



Report Number : ICRR0021271

## 1. Project Data

<b>Project ID</b> P117443	<b>Project Name</b> GZ-Water Sector Capacity Building	
<b>Country</b> West Bank and Gaza	<b>Practice Area(Lead)</b> Water	<b>Additional Financing</b> P149739,P153889,P153889

<b>L/C/TF Number(s)</b> TF-15756,TF-99491	<b>Closing Date (Original)</b> 31-Dec-2015	<b>Total Project Cost (USD)</b> 5,000,000.00
--	---	---

<b>Bank Approval Date</b> 31-Mar-2011	<b>Closing Date (Actual)</b> 31-Dec-2017
--	---

	<b>IBRD/IDA (USD)</b>	<b>Grants (USD)</b>
Original Commitment	6,000,000.00	6,000,000.00
Revised Commitment	6,000,000.00	6,000,000.00
Actual	5,852,451.80	5,852,451.80

<b>Prepared by</b> Ebru Karamete	<b>Reviewed by</b> John R. Eriksson	<b>ICR Review Coordinator</b> Christopher David Nelson	<b>Group</b> IEGSD (Unit 4)
-------------------------------------	--	---	--------------------------------

<b>Project ID</b> P153889	<b>Project Name</b> Water Sector Cap. Bldg. Additional Finan ( P153889 )
------------------------------	--

<b>L/C/TF Number(s)</b>	<b>Closing Date (Original)</b>	<b>Total Project Cost (USD)</b> 2,000,000.00
-------------------------	--------------------------------	---



Bank Approval Date	Closing Date (Actual)	
24-Jun-2015		
	IBRD/IDA (USD)	Grants (USD)
Original Commitment	0.00	2,000,000.00
Revised Commitment	0.00	0.00
Actual	0.00	0.00

## 2. Project Objectives and Components

### a. Objectives

The project development objectives stated in the Grant Agreement (p .7) is: **“to strengthen and improve the capacity of the Palestinian Water Authority to effectively plan, monitor, and regulate water sector development in the West Bank and Gaza.”** The statement in the Project Appraisal Document (p.9) is slightly different **“to strengthen the capacity of the PWA to more effectively plan, monitor, and regulate water sector development in the West Bank and Gaza.”** This review uses the Grant Agreement formulation.

### b. Were the project objectives/key associated outcome targets revised during implementation?

No

### c. Will a split evaluation be undertaken?

---

### d. Components

The project had three components:

**1. Advisory Support, Technical Assistance and Capacity Building to be provided by the Technical Planning Advisory Team (TPAT) (Appraisal:US\$2.1million from the Trust Fund for Gaza and West Bank, plus US\$2.8million co-financing from French Development Agency (AFD) and Swedish International Development Cooperation Agency (Sida); Revised: US\$ 5.0million, Actual:US\$4.3million).**

The component included advisory services and technical assistance to support the design and implementation of sector reforms by Palestinian Water Authority (PWA); technical assistance to the PWA to develop updated strategies and action plans for water supply and sanitation infrastructure and service provision, as well as for water resources management; and capacity building within PWA and related



agencies to implement sector reform strategies and action plans and evaluate their impacts and effectiveness.

**2. Supplementary Assistance for Studies and Training (Appraisal: US\$ 0.1 million from the Trust Fund for Gaza and West Bank, plus US\$0.2 million co-financing from Sida; Revised: US\$1.2 million; Actual: US\$0.3million).**

The component included financing for additional studies & training identified in TPAT-developed action-plans (e.g. master plans, development of standards, staff training, and feasibility studies for selected projects to be identified during the first six months of implementation).

**3. Project Management (Appraisal: US\$ 0.8 million from the Trust Fund for Gaza and West Bank, Revised: US\$1.5million; Actual: US\$0.8million).**

The component included financing for incremental operating and consultant costs to be incurred by PWA for managing TPAT and component 2 activities in accordance with the reporting, financial management, and procurement requirements of the World Bank and donor partners.

Revised Components: Through the Additional Financing (AF) in June 2015, some components were scaled up to respond to the need to operationalize a functional Water Sector Regulatory Council (WSRC). The major changes under the AF were restructuring and scaling up of Component 1 and 2 and corresponding changes to Component 3 (page 15). The ICR did not provide the details of these revisions. The project team subsequently clarified that (paraphrase): “As part of the reform process, the WSRC was newly established to monitor operational performance of water service providers, including production, transportation, distribution, consumption, wastewater collection, treatment and disposal, and reuse of treated wastewater for irrigation, in order to ensure the quality and efficiency of sector services such as water provision and wastewater disposal in West Bank and Gaza that are provided to consumers at affordable prices. This would be required to help the newly established Council to be effective in its operation. Therefore, the AF was proposed to scale up the project and support the council to be operational”.

**e. Comments on Project Cost, Financing, Borrower Contribution, and Dates**

**Project Cost:** Total project cost at appraisal was estimated at US\$6 million, and then it was increased to US\$7.7 million through additional financing. Actual costs were US\$5.9 million (98 % of the original amount and 77 % of the revised amount) (ICR page 2).

**Financing:** A grant in the amount of US\$3.0million is to be provided from the Trust Fund for Gaza and West Bank for the Project (TF99491). Additionally, parallel direct co-financing in the amount of USD1.4 million were planned to be provided by AFD and joint co-financing in the amount of US\$1.6 million was planned to be provided by Sida. (TF 15756). However, SIDA agreed to move its funds (but only US\$ 1.0 million to Multi Donor Trust Fund (MDTF). At restructuring in 2015, the project received additional funds of



US\$2 million and US\$0.3 million from the Multi-Donor Trust Fund (MDTF) and German Agency for International Cooperation (GIZ), respectively. Together with the AF planned funds were US\$7.7 million. At project closing, all funds under TF-99491 were utilized and US\$2.85million under the Multi Donor TF-15756. The ICR did not report on the breakdown of donor financing at project closing. The project team subsequently reported that in addition to disbursement of US\$3million from WB and US\$ 2.85million from MDTF, AFD funds disbursed US\$1.38million and GIZ US\$ 0.3million, totaling to US\$ 7.5million.

**Borrower Contribution:** There was no borrower contribution.

**Dates:** The project was approved on March 31st, 2011 and effective four months later, on Jul 29th, 2011. The original closing date was October 30th, 2015. This date was extended for 26 months during Additional Financing in June 2015 in order to complete disbursements and the actual closing date became December 31st, 2017.

**Restructuring:** The project went through one Level II restructuring and Additional Financing (AF). The first restructuring (approved on Feb 18th, 2014) included (i) revision of Results Framework, reallocation between disbursement categories and the AF included revision of Results Framework (inclusion of new indicators), extension of project closing date, changes in components and costs.

### 3. Relevance of Objectives

#### Rationale

The PDO remained highly relevant to West Bank Gaza's and the World Bank's development priorities throughout the duration of the project. During late 2000, Palestinian Water Authority (PWA) the central agency in the water sector suffered from overall inefficient institutional capacity and governance, resulting in ad-hoc strategy, planning, and regulation and infrastructure program implementation agendas, with donor coordination challenges. An Audit of PWA concluded that the Water Law establishing PWA and the National Water Council failed to identify the roles of other institutions, in particular municipalities and service providers, and to define a sector architecture which NWC and PWA must lead, support and regulate. Policy and strategy development in the sector was also highly inadequate; ongoing projects appeared to be developed in donor-driven, ad hoc emergency fashion, distorted by Israeli restrictions. The Audit called for a major strategy and institutional refocusing effort. The Cabinet of Ministers of the Palestinian Authority endorsed a PWA-drafted Action Plan for Reform for the definition and implementation of an institutional and legislative reform program in the water sector in 2009. As mentioned in the ICR (p. 15), the medium-term Strategic Development Plan (2017–2022) instituted by the PWA to improve the water sector focused on institutional development as a main pillar to sustain the development process and achieving its objectives in improving water security by enhancing the water and wastewater services delivery. It also supported the continuation of the reform process by establishing sustainable and financially viable water service delivery institutions, strengthening their institutional set-up, and adjusting their policies and strategies.



The project is also aligned with the World Bank Assistance Strategy for West Bank and Gaza FY18–21, which notes that inadequate water resources and deficiencies in the institutional framework regulating the sector is holding back economic development. The project is closely linked with Pillar 1 on increased private sector investments and job creation through institutional arrangements to improve efficiency and accountability of basic service provision, including water and sanitation services; as well as with Pillar 3 on the needs of the vulnerable and institution strengthening for improved citizen-centered service delivery.

## Rating

High

## 4. Achievement of Objectives (Efficacy)

### Objective 1 Objective

The PDO is to strengthen the capacity of the PWA to more effectively plan, monitor, and regulate water sector development in the West Bank and Gaza. This ICR Review considers this as the single objective.

#### Rationale

According to the theory of change (ICR p. 11-12), two sets of activities contributed to the intermediate results and achievement of the outcomes: (i) activities carried out according to a detailed reform planning document for all sector reform processes, an Action Plan to ensure appropriate reform of the sector, approved and adopted by the sector institutions, and monitoring tools necessary for an efficient management interface with SPs. (ii) other studies, training, and capacity building for the Water Sector Regulatory Council (WSRC) that mainly helped support sector regulatory oversight.

#### Outputs:

##### Planning Capacity:

- The Water Sector Reform Planning Document and Reform Plan was developed to guide the implementation of the water sector reform, including its goals and principles, indicators, and targets over the coming three years, the PA and PWA have adopted the plan and regularly provide any needed updates to it. Under the project, four reform program updates were developed and published, the latest one being the Reform Plan 2016–2018.
- Water Sector Policy and Strategy 2012-2032 was developed by the PWA. Based on this document, the Water Sector Strategic Development Plans for 2014-2017 and 2018-2021 were adopted and are under implementation.
- Several other water sector strategies developed and put into action by PWA: including Policy and a Strategy on Capacity Development of the Water Sector; National Water Awareness Strategy; General Policy for Water Demand Management Concepts and Principles; Strategic Plan for Water Information System;



policies for the Water Sector such as Financial Sustainability Policy, Trans-boundary Water Resources Strategy and Action Plan; Gender Mainstreaming Guidelines for Palestinian Water Sector; etc.

### **Monitoring Capacity:**

- The WSRC has put in place a performance monitoring database with mechanisms to disseminate the results. This system contributed to the improvement of data availability and accuracy; introduction of a first benchmarking system for WSPs; and increased transparency and accountability with the issuing of the annual reports on WSPs' performance and their ranking (for each indicator). Going beyond the previous monitoring practices that were limited to water quality parameters, the guidelines now also encompass a wide range of technical, financial, quality standards, and other key performance indicators (KPIs), such as consumption, NRW, collection efficiency and operating costs, staff productivity index, and customer complaints. These standards were adopted as national standards that are now applicable countrywide. ICR reported that (p. 18 and 23) there is still, however, a need to strengthen the feedback loop between the WSRC's monitoring of SP performance and the evolution of reform instruments. In other words, the reform instruments and the performance monitoring of service provision were not integrated to ensure that there is a feedback loop to drive the evolution of reform instruments and that reform instruments support performance improvements. The project team subsequently noted that regarding the service delivery side, the reform process planned the establishment of the national water company responsible from bulk water supply and the establishment of the regional water utilities, and these service providers would require more support to establish them and complete the reform. Although the WSRC started its monitoring process over the existing water service providers (municipalities), the performance monitoring didn't yet achieve its impact on the service delivery, because the service providers still needed more support and capacity development.
- Monitoring reports on the WSPs' performance are developed and published annually, and an online system on WSPs is live and operational. Also, the WSRC has established an online database for 86 municipalities that allows WSPs to access and upload their data, which subsequently feeds into the World Bank International Benchmarking Network (IBNET) for Water and Sanitation Utilities database and avails WSRCs information internationally. The ICR noted that (p. 18), the WSRC plans to expand this option to all WSPs. However, the operations of monitoring reports and information systems relied on donors' financing, which raised questions about their long-term sustainability.

### **Regulatory Capacity:**

- WSRC was established and operationalized in August 2014 to perform regulatory functions overseeing WSPs with the exception of licensing fees collection. WSRC has been producing the annual reports on the WSPs' performance for the last three years, which ranks the WSPs according to their performance against the set standards (key performance indicators). However, the WSRC has not yet achieved financial sustainability and is dependent on outside sources for financing, as the Licensing Bylaw, which would allow the WSRC to collect licensing fees from the WSPs to cover its costs was drafted and discussed at the government level but has not yet been approved by the Cabinet of Ministers.
- A number laws and bylaws were developed or updated including the Water Law, National Water Company Bylaw, and Regional Water Utilities Bylaw. However, the licensing bylaw, the tariff bylaw, the bylaw for the establishing of the regional water utilities were yet to be approved by the Cabinet by project closing.



- The publication of other important policies, regulations and actions plans (such as the non-revenue water strategy, the financial sustainability strategy and the water demand policy) guided the adoption of regulations for water tariffs, connections and water users associations as well as other regulations currently under approval (licensing regulation for wells drilling and abstraction).
- Institutional set up in the water sector and the PWA was revised. Accordingly, the PWA is responsible for ministerial policy functions for water resources, water supply and wastewater, and for regulatory functions for water resources, and the WRSC is responsible for regulatory functions and monitoring the water supply and wastewater services, and the West Bank Water Department, currently responsible for bulk supply, is to be transformed into an independent public company, National Water Company (NWC). At the local level, the PWA is also responsible for reducing a large number of WSPs responsible for water supply (over 300) that will be subject to a process of horizontal integration, including the merging into a limited number of Joint Service Councils and Regional Water Utilities (RWUs). The PWA has developed a road map for this process.
- 95 PWA staff was trained and 28 training courses were conducted on various topics to improve capacity of PWA staff.

## Outcomes

The project has substantially improved the PWA's capacity in its planning, legislative, and sector reform functions, as well as through the establishment and operationalizing of the WSRC, and improved the government capacity to monitor and regulate the sector. The new Water Law defined the new institutional structure and separated roles and responsibilities between the water sector institutions (policy making, regulatory, and service provision) and defined roles, responsibilities, mandates, and interrelations between institutions working in the water sector. The project has also supported development of a number of important strategies, policies, and tools many of which were implemented and applied and contributed to stronger institutions while providing improved efficiency and cost recovery of more effectively regulated water operators. Also, enhanced data accuracy and transparency on the performance of the WSPs and the water sector overall supported by the project has improved the monitoring function of the water sector and capacity of WSPs. The annual reports serve an important purpose of providing consistent and comparable information on the participating SPs, which has resulted in improved and data-driven management decisions on the WSPs' performance improvement, especially regarding the investment decisions and focus areas for donor support. The policies and reforms developed under the project have also provided a basis for continued reform that will be supported via donor funds as well as the follow up World Bank project, Water Sector Development Program.

**Rating**  
Substantial

## Rationale





There is only one objective, which was rated as Substantial.

**Overall Efficacy Rating**

Substantial

**5. Efficiency**

There was no ex-ante or ex-post economic rate of return analysis, due to Technical Assistance nature of project activities. Instead, the ICR conducted a Value for Money analysis by comparing project costs with similar water sector reform projects in other countries. The ICR comparison included recent water sector reform projects in Papua New Guinea, Sierra Leone, and Zimbabwe, all of which are countries that have experienced fragility and are of comparable population sizes. The assessment found the following weaknesses: (i) At US\$6.7 million, the reform instrument part of the project was at the upper end of the range of comparator projects (US\$3.7 million to US\$6.7 million). (ii) Other differences between the four cases were mainly in the implementation arrangements, i.e. in two of the cases (West Bank and Gaza and Sierra Leone), much of the TA was provided by an external consulting firm as a single large contract; however due to lack of a design stage assessment for the required reforms, the external TA contract was not clearly defined, whereas in the other three country cases there was greater ex ante clarity on the reform objectives before contracting an external TA. (iii) In addition, the outsourcing of the TA as a single large firm contract limited responsiveness to the reform environment, i.e. when sector stakeholders tried to revise the TA to be more responsive to the reform needs, the incumbent firm, reasonably, was reluctant to implement the variance in the scope; thus, breaking the external TA into more phases or with clearer milestones would have created more space for course corrections and adaptability. (iv) There were also differences between World Bank-executed and recipient-executed activities: in other countries, the Bank executed TA focused on defining the reform and the recipient-executed TA focused on realizing the institutional and policy direction set out in the reform objectives. This partitioning between the World Bank-executed and recipient-executed components in the comparison projects also supported adaptability to the reform environment, that was missing under this project.

Due to the weaknesses described above efficiency of the project is rated as Modest.

**Efficiency Rating**

Modest

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal		0	0 <input type="checkbox"/> Not Applicable





ICR Estimate	0	0 <input type="checkbox"/> Not Applicable
--------------	---	--

\* Refers to percent of total project cost for which ERR/FRR was calculated.

## 6. Outcome

The relevance of objectives was highly relevant to country and the World Bank Priorities and strategies. Achievement of the project objective “to strengthen the capacity of the PWA to more effectively plan, monitor, and regulate water sector development in the West Bank and Gaza was substantially achieved but project efficiency was modest as the cost of the TA for the reform instruments was at the high end of comparator projects.

### a. Outcome Rating

Moderately Satisfactory

## 7. Risk to Development Outcome

**Financial Sustainability:** There is a significant risk that development outcomes will not be sustained without outside donor support. While the reform process has been moving forward at a relatively steady pace, there is still continuous outside funding support to sustain these achievements. Given the very low levels of private and foreign direct investment, the near-term economic outlook for the West Bank and Gaza remains a concern, given that project growth levels are likely to be insufficient to meet the financing needs of the water sector.

**Institutional Sustainability:** Sustainability of the regulator—WSRC—and of performance monitoring is of substantial risk due to lack of a sustainable source of domestic financing even though a provision for this was made (Licensing Bylaw) in the 2014 Water Law.

**Political Sustainability:** The conflict and stalled peace process make it more difficult for Palestinians to mobilize resources to sustain efforts and implement reforms. The combined effect of conflict, Israeli restrictions, and fragmented Palestinian governance undermines the sustainability of the development outcomes.

## 8. Assessment of Bank Performance

### a. Quality-at-Entry

The project built upon earlier World Bank engagement in the sector and was very relevant to country’s needs and priorities. Also, it built on earlier work in the sector and the reform process supported by other donors (primarily Norway). The weaknesses included: formulation of the Results Framework, objectives, and indicators were not well-articulated and the PAD mostly included output-based indicators for both the



PDO and intermediate results. In addition, the TPAT's setup was not well-articulated, as it hampered the movement toward concrete results as the consultant working with the PWA was hired under a time-based contract. Specifically, there were two critical reviews that had not been concluded by project appraisal (Institutional Water Sector Review and the Legislative Review), which left reform objectives unclear at the time the recipient had to draft the terms of references (TORs) for the external TA contract. In turn, that led to a weakly defined external TA contract that created inefficiencies later on during implementation. Although, the risks associated with a time-based contract were highlighted upfront especially given the PWA's weak contract management capacity. The technical team could not therefore define a set of outputs, and a lump sum contract could not be used, initially.

**Quality-at-Entry Rating**  
Moderately Satisfactory

**b. Quality of supervision**

As highlighted in the client ICR, the quality of supervision was considered good by the client. It was also noted that the project Task Team Leader (TTL) provided, through close engagement, an improved dialogue between the PWA and WSRC. The ICR noted that particularly after the Additional Financing was approved, one TTL enabled close follow up with the client (ICR para.74).

The World Bank team remained responsive to the changing circumstances during implementation, and to the needs of client. For example, the World Bank team acted timely and adequately, by changing the time - based consultancy contract to a lump sum contract, after having recognized that the time-based consultancy contract was inadequate.

**Quality of Supervision Rating**  
Satisfactory

**Overall Bank Performance Rating**  
Moderately Satisfactory

**9. M&E Design, Implementation, & Utilization**

**a. M&E Design**

The project's Results Framework and indicators were not clearly formulated during project preparation. The Results Framework in the PAD mostly included output-based indicators for both the PDO and intermediate results. Thus, the results chain toward the contribution of the project to capacity improvement and behavioral transformation of the PWA in planning, monitoring, and regulating the water sector was not clear. The PAD did not clearly define a unit of measure for indicators, as the activities were not clearly defined at preparation. The Results Framework was revised in the AF Project



Paper, which specified more clearly the PDO and intermediate result indicators. However, the weakness of the output-based indicators (including lack of unit of measure) was not addressed.

### **b. M&E Implementation**

Three M&E missions were conducted by the M&E consultant, the first one aimed to design the M&E system for the program. The other two missions were oriented to build capacity of the monitoring unit to implement M&E. The monitoring role expanded to the PWA's strategic plan and implementation plan.

### **c. M&E Utilization**

The PWA closely monitored all outputs produced and used the developed technical regulations, guidelines, and standards in their daily work. The Project Steering Committee (PSC) reviewed and validated the project progress and provided needed support. The WSRC's monitoring reports on SPs' performance were developed and published annually. The WSRC information system, a localized version of IBNET, was prepared. However, the production of monitoring reports and maintenance of information systems relied on donors' financing, which raised questions about their long-term sustainability. Another weakness was that as mentioned in the efficacy section, the M&E could not be adequately utilized to influence policy reform and project implementation.

### **M&E Quality Rating**

Modest

## **10. Other Issues**

### **a. Safeguards**

Environmental and social safeguards. The project was classified as environment category C and did not trigger any environmental safeguards or any social safeguards.

### **b. Fiduciary Compliance**

**Financial Management:** The ICR reported that (p. 27), project performance in financial management was rated Satisfactory during the life of the project mainly due to the PWA's familiarity with financial management systems of the project and satisfactory performance of the financial management specialist at the Project Management Unit (PMU). The project complied with the obligations of financial reporting and auditing: audit reports and interim financial reports were submitted to the World Bank on time and there were no overdue



external audit reports and IFRs at the time of the project closing date. All audit reports and IFRs were reviewed by the World Bank and comments provided to the Government. The project team subsequently noted that all audit reports had unqualified opinions.

**Procurement:** The ICR reported that (p. 27) procurement performance was rated Satisfactory throughout project implementation, as the client complied with the World Bank procurement policies and procedures. The PWA and the WSRC procurement capacity has improved throughout project implementation, with the World Bank team providing continuous support and hand-holding.

**c. Unintended impacts (Positive or Negative)**

No unintended impacts were reported by the ICR.

**d. Other**

---

**11. Ratings**

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Satisfactory	Moderately Satisfactory	---
Bank Performance	Moderately Satisfactory	Moderately Satisfactory	---
Quality of M&E	Modest	Modest	---
Quality of ICR		Substantial	---

**12. Lessons**

The ICR formulated valuable lessons, the most relevant ones are as follows:

- Breaking reform TA into more phases or with clearer milestones ensures that TA can iteratively adapt to the reform environment as it evolves and avoid funding unnecessary outputs. Similarly, outsourcing reform TA as large firm contracts should be avoided, particularly, where the anchor reform document (law or policy) has not been endorsed by the cabinet (or equivalent).
- Partitioning TA to the reform between World Bank and recipient execution ensures improved efficiency. This partitioning should depend on the (a) level of expertise, (b) flexibility, and (c) country ownership required for different tangible and intangible parts of the reform. The institutionalization of functions (for example, utility performance monitoring) needs to be supported with revenue assignments to finance those functions. The reform instruments and the performance monitoring of service provision should be integrated to ensure that



there is a feedback loop to drive the evolution of reform instruments and that reform instruments support performance improvements.

IEG's assessment drew the following lesson:

- Adequate sector assessment needs to be completed during the project appraisal stage so that more effective and efficient project design can be developed. During appraisal there were two critical reviews that had not been concluded (Institutional Water Sector Review and the Legislative Review), which left reform objectives unclear, and resulted in a weak results framework. At the same time the recipient had to draft the terms of references (TORs) for the external TA contract, which led to an unclearly defined external TA contract that created inefficiencies later on during implementation.

### **13. Assessment Recommended?**

No

### **14. Comments on Quality of ICR**

The ICR was well written in general with candid assessment implementation challenges. One issue was that the actual breakdown of financing among different donors was not provided. Another issue was that assessment of some aspects of the reform process discussed in the Efficacy section (particularly what was left incomplete) was unclear.

#### **a. Quality of ICR Rating** Substantial