annual capacity building plans, and a cabinet approved directive outlining the allocation of the Transportation Fee.

Outcome was a strengthened, transparent, and predictable local government financing system. This outcome was to be reflected in achieving the Disbursement Linked Indicators 2 - Timely communication to VCs of the formula-based Annual Capital Investment Grant (ACIG) allocations and timely transfer of these ACIGs to eligible VCs, and 6 - Steps to improve transparency and predictability in allocating Transportation Fee adopted by the MOLG.

The TOC included the following assumptions for a greater likelihood of achieving the PDOs:

- The Palestinian authorities would remain strongly committed to the Village Support Program (VSP) outlined in its National Development Plan 2016-2020 and MOLG sector strategies. The VSP provided a systematic and transparent funding and capacity development mechanism for improved service delivery in villages. The VSP was financed by both budgetary support (Transportation Fee) and by donor partners.
- A sustained partnership with the MDLF to implement the program.
- Existing systems of the Palestinian Authority would be used to mainstream reform initiatives and enhance ownership and sustainability of reforms.
- A coordinated approach for village development (infrastructure financing with capacity building) will strengthen local government financing and improve local service delivery in participating villages.

OUTPUTS:

- MOLG approved the Annual Capital Investment Grant (ACIG) allocation formula, achieving target.
- MOLG improved the transparency and predictability of allocating the shares of the Transportation Fee to local governments. The target of disbursing 25 percent of the allocation was achieved.
- 76.4 percent of VCs submitted their annual budget to MOLG electronically, on time, and publicly disclosed (the target of 60 percent was exceeded)

OUTCOME:

- The grant allocations to eligible VCs were communicated in a timely manner (DLI 2). The grants were transferred on time, achieving target. 76.4 percent of VCs received their grants. The target of 70 percent was exceeded (DLI 6).

Overall, the efficacy of the program to achieve this objective is rated Substantial. The local government financing system was made predictable, transparent, and transferred in a timely manner.

Rating
Substantial

OBJECTIVE 2

Objective
To improve local service delivery in program villages.

Rationale
Theory of Change: As described above the results framework at appraisal provided a reasonable facsimile of the program's TOC (PAD, Annex 2). The ICR provided a TOC (ICR, Figure 1).

Inputs were to include financing of priority services contained in annual plans of VCs and joint projects to be undertaken by JSCs. Other inputs included training and capacity building activities directed at MOLG, VCs, and JSCs. MOLG was to prepare a five year and annual capacity building plans.

Outputs were VCs to have initiated the implementation of their ACIPs, the joint projects to have been approved and implemented, and the corresponding cumulative expenditures of those approved joint projects.

Outcomes were to include the number of beneficiaries of the improved sub-projects and their assessment of the services delivered in terms of satisfaction, participation, relevance to their needs and priorities, among others.

OUTPUTS:

- 87 percent of VCs have initiated implementation of their ACIPs in the same fiscal year (the target of 70 percent was exceeded).
- 35 Cumulative joint projects were approved (the target of 18 was exceeded).
- 23 JSCs qualified for financing (with a baseline of 14, the target of 22 was achieved).
- 29 percent of vulnerable groups participated in ACIP consultations (the relatively low target of 30 percent was almost achieved). Community organizers reported 29 percent youth participants and an even lower 23 percent of female participants.
- 533 sub-projects were implemented in 204 eligible VCs. The targets were determined during implementation after eligibility assessments and Annual Capital Investment Plans (ACIPs) were approved. These included 23,555 solid waste containers of different types and sizes, solar photovoltaic (PV)-based electricity supply systems (500 Kwp and 293 Kwp) in selected VCs. and built and renovated schools (2), and landfill facilities (1000 sq m). The specific targets were identified during implementation.
- 35 joint projects (target of 18 was exceeded) were implemented in 9 eligible JSCs. JSCs provided 60 different types of heavy equipment, including compactors, waste collection trucks, backhoe loaders, dumping tracks, asphalt cutters, portable generators, welding machines, trailers, and others. It also provided spare parts for the machinery as well as small equipment, a parking area for solid waste and

JSC vehicles (1,700 sq m), the JSC headquarters building, and a central server. These targets were determined during implementation.

OUTCOMES:

- 466,704 people benefitted from improved service delivery in participating villages (the target of 350,000 was exceeded) 49 percent of beneficiaries were female (the target of 50 percent was almost achieved).
- 90.5 percent of beneficiaries felt that program investments reflected their needs (the target of 75 percent was exceeded). The community members reported a high degree of relevance of the interventions. The vast majority (92.1 percent) confirmed that the interventions were highly relevant or relevant to some extent to their needs. 91.2 percent reported that the implemented projects were also relevant to their household's needs and 94.8 percent confirmed that the projects were relevant to the need of their neighborhood. 95.5 percent also said that the projects were relevant to their community. And 89 percent reported that they were relevant to women. 84.4 percent relevant to people with disabilities. 88.9 percent confirmed that the intervention was relevant to young people and 90 percent reported that the project was relevant to children. And high degree (91.1 percent) also of relevance of the interventions to the needs of other marginalized groups including poor people, laborers or citizens who live in the outskirts of the community.
- The Municipal Development and Lending Fund (MDLF) commissioned the Arab World for Research and Development (AWRAD) to carry out the Beneficiary Impact Assessments. The team used questionnaires to assess the extent of participatory decision-making by community members in selecting sub-projects, the relevance of the sub-projects to community priorities, the level of awareness and satisfaction of community members with the activities, the extent to which interventions have helped build capacity in the communities, the impact of the activities, and others. The questionnaires included demographic variables to disaggregate data by gender, age, marital status, and income (as needed). Face-to-face interviews were conducted. Samples were selected based on stratified probability, perorational to population sample of beneficiaries. 1,635 beneficiaries were interviewed. Based on population size and budgets, 1,011 questionnaires (61.8 percent) focused on component 1 (village – based interventions) and 624 (38.2 percent) on component 2 (interventions implemented at the JSC level. The estimated margin of error for the overall sample was 2.3 percent (plus or minus), 3 percent for the single-project sample, and 3.8 percent for the JSCs sample. The overall confidence level for the surveys was 95 percent. Qualitative data used three tools: community key informants, expert community members involved in project design and implementation, and 6 focus groups of beneficiaries from all regions in the West Bank. The participants represented various social cohorts, with knowledge of local and community affairs, including the work of the VC and its projects. (ICR, Annex 5, Section C: Beneficiary Impact Assessment).

Overall, the efficacy of the program to achieve this objective is rated Substantial. A significant level of local services was delivered, the number of beneficiaries and respondents who confirmed that the investment met their expressed needs.

Rating
Substantial

OVERALL EFFICACY

Rationale

The overall efficacy of the program to achieve its objectives is rated Substantial. Evidence was provided by the disbursements of funds based on the DLIs that have been achieved. DLIs 2 and 6 supported the achievement of the outcome toward the first Results Area of strengthen the local government financing system. Funds were disbursed based on achievements of DLIs 1,3,4,5, and 7, in support of achieving the outcome under Results Area 2 - improving local service delivery in program villages.

Rating

Substantial

5. Outcome

The relevance of objectives and the DLIs is rated Substantial with moderate shortcomings related to DLI 7. The efficacy of the program to achieve the first, second, and overall objectives is rated Substantial. As a result, the overall outcome of the program is rated Satisfactory. The program created the momentum for reforming the local government fiscal transfers. MOLG established a systematic approach to strengthen the institutional systems to support local authorities to deliver their mandates in services delivered to its citizens. A participatory approach in prioritizing sub-projects and VCs voluntarily co-financing sub-projects promoted ownership. The central authority, however, has yet to adopt the policy note to improve local government fiscal transfer system. The MOLG delivered the planned training activities that were delivered to LGUs ensured that they are knowledgeable in institutional systems. At the national level, PA remains committed to increase transparency and accountability in service delivery by local governments. The territory has prioritized reform and service delivery enhancement in its NDP 2021-2023.

Outcome Rating

Satisfactory

6. Risk to Development Outcome

The following pose risks to development outcomes:

- **Institutional Capacity:** This is a high risk. The continued fragmentation of the Palestinian governance system remains a high risk to the sustainability of the program's development outcomes
- **Security/Political Risks**: This is a high risk. Political instability and Israeli restrictions are core characteristics of the WB&G.
- **Macroeconomic risks**: This is a substantial risk. The Palestinian economy continues to suffer from unsustainability and economic volatile conditions. Fiscal stability remains vulnerable. The impact of

the COVID19 pandemic and the decline in donor participation to support the economic activities of the territory remains a substantial risk.

7. Assessment of Bank Performance

a. Quality-at-Entry

The Bank team adopted the PforR design for the following reasons. The program aligned with the authority's strategic plan for a systematic, transparent funding, and capacity development mechanism for improved service delivery in villages under its Village Support Program (VSP) in the authority's NDP. Design allowed the use of the authority's own fiduciary systems (public financial, social and environmental systems, and procurement management) to increase ownership while providing a means to further strengthen it through additional training and technical assistance. The use of their own system would also enhance the performance of national entities in mainstreaming their assistance to village councils (VCs) to deliver services to their constituents. The Program Action Plan (PAP) and the indicators that would trigger disbursements would frame incentives to show economies of scale of sub-projects using inter-VC cooperation. Achieving actions in the PAP and the DLIs would mainstream critical reforms that may not be adopted/carried out under an investment project financing design. The PforR design also complemented existing Bank and donor-funded local government activities, integrated findings from analytical pieces, and lessons from similar PforR operations in Tanzania, Tunisia, and Uganda, and global experience in Fragility, Conflict, and Violence (FCV) environment. The Bank's FCV Strategy for 2020-2025 focus on capacity building of local government institutions and support communities by providing basic services (Pillar 3: Helping countries transition out of fragility, ICR, paragraph 27).

The Bank team carried out the Technical Assessment, the Fiduciary Systems Assessment (FSA), and the Environmental and Social Systems Assessment (ESSA) to inform program scope. The Technical Assessment rationalized support for service delivery improvements and capacity building in large VCs, institutional strengthening of MOLG and JSCs, and improving the transparency and predictability of local government financing. At the time of appraisal, there were 91 JSCs, 82 in the West Bank and 9 were in Gaza. Their financing, management, and supervision arrangements were unclear (ICR, paragraph 3). The FSA identified various fiduciary risks. The ESSA assessed the strengths, gaps, opportunities, and risks of the existing system. The Program Action Plan (PAP) included appropriate mitigation measures to address shortfalls. The results area focused on key local government financing policy reforms to be undertaken at the central and at the local levels. The components followed sound operational logic. The sequencing of tasks was appropriate. The DLI verification protocol was sound. The ToC, results framework, and DLIs/DLRs provided clear links between inputs, outputs, and outcomes. Issues on methodology, particularly in terms of counting beneficiaries were addressed at supervision through restructuring. A shortcoming was in identifying the challenges posed by JSCs (see supervision below).

Basic requirements for implementation were in place. A committee was formed to implement the program, headed by the Ministry of Local Government (MOLG) with the Ministry of Finance (MOF) and MDLF. The MDLF had a favorable track record in implementing Bank-funded projects, demonstrated capacity to meet Bank fiduciary and safeguards requirements, and was designated as the secretariat.

Overall, Bank performance at entry is rated Satisfactory. A minor shortcoming was the lack of specificity of DLI targets (see Section 3 Relevance of DLIs above) and the measures in the PAP that dealt with authorizing joint projects. Both were addressed at supervision below.

Quality-at-Entry Rating
Satisfactory

b. Quality of supervision
The Bank team conducted 11 supervision missions including virtual ones during the pandemic over the 6-year implementation period. The Task Team Leader and most team members were based in the territory. This facilitated regular implementation support to the authorities including training in fiduciary, procurement, and safeguards compliance. The Bank team reviewed and verified the achievement of DLIs in time for prompt disbursements. In addition to the supervision missions, the Bank team conducted additional assessments to review and verify progress in achieving the DLIs. The Bank team responded to evolving circumstances through two restructurings. In the first, one outcome and one intermediate outcome indicators were refined to better reflect the expected outcomes (see Section 2 Dates above). The closing date was extended by a year to complete all activities due to the impact of COVID19 mobility restrictions. The ICR was candid in acknowledging that a final ISR was not prepared but instead supplemented by an Aide Memoire (ICR, paragraph 93). At closing, no mention of a follow-on project or program was made.

Overall, the Bank performance at supervision is rated Satisfactory.

Overall, the Bank performance at entry, at supervision, and overall, is rated Satisfactory.

Quality of Supervision Rating
Satisfactory

Overall Bank Performance Rating
Satisfactory

8. M&E Design, Implementation, & Utilization

a. M&E Design
The M&E system was designed as a Results-Based M&E (RBM) using the indicators in the results framework at appraisal (PAD, Annex 2). The four PDO indicators and eight intermediate results indicators were aligned with the strategic objectives of the Palestinian Authority's NDP (see Relevance of Objectives above). Annual targets and data sources of all indicators were well defined at appraisal. The DLIs were well aligned with the PDO and were clearly defined although some of them had shortcomings regarding measurements. The DLIs had clear protocols and methodologies for monitoring and verification although several indicators had to be clarified and revised during implementation (see below). An RBM Manual was prepared to monitor results under the program. This M&E system measured the relevance, effectiveness,

efficiency, impact, and sustainability of initiatives implemented by the MDLF. MDLF was to prepare semi-annual and annual progress reports. Periodic and independent assessments were to be conducted, such as biannual technical quality audits, periodic citizen feedback on service delivery improvements and transparency of systems, gender sensitive beneficiary satisfaction surveys (PAD, paragraph 70).

b. M&E Implementation

The MDLF implemented the M&E system as designed. MDLF used the web-based Program Management Information System (PMIS) and the Financial Management Information System (FMIS) to aggregate, store, and present data. The results were disaggregated and reported by sector and by gender. MDLF prepared the annual program financial statements and arranged for its audit. These audits were submitted to the World Bank as condition of achieving the DLIs. MDLF prepared progress reports on activities and results and submitted these to the Bank on time. A Beneficiary Impact Assessment (BIA) was carried out twice (one at mid-term, and one at closing) to assess the relevance, efficacy, efficiency, and sustainability of the activities. The assessment captured the beneficiaries' level of awareness, participation, and ownership, in addition to the transparency and accountability of the program. An independent consultant carried out the technical and procurement audit/assessment twice, in FY 18 and FY21, to confirm the application of social accountability and citizen engagement measures in prioritizing and implementing the ACIPs. At restructuring, the methodology associated with measuring the beneficiaries in the outcome and intermediate outcome indicators was revised.

c. M&E Utilization

M&E data informed progress against the DLIs and flagged implementation challenges. The beneficiary assessments supplemented the evidence of the outcomes. The Bank and the government authorities used M&E data to address issues and prioritize field visits. The technical and procurement audit reports helped the participating LGUs to focus on continuous performance improvement (evidence?). It also was helpful during the decision-making process, such as on extending the program closing date.

Overall, the M&E system is rated Substantial. It was sufficient to test the links in the results chain. A minor shortcoming was in how three of the seven DLIs were defined.

M&E Quality Rating

Substantial

9. Other Issues

a. Safeguards

Environmental and Social Safeguards: The program was categorized as a Program for Results (PforR). An Environmental and Social System Assessment (ESSA) was conducted at appraisal to examine the country environmental and social management systems for local government infrastructure projects and was found to be consistent with the core environmental and social safeguards principles outlined in OP/BP 9.00 for PforR financing. The program was to support moderate to low environmental and/or social risk activities. The most adverse impacts were limited to the construction phase, site specific, and temporary. The program excluded sub-projects involving involuntary resettlement and land acquisition. The ESSA included measures to address the lack of human resource/capacity at various levels of the Palestinian system to manage relevant environmental and social risks and impacts. The program complied with the policy requirements of OP/BP 9.00. All environmental and social (E&S) safeguards requirements were satisfied. No major outstanding E&S safeguards issues were reported or observed during implementation (ICR, paragraph 86). All investments followed the prescribed environmental and social impact assessment processes. The Program Operations Manual (POM) included an Environmental and Social Management Manual (ESMM). The program used the MOLG's existing grievance redress system. VCs also established functioning complaints mechanisms to address citizens' concerns. Resolution of complaints were monitored. Remedial measures were identified to address outstanding safeguards issues. The implementing agencies reviewed and cleared environmental and social (E&S) safeguards screening reports, management plans, or partial impact assessments. No major outstanding E&S safeguards issues were reported or observed during implementation. E&S safeguards performance reported limited capacity for social risk management in VCs, including meaningful consultation with subproject stakeholders and effective functioning of the GRM (i.e., complete documentation of all complaints including any verbal complaints received and resolved and effective dissemination of information regarding the GRM).

b. Fiduciary Compliance

Financial Management. The program relied on the country's public financial management (PFM) system for the budget process, accounting and internal control systems, and reporting. The Fiduciary Systems Assessment (FSA) identified weaknesses, that were strengthened during implementation. The MOF used the unified government accounting system (BISAN) to record program funds. MDLF submitted all program financial statements, except for the last audited financial statements covering the year ended December 31, 2021, due by June 30, 2022. All the required semi-annual Interim Financial Reports (IFRs) of the Program were received. The State Audit and Administrative Control Bureau (SAACB) carried out the external audit accepted by the Bank. The MOF's Central Internal Audit Department (IAD) carried out the internal audit, both technical and financial aspects. The SAACB received the 2020 Audit report on August 30, 2021 and issued an unqualified audit opinion. There was no audit backlog during implementation. At closing, the PA's committed contribution was still pending.

Procurement. The program procurement complied with the new Public Procurement Law (No. 8, 2014). The MOLG provided procurement oversight and supervision. All LGUs completed annual procurement plans. Implementation reports monitored these plans. A sample of contracts were analyzed and audited and were found to meet procurement processing procedures met standards. Regular technical and procurement audits were carried out.

c. Unintended impacts (Positive or Negative)

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d. Other

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10. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Satisfactory	Satisfactory	
Bank Performance	Moderately Satisfactory	Satisfactory	IEG finds that the shortcomings in Bank performance are only minor and thus tha rating should be satisfactory.
Quality of M&E	Substantial	Substantial	
Quality of ICR	---	Substantial	

11. Lessons

The program offered nine lessons and recommendations following the program operation (ICR, paragraphs 98-106). Five are presented below with slight modifications:

- **Development outcomes in the local government sector are enhanced when succeeding projects build upon and expand on achievements of prior operations.** In this program, the proposed local governance reform featured a historical, long-term engagement by the Bank and other donors. This approach firmed up donor coordination. Initial efforts gradually strengthened municipal governance capacity. Municipalities were slowly establishing creditworthiness to access market resources for municipal infrastructure. Service delivery processes gradually improved over time. The PforR built on achievements of the multi-phased MDP. The well-defined sector and program goals led to effective benchmarking of incremental improvements in management and service delivery.
- **Reform may benefit from a long-term engagement in the sector and close collaboration with donors.** In this program, the Bank's long-term engagement, its leveraging of other donor partners interest in the sector, and the numerous analytical work and background studies all served to inform a comprehensive local government sector reform. The program design not only built on lessons and success of previous similar interventions but also introduced innovations in optimal financing of important investments.
- **Accompanying institutional reforms with performance incentive financing strengthens ownership and spurs drive for institutional reforms.** In this program, local administration staff who were trained provided effective accountability in responding to its constituents. The program introduced a new performance incentive mechanism through which VCs strengthened their financing system. This mechanism enhanced ownership and commitment to accountability. However, sustaining the reforms to better functioning VCs introduced by the program need to be sustained. The continued application of the allocation formula after the program closes would ensure that LGUs receive funding on time to deliver and sustain local services and be empowered to perform as fully functional entities accountable to the citizens. Delivery improvements can provide incentives for reform not only at the local government level, but also national systems.

- **A well-designed PforR may benefit from modest financing**. In this program US$18 million achieved the objectives in improving local government. Local government financing was enhanced with predictable and more equitable allocation of resources to VCs. Capacity was built, not only at the local level but also at the central government level. VCs prepared annual plans, prioritized these with citizen participation, and secured funding for identified infrastructure needs. Modest services were delivered such as solar energy generation and distribution that reduced electricity bills for the customers, prepaid water meters that improved water distribution fee collection. Some schools shared by clusters of VCs were improved implemented by Joint Service Councils.
- **Joint projects may provide bigger impact on communities and beneficiaries**. In this program, VCs prepared small sub-projects with considerable transaction costs. Future local government investments may find economies of scale in larger, higher impact joint sub-projects to benefit smaller VCs. Annual capital allocations to VCs may also need to be raised to discourage the proliferation of micro-projects and many equipment purchases, which led to numerous contracts (more than 500). Each sub-project required complex supervision and monitoring of financial transactions. Micro-VC projects and bulk procurement of equipment may be more beneficial if these were consolidated or combined to reduce transaction costs. In addition, the rather tiny annual allocations are deemed suboptimal in relation to the effort of preparing ACIPs and size of sub-projects to make significant impact. Lumping allocations into fewer releases in West Bank context would encourage prioritization of sub-projects of scale that can better improve local service delivery.

12. Assessment Recommended?

No

13. Comments on Quality of ICR

The ICR provided a clear overview of the program operation, following Bank guidelines. The quality of the evidence and analysis in the ICR were based on accomplishing disbursement linked indicators (DLIs). The verification process provided confidence on reported outcomes. Lessons were based on evidence, particularly regarding the benefits of a PforR operation, even with a modest US$18 million investment. The ICR was internally consistent and results oriented. The Annexes provided additional information that strengthened the validity of the evidence. For example, the description of the twice conducted Beneficiary Assessments detailed its methodology. Similar details surrounding the assessment of procurement and technical features of the program, as well as the environmental and social safeguards compliance supported the claims in the report.

a. Quality of ICR Rating

Substantial