

**The West Bank
Local Governance and Service Improvement Project (LGSIP)**

Draft Environmental and Social Systems Assessment (ESSA)

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Table of Contents

SUMMARY.....	III
ACRONYMS	X
I. INTRODUCTION.....	1
1.1 CONTEXT AND PROGRAM OBJECTIVES	1
1.2 ENVIRONMENTAL AND SOCIAL SYSTEMS ASSESSMENT: AIMS AND APPROACH	3
1.3 METHODOLOGY	4
II. PROGRAM FRAMEWORK AND IMPLEMENTATION.....	2
2.1 PROGRAM FOR RESULTS AND COMPONENTS	5
2.2 PROGRAM COSTS	8
2.3 KEY PROGRAM IMPLEMENTATION PARTNERS AND AGENCIES	10
2.4 ANTICIPATED ENVIRONMENTAL AND SOCIAL IMPACTS OF THE PROGRAM	11
2.4.1 <i>Main environmental risks of the program.....</i>	<i>11</i>
2.4.1 <i>Main social risks of the program.....</i>	<i>12</i>
2.5 PREVIOUS EXPERIENCES OF INSTITUTIONS INVOLVED IN THE PROGRAM	15
III. DESCRIPTION OF NATIONAL SYSTEMS	15
3.1 ENVIRONMENTAL MANAGEMENT SYSTEMS.....	16
3.1.1 <i>Environmental Management Procedures.....</i>	<i>16</i>
3.2 SOCIAL MANAGEMENT SYSTEMS	17
3.2.1 <i>National Framework for Land Acquisition, Participation and Complaints Handling and Social Risk Management.....</i>	<i>17</i>
III. ASSESSMENT OF INSTITUTIONAL CAPACITY AND PERFORMANCE	20
4.1 ENVIRONMENT MANAGEMENT SYSTEMS AND THE CAPACITY OF IMPLEMENTING AGENCIES	20
4.2 SOCIAL MANAGEMENT SYSTEMS AND THE CAPACITY OF IMPLEMENTING AGENCY CAPACITY.....	ERROR! BOOKMARK NOT DEFINED.
IV. CONCLUSIONS AND RECOMMENDATIONS	23
4.1 ESSA ACTION PLAN	23
4.2 ELEMENTS TO INCORPORATE INTO THE PROGRAM ACTION PLAN	27
ANNEXES.....	28
ANNEX 1 REFERENCES	
ANNEX 2 STAKEHOLDER CONSULTATIONS	
ANNEX 3 INTERVIEWS WITH LGUS ON SOCIAL MANAGEMENT	
ANNEX 4 VC ELIGIBILITY CRITERIA	
ANNEX 5 (SEE ATTACHED DOCUMENTS)	
ENVIRONMENT IMPACT ASSESSMENT POLICY	
INSPECTION AND MONITORING	
INVESTORS GUIDE	
ADVISORY OFFICE GUIDE	
LAW NO. 7 FOR THE YEAR 1999 CONCERNING THE ENVIRONMENT	

SUMMARY

Context and Objectives

An Environmental and Social Systems Assessment (ESSA) has been prepared for the World Bank's LGSIP) to be financed under a Program for Results operation (PforR). The ESSA examines environmental and social management systems that are applicable to the Program in order to assess their compliance with the Bank's Operational Policy OP/9.00 that applies to PforR financing. It aims to ensure that the Program's environmental and social risks will be managed adequately and that it complies with the basic principles of sustainable development. Paragraph 8 of OP 9.00 describes the core principles of environmental and social management that must be met in the ESSA. These core principles are as follows:

Environmental Management Systems:

- Promote environmental and social sustainability in the Program design; avoid, minimize, or mitigate adverse impacts, and promote informed decision-making relating to the Program's environmental and social impacts
- Avoid, minimize, or mitigate adverse impacts on natural habitats and physical cultural resources resulting from the Program
- Protect public and worker safety against the potential risks associated with: (i) construction and/or operations of facilities or other operational practices under the Program; (ii) exposure to toxic chemicals, hazardous wastes, and other dangerous materials under the Program; and (iii) reconstruction or rehabilitation of infrastructure located in areas prone to natural hazards

Social Management Systems:

- Manage land acquisition and loss of access to natural resources in a way that avoids or minimizes displacement, and assist the affected people in improving, or at the minimum restoring, their livelihoods and living standards
- Give due consideration to the cultural appropriateness of, and equitable access to, Program benefits, giving special attention to the rights and interests of the Indigenous Peoples and to the needs or concerns of vulnerable groups
- Avoid exacerbating social conflict, especially in fragile states, post-conflict areas, or areas subject to territorial disputes.

The ESSA evaluates the compatibility of the Program's systems with the core principles on two basic levels: (i) the systems as defined by laws, regulations, procedures, etc. (the "system as defined"); and (ii) the institutional capacity of implementation entities under the Program to effectively implement the system (the "system as it is applied in practice"). It identifies and analyzes the differences between the national systems and the core principles that apply to the Program on the two levels indicated above.

ESSA Approach

In order to assess the existing systems as well as analyze how this system is implemented, the following activities have been conducted:

- ***Baseline Data Collection:*** The Baseline Data presents a comprehensive outline of systems for environmental and social management in Palestine that are applicable to LGSIP, and management of impacts typical to small- to medium-scale urban

infrastructure projects. This includes the legal and regulatory frameworks, institutional roles and responsibilities, and gap analyses between these and OP/BP 9.00.

- ***Systems Analysis and Action Plan:*** The ESSA Analysis builds on the baseline data collected and presents an analysis of these systems vis-à-vis the core principles of OP/BP 9.00. The Analysis employs an approach of Strengths-Weaknesses-Opportunities-Threats in order to examine the policy and performance gaps and formulate actions. The Action Plan outlines measures agreed between the Government and Bank to strengthen environmental and social management systems and fill the gaps. These actions were then embedded in the overall Program Action Plan found in the PAD.

The ESSA process has benefitted from a broad range of inputs, including:

A *desk review* including:

- A ***legal and regulatory analysis*** of policies, laws, regulations, and sector-specific guidelines related to environmental and social impact assessment, participatory planning, decentralization, resettlement and compensation, and social inclusion.
- Aide Memoires (AMs), Implementation Status Reports (ISRs), and Implementation Completion Reports (ICRs) and technical documents, including Environmental and Social Management Frameworks, Environmental and Social Impact Assessments, Customer Satisfaction Surveys, Operations Manuals, Municipal Development Programs (MDPI, MDPII, MDPIIAF), Village and Neighborhood Development Project (VNDP), and Emergency Municipal Service Rehabilitation Projects (EMSRPI and EMSRPII) – all projects that include municipal infrastructure works implemented by LGUs;
- Field visits to a representative sample of local government units (LGUs) including Village Councils (VCs), Joint Service Councils (JSCs), and MoLG District Offices (Dos), which included collection of baseline information on existing conditions of the natural and built environments, and consultations with LGU technical staff as an input to the capacity and performance assessment. A representative sample of LGUs to visit was selected to take into account population, geographic variation (different governorates in West Bank). Survey data were collected from all LGUs by a consultant to complete information on human and financial resources and management practices.
- Meetings, interviews, and workshop sessions were conducted with government agencies, the Ministry of Local Government (MoLG), District Offices (DOs), the Municipal Development and Lending Fund (MDLF), Village Councils (VCs), Joint Service Councils (JSCs), and Development Partners.

The ESSA process includes comprehensive stakeholder consultations and disclosure of the ESSA Report following the guidelines of the World Bank's Access to Information Policy. The ESSA consultation process is embedded in the Program consultation process and includes the following activities:

- **Document Dissemination and Public Comment Period:** The draft ESSA will be publicly disclosed and distributed to a range of stakeholders involved with environmental and social management issues in Palestine. Both MoLG and MDLF

will disclose the ESSA and on their official websites for public comments;

- **Consultation Event:** A one-day public consultation event will be held on May 13, 2015, where the ESSA will be presented and stakeholders, including NGOs, LGUs and implementing agencies, will be invited to offer inputs on the findings and recommended actions in an interactive format. The ESSA will be disclosed and distributed in advance of the event;
- **Technical Workshop:** A workshop for technical staff with MoLG, including Environmental and Engineering Management Officers, and other staff tasked with environmental and social management will be held on May 13, 2015 (tbc) to gain inputs on the technical manual for Environmental and Social Management. Environmental and social management (including system enhancements built into the Program and the criteria used to assess LGUs performance) will be discussed in this workshop.
- **LGSIP Workshop:** A for MDLF will held on May 13, 2015 (tbc) to gain inputs on the technical manual for Environmental and Social Management. Environmental and social management (including system enhancements built into the Program and the criteria used to assess LGUs performance) will be discussed in this workshop.

Feedback from stakeholders has been instrumental in designing and revising the Program Action Plan, indicators, and technical manual.

Institutions, roles, responsibilities and coordination

The Program will use existing Government systems. Hence, implementation will be carried out by VCs, JSCs or similar joint service provision arrangements, the MoLG, and the MDLF, as the Program Manager. MoLG has the legal mandate for local government affairs and is in charge of overall policy setting and supervision. MoLG will also have the lead responsibility for support to villages and capacity building (Sub-Component I and III); MDLF will be responsible for joint projects (Sub-Component II) and function as the Program Manager. Ministry of Finance (MoF) will be responsible to ensure a timely and predictable transfer of funds to the program budget. Other implementing entities, if any, will be identified and confirmed by Program appraisal.

Program Environmental and Social Risks

Main environmental risks

The investments under LGSIP are intended to have substantial sustainability outcomes through improved LGU service delivery. The benefits will vary by LGU depending on the context and investment choices, but community benefits are likely to include reduced environmental degradation and sanitary conditions through improved waste management systems; lower vehicle operating costs, reduced transportation costs, fewer road accidents and reduced traffic congestion as a result of improved road conditions and improved access to public transport services; and reduced risk of flooding and soil erosion as a consequence of drainage improvements.

While the investments of LGUs are discretionary based on community priorities, LGUs can choose from an “investment menu” of small- to medium-scale civil works includes upgrading of existing roads, solid waste management, transportation infrastructure such as bus and truck stands, markets, drains, and recreational parks, and rehabilitation and expansion of water and wastewater facilities.

Based on the scope and scale of projects to be financed under LGSIP, environmental and social impacts are expected to be minimal to moderate in scale, with most adverse impacts limited to the construction phase and being site-specific and temporary. All investments will undergo an environmental and social impact assessment process per environmental systems. These procedures are outlined in the Program Environmental and Social Technical Manual (ESTM), which is currently under preparation by the Program Manager (MDLF) with technical guidance from the Bank, and consultations with technical staff at the national and LGU levels. Most adverse effects associated with the types of works funded by the LGSIP are associated with the construction phase.

Potential adverse environmental effects include air pollution from dust and exhaust; nuisances such as noise, traffic interruptions, and blocking access paths; water and soil pollution from the accidental spillage of fuels or other materials associated with construction works, as well as solid and liquid wastes from construction sites and worker campsites; traffic interruptions and accidents; and accidental damage to infrastructure such as electric, wastewater, and water facilities. These types of impacts, however, are generally site-specific and temporary. Experience from implementation of similar types of urban works in Palestine indicates that short-term construction impacts for the most part can be prevented or mitigated with standard operational procedures and good construction management practices. These procedures will be included in the technical manual, and be a standard part of environmental management plans included in bidding documents for contractors.

While no large-scale or high-risk projects are expected, the screening process in the ESMM will include criteria to exclude certain categories of projects as well as projects of a scale that would include significant negative impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people. Such types of investments are excluded from the Program (per OP/BP 9.00). In addition to screening for significant impacts, the following exclusionary criteria apply to works financed with the LGSIP:

- Works involving relocation of people or impacting livelihoods;
- New landfills or waste water treatment plants;
- Activities that would significantly convert natural habitats or significantly alter potentially important biodiversity and/or cultural resource areas.

Main social risks

Activities to be supported by the Program are expected to generate socio-economic gains and have an overall positive effect. Adverse social impacts are anticipated to be low. Any land requirements (temporary or permanent) for investments to be financed under the Program will be met through lands that are under the ownership of VCs or JSCs. The exclusion will cover sub-projects involving relocation of households, temporary or permanent land take, and impacts on livelihoods, including those that may occur through restriction of access to resources. To screen out for these exclusions, the Program will rely on guidelines in the technical manual, which will include a rigorous sub-project screening process to be done by LGUs. In cases where the LGUs may purchase land through a willing-seller willing-buyer

approach or in cases of voluntary land donation (VLD), the LGUs will need to document for power of choice. During consultations, LGUs expressed the need for clear guidelines and training related to the sub-project screening process and VLD.

The ESSA did not identify indigenous peoples in the West Bank or specific groups of vulnerable persons that might be negatively affected by the Program. Moreover, the nature of the proposed activities at the LGU level does not suggest that specific vulnerable groups could be harmed by the Program. The design of the Program aims to foster integration of vulnerable groups such as women, youth, disabled and elderly through the Program design, including the development of the appropriate social accountability mechanisms. Vulnerable groups will be involved in all aspects of Program, including consultations related to sub-project selection and monitoring of implementation. Minimum quotas are in place for the participation of women and youth in consultations as part of the Annual Investment Planning. The LGUs will receive training in participatory consultations and participatory M&E with a focus on women and youth. In addition, the training will focus on the importance of ensuring equitable access to vulnerable groups of benefits of sub-projects, including access to elderly and disabled for minor civil works. Periodic satisfaction surveys and citizen scorecard reports would help monitor the inclusion of vulnerable groups and propose corrective measures if needed.

While the West Bank and Gaza is considered a conflict and fragile state, there is little risk that the Program itself will be the source of social conflict. However, some cases of conflict and some grievances may occur during project implementation. Where grievances and disputes arise in projects, vulnerable groups are often unable to access legal systems due to costs. The design of the program aims to minimize social conflict through the development of appropriate consultations and a Grievance Redressal Mechanism. LGUs will be required to have a functioning GRM for project level complaints with the following key features: accessibility to communities, recording of complaints in a log (date received, date responded to, complaint, how resolved, when resolved) and responding in writing in a timely manner. Complaints can also be received by the MoLG, which will have the same features as that of the LGUs. For urgent issues that LGUs cannot handle, they will immediately inform the staff within the MoLG (for activities of sub-component 1& 3)/MDLF (for activities of sub-component 2) to assist with responding to the complaint. In terms of monitoring the GRM, LGUs will be required to submit the log of complaints on a monthly basis to the MoLG (for activities of sub-component 1& 3)/MDLF (for activities of sub-component 2). MDLF will share the monthly logs it receives with MoLG.

Assessment of Environmental and Social Systems

Environmental management system

Projects currently implemented by LGUs primarily employ Palestinian systems for environmental and social management, which were assessed through the ESSA. The ESSA conducted an analysis of existing systems for environmental and social management for consistency with the core principles of OP/BP 9.00. The main gaps in the Environmental Management System are summarized below.

Gaps in the system as written: The principles pertaining to environmental systems under OP/BP 9.00 are considered in terms of environmental and social management for urban

municipal infrastructure projects that are implemented at the LGU level. Because there is no specific system already in place as there would be for a phased World Bank project (e.g. an Environmental and Social Management Framework), the assessment focuses on the national systems and how they relate and function at the LGU level.

A gap analysis was undertaken, which found that the Palestinian Environmental Law and the Palestinian Environmental Impact Assessment Policy as written, which are the overarching framework for environmental and social impact management, are largely consistent with OP/BP 9.00 – processes are designed to promote sustainability, address environmental and social impacts, and serve as a decision-making tool. However, there are gaps in the system, outlined below, which were identified in the ESSA and will be included in the ESMM:

- ***Gaps in ESIA Content:*** While the content of the screening and analysis for EIAs under the Palestinian EIA Policy are comprehensive and cover most of the elements of OP/BP 9.00, there are gaps present in the content of ESIA requirements in three areas: (i) The screening process requires additional clear criteria and explanation of criteria related to (i.e. potential resettlement and livelihood impacts, requirements related to voluntary land donation, including documentation of consent, and other environmental and social impacts and hazards), (ii) the analysis of alternatives requires the “without project” alternative, and (iii) the EIA process needs to explicitly analyze induced impacts.
- ***Impact Categorization Differences:*** There is a notable mismatch between what the Bank and the Palestinian EIA Policy consider projects with “significant” impacts. For the Bank, “significant” refers to projects with adverse impacts that are sensitive, diverse, or unprecedented, and where impacts may affect an area broader than the site of physical works. In Palestine, the threshold for “significant” is not precisely defined, projects fall in the requirement for a full ESIA and considered on the “Type A” in a form of a category list that is mostly would be considered as having significant impacts by World Bank standards. While the projects to be financed and implemented by LGUs are highly unlikely to cause Category A-level impacts by World Bank standards, as these are ineligible for financing under the Program, there will be need to be clearer criteria included in project screening that more closely aligns the two definitions for Category “A” projects that are excluded from the scope of the Program and the terms of reference for the ESIA to be conducted for “Type B” projects that are likely to be financed under the P4R program.
- ***Oversight of Non-full EIA Projects:*** For those projects requiring a full ESIA per the criteria in the Palestinian EIA Policy, there are requirements for environmental management plans (including mitigation measures), environmental audits, public participation and disclosure. Those projects not requiring a full ESIA are subject to fewer requirements and less oversight – there are no requirements that these projects are audited, that the public is involved nor that documents are disclosed.
- ***Public Participation and Accountability:*** Public participation and disclosure requirements for ESIA in Palestine are fairly weak. For those projects requiring a full ESIA, public availability of the documents is required. However, the actual process of public review and comment could be onerous and result in EIAs being relatively inaccessible. While consultations are required during the preparation of the full ESIA

between communities and the project proponent, public hearings are at the government's discretion during the ESIA review and approval process.

Gaps in the system as applied in practice: With a large number of LGUs of varied size included under LGSIP (VCs and JSCs), capacity varies widely between them – some have well-functioning technical engineering departments that are usually tasked for environmental and social management and coordinate with MoLG district offices on these issues, as well as promote overall sustainability in their communities. Others have low levels of staff that may be missing expertise and coordination systems to manage impacts and contribute to development planning in their village councils.

The overarching finding is that, while impacts are generally managed and there have been few major issues, most LGUs do not have systems in place for the ESIA process, collecting and managing environmental and social data, nor a clear mandate for environmental and social management. Many donor projects have attempted to bridge this gap with Environmental and Social Management Frameworks, and the shortcomings underpin the main challenges that have been found in implementing safeguards in other projects implemented at the local level: screening checklists are not commonly used at the local and central levels, LGUs do not systematically monitor environment and social impacts, and environmental and social management often remains outside of the planning and decision-making process. The reasons are largely structural difficulties – despite these, impacts from projects have been managed fairly well, and that in the LGU there is recognition of environmental sustainability and the desire for projects to contribute to better sanitation, reduced pollution and a better quality of life, as well as strengthened institutions. Findings during field studies and consultations with national counterparts suggest that on both levels there is a strong willingness to work through the issues described below, and recognition of the opportunities of the Program to address issues that are compromising environmental and social management (ESM) in local governments.

The main issues are summarized below, which are addressed in the Program through measures included in the Action Plan, Program indicators and World Bank implementation support:

- **Centralized management:** Once a project is identified, environmental and social management is largely in the LGU's hands, however many of the decisions are handled by central authorities, e.g. contracting ESIA consultants, the ESIA review process, consultations and auditing implementation is overseen by program manager (MDLF and MoLG). The day-to-day implementation of the environmental and social management plans (ESMPs) will be the duty of the LGUs staff with capacity building sought from the consultants. This break in delegation from the beginning sets projects on a trajectory where, though the direct impacts and risks are modest, implementation is not systematically monitored as the central agency does not have the capacity to monitor all projects and the LGUs have no existing capacity to do so either.
- Another finding from the fieldwork and interviews is that highly centralized natures of ESIA process can slow the project cycle as even projects with minimal impacts require an environmental screening by the central authorities in order to obtain an environmental certificate required of all projects, there can be long delays in obtaining certificates. It was observed that in light of delays, projects have gone forward without

the required certificate. Because LGUs do not have clear role, this leaves some projects with little oversight.

- **Human Resource Capacity:** Most LGUs have different staff who are involved in ESM: Community Development Officer, planners, engineers and other sector staff who exist within the LGUs. Rarely, LGUs have an Environmental or Social Management Officer. Overall capacity for ESM and ESIA is generally quite low (though it varies across LGUs). Field visits showed that most LGUs staff are not trained to handle a technical task such as the ESIA process. Additionally, LGUs are not able to hire their own specialized staff for this purpose. This is where the lack of a well-defined system at the local level and a clear methodology for coordination on the governorate and central levels are needed.
- **Budget Resources and Tools:** Budget has been a common constraint to optimal ESM. There has been pressure from the donor community to include a line item from project's budgets for environmental and social management and ESM monitoring on the central level, funds rarely flow or that they are inadequate for staff to actually carry out ESM requirements, where technical staff had limited resources to conduct their field tasks, lacking vehicles and environmental monitoring equipment as well.
- **Performance Incentives:** Many of the issues identified and the lack of effective action to date on all of the aforementioned issues reflect the incentive structure of how development funds are transferred to LGUs. As mentioned above and described in more detail in the Program Appraisal Document, LGU's performance-based grant system links LGU performance in key areas of local governance with compliance with national policies, legal and regulatory frameworks.

Despite the key role local governments play in environmental and social management and compliance with relevant laws, these elements are neither included in LGU's minimum conditions to access the grant nor in indicators that incentivize good performance. Environment and Social is included as a cross-cutting issue along with poverty, gender, governance issues, but the performance indicator is an aggregate of all of these issues together, and only requires that LGUs undertake an analysis of these issues to be included in their development planning process.

The minimum conditions and performance indicators have important implications for where LGUs direct budget resources and staff priorities. Without any performance measurements or sanctions for low performance (that is, if there are no consequences for poor performance), budgetary resources are in most cases not directed in these areas).

System Strengths: Despite the gaps in the system, there are many positive practices in LGUs and at the national level that are important to consider, as these can be both capitalized upon as well as strengthened through the performance incentives under LGSIP as well as support for capacity building. First, despite clear roles and responsibilities, environmental and social impacts implemented by LGUs have been managed fairly well on the MDLF and MoLG levels. Supervision reports and field visits have noted no major impacts that have gone unmitigated, both in small-scale infrastructure (e.g. Local Government Support Project and larger urban projects) of World Bank projects.

- Second, the field visits noted that some LGUs have made very effective use of laws related to ESM, for example, improved solid waste management by sanitation-specialized (both wastewater and solid waste) Joint Service Councils. .
- Both MoLG, MDLF, and JSCs are supportive of measures to strengthen systems, and are familiar with programs that have attempted to do so in the past. While these systems have had some lasting impact but have not managed to fully mainstream a system of environmental and social management in LGUs, an aspect that will be addressed in the P4R design.

Assessment of social management systems

As detailed above, sub-projects will be excluded that involve the relocation of households, temporary or permanent land take and impacts on livelihoods, including those that may occur through the restriction of access to resources. Land requirements will be met through those under the ownership of LGUs and, in some instances, through voluntary land donation or through the purchase of private land through a willing-seller willing-buyer approach. The Palestinian Environment and Social Impact Assessment (ESIA) Policy does not provide any guidance on VLD, including documentation of consent. Also, the ESIA policy does not include any information on social risk monitoring during sub-project implementation. Guidelines for LGUs will be provided on VLD and on social risk monitoring in the Program Environment and Social Technical Manual (ESSM). Capacity building for LGUs is also planned in these areas.

The process of identifying sub-projects and Program activities should be participatory, interactive and consider the needs and priorities of local populations. LGUs report that sub-project selection is mostly done informally, not recorded and not representative. The design of the Program supports a participatory process that allows people to be involved in identifying needs in the development, implementation and monitoring of program activities. Capacity building will be provided to LGUs on consultations of beneficiaries at various stages of selection and implementation of sub-projects.

Based on the Palestinian Council Resolution No. 60 in 2005 mandating the development of a complaints mechanism in all ministries, a complaints department exists within the MoLG including a manager and two staff. Despite the existence of this department including key aspects of a formal complaints system (documentation of complaints and responses, timely responses, a log of all complaints received-date received, date responded to, type of response, etc.), consultations confirmed that local communities are not aware of this system. In addition, complaints are overwhelming dealt with informally at the LGU level and not documented. The Program provides capacity building to LGUs on how to process, receive and address grievances.

Elements to Incorporate into the Program Action Plan

Although the environmental and social impacts of activities under the LGSIP are ranked from low to moderate, the Program provides an opportunity not only to strengthen the weaknesses in the procedures mentioned above to identify and mitigate these effects, but also to strengthen the entire system in three areas: (i) strengthening of environmental and social management, (ii) ensuring implementation of good environmental and social management; and (iii) monitoring of environmental and social management. To fill the gaps identified in the ESSA, MoLG and MDLF will support specific measures to enhance West Bank's

environmental and social management system performance. These measures will be implemented through two main areas, namely the revision of the Technical Manual and capacity building.

These measures have been consolidated into the ESSA Action Plan that guides the overall formulation of the Program. Implementation by LGUs of environmental and social procedures contained in the Program Technical Manual will be one of the performance criteria in the Program's Evaluation System that will be implemented for the LGSIP. The implementation of some of these measures will be enhanced by their integration into the overall Program Action Plan, with the agreement of the Government of Palestine, and/or legally incorporated into the financing agreement of the Program. These actions are grouped into three areas: i) actions to strengthen the environmental and social management; ii) actions to strengthen the implementation and monitoring of the system; and iii) capacity building actions in environmental and social management.

Strengthening of environmental and social management system

Recommended actions under this theme are summarized below:

- Technical Manual revised before launching of the Program.
- LGU staff assigned to environmental and social management.
- Establishment of a LGU complaint resolution mechanism.
- Consultation and public disclosure of environmental and social documents.
- Creating a system of environmental and social monitoring.

Strengthening of implementation and monitoring of the environmental and social management system

Recommended actions under this theme are summarized below:

- Application by LGUs of environmental and social procedures documented in the Technical Manual.
- Prior approval of the environmental and social review forms.
- Public disclosure of the ESMP.
- Supervision of works by LGU technical staff in charge of environmental and social management.
- Implementation by LGUs of sub-project screening procedures documented in the Technical Manual.
- Implementation by LGUs of voluntary land donation procedures documented in the Technical Manual.
- Monitoring of complaints and issues related to environment and social impacts as part of the formal Grievance Redressal Mechanism.
- Implementation by LGUs of mitigation and compensation measures.
- Reporting of environmental and social issues by LGUs.
- Assessment of mitigation and compensation measures.

Strengthening of environmental and social management capacities

Recommended actions under this theme are summarized below:

- Integration of environmental and social management in the Program capacities strengthening plan.
- Training in environmental and social management for technical staff and officials.
- Training expanded to financial aspects of environmental and social management.
- Training on sub-project screening for social impacts, including exclusionary criteria

for involuntary resettlement and land acquisition and matters related to livelihoods and vulnerable groups.

- Training of the MoLG/MDLF and LGUs on the development and implementation of a GRM.
- Training on procedures for voluntary land donation.
- Creating a training program for LGUs on environmental and social management.
- Integration of requirements for information and public consultation in the training program on environmental and social management.

Acronyms

ACIP	Annual Capital Investment Plan
AfD	French Agency for Development (Agence Française de Développement)
BTC	Belgian Development Agency
CDD	Community-Driven Development
CPS	Country Partnership Strategy
DLI	Disbursement Linked Indicator
DP	Development Partner
EU	European Union
EMP:	Environmental Management Plan
EIA:	Environmental Impact Assessment
ESMF:	Environmental and Social Management Framework
EMP:	Environmental Management Plan
ESMP:	Environmental and Social Management Plan
ESSA:	Environmental and Social Systems Assessment
ESTM:	Environment and Social Technical Manual
GG	Good Governance
GGIB	Governance and Institutional Building
GiZ	The German Society for International Cooperation (Deutsche Gesellschaft Für Internationale Zusammenarbeit)
GoI	Government of Israel
GRM	Grievance Redressal Mechanism
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IRA	Integrated Risk Assessment
ISN	Interim Strategy Note
JSC	Joint Services Council
KfW	Kreditanstalt für Wiederaufbau
LGU	Local Government Unit
LGSIP	Local Governance and Services improvement Program
MC	Minimum Condition
MDLF	Municipal Development and Lending Fund
MDP	Municipal Development Program
MoLG	Ministry of Local Government
NDP	National Development Plan
PA	Palestinian Authority
PAD	Project Appraisal Document
PDO	Project Development Objective
PforR	Program for Result
SDC	Swiss Development Cooperation
SDIP	Strategic Development and Investment Planning
TA	Technical Assistance
VC	Village Council
VLD	Voluntary Land Donation
VNDP	Village and Neighborhood Development Program
WBG	West Bank and Gaza

I. Introduction

1.1 Context and Program Objectives

The Palestinian Authority (PA) was initially established for a five-year interim period after the Oslo Accords in 1993 with responsibility for the administration of the territory under its control. However, the Oslo accords were never fully implemented and came to full halt with the beginning of the second Intifada in 2000. The consequence today is a multilayered system of physical, institutional and administrative restrictions which have fragmented the Palestinian territories into small enclaves. The fragmentation goes beyond a West Bank and Gaza (WBG) divide, with the West Bank further divided into Areas A, B and C¹, each with its concomitant administrative and security arrangements.

In early June 2014, the PA announced the forming of a unified government to cover the total geographic area of WBG for the first time in seven years. This was however not implemented, when a new conflict broke out in Gaza in July and August 2014, which resulted in serious damages on infrastructure in Gaza and a need for subsequent reconstructions. An agreement for a ceasefire was finally signed by both parties 26 August, which has been maintained so far but the instability and fragility remain.

Growth in the WBG dropped from 6 percent in 2012 to about 2 percent in 2013 as a result of political uncertainty, a reduction in aid, the ongoing restrictions and the collapse of tunnel activity, which had a severe impact on the economy of Gaza. The deterioration continued in 2014 and preliminary estimates by the Palestine Central Bureau of Statistics (PCBS) indicate that the economy fell into recession in the first quarter of the year with growth amounting to -1 percent: 0.5 percent in the West Bank and -4 percent in Gaza. Despite the significant drop in growth rates, the PA managed to reduce the size of the deficit in the economy in 2013. Nonetheless, the fiscal situation remains difficult and additional spending on reconstruction in Gaza is expected to place additional pressure on an already tight budget. In addition, donor aid for recurrent spending has declined from USD1.76 billion in 2008 to about USD1.3 billion projected for 2014. Even though the PA has cleared some of its private sector arrears in 2014, it continues to accumulate additional ones due to its difficult fiscal situation.

Sectoral and Institutional Context

With increasing political and geographical fragmentation over the last two decades, Local Government Units (LGUs) have gained paramount importance providing services to the local population, particularly in areas where the relatively young central government was politically, geographically, and fiscally constrained. Some of the existing LGUs were created as early as the second half of the 19th century and over decades LGUs have performed under the complexities of different political and legal regimes. Until the PA was established in 1993, LGUs were the only administrative institutions allowed to exist and function officially in the WBG which was under military order by the Government of Israel (GoI). Following establishment of the PA, LGUs were strengthened as means to reinforce a national Palestinian identity at the local level, and to overcome critical institutional and service delivery gaps.

¹ Area A includes most major pre-existing Palestinian urban areas, covers 18 percent of the West Bank and is under full Palestinian security and civil control. Area B consists largely of peri-urban areas and small towns, comprises 21 percent of the West Bank and is under Palestinian civil control and Israeli security control. Area C constitutes about 61 percent of the West Bank territory. It is defined by the 1995 Israeli-Palestinian Interim Agreement on the West Bank and the Gaza Strip as "areas of the West Bank outside Areas A and B, which, except for the issues that will be negotiated in the permanent status negotiations, will be gradually transferred to Palestinian jurisdiction in accordance with this Agreement. Source: West Bank and Gaza: Area C and the Future of Palestinian Economy. October 2013, The World Bank.

The Ministry of Local Government (MoLG) was established by the PA in 1994. Increasing the territorial administration under the PA's autonomous control was among MoLG's initial objectives, which resulted in creation of several new LGUs. Accordingly, after the establishment of the PA, the number of LGUs increased from 139 to well over 350 by 1997. Today, there are 378 LGUs in the Palestinian Territories, out of which 137 are municipalities and 241 are Village Councils (VCs). The Local Government Law does not distinguish between functional assignments of municipalities and VCs. Although there are no clear criteria established by the MoLG, population size is the main determining factor distinguishing between the two layers of administration.

The growing number of VCs received assistance from the PA and selected Development Partners (DPs), focusing on small-scale capital expenditure funding, and improving community development and investment planning. However, less urgency was given on assuring minimum service levels and long-term institutional development and sustainability. VCs, small in population size and with limited potential for own source revenues generation, face a particular challenge to reach acceptable levels of service delivery at reasonable cost given that the Law² assigns the same set of functional assignments to municipalities and VCs alike. Often, operation and maintenance cost of new infrastructure has been neglected and cause declining service levels. A large number of small villages makes it difficult to leverage economies of scale in service delivery and presents a major challenge to the long-term sustainability of local service delivery. In addition, the current governance and financing structure for local service delivery remains unclear, including in joint service provision arrangements with other LGUs.

Only a small proportion of existing VCs can sustain provision of local services. More than 70 percent of the VCs, or around 170, have a population size below 3,000 inhabitants; and even the few relatively larger villages suffer from inefficient service provision, heavy burden of staff salaries, and insufficient technical capacity. In addition, institutional capacity is very limited and many VCs operate without permanent staff. While the municipalities have access to funds provided by the MDLF, no systematic funding mechanism exists to finance investments in VCs. This leaves a funding gap for the 241 villages and marginalized communities.

The MoLG acknowledged the need to better leverage economies of scale in local service provision and launched a policy of amalgamation in 2010. The policy seeks to merge VCs or join them with adjacent municipalities. However, the attempt demonstrated only mixed results and mostly only those VCs that have received the capacity building support required to building strong social capital in a bottom-up approach have achieved a larger level of collaboration. Overall, stakeholders report a general reluctance of VCs to give-up representative functions or their individual cultural identities and local characteristics, and little enthusiasm to share available investment funds among a larger constituency. Out of the eight municipalities established during the last 4 years through an amalgamation processes heavily supported by DPs funds, at least two were about to disintegrate after the local elections in late 2013, but all remained after a serious consolidation effort by MoLG.

Another and more feasible policy for service improvement is the establishment of Joint Services Councils (JSCs), which is permitted by the Local Authorities Law (1997). It allows LGUs to provide services, planning and development functions jointly through JSC. In total,

² Article No. 1 of the Local Authorities Law of 1997.

91 JSCs exist (82 in the West Bank and 9 in Gaza), but the degree of functionality varies greatly among them, and only 55 are active³.

However, the current institutional framework and governance structure for joint service provision blurs roles and responsibilities of LGUs, JSCs, and public utilities. Financing, management and supervision arrangements are unclear, and weaken both vertical accountability between higher and lower levels of government; and horizontal accountability between citizens, local authorities, and service providers. JSCs have no direct or only weak accountability links to the service users and tend to be accountable only to their member LGUs. Unfunded functional assignments, cross-subsidies, and accumulating arrears exaggerate the fiscal stress of central and local authorities. Generally, minimum service level and performance standards remain undefined, with little or no monitoring by local authorities and/ or feedback from citizens. As a result, JSCs are barely held accountable and it is difficult to assess service provision costs.

Program Objectives

The development objective of the proposed program would be to strengthen the local government financing system and improve local service delivery in villages.

1.2 Environmental and Social Systems Assessment: Aims and Approach

The Environmental and Social Systems Assessment (ESSA) has been prepared by the World Bank with the support and collaboration of the Borrower in the context of preparation of the World Bank's LGSIP-P4R operation.

The ESSA examines the program's systems for environmental and social management to assess their compliance with the provisions of Operational Policy OP/BP 9.00 in order to manage program risks and promote sustainable development. Paragraph 8 of OP 9.00 describes the core principles that must be respected in the ESSA. These core principles are:

Environmental Management Systems

- Promote environmental and social sustainability in the program design, avoid, minimize or mitigate against adverse impacts, and promote informed decision making relating to a program's environmental and social effects.
- Avoid, minimize or mitigate adverse impacts resulting on natural habitats and physical and cultural resources resulting from the program.
- Protect public safety and the safety of workers against the potential risks associated with: (i) construction and/or operation of facilities or other business practices in the program, (ii) exposure to toxic chemicals, hazardous wastes and other dangerous goods under the program; (iii) reconstruction or rehabilitation of infrastructure in areas prone to natural hazards.

Social Management Systems

- Manage land acquisition and loss of access to natural resources in a way that avoids or minimizes displacement, and assist the affected people in improving or at the minimum restoring, their livelihoods and living standards.

³ Source: Ministry of Local Government, 2015: Joint Services Councils Assessment carried out as part of the Technical Assessment of the LGSIP.

- Give due consideration to the cultural appropriateness of, and equitable access to, program benefits, giving special attention to the rights and interests of the Indigenous Peoples and to the needs or concerns of vulnerable groups.
- Avoid exacerbating social conflict, especially in fragile states, post-conflict areas, or areas subject to territorial disputes.

The ESSA evaluates the compatibility of the program's systems with the core principles on two basic levels:

- i) the systems defined by laws, regulations, procedures, etc. (the "system as defined"); and
- ii) the institutional capacity of implementation entities under the program to effectively implement the system (the "system as it is applied in practice"). It identifies and analyzes the differences between the national systems and the basic principles that apply to the program on the two levels indicated above.

The preparation of the PforR operation in support of the LGSIP requires the evaluation of the environmental and social system applicable to the program to ensure that it does not lead to significant environmental and social risks, and that the systems put in place allow for appropriate risk identification and mitigation, including the preparation of reports and the disclosure of information on the potential environmental and social impacts related to Program activities.

The ESSA aims to identify the strengths and weaknesses of the environmental and social system applicable to the Program in order to identify necessary actions to improve performance. Specific measures to address the weaknesses or deficiencies identified are proposed in the Program Action Plan. An assessment of environmental and social risks associated with the Program is carried out in light of the Action Plan, and specific monitoring and evaluation measures are proposed accordingly.

1.3 Methodology

The preparation of the ESSA and development of measures to strengthen the system of environmental and social management has benefited from various sources of information and from an extensive consultation process, including:

A *desk review* including:

- A ***legal and regulatory analysis*** of policies, laws, regulations, and sector-specific guidelines related to environmental and social impact assessment, participatory planning, decentralization, resettlement and compensation, and social inclusion.
- Aide Memoires (AMs), Implementation Status Reports (ISRs), and Implementation Completion Reports (ICRs) and technical documents, including Environmental and Social Management Frameworks, Environmental and Social Impact Assessments, Customer Satisfaction Surveys, Operations Manuals, Municipal Development Programs (MDPI, MDPII, MDPIIAF), Village and Neighborhood Development Project (VNDP), and Emergency Municipal Service Rehabilitation Projects (EMSRPI and EMSRPII) – all projects that include municipal infrastructure works implemented by LGUs;
- Field visits to a representative sample of local government units (LGUs) including Village Councils (VCs), Joint Service Councils (JSCs), and MoLG District Offices

(Dos), which included collection of baseline information on existing conditions of the natural and built environments, and consultations with LGU technical staff as an input to the capacity and performance assessment. A representative sample of LGUs to visit was selected to take into account population, geographic variation (different governorates in West Bank). Survey data were collected from all LGUs by a consultant to complete information on human and financial resources and management practices.

- Meetings, interviews, and workshop sessions were conducted with government agencies, the Ministry of Local Government (MoLG), District Offices (DOs), the Municipal Development and Lending Fund (MDLF), Village Councils (VCs), Joint Service Councils (JSCs), and Development Partners.

The ESSA process includes comprehensive stakeholder consultations and disclosure of the ESSA Report following the guidelines of the World Bank's Access to Information Policy. The ESSA consultation process is embedded in the Program consultation process and includes the following activities:

- **Document Dissemination and Public Comment Period:** In May, 2015, the draft ESSA will be publicly disclosed and distributed to a range of stakeholders involved with environmental and social management issues in Palestine. Both MoLG and MDLF will disclose the ESSA and on their official websites for public comments;
- **Consultation Event:** A one-day public consultation event will be held on May 13, 2015, where the ESSA will be presented and stakeholders, including NGOs, LGUs and implementing agencies, will be invited to offer inputs on the findings and recommended actions in an interactive format. The ESSA will be disclosed and distributed in advance of the event;
- **Technical Workshop:** A workshop for technical staff with MoLG, including Environmental and Engineering Management Officers, and other staff tasked with environmental and social management will be held on May 13, 2015 (tbc) to gain inputs on the technical manual for Environmental and Social Management. Environmental and social management (including system enhancements built into the Program and the criteria used to assess LGUs performance) will be discussed in this workshop.
- **LGSIP Workshop:** A workshop for MDLF will held on May 13, 2015 (tbc) to gain inputs on the technical manual for Environmental and Social Management. Environmental and social management (including system enhancements built into the Program and the criteria used to assess LGUs performance) will be discussed in this workshop.

Feedback from stakeholders has been instrumental in designing and revising the Program Action Plan, indicators, and technical manual.

II. PROGRAM FRAMEWORK AND IMPLEMENTATION

2.1 Program for Results and Components

The Program for Results (the "Program") will support the Government's desire to move away from a project specific approach of financing and implementing specific projects in a ring fenced manner and instead introduce a results focused approach of strengthening local governance institutions that can deliver infrastructure and other local services in an accountable, transparent and efficient manner. The Program intends to reform the existing transportation tax grant provided by the Central Government to VCs by making it more transparent and predictable and enlarge the per-capita grant allocation. This will provide VCs with a reasonable resource envelope along with capacity building support that will enable VCs to meet their infrastructure and service delivery responsibilities and strengthen local accountabilities.

LGSIP would be embedded in the broader Local Government (LG) sector reform that requires institutional, policy and investment support at both the local and central level. The Government and DPs in the sector already follow a programmatic and well-coordinated approach under the MDP, providing performance-based investment grants to municipalities. However, to date no systematic approach exists to reach beyond municipalities and there is the need for a longer term roadmap towards comprehensive LG sector reform, including mainstreaming of good practices into the formal Government system. While LGSIP would provide financing targeted at villages, the program would also support initiating key policy and institutional reforms at the central-level that are critical for both villages and municipalities, including an overdue reform of the LG financing system and establishing a strong framework for joint service provision. While LGSIP and MDP are two elements of one integrated sector approach that would eventually converge over the medium to long term, there is no shortcut: MDP cannot address capacity and investment constraints in villages; and VCs cannot leapfrog into a performance-based conditional grant scheme. Existing institutional arrangements in the sector will need to evolve further to deliver optimal results for decentralized service delivery. The proposed LGSIP PforR would support strengthening the government systems for improved local government financing and service delivery; and allow the MDLF to further develop its mandate as the Government's preferred instrument to mobilize and channel investment funds to local authorities. An overview of the ongoing and proposed LG support programs under the NDP 2014, including the proposed PforR is presented in Table 1 below:

Table 1: PA Local Government Program

Government National Development Plan 2014 to 2016	
Government Program MD-LG Sector (NDP: Subsector Local Government)	
Central level support (MoLG, MDLF, APLA)	Capacity building, institutional development, and sector reform (i) developing of systems for revenue collection, in particular property taxation (UNDP, Danida); (ii) support to local government policy development and reform (GiZ, BTC, Danida); (iii) APLA (GIZ, Danida)
JSCs and Village clustering	Programs to strengthening cooperation and institutional building. (i) Clusters for amalgamation and various forms of inter village-cooperation (BTC and Danida); (ii) Planning, capacity building and infrastructure development (EU, DFID, UN-Habitat, GiZ) (iii) Joint service delivery for selected local services, including water supply and solid waste management (World Bank, JICA, Italy).
Marginalized communities (Area C)	Access to Basic Infrastructure in Area C. Programs will fund investment in area C following statutory outline and actions plan, funded by (EU, KfW).
Municipal Development	Strengthen municipal governance for municipalities to become creditworthy

Program (MDP)	Capital investment grants and capacity building only to municipalities. Launched in 2010 and implemented by MDLF. Funding from WB, nine DPs and the PA.
LGSIP PforR	<p>Strengthen VCs financing mechanism and improve service delivery in Villages (WB, KfW, Danida, Sida)</p> <p>(i) Establishing a regular fiscal transfer mechanism for financing SDIPs of VCs and JSCs; (ii) Strengthening the institutional framework for joint service provision arrangements; (iii) Capacity building of VCs to improve service delivery; (iv) Capacity building of JSCs and other joint arrangements for improved service delivery; (v) Strengthening the institutional capacities and systems of MoLG to provide effective policy guidance, supervision and oversight of local government institutions</p>

The PforR will target VCs in the West Bank, financing investments in areas A and B. Gaza will not be included in the Program since no VCs exist in the Gaza Strip and all 25 Gaza municipalities are supported under MDP-2, including the emergency support window established following the war in July-August 2014.

In accordance with the PA’s strategy to strengthen the institutional capacity and performance of the Palestinian local government system, the Program aims to consolidate the foundations of the local government system in villages and rural communities. The proposed LGSIP follows the PA’s consolidation approach for VCs, applying a mix of strategies, i.e., amalgamation, jointly provided services, clustering for joint planning and service delivery, and upgrading of VCs to municipal status. All these approaches aim to improve the capacity and financial sustainability of service provision from the lower level local governments. The Program will provide incentives to VCs to invest in appropriate institutional arrangements and build the capacities for more accountable, transparent and financially sustainable local governance. The Program adopts an asymmetric approach to institutional development for enabling local service delivery at the village level and signals the shift in the Government’s local governance strategy by moving away from an infrastructure development approach to an institutional development approach. In line with that vision, the proposed Program intends to support the PA’s desire to bring in a results focused approach to strengthening local governance and service delivery and to fill a critical funding gap for villages that currently is not being tackled in a systematic approach under the National Development Plan (NDP).

Providing incentives for institutional strengthening and enhancing the capacity of VCs to deliver local services in a participative, accountable and financially sustainable manner is at the core of the proposed program. The Program intends to provide incentives to large VCs with (i) planned and predictable resources; and (ii) capacity support to enable them to fulfill their mandate as fully functional local governments capable of managing their resources and work programs on their own or jointly with other LGUs. At the same time, the Program will hold those VCs to higher standards of accountability to their citizens and stakeholders. VCs would receive capacity building support throughout the life of the program to become potential candidates for formal reclassification into “municipality” status, under which they would become eligible for funding and support provided by MDP. For small VCs, which face a critical shortage of skills and capacities, and in which pooling of resources and capacity would be the only way to viably draw the benefits of economies of scale, the Program intends to strengthen the execution of local level plans and projects through JSCs. This would enable small VCs to fulfill their accountabilities to their citizens and stakeholders despite the limited scale and prevailing capacity constraints. This dual approach to large and small VCs is in line with the Government’s policy intention to enable large VCs to be mature full-fledged local governments and graduate to become municipalities in the near future, while ensuring that all VCs are able to address their critical service provision responsibilities in an efficient and accountable manner. The Program intends to reform the existing intergovernmental fiscal

transfer system for VCs by making it formula based, transparent and predictable and combines it with institutional incentives and capacity building.

The VC funding mechanism has been erratic, lacks transparency and is largely unpredictable. Currently, the Government has in place a rudimentary transfer system under which property tax and transportation tax, collected by the central government, are redistributed back to LGUs on an ad hoc basis and in an unpredictable manner. In addition, the central government finances capital and operating investments in LGUs through ad hoc budgetary allocations to MoLG which are then used to finance LGU investment projects. The MDP provides investment grants through a transparent and performance-based allocation mechanism, although to municipalities only. Hence, the Program will introduce a formal funding mechanism that would provide predictable and transparent capital grants to those VCs who satisfy the basic, minimum criteria to implement their Annual Capital Investment Plan (ACIP). Capital grants will be allocated to the VCs according to a transparent and predictable formula. To keep the formula simple and comprehensible to all stakeholders, funding allocations will be determined on a per capita basis.

2.2 Program Components and Costs

The proposed Program would finance the following three sub-components: (i) Delivery of local services by VCs; (ii) Infrastructure Service Delivery through Joint Projects; and (iii) Capacity Development to strengthen Local Governance as detailed below:

Sub-Component I: Delivery of local services by VCs (US\$16million; TFGWB: US\$2.5 million, PID MDTF: US\$11 million, PA: US\$2.5 million). This sub-component would finance annual capital investment grants to eligible VCs for individual projects identified in an ACIP. Capital grants would be allocated to the VCs according to a transparent and predictable formula. Allocations will be made on a per-capita basis to keep the formula simple, transparent and comprehensible to all stakeholders. VCs will use the capital grants to implement their ACIPs. VCs will be assessed at the start of the annual Program cycle. Those VCs who successfully comply with the eligibility criteria will be admitted to the Program and will be eligible to receive the annual capital grant. VCs would need to meet the following eligibility criteria to receive funding under Sub-Component I:

- (i) annual budget statement for the current fiscal year approved by the VC council and submitted electronically to the MoLG;
- (ii) ACIP for the subsequent year prepared in a participatory manner; and
- (iii) subsequent year's ACIP and current year's VC budget publicly disclosed.

Fund execution modalities would differ according to the VC capacity and distinguish between “large” and “small” VCs. VCs with a population exceeding 4,000 (“large” VCs) that meet the eligibility criteria would receive the per-capita grant allocation transferred directly from the MoLG to their accounts for execution by the individual VC. In addition to the basic eligibility criteria, large VCs must demonstrate minimum staff capacity for individual execution by having access to an administrator (full-time), accountant (full or part-time), and an engineer (full or part-time).

VCs with a population below 4,000 (“small” VCs) that meet the eligibility criteria would also be allocated per-capita grants. However, the funds would not be transferred directly from the MoLG to the VC and the investments would need to be executed through a qualified Joint Service Council (JSC). Small VCs must have a signed agreement with a

qualified JSC to execute individual projects. A qualified JSC must score more than 40 points in the bi-annual JSC assessment; and the signed agreement would need to comply with the format adopted by the MoLG (see Annex 1). Those VCs and JSCs who are not eligible will receive targeted capacity building support to enable them to meet eligibility criteria and gain admission into the Program. Component I would be supervised by MoLG.

Sub-Component II: Infrastructure Service Delivery through Joint Projects (US\$5 million; TFGWB: US\$1.5 million, PID MDTF: US\$3.5 million). This sub-component would finance capital investment grants for projects that cut across VCs and are identified in a joint or consolidated ACIP. Participating VCs would receive additional funding through a ‘top-up’ for joint projects executed by a qualifying JSC or other joint service provision arrangement.⁴ The additional ‘top-up’ capital grant under Sub-Component II would be determined by the sum of the pooled individual per capita allocation of participating VCs multiplied with an incentive factor.⁵ The eligibility criteria for a qualifying JSC are similar to those under Sub-Component I, i.e., a JSC would be considered eligible upon demonstrating to have in place a Good Governance Structure in line with six internationally accepted good governance criteria. Hence, JSCs would need to meet the following criteria to qualify for the program:

- (i) a threshold score of minimum 40 percent in the annual JSC assessment;⁶ and a
- (ii) signed agreement between the JSC members, approved by MoLG.

This sub-component targets the identification, formulation, preparation and implementation of large investment projects with the potential for mobilizing additional financing from DPs and other funding sources. Consistent with the Government’s intention to encourage joint investment plans and projects among VCs, the Program will provide incentives for the preparation of joint projects between VCs. The JSCs will prepare consolidated ACIPs comprising of joint projects among two or more VCs. Joint project identification and prioritization would be led directly by the JSCs, based on their consolidated ACIPs. VCs and JSCs would be accompanied by community mobilization teams during the process of prioritizing investments, and to assist them through the negotiation process that would lead to agreements for joint investments. The component would be managed by the MDLF.

Sub-Component III: Capacity Development for strengthening Local Governance institutions at the Central and Local level (US\$4 million; TFGWB: US\$1 million, PID MDTF: US\$3 million). This sub-component would finance capacity building activities to

⁴ Joint projects would be implemented by JSCs, but may also be implemented through other forms of joint service provision which conforms to the good governance standard established by the MoLG, e.g., a service delegation agreement between VCs and a municipality. However, the same eligibility criteria would apply, namely (i) signed agreement in line with the MoLG adopted framework; and (ii) a minimum score of more than 40 in the bi-annual assessment.

⁵ The incentive multiplier would be estimated around 5-10 times the base allocation, but is subject to the overall pool of available funding under Component II to be confirmed at appraisal.

⁶ A baseline JSC assessment carried out during program preparation indicated that 16 JSCs have met the minimum condition of a score more than 40 points, with a maximum score of 58 points

support VCs and JSCs meeting the program eligibility criteria, preparing and implementing ACIPs, and strengthening their core functions such as planning, procurement and financial management. The sub-component would also finance institutional strengthening targeting central level institutions to improve local governance, service delivery and financing. Activities to be financed would be identified and updated in an annual capacity building plan prepared by the MoLG. The activities would support strengthening the government systems at the MoLG to enhance their capacity to meet the program results that they would be held accountable for; and accompany beneficiary LGUs, both VCs and JSCs, to meet eligibility criteria and capacity enhancement targets for better local service delivery contributing to achieving the program intended objectives. This sub-component would also provide the MDLF, as the program manager, with the necessary capacity to enable it to carry out its responsibilities as per the Program Action Plan (PAP). VCs would receive capacity development and technical support to prepare and implement their ACIPs via training and handholding by the MoLG; and JSCs would receive support identifying, preparing and implementing joint projects with assistance from the MDLF.

2.2 Program Costs

The proposed Program would finance the following three sub-components: (i) Delivery of local services by VCs; (ii) Infrastructure Service Delivery through Joint Projects; and (iii) Capacity Development to strengthen Local Governance. Total overall program resources are estimated at around US\$30-40 million for the first program phase, to be confirmed at appraisal. The PforR, funded by the World Bank Trust Fund for Gaza and the West Bank (TFGWB) with co-financing from the Partnership for Infrastructure Development (PID) Multi-Donor Trust Fund (MDTF), would finance Sub-components I-III in an amount of US\$20-25 million. Total parallel financing would be estimated at around US\$10-15 million. Program per capita grants under Sub-component I would aim to match at minimum the current transportation tax allocation of around NIS25.00 (equivalent to US\$6.5) per capita to provide a meaningful source of timely and predictable revenues, and to serve as an incentive for reform. Hence, the minimum financing need for Sub-component I would be around US\$16 million to reach a per capita allocation of US\$8, based on the preliminary assessment of eligible VCs. The funding pool for joint projects under Sub-component II would require a minimum size to multiply the base allocation of eligible villages with a factor of 5-10. Currently, 16 JSCs would be eligible under the program with a combined population of approximately 263,000, so the total base allocation under Component II would amount to US\$2.1 million (at US\$8 per capita). Hence, the minimum financing need for joint projects would range between US\$10.5 million (at a multiplier of five) to US\$21 million (at a multiplier of ten), most of which would be provided through parallel financing. Capacity building activities under Sub-component III would be estimated around US\$4 million, equivalent to 15 percent of total funds.

2.3 Key Program Implementation Partners and Agencies

The Program will use existing Government systems. Hence, implementation will be carried out by VCs, JSCs or similar joint service provision arrangements, the MoLG, and the MDLF, as the Program Manager. MoLG has the legal mandate for local government affairs and is in charge of overall policy setting and supervision. MoLG will also have the lead responsibility for support to villages and capacity building (Sub-Component I and III); MDLF will be responsible for joint projects (Sub-Component II) and function as the Program Manager. MoF will be responsible to

ensure a timely and predictable transfer of funds to the program budget. Other implementing entities, if any, will be identified and confirmed by Program appraisal.

2.4 Anticipated Environmental and Social Impacts of the Program

2.4.1 Main Environmental Risks of the Program

The investments under LGSIP are intended to have substantial sustainability outcomes through improved LGU service delivery. The benefits will vary by LGU depending on the context and investment choices, but community benefits are likely to include reduced environmental degradation and sanitary conditions through improved waste management systems; lower vehicle operating costs, reduced transportation costs, fewer road accidents and reduced traffic congestion as a result of improved road conditions and improved access to public transport services; and reduced risk of flooding and soil erosion as a consequence of drainage improvements.

While the investments of LGUs are discretionary based on community priorities, LGUs can choose from an “investment menu” of small- to medium-scale civil works includes upgrading of existing roads, solid waste management, transportation infrastructure such as bus and truck stands, markets, drains, and recreational parks, and rehabilitation and expansion of water and wastewater facilities.

Based on the scope and scale of projects to be financed under LGSIP, environmental and social impacts are expected to be minimal to moderate in scale, with most adverse impacts limited to the construction phase and being site-specific and temporary. All investments will undergo an environmental and social impact assessment process per environmental systems. These procedures are outlined in the Program Environmental and Social Technical Manual (ESTM), which is currently under preparation by the Program Manager (MDLF) with technical guidance from the Bank, and consultations with technical staff at the national and LGU levels. Most adverse effects associated with the types of works funded by the LGSIP are associated with the construction phase.

Potential adverse environmental effects include air pollution from dust and exhaust; nuisances such as noise, traffic interruptions, and blocking access paths; water and soil pollution from the accidental spillage of fuels or other materials associated with construction works, as well as solid and liquid wastes from construction sites and worker campsites; traffic interruptions and accidents; and accidental damage to infrastructure such as electric, wastewater, and water facilities. These types of impacts, however, are generally site-specific and temporary. Experience from implementation of similar types of urban works in Palestine indicates that short-term construction impacts for the most part can be prevented or mitigated with standard operational procedures and good construction management practices. These procedures will be included in the technical manual, and be a standard part of environmental management plans included in bidding documents for contractors.

While no large-scale or high-risk projects are expected, the screening process in the ESMM will include criteria to exclude certain categories of projects as well as projects of a scale that would include significant negative impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people. Such types of investments are excluded from the

Program (per OP/BP 9.00). In addition to screening for significant impacts, the following exclusionary criteria apply to works financed with the LGSIP:

- Works involving relocation of people or impacting livelihoods;
- New landfills or waste water treatment plants;
- Activities that would significantly convert natural habitats or significantly alter potentially important biodiversity and/or cultural resource areas.

2.4.2 Main Social Risks of the Program

Given that the types of activities that the LGSIP intends to support include environmental degradation and social issues, the overall effect of LGU investments should be socially beneficial. However, negative social impacts are possible.

Negative impacts are expected to be of a low magnitude and may be related to temporary disturbances caused by works such as difficulty of access, traffic deviations, noise, vibration, dust, etc., that could generate disturbances in normal activities in neighborhoods. Depending on the type, scope and extent of eligible work under the LGSIP, negative social impacts are those that are typically related and limited to the construction phase, and are generally work site-specific.

The table below summarizes the possible risks related to social impacts of the Program.

Impacts	Evaluation	Risk
1. Involuntary resettlement	Sub-projects will be on lands owned by LGUs. Sub-projects will be excluded involving relocation of households, temporary or permanent land take, impacts on livelihoods, including those that may occur through restriction of access to resources. To screen out for these exclusions, the Program will rely on the guidelines for this in the environment and social technical manual, which will include a rigorous sub-project screening process to be done by LGUs. Based on interviews with LGUs, they expressed the need for clear guidelines and training related to the sub-project screening process. It is essential to implement capacity building actions to ensure rigorous sub-project screening.	Null
2. Expropriation of land and private property	As detailed above (under impact 1 evaluation section), sub-projects will be excluded involving expropriation of land and private property through a rigorous sub-project screening process. Capacity building actions will ensure rigorous sub-project screening. In cases where the LGUs may purchase land through a willing-seller willing-buyer approach or in cases of voluntary land donation (VLD), the LGUs will need to document for power of choice as detailed below: - Voluntary Land Donation: the land is willingly relinquished to the LGUs by the owner in exchange for a legal concession document signed and notarized; - Land Purchase through Willing Seller Willing Buyer Approach: land acquisition occurs by mutual agreement in	Null

	exchange for a notarized purchase contract based on the market price at the date of acquisition. The Program will rely on guidelines for this in the technical manual as well as well as capacity building activities.	
Impacts	Evaluation	Risk
2. Restricted access to goods, services, natural resources and loss of income	As detailed above (under impact 1 evaluation section), sub-projects involving impacts on livelihoods and including those that may occur through restriction of access to resources will be excluded from the Program. The Program will rely on guidelines for this in the technical manual, including a rigorous sub-project screening process to be done by LGUs, following training on this.	Null
Inadequate promotion of social integration and mitigating local disparities	These risks are estimated to be low because the Program is designed to avoid and mitigate them. These aspects will be taken into account in the design of sub-projects. Measures will be provided to support people in this process (information and awareness campaigns) and performance indicators will be established and monitored by stakeholders in order to ensure that Program objectives will be achieved.	Low

Risks related to land acquisition before construction

As the application of OP 9.0 mainly supports involuntary land use issues for clients who have experience with it, given the client's lacks this experience, sub-projects involving involuntary resettlement and land acquisition will be screened out during sub-project selection using exclusionary criteria to minimize social risk. In fact, consultations with VCs and JSCs confirmed that they do not have experience with involuntary resettlement and land acquisition as well as have limited capacity to manage social risk. In addition, the MDLF and MoLG, who will be the implementing agencies for this Program, do not have experience with involuntary resettlement and land acquisition. Therefore, any land requirements (temporary or permanent) for investments to be financed under the Program will be met through lands under the ownership of LGUs. The exclusion will cover sub-projects involving relocation of households, temporary or permanent land take, impacts on livelihoods, including those that may occur through restriction of access to resources. To screen out for these exclusions, the Program will rely on the guidelines in the technical manual, which will include a rigorous sub-project screening process to be done by LGUs. It is important to note that Palestinian legislation on expropriation, Law No.24 of year 1943 modified by Law No. 2 of year 1953 on *Land Expropriation for Public Projects*, does not meet the requirements of OP/BP 9.0 as it does not make any references to the rights of squatters or users of public or state lands. Therefore, the sub-project screening process will be applied to exclude land with squatters or users of public or state land so as to meet the requirement of OP 9.0 and not harm this category of people. In cases where the LGUs may purchase land through a willing-seller willing-buyer approach or in cases of voluntary land donation (VLD), the LGUs will need to document for power of choice. Land issues should be resolved and the land must have no encumbrances and due diligence must be carried out to make sure it was not acquired in

anticipation of this project prior to the financing agreement of a sub-project. During consultations, LGUs expressed the need for clear guidelines and training related to VLD.

Risks related to socio-economic disruption during construction

Sub-projects construction activities can disrupt economic activity, create loss of income for those affected, and restrict access to homes, shops and other public institutions (schools, clinics, etc.). Based on the experience of LGUs visited⁷ as part of the ESSA, very few people have complained about these impacts in the past. Although these social impacts are likely to be small and not create conflicts, given the size and nature of the sub-projects, impacts must be documented during sub-project design to avoid and mitigate them, including compensating those affected if necessary.

Moreover, given the fact that these social impacts occur primarily during construction, they must be planned for accordingly. The responsibility of the Contractor should be clearly defined in the contract clauses. In fact, the Administrative Clauses (AC) applicable to public works contracts should state that "*the contractor must, with respect to the client, bear the financial responsibility for liability and damages to people and property caused in the performance or execution of public works...*" To further define responsibilities, identified impacts should be referred to in the Specific Technical Clauses (STC). Given the above and the past experience of LGUs, the risk of foreseeable social impacts due to public works is considered low.

Summary of overall risks in light of the core principles of OP 9.00

Management of land acquisition, voluntary land acquisition and willing-seller willing buyer approach

Sub-projects will be on lands under the ownership of LGUs, where there are no squatters or users of this land. Based on the field visits to LGUs⁸, no cases of squatters or users of LGU owned lands were identified. Sub-projects will be excluded involving relocation of households, temporary or permanent land take and impacts on livelihoods, including those that may occur through restriction of access to resources. To screen out for these exclusions, the Program will rely on the guidelines for this in the Environment and Social Technical manual (ESTM), which will include a rigorous sub-project screening process to be done by LGUs. It is important to note that Palestinian legislation on expropriation, Law No.24 of year 1943 modified by Law No. 2 of year 1953 on *Land Expropriation for Public Projects*, does not meet the requirements of OP/BP 9.0 as it does make any reference to the rights of squatters or users of public or state lands. To meet the requirements of OP/BP 9.0 and so as not to harm this category of people, the sub-project screening process will be used to exclude sub-projects involving the use of land with squatters or users of public or state lands. It is essential to implement capacity building actions to ensure rigorous sub-project screening.

During consultations with LGUs, they have indicated that the acquisition of land through VLD or through purchasing of land through a willing-seller willing buyer approach will be limited. However, the ESTM will provide guidelines for these cases. It will also be important that the appropriate capacity building training is provided.

Attention to the rights and interests of indigenous peoples and vulnerable groups

⁷ See Annex 3 for methodology and list of field visits.

⁸ See Annex 3 for methodology and list of field visits.

The ESSA did not identify indigenous peoples in the West Bank or specific groups of vulnerable persons that might be negatively affected by the Program. The design of the Program aims to foster integration of vulnerable groups such as women, youth, disabled and elderly through the Program design, including the development of the appropriate social accountability mechanisms. Vulnerable groups will be involved in all aspects of Program, including consultations related to sub-project selection and monitoring of implementation. Minimum quotas are in place for the participation of women and youth in consultations as part of the Annual Investment Planning. The LGUs will receive training in participatory consultations and participatory M&E with a focus on women and youth. In addition, the training will focus on the importance of ensuring equitable access to vulnerable groups of benefits of sub-projects, including access to elderly and disabled for minor civil works. Periodic satisfaction surveys and citizen scorecard reports would help monitor the inclusion of vulnerable groups and propose corrective measures if needed.

Avoid exacerbating social conflicts, especially in fragile states, post-conflict areas, or areas subject to territorial disputes.

The West Bank and Gaza is considered a conflict and fragile state. While there is little risk that the Program will be the source of social conflict, conflicts may occur and complaint may be made during project implementation. Where grievances and disputes arise in projects, vulnerable groups are often unable to access legal systems due to costs. The design of the Program aims to minimize social conflict through the development the appropriate consultations and a Grievance Redressal Mechanism.

2.5 Previous Experiences of Institutions Involved in the Program

Most of the LGUs targeted in this Program were not beneficiaries of previous World Bank projects (see Annex 5 for criteria of selection). In fact, during site visits⁹, LGUs confirmed that they have limited capacity to monitor sub-projects for social and environment safeguards given their limited technical skill and resources available. In addition, LGUs confirmed that although projects were based on demands of individuals or representatives of communities, communities were not involved in the selection, design and implementation of projects. The lack of experience of LGUs with Bank projects is mitigated by the fact that the implementing agencies involved in the Program, MoLG (managing Component I and III)¹⁰ and MDLF (managing Component II) have a long history of collaboration with the World Bank in the West Bank and Gaza. MDLF has managed WB financed municipal projects (MDP I, MDP II and MDP IIAF in Gaza), Emergency Municipal Service Rehabilitation Projects (EMSRPI and EMSRPII) and the MoLG has managed the LGUs through the WB financed Village and Neighborhood Development Project (VNDP). Through these projects, MDLF has gained significant expertise in the management of municipal works and MoLG has gained expertise in planning and management of minor civil works of VCs/JSCs. Projects such as MDPII and VNDP are considered successful and significant efforts have been made to ensure social accountability among local authorities. The current design of the project will focus on community participation within targeted populations.

III. Description of National Systems

⁹ See Annex 3 for detailed list of site visits.

3.1 Environmental Management Systems

3.1.1 Environmental Management Procedures

Projects currently implemented by LGUs primarily employ Palestinian systems for environmental and social management, which were assessed through the ESSA. The ESSA conducted an analysis of existing systems for environmental and social management for consistency with the core principles of OP/BP 9.00. The main gaps in the Environmental Management System are summarized below.

Gaps in the system as written: The principles pertaining to environmental systems under OP/BP 9.00 are considered in terms of environmental and social management for urban municipal infrastructure projects that are implemented at the LGU level. Because there is no specific system already in place as there would be for a phased World Bank project (e.g. an Environmental and Social Management Framework), the assessment focuses on the national systems and how they relate and function at the LGU level.

A gap analysis was undertaken, which found that the Palestinian Environmental Law and the Palestinian Environmental Impact Assessment Policy as written, which are the overarching framework for environmental and social impact management, are largely consistent with OP/BP 9.00 – processes are designed to promote sustainability, address environmental and social impacts, and serve as a decision-making tool. However, there are gaps in the system, outlined below, which were identified in the ESSA and will be included in the ESMM:

- **Gaps in ESIA Content:** While the content of the screening and analysis for EIAs under the Palestinian EIA Policy are comprehensive and cover most of the elements of OP/BP 9.00, there are gaps present in the content of ESIA requirements in three areas: (i) The screening process requires additional clear criteria and explanation of criteria related to (i.e. potential resettlement and livelihood impacts, requirements related to voluntary land donation, including documentation of consent, and other environmental and social impacts and hazards), (ii) the analysis of alternatives requires the “without project” alternative, and (iii) the EIA process needs to explicitly analyze induced impacts.
- **Impact Categorization Differences:** There is a notable mismatch between what the Bank and the Palestinian EIA Policy consider projects with “significant” impacts. For the Bank, “significant” refers to projects with adverse impacts that are sensitive, diverse, or unprecedented, and where impacts may affect an area broader than the site of physical works. In Palestine, the threshold for “significant” is not precisely defined, projects fall in the requirement for a full ESIA and considered on the “Type A” in a form of a category list that is mostly would be considered as having significant impacts by World Bank standards. While the projects to be financed and implemented by LGUs are highly unlikely to cause Category A-level impacts by World Bank standards, as these are ineligible for financing under the Program, there will be need to be clearer criteria included in project screening that more closely aligns the two definitions for Category “A” projects that are excluded from the scope of the Program and the terms of reference for the ESIA to be conducted for “Type B” projects that are likely to be financed under the P4R program.
- **Oversight of Non-full EIA Projects:** For those projects requiring a full ESIA per the criteria in the Palestinian EIA Policy, there are requirements for environmental

management plans (including mitigation measures), environmental audits, public participation and disclosure. Those projects not requiring a full ESIA are subject to fewer requirements and less oversight – there are no requirements that these projects are audited, that the public is involved nor that documents are disclosed.

- **Public Participation and Accountability:** Public participation and disclosure requirements for ESIA in Palestine are fairly weak. For those projects requiring a full ESIA, public availability of the documents is required. However, the actual process of public review and comment could be onerous and result in EIAs being relatively inaccessible. While consultations are required during the preparation of the full ESIA between communities and the project proponent, public hearings are at the government’s discretion during the ESIA review and approval process.

3.2 Social Management Systems

3.2.1 National framework for Land Acquisition, Participation, Complaints Handling and Social Risk Management

National Framework for Land Acquisition

The national framework dictating land acquisition, law No.24 of year 1943 modified by Law No. 2 of year 1953 on *Land Expropriation for Public Projects*, will not be elaborated in this document as it is not relevant to the Program. As detailed above, sub-projects will be excluded that involve relocation of households, temporary or permanent land take, impacts on livelihoods, including those that may occur through restriction of access to resources. Land requirements will be mostly met through those under the ownership of LGUs and, in some instances, through VLD or through the purchase of private land through a willing-seller willing-buyer approach. The Palestinian Environment and Social Impact Assessment (ESIA) policy does not provide any guidelines on VLD. Field visits verified that in cases of VLD, in order to receive appropriate licensing for construction, LGUs must provide legal documentation of the transfer of ownership of the land to the LGUs. To ensure consent in all cases of VLD, training will be provided on an expanded version of current guidelines for VLD detailed in the Operations Manuals of VNDP and MDPII (see Box 1). These guidelines are based on World Bank experience from around the world and should be adapted to the local context. As detailed in the social risk section of this document, guidelines will be provided in the ESTM for LGUs on VLD and the purchase of land through a willing-seller and willing buyer approach. Capacity building will also be provided in these areas.

Consultations

As detailed in the Environmental Management Section above, in terms of consultations and disclosure, the ESIA policy indicates that for those projects requiring a full ESIA, public availability of the documents is required. However, in practice, the public review and comment process is onerous and results in ESIA being relatively inaccessible. While consultations are required during the preparation of the full ESIA between communities and the project proponent, public hearings are at the government’s discretion during the ESIA review and approval process. In addition, the ESIA policy does not provide any guidance on consultations where ESIA are not required.

The process of identifying sub-projects and Program activities should be participatory and interactive and consider the needs and priorities of local populations. Although LGUs indicated that subprojects were selected based on demands expressed by individuals in the

community, in most cases no formal process was in place for project selection. In other words, representative consultations were not held and demands were not documented. In short, communities were not involved in the selection, design and implementation of projects. The design of the Program supports a participatory process that ensure community participation in the identification, implementation and monitoring of program activities.

Complaints Handling and Social Risk Management

Based on the Palestinian Council Resolution No. 60 in 2005 mandating the development of a complaints mechanism in all ministries, a complaints department exists within the MoLG including a manager and two staff. Despite the existence of this department including key aspects of a formal complaints system (documentation of complaints and responses, timely responses, a log of all complaints received-date received, date responded to, type of response, etc.), consultations confirmed that communities are not aware of the existence of this system. In addition, a formal Grievance Redressal Mechanism (GRM) system does not exist at the LGU level. Field visits¹¹ reflect that complaints are overwhelmingly dealt with informally, orally and not documented, and resolved through the use of connections and family relations if needed. All LGUs will be required to have a functioning GRM for project level complaints with the following key features: accessibility to communities, recording of complaints in a log (date received, date responded to, complaint, how resolved, when resolved) and responding in writing in a timely manner. Complaints can also be received by the MoLG, which will have the same features as that of the LGUs. For urgent issues that LGUs cannot handle, they will immediately inform the staff within the MoLG (for activities of sub-component 1& 3) /MDLF (for activities of sub-component 2) to assist with responding to the complaint. In terms of monitoring the GRM, LGUs will be required to submit the log of complaints on a monthly basis to the MoLG (for activities of sub-component 1& 3) /MDLF (for activities of sub-component 2). MDLF will share the monthly logs it receives with MoLG .

The Program provides capacity building to LGUs on how to process, receive and address grievances.

In addition, the Palestinian Environment and Social Impact Assessment (ESIA) Policy does not make any references to social risk management. In fact, the ESIA policy does not make reference to social analysis needed for the identification and mitigation of impacts on vulnerable groups. In addition, the ESIA policy does not mention social risk monitoring during sub-project implementation. In practice social analysis and social risk monitoring is not done due to the absence of guidance in these areas and lack of resources and technical staff specialized in this area. The technical manual and capacity building activities provide guidance on social risk management.

¹¹ See Annex 3 for detailed list of site visits.

Box 1: World Bank Practice Recommendations on Voluntary Land Donation (VLD)

Based on Global Experience

Regardless of country and project specificities, it is recommended that the basic guidelines to be followed for voluntary land donation as follows:

1. Land to be donated must be identified by the community through a participatory approach; The impacts of proposed activities on donated land must be fully explained to the donor;
2. The potential donor is aware that refusal is an option, and that right of refusal is specified in the donation document the donor will sign;
3. The act of donation is undertaken without coercion, manipulation, or any form of pressure on the part of public or traditional authorities;
4. The donor may negotiate compensation (in full or in part) or alternative forms of benefits as a condition for donation;
5. The proportion of land that may be donated cannot exceed the area required to maintain the donor's livelihood or that of his/her household;
6. Donation of land cannot occur if it requires any household relocation;
7. For community or collective land, donation can only occur with the consent of individuals using or occupying the land;
8. Verification must be obtained from each person donating land (either through proper documentation or through confirmation by at least two witnesses);
9. The implementing agency establishes that the land to be donated is free of encumbrances or encroachment and registers the donated land in an official land registry;
10. Any donated land that is not used for its agreed purpose by the project is returned to the donor.
11. Voluntary land donation will not be permitted in cases of site-specific infrastructure as community pressure could be too onerous for a person to refuse, thus removing the power of choice.¹²
12. There should be no coercion, manipulation or pressure from the community or public or traditional authorities for individuals to voluntarily donate land.

Each instance of land donation must be documented. This requires written notification indicating the location and amount of land that is sought and its intended use for the project, and requires a formal statement of donation, establishing informed consent and signed by each owner or user involved. Taxes to be paid by the land donor for registration of the land transfer, if applicable, should be covered in full by the implementation agency. Measures should be in place to protect Project Affected Peoples who cannot read and write to ensure they are fully aware when signing a document and particularly cognizant of the right to refusal (i.e. having a literate witness of their choice inform them of the contents of the documents and their right of refusal at the timing of signing). The implementation agency maintains a record with documentation for each instance of land donation. The documentation is made available for review in any grievances that may arise, and is provided to the World Bank upon request.

¹² In cases of site-specific infrastructure it is recommended to use land under ownership of VCs or JSCs and in exceptional cases willing-buyer willing-seller if adequate measures are put in place to avoid coercion.

IV. Assessment of Institutional Capacity and Performance

4.1 Adequacy of applicable systems

4.1.1 Environmental Management System and Capacities of Implementing Agencies

Gaps in the system as applied in practice: With a large number of LGUs of varied size included under LGSIP (VCs and JSCs), capacity varies widely between them – some have well-functioning technical engineering departments that are usually tasked for environmental and social management and coordinate with MoLG district offices on these issues, as well as promote overall sustainability in their communities. Others have low levels of staff that may be missing expertise and coordination systems to manage impacts and contribute to development planning in their village councils.

The overarching finding is that, while impacts are generally managed and there have been few major issues, most LGUs do not have systems in place for the ESIA process, collecting and managing environmental and social data, nor a clear mandate for environmental and social management. Many donor projects have attempted to bridge this gap with Environmental and Social Management Frameworks, and the shortcomings underpin the main challenges that have been found in implementing safeguards in other projects implemented at the local level: screening checklists are not commonly used at the local and central levels, LGUs do not systematically monitor environment and social impacts, and environmental and social management often remains outside of the planning and decision-making process. The reasons are largely structural difficulties – despite these, impacts from projects have been managed fairly well, and that in the LGU there is recognition of environmental sustainability and the desire for projects to contribute to better sanitation, reduced pollution and a better quality of life, as well as strengthened institutions. Findings during field studies and consultations with national counterparts suggest that on both levels there is a strong willingness to work through the issues described below, and recognition of the opportunities of the Program to address issues that are compromising environmental and social management (ESM) in local governments.

The main issues are summarized below, which are addressed in the Program through measures included in the Action Plan, Program indicators and World Bank implementation support:

- **Centralized management:** Once a project is identified, environmental and social management is largely in the LGU's hands, however many of the decisions are handled by central authorities, e.g. contracting ESIA consultants, the ESIA review process, consultations and auditing implementation is overseen by program manager (MDLF and MoLG). The day-to-day implementation of the environmental and social management plans (ESMPs) will be the duty of the LGUs staff with capacity building sought from the consultants. This break in delegation from the beginning sets projects on a trajectory where, though the direct impacts and risks are modest, implementation is not systematically monitored as the central agency does not have the capacity to monitor all projects and the LGUs have no existing capacity to do so either.
- Another finding from the fieldwork and interviews is that highly centralized natures of ESIA process can slow the project cycle as even projects with minimal impacts require an environmental screening by the central authorities in order to obtain an

environmental certificate required of all projects, there can be long delays in obtaining certificates. It was observed that in light of delays, projects have gone forward without the required certificate. Because LGUs do not have clear role, this leaves some projects with little oversight.

- ***Human Resource Capacity:*** Most LGUs have different staff who are involved in ESM: Community Development Officer, planners, engineers and other sector staff who exist within the LGUs. Rarely, LGUs have an Environmental or Social Management Officer. Overall capacity for ESM and ESIA is generally quite low (though it varies across LGUs). Field visits showed that most LGUs staff are not trained to handle a technical task such as the ESIA process. Additionally, LGUs are not able to hire their own specialized staff for this purpose. This is where the lack of a well-defined system at the local level and a clear methodology for coordination on the governorate and central levels are needed.
- ***Budget Resources and Tools:*** Budget has been a common constraint to optimal ESM. There has been pressure from the donor community to include a line item from project's budgets for environmental and social management and ESM monitoring on the central level, funds rarely flow or that they are inadequate for staff to actually carry out ESM requirements, where technical staff had limited resources to conduct their field tasks, lacking vehicles and environmental monitoring equipment as well.
- ***Performance Incentives:*** Many of the issues identified and the lack of effective action to date on all of the aforementioned issues reflect the incentive structure of how development funds are transferred to LGUs. As mentioned above and described in more detail in the Program Appraisal Document, LGU's performance-based grant system links LGU performance in key areas of local governance with compliance with national policies, legal and regulatory frameworks.

Despite the key role local governments play in environmental and social management and compliance with relevant laws, these elements are neither included in LGU's minimum conditions to access the grant nor in indicators that incentivize good performance. Environment and Social is included as a cross-cutting issue along with poverty, gender, governance issues, but the performance indicator is an aggregate of all of these issues together, and only requires that LGUs undertake an analysis of these issues to be included in their development planning process.

The minimum conditions and performance indicators have important implications for where LGUs direct budget resources and staff priorities. Without any performance measurements or sanctions for low performance (that is, if there are no consequences for poor performance), budgetary resources are in most cases not directed in these areas).

System Strengths: Despite the gaps in the system, there are many positive practices in LGUs and at the national level that are important to consider, as these can be both capitalized upon as well as strengthened through the performance incentives under LGSIP as well as support for capacity building. First, despite clear roles and responsibilities, environmental and social impacts implemented by LGUs have been managed fairly well on the MDLF and MoLG levels. Supervision reports and field visits have noted no major impacts that have gone unmitigated, both in small-scale infrastructure (e.g. Local Government Support Project and larger urban projects) of World Bank projects.

- Second, the field visits noted that some LGUs have made very effective use of laws related to ESM, for example, improved solid waste management by sanitation-specialized (both wastewater and solid waste) Joint Service Councils. .
- Both MoLG, MDLF, and JSCs are supportive of measures to strengthen systems, and are familiar with programs that have attempted to do so in the past. While these systems have had some lasting impact but have not managed to fully mainstream a system of environmental and social management in LGUs, an aspect that will be addressed in the P4R design.

4.1.2 Social management systems and Capacity of Implementing Agencies

As detailed in Section I under main social risks, sub-projects will be excluded that involve relocation of households, temporary or permanent land take, impacts on livelihoods, including those that may occur through restriction of access to resources. To screen out for these exclusions, the Program will rely on training of LGUs and guidelines for this in the ESTM, which will include a rigorous sub-project screening process to be done by LGUs. It is important to note that Palestinian legislation on expropriation, Law No.24 of year 1943 modified by Law No. 2 of year 1953 on Land Expropriation for Public Projects, does not meet the requirements of OP/BP 9.0 as it does not make any reference to the rights of squatters or users of public or state lands. To meet the requirements of OP/BP 9.0 and so as not to harm this category of people, the sub-project screening process will be used to exclude sub-projects involving the use of land with squatters or users of public or state lands.

Land requirements will be met through those under the ownership of LGU boundaries and in some instances through VLD and a willing-seller willing buyer approach. The Palestinian Environment and Social Impact Assessment (ESIA) policy does not provide any guidelines on VLD. However, field visits verified that in cases of VLD or land purchased through a willing-seller willing buyer approach, in order to receive appropriate licensing for construction, LGUs must provide legal documentation of the transfer of ownership of the land to the LGUs. Therefore, VLD and purchasing of land is mostly practiced by the LGUs in compliance with formal and legalized procedures (agreements, licenses or purchase agreements). In these cases, LGUs must submit relevant documentation to the MoLG or MDLF such as voluntary transfer documents or purchase agreements, which document consent. No sub-project can be financed without prior resolution of all land acquisition or land tenure regularization issues.

As detailed in Section 3.2 on social management systems, the Palestinian ESIA policy does not provide sufficient guidance on consultations and makes no reference to social analysis or social risk monitoring during project implementation. In addition, the Palestinian Council Resolution No. 60 in 2005 mandating the development of a complaints mechanism in all ministries does not give adequate guidance on the development of a GRM at the LGU level. As a result, most LGUs have weak social management capacities in areas such as subproject screening for social risk, social monitoring, consultations and social accountability practices and there is a lack of appropriate staffing, training and resources allocated to these areas. Transparency and accountability is often lacking at the LGU level. The majority of LGUs are not involving communities in decisions related to selection, implementation and monitoring of development activities. In addition, complaints are overwhelmingly dealt with informally, without documentation. To address weakness in social management, LGUs will receive capacity building and guidelines will be prepared on this in the technical manual. In addition, LGUs will be required to adopt effective grievance mechanisms as detailed in section 3.2.1.

As detailed in section 2.5, MDLF and MoLG have successful experiences with social management through the management of World Bank financed projects. Through these projects, they have gained experience with screening for the exclusion of sub-projects that involve relocation of households, temporary or permanent land take, impacts on livelihoods, including those that may occur through restriction of access to resources. In addition, both the MDLF and MoLG have managed subprojects involving voluntary land donation and have provided the necessary documentation for this. Although MDLF and the MoLG have experience with the development and implementation of GRMs, additional capacity building will be needed to ensure a robust GRM system for LGSIP.

IV. Conclusions and Recommendations

4.1 ESSA Action Plan

Although the environmental and social impacts of activities under LGSIP are classified from low to moderate, the Program provides an opportunity to strengthen both the gaps in the procedures mentioned above to identify and mitigate these effects, but also to strengthen the entire system in three areas: (i) strengthening environmental and social management; (ii) ensuring implementation of good environmental and social management practices; and (iii) monitoring of social and environmental management. To fill the gaps identified in the ESSA, the LGSIP will support specific measures to enhance performance of the environmental and social management system in the West Bank. These measures will be implemented on the basis of two main interventions, namely:

- 1) Technical Manual Revision: The Environment and Technical Social Manual will be prepared by the MDLF/MoLG and will be used by LGUs in assessing and managing environmental and social impacts. This manual will be based on existing Operations Manuals used by MDLF and MoLG for previous World Bank projects. The evaluation of the performance of systems applicable to LGSIP has significantly raised the profile of environmental and social issues by introducing minimum requirements for core staff and by ensuring that a proper system is in place and is functional and operational.
- 2) Capacity building: environmental and social management measures will be integrated into the Program through capacity building and technical assistance components that will give local government access to formal training. The MDLF/MoLG will provide advisory support to LGUs for the formulation and implementation of their capacity building plans, and provide targeted support to LGU capacity building. One of the key areas eligible for support to LGU capacity building is to improve LGU capacities in environmental and social management and project supervision – the types of possible activities include development of guides and tools, formal and informal training, mentoring, and continuing education. The implementation by LGUs of environmental and social procedures contained in the ESTM will be one of the performance criteria in the assessment of the Programs systems that will be implemented for LGSIP.

4.2 Elements to incorporate in Program Action Plan

All of these measures are documented in the ESSA Action Plan that guides the overall formulation of the Program. Implementation of some of these measures will be enhanced by their integration into the Program Action Plan, with the agreement of the Government of Palestine, and / or legally incorporated into the Program's financing agreement. These actions are grouped into three areas: i) Actions to strengthen environmental and social management;

ii) Actions to strengthen system implementation and monitoring; and iii) Actions for capacity building in environmental and social management.

1. Strengthening the environmental and social management system

Recommended actions under this theme are summarized below:

- Technical Manual revised before the start of the Program: it will include updated procedures for environmental and social management for LGUs to address gaps identified in the ESSA (social impact assessment, public information and consultation, grievance mechanisms, monitoring reports, updated screening procedures to include guidelines for identifying high-risk activities that are not eligible for support under the Program).
- Assignment of LGU staff to environmental and social management: All LGUs must ensure environment and social management technical skills of staff.
- Establishing a municipal grievances mechanism to handle complaints: To be eligible for Program financing, all LGUs must establish a grievance redress mechanism, which will include procedures for environmental, social, compensation, and fiduciary issues.
- Consultation and public disclosure of environmental and social documents: the Technical manual will require consultation and mandatory disclosure of key documents relating to good social and environmental practice and project screening forms must indicate the date and place of publication of these environmental and social documents.
- Creating an environmental and social monitoring system: the MOLG will establish a system to monitor environment and social issues (i.e., risks, consultations, etc.)

2. Strengthening the implementation of environmental and social monitoring system

Actions recommended under this theme are summarized below:

- Implementation by LGUs of environmental and social procedures documented in the Technical Manual: LGUs take into consideration environmental and social impacts in prioritizing development projects.
- Prior approval of environmental and social review form: All infrastructure projects are required to have completed the environmental and social review form and have obtained the mandatory approval.
- Public disclosure of ESMP: Environmental and Social Management Plans are disclosed to the public through the MoLG/MDLF and online by Contractors.
- Supervision of works by LGU technical staff responsible for environmental and social management: Technical staff responsible for environmental and social management must monitor and supervise works at least once per quarter.
- Application by LGUs of applicable procedures for voluntary land donation as defined in the Technical Manual: Procedures for voluntary land donation will be applied and implemented for all projects where the environmental and social review indicates that it will be necessary.
- Monitoring of complaints and land acquisition: The reports provided by LGUs to the MoLG/MDLF will include monitoring of complaints related to environmental and social management and monitoring of environment and social complaints including

related to voluntary land donations.

- Implementation by the LGUS of mitigation and compensation measures: All mitigation measures for environmental issues and social issues will be effectively executed.
- Environmental and social reporting: Reporting on environmental and social criteria should be included in the Project Monitoring Reports produced by the LGU engineer or planner.
- Assessment of mitigation and compensation measures: Reports provided by LGUs to MoLG/MDLF will include an assessment of the performance of mitigation and compensation measures after the implementation of sub-projects.

2.5.1 Strengthening of environmental and social management capacity

Actions recommended under this theme are summarized below:

- Integration of Environmental and Social Management in Program's capacity building Program: Environmental and social management will be considered a key area for capacity building.
- Training in environmental and social management for technical staff: The training Program will strengthen the capacity of environmental and social core staff and bring awareness to other local government technical staff and members on environmental and social issues.
- Training expanded to include budgetary aspects of environmental and social management: The training program includes sessions on budgeting for environmental and social mitigation measures.
- Training on sub-project screening for the exclusion of involuntary land resettlement and acquisition, including issues related to livelihoods and vulnerable groups: The training offered LGUS will cover issues related to the exclusion of land acquisition, procedures related to voluntary land donations, procedures applicable to vulnerable groups.
- Training of LGUs, MDLF, and MoLG on the complaints handling system. The Program's capacity building plan identifies a Grievance Redressal Mechanism (GRM) as a key thematic area for the improvement of institutions, both at the LGU and national levels.
- Creating a training program on environmental and social management for LGUs: A training program on environmental and social management for LGUs will be created and updated according to the Technical Manual.
- Integration of requirements for public information and consultation in the training program on environmental and social management for LGUs: The training on environmental and social management for LGUs will include instructions on public consultation, transparency and the treatment of grievances.

2.6 Assessment of environmental and social risk level

The assessment of environmental and social risk level associated with the Program is considered moderate. To mitigate this risk, the LGSIP should contribute to improving the national system of environmental and social assessment to fill identified gaps in the ESSA (social impact assessment, improved screening of municipal sub-projects, public information

and consultation, environmental and social monitoring, grievance redress mechanisms, and procedures for voluntary land donation).

To ensure the environmental and social sustainability of the Program, the management capacity of government agencies and local authorities should be strengthened, and screening procedures, evaluation, supervision and monitoring of municipal sub-projects should be improved. Citizen participation in the planning and supervision of municipal infrastructure projects should be encouraged. Proposed measures to improve environmental and social management systems in compliance with the World Bank's Operational Policy OP 9.00 for PforR operations have been incorporated into the ESSA Action Plan and will be submitted for discussion at a stakeholder consultation workshop that was held on May 13, 2015.

2.7 Elements to incorporate into the Program Action Plan

The main elements of the ESSA Action Plan will be integrated into the Program Action Plan and will serve as a reference framework for the supervision of the implementation of the measures recommended in the Action Plan. These elements include:

- Annual Capacity Development Plans prepared by all local governments and communicated to the MDLF/MoLG (capacity building to include environmental and social management);
- Technical Manual (TM) developed that provides updated procedures for environmental and social management for LGUs to address gaps identified in the ESSA, including: (i) public consultations, public disclosure and grievance redress mechanisms; (ii) social assessment; (iii) voluntary land donation guidelines; (iv) screening of high-risk activities which are ineligible for Program support; and (v) monitoring and evaluation.

Laws

- The Palestinian Environment Assessment Policy
- The Palestinian Environmental Law No (7) 1999
- The Law No. 24 of Year 1943 and Modified Law No. 2 of Year 1953 on « Land Expropriation of Projects » articles (3), (12), (21)
- The Law No. 79 related to the Organization of Cities, Villages and Building Laws, articles (56), (57), (59)
- The Law No. 5 on the Organization of Local Bodies No. 5 Year 2011

Ministerial Orders

- Cabinet Resolution No. 60 of 2005 on Complaints Resolution Mechanism

ANNEX 2– Stakeholder Consultation Workshop

LIST OF INVITED STAKEHOLDERS

LIST OF PARTICIPANTS IN WORKSHOP

ANNEX 3: INTERVIEWS WITH LGUS ON SOCIAL MANAGEMENT

Field visits to a representative sample of local government units (LGUs) including Village Councils (VCs), Joint Service Councils (JSCs), and MoLG District Offices (Dos), which included collection of baseline information on existing conditions of the natural and built environments, and consultations with LGU technical staff as an input to the capacity and performance assessment. A representative sample of LGUs to visit was selected to take into account population, geographic variation (different governorates in West Bank). Survey data were collected from all LGUs by a consultant to complete information on human and financial resources and management practices.

Meetings, interviews, and workshop sessions were conducted with government agencies, the Ministry of Local Government (MoLG), District Offices (DOs), the Municipal Development and Lending Fund (MDLF), Village Councils (VCs), Joint Service Councils (JSCs), and Development Partners.

Findings sited in this document are based on field visits by a local consultant and phone discussions regarding LGUs capacity to manage social risk (see below table).

<i>Village Councils/ Joint Service Councils Interviewed (Field Visits or By Phone)</i>	Governorate Name	Population 2012 (PCBS)
<i>'Ajja</i>	Jenin	5,397
<i>Barta'a ash Sharqiya</i>	Jenin	4,459
<i>Salim</i>	Nablus	5,366
<i>Tell</i>	Nablus	5,419
<i>Rujeib</i>	Nablus	4,495
<i>'Awarta</i>	Nablus	5,961
<i>Khirbet Abu Falah</i>	Ramallah	4,304
<i>Shuqba</i>	Ramallah	4,844
<i>Qibya</i>	Ramallah	5,279
<i>Deir Jarir</i>	Ramallah	4,293
<i>Kafr Ni'ma</i>	Ramallah	4,039
<i>Saffa</i>	Ramallah	4,095
<i>Beit 'Ur at Tahta</i>	Ramallah	4,709
<i>Kharbatha al Misbah</i>	Ramallah	5,613
<i>Kafr 'Aqab</i>	Jerusalem	17,941
<i>Al Jib</i>	Jerusalem	4,419
<i>Hizma</i>	Jerusalem	6,566
<i>Battir</i>	Bethlehem	4,252
<i>Husan</i>	Bethlehem	5,949
<i>Hindaza and Braid'ah</i>	Bethlehem	5,762
<i>Ash Shawawra</i>	Bethlehem	4,005
<i>Nahhalin</i>	Bethlehem	7,515
<i>Beit Kahil</i>	Hebron	7,096
<i>Al Burj</i>	Hebron	4,213
<i>Ar Ramadin</i>	Hebron	4,189
<i>Qusra</i>	Nablus	4,640
<i>Beiteba</i>	Nablus	
JCS for Solid waste	Nablus	
JSC for Planning and Development - Northwest of Nablus: Sabastia	Nablus	
JSC for Planning and Development - Northwest of Nablus: Aqraba	Nablus	

ANNEX 4: Eligibility Criteria

Component I

Basic criteria for **all** Village Councils

- Annual budget statement for the current fiscal year approved by the VC council and the MOLG
- Annual Capital Investment Plan (ACIP) or Consolidated ACIP with other LGUs for the subsequent year, prepared in a participatory manner
- Public disclosure of the subsequent year's ACIP or Consolidated ACIP and current year's VC budget

Additional criteria for **individual execution** in large VCs (population more than 4,000)

- Access to Administrator (full time), Accountant (full or part time), and Engineer (full or part time)

Additional criteria for **joint execution** in small VCs (VCs population less than < 4,000)

- Member of a JSC scoring more than 40 points in the annual JSC assessment
- Signed an agreement with at least one qualified JSC (score more than 40) in a MOLG-prescribed format

Component II

- Joint project identified through consolidated ACIP prepared in a participatory manner
- JSC scoring more than 40 points in the annual JSC assessment; or signed service provision agreement in MOLG-prescribed format