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IMPLEMENTATION COMPLETION REPORT
(TF-24110; TF-24111; TF-26047; TF-50275)

ON A

GRANT

IN THE AMOUNT OF US\$10.0 MILLION

TO THE

WEST BANK AND GAZA

FOR A

PALESTINIAN NGO PROJECT

June 30, 2003

CURRENCY EQUIVALENTS

(Exchange Rate Effective 2003)

Currency Unit = New Israeli Shekel (NIS)

INS 1 = US\$ 0.22

US\$ 1 = INS4.40

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

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**WEST BANK AND GAZA
GZ: PALESTINIAN NGO PROJECT**

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<i>Project ID:</i> P047067	<i>Project Name:</i> GZ: PALESTINIAN NGO PROJ
<i>Team Leader:</i> Sima W. Kanaan	<i>TL Unit:</i> MNSHD
<i>ICR Type:</i> Core ICR	<i>Report Date:</i> June 30, 2003

1. Project Data

Name: GZ: PALESTINIAN NGO PROJ *L/C/TF Number:* TF-24110; TF-24111; TF-26047; TF-50275

Country/Department: WEST BANK AND GAZA *Region:* Middle East and North Africa Region

Sector/subsector: Other social services (99%); Central government administration (1%)

Theme: Conflict prevention and post-conflict reconstruction (P); Civic engagement, participation and community driven development (P); Social risk mitigation (P); Social risk reduction (P); Law reform (S)

KEY DATES

	<i>Original</i>	<i>Revised/Actual</i>
<i>PCD:</i> 11/16/1995	<i>Effective:</i> 01/01/1996	07/11/1997
<i>Appraisal:</i> 06/19/1997	<i>MTR:</i> 01/01/2000	01/04/2000
<i>Approval:</i> 07/10/1997	<i>Closing:</i> 06/30/2003	12/31/2002

Borrower/Implementing Agency: WELFARE ASSOCIATION /WELFARE ASSOCIATION CONSORTIUM

Other Partners: Palestinian and International NGOs and the Palestinian Authority

STAFF	Current	At Appraisal
<i>Vice President:</i>	Jean-Louis Sarbib	Kemal Dervis
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2. Principal Performance Ratings

(HS=Highly Satisfactory, S=Satisfactory, U=Unsatisfactory, HL=Highly Likely, L=Likely, UN=Unlikely, HUN=Highly Unlikely, HU=Highly Unsatisfactory, H=High, SU=Substantial, M=Modest, N=Negligible)

Outcome: S

Sustainability: L

Institutional Development Impact: SU

Bank Performance: S

Borrower Performance: S

Quality at Entry: QAG (if available) ICR
U

Project at Risk at Any Time: No

3. Assessment of Development Objective and Design, and of Quality at Entry

3.1 Original Objective:

As stated in the Project Appraisal Document, Palestinian NGO Project had three objectives: (a) to deliver services to the poor and marginalized in the Palestinian Society, using NGOs as the delivery mechanisms; (b) to improve the institutional capacities of the NGOs receiving grants under this project; and (c) to support efforts by the Palestinian Authority (PA) and the Palestinian NGO sector to strengthen their working relationship, including support for the development of a positive legal framework for the sector.

The rationale for the project was based on concerns over the deteriorating socioeconomic situation for Palestinians and the PA's inability to assume fully an adequate role in the provision of social services, a role that has been played largely by Palestinian NGOs. At the time of project initiation, donor funding was shifting to support the emerging PA. The drop in international financing of the NGO sector was undermining their role in service delivery, thereby raising the risk of further deterioration in social conditions. At the same time, the project sought to address a difficult relationship between the NGO sector and the PA as both were competing over limited resources to advance their respective roles in service delivery. Discussions over the development of a Palestinian NGO Law at the time seemed like a good entry point for influencing the shape of the future relationship between the PA and the NGOs. The NGO Law was ratified by the Palestinian Legislative Council in January 2000.

The project's objectives were in line with the Bank's Strategy for *Replenishing the Trust Fund for West Bank and Gaza* which stressed the need to enhance official and non-governmental poverty alleviation programs, improve systems of education and health delivery and promote sound governance and support PA partnerships with NGOs, local government and the private sector.

3.2 Revised Objective:

There was no revision in the project's objectives.

3.3 Original Components:

Component	Cost (US\$ m)
Development Grants	10.0
Hardship Grants	1.8
Capacity Building Grants and Research	1.5
Development of Legislation and Enhancement of PA-NGO Coordination	0.2
Project Management (including audits and evaluations)	3.5
Total	17

3.4 Revised Components:

Although the PAD's proposed budget was set at US\$17 million, the project ultimately operated on a budget of USD\$14.5 million which came from four different funding sources. There was no formal revision of the project's components. However, a number of changes were introduced which shifted slightly the allocation of funds to the project's various components.

In 1998, the Bank and the Project Management Organization, the Welfare Association Consortium (PMO/WAC), decided that the case for implementing hardship grants (which was intended for NGOs facing serious financial difficulty) was weak due to the difficulty of prioritizing needs amongst the numerous NGOs that fit this category. The Bank and the PMO, instead, decided to allocate US\$3.5 million for the financing of block grants, which were expected to provide funding for experienced NGOs for on-granting to smaller NGOs. Although this scheme was foreseen in the original project design, it was not

identified as a separate component with a distinct financial allocation. The decision to expand the Block Grant Scheme came to address the result of the first round of development grants which excluded small NGOs as recipients due to their inability to meet approval criteria. Furthermore, the allocation to project management had to be raised by US\$0.7 million to finance an extension of the Implementing Agency's contract until a new phase of the project (PNGO II) became effective. By the end of the project, the allocation of project funds across the various components was as follows:

Component	Cost (US\$)
Development Grants	7.7
Block Grants	3.5
Capacity Building Grants and Research	0.7
Development of Legislation and Enhancement of PA-NGO Coordination	0.4
Project Management Costs	2.8
Total	15.1 (0.7 of which community contributions)

The reallocation between the project's components was agreed through the Bank's Aide Memoires and reflected in the Project Status Reports (PSRs). Since reallocations between various grant types were all within the expenditure category of "sub-grants", as defined in the Grant Agreement, there was no need for a formal processing of these reallocations. The increase in the allocation towards project management was done through a formal Amendment to the Grant Agreement on August 17, 2000.

In late 2000, and in response to the eruption of the intifada, there was a surge in unemployment levels. PMO/WAC was requested by the Bank to implement an employment generation program that would deliver emergency grants to NGOs. An additional US\$1.1 million was allocated for this initiative in the form of parallel financing to the project.

3.5 Quality at Entry:

The Quality at entry of PNGO is rated as unsatisfactory on grounds of lack of readiness for implementation. Firstly, the Operational Manual was not ready by Board submission. The Manual was to have been completed by October 1997, i.e., after three months of the project's declared effectiveness. In fact, it took 15 months to complete the Operational Manual. This meant that procedures governing; (a) the application, review and awarding of grants; (b) monitoring and evaluation of sub-projects; and (c) procurement, had to be developed during the course of project implementation resulting in considerable initial delays. No prior needs assessment was conducted to determine the priority sectors to be targeted by the project. A Monitoring and Evaluation (M&E) system for the project was developed in July of 1999, i.e., two years after project effectiveness. This meant that the PMO/WAC could not ensure that the design of the grant receiving sub-projects included clear performance indicators which would have been necessary for an adequate monitoring of sub-projects and a comprehensive evaluation of the project's impact. Finally, the capacity of PMO/WAC in managing grant awarding schemes was over-estimated and the technical capacity of staff at the time of project launching was not adequate to deal with effective project implementation.

In its Aide Memoire of May 1-8, 1998, the Bank's supervision mission recognized that the project may need to be put at risk and identified the following as one of three factors that contributed to the risky situation the project was facing: *"A lack of realism by the Bank and the Consortium alike in estimating the time it would take to establish the PMO, complete the detailed design of the Palestinian NGO Project and launch the first grant round (which, in retrospect, should have been planned from the outset as a pilot round)"*.

Based on the foregoing, it is clear that, while the design of the project itself was not complex, it did require having in place an elaborate system of procedures and processes; something that was not adequately anticipated from the outset. It is worth commenting here, though, that through its very close supervision of the project, the Bank was instrumental in promptly identifying, addressing and overcoming these problems. By 1999, the PMO/WAC achieved the implementation targets agreed with the Bank and the project was back on track. In fact, by the third year of the program, the project was running well ahead of its planned disbursement schedule, disbursing US\$8.5 million as compared to the projected US\$3.7 million.

Finally, the "critical risks" identified in the PAD were relevant and the proposed measures for minimizing them proved adequate. The project's environmental category was rightly categorized as "C".

4. Achievement of Objective and Outputs

4.1 Outcome/achievement of objective:

The achievement of the project's objective is rated as satisfactory, as noted in the following detailed justification of this assessment:

A. To Deliver Services to the Poor and Marginalized in the Palestinian Society, Using NGOs as the Delivery Mechanisms (Highly Satisfactory): The impact evaluation carried out under the project confirmed that, as at December 2002, the project supported the implementation of 305 projects reaching a total of 213,680 direct beneficiaries and an estimated further 200,000 indirect beneficiaries. These represent over four times the target number of 50,000 beneficiaries estimated at appraisal, which means the project in fact, exceeded its objectives. Based on a sample 79 projects, 41% of the grant-financed sub-projects achieved their objectives and left positive impact on the beneficiaries; 55.1% partially achieved their objectives and only 3.8% of the sub-projects failed or closed down, some of them leaving negative effects on the beneficiaries. Main reasons identified for the failure of some sub-projects in realizing their objectives related to poor sub-project design, weak capacity of implementing agencies (the beneficiary NGOs), and lack of adequate monitoring on part of the PMO/WAC and/or block grant managers. In terms of beneficiary satisfaction with the projects, 71% of beneficiaries indicated that they were satisfied with the services (the satisfaction rate in Gaza seemed to be higher than that in the West Bank); 27% of beneficiaries indicated that they were partially satisfied; and 1.3% indicated that they were dissatisfied. Beneficiary dissatisfaction with services was linked to the short duration of projects, the inability of some NGOs to meet their obligations towards the beneficiaries, and in some instances, the inappropriateness of the services provided especially in areas of training and capacity building. The impact evaluation also confirmed that, despite the political situation and limitations on mobility, beneficiaries of 65% of the sub-projects reported that the services delivered were always available and that they could use them on a regular basis.

The sectoral distribution of projects was as follows: 48% in formal education, 14.7% in physical rehabilitation, 10.6% in health and social services, and 9.6% in agriculture . Of the total number of 213,680 beneficiaries, 118,703 were females.

B. To Improve the Institutional Capacities of the NGOs Receiving Grants Under this Project (Satisfactory): The project had a positive impact in transferring to beneficiary NGOs new concepts and skills that were critical for upgrading their capacity. These skills included project proposal writing, maintaining systems of financial accountability; and undertaking participatory needs assessment and utilizing monitoring and evaluation techniques. For a large number of participating NGOs, the project offered an opportunity for learning. For some, it was the first opportunity for engaging in a professional

donor-recipient relationship. Through the block grant scheme, the project offered an invaluable opportunity for the transfer of expertise in managing umbrella grant awarding programs to a number of NGOs that play a central and major role in service delivery in the West Bank and Gaza.

C. To Support Efforts by the Palestinian Authority and the Palestinian NGO Sector to Strengthen their Working Relationship, Including Support for the Development of a Positive Legal Framework for the Sector (Satisfactory): The project supported a momentum that was necessary to ensure the successful passing of the NGO Law that now regulates PA/NGO relationships and, to a large extent, guarantees NGOs the possibility of operating in a largely non-intrusive environment. By giving the PA a limited oversight role and a chair on the Governance Board, the project provided a forum whereby PA and NGO representatives could have joint discussions on the activities of the project and the sector at large. This mechanism contributed to improving the knowledge of the PA of NGO activities. By giving the PA a "No Objection" right on sub-projects being selected for financing, the project also provided a mechanism for ensuring that the projects implemented supported the sectoral priorities of the Ministries and did not duplicate their ongoing efforts. In conclusion, the project was successful at providing a framework through which a conducive environment for improved PA/NGO relations was supported.

4.2 Outputs by components:

The achievement of the project's outputs by components is rated as satisfactory. Following is a more detailed elaboration of this rating:

A. Development/Block Grants and Hardship Grants:

Outputs	PAD Performance Indicators	Actual Achievements	Rating
Between 50 and 150 NGO projects implemented over the life of the project through both Development and Block Grants	Number of projects per year Estimated disbursement of US\$3.7 million for NGO development and hardship grants after 3 years, US\$11.8 million over the life of the project	305 projects implemented at a total cost of US\$11.2 (US\$7.7 million for development grants and US\$3.5 million for block grants). 98% of grant funds were committed by the end of the third year	Satisfactory
NGOs suffering financial difficulties returned to path of greater financial sustainability	Approximately ten major NGOs implement financial recovery programs	None - this sub-component of the project was dropped due to the difficulty of prioritizing amongst NGOs that fit this category	Not Applicable as this form of grants was dropped

Following is an illustrative table of the types of outputs achieved in the various sectors based on the surveyed sample of 79 projects (a full listing of sub-projects financed through the project is provided in Annex 10):

Survey-Based Sample Illustration of Outputs Achieved

Sector/Type of Service	Outputs
Health	10 medical laboratories receiving medical equipment 4500 persons benefiting from laboratory tests 894 persons provided with medical check ups
Rehabilitation	2865 disabled persons rehabilitated/treated and another 325 persons diagnosed. 500 disabled children integrated in schools/kindergartens 147 mothers/relatives provided with awareness raising on treatment of disabled
Job Creation/Vocational Training	527 disabled persons obtained temporary jobs 132 long term and 527 temporary jobs created 707 females and 239 males participated in vocational training programs
Non-Formal Education	46,700 persons benefited from support to non-formal education projects (project total)
Upgrading Facilities	82 community facilities were upgraded (schools, kindergartens and other charitable institutions) 89 community facilities purchased new equipment (computer, indoor games, sewing machines etc)
Agricultural Land Rehabilitation and Housing	410 families and 195 individual farmers directly benefited from agricultural projects 50 poor and underprivileged families benefited from one of the housing projects. 2403 square meters rehabilitated (agriculture) and 209 square meters constructed

Although the outputs delivered under the project's components clearly met and even exceeded the performance indicators identified at appraisal, it is relevant to point to some difficulties faced in achieving them. The procedures developed by PMO/WAC for managing the grant-awarding process proved to be lengthy and complex. This resulted in excluding weaker NGOs from the Development Grants Scheme as those could not meet the qualifying conditions for grant approval. It also meant that considerable PMO/WAC staff time focused on process management at the expense of closer monitoring of sub-project implementation. These issues, however, were identified during project implementation and in subsequent grant awarding rounds, more streamlined procedures were introduced. The exclusion of small and community-based organizations from the Development Grants Scheme also prompted the PMO/WAC to allocate more funding to the Block Grants Scheme. Under the Block Grants Scheme, it was possible to extend technical assistance to smaller NGOs to assist them in preparing proposals for funding. After the completion of the first two cycles of development grants, a gender mainstreaming assessment study was conducted and resulted in the inclusion of gender-specific criteria in the assessment of projects. Therefore, in many aspects, several of the shortcomings in the project design were promptly addressed and lessons learnt were internalized and reflected in adaptations that ensured a satisfactory realization of the project's outputs.

B. Capacity Building and Research Grants:

Outputs	PAD Performance Indicators	Actual Achievements	Rating
Indicators of improvements in program and financial management capacity of recipient NGOs	Estimated disbursement of US\$0.9 million for NGO capacity building activities after three years, US\$1.5 million over the life of the project	A total of US\$0.7 million granted to implement capacity building and training 688 NGO staff received training in one or more of the following areas: project identification and proposal writing; strategic planning; improved financial management systems and participatory needs assessment A detailed assessment of institutional capacity building needs of 8 NGOs was conducted	Satisfactory

Capacity building was offered through (a) formal training of beneficiary NGOs; (b) the transfer of expertise through direct contact with PMO and Block Grant Managers; and (c) conducting research studies that were intended to improve the understanding of the needs of Palestinian NGOs.

(a) As indicated in the above table, a total of 688 NGO staff received training in various aspects of project management and implementation. Training to recipient NGOs was provided through 9 service providers, 7 NGOs and 2 private institutions. The positive impact that this training had on raising the recipient NGOs' capacities in project design and implementation has already been cited and confirmed in the feedback of NGOs surveyed in the impact assessment and the stakeholders' views.

(b) Although it is difficult to measure the impact of the interaction between the PMO and the NGOs as a form of capacity building, NGOs confirmed (in the survey and in the stakeholders workshop) that the learning obtained by participating in the project and by interacting with the PMO/WAC staff, was one of the most important of the project's achievements. Building capacity of smaller NGOs through the Block Grants Scheme seems to have had less impact than expected. An assessment of the Block Grants Scheme confirmed that the capacity building activities of Community Based Organizations was extremely limited. This was attributed to a number of factors amongst them: (a) the focus of Block Grant Managers on the process of grant delivery and developing the necessary rules, policies, forms and procedures; (b) the lack of any financial allocations in the grant budgets for capacity building activities; (c) the short duration of projects which limited the possibility of real "accompaniment"; and (e) the absence of mechanisms for experience sharing and cross fertilization among the Block Grant Managers.

(c) A number of research studies were completed as part of the Research/Technical Assistance Program. These included: NGO Sector Mapping; Project Consultative Processes; The Role of NGOs in Building Civil Society; Land Use in Rain-fed Areas; A detailed Participatory Needs Assessment Research project for 3 Jerusalem Rural Areas; An Assessment of the Views of the Poor and Marginalized People of Projects - 12 Case Studies; Feasibility Study for an NGO Resource Center; Mainstreaming Gender in the NGO Project; Using Poverty Maps to Target the Poor in the West Bank and Gaza. The mentioned studies contributed to enhancing the project's understanding of various aspects of NGO activity in WBG and, thus, contributed to its adaptability to actual needs and improving its effectiveness in realizing its objectives. More importantly, however, the studies informed a more advanced conception of capacity building in the design of Phase II of the Palestinian NGO Project (PNGO II).

C. Development of Legislation and Enhancement of PA-NGO Coordination

Outputs	PAD Performance Indicators	Achievements	Rating
PA/NGO mechanisms for policy discussion established and appropriate environment for NGO activity created	Regular project-level contact between the PA and NGOs on sectoral and project issues	A Governance Committee was established that served as a forum for regular exchange between the PA and NGOs on sectoral and project issues. An International Conference was held on "Promoting Cooperation between NGOs and the PA"	Satisfactory
TA provided to enhance PA/NGO relations and for support to the development of a suitable legal framework	Estimated disbursement of US\$0.2 million in the first three years to assist with definition of legal framework and to establish mechanisms for enhanced technical communication and collaboration between NGOs and the PA	An NGO Law, that was generally acceptable to NGOs, was enacted and ratified by the Palestinian Legislative Council in January 2000.	Satisfactory

As described in the previous section, given the difficulty encountered at the beginning of the project in having the PA and Palestinian NGO representatives work together and reach an understanding on issues of common interest, it was a remarkable achievement of the project to establish the Governance Committee as a forum for PA/NGO exchange, also giving PA and NGO representatives an advisory and oversight role. The establishment of the Governance Committee provided the basis for expanding the role of NGOs, in PNGO II, to that of exercising direct authority over grants approval. Therefore, not only did the inclusion of PA and NGOs in the governance structure contribute to enhancing relations between them, but it also increased the sense of ownership, by both, of the project. Finally, the research contracted through the project and the holding of an International Conference, whose proceedings were very widely disseminated, exposed the PA and NGOs to a wide range of other countries' experiences in NGO/Government relations.

4.3 Net Present Value/Economic rate of return:

No indicators were developed by PNGO to measure the efficiency of service delivery schemes funded under by the project. In fact, to date, no study was attempted at assessing the level of efficiency of Palestinian NGO delivery schemes at large. Moreover, the project did not develop the tools to track aggregate expenditures at the sub-project level to define total spending on various expenditure categories (such as works, services, goods, technical assistance etc). The high overhead cost of managing the grant-awarding schemes implemented through PNGO (estimated at 20%) was noted by various reviewers and was amongst the issues addressed in the design of PNGO II.

4.4 Financial rate of return:

N/A

4.5 Institutional development impact:

One of the major achievements of PNGO was its piloting, testing and institutionalizing of umbrella grant management as a form of financial support to NGOs in the West Bank and Gaza. The PNGO "model" was transferred to Block Grant Managers and subsequently replicated in other donor-financed projects. This represents an important institutional impact of the project. PMO/WAC, established as a Project Implementation Structure, was contracted for implementation of PNGO II and is likely to be sustained through continued financing from the Welfare Association (a well-established Palestinian/International NGO in the territories) beyond the completion of PNGO II. The likelihood of PMO/WAC's sustainability, as an institution, is reinforced by its established good reputation for employing transparent and efficient systems of grant management. This has already attracted other donors to contract PMO/WAC for implementing projects that replicate PNGO in their objectives and design. Given the strong likelihood of its sustainability beyond the completion of PNGO II, the establishment of the PMO represents an important element of the project's institutional impact.

The Governance Committee established as one of the project's governance structures has been further institutionalized in PNGO II in the form of a Supervisory Board that constitutes in its membership representatives of the NGO networks, the Welfare, the PA and five independent members of civil society. The Supervisory Board's mandate has been expanded over that of PNGO I's Governance Committee to include approval authority of NGO sub-grants. The establishment of the Supervisory Board lays the grounds for the possibility of creating a Palestinian NGO Foundation, which would constitute another significant and sustainable contribution of the project. The passing of the NGO Law can also be indirectly attributed to the project representing another important institutional impact.

5. Major Factors Affecting Implementation and Outcome

5.1 Factors outside the control of government or implementing agency:

The Intifada: The breakout of the intifada, in September 2000, and the increased intensity of closures and curfews impacted on project implementation. The impact of the intifada was reflected mainly in delays in the completion of sub-projects and, in the case of the Block Grants Scheme, difficulties in working closely with their grantees. The level and quality of supervision of sub-projects also suffered from mobility restrictions and the difficulty of accessing project sites. The potential risk that these factors placed on the project's implementation was reflected in the rating of the project implementation as unsatisfactory in the PSR of April 2002 when the intensity of closures and incursions was at its peak. The problem of sub-project monitoring and supervision was mitigated by the PMO/WAC strengthening its sub-offices and hiring short-term consultants to undertake field visits. These factors resulted in higher management costs, both on the part of the PMO and the Block Grant Managers. Block Grant Managers were asked to allocate remaining funds to sub-projects that provided emergency services. The PMO/WAC similarly targeted additional funds received towards short-term projects that generated employment and supporting the delivery of emergency services. This confirms that the project was able to adapt and sustain its activities, albeit in an environment that became far more challenging and difficult than originally foreseen at appraisal.

5.2 Factors generally subject to government control:

As a result of the participatory and consultative process adopted by the Bank for ensuring wider buy-in to the project, by the time PNGO was launched, the PA was fully on board and exercised their No Objection right responsibly without undue delays or obstacles. When a new Ministry of NGO Affairs was established, a new Memorandum of Understanding (MOU) was negotiated with them outlining their role in the project. These efforts ultimately gave way to a fruitful relationship between the PA, the NGOs and the Implementing Agency.

5.3 Factors generally subject to implementing agency control:

Beyond the initial period of implementation, when the Bank considered placing the PNGO at risk on grounds of poor PMO/WAC performance, the overall performance of the Implementing Agency was satisfactory. Having said that, there were a number of areas where PMO/WAC performance was weak. These are summarized in the high attention placed by the PMO/WAC on process management which impacted on the quality of the sub-projects (as referred to in Section 4); the focus of the project's monitoring on the delivery of inputs, as opposed to outputs and impact; and, the limited role played by the Agency in promoting cross-fertilization between the participating NGOs.

5.4 Costs and financing:

The inability to fully mobilize the project's budget as foreseen in the PAD did not have an impact on the realization of the project's objectives. As mentioned in Section 3.2, there was a reallocation of funds between various grant categories. However, as all forms of grants were categorized in the Grant Agreement as "sub-grants" these reallocations did not require any formal approvals. The only problem encountered in terms of financing was related to the need to extend the PMO's contract beyond the initial three years budgeted for, which was done at the expense of funds being allocated towards capacity building and research (pls refer to section 3.2).

6. Sustainability

6.1 Rationale for sustainability rating:

The overall sustainability rating for the project is assessed as likely. This is based on an assessment that the project has contributed to building the capacity of beneficiary NGOs by transferring to them skills which are critical to enhancing their ability to sustain their services based on improved systems of financial management and an enhanced capacity to manage and implement projects. The project has also created in a number of big NGOs the capacity to manage grant awarding schemes but, more importantly, to network

and partner with NGOs, creating an environment that is conducive to improved information exchange and a general improvement in the quality and sustainability of NGO managed projects. Having said that, given the crisis of the past two years and the impact it had in terms of further deterioration in the income levels of the Palestinian population and the increase in the demand for basic services, it is unlikely that services supported through the project will be sustained without a continued influx of donor resources. In this context, however, the institutional impact that the project has had in terms of establishing an organizational structure with the capacity to mobilize, manage and allocate funding for NGOs can be seen, in by itself, as having contributed to the likelihood of the sustainability of the project's achievements (pls refer to section 4.2). Given the likelihood of a continued reliance by NGOs on external financing, it can also be argued that the contribution of the project in establishing a Governance Committee is further evidence of the likelihood of the sustainability of the project's achievements. The Governance Committee was later transformed into a Supervisory Board that offers NGOs the opportunity of establishing their own Foundation.

6.2 Transition arrangement to regular operations:

PNGO II was proposed and approved as a "transitional arrangement" that would provide for establishing a more sustainable arrangement for maintaining and sustaining the services delivery role of NGOs. Although the potential sustainability of the Bank's effort has been well advanced through the second phase, it is not clear that the deterioration in the socioeconomic situation would afford an opportunity for sustainability that would not depend on additional donor financing. This was reflected in the views of the project's partners (pls refer to Annex 9) and in their recommendation that the Bank continues to provide seed money which would be critical for mobilizing much needed funds for the NGO sector. As already stated, however, this should not take away from the important contributions that the two projects have made in terms of enhancing opportunities of self reliance and longer-term sustainability. In fact, the Bank is to be commended for having drawn on the lessons learnt in PNGO I to incorporate in the design of PNGO II many improved aspects of project design that have greatly advanced the likelihood of a longer-term impact of the Bank's effort in supporting Palestinian NGOs and an improved professionalism in their role.

7. Bank and Borrower Performance

Bank

7.1 Lending:

The Bank's performance under this category is rated satisfactory. This project was launched by the Bank as a pioneering project piloting a form of umbrella grant management and a first in the West Bank and Gaza. It is one of its kind in which the Bank is granting funds directly to NGOs and where the borrower/implementing agency is an NGO. The project's objectives were clearly defined and relevant to the developmental challenges facing Palestinians at the time. Its choice of supporting NGOs to channel basic services to the poor was also sound given the limited resources that NGOs were receiving at the time. The project idea was initially met with skepticism from the the PA as well as the NGO community. This necessitated a process of consultation involving the PA and Civil Society representatives. Ultimately, skepticism gave way to ownership and, until today, PNGO is cited as **the only** donor-financed project in the West Bank and Gaza that works with the PA, the NGO networks and civil society, giving all a role in implementation, oversight and governance. The shortcomings in the quality of the project design at entry was discussed in Section 3.5. However, both, strong supervision on part of the Bank and the ability of the Implementing Agency to address and overcome shortcomings in the design ultimately ensured the project's successful realization of its objectives.

7.2 Supervision:

Bank's supervision of this project is rated as satisfactory. The Bank undertook formal supervision missions of the project and produced Aide Memoires averaging twice a year. All Aide Memoires established clear follow-up action plans which served as a basis for subsequent follow-up. The content of the Aide Memoires

was well reflected in the PSRs. PSRs were updated at least every six months. Between May and December 1998, when the Bank considered putting the project at risk, PSRs were updated on a three-monthly basis. In April 2002, the Bank ranked the project's implementation progress as unsatisfactory, reflecting a concern at the time that, due to problems of access and mobility, the project may not achieve its workplan by the agreed closing date. The Bank employed a wide range of internal and external expertise to take part in project reviews and supervision, providing the needed skill mix for various reviews necessitated. It employed Country-Based consultants to maintain ongoing supervision throughout the project's implementation. Despite the close supervision, oversight of the project's procurement practices was largely neglected. Although close supervision by the Bank was merited, it placed a heavy reporting burden on the project and resulted in extremely high supervision costs. At certain points, the Bank seemed to be too closely engaged in project implementation, running the risk of exposing itself to conflicts of interest. Notwithstanding these areas of weaknesses, however, the Bank managed to maintain its neutrality, serving a critical role in circumventing crises between the project's stakeholders. In summary, it is highly questionable that this project would have succeeded without close Bank supervision.

7.3 Overall Bank performance:

Based on the foregoing, the overall performance of the Bank is rated as satisfactory.

Borrower

7.4 Preparation:

The Bank's financing of PNGO was extended as a Grant whose recipient was an NGO, and not the PA. The NGO was contracted on a competitive bidding process and, therefore, they had no involvement in the project's preparation, before its approval by the Board. Although the PA was not the recipient, it nevertheless cooperated fully with the Bank during preparation. Finally, the NGOs were highly engaged in the consultative process of project preparation which was critical to generating a sense of ownership which was important for the success of the project.

7.5 Government implementation performance:

Pls refer to Section 7.4

7.6 Implementing Agency:

The overall performance of the PMO/WAC is rated as satisfactory. The PMO/WAC implemented the project with a high degree of accountability and transparency of procedures. This was critical to ensuring that there was no misappropriation of grants, the risk of which was rated as high in the PAD. The PMO/WAC ensured prompt delivery of Audit Reports. The PMO/WAC also maintained a very high degree of professionalism and neutrality. These were very necessary for ensuring against the politicization of the grant awarding scheme which, in the overall context of West Bank and Gaza, poses a great challenge. The PMO/WAC maintained work plans for the monitoring of their activities and they ensured periodic meetings with their Steering Committee, thereby ensuring an adequate engagement of the Consortium partners. Most importantly, however, the PMO/WAC was always receptive of Bank's feedback on its performance and delivered promptly on recommendations of the Bank for improved project performance.

7.7 Overall Borrower performance:

As a Borrower (grant recipient), the Welfare Association's role in overseeing the implementation by PMO/WAC of the PNGO has been satisfactory. When the Bank considered putting the project at risk, the Welfare Association assigned an Executive Committee to oversee WAC's implementation. This was an important step in ensuring the project's overall improved performance.

8. Lessons Learned

Following are among the most significant lessons learnt from PNGO:

A. Ownership: The engagement of a wide range of stakeholders in the project's conception, design and implementation has created a sense of national ownership that was critical for its success and continues to be an important factor based on which the sustainability of the project's impact is considered likely.

B. Bank's Role in Promoting Civic Engagement: The success of the project in promoting improved dialogue between the NGOs and the PA is an evidence of the importance of the Bank's role in supporting an environment for civic engagement.

C. Simplified and Streamlined Procedures: The complicated procedures employed by the project placed a huge processing workload on the implementing agency. This was at the expense of placing sufficient focus on quality and outputs. It also limited the opportunities for weak NGOs to benefit from the Program. Although the competitive nature of the project had its benefits, providing incentives for NGOs to submit sound proposals, it excluded weaker NGOs. These shortcomings were partly addressed by reducing the number of grant awarding cycles (in PNGO II, the cycles were reduced to one per scheme), introducing a shortlisting step in proposal submission, and reallocating more funds to the Block Grant Scheme.

D. Adequate Elaboration of Operational Procedures: To ensure efficient implementation, it is necessary that all procedural aspects of the project be fully elaborated by the time of appraisal.

E. Quality of Sub-Project Design and Output-Based Monitoring: PNGO placed its emphasis on delivery of inputs, in the form of financing to sub-projects, at the expense of defining clear output performance indicators. This made it difficult to monitor the quality of sub-projects, in terms of their realization of intended outputs, but it also meant that there was no basis for measuring the aggregate impact of the project as a whole. Drawing on the recommendations of a study conducted on Monitoring and Evaluation, PNGO II now employs a system of output-based monitoring the links the transfer of funds to NGOs to the achievement of time-bound benchmarks. The project's MIS system was also further developed to include indicators that allow for tracking of a wide range of project implementation aspects which should allow for better tracking and a more comprehensive evaluation of the aggregate impact of the project.

F. Enhancing Potential for Longer-Term Impact and Sustainability: One of the important findings of PNGO reviews pointed to the limitation imposed on the potential impact and sustainability of project outcomes due to the dispersion of funds across a very wide range of projects whose duration was limited. This was addressed in PNGO II by limiting the number grants to a smaller number of NGOs. PNGO I experience also pointed to the need to maintain flexibility with respect to the amount of individual grants and to determine grant amounts based on an assessment of the absorptive capacity of individual NGOs and the nature of the service to be financed. The dispersion of funds across many sectors/locations also meant that the impact realized through these projects in any one sector or location was limited and unlikely to be sustained. Therefore, the adoption of a programmatic approach to grant awarding schemes is recommended for such future projects.

G. Community Participation and Improved Targeting: Based on the experience of PNGO, it would be useful to consider the provision of preparatory funds to NGOs to undertake participatory needs assessments as a basis for developing their sub-projects. These funds could be awarded based on the submission of concept papers that would be assessed to qualify NGOs for these types of preparatory grants. It is believed that this approach would improve quality of design and ensure better targeting of services based on an assessment of those most in need for them. In PNGO II, the Partnership Grant Scheme provided such preparatory funds to all NGOs that qualified for receiving such grants.

H. Capacity Building Programs Constituting Distinct Components of Block Grant Schemes: Since the lack of funding was noted as one of the limitations faced by Block Grant Managers in providing capacity building to smaller NGOs, it is recommended that grants approved through schemes such as the Block Grants include a special budget allocation for capacity building. The effectiveness of capacity building would also be enhanced if it would be based on an assessment of the individual needs of beneficiary NGOs and the development of individual capacity building plans with clear performance indicators.

I. A Holistic Approach to Institutional Strengthening of the NGO Sector: PNGO I adopted a formal approach (classroom training) to capacity building the benefits of which were noted by the individual NGOs. However, based on an assessment of the capacity building needs of Palestinian NGOs, the need to adopt a more holistic approach to institutional building was underlined as a better suited approach to enhancing the longer-term professional capacity of the NGO sector at large. This approach would place more emphasis on improved information exchange, enhanced networking, design of service delivery quality standards and building the capacity of representative NGO networks and coalitions. Building on these lessons, PNGO II defines a whole component of support to the NGO sector.

9. Partner Comments

(a) Borrower/implementing agency:

28 June 2003

Via E-Mail: skanaan@worldbank.org

Ms. Sima Kanaan
World Bank Office
P.O. Box 54842
Jerusalem

Re: Implementation Completion Report for PNGO Phase I

Dear Sima:

It is our pleasure to comment on the Implementation Completion Report for PNGO Phase I drafted by you for the World Bank and dated 17 June 2003. The report is professional, comprehensive and objective.

First, we would like to share with you an opening observation. In our opinion, the overall ratings for *both* the Bank and the WAC/PMO should be raised from “Satisfactory” to “Highly Satisfactory” for the implementation of PNGO I. Our view is based on the following factors:

- the extreme complexity and volatility of the operating environment in the West Bank and Gaza (even before the outbreak of the *Intifada*);
- the uniqueness of the project (nothing like it had ever been attempted before) and its inherent structural complexity;
- the extremely high level of skill and intensive effort that were put into completing the project – both by the World Bank and by the Welfare Association Consortium’s Project Management Organization.

Turning now to several specific points, we would like to make the following brief observations:

1. §3.4 “Revised Components”; Page 4, ¶ 2: The figure of “\$1.1 million” is listed as the amount of parallel financing given by the Bank for employment generation. According to our records, the actual figure was \$1 million.
2. §3.5 “Quality at Entry”; Page 4, ¶ 1: It is stated in the fourth sentence that “[i]n fact, it took 15 months to complete the Operational Manual.” According to our records, the first draft of the Operational Manual was submitted to the Bank in December 1997. The Bank approved the Operational Manual in March 1998, with conditions for further development of some parts of the Manual which involved coordination between various stakeholders as well as their involvement in the project. The requested coordination with the necessary stakeholders was achieved, and the final version of the Operational Manual was approved in October 1998.
3. §3.5 “Quality at Entry”; Page 4, ¶ 1: It is stated mid-paragraph that “[n]o prior needs assessment was conducted to determine the priority sectors to be targeted by the Project.” According to our records, one of the first tasks the PMO undertook was to conduct a complete needs assessment analysis, which included broad participation of NGOs, public and governmental stakeholders, and a literature review. This task was begun in August 1997 and was completed in February 1998. The specific goal of this needs assessment analysis was to determine priorities for sectors to be targeted by the Project.
4. §3.5 “Quality at Entry”; Page 4, ¶ 1: It is stated in the final sentence of the paragraph that “the capacity of PMO/WAC in managing grant awarding schemes was over-estimated and the technical capacity of staff at the time of the Project launching was not adequate to deal with effective project implementation.” According to our records, no key staff have been added to the project since its inception. Yet the achievements of the project clearly exceeded expectations, as is reflected in the Implementation Completion Report. These achievements were accomplished by the very same staff whose capacity is evaluated a bit critically in this paragraph.

In our view, there was a long “learning curve” for this project on the part of both the WAC/PMO and the Bank. This can be attributed to several factors, which indeed are acknowledged in the Implementation Completion Report:

- certain assumptions made in the planning stages were simply unrealistic;
- some parts of the project design were not fully developed, which created misconceptions and bottlenecks;
- new regulations were added and introduced after the project had begun implementation (e.g., addition of a Governance Committee);

As the Implementation Completion Report itself notes, the fact that WAC/PMO staff and the Bank adapted to these changes and evaluated, modified and streamlined procedures throughout course of the project reflects quite favorably on the quality of all staff involved, and not the opposite.

5. §4.1(A) “Outcome/Achievement of Objective”; Page 5, ¶ 1: It is stated mid-paragraph that “[m]ain reasons identified for the failure of some sub-projects in realizing their objectives related to ... lack of adequate monitoring on part of the PMO/WAC...” According to our records, the PMO monitored the Block Grants very closely and effectively.
6. §4.2(A) “Development/Block Grants and Hardship Grants”; Page 7, ¶ 1: It is stated in the second sentence “[t]he procedures developed by WAC/PMO for managing the grant-awarding

process proved to be lengthy and complex.” According to our records, these procedures were adopted to comply with the project design requirements of the World Bank. As the Implementation Completion Report goes on to note, over the course of the project, procedures were simplified and streamlined, to make the process more inclusive.

7. §4.2(B) “Capacity Building Grants and Research Grants”; Page 8, Chart, Column 3: It is stated that “688 NGOs received training in one or more of the following areas...” According to our records, 688 NGO *staff* received training in the mentioned areas. (Note: This same error is repeated in Annex 1, page 17, first chart, third column.)

In conclusion, in our view, the PNGO Phase I project was a unique project. Nothing like it had ever been attempted in the West Bank and Gaza before. Neither the Bank, nor the PMO, nor the stakeholders had ever had any prior experience with such a project. In addition, there were very high risks associated with the project, due in large part to the perceived and felt initial incompatibility of the stakeholders.

The steep learning curve and the inherent risks to the project were overcome through the extensive amount of time and effort invested by WAC/PMO and the Bank together. The success of the project is manifested in the partnership that has formed between the Bank, WAC/PMO, the NGO networks and the community. This indeed looked like an *impossible* task at the beginning of the project. The fact that the project succeeded should result in “Highly Satisfactory” ratings both for the WAC/PMO, as implementing agency, and also the Bank, which stood by the WAC/PMO every step of the way and ensured that the project would succeed. PNGO Phase I was an excellent learning experience for both WAC/PMO and the Bank. The knowledge and experience gained from the ongoing internal evaluation of the project throughout its lifetime are reflected in the significant improvements in the design of PNGO Phase II, which was correctly reflected in the report.

Thank you for soliciting our views on the Implementation Completion Report. We commend you for the extensive effort in the preparation of the report and the high professional standards by which it was prepared.

With warm regards.

Sincerely,

/ S /

Mohammed K. Shadid
Director
Project Management Organization

cc: Dr. Rafiq Hussein
Ms. Mira Rizek

(b) Cofinanciers:

Not available, although the Italians participated in the Stakeholders Workshop and provided inputs into the discussion, findings and recommendations.

(c) Other partners (NGOs/private sector):

In a Stakeholders workshop held on 26 May (Annex 8), project partners confirmed that PNGO was one of the most successful large scale projects to have supported the NGO sector in the West Bank and Gaza. They underlined its relevance and the timeliness of its implementation. They recommended that the Bank advocates more widely the project's achievements and that it contributes additional funding to a Phase III as seed money for mobilizing additional donor financing that was seen as critical for addressing the prevailing situation of high poverty rates and a huge demand for basic services.

The partners pointed to the following elements as having positively contributed to the project's success: its employment of consultative processes; its bringing together a wide range of stakeholders; its ability to reach out to the smaller NGOs and community based organizations; and, the diversity of the sectors that it supported. Among the project's weaknesses, the partners referred to the lack of cross-fertilization between the recipient NGOs, the lack of emphasis on the advocacy role of NGOs in policy making, the lengthy procedures of grant awarding process; the absence of clear monitoring indicators, and the little value added by partner international NGOs.

The partners highlighted the critical role played by the Bank in improving the relationship between the PA and the NGOs. They expressed their appreciation for the Bank's participatory approach and for the expertise it brought to the local context. They criticized the high turnover of staff and the absence of clear criteria for issuing No Objections. The partners thanked the PMO/WAC for its active cooperation with NGOs and they praised the transparency of its processes. They also referred to the usefulness of the Manuals that the PMO had helped develop.

10. Additional Information

Annex 1. Key Performance Indicators/Log Frame Matrix

Outcome / Impact Indicators:

Indicator/Matrix	Projected in last PSR ¹	Actual/Latest Estimate
<p>1. (a) Project helps address the needs of approximately 50,000 poor and marginalized Palestinians (b) Indicators of beneficiary satisfaction with services provided</p> <p>2. (a) Indicators of improvements in the program and financial management capacity of recipient NGOs (b) Estimated disbursements of \$0.9 million for NGO capacity building activities after 3 years and about \$1.5 million over the life of the project</p> <p>3. (a) definition of legal framework (b) passing the NGO law</p>	<p>1. a) Project helps address the needs of approximately 50,000 poor and marginalized Palestinians b) Indicators of beneficiary satisfaction with services provided</p> <p>2. a) Indicators of improvements in the program and financial management capacity of recipient NGOs b) Estimated disbursements of \$0.9 million for NGO capacity building activities after 3 years and about \$1.5 million over the life of the project</p> <p>3. a) definition of legal framework b) passing the NGO law</p>	<p>(a) The project has provided assistance to 305 NGOs and delivered services to 213,680 beneficiaries (b) Based on a sample of 72 projects, 71% of beneficiaries confirmed their satisfaction with services provided by the sub-projects (a) 688 NGOs received training and 29% of a sample of 72 interviewed confirmed that the project was critical in building their capacity (b) An estimated US\$1.1 million was spent on NGO capacity building activities, including research, over the life of the project (a) In January 2000, the NGO Law was passed and ratified by the Palestinian Legislative Council. A Ministry of NGO Relations was also established in the same year. (b) An International Conference on Promoting Cooperation between the PA and the NGO Sector was held</p>

Note: Outcome Indicators had not been updated in the PSRs.

Output Indicators:

Indicator/Matrix	Projected in last PSR ¹	Actual/Latest Estimate
Number of NGO projects per year/Estimated disbursement of US\$3.7 million for NGO development and hardship grants after 3 years, US\$11.8 million over the life of the project	Not projected	305 projects implemented at a total cost of US\$11.3 million (US\$7.7 million for development grants and US\$3.5 million for block grants). 98% of grant funds were committed by the end of the third year
Approximately ten major NGOs implement financial recovery programs	Not projected	This sub-component of the project was dropped due to the difficulty of prioritizing amongst NGOs that fit this category
Estimated disbursement of US\$0.9 million for NGO capacity building activities after 3 years, US\$1.5 million over the life of the project	Not projected	A total of US\$0.7 million granted to implement capacity building and training 688 NGO staff received training in one or more of the following areas: project identification and proposal writing; strategic planning; improved financial management systems and participatory needs assessment A detailed assessment of institutional capacity building needs of 8 NGOs was conducted
Regular project-level contact between the PA and NGOs on sectoral and project issues	Not Projected	A Governance Committee was established that served as a forum for regular exchange between the PA and NGOs on sectoral and project issues An International Conference was held on "Promoting Cooperation between NGOs and the PA"

<p>Estimated disbursement of US\$0.2 million in the first 3 years to assist with definition of legal framework and to establish mechanisms for enhanced technical communication and collaboration between NGOs and the PA</p>		<p>An NGO Law, that was generally acceptable to NGOs, was ratified by the Palestinian Legislative Council (amount of financing provided specifically for this cannot be defined)</p>
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¹ End of project

Annex 2. Project Costs and Financing

Project Cost by Component (in US\$ million equivalent)

Component	Appraisal Estimate US\$ million	Actual/Latest Estimate US\$ million	Percentage of Appraisal
NGO Development Grants (including Block Grants)	10.00	11.20	120
Hardship Grants	1.80	0.00	0
Capacity Building Grants	1.50	0.70	46
Project Management	3.50	2.80	80
Legislation (revised to include technical assistance)	0.20	0.40	200
Total Baseline Cost	17.00	15.10	
Total Project Costs Interest during construction	17.00	15.10	
Total Financing Required	17.00	15.10	

Note: It is difficult to ascertain the exact amount spent on developing the legislation as the total indicated in actual disbursements here includes technical assistance.

Project Costs by Procurement Arrangements (Appraisal Estimate) (US\$ million equivalent)

Expenditure Category	Procurement Method ¹			N.B.F.	Total Cost
	ICB	NCB	Other ²		
1. Works	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
2. Goods	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
3. Services (Technical Assistance)	0.00 (0.00)	0.00 (0.00)	1.70 (0.00)	0.00 (0.00)	1.70 (0.00)
4. Miscellaneous (Grants)	0.00 (0.00)	0.00 (0.00)	11.80 (0.00)	0.00 (0.00)	11.80 (0.00)
5. Miscellaneous (project management cost)	0.00 (0.00)	0.00 (0.00)	3.50 (0.00)	0.00 (0.00)	3.50 (0.00)
6. Miscellaneous	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
Total	0.00 (0.00)	0.00 (0.00)	17.00 (0.00)	0.00 (0.00)	17.00 (0.00)

The PAD did not include a detailed breakdown of total costs per procurement arrangement.

Project Costs by Procurement Arrangements (Actual/Latest Estimate) (US\$ million equivalent)

Expenditure Category	Procurement Method ¹			N.B.F.	Total Cost
	ICB	NCB	Other ²		
1. Works	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
2. Goods	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
3. Services (Technical Assistance)	0.00 (0.00)	0.00 (0.00)	1.10 (0.38)	0.00 (0.00)	1.10 (0.38)
4. Miscellaneous (Grants)	0.00 (0.00)	0.00 (0.00)	11.20 (8.05)	0.00 (0.00)	11.20 (8.05)
5. Miscellaneous (project management cost)	0.00 (0.00)	0.00 (0.00)	2.80 (1.57)	0.00 (0.00)	2.80 (1.57)
6. Miscellaneous	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
Total	0.00 (0.00)	0.00 (0.00)	15.10 (10.00)	0.00 (0.00)	15.10 (10.00)

For reasons provided earlier, it is not possible to ascertain expenditures as defined in the above table.

^{1/} Figures in parenthesis are the amounts to be financed by the Bank Loan. All costs include contingencies.

^{2/} Includes civil works and goods to be procured through national shopping, consulting services, services of contracted staff of the project management office, training, technical assistance services, and incremental operating costs related to (i) managing the project, and (ii) re-lending project funds to local government units.

Project Financing by Component (in US\$ million equivalent)

Component	Appraisal Estimate			Actual/Latest Estimate			Percentage of Appraisal		
	Bank	Govt.	CoF.	Bank	Govt.	CoF.	Bank	Govt.	CoF.
NGO Development Grants	6.80	0.00	5.00	6.40		4.80	94.1	0.0	96.0
Hardship Grants	0.00	0.00	1.80	0.00	0.00	0.00	0.0	0.0	0.0
Capacity Building	1.20	0.00	0.30	0.62		0.00	51.7	0.0	0.0
Project Management/Technical Assistance/Audit and Evaluation	1.80		1.70	2.60		0.25	144.4		14.7
Support for drafting Legislation	0.20	0.00	0.00	0.40			200.0	0.0	0.0

Annex 3. Economic Costs and Benefits

Not Applicable given the nature of the project

Annex 4. Bank Inputs

(a) Missions:

Stage of Project Cycle	No. of Persons and Specialty (e.g. 2 Economists, 1 FMS, etc.)		Performance Rating		
	Month/Year	Count	Specialty	Implementation Progress	Development Objective
Identification/Preparation					
Identification		3	Team Leader (1), Consultants (2)	S	S
Preparation		5	Team Leader (1) Consultants/Experts (4).	S	S
Appraisal/Negotiation					
Appraisal		15	Team Leader (1), Manager (1), Consultants (4), Peer Reviewers (4), Procurement Specialists (3), Legal Experts (2)	S	S
Negotiations		4	Team Leader (1), Deputy Resident Representative (1), Legal Experts (2)	S	S
Supervision					
08/17/1997		2	COUNTRY OFFICER (1); CONSULTANT (1)	S	S
11/05/1997		3	MANAGER (1); COUNTRY OFFICER (1); CONSULTANT (1)	S	S
02/25/1998		1	MANAGER	S	S
06/22/1998		2	MANAGER (1), NGO SPECIALIST	S	S
12/06/1998		4	TEAM LEADER (1); INSTITUTIONAL SPECIALIST (2); TASK MANAGER (1)	S	S
05/10/1999		4	TEAM LEADER (1); INSTITUTIONAL SPECIALIST (2); TASK MANAGER (1)	S	S
09/28/2000		3	NGO SPECIALIST/TASK TEAM LEADER (1); INSTITUTIONAL SPECIALIST (1); NGO SPECIALIST (1)	S	S
ICR					
06/10/2003		4	Team Leader (1), Consultant (1), Borrower Focal Point (1), Assistant (1)	S	S

(b) Staff:

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Stage of Project Cycle	Actual/Latest Estimate	
	No. Staff weeks	US\$ ('000)
Identification/Preparation		
Appraisal/Negotiation		
Supervision		
ICR	2	
Total		

Annex 5. Ratings for Achievement of Objectives/Outputs of Components

(H=High, SU=Substantial, M=Modest, N=Negligible, NA=Not Applicable)

	<i>Rating</i>				
	<input type="radio"/> H	<input type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input checked="" type="radio"/> NA
<input type="checkbox"/> <i>Macro policies</i>	<input type="radio"/> H	<input type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input checked="" type="radio"/> NA
<input type="checkbox"/> <i>Sector Policies</i>	<input type="radio"/> H	<input type="radio"/> SU	<input checked="" type="radio"/> M	<input type="radio"/> N	<input type="radio"/> NA
<input type="checkbox"/> <i>Physical</i>	<input type="radio"/> H	<input type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input checked="" type="radio"/> NA
<input type="checkbox"/> <i>Financial</i>	<input type="radio"/> H	<input type="radio"/> SU	<input checked="" type="radio"/> M	<input type="radio"/> N	<input type="radio"/> NA
<input type="checkbox"/> <i>Institutional Development</i>	<input checked="" type="radio"/> H	<input type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input type="radio"/> NA
<input type="checkbox"/> <i>Environmental</i>	<input type="radio"/> H	<input type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input checked="" type="radio"/> NA
 <i>Social</i>					
<input type="checkbox"/> <i>Poverty Reduction</i>	<input type="radio"/> H	<input type="radio"/> SU	<input type="radio"/> M	<input checked="" type="radio"/> N	<input type="radio"/> NA
<input type="checkbox"/> <i>Gender</i>	<input type="radio"/> H	<input type="radio"/> SU	<input checked="" type="radio"/> M	<input type="radio"/> N	<input type="radio"/> NA
<input type="checkbox"/> <i>Other (Please specify)</i>	<input type="radio"/> H	<input type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input type="radio"/> NA
<input type="checkbox"/> <i>Private sector development</i>	<input type="radio"/> H	<input type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input checked="" type="radio"/> NA
<input type="checkbox"/> <i>Public sector management</i>	<input type="radio"/> H	<input type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input checked="" type="radio"/> NA
<input checked="" type="checkbox"/> <i>Other (Please specify)</i>	<input type="radio"/> H	<input checked="" type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input type="radio"/> NA
 <i>Improved access to social services</i>					

Annex 6. Ratings of Bank and Borrower Performance

(HS=Highly Satisfactory, S=Satisfactory, U=Unsatisfactory, HU=Highly Unsatisfactory)

6.1 Bank performance

Rating

- | | | | | |
|---|--------------------------|------------------------------------|-------------------------|--------------------------|
| <input checked="" type="checkbox"/> Lending | <input type="radio"/> HS | <input checked="" type="radio"/> S | <input type="radio"/> U | <input type="radio"/> HU |
| <input checked="" type="checkbox"/> Supervision | <input type="radio"/> HS | <input checked="" type="radio"/> S | <input type="radio"/> U | <input type="radio"/> HU |
| <input checked="" type="checkbox"/> Overall | <input type="radio"/> HS | <input checked="" type="radio"/> S | <input type="radio"/> U | <input type="radio"/> HU |

6.2 Borrower performance

Rating

- | | | | | |
|---|--------------------------|------------------------------------|-------------------------|--------------------------|
| <input type="checkbox"/> Preparation | <input type="radio"/> HS | <input checked="" type="radio"/> S | <input type="radio"/> U | <input type="radio"/> HU |
| <input type="checkbox"/> Government implementation performance | <input type="radio"/> HS | <input checked="" type="radio"/> S | <input type="radio"/> U | <input type="radio"/> HU |
| <input checked="" type="checkbox"/> Implementation agency performance | <input type="radio"/> HS | <input checked="" type="radio"/> S | <input type="radio"/> U | <input type="radio"/> HU |
| <input checked="" type="checkbox"/> Overall | <input type="radio"/> HS | <input checked="" type="radio"/> S | <input type="radio"/> U | <input type="radio"/> HU |

As this was a grant to an NGO, the PA's implementation performance is not applicable. Similarly, since the borrower was not involved in preparation, this category is also not applicable.

Annex 7. List of Supporting Documents

1. Final Report - Preparatory Study for the Impact Evaluation of Phase I of the PNGO Project, WAC, Prepared by Khalid Nabris and Nisreen Khalaf, December, 2002.
2. Assessment Study for Identifying Capacity Building Needs for the NGO Sector in the West Bank and Gaza, Field Report, WAC, Prepared by Khalid Nabris and Tom Lent, January 2001.
3. Feasibility Study for A NGO Resource Centre in the West Bank and Gaza, Final Report, July 23 - August 5, 2000, Prepared by Tom Lent, October 2000.
4. Poverty and Marginality Indicators. A Report for the Department for International Development, Prepared by Jeremy Holland, April 1999.
5. Final Version - The Development of a Monitorable Project Impact Assessment System. Report of a Mission to the PNGO Project, Palestine, July 3-10th 2000, Prepared by Dr. N.P Chapman. Final Version Submitted October 30, 2000.
6. The World Bank and the Palestinian NGO Project: From Service Delivery to Sustainable Development, Executive Summary, Prepared by Denis J. Sullivan, May 2003.
7. Consultancy Report on the Governance Committee for the Palestinian Project Management Organization (PMO), Submitted by Jalal Abdel-Latif, October 2000.
8. World Bank Supervisory Mission to the Palestine NGO Project (4-13 July 1999) - Consultancy Report, Prepared by John Cameron, September 1999.
9. Supervision Mission Aide Memoires; March 1998, May 1998, December 1998, September 1999, January 2000, February 2000.
10. Mid-Term Review Report - The Palestinian NGO Project, Submitted by the Mid-Term Review Team , John Cameron, Liza Tarazi, Denis Sullivan and Laurie Zivertz, January 2000.
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18. Report on a Mission to Assist the PNGO Project to Prepare An Evaluation Study, Prepared by Gilroy Coleman, July 2001.
19. Assessment of the Financial Management System for Project Management Organization, Prepared by Ayman Abu Haija, July 1999.
20. Audits of Procurement in Palestine for the Palestinian Non-Governmental Organization Project, Audit Report, Prepared by Hisham Labadi, April 2001.
21. The Welfare Association Consortium PMO's Management Audit for 2000, August, 2000.
22. Final Report - Engendering the World Bank Palestinian NGO Project, Prepared by Suheir Azzouni and Dr. Nader Sa'id with the Assistance of Sophie Claudet, September 2000.
23. Using Poverty Maps to Target the Poor in West Bank and Gaza.
24. Mainstreaming Gender in the PNGO Project.

Additional Annex 8. Assessment of the Views of Project Stakeholders: A Workshop Report

1. Introduction

This workshop report summarizes the results of a one-day workshop, held on May 26, 2003, in preparation for the Implementation Completion Report (ICR) of Phase I of PNGO Project. This participative assessment aimed to draw on the views of project's stakeholders with respect to their assessment of: project design, the extent to which the project had succeeded in realizing its objectives, the effectiveness of the implementation process, the role of WAC, the role of the Bank, lessons learned and recommendations for the future. See annex 1.

In addition to the facilitator, fifteen participants attended the workshop, including representatives of 4 NGOs who received Development Grants, 3 Block Grant Managers, 3 members from the Governance Committee, one representative of the Italian Cooperation (co-funder), 3 senior staff members of the PMO and one representative from the Bank. It is worth noting that 8 others (including representatives of the Palestinian ministries) could not attend the workshop due to Israeli closures of Palestinian areas.

2. Results

A. *Project Design and Implementation*

Participants agreed that the PNGO project is the most successful large-scale project supported the Palestinian NGO sector. They indicated that the project was relevant to local needs, addressed a wide range of community priorities and was designed and implemented during a very difficult period when:

- (a) Poverty and marginality were increasing within the Palestinian society at a time when services to the poor and marginalized were decreasing;
- (b) NGOs were facing serious threats as a result of the shift of funding from NGOs to the PA. As a result, some of the NGOs were at the verge of total collapse;
- (c) Palestinian society was in a difficult situation: there was a lack of progress at the political level and serious deterioration in the economic situation; and
- (d) Relationship between Palestinian NGOs and the PA was tense.

Strengths

When asked to evaluate the design and implementation of the project, participants of the workshop mentioned the following strengths:

1. Project design and objectives were relevant to local needs. The three objectives of the project "expanding services to the poor and marginalized, capacity building of NGOs and supporting efforts to improve the working relationship between NGOs and the PA", were relevant and addressed priority needs.
2. The project enhanced the role of the Palestinian NGOs and contributed to building a base

for a healthy relationship between Palestinian NGOs and the PA.

3. The project succeeded in bringing together various stakeholders (the PA, Palestinian NGOs, NGO networks, the Bank, the Consortium of the Welfare Association, independent local and international consultants, etc.) to work together. Those bodies had limited previous experience in cooperation and coordination. The process helped NGOs to communicate with each other and to highlight their issues.

4. The project was designed, developed and implemented through a consultative process and participation of Palestinian NGOs. NGO involvement was enhanced through the participative methods that the Bank used to assess needs.

5. One of the important achievements of the project was the ability to reach small organizations through a pioneering model of delivery of services that targeted isolated and underprivileged communities. Through the Block Grant Scheme, the project provided large NGOs and Community Based Organizations (CBOs) with the opportunity to cooperate together, thus expanding the ability of individual projects to reach the largest number of locations and beneficiaries.

6. The management of the project proved to be both effective and efficient. Some of the examples given include developing an effective process for field monitoring and support to projects, establishing effective and accountable financial control procedures, showing understanding of the difficult conditions that the NGOs were experiencing, etc.

7. The project faced a number of serious challenges resulting from internal factors such as tension between the PA and NGOs, overcoming the issue of conflict of interest among members of the Governance Committee. External factors included the drastic change in the political and socioeconomic conditions, or the risk of working in Jerusalem.

8. The interaction between local and international experts during the NGO Conference was successful, especially in analyzing challenges faced by Palestinian NGOs, issues which will be discussed during the second conference.

9. The project succeeded in building a transparent grant-awarding system including the development of application forms, user manuals, workshops to guide NGOs on applying for funding, etc. This has created high standards of professional ethics and increased project credibility.

10. The diversity of sectors supported increased the beneficiaries of project activities.

Weaknesses

When asked about the weaknesses of the project, participants mentioned the following:

1. The involvement of international organizations in the Block Grant Scheme was not always

successful and in some cases, their contribution was minimal.

2. There was no coordination among Block Grant Managers on specific assignments, i.e, on “who was doing what and where”. More than one organization worked in the same geographical region and in the same sectors without coordination, creating unnecessary overlaps and competitive situations. In addition, no mechanism for cross fertilization of ideas and experience among Block Grant Managers and their partners was established.

3. The original objective of “eradicating poverty” confused the direction of the project. Addressing such an unrealistic and ambitious objective was beyond the capacity of the project. Further clarifications were needed regarding the role of the project in poverty eradication, i.e. through expanding services to the poor and marginalized.

4. No clear definition of poverty and marginality was established, discussed and agreed upon among the various stakeholders. It was therefore difficult to know the percentage of the poor and marginalized that the project served or to assess how they were served.

5. The Governance Committee focused on project management issues and played a minor role in advocating NGO issues and creating mechanisms for improving coordination and cooperation between the PA and NGOs. It included representatives of NGO networks, Palestinian Ministries, the Welfare Association Consortium. The Bank provided an opportunity and a forum that could have been utilized to discuss issues such as deep-rooting the work of NGOs, strengthening NGOs role in building a civil society, the relationship between NGOs and the PA and their complementary roles, etc.

6. While a strong, transparent grant awarding system was developed, its mechanism required a long period of time and a complicated process before the grant was actually awarded. The process included developing an application, a desk and field assessment of the application, selection of projects by a Technical Appraisal Committee review, by the Governance Committee, and obtaining “No Objection” from the Bank and the Ministry of Planning.

7. Evaluation was not given sufficient attention at the beginning of the project and during its implementation. There should have been good baseline data, indicators, means of verification against which project impact is measured. This has been addressed during Phase II (Management Information System, indicators, etc.)

Challenges

The PNGO project faced a number of challenges that affected its implementation, some of which are as follows:

1. Drastic changes in the political and socioeconomic situation resulting from confrontations between the Palestinians and the Israelis. The project was designed with the assumption that the peace process could result in a Palestinian State and that the political and socioeconomic situation will improve. Stakeholders of the project failed to predict/forecast that the peace process would

regress and be replaced by violence and a deterioration of the socioeconomic situation. Such a development was a risk that was not adequately addressed and which ultimately has created serious challenges to project implementation. However, the project adapted well to the situation and built effective coping mechanisms.

2. The selection of marginalized areas was based on a poverty report, which prioritized the northern region of the West Bank and Gaza. With the significant changes that took place since the beginning of the Intifada and the various Israeli repressive policies and measures, marginality and poverty changed. Poverty has been spread throughout all Palestinian areas. Project assumptions regarding the distribution of poverty may no longer be valid.

3. CBOs are very weak. Some are not registered and do not have a Board or a track record. No election of boards had been carried out since 1999 in the vast majority of CBOs and supporting such organizations represented a challenge to the project. In addition, it was assumed that NGOs would be able to carry out participative needs assessments and to engage beneficiaries and local community in the process, but this was not the case. Most NGOs did not have the capacity or technical skills to carry out such assessments nor to involve the local community in decision making.

4. Competitive bidding limited the ability of small organizations to compete with large or well-established organizations. Therefore, the project had to make the assumption that large organizations would be able to serve the poor through the Block Grant scheme.

B. Objectives, Outputs and Outcomes

Overall Project Achievements

The PNGO project supported a thorough evaluation aimed at assessing project outputs and outcomes through a beneficiary assessment. The following section summarizes perceptions and impressions of the workshop participants:

- (a) Participants expressed their satisfaction with the overall performance and achievements of the project, especially the performance of the development grants and block grants projects.
- (b) Cooperation between large NGOs and CBOs has expanded the scope of the project to reach new geographical areas and target groups.
- (c) A large number of projects in various locations were supported.
- (d) Less satisfaction was reported at the level of the capacity building component (see below).
- (e) By giving more attention to the service delivery component, the project was influenced by outputs rather than outcomes.

Capacity building

Participants agreed that the capacity building component of the project was weak, poorly designed and implemented. The following comments and observations were given:

1. Capacity building was not fully integrated in the project plans. It suffered from the absence of a clear and realistic design and lacked clear objectives, outputs, indicators and outcomes.
2. Capacity building was limited to training and focussed on human resource development and not institutional development. Training activities focused on how to enhance service delivery rather than strengthening the institutional capacity of NGOs. Therefore, most training activities focused on areas linked to project cycle. Strengthening the role of NGOs, especially CBOs, should have gone hand in hand with the service delivery.
3. Participants indicated that the results of the work carried out by various consultants recruited by the PNGO Project were not circulated to, or discussed with NGOs and thus reduced the learning process. Other participants reported that they believe that some of the studies were not objective and rather than providing recommendations that promote cooperation and common understanding, they gave biased opinions.
4. Some of the international experts were excellent. However, there is a feeling that the project focused more on utilizing the services of international consultants whereas utilizing the services of local experts could have promoted local capacity building.
5. The project built unique and rich experiences. Unfortunately, none of the stakeholders documented such experiences and lessons learned and shared them with others.

Sustainability

1. Participants indicated that the issue of sustainability was treated by the project as a process; without a vision, mechanisms or plan. In addition, the focus on developing an effective service delivery to the poor and marginalized communities reduced the potential sustainability at the project and program levels. For example, many of the Block Grants were small, between \$5,000 and \$15,000. The duration of the vast majority of projects was short, 6-9 months and as such, their sustainability might be unrealistic. The following provides a summary of the views of the workshop participants regarding the sustainability of the project:

- (a) The availability of project governance and management structures would increase the manager .
- (b) Development of grants awarding mechanism and a rich professional and technical experience.
- (c) Strong commitment to, and feelings of ownership of the project by NGO networks.
- (d) A consensus among NGOs that the project should continue. Participants of the workshop indicted that the rationales for the continuation of the project are stronger and more pressing now than when it was initiated. Following the political crisis during the last three years, NGOs are

weaker than before, the economic and political situation is worse, external support has not expanded, poverty levels have reached alarming rates, community needs are greater, some donors are focusing on capacity building and ignoring service delivery, others focus on relief services and not on development projects, etc. According to some studies, even if funding were available, the Palestinians might need 3-4 years to re-build what has recently been destroyed and hence place them in a situation similar to that prior to the Intifada. USAID and the German projects will be completed soon. This points to the need for expanding project duration beyond Phase II

2. The technical assistance provided by the Bank was very important and should continue. NGOs should request the Bank to seriously consider extending its support after Phase II is completed.

3. During Phase II, developing the institutional capacity of Palestinian NGOs should be prioritized to promote sustainability.

4. An effective advocacy plan should be developed to convince the PA of the need for project continuity and the importance of establishing dialogue with NGOs representative in various sectors.

5. The project established a good reputation which encouraged more donors such as the Department for International Development (DFID) and Agence Francaise de Developpement (AFD) to channel their funding to NGOs through the project. Possibilities for attracting other donors should be explored.

C. The Role of the World Bank and the PMO

The Role of the World Bank

Participants indicated that the Bank has played a very positive role in supporting the project and commented as follows:

- (a) The Bank introduced the project at a critical period of time. NGOs were in a bad need for such a project.
- (b) The project was developed through a participative process and through consultation with NGOs.
- (c) The Bank played an active role in supporting efforts aimed at improving the relationship between the PA and NGOs.
- (d) The technical support and contribution of the Bank is highly appreciated.

Negative comments received regarding the Bank's role were:

- (a) The high turnover of Bank staff that followed up the project, reduced the stability in the relationship with the Bank.
- (b) Criteria for granting the “No Objection” to projects were not clear. More than 4 projects were rejected without clear justifications.

- (c) It has been felt during the process of project development that the Bank has a design in mind and was pushing NGOs towards that design.
- (d) The Bank was less receptive to the political needs of the Palestinian NGOs.
- (e) The Bank could have facilitated more investment in the project by encouraging more donors to support the project.

The Role of the PMO

Participants indicated that they were satisfied with the role played by the PMO. The following positive comments were given:

- (a) The PMO played an important role in the follow up and support to project activities.
- (b) Staff members were cooperative and sensitive to the needs of NGOs and understandable of the challenges they face.
- (c) The PMO has maintained a high level of financial accountability.
- (d) The manuals forms and application process was very useful to NGOs. According to the PMO staff, even NGOs that did not get funding contacted the PMO and indicated that they have learned a great deal through the engagement in the application process.

The main negative comment given about the performance of the PMO is the slow processing of applications.

D. Lessons learned

Following is a summary of lessons as reported by workshop participants:

1. The broad-based cooperation and dialogue among NGO networks and between NGOs and the PA were very useful in improving the working relation. The continuous dialogue has enriched the experience during Phase I and improved the design of Phase II.
2. Project sustainability should have been given sufficient attention.
3. The NGO conference was very useful. The interaction between local and international experiences was very useful in enriching local knowledge. Palestinian NGOs should benefit more from international experience.
4. Capacity building should be highlighted and become an integral component of the PNGO project.
5. Needs assessment should be given sufficient attention in all supported projects. This will help in developing sound project that address the real needs of the poor and marginalized.
6. Realistic objectives and indicators should be formulated at the program and project levels.

E. Phase II

Participants of the workshop were pleased that many of the weaknesses of Phase I were addressed in design of Phase II. The following examples were given:

1. Capacity building and sector support became a core component of the project. Scope and

objectives became clearer. Implementation mechanisms are more effective. Capacity building will focus on institution and sector support.

2. More attention was given to develop stronger project design. Realistic objectives and indicators were developed.

3. Evaluation was given special attention, especially developing MIS, indicators, etc.

4. The role of NGO networks in project design is stronger. Through the establishment of a Supervisory Board, NGOs will be able to play a leading role in the design and implementation of the PNGO Project. In addition, the Board is responsible for advocating NGOs issues, creating mechanisms for improving coordination and cooperation between the PA and NGOs and strengthening dialogue between the two bodies.

5. Mechanisms for coordination among Partnership Grant managers were established at an early stage. This should improve their performance and decrease duplication of work. All Partnership Grant managers are Palestinian NGOs.

6. Partnership Grant scheme was expanded in terms of scope and allocated funds. This would enable the PNGO Project to reach more underprivileged communities and to support small NGOs.

F. Recommendations

The following section provides a summary of the recommendations provided by the participants and those of the consultant:

1. The political crisis and the deteriorated economic situation, which had dire social consequences during the last three years, highlight the need to redefine “poverty”, “marginality” and “poor and underprivileged areas” through assessments and studies. Old project assumptions are not valid anymore.

2. There is a need to develop a learning environment within the project. Mechanisms for sharing and generalizing successful experiences should be established. For example, horizontal coordination and cooperation among Partnership Grant managers should be established.

In addition, special attention should be given to develop mechanisms for increasing the relevance, impact, sustainability and ownership of programs through developing the capacity of NGOs to positively interact with their communities and building effective ways to increase authentic community participation in all phases of the program cycle: diagnosis, concept, planning, implementing, monitoring, evaluation, systematization and to document and share their experiences. Creating such an environment for learning should be integrated in the project design for Phase II.

3. Organizations have unique visions, spirits and systems...each has its own power relationships, patterns and forces that contribute to its good and bad health. So far, the Capacity Building program of the PNGO project has focused mainly on the delivery of training workshops/courses for NGOs that have received grants. Experience has shown a need for expanding and deepening the concept, approaches, and mechanisms for capacity building. If it is to become a meaningful component of the project, it has to go beyond just training and enhancement of managerial capabilities. Capacity building should give more attention to develop the concept of “institutional building”. Effective plans with clear and specific objectives; outputs,

outcomes and indicators should be developed.

It should not be defined through the instruments used, but through its goal to enhance the capability of people, communities and institutions in improving their competence, problem-solving skills, their efficient and effective use of existing potential and capacities, and the creation of new potential. It requires an enabling environment and nurturing conditions. It requires participatory approaches to program design and implementation, local ownership, decentralized management, flexible instruments and procedures, new performance and evaluation criteria, and specialized skills, etc

4. The project should give special attention to the evaluation component. Baseline data, specific outputs, outcomes and indicators should be established at the program level and at the project level.

5. NGOs will be asked to give more during the coming years: deliver more efficiently and effectively better services to more people in more places; provide relief services; contribute to the construction of a diverse, democratic and vibrant civil society; help form a political culture that respects and defends human rights and diversity while creating organizational cultures that do the same; contribute to policy reform; facilitate the empowerment of poor communities and the marginal populations without creating dependency; work in the macro without forgetting the micro; work in the micro without forgetting the macro. The PNGO project should develop effective plans to address such issues.

6. NGOs strongly recommend that the World Bank and the Welfare Association Consortium continue their support beyond Phase II. While it is recommended that the Bank and the Welfare Association Consortium seriously consider such a request, it is highly recommended that NGO networks come up with a concrete plan for institutionalizing the project beyond Phase II and to develop a sustainability plan that might encourage other donors to support the project.

List Of Confirmed Participants to the ICR Workshop - May 26 , 2003

Name	Organization	Position In Organization	In Capacity Of
1. Ms. Ola Diab	Patient's Friends Society Abu Rayya Rehabilitation Centre	Projects Manager	DG Recipient
2. Ms. Nadi Qar'a	The Arab Orthodox Society: Four Homes of Mercy	Treasurer	DG Recipient
3. Asia Habash	Early Childhood Resource Centre	Director	DG Recipient Consultative Committee for Phase I
4. Mr. Khaled Hidmi	Union of Agriculture Woks Committees	Director	DG Recipient
5. Mr.	Catholic Relief Services	Director of	BG Recipient

Nabil Handal		Operations	(CRS/WATC/PHG) Member of Consultative Committee for Phase II
6. Mr. Sami Khadder	Ma'an	General Director	BG Recipient (Ma'an / World Vision)
7. Ms. Buthaina Sha'bani	PCMD	Program Manager	BG Recipient
8. Dr. Allam Jarrar	UPMRC		Member of Consultative Committee PNGO II
9. Dr. Suleiman Khalil	Palestine National Institute for NGOs	President	Member of Governance Committee
10. Dr. Fathi Darwish	One Voice	Executive Director	Ex-official of MOPIC
11. Mr. Izzat Abdel Hadi	Bisan Center for Research and Development /PNGO	President	Member of GC
12. Ms. Arda Batarseh	Italian Cooperation	Liaison Officer Italian Cooperation /WA	Italian Government

Workshop Agenda

10:00-10:15	Welcoming remarks Introduction to the workshop Review of Agenda
10:15-11:30	Session 1: Review of Project Design and Implementation
11:30-11:45	Coffee Break
11:45-12:30	Session 2: Review of Project Outputs and Outcomes
12:30-13:30	Session 3: Lessons Learned and Recommendations for Future
13:30-14:30	Lunch

Guiding Questions

Session 1: Review of Project Design and Implementation Design

1. How do you evaluate the PNGO project in terms of:
 - (a) Its design (DG, BG, Capacity Building)
 - (b) Implementation of each component (DG, BG, Capacity Building)
2. What factors have positively affected the implementation of the project?
3. What factors have negatively affected the implementation of the project?
4. What are the obstacles that beneficiaries faced during the implementation of project activities and what methods were used to overcome those obstacles?
5. How do you evaluate the role and performance of the World Bank in terms of:
 - (a) Responsiveness to issues related to project in a timely and effective manner.
 - (b) Consultative approaches
 - (c) Bringing international experience
 - (d) Supervisory role
6. How do you evaluate the role and performance of the PMO in terms of:
 - (a) Selection of projects

- (b) Project follow up and support
- (c) Responsiveness to concerns of NGOs
- (d) Other issues

Session 2: Review of Project Outputs and Outcomes

1. To what extent has the project been successful in meeting its objectives?
2. To what extent has the project contributed to capacity building\strengthening of beneficiary NGOs and the NGO sector in general?
3. To what extent has the project design remained relevant after the major socio-political changes that took place during the last three years?

Session 3: Lessons Learned and Recommendations for Future

1. What are the lessons that can be learnt from Phase I PNGO project experience?
2. What are the factors that might increase the potential sustainability of the project?
3. To what extent has the design of Phase II benefited from Phase I experience and took into account lessons learned?
4. What recommendations can you make to improve the overall performance of the PNGO project during Phase II?

IMPLEMENTATION COMPLETION REPORT

PALESTINIAN NGO PROJECT I

WEST BANK / GAZA

PREPARED BY THE PROJECT MANAGEMENT ORGANIZATION

SUBMITTED TO THE WORLD BANK

11 JUNE 2003

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1. Project Background

In the early 1990s, funding for the NGO sector in the West Bank and Gaza declined substantially, due to two main causes: the first is the Gulf War, which caused a loss of some Arab sources of funding; and the establishment of the Palestinian National Authority (PNA), which caused a shift of funding to the PNA by many donors who had previously been the primary supporters of the NGO sector. The World Bank's Project Appraisal Document published in 1997 stated that "by 1994, the first full year of the Oslo process, external support contracted to perhaps \$90 million, and fell further to about \$60 million in 1995 and 1996 - a loss in external revenue between half and three quarters during a six-year period." World Bank, "Project Appraisal Document on a Proposed Trust Fund Grant in an Amount of \$10 Million to West Bank and Gaza for the PNGO Project," 19 June 1997.

Nevertheless, despite the post-Oslo funding shift, which had been made in the expectation that the PNA would take up much of the work previously performed by NGOs, the NGO sector continued to find itself providing a large share of health care services, early childhood and special education services, agricultural support services, low cost-housing programs and micro-enterprise support services in the West Bank and Gaza. Since Oslo, the increasing stagnation of the Palestinian economy, combined with the reduced funding available for the NGO sector, has led to real hardship among the poor and disadvantaged sectors of the population where NGOs have been most active.

In response to this situation, the World Bank embarked upon a groundbreaking project to support NGOs directly in 1997 – the Palestinian NGO Project ("**PNGO Project**"). The project was tendered for international bidding, and a consortium called the Welfare Association Consortium ("**WAC**") – made up of the Welfare Association (lead agency), the British Council (partner agency) and Charities Aid Foundation (partner agency) – won the bid for the management of the project. An agreement between the Welfare Association, as lead agency of the WAC, and the World Bank was signed on 11 July 1997 (Ref. #16696 GZ).

The three partners formed a Project Management Organization ("**PMO**"), that was charged with responsibility for planning and managing the project. On day-to-day issues, it was envisaged that the PMO would be supervised by a Steering Committee made up of the three partners, which would also manage inputs from the three partners. The PMO was also governed by a Supervisory Board composed of representatives of the three partners, as well as NGO and civil society representatives, and one donor. The representative from the Dutch Government in actuality only attended one meeting and after departure, this position was never filled. The World Bank and MOPIC, the counterpart for the PNA to the project, were also observers in the Supervisory Board.

The PNGO Project was designed as a six-year project. Upon the completion of the first

three-year phase (“PNGO I”), a Mid-Term Review was scheduled to assess the relevance, performance and effectiveness of the project and the potential for extension. On the basis of the Mid-Term Review, the first phase of the project was extended for one year during which the design of Phase II was completed. Starting July 2001, the second phase of the project (“PNGO II”) was initiated.

2. Development Objectives as Outlined in the Project Appraisal Document of 1997

Although the proposed budget in the Project Appraisal Document (“PAD”) developed for the PNGO Project in 1997 was set at \$17 million, with \$.7 million anticipated to come from local contributions, in actuality PNGO I ultimately operated on a budget of \$16.36 million, which came from four different funding sources, namely:

	<u>Millions of \$’s</u>
IDA	11.00 (including additional \$ I million as Emergency Grants)
Italian Government	2.56 (including accrued interest)
Saudi Fund	2.50
Welfare Association	0.30 (For Grants and PMO Development Plan)

The PNGO Project ties in with the World Bank’s Country Assistance Strategy (“CAS”) objectives for the West Bank and Gaza, namely:

- **Poverty alleviation:** Provision of social services to poor and needy throughout the West Bank (including Jerusalem) and Gaza; and
- **Promotion of Good Governance:** Facilitate passage of laws and implementation of policies that promote transparent economic management and decentralization of responsibility for economic development.

The Project Development Objectives as outlined in the PAD were:

- a. To deliver services to the poor and marginalized in Palestinian society, using the NGOs as a delivery mechanism.
- b. To improve the institutional capabilities of NGOs receiving grants under the project.
- c. To support efforts by the PA and the Palestinian NGO sector to strengthen their working relationship, including support for the development of a positive legal framework for the sector.

3. Project Achievements as Compared to the Project Objectives and Outputs Outlined in the Logical Framework

On the operational level, the Project had five major components:

Component 1: “Development Grants” vs. “Block Grants.” Development Grants, which ranged from \$25,000 to \$200,000, were awarded directly to NGOs for direct implementation of their program work. In contrast, Block Grants were designed to be

awarded to more well-established NGOs, for sub-granting to smaller and more community-based organizations.

Component 2: “Hardship Grants” were proposed in the PAD to be provided to selected NGOs that provided valuable services yet faced financial difficulties.

Component 3: “Capacity Building Grants” and “Research Grants.” Capacity Building Grants were designed to be awarded to qualified institutions or individuals conducting capacity building activities for NGOs related to project planning, management and monitoring. The Research Grants were designed to support research projects that would improve information and analysis of the NGO sector and/or benefit NGO relations with the PA.

Component 4: Support for the development of NGO legislation and enhancement of PA-NGO Relations

Component 5: Project management component, for costs to the PMO in undertaking its tasks, including hands-on technical assistance to NGOs receiving grants, project audits and evaluation studies.

The table below summarizes the PNGO I funds committed to the different components as of 19 May 2003. All funding is committed except part of the Welfare Association’s share in Technical Assistance which is being carried forward for PNGO II (\$143,180 committed out of \$200,000).

ITEM	SAUDI FUND	ITALIAN	IDA	Welfare Association	GRAND TOTAL
Development Grants	1,950,011	1,865,684	3,930,720	100,000	7,846,415
Block Grants	300,000	700,000	2,455,675		3,455,675
Capacity Building Grants			350,168		350,168
Research Grants			269,008		269,008
Emergency Grants (Through PECDAR)			1,000,000		1,000,000
Technical Assistance (including NGO Conference)			379,317	143,180	579,317
Project Management Fees	250,000		2,556,206		2,806,206
TOTAL	2,500,011	2,565,684	10,941,093	243,180	16,249,969

3.1 Project Achievements in Comparison to the Objectives Specified in the PAD of 1997

For the first three years, and as outlined in the PAD, PNGO I was managed by the PMO, established by the Welfare Association Consortium. The PMO's responsibilities are:

- Overall project management and coordination.
- Managing the project's grant cycles.
- Disbursing grants.
- Supervising all grants and other activities.
- Providing training and hands-on technical assistance for recipient NGOs.

On the operational level, the project achieved the following:

a. *Production of an Operations Manual:* This was the first task undertaken by the PMO. This document detailed PMO objectives, structure, and grant packages – including procedures, policies and reporting and evaluation formats. The document was developed through extensive consultations with the PA and the NGO sector, and ultimately received the approval of the World Bank. In hindsight, it is clear that the time and effort needed for performing this task was greatly under-estimated. Although the Operations Manual took roughly six months to draft, refine and revise, the process by which it was produced was highly commended as a model for a participatory process. Unfortunately, the process caused a delay in the final production of the manual, which was the main reason why the World Bank initially put the PNGO project on a list of projects considered “at risk.”

b. *Management of Grant Cycles:* The PMO advertised and successfully managed three cycles of Development Grants and one cycle of Block Grants. An extensive participatory (community-level) Needs Assessment study was completed by the PMO prior to advertising the first grant cycle. The Needs Assessment study was then updated on a regular basis through rapid re-assessments, and somewhat longer participatory re-assessments, in addition to specific sector research for Jerusalem and Gaza.

c. *Facilitation of the Formation of the Governance Committee:* A few months after the start of implementation of PNGO I, the World Bank promoted the idea of expanding WAC's Supervisory Board to include the NGO networks. Despite the conflict that existed between the PA and the networks at the time, and even amongst the networks themselves, the PMO succeeded in establishing the Governance Committee during the period of PNGO I, which became the basis for the formation of the Supervisory Board for PNGO II.

d. *Provision of Technical Assistance to NGOs:* The PMO recruited technical staff with extensive experience in NGO and community development work. The NGOs themselves assessed the PMO's technical assistance as being an indispensable and substantive component of the grants.

e. *The International Conference on NGO- Governmental Relations:* The idea of the conference was also developed and added to the tasks of the PMO. It was viewed as a

success in terms of bringing the PA and the NGOs directly together to discuss policy issues that were both extremely relevant and urgent. The conference also managed to bring international and regional expertise to the NGO sector, which provided a platform for sharing experiences from other countries.

f. Ongoing Reporting: The PMO submitted regular financial and progress reports to the World Bank, the PA Ministry of Finance, and to donors. The PMO additionally facilitated the annual financial and management audits, as well as the Mid-Term Review and the Impact Assessment. Extensive preparations were done, and several concept papers were produced for these purposes. The role of the PMO has consistently been: to identify community-level needs; to produce Terms of Reference (“**TORs**”) for projects to deliver services needed to address the identified needs; to procure consultants’ services, when necessary, to assess needs and performance; to coordinate and facilitate consultants’ work; and to facilitate stakeholders’ inputs.

In the Supervision Mission, carried out in July 1999 by a team of consultants recruited by the Bank, and the Mid-term Review of January 2000, it was noted that to a large extent, although not fully, the indicators set forth in the project as a measure of fulfillment of objectives had been met. (Cameron, J., Consultant’s Report, 1999).

Nevertheless, in relation to the three development objectives specified in the PAD, the achievements of PNGO I *exceeded* the expected or targeted outputs in the Grants and Capacity Building components. Additionally, the activity implemented under the third component contributed positively to the strengthening of the relationship between the PA and the NGO sector, although it shifted from its original focus on the regulatory framework.

More importantly, the project became a model for many donors to replicate. It is very important to mention that subsequent to the PNGO’s establishment, USAID created the “Tamkeen” project as a project of support for the NGO sector, and the German Government funded Nauman Friedrich Foundation for an NGO trust fund, denoting that more donors responded to the extensive needs of the NGO sector. More importantly, the PNGO project became the model of replication for all these projects being the pioneering trust fund project for the NGO sector in West Bank and Gaza.

3.2 The Grants Program: Development and Block Grants

In the PAD, it was specified that between 50 and 150 NGO projects would be implemented over the life of the project, i.e. the full six years. Yet, from July 1997 to July 2001, 305 NGOs were actually supported through the Development and Block Grants. Out of these, 186 were implemented in the West Bank (63%), 103 were implemented in the Gaza Strip (35%) and four were implemented at a national level (1%). Two-thirds of the 305 projects were supported through the Block Grants scheme, and 103 Projects were supported directly through Development Grants.

In the PAD, the expected output was to address the needs of 50,000 poor and

marginalized Palestinians. In the evaluation report for PNGO I, the project is estimated to have reached 213,680 beneficiaries. However it is not clear exactly what percentage of these beneficiaries comprise poor and marginalized members of Palestinian society, since the PAD never included a clear definition of “poverty” or by what standards this status should be assessed.

In relation to Recovery (originally called “Hardship”) Grants, the expected output was that NGOs suffering financial difficulties would achieve greater financial sustainability. Given that this component was canceled, there were no tangible outcomes or outputs.

According to the PAD, \$6.6 million, or 56% of total allocation, was expected to be disbursed in three years, and the full \$11.8 million after six years,. The Project actually managed to disburse \$10.4 million, or 93% of the allocation, in the first three years alone. This prompted the Bank to move quickly towards the end of Phase I to solicit new resources for the second phase.

In addition to Block Grants and Development Grants, a new sub-component – namely the “Emergency Grants” – developed in the third year, which also were channeled through, and thus managed directly by, the PMO. The additional funding came from the Holst Fund, managed by PECDAR. The PMO designed the grant package – including proposal formats and appraisal systems – and managed the granting cycle for this new component for no additional management costs or charges.

The table below summarizes the level of expenditures, number of grants supported and the amounts disbursed of the total allocations for the Development and Block Grants only.

Cycle	# of Projects	Total Allocation \$	Disbursed \$	Balance \$
Development Grants				
Cycle 1	39	1,828,690	1,816,526	12,164
Cycle 2	35	3,320,198	3,189,926	130,272
Cycle 3	35	2,639,223	2,394,465	244,758
Block Grants	196	3,453,750	3,415,960	37,790
TOTAL	305	11,241,861	10,816,877	424,984

3.3 Capacity Building and Research Grants

Initially, the capacity building (“CB”) component was designed to target grant beneficiaries, and thus the delivery of this component followed the granting cycle. To a large extent, the CB component, by design, was confined to general training and specialized technical assistance. In addition to the twelve training workshops carried out, two pre-investment programs were also financed by the CB component. These comprised participatory rapid appraisals and research

projects that were carried out by consultants to identify priority needs in both Jerusalem and Gaza. It became obvious by the second cycle that most NGOs were not able to come up with project proposals that clearly responded to community needs but were rather driven by the supply of funds allocated for the regions or sectors.

Under the CB component, 19 training workshops were conducted and nine research projects supported. The total number of beneficiaries trained were 688 NGO staff in West Bank and Gaza. They were trained in areas that were identified by the NGOs themselves as priority areas, as well as fields that would improve directly the management of grants and projects by these NGOs.

In the PAD, \$1.0 million was allocated to the capacity building and research grants in the first three years, and \$1.5 million for the full six years. By the end of the second year, the PMO developed a revised concept paper for the Capacity Building component in which a greatly broadened scope, a diversified methodology and an innovative implementation strategy were proposed. Unfortunately, the World Bank's approval of that concept paper was obtained as the project was about to end. \$350,168 was spent on capacity building and \$269,008 spent on the nine research projects – for a total of \$620,637 – from 11 July 1997 to July 2001. The remaining balance of \$665,379 was thus shifted from the capacity building component to financing the management cost for the transitional extension period of the project, with the remaining \$240,445 being allocated to grants.

3.4 Strengthening of PA/NGO Working Relationship, and the Legal Framework for the NGO Sector

Despite the fact that the PNGO Project allocated funds for the development of the regulatory framework for NGOs, the funds ultimately were shifted to the NGO conference. This shift came about due to the fact that the NGO networks were already carrying out this task and were resourced to do it.

The conference, titled “Palestinian Governmental / NGO Relations: Cooperation and Partnership,” was fully financed and managed under PNGO I. The PMO recruited specialized staff for this event who facilitated the work of the Conference Committee.

4. Major Factors Affecting Implementation and Outcomes

There were several positive and negative factors that affected the implementation and outcomes of PNGO I. These are listed below, starting with the more positive factors.

4.1 The Expertise and Resources of the PMO (Consortium and PMO staff)

One of the main strengths of the Welfare Association Consortium is that its PMO has been staffed with qualified staff who possessed extensive NGO experience, quality technical expertise, and commitment to be able to respond to different and/or changing needs. Thus, staff have been able to shift between different roles, for example from being direct implementers to facilitating implementation at the NGO level. Additionally, the resources allocated and/or identified by the

WAC partners were instrumental in defining the vision and formulating the implementation and management strategy for Phase I. The members of the Steering Committee – including those representing the British Council (Prof. Mike Hardy), and CAF (Ms. Christine Forrester and Mr. Ian Bell)– contributed substantially to the success of PNGO I.

4.2 The Dichotomy Between Poverty Alleviation and Service Delivery

The Project has been classified as a “poverty alleviation” project. In effect, it is a service delivery project targeted for the poor and marginalized sectors of Palestinian society, rather than a project designed to address the root causes of poverty. The funds allocated for the project could in no way have substantial impact on poverty, and the project was not resourced to tackle root causes of poverty. Additionally, the logical framework for the project specified only the number of community members to be targeted by the services i.e. quantitative outputs, rather than any qualitative outputs denoting a process of participation and empowerment for the poor themselves. Since the project did not offer a clear definition of who the poor are, it was difficult to assess whether the project actually provided services to the poor themselves or not.

4.3 The Emphasis on Quantitative versus Qualitative Outputs and Processes

- a. The output indicators in the logical framework (“**log-frame**”) of PNGO I were purely quantitative and indicated only the levels of expenditures to be met within certain time-frames and for the different components, as well as the numbers of beneficiaries to be reached. The expected outcomes and processes were not listed. (See **Annex A**)
- b. This resulted in the under-estimation of the time and effort needed for certain tasks, especially since “a consultative and participatory process” was stipulated for the Project. The tension between “delivering the funds” and “engaging the NGO sector in a genuine participatory process” leading to building its capacity continued to exist throughout the project, and was not foreseen in the project design.

4.4 The Complexity of Project Procedures and Processes

PNGO I had different implementation modalities for the different components. Additionally, the grants were managed through granting cycles that were long and labor intensive. On the other hand, and given the high profile nature of this project, the World Bank requested that the process be both consultative and transparent, and as the Governance Committee evolved it took a major role in project review prior to the submission of recommended Projects to the Supervisory Board. All this has put an additional burden on the PMO staff, lengthened substantially the approval process, and required extensive documentation of the process. (See project Cycle in **Annex B**)

4.5 The Demand-Driven and Competitive Nature of the Project

Regarding the PNGO Project itself, stimulating market forces was the dominant modality in the PAD (WAC, Mid-Term Review Report, 2000). Thus grant cycles were advertised and

proposals solicited and appraised on a competitive basis. The assessment was divided into two parts, institutional and technical, the latter being related to the project itself.

Out of 854 project proposals submitted, only 38.52% succeeded in terms of the institutional assessment, and 13.11% got final approval. (See table, below.) This competitive process resulted in the larger and stronger NGOs being able to access the funds, versus the smaller, more needy and presumably more grass-roots and poverty-focused NGOs.

The “public advertising” process also raised expectations within the NGO sector. More than 850 NGOs submitted proposals and somehow expected that they would get funding. This created additional pressure on the PMO which was sometimes difficult to manage given the limited resources at the PMO, and forced the PMO to establish sophisticated but rational appraisal techniques to be able to justify dropping a huge number of proposals due to budget limitations. The appraisal process – which was supposed to take around 4 weeks – ended up consuming at least 8 weeks of staff and committee time. The table below shows the number of proposals received in every cycle and the approval rate.

Cycle #	# of NGOs Submitted Proposals	# of Proposals Initially Screened	# of Qualified Proposals	# of Proposals Approved (Final)
Cycle 1	356	202	100	39
Cycle 2	239	148	122	35
Cycle 3	259	119	107	38
Totals	854	469	329	112
		54.9%	38.52%	13.11%

Notes:

1. *The proposals pass the initial screening stage if they comply with the criteria and sector/geographic areas targeted in the specified cycle.*
2. *The qualification process is based on an institutional assessment: i.e., the strengths of the organization in project management.*
3. *The approval rate in Gaza was lower than this (8%).*
4. *The World Bank objected to a total of three projects, thus giving a total of 109 approved grants.*

4.6 Limited Capacity of the Implementing Partners or NGOs

There are two main explanations for the figures and findings in the table above:

- a. Only 38% of the projects were qualified, i.e. had the proven technical capacity and experience to plan, implement, monitor and evaluate the proposed projects.
- b. In total, only 13% could be funded due to fund limitations: the need or “demand” was much greater than the supply of funds, and thus the resources of the project were inadequate to meet the total demands or needs of the poor.

A survey conducted by the PMO itself on the screening and rejection process revealed the following:

- Many of the better-established NGOs were skilled in drafting project proposals and formulating feasible project designs, yet their poverty strategies were weak. On the other hand, many of the community-based NGOs that worked mostly in rural and poorer communities and whose poverty targeting was already a priority could not meet the high proposal design standards of the PMO, and thus failed on the institutional assessment.
- In the majority of proposals, the role of the community in project identification, implementation, maintenance and fundraising was either inadequate or completely non-existent.
- Many NGOs were simply responding to a “call for proposals” by submitting pre-written, off-the-shelf proposals that they had already wanted to finance, without paying attention to whether these proposals actually fit the eligibility criteria or not. This was an ordinary “bad” practice by NGOs, in pursuit of funding.
- Since the PMO did the needs assessment process itself mostly with the NGOs, the community had little chance to participate in the process. Additionally it was difficult for the NGOs to conduct a participatory needs assessment project because the time available for them for project preparation and submission was inadequate: 4 weeks on the average. Also, by design, the PMO itself conducted the needs assessment, thus making it unnecessary for NGOs to conduct this process or to demonstrate that the project designed resulted as an outcome of such a process.
- Some NGOs had good project ideas, but it was clear that there were no plans or mechanisms for sustaining the project beyond the financing period of the PNGO project.
- Many NGOs had a combination of several or all of these problems (WAC, CB Concept Paper, 1999).

If anything, a quick review of these findings demonstrates that most NGOs lacked the capacity in project identification, formulation and design. They are also weak in project management. The design of the PNGO project assumed that NGOs were strong on participatory needs assessment approaches, and were skilled in conducting participatory assessments. The actual findings showed that the assumption was incorrect or - to say the least - not totally correct.

4.7 The Prevailing Political Situation

When PNGO I started, it was expected that the Oslo peace process would progress and thus the PA would have more control over the West Bank and Gaza. This assumption did not materialize. The peace process, to date, has not taken hold, and the level of tension, poverty and unemployment has increased dramatically. This has led the Bank to allocate more resources to the Emergency Program, which was not originally incorporated into the design of Phase I. Despite the fact that this has made the PNGO project more responsive to community needs, and in

particular in addressing the rapidly increasing poverty rates, at the same time it has necessitated that extensive effort, technical expertise and time be allocated to addressing the emergency needs of the various sectors of the Palestinian community. This has also created pressure to fund projects with a higher potential for sustainability, even at the expense of funding projects that would more adequately address the emergency needs of the population and hence might be viewed more as “relief” projects.

Additionally, and almost two years after project implementation started, the second *Intifada* broke out. The frequency of closures and curfews increased. Mobility of staff and partners became more difficult, and the possibility of close monitoring and provision of technical assistance became much harder. If this situation continues, it will have serious negative implications for the role of the NGO sector in development. In contrast, the overriding need for relief will continue to jeopardize the longer-term development perspective and the roles of all development actors. This tension between relief and development will continue to exist as long as there is no breakthrough in the political process.

5. Assessment of the World Bank Performance

Due to the fact that this was a new initiative for the World Bank, our assessment is that the Bank has given it special attention. Throughout Phase I, the task Manager, initially Mr. Nigel Roberts, has been instrumental in operationalizing the vision for this project and providing the necessary support. In addition to Mr. Roberts, other support staff have been assigned in the West Bank / Gaza office specially for this project. Meetings with the Bank were held almost weekly for the first two years, and then bi-monthly throughout the project. This has been extremely useful in discussing issues, problems and challenges on a regular basis and in trying to come up with a unified vision in most cases. The Bank was both extremely responsive to PMO needs and supportive of the PMO’s role. Despite Mr. Robert’s move to Ethiopia as Country Representative, he maintained his position as Task Leader for the PNGO Project which contributed positively to the success of the project, given his commitment, vision and outstanding expertise.

Having said this, the frequency of meetings has also put pressure on the PMO in terms of time, preparation, follow-up and management.

In the first two years, the frequent changes in the Bank team members created periodic gaps in vision, management and information between the PMO and the Bank staff. Each new Bank representative had their own interpretation of the project, its priorities and strategies. The PMO, in turn, had to respond to these changes. It was also noted that authorities and responsibilities of Bank staff assigned to the project were not always clear, and thus decisions have been either quick or delayed, depending on the number of people engaged in any given decision. In Phase II, the Team leader assigned to the project is extremely capable and empowered to make prompt decisions as well as facilitate technical support from other departments within the World Bank as needed. In addition, Mr. Roberts who used to be task Manager in Phase I has occupied the position of Country Representative of West Bank and Gaza, thus giving more support to the Project as needed.

Regarding the “no-objections” that had to be issued by the World Bank for all approved grants, the time-frame of ten working days has not always been met. Decisions on other issues were sometimes delayed. The approval on the Capacity Building concept paper developed by the PMO required a few months until final approval was obtained. By that time, it was not feasible to implement it. Nevertheless, many of the concepts developed in that concept paper were incorporated into the design for Phase II.

6. The Challenge of Integrating Lessons Learnt into PNGO II: Impact on the NGO Sector

Before the initiation of Phase II, several studies were commissioned by WAC and the Bank to inform the design of Phase II. Additionally, a Consultative Group was formed, made up of grant recipients, members of the Governance Committee, all NGO networks, and representatives of the PA, the World Bank and PMO staff. Some members of the group were tasked with drafting concept papers on each of the major components of the project, which was done in consultation with all stakeholders. Through this process, the vision, experience and accumulated knowledge of all partners was incorporated into the new design. The Bank and the project will still have to assess whether the problems faced in Phase I due to design gaps have all been addressed or not.

The studies that had important implications for design were:

- “The World Bank and the Palestinian NGO Project: From Service Delivery to Sustainable Development,” by Denis Sullivan dated August 2001.
- “An Assessment Study for Block Grants,” by Simon Lawry dated January 2001
- “A Review of Grant Application Procedures and Administration,” by Simon Lawry dated October 2000
- “A Report on the Governance Committee for the PNGO Project,” by Jalal Abdel Latif dated October 2000.
- “Assessment Study for Identifying Capacity Building Gaps for the NGO Sector in WB/GS,” by Tom Lent and Khaled Nabris dated January 2001.
- “The NGO Resource Centre: A Feasibility Study,” by Tom Lent dated October 2000
- “The Development of a Monitorable Project Impact Assessment System,” by Nick Chapman dated July 2000

Additionally, several concept papers were prepared by the PMO in preparation for the Mid-Term Review. Many of the issues addressed in these papers were also addressed in the design of Phase II.

6.1 Measuring Impact

Despite the fact that many of these issues have been addressed in designing PNGO II, there still is a great challenge for addressing many other issues, especially in relation to the sustainability of the NGO sector in West Bank and Gaza, which is a major objective of Phase II.

The main issues addressed in Phase II are related to impact, quality and sustainability of the services. For example, Development Grants in Phase II were granted to recipients of Phase I that had potential for increasing the sustainability, as well as impact, of the services created under Phase I. PNGO II also addresses these issues at the level of project design. Each NGO funded under Phase II had to endorse the log-frame approach, and thus activities are only funded to the extent that they address the specified objectives and outputs are listed in relation to clear and measurable milestones. This was a serious point of concern in Phase I, brought to the attention of the Bank and the PMO by many of its consultants. Theoretically and ideally, the NGOs and subsequently the PMO should be able to measure the extent to which every project funded under PNGO II will improve the quality, sustainability or impact of the services for the designated target group.

6.2 The Broadened Concept of Capacity Building

In Phase II, Partnership Grant recipients were also provided with funds in the shape of pre-investment funds to conduct participatory needs assessment studies at the community level. This is expected to improve the needs assessment process by providing the platform for the communities themselves (and the poor themselves) to express and prioritize their needs, versus the service providers who often tend to have a conflict of interest in this matter. The inclusion of a pre-investment program in Phase II reshapes the project into a real demand-driven scheme accompanied with a capacity building program that allows NGOs to better respond to the needs/demands of the poor and marginalized, versus responding to a “supply-driven” process driven by the availability of funds, with the intention of gearing the funds to sectors of interest.

The design of the capacity building program in Phase II is also more strategic. More resources have been designated for this activity at the level of grant recipients. More importantly, the Sector Support Program – which emerged as a result of the recommendations from Phase I – will respond more substantially to the broader needs of the NGO sector.

In our view, capacity building is a long and complex process requiring a concerted and integrated effort to enhance the capacities of both individuals and institutions. This will require a longer-term commitment by the Bank for the NGO sector than the project presently allows. While one task of capacity building is to increase the effectiveness of the individual organizations, another more strategic role is to increase the effectiveness of coalitions, networks and strategic alliances in addressing the broader macro issues of policy reform, political culture, civil society and political economy. The Sector Support Program comes on board of Phase II specifically to address the broadened concept of capacity building and to ensure longer term sustainability of the NGO sector. Nevertheless, the time frame allocated for this component is limited.

6.3 Linking the Downstream Experiment with the Upstream Policy Framework

By design, Phase II has greater potential for linking the downstream experiment, i.e., the grants program, with the more macro, or upstream, policy environment for the NGO sector. This has been accomplished by deliberately creating the partnership grants, development grants and

other fora, and then using these fora to address the issues that concern the respective sectors the most. Unless these processes and mechanism are prioritized and given special attention and financial and technical resources, the process will fail. The Bank and the PMO have to put greater effort into finding practical and effective ways of managing these processes, versus managing funds and grants. Only then will PNGO II become a broad capacity-building program addressed at increasing the sustainability of, and impact on, the NGO sector in the West Bank and Gaza.

6.4 The Potential Future Legacy of the PNGO Project

The major challenge now for the PMO and the World Bank is to decide what the legacy should be for the PNGO Project, Phases I and II. In our opinion, the project will have a significant lasting impact on the NGO sector if:

- a legacy of enhanced professional standards in NGO practice, rooted in the program grant recipients, is developed, enhanced and replicated on a larger scale through manuals and a voluntary codes of NGO ethics, to be endorsed by all relevant parties.
- a self-sustained mechanism of coordination within the NGO sector (and sub-sectors) is created and strengthened to respond to the strategic needs of the sector(s) in policy formulation, funding and advocacy.
- an environment is created within the NGO sector(s) that supports cooperation and learning and creates competition amongst NGOs in terms of adherence to best practice standards rather than competition for delivering services and accessing donor funding.
- a spirit of ownership by the NGO sector(s) and a governance structure that can sustain the achievements of the PNGO project for longer term is created. The nature and constituency of that body needs to be re-assessed by all parties.

Additionally, the idea of establishing an NGO Resource Centre is worth re-considering or re-visiting given the extensive need for the continuity for support for this very vital sector. This proposed centre could strengthen the existing training and capacity building centres, build on their expertise and resources, and fill in the gaps as identified by the feasibility study that has been prepared by the Project in October 2000. More importantly, and given the recognized important role of the NGO sector in the proposed Reform for the Palestinian Authority, it will be necessary for the Bank to continue to support all partners in this Reform process especially civil society organizations and communities, as well as the enhancement of a positive planning, regulatory and service provision framework for the NGO sector which will inevitably contribute to a more positive working relationship between the NGO sector and the Palestinian National Authority.

