



1. Project Data:		Date Posted : 03/30/2004	
PROJ ID: P053985		Appraisal	Actual
Project Name: Bethlehem 2000	Project Costs (US\$M)	25.0	28.3
Country: West Bank & Gaza	Loan/Credit (US\$M)	25.0	24.9
Sector(s): Board: UD - Sub-national government administration (40%), Sewerage (20%), Water supply (20%), Roads and highways (20%)	Cofinancing (US\$M)	0.0	3.4
L/C Number:			
	Board Approval (FY)		98
Partners involved : Italy	Closing Date	06/30/2002	12/31/2003
Prepared by :	Reviewed by :	Group Manager :	Group:
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2. Project Objectives and Components

a. Objectives

- (a) Support the Bethlehem 2000 Project Authority for the preparation, launching and management of the (B-2000) Celebrations -- while forming part of the legal agreement, this objective was overlooked by the PAD and ICR;
- (b). Strengthen the economic and cultural base of the Bethlehem Area Municipalities and foster their sustainable development through the promotion of tourism;
- (c) Upgrade the infrastructural, financial and managerial base of these municipalities and strengthen their financial and managerial capabilities; and
- (d) Begin the process of preserving cultural assets in the West Bank and Gaza through policy and institutional reforms and capacity building.

OED's assessment is based upon the above objectives, whose achievement the 08/02 "Master Amendment" affirmed would be unaffected by restructuring and resource reallocation that took place near closing when 97% of all funding was already disbursed.

b. Components

(original)

i) *Celebrations Support (costs: planned - US\$6.0m/actual - US\$5.2m.):* Technical assistance (TA) and consultants' services--including strategic planning, finance and fund raising, event development, marketing and sponsorship, environmental management, construction management, and overall celebrations program management and coordination--to support the B-2000 in planning, coordinating, monitoring and managing the infrastructure activities required to stage the Celebrations.

ii) *Infrastructure and Cultural Heritage Rehabilitation Works (costs: planned - US\$15.0m/actual 18.5m.):* Rehabilitation of infrastructure and services in central and southern West Bank (incl. roads, water systems, sewerage systems, drainage systems, historic buildings and historic municipal cores) and protection of archeological chance finds.

iii) *Capacity Building Support (costs: planned - US\$3.5m/actual - US\$1.0m.):* Program to strengthen Bethlehem municipalities to plan, finance, manage and maintain municipal infrastructure and services . Program to strengthen capabilities of Department of Antiquities (DOA) and Ministry of Culture (MOC). Support to Ministry of Local Government (MLG) to carry out financial reporting and to B-2000 Project Authority to carry out project's environmental advisory, training and monitoring functions.

(additional, post September 2000)

(iv) *Emergency employment generation (costs: planned - US\$0.0m./actual - US\$1.5m.)*

(v) *Damage repair (costs: planned - US\$0.0m./actual - US\$2.2m.)*

(small post September 2000 changes that were not part of a formal amendment to or restructuring of the project)

c. Comments on Project Cost, Financing and Dates

Final costs were 13% higher than appraisal estimates thanks to Italian *cofinancing* of US\$3.4m. not foreseen at appraisal. At US\$80m. donor *parallel* financing in support of B-2000 events exceeded this project's expenditures threefold, but it was financed independently of this project's objectives and funding mechanisms . With the Italian

cofinancing, 88% of total costs were financed through the Trust Fund, against the 100% share foreseen at appraisal. In spite of the on-going conflict, project closing was extended for eighteen months (during which US\$2.1m. disbursements were made).

3. Achievement of Relevant Objectives:

The outbreak of the *intifada* in September 2000 and the Israeli military response to it, events beyond the control of the project, were the prime reasons for the failure to achieve objectives (b) and (c) in particular.

(a) *fully achieved*: the B-2000 Celebrations were successfully held in late 1999 and early 2000. Even though separate donor parallel financing of US\$80m. no doubt contributed to this achievement, this assessment reckons that some of this success should be attributed to this project.

(b) *not achieved*: the post September 2000 conflict led to a sustained collapse of tourism and severely undermined the economy of the area, as well as (physically) damaging the cultural base that the project aimed to strengthen. The number of hotel rooms has declined.

(c) *not achieved*: according to the chosen performance indicators, the ICR correctly reports no progress with increased economic activity, no increased local government revenue, nor increased private sector participation, all thanks to the post-September 2000 crisis. On the other hand, the ICR reports increased coverage of infrastructure services, but does not explain whether design standards were changed in order to achieve the four and eleven -fold increases in physical output (roads: 18km to 77km; water 5.6km to 64km) reported.

(d) *partially achieved*: a new law was drafted, a Cultural Heritage Preservation Center was established in Bethlehem, historic buildings rehabilitated but some were destroyed in post September 2000 military engagements.

4. Significant Outcomes/Impacts:

(none)

5. Significant Shortcomings (including non-compliance with safeguard policies):

- Tourist visits to the area practically ceased following the post September 2000 outbreak of hostilities. The *intifada* and Israeli military response did not allow the project to benefit Bethlehem.
- Sharp falls--as much as 60%--in the demand for road transport and the inevitable loss of economic justification for road investments following the resumption of hostilities. Border closures and curfews were as responsible for this as was direct military action.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Satisfactory	Moderately Unsatisfactory	The project failed to meet its objectives because of the ongoing conflict, yet was able to make a contribution to the B-2000 Celebration in late 1999 and early 2000 before the eruption of the conflict and crisis that undermined the project outcomes. These events, the <i>intifada</i> and Israeli military response, were, of course, beyond the control of the project itself.
Institutional Dev.:	Substantial	Modest	While some of the groundwork was laid for better national and municipal management of infrastructure, the intervening war has meant that any improvements have yet to lead to a more efficient use of resources in this area.
Sustainability:	Likely	Unlikely	Ongoing hostilities (that have endured for half the useful life of some project investments already) continue to interrupt the potential flow of benefits from this project.
Bank Performance:	Highly Satisfactory	Satisfactory	Disproportionate attention by Bank supervision missions to the Celebrations and Cultural assets components, led municipalities to believe that the largest project component, infrastructure rehabilitation, was not the most important, causing delays to its implementation
Borrower Perf.:	Satisfactory	Satisfactory	
Quality of ICR:		Satisfactory	

NOTE: ICR rating values flagged with '*' don't comply with OP/BP 13.55, but are listed for completeness.

7. Lessons of Broad Applicability:

- With *force majeure*, such as the September 2000 *intifada*, that points to the difficulty of achieving the original project objectives, those objectives should be revised as soon as possible and in an explicit manner so that all parties are fully cognizant and supportive of a new direction that project has to take .
- Much more could probably have been achieved in the areas of marketing and sponsorship if the private sector had been more closely involved at an early stage of the project .
- Even during a period of crisis, close Bank supervision is possible as long as adequate local leadership exists and Bank teams are sensitive and responsive to the acute problems such leaders face . Initially, the Bethlehem 2000 Authority's leadership proved crucial to the success in launching the Celebrations .

8. Assessment Recommended? Yes No**9. Comments on Quality of ICR:**

This is a complex case to evaluate, but overall, the ICR provides a reasonably satisfactory assessment . The report would have been even stronger had its self-evaluation been based upon the actual results of the project, even if these were determined by events exogenous to the project itself . A broader coverage of the large parallel financing would have helped pin down better what, among the limited results achieved, could be firmly attributed to this project . Like the PAD before it, the ICR omits the first project objective (of holding the Celebrations themselves), the only one fully achieved.