

Project Name West Bank and Gaza - Bethlehem 2000 Project (@..)
(Municipal Development II)

Region Middle East and North Africa Region

Project ID GZSF53985

Borrower The Palestine Liberation Organization
for the Benefit of the
Executive Authority of the Palestinian
Council

Implementing Agency The Bethlehem 2000 Project Organization;
Ministry of Local Government, Ministry of
Tourism and Department of
Antiquities (MOTDA); Ministry of Culture (MOC);
the municipalities of
Bethlehem, Beit Sahour, Beit Jala, and Doha;
and the Palestinian Economic
Council for Development and Reconstruction
(PECDAR)

PID Date April 27, 1998

Appraisal Date May 1998

Board Date September 1998

1. Sector Background. This project (B2000) builds on the initiatives of the existing Municipal Infrastructure Development Project (MIDP, FY96), extending these initiatives to the four municipalities (Bethlehem, Beit Sahour, Beit Jala, and Doha) which together comprise the Bethlehem area. MIDP focuses on high-priority infrastructure rehabilitation as well as municipal reform and capacity building. The latter has a national as well as a local dimension. The national dimension focuses on systemic legal, institutional, and financial reform involving such issues as: decentralization (central/local relationships); revenue mobilization and sharing; regional investment programming; and the role, structure, and capacity of the Ministry of Local Government. The local (municipal) dimension focuses on: improving financial planning and management; modernizing accounting systems; improving revenue mobilization and cost recovery; strengthening service delivery; and rationalizing, commercializing, and privatizing service provision.

Strategy. The strategy is to use the unique opportunity presented by the millennium celebrations and the special religious, cultural, and historical significance of Bethlehem to accelerate progress toward the achievement of a number of important developmental objectives.

Objectives. The primary objectives are to:

- strengthen the economic base and foster sustainable development of the Bethlehem area through tourism promotion;
- strengthen the infrastructure, financial and managerial base of the Bethlehem area municipalities through a program of investment, reform, and capacity building;

- begin to foster the preservation of cultural assets in Bethlehem (assets of worldwide importance and value) by initiating a process of policy and institutional reform and capacity building, and by physical rehabilitation and adaptive reuse.

2. Project Description. In addition to providing significant support for the staging of the Bethlehem 2000 celebration activities and extending the existing MIDP to the Bethlehem area municipalities, the project begins to address some of the issues of tourism development and cultural preservation specific to these municipalities.

The specific project components are:

- Celebrations Support. Support to the B2000 Foundation for preparing and staging the celebrations, including technical assistance for strategic planning, finance, and fund raising; event development, marketing, sponsorship; overall program management and coordination; and necessary preparatory studies, contract documentation, and supervision related to the above;

- Physical Works. Support to the Bethlehem 2000 Project Organization and the Bethlehem municipalities for:

a) rehabilitation of essential infrastructure and services (roads, drains, water, sewerage, community buildings, and parking structures), including especially, but not limited to, the essential infrastructure and services required for staging the celebrations;

b) rehabilitation and adaptive reuse of historic buildings.

The above includes necessary preparatory studies, contract documentation and supervision;

- Medium-term Capacity Building. Support to:

c) the four area municipalities for undertaking fiscal, financial, and managerial reforms, including greater attention to financial planning, accounting systems, cost recovery, and service delivery and maintenance programming (cf. Municipal Development I Project);

d) the Ministry of Tourism and Department of Antiquities (MOTDA) and the Ministry of Culture (MOC) for initiating the development of a cultural preservation policy and an appropriate institutional framework, and for establishing a Cultural Preservation Unit for the Bethlehem area;

- Operational Support. Support to the Bethlehem 2000 Project Organization, area municipalities, MOTDA, and MOC for essential incremental operating expenses (including salaries, rent, utilities, equipment, and supplies for the first 2 years).

3. Project Financing. The preliminary estimated total project cost is US\$65 million, which would be financed by: an IDA Credit (from the Trust Fund for Gaza and West Bank) of US\$25 million; and US\$40 million in cofinancing. The financing plan will be confirmed during negotiations. In order fast-track some urgent infrastructure works to maintain the Year 2000 timetable,

retroactive financing of up to a currently undefined maximum percentage of the credit amount will be identified at appraisal and provided for.

4. Project Sustainability. Through this project, systemic reform and capacity building at both the local and central levels of government that began under MIDP would continue. At the municipal level, the project would help support steps to mobilize revenues on a sustainable basis, improve cost recovery, and strengthen municipal financial and asset management. At the national level, a significant boost would be given to tourism development and cultural rehabilitation.

5. Program Objective Categories and Poverty Category. The project would help to strengthen the economic base and foster sustainable development of the Bethlehem area through tourism promotion and development of the infrastructure, financial, and managerial base of the Bethlehem area municipalities through a program of investment, reform, and capacity building. In addition, the project would begin to foster the preservation of cultural assets in Bethlehem (assets of worldwide importance and value) by initiating a process of policy and institutional reform and capacity building, and by physical rehabilitation and adaptive reuse. In the short run, the infrastructure and historic buildings rehabilitation and improvement components would generate a significant number of skilled jobs at the municipal level, and the maintenance subprogram would provide lower skilled jobs.

6. Environmental Aspects. Category B is proposed for this project. Please see Environmental Annex attached.

7. Benefits. While widespread benefits would accrue to the Bethlehem area population (estimated at 100,000 in 1997), significant benefits also would accrue to the entire WBG population from the stimulus provided to the tourist industry and the general improvement in urban efficiency. The benefits to the area include:

- employment generation;
- improvements in public health and environmental conditions;
- reductions in vehicle operating costs and travel times; preservation of local infrastructure and cultural assets; improvement in the conditions for private sector investment and development;
- improvement in fiscal efficiency;
- increase in the long-term potential of Bethlehem as a tourist destination; increased tourism earnings by both the private and public sectors.

The wider benefits include:

- reduction in the demands made on the PA's budget by the area local governments;
- increased foreign exchange earnings;
- increased international awareness of Palestinian and Arab culture; and
- increased international recognition and understanding of the problems and economic potential of Palestine.

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Note: This is information on an evolving project. Certain activities and/or components may not be included in the final project.

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Environmental Annex

Category B is proposed for this project. Implementation of the proposed project would result in significant improvements in the management of water and wastewater in the Bethlehem region. Rehabilitation of the road network would include improvements to drainage, thus reducing flooding in municipalities and erosion; in addition, the resulting efficiencies in travel operations would reduce air pollution. Proposed activities to be supported under the project would be subject to the environmental screening and review process that already exists under MIDP, and the cultural preservation aspects would make an important contribution to long-term cultural preservation in Bethlehem and Palestine in general. Similar works under three existing projects are classified under environmental category B.

MIDP capacity building encompasses five pilot municipalities: Nablus, Jenin, Hebron, Gaza, and Rafah.