


WORLD BANK GROUP

 THE WORLD BANK
 IBRD • IDA

IFC International
 Finance Corporation

MIGA Multilateral Investment
 Guarantee Agency

MAXIMIZING FINANCE FOR DEVELOPMENT STORIES

WEST BANK AND GAZA

Securing Energy for Growth and Development

Highlights of World Bank Group Support

The **World Bank Trust Fund for Gaza and the West Bank (TFGWB)** provided a \$4 million grant and the multidonor **Partnership for Infrastructure Development trust fund (PID-MDTF)** approved \$7 million for an electricity sector performance improvement project in 2017.

IFC is providing an \$8 million loan for a rooftop solar project and is acting as the lead transaction advisor to attract private sector investment in other solar photovoltaic plants.

MIGA is providing \$7 million in political risk insurance to the rooftop solar project through its West Bank and Gaza Investment Guarantee Trust Fund and its Conflict Affected and Fragile Economies Facility.

Power demand in West Bank is fast outpacing supply and Gaza is already experiencing severe shortage with electricity supply of less than 6 hours per day, affecting homes, hospitals, schools, and businesses. The Palestinian Authority is working with the World Bank Group and its international partners on an ambitious energy reform agenda. Early results are visible through the demonstrative solar energy transactions, which are transforming the sector and increasing private participation in competitively priced clean energy projects.

Development Challenge

West Bank and Gaza relies heavily on Israeli imports to meet its electricity needs, amounting to 99 percent of total supply in West Bank and 64 percent in Gaza, as of 2015. With demand for power forecasted to grow 3.5 percent annually until 2030, the Palestinian Authority needs investments of \$3 billion to \$4 billion to meet energy security goals. Approximately 10 percent could be provided through direct public sector and donor support; remaining needs must be met through private financing. The financial sustainability of the electricity sector, particularly the creditworthiness of the single-buyer public agency, is a key constrain to private participation.

The MFD Approach

The World Bank Group's assistance strategy for the West Bank and Gaza's energy sector aims to enable the private sector to flourish and create jobs. It is working with development partners to introduce reforms at energy institutions to enhance financial discipline. At the same time, the different institutions of the World Bank Group are providing complementary transaction advisory, risk insurance, financing and co-investment grants to structure demonstrative transactions that will facilitate private sector solutions and financing for the sector.

Setting up the regulatory and institutional framework

The Palestinian Authority is collaborating with the World Bank and its international partners through an electricity sector performance improvement project. With \$4 million from the TFGWB and \$7 million from PID-MDTF, the project is helping key energy public institutions to improve the efficiency of the electricity distribution system and pilot new business models for solar energy in Gaza. The project supports sector reform, capacity development, and revenue strengthening interventions across the value chain. It addresses priority needs of the regulator, the single buyer and distribution companies for financial sustainability, which is crucial for effective private sector engagement.

The 2017 *Securing Energy for Development* report defined a roadmap for implementing reforms and policy measures to strengthen the electricity sector and make it attractive for private investment. The study identifies the actions required for expanding, diversifying, and stabilizing power supply to West Bank and Gaza. The report was funded by the World Bank Group, the Norwegian government, and the Energy Sector Management Assistance Program. The study leverages the convening power of the Bank Group to consolidate inputs from donor partners, local energy sector stakeholders, and the Palestinian Authority, particularly its Ministry of Finance.

Facilitating private sector investments to create new solar markets

Solar energy remains largely untapped for West Bank and Gaza and is increasingly attractive as costs have dropped by 80 percent over the past 5 years, driven by innovation. The World Bank Group and development community's support of ongoing sector reforms are yielding early results, generating strong private sector interest, particularly in solar energy. Through IFC, the World Bank Group is providing advisory support to help the Palestinian government launch its first wave of public-private partnerships in solar energy with PETL, the transmission company, acting as the single buyer.

One of the World Bank Group's first demonstrative solar energy transactions in West Bank and Gaza is the Palestine Real Estate Investment Co (PRICO)'s rooftop solar energy facility. IFC helped structure the investment and financed it through an \$8 million loan, of which \$4 million is supported by the IFC-Canada Climate Change Program. TFGWB provided a \$1.8 million grant, and MIGA's critical support to PRICO de-risked the transaction through a \$7 million political risk guarantee. The project will create a new solar market in West Bank and Gaza and provide up to 80 percent of the electricity needs of the Gaza Industrial Estate, keeping factories running and creating almost 800 jobs, according to the World Bank's estimates. The estate is connected to the grid and has entered a net metering agreement with Gaza Electricity Distribution Company (GEDCO).

Given the growing energy needs of the West Bank and Gaza, power imports and traditional gas power plants will remain an important part of the energy mix. IFC has been mandated to arrange the financing of a proposed 450-megawatt power plant in Jenin, the first in West Bank. The World Bank Group is implementing a multipronged approach that will accelerate the pace of reforms, design appropriate risk allocation, and mobilize private investment through proactive outreach locally and internationally.

Making a difference

The Palestinian Authority and international community's commitment to energy security are raising legitimate expectations, particularly in Gaza, that a more stable energy supply situation is possible. The ongoing reforms are strengthening the electricity sector's financial resilience while building confidence of private investors in gas and solar projects. The first private sector projects in solar energy are already catalyzing other investments in the solar market and more are expected to follow with other investors and international financial institutions. Seizing this opportunity, the World Bank Group is collaborating with the Palestinian authority and donor partners to assess opportunities for creating a competitive market for solar and independent power producers (IPPs) and developing the Private Sector Enhancement Facility to support viable projects.

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WHAT IS MFD?

Achieving the Sustainable Development Goals to end extreme poverty by 2030 will require about \$4.5 trillion annually, far more than multilateral development banks or donors can provide by themselves. To face this challenge, the World Bank Group adopted the MFD approach, which entails working with governments to crowd in the private sector while optimizing the use of scarce public resources. This approach is guided by the [Hamburg Principles](#) adopted by the G20 in 2017 and builds on the substantial experience across the institution.