

Project Name West Bank and Gaza-Integrated Community ... @
Development Project

Region Middle East and North Africa Region

Sector Institutional Development; Telecommunications
& Informatics; Other Social Protection

Project ID GZSF69986

Borrower(s) The PLO for the benefit of the PA

Implementing Agency
Address MINISTRY OF LOCAL GOVERNMENT
Address: P.O. Box 98, Jericho
Contact Person: Dr. Sa'eb Erekat, Minister
Tel: 972 2 2322619
Fax: 972 2 2321240

PECDAR
Address: Dahrait El-Barid
Contact Person: Dr. Mohammed Shtayyeh
Tel: 972 2 2362355
Fax: 972 2 2362341

Environment Category B

Date PID Prepared December 18, 2001

Projected Appraisal Date February 2, 2002

Projected Board Date March 28, 2002

1. Country and Sector Background

A summary of sector issues and the Palestinian Authority's (PA) national development and poverty reduction strategy is presented below. Poverty After two years of economic growth and measurable decline in poverty and unemployment, the solid economic recovery that began in West Bank and Gaza in 1998 came to an abrupt halt with the start of the second "Intifada" in September 2000, and the subsequent imposition of tight closure by Israel. Per capita real income declined by 12 percent for 2000 as a whole and will likely decline a further 19 percent in 2001. In fact, per capita real income is now below what it was when the Oslo accords were signed in 1993. The share of the population living below the poverty line (US\$2 per person per day) has reached almost half of the Palestinian population, up from a quarter before the current "Intifada" Poverty data taken from "One Year of Intifada - The Palestinian Economy in Crisis," October 2001. See also "Poverty in the West Bank and Gaza, Summary", The World Bank, May 2001. Two recent reports found that poverty in the West Bank is a rural phenomenon and that poverty rates in Gaza are similar in villages and refugee camps. According to the 1998 Palestinian Poverty Report (National

Commission for Poverty Alleviation), the largest proportion of the poor (43 percent) live in villages, compared to 33 percent in cities and 25 percent in refugee camps. Two out of three poor households in the West Bank live in villages. In Gaza, the poverty rates in villages and refugee camps were 41 and 43 percent respectively. These percentages were confirmed by the 2000 Household Expenditure and Consumption Survey by the Palestinian Central Bureau of Statistics. The present crisis is accentuating these poverty patterns. Poverty is deepening particularly in isolated communities according to the international community's recent rapid assessment, "One Year of Intifada - The Palestinian Economy in Crisis," October 2001. Palestinian economic decline in the last two years has been driven by unemployment due to Israeli closures and the resultant collapse in business. Unemployment climbed from 9 percent to 28 percent of the Palestinian workforce in December 2000. Because of the economic decline, physical and social service infrastructure has been neglected or actively destroyed during conflict and thus deteriorated, while continued political uncertainty has further discouraged investments. While the international community concluded that the main cause of the recession is closure and that easing closure is the most important requirement in arresting further decline, it also concluded the PA needs to re-focus on the institutional development and reform agenda that has been put aside during the emergency. The main components of the PA's development strategy--as detailed in the "Palestinian Development Plan for 1999-2003," presented at the Consultative Group meeting of February 1999--identify investments in physical infrastructure and social sectors as priorities, together with fostering economic growth and job creation and reducing inequalities in rural areas, especially unequal access to basic services. Local Governments Local governments in West Bank and Gaza have crucial roles to play in the governance and economic development of the Palestinian nation. The dominant entities in the local government system are the municipalities, which have well established service delivery and regulatory functions over basic infrastructure for electricity, water supply and sanitation, solid waste management, local roads, libraries, parks and recreation, markets, and over land use planning and development. The next lowest level of local government, village councils, exhibit a government structure like municipalities but often lack the broad range of functions and revenue raising options of municipalities. Currently there are 144 municipalities and 311 village councils in WBG. Another 228 villages are without councils and administered by appointed mukhtars ("chiefs"). Just 91 out of the total 683 localities have a population above 5000. The role of local government is weakened by strong central controls with extensive discretion in managing the local government system vested in the Ministry of Local Government (MOLG). Municipalities and village councils can be only considered marginally representative as no elections have been held for several decades. (Local officials see elections as necessary to strengthen their legitimacy and scope to manage local affairs.) Women in particular have been marginalized from local institutions and councils. Local governments are also characterized by limited managerial, planning and administrative capacity, resulting in lower revenues, higher expenses, and inadequate systems and financing for proper operation and maintenance of existing assets. With encouragement of donors, the PA has been implementing a strategy to establish regional utilities for electricity and water and has introduced some inter-jurisdictional Joint Service Committees for services such as solid waste management, to promote joint responses where economies of scale may

improve the efficiency of service delivery without reducing responsiveness. And the PA has introduced a unified accounting system to make it possible to analyze municipal revenues and expenditures.

Agriculture According to the PA's own 1999-2003 Development Plan, Palestinian agriculture has suffered from negligence of many basic economic and social services in rural areas of WBG, which has resulted in a gap between the living standards of the population in urban and rural areas. Agriculture contributes about 12 percent of the GDP and 12-14 percent of employment. During border closures, and the resulting loss of job opportunities in Israel, agriculture becomes a major source of income generation and employment. The decline of agriculture is related to structural factors such as the availability of water, agricultural roads, marketing relationships, and advocacy groups that work on behalf of farmers. The decline of agriculture has led to a decline in the economic base of rural areas, which has led to a decline in the financial resources of local institutions, which have rendered them unable to engage in any meaningful development. See "West Bank and Gaza Agricultural Strategy Note," World Bank Rural Development, Water and Environment Group, June 2000; and "Integrated Community Development Project West Bank Agriculture Component Needs Assessment," Taghrid Lahham, September 2001. The PA's agriculture policy objectives are summarized in the Palestinian Agricultural Policy Document. The objectives include: (a) development of rural areas, with the participation of NGOs and beneficiaries; (b) greater private sector contribution, with the public sector role confined to policy and legislation; (c) improved competitiveness; and (d) viability and efficiency in the use of national resources. The PA's rural development strategy, of which agriculture is a core component, aims at providing infrastructure and social service development in rural areas to reduce inequalities. However, there are serious impediments, including: limited and inefficient use of the natural resource base, especially scarcity of water and lack of conservation; heavy dependence on Israel for trade and market access, which constitutes a severe constraint under extended border closures; and low agricultural productivity.

Information and Communication Technology (ICT) In West Bank and Gaza which falls under a lower middle income country bracket and faced with severe spatial constraints, an information-technology-based economy would have a particularly high potential to stimulate growth and reduce poverty. Palestinians presently have limited access to information and communication technology (ICT) and services, especially in rural areas and refugee camps. For example, just 2 percent of Palestinian households have Internet access. Although there are more than 100 internet cafés in the West Bank and Gaza, such services remain in urban areas and services offered in these centers are basically limited to PC use and internet access. As a consequence, Palestinians suffer from a huge lack of access to ICT and the wide range of services which could be reached through ICTs. With its neighboring countries investing heavily in the ICT sector, Palestinians runs the particular risk that the gap between them and their neighbors widens even further and puts the WBG in a considerable economic disadvantage. Furthermore, poorer groups of the population will continue to be left out of the ICT revolution, leading to a widening digital divide within the territories: . Computer availability in households ranges from 36.3 percent in central West Bank to only 14.2 percent in the Gaza strip. Differences between urban (75.7 percent) and rural (17.8 percent) areas and refugee camps (6.5 percent) are especially pronounced. Moreover, there is a serious divide with respect to gender. For example, while 7.9 percent

of men have access to the Internet, just 2.8 percent of women have access. Finally, poorer segments in the Palestinian society lack both financial and human resource capacities to take part in the fast development in this sector, leading to their increasing exclusion from social and economic processes and activities.

2. Objectives

The development objective is to improve the quality and availability of basic social and economic services in poor and marginalized communities of West Bank and Gaza (WBG). This objective would be realized through financing investments in local infrastructure and institutions.

Infrastructure. Physical investments would be targeted to preserve and extend capital stock of infrastructure owned by villages and small municipalities in regions of WBG with the highest incidence of poverty. Like the preceding Community Development Project (CDP) I and II, the Integrated Community Development Project (ICDP) would finance investments in infrastructure such as roads, water supply, schools and clinics that are necessary for economic and employment growth and vital to human development and poverty reduction. Such investments would help rectify the inequalities in access to basic services that are particularly pronounced between urban and rural areas. While urban areas would not be excluded from the ICDP, communities with less than 5,000 population would be the norm. Improvements in the agriculture sector such as rehabilitation of terraces, irrigation canals, wells and access roads, would be made because of the potential to affect employment and incomes, especially for women who make up a large percentage of the agriculture workforce. Finally, the project would pilot new initiatives in information and communication technology (ICT) in pre-selected communities to begin to address the economic and human resource constraints to ICT access in WBG.

Institutions. The ICDP would be more focused than the preceding CDPs on enabling local government units (LGUs) to plan and manage microprojects. LGUs include municipalities, village councils and camp service committees (CSCs). In rural areas, farmers' cooperatives would also be eligible to plan and manage microprojects. Emphasis would be placed on improving the transparency, accountability and administrative capacity of LGUs to undertake community development activities through microprojects. The means to achieve institutional impacts would be through training and capacity building activities in parallel with physical investments and by transferring decision making and active roles to citizens and their local governments.

3. Rationale for Bank's Involvement

The midterm review of CDP II and the beneficiary impact assessments conducted on CDP I and II clearly show the success of the program in reaching villages and small municipalities where donor financing has been quite limited. Hence, the Bank's assistance is greatly valued by the borrower. This is particularly relevant in refugee camps where budget constraints in UNWRA limit the number of activities that can be funded. The Palestinians also look to the Bank first in times of crisis. During the present crisis, for example, the Palestinians requested and obtained emergency assistance from the Bank for a rapid employment generation program. Furthermore, the Bank has also been able to mobilize donor interest for Bank-financed projects. There is already interest among a few bilateral donors in co-financing the ICDP. Additionally, the Bank continues to use its global experience in helping to design

community-driven projects, including projects that aim to integrate information technology into community development.

4. Description

Component 1: Community Development Microprojects. This component would provide grants (maximum amount \$150,000) to LGUs and farmer cooperatives to finance about 125 community development microprojects. Proposals would be prepared by local officials in consultation with residents and implemented in accordance with ICDP procedures using local contractors, suppliers and laborers. Each Community Development Microproject would include resources for: (i) training and technical services to improve planning, consultation and management capacities of communities and enable them to hire a design firm and daily supervisor; (ii) civil works for construction, extension or rehabilitation of water supply, sanitation, solid waste management, health clinics, additions to primary and secondary schools, community markets, feeder roads, internal roads, rehabilitation of irrigation networks, terraces and wells or other eligible works. It is envisioned that training in citizen participation, procurement, maintenance planning and impacts monitoring would be mandatory for communities to qualify for community development microprojects. Component 2: Community Telecenters. This component would finance about 10 multipurpose demonstration telecenters in preselected communities of WBG. through grants (maximum \$200,000 per telecenter) provided to LGUs. Based on a technical and financial design proposal, submitted by local officials, investments would include: (i) civil works for extension or reconfiguration of existing facilities (such as community centers, libraries, or school labs) to accommodate ICT infrastructure and programs; (ii) goods, such as computers, software, furniture, phones, fax machine, photocopiers, including connection to Internet services; and (iii) technical services to assess the demand for, design, and delivery of programs and services for up to 18 months, including the training of telecenter staff. Since the communities would be encouraged to build on existing facilities and partner with other actors in the sector, requests for the maximum grant amount would be considered to be the exception. Component 3: Project Management. This component would finance incremental operating costs, equipment, audits, and impacts studies needed by the Palestinian Authority for project execution and management.

5. Financing

Total (US\$m)	
BORROWER	2.00
OTHER SOURCES (UNIDENTIFIED)	8.00
SPECIAL FINANCING	10.00
Total Project Cost	20

6. Implementation

1) ICDP Steering Committee. The CDP II Steering Committee chaired by the Minister of Local Government and comprised of representatives of PECDAR and DORA, would be renamed the "ICDP Steering Committee". It would be expanded to include the Ministry of Agriculture (MOA) and at least two representatives from academia or nongovernmental organizations to ensure broader skills and knowledge base in line with the diversity of ICDP interventions, and it would add at least two female committee members. The ICDP Steering Committee roles would be to: (i) consider for approval community development and telecenter microprojects after no objection by

the World Bank; (ii) appoint the independent auditor; and (iii) receive and validate quarterly progress reports, impact evaluations and other studies. The Steering Committee would meet at least six times per year. 2) Community Development Managers (CDMs). To improve the quality of social appraisals and champion the community-centered approach of the ICDP, the MOLG would recruit from the Palestinian private/NGO sector or Palestinian diaspora two senior level and highly experienced Community Development Managers (CDMs)--one each in West Bank and Gaza--to oversee the social appraisal of community development and community telecenter microprojects and administer training and capacity building activities. The CDMs would have the authority to hire and fire their own personnel, which would be consultants hired on an as-needed basis. The TOR and selection of the CDMs would be subject to IDA approval. 3) ICDP Coordinating Committees. One of the most effective implementing arrangements of the CDP I and II, especially in Gaza, was the technical coordinating meetings between the MOLG, PECDAR and DORA. These gatherings enabled the key agencies to consult and make joint decisions over microprojects in order to keep activities on schedule and budget. It is proposed that the committees be transferred to the ICDP with some modifications. The committees would be formally called "West Bank Area ICDP Coordinating Committee" and "Gaza Area ICDP Coordinating Committee". Both committees would comprise one representative each from the MOLG, PECDAR, DORA and MOA and the area CDM. The primary functions of the Coordination Committees would be to: (i) receive all community development microproject proposals submitted and registered by the MOLG; (ii) review proposals to ensure coordination between ICDP activities and other PA and donor programs and avoid duplication of efforts; (iii) authorize field appraisal (iv) review consultants' field appraisal reports (technical, social and financial); and (v) make recommendations to the Steering Committee on the approval or rejection of individual microprojects. No community development microproject would be submitted to the Steering Committee without a technical, social and financial quality assurance from the Coordinating Committee. The performance of the Coordinating Committee in terms of quality assurance would be closely monitored by continuous Technical Reviews, annual Procurement Reviews and during IDA Supervision Missions. 4) Local Government Units (LGUs). Municipalities, village councils, farmers' cooperatives or camp service committees would be responsible for preparing community development and telecenter microprojects using the ICDP proposal form and submitting them to the MOLG for processing and consideration by the Coordinating Committees. Upon the Steering Committee's approval of a microproject, the respective LGU and the MOLG would sign a standard Framework Agreement authorizing the LGU to implement its microproject in cooperation with its Microproject Management Committee (MMC). The LGU would open a bank account to receive an advance from the MOLG (financial transactions to be conducted by PECDAR) and receive subsequent transfers as works are completed satisfactorily. In the event the LGU is unable or unwilling to open a bank account, then the LGU would authorize the PECDAR to pay the contractor directly. The LGU and MMC would assign a municipal staff or hire a local engineer to perform daily supervision and procure a contractor in accordance with ICDP procurement procedures. Whereas under the CDP II contractors were accountable to PECDAR, under the ICDP contractors would be accountable to LGUs. A works contract would be signed between the LGU and the contractor and the LGU would be required to sign off on the quality and quantity of work items before a contractor would be paid. All procedures for identifying,

screening, implementing, supervising and reporting on microprojects would be stipulated in the ICDP Operations Manual, which would be a revision of the CDP II Operations Manual (March 1999).

6) Community Telecenter Advisory Committees (TAC). Because of their unique design and technical specifications, each telecenter microproject would be administered by a community-level Telecenter Advisory Committee (TAC). The TAC would be responsible for hiring a local consultant to prepare the telecenter proposal (including business plan), mobilizing financial and in-kind cost sharing from the community, submitting the proposal to the ICDP Steering Committee, and managing the telecenter if the proposal is approved. The TAC, through the LGU, would contract a manager for the telecenter to be responsible for day-to-day management, including financial management, staff development and programming. The TAC would coordinate ICT development efforts at the community level, particularly with respect to the location of the telecenter and its organizational and financial structure. It also would evaluate MCT performance and request modifications based on monitoring reports of the telecenter manager.

Accounting, financial reporting, and auditing arrangements: The latest audit report for CDP II confirmed that PECDAR has performed satisfactorily in financial management and control. Therefore, for the ICDP, it is proposed that PECDAR continue to execute financial transactions, perform accounting functions, prepare financial reports, and make arrangements for external audits. It is anticipated that PECDAR would be certified to use Project Management Reports (PMRs) for ICDP. Annual audits would be undertaken by the PA with TORs satisfactory to the IDA and in accordance with internationally accepted standards.

Monitoring and evaluation arrangements: Based on the experience of CDP I and II, emphasis would be placed on the continued use of existing monitoring and evaluation mechanisms such as quarterly reporting and in depth beneficiary impact assessments (BIAs), but add more participatory methods of client involvement in monitoring and evaluation at the community level. The aim would be to develop a systematic approach to monitoring and evaluating the impact of ICDP activities and adjusting ICDP policies and procedures on a continuing basis.

Monitoring. The Coordinating Committees would submit a report to IDA and the Steering Committee on progress of individual components every six months. The report format would be based on input and output indicators given in the Logical Framework and aggregated with the help of the Management Information System.

Evaluation. To gauge development impacts of the ICDP, monitoring and evaluation would take place at the micro and macro levels. At the microproject level, development impact indicators would be identified by the community in consultation with the Community Development Manager for each microproject. For example, the development impact of a school microproject may be gauged by looking at enrollment levels or attendance records. A water microproject may be gauged by hours of supply, quality and cost recovery. Telecenters may keep records of usage patterns, i.e., which services are requested, to what extent and at what time, and whether they are delivered in a timely fashion. Indicators would be relevant to the problems and needs of the community, identified by them, specified in the Framework Agreement, and monitored by the community "before" and "after" a microproject. Communities would be required to submit an annual "Community Development Microproject Status and Impacts Report" to the Coordinating Committee stipulating the status of the facility, any maintenance that was undertaken, and report on its development indicators. Such reporting would be required for a minimum two years from signature of the Framework

Agreement. At the macro level, the Coordinating Committees would contract independent and qualified consultants with TOR agreeable to the IDA to make special studies, such as annual BIAs, Procurement Reviews and special evaluations of telecenter users. Technical Reviews would be underway on a continuous basis to ensure the decentralization of microproject implementation to LGUs maintains minimum quality standards within contracted budgets and work schedules. A Targeting Effectiveness Study would also be undertaken to look at how well ICDP reaches poor and marginalized communities using the WBG Poverty Map (1998).

7. Sustainability

The risk of low sustainability remains significant under the current political and socioeconomic situation. Reduced income from taxes and user fees impacts the ability of villages and small municipalities to cover recurrent costs of infrastructure investment under ICDP. Under these conditions, decentralization and greater ownership at the grass-roots levels would enhance sustainability. The ICDP aims to address sustainability issues through greater stakeholder participation in the maintenance of assets through contributions to capital and O&M costs and taking part in mandatory training on microproject management. Lastly, the quality of services provided through the MPs would be a major factor in ensuring sustainability of the program and in improving the likelihood of attracting additional donor funding.

8. Lessons learned from past operations in the country/sector

Decentralization of Microproject Management. One of the key lessons learned from CDP II microprojects under \$50,000 and applied in the Emergency Response Program (ERP), is that LGUs have the capacity to procure goods and services if they are given the necessary standard documents and are held accountable for their performance. Furthermore, according to BIAs and special studies done in preparation for the ICDP, local councils, other officials and residents have a strong willingness to assume greater responsibilities for their infrastructure investments, including procurement and supervision. Taking these lessons into consideration, the ICDP would build on the experience of CDP I and II by making LGUs more responsible and accountable for procurement, supervision, payment and reporting of microprojects. Another lesson learned is that the implementing partners have not enthusiastically and completely implemented capacity building activities alongside physical works. Accordingly, under ICDP, more capacity-building activities specifically targeting LGUs would be carried out and administered directly and independently by the MOLG under the authority of two Community Development Managers. Some training modules would be made mandatory for communities to qualify for a community development and telecenter microproject (i.e. community participation in microproject planning and implementation, impacts monitoring, maintenance planning, and procurement). Other training modules (such as land use planning, municipal budgeting, fund-raising) would be available upon demand and financed through Planning and Administration Grants. Elected officials of farmer cooperatives would also be eligible to receive training grants so long as they have a minimum 30 cooperative members. LGUs and farmers cooperatives would be required to match a minimum 10 percent of the grant amount. Skills Upgrading for Community Driven Development. Repeatedly, outside analysts found that most community members valued their microproject but wanted more information and control over it. Even though the Operations Manual specified that community

consultation methods be verified, in some cases the human resources with the experience, time and know-how were unavailable to ensure that community participation was genuine and effective. Under the ICDP, social appraisals, including verification and support for community participation, would be transferred to two champions of community development with extensive field experience in Arabic-speaking countries. They would be hired to redirect the ICDP away from a narrower focus on physical works to a stronger model of community-driven development. The CDMs would hire locally available consultants to perform social appraisals of individual microprojects, deliver training and act as facilitators of community-centered participatory planning, help communities identify their problems, propose solutions and assess whether they are achieving the desired improvements. The effectiveness of CDMs would be assessed after 18 months of Project effectiveness. Community-Based ICT. Despite numerous private sector initiatives in ICT investment, concentrated in urban areas, the Palestinians still lack experience with community-based ICT development. But several surveys, particularly a rural IT needs assessment conducted under the preparation of the Welfare Association's (WA's) rural IT project and the ICT needs and institutional assessment during ICDP preparation, suggest strong community support for such projects, even with limited knowledge of the technology's potential impact on social and economic opportunities. Lessons learned from ICT projects in rural communities in other parts of the world have been would be incorporated into telecenter design under the proposed ICDP. They include: (i) perform community-specific needs and institutional assessment, including the willingness and capacity of community members and local authorities to pay for ICT services; (ii) pilot telecenters rather than embark on a full ICT project; (iii) local ownership and mobilize strong participation of communities in the design and operation of the centers; (iv) provide intense monitoring and regular evaluation of services and costs of telecenter operation,; (v) obtain including direct feedback from users during telecenter operation, and allow user-initiated modification of the centers' service structure; (vi) develop close linkage with existing initiatives, such as the Palestinian Development Gateway; and (vii) train telecenter staff in the creation and mobilization of locally relevant information.

9. Program of Targeted Intervention (PTI) Y

10. Environment Aspects (including any public consultation)

Issues : A recent assessment of the environmental impacts of CDP II microprojects found that the impacts are mainly positive for most microprojects. "ICDP Environmental Management Plan," Engineering and Management Consulting Center, West Bank and Gaza, October 2001. Positive impacts include improved public health and ground water protection from sewage and water projects; reduced dust and improved drainage and road safety especially for roads near schools; and positive educational and cultural atmosphere from rehabilitation and construction of schools and public buildings. While no serious issues were identified, the assessment revealed that some measures introduced in CDP II to integrate environmental assessment into design and implementation of microprojects have not been fulfilled. The CDP II called for (i) creation of an environmental unit in the PECDAR; (ii) training of staff in environmental appraisal; and (iii) monitoring and evaluation of mitigation measures during site visits. The recent assessment revealed that some environmental

considerations are included in contract documents but no environmental expert has been appointed to monitor microprojects. The analysis resulted in the following recommendations that will be considered by the ICDP Appraisal Mission: (i) out-sourcing site specific environmental screening for earmarked microprojects and establishing a network of practitioners with technical analysis capability; (ii) training daily supervisors and contractors in environmental protection; and (iii) conducting site-specific environmental screening and mitigation measures for randomly selected microprojects at least twice a year.

11. Contact Point:

Task Manager
Kanthan Shankar
The World Bank
1818 H Street, NW
Washington D.C. 20433
Telephone: 202 473 2729

12. For information on other project related documents contact:

The InfoShop
The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 458-5454
Fax: (202) 522-1500
Web: [http:// www.worldbank.org/infoshop](http://www.worldbank.org/infoshop)

Note: This is information on an evolving project. Certain components may not be necessarily included in the final project.

This PID was processed by the InfoShop during the week ending Jan. 11, 2002