WORLD BANK GROUP



Palestinian territories

# PARTNERSHIP FOR INFRASTRUCTURE DEVELOPMENT (PID)

## MULTI-DONOR TRUST FUND

## (MDTF)



TF071898, TF072778



# ANNUAL REPORT

SEPTEMBER 1, 2017 TO AUGUST 31, 2018

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*The Partnership for Infrastructure Development Multi-Donor Trust Fund (PID MDTF) Annual Report is prepared by the World Bank as the Administrator of the Trust Fund. The team wishes to recognize the contributions of the Task Teams from all the sectors working on projects co-financed by the PID MDTF. A special note of recognition and acknowledgment to the government counterparts and Development Partners for their cooperation and contributions during the life of the trust fund which has ensured the success of the PID MDTF program.*

# ABBREVIATIONS & ACRONYMS

| | |
|---|---|
| AA | Administrative Agreement |
| ACIP | Annual Capital Investment Plan |
| AF | Additional Financing |
| AFD | Agence Française de Développement |
| AS | Assistance Strategy |
| BLWTP | Beit Lahia Water Treatment Plant |
| BOD | biochemical oxygen demand |
| C-GAP | Country Gender Action Plan |
| C4W | Cash-for-work |
| CE | Citizen Engagement |
| CM | Cubic meter |
| CMU | Country Management Unit |
| CMWU | Coastal Municipalities Water Utility |
| CoM | Cabinet of Ministers |
| DEEP | Deprived Families Economic Empowerment Project |
| DISCO | Distribution Companies |
| DKK | Danish Krone |
| DLI | Disbursement Linked Indicator |
| DP | Development Partner |
| DPG | Development Policy Grant |
| EC | European Commission |
| EOD | End of Disbursement |
| ESIA | Environmental and Social Impact Assessment |
| ESPIP | Electricity Sector Performance Improvement Project |
| EU | European Union |
| EUMP | Electric Utility Management Project |
| FCV | Fragility, Conflict, and Violence |
| FIF | financial intermediary fund |
| FLFP | Female Labor Force Participation |
| G-SWMP | Gaza Solid Waste Management Project |
| GA | Grant Agreement |
| GCDP | Gaza Central Desalination Plant |
| GEDCO | Gaza Electricity Distribution Company |
| GIZ | Gesellschaft für Internationale Zusammenarbeit |
| GoI | Government of Israel |
| GPP | Gaza Power Plant |
| GSWSP | Gaza Sustainable Water Supply Program |
| Ha | Hectare |
| HRWMP-1 | Hebron Regional Wastewater Management Project - Phase 1 |
| IBRD | International Bank for Reconstruction and Development |
| ICR | Implementation Completion and Results Report |
| ICRR | Implementation Completion and Results Report Review |
| IDA | International Development Association |
| IEC | Israel Electric Corporation |

| | |
|---|---|
| IEG | Independent Evaluation Group |
| IFC | International Finance Corporation |
| IP | Implementation Progress |
| IRR | internal rate of return |
| IsDB | Islamic Development Bank |
| ISR | Implementation Status and Results Report |
| JSC | Joint Service Council |
| JSC-KRM | Joint Service Council for Khan Younis and Rafah, Middle Gaza |
| JV | Joint Venture |
| KFW | German Development Bank |
| KPI | Key Performance Indicators |
| LCD | liters per capita per day |
| LG | Local Government |
| LGPA | Local Government Performance Assessment |
| LGSIP | Local Government and Services Improvement Program |
| LGU | Local Government Unit |
| LWSC | Land Water and Settlement Commission |
| MCM | Million cubic meters |
| MDLF | Municipal Development Lending Fund |
| MDP | Municipal Development Project |
| MIS | Management Information System |
| MNA | Middle East and North Africa |
| MoFP | Ministry of Finance and Planning |
| MoLG | Ministry of Local Government |
| MSME | Micro, Small & Medium Enterprises |
| MTR | Mid-term Review |
| NDP | National Development Plan |
| NEDCO | Northern Electricity Distribution Co. |
| NGEST | Northern Gaza Emergency Sewage Treatment Project |
| NPA | National Policy Agenda |
| NRW | Non-revenue-water |
| NWC | National Water Company |
| O&M | Operations and Maintenance |
| OG | Oversight Group |
| PA | Palestinian Authority |
| PAD | Project Appraisal Document |
| PDO | Project Development Objective |
| PENRA | Palestinian Energy and National Resources Authority |
| PERC | Palestinian Electricity Regulatory Council |
| PETL | Palestinian Electricity Transmission Company Ltd. |
| PFM | Public Financial Management |
| PforR | Program for Results |
| PID MDTF | Partnership for Infrastructure Development Multi-Donor Trust Fund |
| PLA | Palestinian Land Authority |
| PMO | Prime Minister's Office |
| PMU | Project Management Unit |
| PPA | Power Purchase Agreement |
| PPP | Public-Private Partnership |

| | |
|---|---|
| PPG | Project Preparation Grant |
| PPM | parts per million |
| PRG | Partial Risk Guarantees |
| PSP | Private Sector Participation |
| PSEF | Private Sector Enhancement Facility |
| PV | Photovoltaic |
| PWA | Palestinian Water Authority |
| R-GAP | Regional Gender Action Plan |
| RE | Renewable Energy |
| RPP | Revenue Protection Program |
| RWU | Regional Water Utilities |
| SDC | Swiss Agency for Development and Cooperation |
| SDIP | Strategic Development and Investment Plan |
| SDP | Strategic Development Plan |
| SLR | Systematic Land Registration |
| STLV | Short Term Low Volume |
| SWM | Solid Waste Management |
| SWMP | Solid Waste Management Project |
| TA | Technical Assistance |
| TF | Trust Fund |
| TFGWB | Trust Fund for Gaza and West Bank |
| ToR | Terms of Reference |
| TPAT | Technical Planning and Advisory Team |
| TPS | Terminal Pumping Station |
| UNRWA | United Nations Relief and Works Agency for Palestine Refugees in the Near East |
| US | United States |
| USAID | United States Agency for International Development |
| VC | Village Council |
| VNG | International Cooperation Agency of the Association of Netherlands Municipalities |
| WASH | Water Supply, Sanitation, and Hygiene |
| WB | World Bank |
| WB&G | West Bank and Gaza |
| WBG | World Bank Group |
| WCC | Works Completion Certificate |
| WHO | World Health Organization |
| WSCBP | Water Sector Capacity Building Project |
| WSDP | Water Security Development Program |
| WSRC | Water Sector Regulatory Council |
| WSSSIP | Water Supply and Sewage Systems Improvement Project |
| WWTP | Wastewater Treatment Plant |

## The World Bank Group in the Palestinian territories

The World Bank Group's (WBG) involvement in the West Bank and Gaza (WB&G) dates back to November 1992 when it was asked by the co-sponsors of the Middle East Multilateral Peace Talks to lead and support a program of economic assistance for the Palestinian people. The International Finance Corporation (IFC) began investing in the WB&G after the Oslo Accords, while the Multilateral Investment Guarantee Agency (MIGA) initiated activities in 1997 with its WB&G Investment Guarantee Trust Fund. The World Bank (WB), IFC, and MIGA work closely together in the WB&G. All three organizations have staff representation in the field office and share office space, facilitating coordination and information sharing.

A trust fund (TF) was established to enable the WB's assistance to WB&G, since the Palestinian territories are neither a member of the International Monetary Fund (IMF) nor the WBG. A special arrangement was necessary to channel the WB's financial assistance normally available to member countries; and the TF for Gaza was established on October 19, 1993, by resolution No. 93-11 and IDA 93-7, with the allocation of US$50 million that was transferred from the International Bank for Reconstruction and Development's (IBRD's) surplus. Subsequently, on August 1, 1995, the WBG Board of Governors increased the TF's territorial scope to cover the area under the jurisdiction of the Palestinian Authority (PA), accordingly renaming the instrument "The Trust Fund for Gaza and West Bank" (TFGWB). It finances Palestinian programs and projects in the areas of private sector development, water, energy, local development, social protection, education, and solid waste management (SWM). MIGA provides political risk insurance through a TF.

The TFGWB has been replenished seventeen times in addition to the first transfer of 1993 mentioned above, for a total allocation of US$1.17 billion. The most recent replenishment of US$90 million was approved by the Board of Governors on July 24, 2018, an additional US$35 million to last year's replenishment of US$55 million. As of May 31, 2018, US$1.09 billion has been disbursed. Grants from the TFGWB are made to the Palestine Liberation Organization for the benefit of the PA. The TFGWB activities are viewed as corresponding to the interests of the WB member countries. The WB continues to apply its operational policies and procedures, including safeguards policies, to the administration of the proceeds of the TFGWB. Furthermore, project performance implementation has been satisfactory with on-time disbursements.

Grants from the TFGWB leverage complementary resources of donors. Donors have channeled their support to the PA through the following: (i) the Bank-administered Palestinian Reform and Development Plan Trust Fund (PRDP-TF) for budget support; (ii) the Palestinian Partnership for Infrastructure Development Multi-Donor Trust Fund (PID MDTF) to provide financial and technical support to improve the coverage, quality, and sustainability of infrastructure; (iii) direct cooperation with the Government of Norway and the Ad Hoc Liaison Committee (AHLC) through the Norway West Bank and Gaza Support Trust Fund (NWBG-TF). However, the Palestinian territories have been experiencing a decline of foreign aid, which is also reflected in the declining donor resources channeled through the WB.

## About the PID MDTF

The development objective of the PID MDTF is to improve the coverage, quality, and sustainability of infrastructure in the WB&G through financial and Technical Assistance (TA) to the PA for infrastructure development, related capacity building, and institutional development in the water, urban development, and energy sectors. The design of the program is intended to support the core principles of sustainability, partnership, client-driven ownership, harmonization, and knowledge building.

The multi-donor programmatic TF aims to improve aid efficiency by consolidation under a single fund using the WB's standardized set of financial and project management tools and procedures. The TF provides a fiduciary instrument to streamline financing by Development Partners (DPs) of projects and programs defined within the context of the WB's Assistance Strategy (AS) for the WB&G. As such, the PID is open, programmatic, and multi-donor. The TF co-finances ongoing activities in the water, urban, and energy sectors, and supports both Recipient-executed and Bank-executed activities.

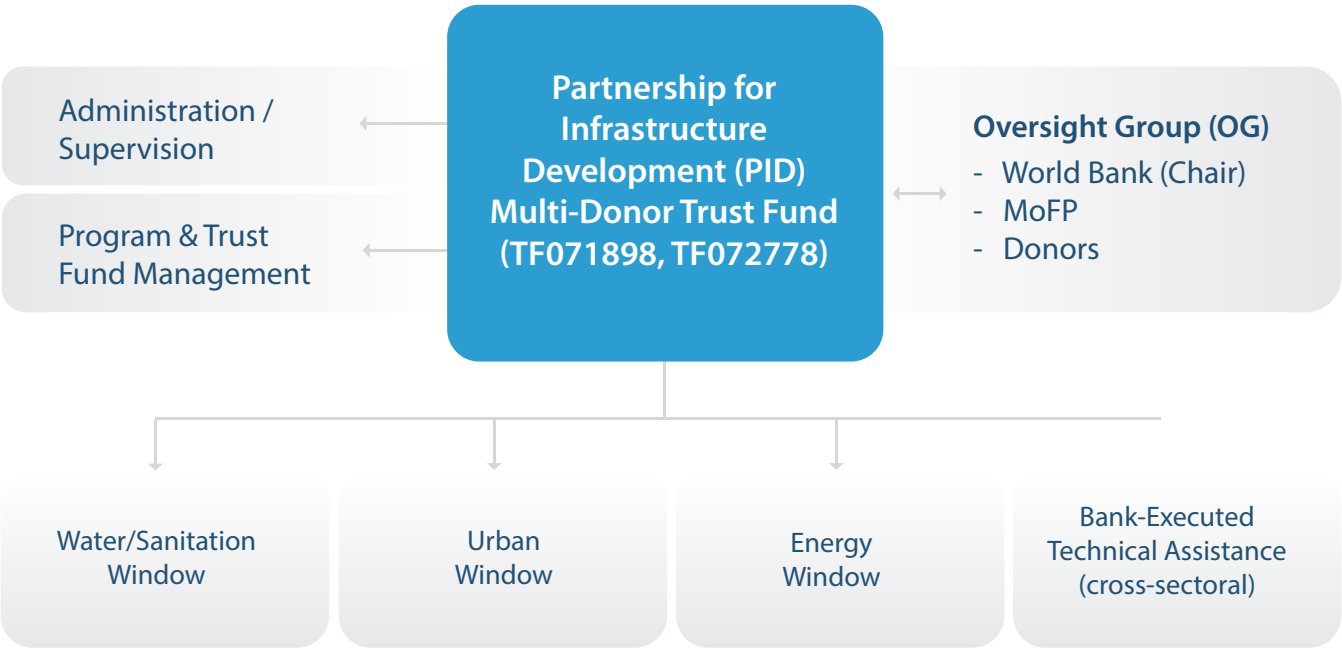
## PID MDTF Structure & Support to the Palestinian Authority

The PID MDTF predominantly provides co-financing to investment operations implemented by the PA. A small share of the available funding is being allocated for TA and analytical work implemented by the Bank to underpin and strengthen the ongoing sector policy dialogue. The TF structure reflects these priorities.

The main fund ("Trustee fund") comprises three sectoral windows for co-financing and TA activities in the water, energy, and urban development sectors ("Parent funds"). Disbursing "Child funds" are established for each discrete activity supported under the sector windows. The WB signs Grant Agreements (GAs) with the PA for the financing provided through the child funds and supervises disbursements along with implementation progress for these individual activities. In addition, the PID MDTF comprises a window for Recipient-executed project supervision, and a window for Program and TF management (see Figure 1).

Within this framework, the TF provides financing for infrastructure projects and programs, and analytical and advisory activities that the WB is supporting in the water, urban development, and energy sectors. The operations in the TF continue the WB's support for the PA's strategic long-term plans for development[1], and are aligned with the pillars of the WB's ASFY18-21, i.e., to (i) stimulate an environment for dynamic and inclusive private sector growth for job creation; and (ii) strengthen institutions' accountability and capability for building public trust. The key pillar of the WB's four-year strategy to "strengthen institutions' accountability and capability for building public trust"[2] aligns closely with the PA's National Policy Agenda (NPA) 2017-2022 Reform Pillar, including the policies: Responsive Local Government, Improving Services to Citizens, Strengthening Accountability and Transparency, and Effective and Efficient Public Financial Management (PFM). The AS also aligns with the NPA Pillar, Sustainable Development, including the specific objectives of Building Palestine's Future Economy, and Meeting the Basic Needs of Our Communities (for specific policy interventions PID MDTF targets and supports within the NPA please refer to Annex 1). The WB's AS and the PA's NPA underpin the TF's operations, and the development investment agenda allows for the donors and PA to link pledges to concrete projects and priorities identified in the NPA. The TF provides a mechanism to pool funds, based on a collective longer-term view of broader economic and governance fundamentals, coordinating donor assistance and avoiding fragmentation.

Figure 1: Trust Fund Management Structure




1. The previous PA's National Development Plans (NDPs) and the current National Policy Agenda.
2. Assistance Strategy FY 18-21 for West Bank and Gaza, The World Bank Group.

## The PID MDTF's Vision for the Way Forward

The PID MDTF remains at the center of the WB's engagement in the Palestinian infrastructure sectors, supporting the PA to achieve their sectoral objectives to improving basic service delivery and performance across the water, energy and urban development sectors. The PID is being recognized as one of the main co-financing channels to pool and harmonize donor funding to the Palestinian territories and is the PA's preferred instrument to direct financing to jointly agreed sector priorities. To maintain this critical role and further enhance the PID's effectiveness, activities supported under the fund were undergoing a consolidation process to move to a more programmatic approach. This process is now mostly complete with a set of fewer but larger programs that provide both investment financing and institutional strengthening support, pooling funds from different sources. In parallel, the WB has launched a comprehensive set of accompanying TA and analytical activities, which now cover all three sectors supported under the PID MDTF.

While Citizen Engagement (CE) and Gender remain highly prominent themes mainstreamed across PID co-financed investment operations, the WB has put increasing emphasis on activities to crowd-in the private sector and mobilize additional, less concessional resources. This strategic realignment will continue: the PID MDTF is envisioned to support and promote private sector opportunities in infrastructure development, that could benefit from financing made available under the recently launched WB Private Sector Enhancement Facility (PSEF). The PID's close collaboration with the WBG's IFC will continue and be scaled-up further. This will require continued efforts to strengthen the operational performance and financial sustainability in the water, energy, and urban development sectors. Ongoing operations co-financed by the PID MDTF include activities to strengthen the creditworthiness of the electricity sector and across municipalities. Pipeline operations currently under preparation are focusing on enhancing the performance of water Service Providers (SPs) and reduce both technical and commercial losses.

Finally, the PID MDTF will maintain its critical role as a rapid and efficient channel to respond to emergency situations. Against the background of the aggravating service delivery crisis in Gaza, the WB together with DPs have identified activities that would contribute to addressing some of the most pressing needs. Those include but are not limited to rolling-out and scaling-up a rooftop solar program to provide electricity to hospitals and primary health care facilities, residential buildings, and Micro, Small & Medium Enterprises (MSMEs); scaling-up municipal service delivery and local infrastructure rehabilitation through labor-intensive works with the potential to create temporary jobs; and advancing progress on the so-called Associated Works extending and upgrading the Gaza water distribution network to enhance the system's ability to absorb additional quantities of fresh water imported from Israel and provided in the future by the planned Gaza Central Desalination Plant (GCDP). The PID will continue functioning as a reliable channel to provide financing to those activities in a challenging operating environment such as the one in Gaza.

### Box 1: The World Bank's Private Sector Enhancement Facility (PSEF)

The WBG established the PSEF to catalyze and leverage private investments in WB&G in ways that support job creation, inclusive economic opportunity and transformative social benefits. The Palestinian economy is suffering from volatile and unsustainable growth. With population growth close to three percent, per capita incomes have been stagnant overall, while falling in Gaza. Unemployment rates continue to be high – exceeding 50 percent in Gaza. For a small economy, achieving a sustainable growth path that supports job creation depends to a large extent on having a private sector that can compete in regional and global markets and increase its exports of goods and services.

However, there are many constrains facing the private sector in the Palestinian territories including market and institutional failures. The PSEF will attempt to directly address:

- Limited long-term financing options in the financial sector;
- Shortfalls in public infrastructure to support economic activity;
- Non-honoring of government obligations as in the example of energy sector where suppliers are not paid by their customers.

The PSEF is in line with the WBG's approach to Maximizing Finance for Development (MFD) by drawing on private and sustainable financing solutions to provide value for money and meet the highest environmental, social, and fiscal responsibility standards, and reserve public financing for those areas where private sector engagement is not optimal or available. It aims to consolidate donors' support for private investments by providing direct support and financing needed to create markets, help structure bankable projects, and mobilize investments. It will offer a full suite of financial products including the following:

*IFC Blended Finance (BF)* will combine concessional donor funds with IFC's own commercial funds to provide affordable long-term financing for high impact projects. As of December 31st, 2017, IFC has deployed in total US$840 million.

*Investment Co-Finance (ICF)* will provide grant financing needed so that a fundamentally sound commercial private investment that falls short of financial viability due to market failures or FCV factors can proceed. The approach is currently being piloted through the WB financed Finance for Jobs (F4J) Project, which has established clear selection criteria and approval processes for grants to commercially-sound, job-creating projects.

*Partial Risk Guarantees (PRGs)* will complement the political risk insurance currently administered by MIGA. PRGs can help (i) to attract direct private sector investment in infrastructure, including oil, gas and mining, power, telecommunication, transport, and water; (ii) enhance private sector participation in public-private partnerships (PPPs); and (iii) access international capital markets on more favorable terms.

## Key results and updates

The Implementation progress (IP) of activities co-financed by the PID MDTF is largely assessed as satisfactory. Most of the TF's remaining active projects are on track to achieve their Project Development Objectives (PDOs), monitored by key performance and results indicators tracking progress towards agreed targets. Co-financing from the PID contributed to achieving critical project results in line with the TF objective. Table 1 summarizes[3] key development outcomes and impact on final beneficiaries. The detailed Results Framework (RF) for the PID MDTF with an update on the current values of key performance indicators is included in Annex 2.

Projects co-financed by the PID MDTF during this reporting period continued to focus both on infrastructure financing and capacity building with the objective to improve service delivery, strengthen key institutions, and advance critical sector reforms. However, some select operations have faced implementation challenges and delays. Currently, the overall IP of the Gaza Solid Waste Management Project (G-SWMP) is rated as moderately unsatisfactory due to a number of delays, that are being actively addressed by the PA and the WB's task team. A mid-term review (MTR) of the status of implementation was conducted during the reporting period in December 2017, and as a result measures have been suggested to help improve IP and quality (further details under the Sector Reviews section).

The water sector has progressed significantly. All sector projects co-financed by the PID have closed with satisfactory ratings during the reporting period: the Water Sector Capacity Building Project (WSCBP), Water Supply and Sewage Systems Improvement Project (WSSSIP), North Gaza Emergency Sewage Treatment (NGEST) project, and the Gaza Sustainable Water Supply Program (GSWSP). Achievement of the PDOs for all the projects were assessed at Moderately Satisfactory or Satisfactory. The suspension of disbursements under WSSSIP was lifted and the project was completed with 84 percent of its funds disbursed. The remaining undisbursed funds – US$3.6 million – will be credited back to the PID MDTF. The WSCBP also closed slightly below the GA amount by US$148K.

As a program, the complementary projects have helped significantly advance development of the water sector. In addition to the Water Law of 2014 a number of supporting regulations and policies have been developed and passed. Capacity building was provided to key sector institutions, and investments in infrastructure have contributed to improve service delivery. Following the 2014 Gaza War, the program supported the restoration of water and sanitation services to 1.9 million people in Gaza along with continued development of the institutional capacity of the sector. During the reporting period, a vital component for sanitation services in Gaza was delivered with the completion of the NGEST project. The critically needed wastewater treatment plant in the Northern Gaza Strip was fully constructed, commissioned and began operation in spring 2018. As a result, 377,575 direct project beneficiaries have received improved sanitation services in north Gaza. Support to the water sector will continue under the PID MDTF with the proposed Water Security Development Program (WSDP), which is currently under preparation. The project will continue to support the PA in alignment with the Water Sector Strategic Development Plan (SDP) 2017-2022, including financing of the Associated Works under the large-scale Gaza desalination plant program designed to improve the Gaza water supply system.

The urban sector's flagship Second Municipal Development Project (MDP-2) reached completion and closed with having successfully achieved its PDO. MDP-2 played a key role in the reform of the sector at the local level, enabling municipalities to enhance their institutional capacities for increased municipal transparency and improved municipal service delivery. Eighty municipalities graduated up a performance category by project completion, double the original target of 40.

3. For detailed project ratings see Sector Projects section of the report, for programmatic results refer to the PID MDTF – Results Matrix in Annex 2, and for key project results refer to Annex 3.

Additionally, MDP was instrumental to enabling the restoration of municipal services across the Gaza Strip after the 2014 War benefitting 1.15 million people. The Third MDP (MDP-3), which became effective during the reporting period, builds on the fundamental work of MDP-2 in the local government (LG) sector. The program focuses on supporting municipalities to ultimately become creditworthy to be able to access financial resources from the commercial credit market for municipal infrastructure. The Municipal Development and Lending Fund (MDLF) conducted multiple orientation workshops during 2018 for all municipalities in WB&G on the preparation of infrastructure subprojects and capacity building packages.

Complementary to MDP, the Local Governance and Services Improvement Program (LGSIP) has been working with villages providing strong financial incentives for joint service provision as well as capacity building support for village councils (VCs). To date 171,298 people are benefitting from improved service delivery under the program. LGSIP is focusing simultaneously on strengthening core local governance systems, including LG sector consolidation and LG fiscal reforms. Additionally, under the urban program the G-SWMP is offering much-needed targeted support in Gaza to address the SWM needs in the Strip. Despite challenges, the project is progressing and has met target outcomes of two of the five PDO indicators: (i) increases in cost recovery, and (ii) providing livelihoods for waste pickers. Construction works of the Sofa sanitary landfill have reached 45 percent with overall project IP picking up.

With support from the PID MDTF, the Palestinian energy sector continues implementing critical institutional reform measures. PID MDTF co-financing to the sector has increased to US$7 million during the reporting period, including to the Electricity Sector Performance Improvement Project (ESPIP). The Project Preparation Grant (PPG) for ESPIP, which is 91.5 percent complete, has supported the Palestinian Electricity Transmission Company Ltd. (PETL) to play a key role in the ongoing restructuring of the sector. Particularly, the grant supported PETL during negotiations of the recently initialed Power Purchase Agreement (PPA) with the Israel Electric Corporation (IEC). ESPIP was declared effective in January 2018 and is focusing on improving the efficiency and service quality of the electricity distribution system and on the financial sustainability of the sector. As such, the long-term objective would be to create a creditworthy electricity sector and a conducive environment for private sector investment in power generation. Currently, an Additional Financing (AF) to ESPIP is under preparation to scale-up the project, particularly in Gaza. The AF is expected to be delivered by October 2018.

The PID MDTF has expanded its Bank-executed TA arm with four active Advisory Support and Analytics (ASAs) activities across the sectors. The Water Security TA, which will support the Palestinian water sector institutions advance efforts towards water security, was approved in May 2018. It has already begun working directly with the Palestinian Water Authority (PWA) to establish a framework for mainstreaming youth engagement in the water sector. Reforms in the land sector are progressing with support from the PID-financed Support to the Palestinian Land Sector ASA, despite the significant challenges the sector experienced in the past. Targeted TA delivered in close coordination with the Prime Minister's Office (PMO) and land sector agencies has supported a policy, regulatory, and legal reform process highlighted under the *Road Map for Reforming the Palestinian Land Sector.* Securing of property rights is key for facilitating private sector investment, stimulating economic growth, and increase government revenues from property taxation. Similar to the LG Sector Reform Support ASA, the Energy Sector Programmatic TA is focusing on creditworthiness, the financial health of the sector, and identifying priority measures to continue the reform process. The LG Sector Reform Support ASA is currently undertaking a review to reform existing revenue and expenditure assignments for local service delivery, while the Energy Sector TA supports the drafting of a "White Paper" to track and analyze financial flows in the electricity sector.

In line with the broader trend of declining support to the Palestinian territories, donor contributions to the PID MDTF have also declined. During the reporting period, additional pledges totaling US$7.78 million (equivalent) were made to the PID (details under the PID MDTF Financial data section of the report). Pledges have dropped drastically compared to previous years, reflecting the overall continuous decline in foreign aid. Although no new partners have joined the TF yet, there are ongoing discussions about possible contributions from the European Commission (EC) and the United Kingdom (UK).

The Ministry of Finance and Planning (MoFP) remains committed to and engaged with the PID MDTF. The ministry underscored the importance for continued donor support to the PID at the April 2018 Oversight Group (OG) meeting. They particularly highlighted the repercussions being felt in the infrastructure sectors due to the steep decline in financing from the United States Agency for International Development (USAID). It is anticipated that the PID-MDTF co-financed programs will begin to distinctly feel the financial gap in these sectors. For example, MDP-3 was planned in alignment with the USAID funded Communities Thrive Project, which is targeting 50 percent of West Bank municipalities with capacity development. There will be a significant added pressure on MDP-3 should this expected capacity support not materialize as likely expected.

## Table 1: Project Highlights

| PROJECT | KEY DEVELOPMENT | BENEFICIARIES | PROGRESS |
|---|---|---|---|
| Water Sector Capacity Building Project, incl. AF -final | • Water law was updated and consulted with stakeholders and approved.<br>• WSRC has been established, staffed, strategies and bylaws approved and under implementation.<br>• NWC Bylaw and RWUs Bylaw developed.<br>• PWA completed the road map for establishment of the NWC, and a draft bylaw developed.<br>• PWA developed a road map for establishment of RWUs and identified pilot areas.<br>• PWA has developed water and wastewater technical specifications and standards, that can be used in implementing projects and for building infrastructure.<br>• WSRC developed a water database that is linked with WB Water IBNET. | • PWA; WSRC;<br>• 85 PWA staff trained among which 18 females under the PWA's improved capacities PDO indicator. | PDO<br>IP |
| WSSSIP -final | • At project close, PDO largely met on the quality side as follows:<br>- Disinfection efficiency at acceptable levels of 99.35%<br>- 18% improvement in wastewater pumping capacity<br>- 87% increase in BOD load removal<br>• Water storage of 14,000 m³ was restored by constructing 4 water reservoirs<br>• Project rehabilitated and restored 83km of pipe networks, and installed 14,000 water meter pipes<br>• Two of the PDO indicators were partially met:<br>- Improved wastewater effluent quality in Gaza (within 2.8% of End Target)<br>- Nominal increase in collection rate of CMWU in Rafah, Khan Younes, Deir El-Balah Governorates (47% vs. End Target of 55%)<br>• Water tanks (3,000-4,000 m³ capacity) installed or rehabilitated and connected to the existing water network according to the CMWU Master Plan | • 1.9 million people benefitted from restored water supply and wastewater serves.<br>• 100,000 people with improved sanitation services<br>- 75,000 people provided with access to improved sanitation services – urban<br>- 25,000 people provided with access to improved sanitation services - rural | PDO<br>IP |
| Gaza Sustainable Water Supply Program: Additional Works -final | • Complete set of detailed designs and bidding documents for the Associated Works for the desalination plant in Gaza.<br>• Announced agreement (not yet signed) with Israel on the potable water allocation to Palestine according to the Dec 2013 Red Sea-Dead Sea Phase One MoU<br>• Legal advice regarding the Joint Water Committee<br>• Limited advisory support to the Gaza Seawater Desalination project<br>• Environmental and Social Impact Assessment (ESIA) for the Associated Works. | • PWA | PDO<br>IP |
| NGEST -final | • North Gaza WWTP with a capacity of 35,000m$^3$ constructed, tested and commissioned, and fully operational.<br>• Wastewater pipeline (8km) installed, Beit Lahia TPS and infiltration basins constructed and fully operational.<br>• Recovery Scheme commissioned with the effluent recovery wells constructed and functional.<br>• O&M plan, including increases of O&M financing and cost recovery for WWTP, established.<br>• Upgrading of the existing power grid completed and as of June 30, 2018 all project components are connected to a permanent power supply (on average 20 hours/day). | • 520,000 = Direct project beneficiaries (49.1% female). | PDO<br>IP |
| MDP-2 -final | • 80 municipalities graduating up the performance category that they are classified in exceeding the set target of 40<br>• Project substantially achieved the PDO targets on municipal transparency, with more than 80% of all municipalities having a form of complaints handling mechanism<br>• A total of 759 subprojects implemented in two cycles, resulting in significant improvements in municipal services such as roads.<br>• The project's support to Gaza reconstruction accounted for 34.5% of the total estimated damage, which is higher than the project target of 30%.<br>• The project implemented 332 rehabilitation subprojects in Gaza | • 2,318,188 direct project beneficiaries (49% female).<br>• 1,661,359 total beneficiaries from established/ rehabilitated roads and parks<br>• 1,147,133 persons benefited from access to restored municipal services in Gaza. | PDO<br>IP |
| MDP-3 | • MDLF completed 2017 baseline municipal ranking based on the 21 KPIs, a pre-requisite for determining the block and performance grants for MDP-3 Cycle 1.<br>• The individual grant municipal allocation was determined and communicated to the municipalities in October 2017.<br>• New online application portal being used to input the demand-driven capacity building packages to municipalities.<br>• MDLF conducted four orientation workshops on the preparation of infrastructure subprojects and four orientation workshops on capacity building packages during Q1 2018 for all municipalities in WB&G.<br>• MDLF prepared the TOR to carry out an update of existing diagnostic study on PPP at the municipal level. | • MoLG, MDLF, and Municipalities | PDO<br>IP |

| | | | |
|---|---|---|---|
| LGSIP | • 171,298 (52.3% women) persons benefiting from local services delivered by the VCs through the program.<br>• 53% of VCs are receiving transparent and predictable annual capital grants.<br>• Capacity building activities have been delivered by MoLG based on their annual capacity development plan.<br>• 10 joint projects were approved by the LGSIP Program Committee.<br>• 75% of VCs are submitting their annual budget to MoLG electronically on time and have publicly disclosed budgets.<br>• 5 new JSCs have qualified for financing under the program.<br>• Annual Capital Grant Allocation Formula approved by MoLG December 2017. | • MoLG<br>• 31 VCs<br>• 53% of VCs<br>• 171,298 persons (52.3% women)<br>• 5 JSCs | PDO<br>IP |
| Gaza-SWMP | • Overall completion of construction activities at Sofa Landfill at the end of August 2018 is at 45%.<br>• 16 waste pickers (including 1 female) are now employed for the next 6-9 months in municipalities that are members of the JSC-KRM.<br>• Additional 15 percent increase in fees collected annually within the member municipalities towards cost recovery.<br>• Direct employment created by various activities under Component 1 is 4,845 person-days<br>• The project created 350,000 metric tons of industrial and municipal waste disposal capacity<br>• 30 training days were provided to the Technical Operations Unit and other JSC-KRM staff and Board members. | • 474,000 (49% women) people in urban areas provided access to regular solid waste collection.<br>• 118,500 beneficiaries aware of project info. and project investments. | PDO<br>IP |
| ESPIP | • The project achieved effectiveness in January 2018 and has started implementation with 15% disbursement as-of-date.<br>• Operational support for PETL has been completed<br>• Technical Review of the metering infrastructure under RPP and for the information systems under MIS have been completed for all six (6) DISCOs in West Bank and Gaza.<br>• Technical Specifications for the health facilities and rooftop solar PV kits for households and SMEs have been prepared. The operational and legal arrangements for launching the Gaza solar revolving fund are in final stages. | • PENRA<br>• PETL<br>• PERC<br>• DISCOs | PDO<br>IP |
| Local Government Sector Reform ASA | • A series of consultations with various stakeholders was carried out in August 2018 to assess progress made by the PA in various areas of LG reform, collect views from stakeholders on which areas of reform and support to be prioritized, and the likelihood of implementation of reforms identified.<br>• Provided technical input on the SDIP process for the MoLG NWG. | • MoLG;<br>• National Working Group | N/A |
| Water Security TA | • A framework for mainstreaming youth in water the water sector established by PWA.<br>• Two workshops organized by PWA to better strengthen youth inclusion and participation.<br>• A youth committee was also established to support PWA's work on the policy, service deliver, and monitoring levels. | • PWA | N/A |
| Support to the Palestinian Land Sector | • Final study assessing and quantifying the impact of a weak land administration system was completed in June 2018.<br>• Outline of Proposed Approach to Reviewing the Status and Plans to Complete Systematic Registration in Areas A and B submitted to the PA.<br>• Outline of Proposed Modernization to Governance and Organizational Structure to the PLA submitted to the PA.<br>• Draft Action Plan for Geospatial Information 2018-2023 for Palestine developed with Geo-MoLG and presented at the UN-GGIM annual meeting. | • PMO<br>• Land & Water Settlement Commission (LWSC);<br>• Palestinian Land Authority (PLA);<br>• MoLG Geo-MoLG; | N/A |
| W&G Energy Sector Programmatic TA | • The Securing Energy for Development report was successfully and widely disseminated through events, animated videos, author interviews, and online articles.<br>• A draft White Paper on Financial Flows in the Electricity sector has been prepared.<br>• Technical experts on RPP and MIS have completed assessments of all DISCOs in WB&G and submitted their recommendations to PENRA.<br>• Technical experts on rooftop solar have completed review of the GEDCO revolving fund and submitted their recommendations to PENRA. | • PENRA<br>• PETL<br>• DISCOs<br>• GEDCO | N/A |

## KEY

**PDO:** Progress toward achieving the PDO
**IP:** Overall Implementation Progress

- Satisfactory or Highly Satisfactory
- Moderately Satisfactory
- Moderately Unsatisfactory / Unsatisfactory

## PID MDTF Financial data

*Pledges*

By August 31, 2018, a total of US$144.9 million had been pledged to the PID MDTF, which is in its sixth year. Active donors remain unchanged and include the governments of Croatia, Denmark, Finland, France, Netherlands, Norway, Portugal, and Sweden. No additional partners joined during the reporting period. Of the pledged amount, US$133.8 million has been paid-in. Total donor pledges for the period September 1, 2017 - August 31, 2018 amounted to approximately US$7.78 million equivalent from: Norway in the amount of NOK32 million (US$3.84 million equivalent) pledged in December 2017; and Sweden in the amount of SEK33 million (US$3.94 million equivalent) pledged on December 2017. Of the additional pledges, US$7.59 million has been paid-in.

### **PID MDTF** Parallel Parent Trust Funds

**TF071898**

| | |
|---|---|
| Approval | June 6, 2012 |
| Activation | July 20, 2012 |
| End of disbursement | December 31, 2022 |

**TF072778**

| | |
|---|---|
| Approval | December 9, 2016 |
| Activation | December 15, 2016 |
| End of disbursement | December 31, 2022 |

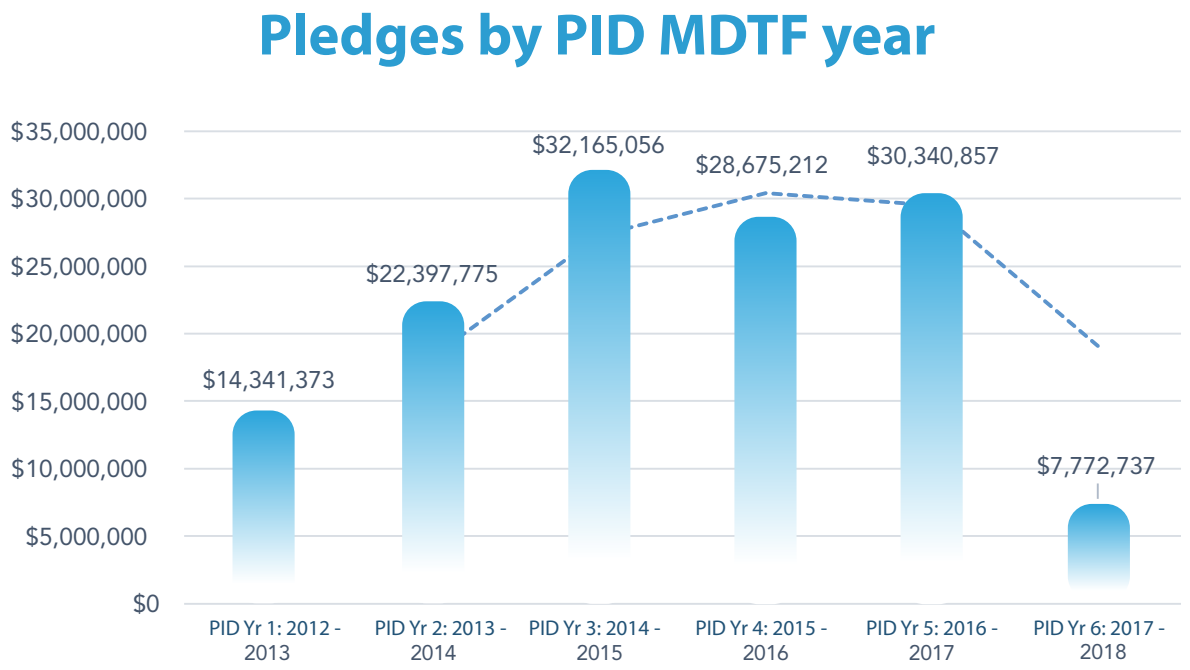
## Table 2 TF Financial Contributions as of August 31, 2018 (Pledged & Received) [4]

| AUG-18 | | PLEDGED TO DATE - TOTALS | | | | | |
|---|---|---|---|---|---|---|---|
| CONTRIBUTORS | CURRENCY | PLEDGED | | PAID-IN TO DATE | | RECEIVABLES | |
| | | Pledge Currency | US$ | Pledge Currency | US$ | Pledge Currency | US$ |
| Croatia | USD | 200,000 | $200,000 | 200,000 | $200,000 | - | - |
| Sweden | SEK | 343,000,000 | $44,216,366 | 343,000,000 | $44,216,366 | - | - |
| Denmark | DKK | 360,000,000 | $60,099,165 | 290,000,000 | $49,146,091 | 70,000,000 | $10,953,074 |
| Finland | Euro | 10,950,000 | $13,046,739 | 10,950,000 | $13,046,739 | - | - |
| France | Euro | 3,500,000 | $4,390,050 | 3,500,000 | $4,390,050 | - | - |
| Netherlands | US$ | 4,000,000 | $4,000,000 | 4,000,000 | $4,000,000 | - | - |
| Norway | NOK | 147,000,000 | $18,764,853 | 145,563,000 | $18,592,437 | 1,437,000 | $172,416 |
| Portugal | Euro | 150,000 | $182,835 | 150,000 | $182,835 | - | - |
| US$ TOTALS | | | $144,900,009 | | $133,774,519 | | $11,125,489 |

4. For reporting purposes total financials will be presented jointly, however disaggregated information by TF number and Unaudited Trust Fund Financial Reports can be found in Annexes 4 and 5 respectively of the annual report.

Pledges for Year 6 of the TF have dropped significantly from previous years, down US$22.6 million from last year. This year's pledge amount totals US$7.78 million. This decline in PID MDTF contributions reflects the overall downward trend in financial aid from the international community to the Palestinian territories.

Figure 2: Pledges by PID MDTF Reporting Period as of August 31, 2018




## Table 3: PID MDTF Child Trust Funds as of August 31, 2018

| Grant Number | Grant Name | Execution | Legal Status | Project ID | Project Approval Date | Grant Effectiveness Date | Grant Closing Date | Grant Amount US$ | Disbursements US$ |
|---|---|---|---|---|---|---|---|---|---|
| **TF071898** | | | | | | | | | |
| TF016476 | Second Municipal Development project | Recipient Executed | ACTIVE | P127163 | 26-Mar-14 | 17-Apr-14 | 28-Feb-18 | 25,800,000 | 25,799,060 |
| TF018376 | Southern West Bank Solid Waste Management Project | Recipient Executed | LEGALLY CLOSED | P154102 | 11-May-15 | 15-Jun-15 | 30-Jun-16 | 1,500,000 | 1,500,000 |
| TF018377 | Gaza Solid Waste Management Project | Recipient Executed | PENDING | P121648 | 24-Oct-14 | 9-Jul-14 | 28-Jun-18 | 750,000 | 0 |
| TF018378 | GZ Emergency Response AF MDP-2 | Recipient Executed | ACTIVE | P152523 | 7-Dec-14 | 29-Jan-15 | 28-Feb-18 | 12,000,000 | 11,999,001 |
| TF0A1061 | Second Municipal Development Project - AF | Recipient Executed | ACTIVE | P127163 | 14-Apr-16 | 26-Oct-16 | 28-Feb-18 | 6,900,000 | 6,899,293 |
| TF0A4511 | Local Governance and Services Improvement Program (LGSIP) | Recipient Executed | ACTIVE | P148896 | 14-Mar-17 | 14-Mar-17 | 31-Dec-20 | 13,000,000 | 977,500 |
| TF017221 | NGEST Solar Power Feasibility Study | Bank Executed | LEGALLY CLOSED | P149853 | 19-Aug-14 | 14-Apr-14 | 31-Mar-16 | 149,832 | 149,832 |
| TF0A3599 | Local Government Sector Reform ASA | Bank Executed | ACTIVE | P161279 | 3-Oct-16 | 12-Oct-16 | 31-Dec-20 | 700,000 | 429,294 |
| TF0A4202 | WB&G Energy Sector Programmatic TA | Bank Executed | ACTIVE | P162545 | 1-Jan-17 | 3-May-17 | 31-Dec-19 | 1,000,000 | 580,640 |
| TF0A2807 | Project Preparation Grant for ESPIP | Recipient Executed | ACTIVE | P148600 | 9-Jun-16 | 1-Aug-16 | 30-Jun-18 | 2,500,000* | 2,288,390 |
| TF0A5078 | Elec. Sector Performance Improvement-ESPIP | Recipient Executed | PENDING | P148600 | 15-Aug-17 | 16-Jan-2018 | 30-Jun-22 | 〉,000,000* | 0 |
| TF014530 | PID MDTF Program and TF Management Fund | Bank Executed | ACTIVE | P130100 | 18-Jun-12 | 2-Apr-13 | 31-Aug-18 | 700,000 | 369,873 |
| TF017186 | Gaza Sustainable Water Supply Program: Additional Works | Recipient Executed | ACTIVE | P150494 | 12-Oct-15 | 5-Jan-16 | 31-May-18 | 2,500,000 | 2,500,000 |
| TF015756 | Water Sector Capacity Building co-financing fund | Recipient Executed | ACTIVE | P117443 | 5-Feb-14 | 2-Jun-14 | 31-Dec-17 | 2,852,452 | 2,852,452 |
| TF016501 | Third AF for the North Gaza Emergency Sewage Treatment Project | Recipient Executed | ACTIVE | P074595 | 8-May-14 | 18-Nov-14 | 30-Jun-18 | 5,000,000 | 5,000,000 |
| TF018268 | Gaza Emergency Water Supply and Sewage Systems Improvement Project AF | Recipient Executed | ACTIVE | P151032 | 3-Dec-14 | 26-Jan-15 | 31-Dec-17 | 11,858,600** | 8,255,237 |
| TF0A7564 | Water Security Technical Assistance | Bank Executed | ACTIVE | P167309 | 1-May-18 | 2-May-18 | 31-Jan-21 | 900,000 | 6,488 |
| Sub-Total | | | | | | | | 95,110,884 | 69,607,058 |
| **TF072778** | | | | | | | | | |
| TF0A4947 | Support to the Palestinian Land Sector | Bank Executed | ACTIVE | P163872 | 24-Apr-17 | 22-Jun-17 | 30-Jun-19 | 700,000 | 376,118 |
| TF0A6154 | Municipal Development Project III | Recipient Executed | ACTIVE | P159258 | 21-Jul-17 | 14-Dec-17 | 28-Feb-22 | 20,000,000 | 2,265,156 |
| Sub-Total | | | | | | | | 20,700,000 | 2,641,273 |
| TOTAL | | | | | | | | 115,810,884 | 72,248,332 |

Management Approval Date.

In process of being extended.

*An expected US$2,500,000 will be returned to the PID MDTF from ESPIP Child TF0A5078 of US$7m in order to refund the ESPIP PPG (TF0A2807).
**US$3,603,362.85 of undisbursed funds under WSSSIP are expected to be credited back to the PID MDTF Parent TF Account.

*Commitments*

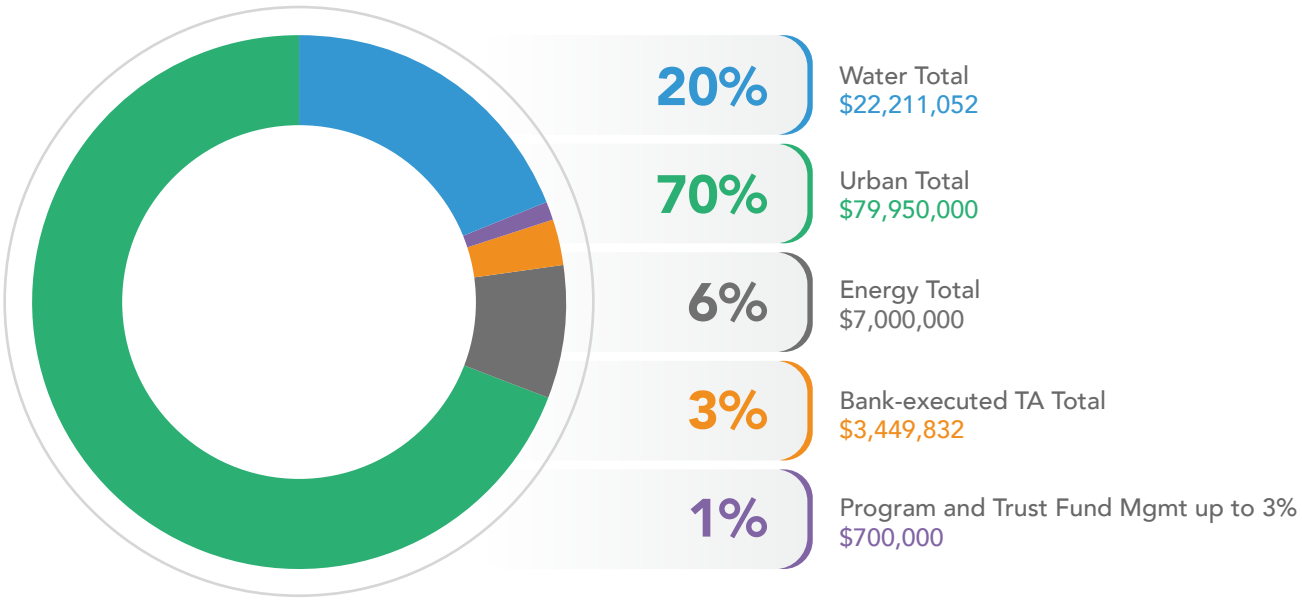
PID MDTF funding in the amount of US$115.8 million has been committed for co-financing, the large majority of which in Recipient-executed activities. The largest share of co-financing, US$79.95 million, is committed to the Recipient-executed urban window which includes solid waste and land management. The Recipient-executed water sector follows with an approximate total of US$22.2 million. Committed co-financing under the Recipient-executed energy sector increased from the last annual report, amounting to a sum of US$7 million. In total thirteen GAs in the amount of US$111.66 million have been signed with the PA during the lifetime of the TF. During the reporting period an additional GA became active and effective in the energy sector for ESPIP. The signing of the G-SWMP GAs is expected by Q4 2018. The GA for WSCBP (P117443) legally closed. Three more GAs in the water sector and three GAs in the urban sector are expected to close in the coming period.

A total of US$3.45 million has been committed to the Bank-executed TA window. The Water Security Technical Assistance (P167309) was added under this window this year bringing the total number of TA activities up to five in the lifetime of the TF.

The Program and TF management commitment remains US$700k unchanging from the previous year.

Details of the co-fi¬nancing commitments to the sectors by the TFGWB for the same period as the PID MDTF can be found in Annex 6.

Figure 3: PID MDTF Grant Distribution by Window as of August 31, 2018




*Disbursements*

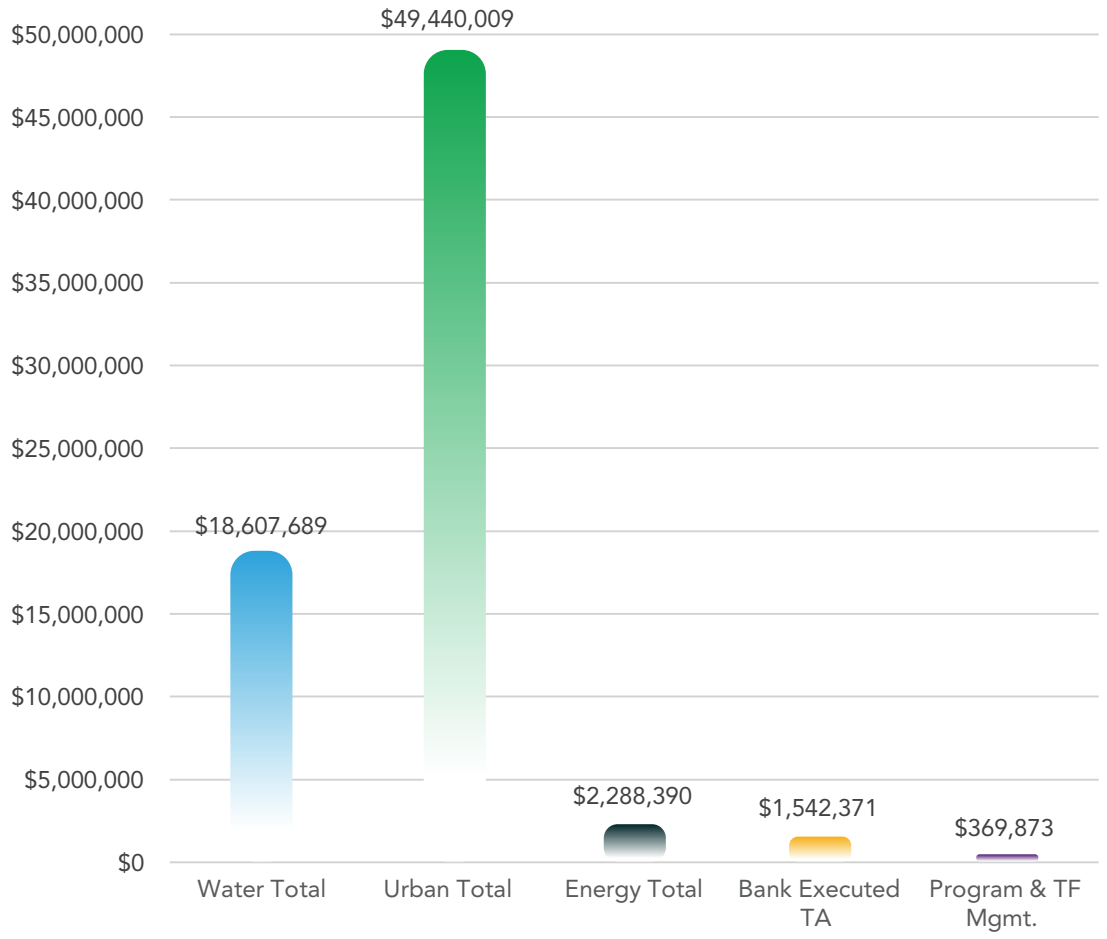
Total PID MDTF disbursements have reached US$72.25 million, 64 percent of commitments. Under the Recipient-executed urban window they have reached US$49.4 million, equivalent to 61.8 percent of sector commitments. The MDP-2 GAs have all reached complete disbursement. Disbursement under the Recipient-executed water window has totaled US$22.2 million, equivalent to 83.78 percent of funds committed in the sector. The WSSSIP project closed with US$3.6 million in undisbursed funds, which will be credited back to the PID MDTF. The WSCBP also closed slightly below the GA amount by US$148K. Under the Recipient-executed Energy window disbursements have reached US$2.29 million for ESPIP PPG.

Disbursements under PID MDTF Bank-executed TA activities have reached a total of US$377,497 (38 percent of commitments for Bank-executed TA).

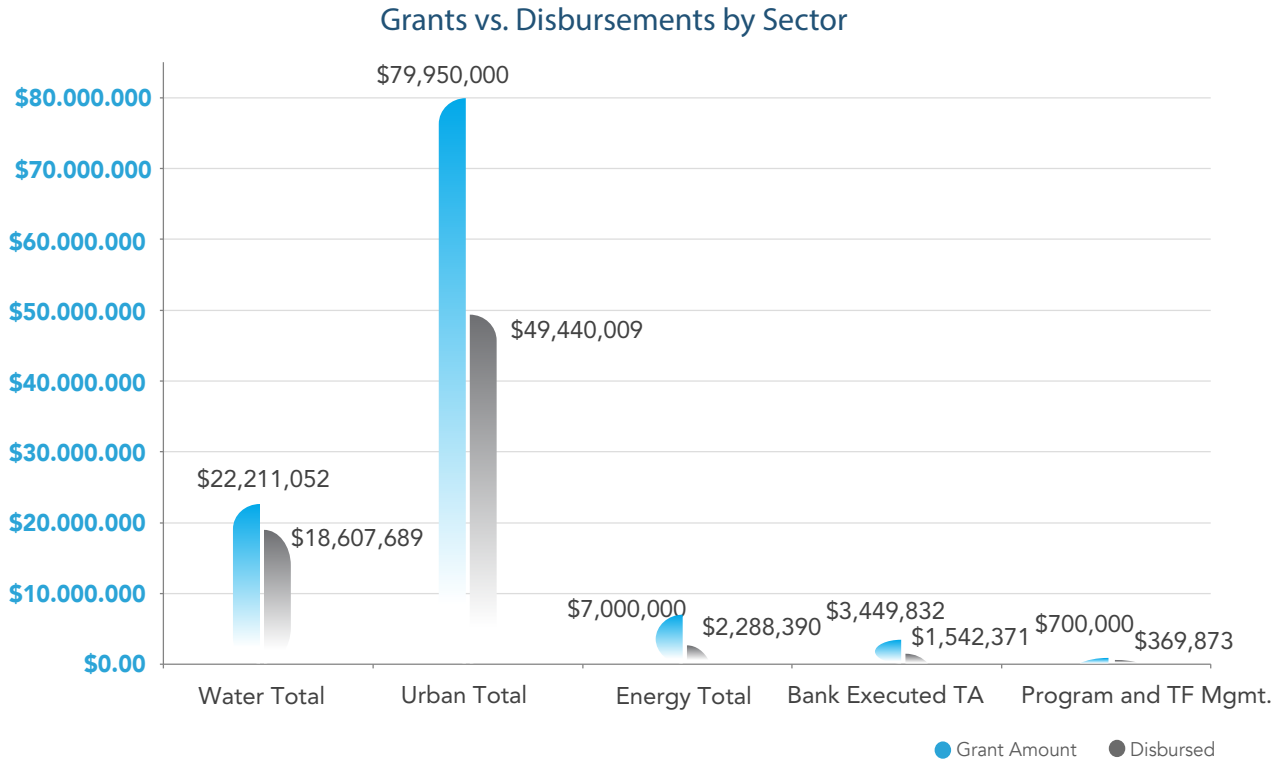
TF management disbursements total US$268,424 as of the end of the reporting period.

5. For detailed disbursement by sector and project, please refer to the Sector Review section

## Figure 4: PID MDTF Disbursement by Window as of August 31, 2018




## Figure 5: PID MDTF Disbursements Ratio as of August 31, 2018



*Allocations & Financing needs*

Total PID MDTF funding commitments and allocations amount to US$145.7 million with a financing gap of US$826,000. Of the US$26.77 million allocated funds, US$15 million are for new operations.

### Table 4: PID MDTF Commitments & Allocations as of August 31, 2018

| Commitments & Allocations in USD | |
|---|---|
| **Pledged** | **$144,900,009** |
| **Committed** | |
| Water Sector:* | $22,211,052 |
| Urban Sector: | $79,950,000 |
| Energy Sector:** | $9,500,000 |
| Bank-Executed TA | $3,449,832 |
| Program and Trust Fund Mgmt. (up to 3%) | $700,000 |
| Central Administration Fee (2%) | $3,146,877 |
| **Sub-total** | **$118,957,761** |
| **Allocated** | |
| Water Security Development | $15,000,000 |
| **Water Sector:*** | **$15,000,000** |
| **Urban Sector:** | **$0** |
| ESPIP | $7,000,000 |
| **Energy Sector:**** | **$7,000,000** |
| Support to the Palestinian Land Sector | $800,000 |
| **Bank-executed TA:** | **$800,000** |
| Program and Trust Fund Mgmt. (up to 3%) | $3,647,000 |
| Central Administration Fee (2%) | $321,534 |
| **Sub-total** | **$26,768,535** |
| **Total Unallocated** | **($826,287)** |

*US$3,603,362.85 of undisbursed funds under WSSSIP are expected to be credited back to the PID MDTF Parent TF Account.

**An expected US$2.5 will be returned to the PID MDTF from ESPIP Child TF0A5078 of US$7m in order to refund the ESPIP PPG (TF0A2807).

A number of ongoing and pipeline operations are proposed for co-financing under the PID MDTF. In line with the objective to maintain fewer but more comprehensive programs, financing needs are largely concentrated to the flagship operations in each sector, i.e., the proposed Water Security Development Program, the Municipal Development Program, and the Electricity Sector Performance Improvement Project. In addition, some of the ongoing operations that have a critical role in the portfolio supporting the PA's priorities in the water, energy and urban sector have identified funding gaps and are included in the proposal for allocations during the upcoming funding period.

Table 5 summarizes the objective and rationale for the funding needs, while Table 6 provides a breakdown of the allected funding by source and the estimated funding gap by type of activity. The estimated financing gap amounts to around US$148.44 million in the water sector; US$24.9 million in the urban sector; and US$47 million in the energy sector. The WB supports the PA in covering the financing gap. However, the Bank only finances a share of overall sector needs appraised as viable investments. The funding gap summarized in Table 6 is based on the capital investment needs identified by the PA line agencies in the energy, water and urban sectors. Specific figures included in this table result from the Bank's assessment of feasible activities with high priority that could be included in ongoing or proposed activities co-financed under the PID. The Bank has allocated its own-funding from the TFGWB to the proposed activities, totaling around US$35-40 million for FY19.

## Table 5: Proposed & Upcoming Activities

| Project | Time Period | PID Co- financing | Objective |
|---|---|---|---|
| **Water Security Development Program (WSDP) (P168739)** | Feb 11, 2019 (WB Board date) | US$15 million | To address the immediate water quality and quantity needs in Gaza while incrementally building more financially sustainable and locally responsive water services in WB&G. |
| The WSDP is aligned with the sector's SDP objectives and will support achieving its proposed targets by improving water security. The project will support Gaza to increase water supply while at the time support institutional capacity in both the WB&G that lays the foundations for a better self-reliance services. WSDP strongly endorses the PA's priority to address the Palestinian water crisis, particularly in Gaza and securing water for the people. The WB's comparative advantage will focus on the institutional and economic elements while supporting investments that increases supply of water. | | | |
| **Hebron Regional Wastewater Management Project - Phase 1 (HRWMP-1 P117449)** | On-going; closing Dec 2022 | Currently none | The objective is to reduce the environmental pollution from wastewater produced in the Hebron Municipality. |
| HRWMP-1 is critical to establishing basic wastewater services for Hebron City and improving environmental protection along Wadi As-Samen through reducing uncontrolled sewage and making treated effluent available for agriculture. The key results of the HRWMP-1 are: (i) treatment of the current wastewater stream discharged from Hebron Municipality in Wadi As-Samen; (ii) sustainably managed treatment of wastewater loads from Hebron Municipality; and (iii) increase of water potentially available for irrigating farmers' lands. Currently, the Project is financed through US$4.5 million from the TFGWB, EUR25 million from Agence Française de Développement (AFD) including EUR15 million delegation arrangement funds provided by the EC, and USAID parallel financing in kind for construction of an access road and related infrastructure. Tax contribution of around US$6.73 million is provided in kind by the PA through tax exemptions for the AFD/EC and USAID contributions, whereas the estimated contribution from Hebron Municipality for Operations and Maintenance (O&M) is US$7.5 million. This leaves a financing gap of US$5.5 million, which is expected to be covered from AF before commencement of the O&M contract. | | | |
| **Land Activity** | | US$800,000 | |
| This activity would support the design of a potential operation related to land registration and the overall implementation of the Road Map for Reforming the Palestinian Land Sector drafted by the PMO. | | | |
| **MDP-3 AF (P159258; P168544)** | Ongoing;<br>AF Nov 2018;<br>closing Feb 2022 | US$20 million | To expand coverage of MDP-3 support to Gaza municipalities and scale up local services provision though labor-intensive O&M and infrastructure development activities. |
| The proposed AF of US$10 million to MDP-3 allocated from the TFGWB will have the twin objectives of (i) scaling up project activities to support the emergency response efforts in Gaza; and (ii) increasing access to short-term employment opportunities to jobless individuals in the Gaza Strip. The AF is envisioned as a cash-for-work (C4W) operation that will improve local service delivery in Gaza.<br>An additional $8 million is needed to keep the per capita grants at MDP-2 levels. | | | |
| **LGSIP (P148896)** | Ongoing;<br>closing Dec 2020 | US$13 million | To strengthen the local government financing system and improve local service delivery in Program villages. |
| The LGSIP, which provides key input to the Palestinian National Village Support Program, is falling short of the needed financing to meet its commitment. Due to population growth and the increasing number of VCs, LGISP would require AF of around US$3.4 million if it is to meet its commitments. | | | |

| | | | |
|---|---|---|---|
| **ESPIP AF (P148600; P167914)** | Oct 2018 | US$7 million | To enhance the energy sector's institutional capacity, improve efficiency of the distribution system in targeted areas, and scale-up solar energy service delivery in Gaza. |
| The ESPIP AF will scale-up the activities under the ESPIP project, which achieved effectiveness in January 2018. The activities will expand activities in four main areas: (i) strengthening the capacity of the PETL; (ii) roll-out the second phase of Revenue Protection Program (RPP) and completion of the Management Information Systems (MIS) implementation across all 6 DISCOs in the WB&G; (iii) scale-up support to solar PV roof-top in Gaza, with a stronger focus on supporting MSMEs and health facilities; and (iv) TA to explore extension of the solar rooftop revolving fund to the West Bank, facilitate improved battery waste management, and conduct feasibility studies to develop pipeline of investment-grade projects. In addition, the AF will provide targeted support to Palestinian Energy and National Resources Authority Project Management Unit (PENRA PMU). | | | |
| **Enabling Investments in Energy Infrastructure** | | US$800,000 | To enhance the enabling environment for private-sector driven investments in electricity generation. |
| This proposed operation would build on the previous analytical work and TA provided in the energy sector to support PENRA and PETL to unlock the private sector investment potential in Palestine. The project would support establishing mechanisms to enable private companies to adopt clean energy solutions and to attract investments in the power sector. | | | |

## Table 6: Allocations & Funding Needs

| Allocations & Funding Needs in US$ million | | | |
|---|---|---|---|
| Proposed Activity | Allocated Funding | | Remaining Funding Needs (Financing Gap) |
| | TFGWB | PID | |
| WSDP | $15 | $15 | $2.34 Component 1: Strengthening policy framework and institutional capacity.<br><br>$19 Component 2: Improving Water Supply and Wastewater Services in Gaza.<br><br>$110 Component 2: Associated Works.[6]<br><br>$11.6 Component 3: Improvement of Water & Wastewater Services Management in WB. |
| HRWMP-1 | $0 | $0 | $5.5 Plant operation supervision and support. |
| **Water Financing Gap** | | | **$148.44** |
| MDP-3 | $10 | $0 | $18 Component 1: Infrastructure investment grants, including $10 for Gaza emergency C4W program.<br><br>$3.5 Component 2: capacity development. |
| LGSIP | $0 | $0 | $3.4 Sub-activity 1: to fully cover the committed per capita allocation for VCs. |
| **Urban Financing Gap** | | | **$24.9** |
| ESPIP | $5 | $7 | $4 Component 1: Strengthening capacity of PERC and DISCOs on tariff-setting and revenue management.<br><br>$4 Component 2: Scale-up the implementation of RPP (second phase) in WB&G DISCOs.<br><br>$4 Component 3: Support to solar PV roof-top in Gaza and extending to West Bank. |
| AF for Gaza | $0 | $0 | $10 for pre-paid, smart metering for low-income customers; implementation of priority transmission needs (based on output of Gaza masterplan); and technical support for 161KV IEC interconnection. |
| Enabling Investments in Energy Infrastructure | $5-10 | $0 | $25 Establish mechanisms to enable private companies to adopt clean energy solutions and to attract investments in the power sector. |
| **Energy Financing Gap** | | | **$47** |
| **Total Funding Needs** | | | **$220.34** |

6. The total cost of the Associated Works is US$220 million. The Kuwait Fund has already committed US$60 million, and PWA will request IsDB to finance an additional US$50 million, making the total Arab pledges US$110 million (50 percent of the total cost). Other donors are invited to contribute to fulfil the remaining US$110 million.

## Country Context

The PA, established shortly after the Oslo Accords of 1993, and the Government of Israel (GoI) remain unable to achieve progress toward a final status agreement. After initial optimism last year about new terms for a peace deal led by the United States (US), the PA has halted direct contact in final status negotiations. In February 2018 the US Special Representative for international negotiations met with the PA's major donors about the crisis with the peace process and Gaza's humanitarian situation. The Palestinian Prime Minister participated in the meeting, as the special representative called on the Palestinians to return to the peace talks. Recent protests near the barrier that separates Gaza from Israel has left many Palestinians dead or injured. Donor funding has continued to deteriorate with a drastic cut in aid by the US to the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA). Aid to the PA is likely to be cut further until the PA ceases financial support to the families of Palestinians imprisoned by Israel.

The economic conditions in the Palestinian territories have significantly weakened in 2018, mostly due to a decline in economic activity in Gaza. According to preliminary data by the Palestine Central Bureau of Statistics (PCBS), overall real Gross Domestic Product (GDP) growth dropped to two percent in the first quarter of 2018 – half its average for the previous three years – with Gaza specifically registering -6 percent growth for the same time period. The economy has been constrained for more than two decades by restrictions on movement, access, and trade, that have kept investment levels extremely low and resulted in deindustrialization. Substantial transfers, mostly in the form of aid from the international community, have helped mitigate the impact of the restrictions through fueling consumption driven growth. Nevertheless, transfers have been declining and witnessed a very large drop in 2017-18, particularly in Gaza, resulting in a lower growth trajectory for the overall economy and revealing the fragility of the aid-driven growth model.

The unemployment rate in the Palestinian territories has reached a new high. It peaked at 32.4 percent in the second quarter of 2018, which is about five percentage points higher than its average in 2017 and the highest rate in two decades. The increase is due to a large jump in Gaza, where 53.7 percent of those in the labor force were unemployed in the second quarter of 2018. Unemployment amongst Gaza's youth exceeded 70 percent while it was even higher for females, amounting to 78 percent in the second quarter of 2018. The situation in the West Bank has been very different with the unemployment rate remaining stable at around 18-19 percent over recent years.

Living conditions have deteriorated in recent years. The latest poverty data for 2017 shows that the poverty rate in the Palestinian territories has increased from 25.8 percent in 2011 to 29.2 percent. However, trends in the West Bank and trends in Gaza diverged sharply during this period. The proportion of the population living below the poverty line in Gaza rose by 14.2 percentage points, from 38.8 to 53 percent. In the West Bank, poverty declined by 3.9 percentage points, from 17.8 to 13 percent. Despite the improvement in the West Bank, the situation remains very fragile particularly since household income and expenditure are highly sensitive to conflict and dependent on aid. According to analysis done by the WB, a drop in expenditure as small as five percent in the West Bank could result in an increase in poverty by as much as 16-17 percent.

Public spending was reduced by about 7 percent in the first half of 2018 due to a reduction in the PA's largest spending item, the wage bill, mainly following cuts in Gaza. According to figures from the MoFP, the total number of PA employees dropped by more than 26 thousand since early 2017. The majority of the drop is in Gaza where more than 22 thousand employees have exited the public workforce compared to 4,000 in the West Bank. Net-lending also declined by 12 percent in the first half of 2018 (year-on-year) due to the PA's reform efforts to control electricity related costs, while water related costs continue to rise and need to be addressed.

Despite these efforts, the PA's financing gap persisted in the first half of 2018 mainly due to insufficient budget support and was financed through additional arrears. The PA's total deficit amounted to US$400 million in the first half of 2018. Aid received was US$240 million (US$183 million in budget support, and US$57 million for development financing), resulting in a financing gap of around US$160 million. Notably, aid received in the first half of 2018 was one third lower than in the same period in 2017. To fill the gap, the PA resorted to domestic resources, namely arrears to the pension fund and the private sector. Despite repaying some dues from previous years, net accumulation of arrears in the first half of 2018 reached US$177 million.

## Country Risks

The PID MDTF program operates in a high-risk environment due to the constant threat of political instability and violence. The WB assess and manages the risks related to the operations it finances based on a Systematic Operations Risk-rating Tool. The risk assessment is mandatory at all stages of the operation, from project concept to appraisal and implementation. Project-specific risks assessments are included and disclosed Project Appraisal Document (PAD) and updated regularly in the publicly available Implementation Status and Results Reports (ISR). Key project documents, including most recent results and risk assessments, are available online. Links are included in this report. A summary of sector risks, and identified mitigation measures, is included in the sector context sections of this report. The following section summarizes the overall country and macro risks.

The economic outlook for the Palestinian territories has become more fragile and highly uncertain given the recent political and security developments. Under a baseline scenario that assumes a continuation of Israeli restrictions and a persisting internal divide between the West Bank and Gaza, private sector activity is not expected to pick up and real GDP growth of the Palestinian economy is projected to reach 1.7 percent in 2018 (-5 percent in Gaza and 3.8 in the West Bank) and hover around 1.9 in the medium term. This growth level implies a decline in real per capita income and an increase in unemployment.

Notably, downside risks to this projection remain significant. In the West Bank, if the Israeli legislation to reduce clearance revenue transfers to the PA is implemented, this will result in larger than expected financing gaps and a drop in public consumption which will result in lower growth. In Gaza, if transfers through the PA's budget continue to decline and UNRWA's funding gap is not offset, this will have a severe impact on economic activity, service provision, and social conditions in the Strip. Consequently, the Gaza economy is expected to slip into deep recession, significantly raising the potential for unrest. There are also significant downside risks on the West Bank, including if donor support declines faster than expected. Elevated security risks could negatively impact economic activity in both Gaza and the West Bank.

In the short-term, actions by the PA alone will not be enough to close the financing gap. In addition to the efforts that the PA has so far implemented to increase revenues and rationalize public spending, more needs to be done to further control the wage bill in the West Bank and eliminate non-priority spending. The results, however, will not be enough to close the 2017 financing gap. Some financing may be available through borrowing from domestic banks as the PA still has some space before reaching the limit set by the Palestine Monetary Authority (PMA). However, this will not be sufficient to meet the needs and will further increase the banks' credit exposure to the PA. As in previous years, the PA may resort to accumulating more arrears to the pension system and the pension fund. Arrears to the pension fund are estimated already at US$1.6 billion, and if current trends continue, the fund will become insolvent in a few years, according to WB analysis. Also, the stock of arrears to the private sector already exceeds US$600 million and is taking its toll on the economy.

Therefore, in the short term, there is no feasible alternative to budget support as a key source of financing. A more drastic reduction in PA expenditures in the short term maybe harmful to the economy given the constraints on private sector activity and the role of public spending as a key stimulus to growth. It may also bring about negative social consequences. Donor support during these critical times is essential to sustain reforms and enable provision of services to the Palestinian population. Additional actions by the GoI to systematically eliminate the PA's fiscal losses under the revenue sharing arrangement instituted by the Paris Protocol will also have significant fiscal benefits. Long term fiscal sustainability, however, cannot be achieved without a prudent and stringent fiscal consolidation program by the PA. This program needs to address reform areas such as the pension system, civil service reform, health referrals, and untargeted transfers. Consolidation efforts will also help create fiscal space for additional public investment in areas not viable for the private sector, and through which the PA can create a better environment for doing business.

The GoI's restrictions on movement, access, and trade remain significant impediments to Palestinian private sector activity and job generation. Restrictions on access to resources have severely constrained economic activity in the West Bank. Restrictions on trade have extremely limited export-led growth, critical for a small economy, and hence hampered development of the private sector. Most Palestinian imports and exports pass through Israeli ports and incur security delays that can increase costs by an average of US$538 per shipment. Given the severe land constraints, limited land registration and unclear property rights are a major challenge for urban/ housing and business development.

The rapid economic decline in the past year emphasizes the need to achieve sustainable economic growth in the Palestinian territories. Growth and job creation going forward will need to be private sector driven. For a small economy, achieving a sustainable growth path depends to a large extent on having a private sector that is able to compete in regional and global markets and increase its exports of goods and services. The private sector is the only sustainable engine for growth, and the focus should be on removing the constraints and creating the right conditions for it to flourish and create jobs for the youth. Currently, growth in the Palestinian territories has mainly been driven by aid-financed consumption in recent years, but, as most acutely demonstrated in Gaza, aid cannot continue to substitute for a poor business environment. Even though the Palestinian economy will not be able to reach its full potential without a final political resolution, actions by the GoI to ease the restrictions and efforts by the PA to accelerate fiscal and economic reforms could significantly improve the economic outlook and fuel private sector activity.

## Eye on Gaza

Gaza's economy continues suffering from very low growth. Although large amounts of aid for reconstruction after the last war in 2014 allowed some recovery, most recent figures show that Gaza's economy has contracted again in the first quarter of 2018. Gaza's economy has been kept afloat mostly by large amounts of transfers. Aid and remittances are almost the only source of foreign exchange inflows that fuel consumption in Gaza, particularly since exports have been extremely small and investment activity very weak. The PA and UNRWA's expenditures in Gaza represent the largest sources of non-trade related financial inflows. However, transfers have significantly declined starting in 2017, pushing Gaza's economy towards a possible collapse.

The decline of transfers into Gaza, which is weighing on economic performance, is unsurprisingly also affecting the living standards of the Gaza population. The WB's Poverty and Shared Prosperity Diagnostic[7] found that poverty rates in Gaza have increased dramatically from 2011-17, rising 14 percent from 38.8 to 53 percent.[8] This leaves every second Gazan below the official national poverty line. The increase in poverty was relatively larger in urban areas and refugee camps than in rural areas. As a result, Gaza now accounts for 71 percent of poverty in the Palestinian territories, up from 57 percent in 2011.

In the current context there needs to be a balanced approach to Gaza that combines an immediate crisis response with steps to create an environment for sustainable growth. One immediate objective is to ensure a continuation of service delivery such as energy, water, education, and health, as these are critical to both the livelihood of the people and as an input to production. Substantial infrastructure investments and sectoral policy reforms will be needed to give a boost to the economy and improve the quality of life for Gaza's population.

Current electricity supply in Gaza is as little as a third of needs, with far reaching consequences for households, businesses, and public service delivery. Gaza's average demand for electricity is estimated at 500MW, while total electricity supplies currently reach 170MW only. Current supplies include the recently restored 50MW from Israel and an additional 25MW from Egypt. Operation of the Gaza Power Plant (GPP) depends on the availability of fuel. On average, the GPP generates around 45MW, but output varies widely between 0-60MW due to the irregular fuel supply. This leads to severe power shortages for households, the economy, key public infrastructure, hospitals and schools. Currently, Gazans receive 3-6 hours of electricity per day, followed by 12-18 hours off. Public services are acutely underserved by the power sector with the health sector highly dependent on diesel, as mentioned above, and water and wastewater services operating at minimal service levels. Overall, electricity has become the top binding constraint reported by Palestinian firms in Gaza.

Although almost all houses in Gaza have a piped water connection, the poor quality of piped water results in reliance on expensive alternatives. Long-term water and sanitation trends in Gaza show an alarming situation. Years of overexploitation and sewage infiltration into the aquifer have resulted in the pollution of 95 percent of groundwater resources in Gaza with high proportions of nitrates and chlorides – well above international guidelines for potable water resources. From a position of close to universal access in 1995, access to improved drinking water sources in Gaza declined to one of the worst in the world today – even below the average of 66 percent for low-income countries. Although most households in Gaza are connected to the piped water network, the connection does not guarantee timely access to drinking water, let alone adequate quality. In 2016, access to improved drinking water in Gaza was almost zero percent – compared to 93 percent in the West Bank. More than 97 percent of the households in Gaza rely on potable water delivered by private tanker trucks. Gazans are paying a high tariff for this service, around NIS30–35 per m³ – much higher than the NIS1.5-3 per m³ charged for piped water. Poorer customers who cannot afford truck delivery tend to buy drinking water from supermarkets in 20-liter jerry cans.

Despite high levels of sewage collection, wastewater is only treated partially and subsequently discharged to the environment creating a major public health threat. 99 percent of Gazans have access to improved unshared sanitation, with 78 percent of households connected to public sewage networks. About 48 million cubic meters (MCM) of wastewater is collected each year ¬– over 90 percent of which is at least partially treated. However, treatment plants are overloaded and function poorly mainly due to underfunding, lack of electricity, and limited availability of spare parts and consumables required for operations. As a result, around 25MCM of partially treated wastewater and 7MCM of raw sewage is discharged annually to open ponds and the Mediterranean Sea – equivalent to around 90 million liters per day.

7. Poverty and Shared Prosperity Diagnostic Poverty and Shared Prosperity Diagnostic used the 2017 Palestinian Expenditure and Consumption Survey (PECS) to assess changes since the previous survey, conducted in 2011. It is notable that the Palestinian territories are unique amongst fragile countries in that they have continued to implement multiple surveys on a regular basis, despite protracted conditions of fragility and conflict.
8. The poverty line is set at the median expenditure level of a specific type of household for certain key items for the poorest 25 to 30 percent of households. The most recent poverty trend (2011-2017) uses 2010 the poverty line adjusted for inflation.

Meeting electricity demand in the Gaza Strip will require a mix of investment and policy actions. Overall, Gaza's alternatives to improve the energy sector are more constrained compared to the West Bank, and the premium associated with full energy independence would be particularly high. Medium-term energy demand is projected to grow at a rate of 6-7 percent per annum, including suppressed demand from currently unserved customers. Estimated investment needs to meet this demand range from US$340 million (with a medium-term emphasis on optimizing Israeli and Egyptian imports) to approximately US$1.4 billion (with a longer-term focus on maximizing domestic energy production predominantly from gas-fired power generation). Regardless of the scenario eventually implemented, any significant investment in domestic power generation in Gaza would require the Gaza Electricity Distribution Company (GEDCO) to substantially improve network quality and commercial performance, including collection rates to ensure operational and financial sustainability.

The GPP could meet almost half of the total electricity demand in Gaza if operated on gas, but instead depends on expensive diesel with limited availability. The GPP was originally designed to operate on natural gas. Re-converting the GPP to combined-cycle gas turbine (CCGT) gas-fired technology would save between US$45-62 million annually in fuel bills. Operated at its originally intended capacity of approximately 265MW, the GPP could meet almost half of the total electricity demand in Gaza and provide the Strip with a cost-effective domestic source of power generation. However, this requires to (i) complete the necessary infrastructure, including a gas pipeline to Gaza; and (ii) close commercial agreements with a creditworthy off-taker to supply gas to Gaza. In the meantime, the Gaza Action Plan prepared by the PENRA anticipates a significant increase in Egyptian electricity imports to balance Israeli imports, while the future of the GPP is being decided. However, any scenario will require promoting energy efficiency, intensively developing solar rooftop PV, and expanding Egyptian imports in parallel.

Underlying institutional constraints and low financial performance will need to be addressed first to reach more sustainable electricity supply options in the medium term. The Palestinian electricity sector has yet to establish a track record as a creditworthy off-taker for wholesale power. Despite important efforts by the regulator, Palestinian Electricity Regulatory Commission (PERC), electricity is not priced at cost recovery levels throughout the Palestinian territories. The gap between tariffs and costs is particularly large in the case of Gaza, where tariffs have not been adjusted over the last decade. In addition, the revenue collection rate remains low. Although some distribution utilities in the West Bank have been improving their operational performance, the situation in Gaza is troubling - with revenues covering not more than 50 percent of electricity purchases. Finally, even when revenues are collected, they are sometimes diverted by the local authorities to cover other expenditures rather than being channeled to the purchase of power. Those implicit subsidies to the electricity sector have been estimated at around 4-5 percent of GDP in Gaza.

Gas imports will have to constitute a critical part of any scenario improving energy security, until supplies from the Gaza Marine gas field become available and commercially viable. Across all options for energy security development in the WB&G, power-generation capacity is expected to rely on gas imports to meet between 46 and 83 percent of electricity needs. Hence, coordinated efforts to enhance the sector's financial sustainability will be critical to secure gas supply agreements at acceptable fiscal risk and, eventually, enable the commercial development of a domestic Palestinian off-shore gas field with Gaza Marine.

Gaza's renewable energy (RE) potential is largely limited to rooftop solar and is unlikely to meet more than 6 percent of energy needs. While the overall contribution to meeting energy demand would be limited, Gaza's renewable potential needs to be maximized to provide a basic safety net where possible. Based on a preliminary assessment, 30 percent of all households in Gaza have the technical potential for rooftop PV installations. Approximately 2,800 non-residential buildings, i.e. public facilities, schools, and commercial establishments, have appropriate roof space. Taken together, these could account for over 150MW of rooftop PV in Gaza. For example, a feasibility study conducted for the NGEST plant estimates the potential for over 5MW of solar PV and almost 1MW of biogas.

Investment needs in Gaza's water and sanitation infrastructure are enormous. PWA's 2016 SDP, accompanied by the Water Sector Investment Plan 2017–2022, provides the framework for developing Gaza's water and sanitation sector. In total, around US$1.25 billion (or around 8 percent of GDP) would be required to upgrade critical infrastructure in the short- to medium term, most of it in the Gaza Strip. The plan includes investments in both infrastructure development and institutional strengthening to address the Gaza water and sanitation crisis. Core elements include building the GCDP along with the required associated works network infrastructure; increasing water imports from Israel; constructing a minimum of three Short Term Low Volume (STLV) seawater desalination plants; reducing Non-Revenue Water (NRW); developing wastewater treatment and reuse schemes; establishing a National Water Company; and Strengthening the Gaza Coastal Municipalities Water Utility (CMWU) as the sole utility for water and sanitation service delivery in Gaza.

Gaza only has two available sources of additional freshwater supply: desalinated sea water from domestic desalination capacity and purchases from Israel. Gaza consumes an average of around 80 liters per capita per day (lpcd), well below the minimum of 100 lpcd potable water recommended by the World Health Organization (WHO). Currently, all water supplied for domestic uses in Gaza – a total of 95 MCM per year in 2015 – is originating from Gaza's coastal aquifer, domestic desalination plants, and imports from Israel. Some 90 percent of this water is supplied at high saline levels from the almost-depleted coastal aquifer. With domestic demand projected to reach around 145 MCM by 2030, new freshwater will need to be imported or developed in Gaza. PWA has the objective to meet the future water demand by increasing supply from sea water desalination and decreasing reliance on the coastal aquifer. Hence, PWA is advancing plans to build the GCDP that would produce 55 MCM in its first phase, doubling to 110 MCM in its second phase. Capital investment costs for the GCDP alone are estimated at around US$500 million. Another 30-40 MCM of freshwater would need to come from Israel and local STLVs. However, until those major investments have been completed, water supplied by tanker trucks will remain the major source of potable water in the short term and there is an immediate need to regulate commercial supply in terms of minimum standards, price and quality. In the medium term, there is a need to build network infrastructure to absorb 20 MCM agreed to be provided by Israel; and complete the planned STLVs that would produce up to another 15 MCM by 2020. In addition, it will be critical to enhance the distribution system's efficiency and reduce technical as well as commercial losses. This is important since both water from Israel and the STLVs has to be mixed with water from the aquifer to reach potable quality and maximize the benefit to the Gaza consumer.

Expanding water supply through efficient use of desalinated water would reduce the price for Gaza consumers and provide the basis for more sustainable service provision. This will require implementing a series of investments to upgrade the primary and secondary distribution network, the so-called Associated Works. The Associated Works have been designed to receive desalinated water as the principal source of supply from multiple locations and blend it with saline groundwater to improve it to the quality of tap water and reduce costs. The Associated Works include: construction of a main North-South carrier line of 42.5 km, with additional North, Middle and Southern pipelines loops; twelve main pumping stations; five main booster stations; blending tanks with a total capacity of 200,000m3; connection points with Israel; and secondary distribution networks with a NRW reduction program. Total costs are estimated at up to US$200 million.

Parallel investments in wastewater treatment capacity will be key to preventing further deterioration of the aquifer and curbing public health risks from environmental pollution. The NGEST plant has become fully operational in June 2018. Construction of the Gaza Central Wastewater Treatment plant is well advanced and expected to start operation by the end of 2019. These two plants will support the other five wastewater treatment plants in Gaza, increasing total design capacity of all plants to around 66 MCM, equivalent to the sewage treatment capacity currently needed for the Gaza strip. Treatment capacity would need to increase to around 115MCM by 2030. However, these plants will not operate without reliable energy sources. NGEST alone requires 6MW to operate the current phase. The total estimated energy required to operate all water and wastewater facilities in Gaza would reach around 100MW by 2025, equivalent to around 15 percent of the total projected energy demand for Gaza in the same year. The PWA will have to consider options for transboundary wastewater treatment agreements and increased power supply from Israel.

However, institutional capacity and financial performance need to improve along with capital development for Gaza to secure sustainable water services. Investing in new fresh water resources and wastewater treatment capacity alone would not suffice to achieve water security in Gaza. The capacity of the water and sanitation sector institutions will have to be strengthened in parallel, and a key priority will be to reengineer CMWU as the sole service provider for Gaza. Better financial performance can only be achieved through increasing levels of cost recovery along with enhancing citizens' willingness to pay. However, citizens will demand growing and more effective involvement in the decision-making process in addition to better water quality, if they are to pay for services. PWA is launching the WSDP that aims at improving access to improved water and sanitation services, enhancing the water sector institutions, and providing infrastructure investment financing applying a performance-based incentive approach. However, PWA is highly dependent on aid and multiple donors operate in Gaza's complex political environment. This will require strong coordination among donors and alignment in harmonization with the national water sector development plans.

Beyond a crisis response, steps are needed to create a positive environment for economic growth over time that will create the jobs needed for youth. A new dynamic is needed of economic opportunity leading to prosperity, legitimacy and stability. Allowing the economy to trade is key to allowing this to happen. Reforms are needed to streamline the movement of goods and people, and to support the trade in digital services, which could play a leading role – especially in the interim period.

## Mainstreaming Gender

The WBG is continuously committed to improving the way gender equality is achieved and measured in policy and programmatic efforts. Through the Regional Strategy for FY18-23, the WBG is aiming to contribute to significant, meaningful change in two priority areas for gender equality and women's empowerment in the region: (i) Women's Economic Empowerment; and (ii) Gender and Conflict, considering women's voice and agency as a cross-cutting concern. In Palestine, the WB's WB&G Country Management Unit (CMU) has been long committed to ensuring gender-based differences and needs are effectively addressed in its operational and analytical portfolio.

The Second Country Gender Action Plan (C-GAP II) for Palestine FY18-21 was launched in 2018 and is the second in the CMU's series of country-level gender strategies to provide in depth analysis, framework for action, and key performance measures by which it can monitor outcomes of the plan and assess success in moving toward gender equality. The Palestine plan aligns with the Regional Gender Action Plan (R-GAP) for Middle East and North Africa (MNA), which also focuses on areas of economic empowerment, gender and conflict with voice and agency, and legal aspects. The C-GAP II helps the country programs respond to R-GAP pillars by linking data and evidence with country engagement and operations.

The tool was strategically used in the design of the WB&G AS FY18-21 and to introduce new entry points that cut across programs and sectors, while building on existing local successes and experiences in gender.[9] This comprehensive approach to operationalizing gender mainstreaming is unique to the WB&G CMU, as Palestine is the only country in MNA with a country-level action plan. This is signaling a major commitment by management level to ensure that its approach is both practical and meaningful. In FY18 the WB&G Country Office projects were 71 percent gender tagged, and 100 percent gender informed.

The C-GAP II built on the first C-GAP, going further in its development it through:

- Engaging with government clients and DPs to better understand the national landscape, connect to local level efforts, and respond to growing demand;
- Adopting a cross-sector approach that provides opportunities for collaboration and shared tracking across projects and sectors;
- Providing specific recommendations and building on existing indicators to measure both operational and institutional progress in closing gender gaps.

The C-GAP is organized around four pivotal areas – three thematic and one institutional – that cut across sectors and align with institutional WB priorities outlined by the World Bank Group Gender Strategy: Gender Equality, Poverty Reduction, and Inclusive Growth (2016-2023). The three thematic areas address persistent gaps that have been identified as key roadblocks to meeting gender equality targets in country, and the fourth area focuses on institutional improvements required to support the design and administration of more effective gender integration:

- Thematic Focus Area 1: Increasing female labor force participation (FLFP) rates and leveling the economic playing field for both women and men.
- Thematic Focus Area 2: Strengthening voice and agency to advance opportunities for women and girls in economic, political, and civic life.
- Thematic Focus Area 3: Overcoming mobility constraints to strengthen human development outcomes and ease access to basic services.
- Institutional Focus Area 4: Strengthening gender responsiveness in how WB&G CMU does business.

As highlighted under the C-GAP II, WB-financed projects, including those benefitting from PID MDTF co-financing, have: (i) generated new jobs for women and men; (ii) strengthened women's voice and decision-making opportunities through policy reform and community engagement; and (iii) improved how the CMU tracks and monitors progress and beneficiary outcomes. The WB in each sector is identifying entry points in policy dialogue based on local gender efforts that can provide pathways for achieving stronger results on gender.

9. C-GAP II also informed the CMU West Bank and Gaza Country Portfolio Performance Review.

### *Water*

The WSCB project in Gaza provided training of female workers in public entities (SPs) that provide water and sanitation services. Women's voices were included in consultative workshops throughout the lifetime of the project. Going forward, the WSDP project is exploring how to draw from the priority targets of PWA's National Gender Strategy[10]. Recommendations include requiring that municipal/local level SPs engage with women in any planning and implementation of water projects as a conditionality for receiving investments. Additional entry points which would be captured under an M&E framework would potentially include:

- Gender expertise in the sector through institutional capacity building efforts, partnering with universities to encourage women in STEM fields.
- Assessing the potential of income generating activities linked to rehabilitation efforts for women, as well as participation of women in decision-making committees during civil works.
- Linked to CE and social partnerships, exploring opportunities for engaging female staff workers to build trust with beneficiaries, especially women.

Under the recently started TA, support was provided to the PWA to establish a framework for mainstreaming youth (women and men) engagement in the water sector. Two workshops were organized by the PA to better strengthen youth inclusion and participation. A youth committee was also established to support PWA's work on the policy, service delivery, and monitoring levels.

### *Urban*

The MDP (I, II, III) focuses on needs of different groups to improve service delivery and through concrete steps aimed to improve gender outreach activities including:

- Strong gender aspects in capacity building for municipalities and MDLF, with the institutionalization of quotas for female and youth engagement (30 percent).
- A specialist was hired to streamline gender and set realistic targets.
- Tools were designed to identify different needs with clear processes in place to support policy formulation and program adjustments for the benefit of both female and male citizens. In addition, the monitoring framework will shed light on important outcome measures by gender. These will specifically focus on:
  - People provided with improved urban living conditions.
  - Percent of beneficiaries satisfied with municipal sub-projects and MDLF support.

### *Energy*

A partner of the WB in energy projects, the Palestinian Energy and Environment Research Center (PEC) is actively engaged in trainings, media advocacy and community learning events around energy conservation and benefits of RE with school children and the larger public. Additionally, ESPIP preparation built on analysis carried out in the now closed WB&G Electric Utility Management Project (P084461) to look at gender specific benefits of Solar Photovoltaic Power (PVP). Findings informed ESPIP-Component 3, which is piloting a business model for rooftop solar energy in Gaza with attention paid to gender sensitive targeting of female head of households, awareness raising of the benefits of solar energy, and promotion of women's engagement across the RE value chain.

### *Social and Economic Inclusion in West Bank and Gaza*

In FY 2018, the WB conducted the ASA, Avenues for Economic and Social Inclusion of Marginalized Groups in WBG. The study unpacked the definition of marginalization and provided guidance on how to improve WB targeting and improve economic and social inclusion of the marginalized groups. The study confirmed that women and youth groups continue to be among the marginalized groups. In the West Bank the intensity and level of their exclusion differ from one geographical location to another with the most marginalized living in Area C and refugee camps. In Gaza women and young men living in refugee camps remain among the most marginalized groups in the whole country. Furthermore, it was recommended to conduct a follow-up TA on water and energy conservation and management in refugee camps; as well as another TA to consider specific urban activities to engage displaced groups (including Bedouins) in social and community activities to empower rural-urban linkages. The ASA will continue to inform the WB engagement in the water, energy, and urban sectors including the design of PID financed operations, along with the rest of the WB program.

**For further details about the Bank's Gender Action Plan, please see below:**

**Second Country Gender Action Plan (C-GAP II) for the Palestinian territories:**
**http://documents.worldbank.org/curated/en/446441520342346745/Second-Country-Gender-Action-Plan-C-GAP-II-for-Palestinian-Territories-FY2018-2021**

10.National Gender Strategy for the Environment Sector: Water & Solid Waste Management (2013-2017) organized by the PWA in collaboration with the Ministry of Women's Affairs (MoWA) to tackle challenges such as lack of awareness and expertise on gender issues in the sector, weak political will, lack of instruments and tools to implement practical solutions on gender, and a general lack of institutional mechanism to operationalize gender and receive/incorporate feedback in a systematic way.

# WATER SECTOR

SECTOR REVIEWS

## Sector context

The Palestinian territories continue to suffer from water insecurity due to political, technical, and institutional challenges, and insufficient water resources. The lack of sovereign control over WB&G water resources and water infrastructure development has led to highly restricted access to water resources, perpetuation of ad-hoc emergency planning as opposed to strategic planning, and uncertainty and delays in infrastructure project authorization and implementation, due to political constraints and low institutional capacity.

Major water supply and sanitation infrastructure deficits and inefficiencies have caused declining quality, and according to the water sector SDP for 2012-2032 about US$7 billion is needed to improve the water and wastewater sector. There is inadequate and unreliable access to potable water across the Palestinian territories. Gaza residents' access to improved drinking water has plummeted from near total coverage two decades ago to one percent today. Although 95 percent of the population is connected to the piped network, only one percent of the population has access to improved drinking water that meets the standard of the Sustainable Development Goal (SDG) indicator.[11] In the West Bank only 36 percent of the population receive a continuous supply of water every day of the month. As per the recently published WB Water Supply, Sanitation, and Hygiene (WASH) Poverty Diagnostic Toward Water Security for Palestinians report, the poor who are most at risk in the West Bank are those not connected to the network (estimated at about 100,000 inhabitants mostly in Area C) or who are in areas of poor water service.

In Gaza, there is an impending environmental and public health collapse with 97 percent of the population relying on informal and unregulated private water tankers and small-scale informal desalination plants for drinking water. Water provided through networked systems by formal providers is used for other domestic purposes. Water quality deterioration (only four percent of the aquifer now meets drinking water quality standards) in Gaza is due to saline water intrusions and untreated sewage infiltrations (high salinity and nitrate concentration 6 times higher than the WHO standards).[12] This situation was predicted and warned of in a 2012 UN report which stated "the aquifer could become unusable as early as 2016, with the damage irreversible by 2020".[13]

Sanitation coverage is high, however connection to sewerage networks is much higher in Gaza than in the West Bank. In Gaza, access to improved sanitation is universal, with 78 percent of population connected to sewerage networks and the remainder relying on on-site services. In the West Bank, despite near universal access to improved sanitation, access to sewage connections is only 30 percent, with rates varying widely by governorate and by household income.

About one-quarter of the 62 MCM of wastewater generated in the West Bank is collected in sewerage networks, and two-thirds of this is treated (about 13 MCM annually). However, almost none of this treated amount is reused, due to lack of planning and constraints in developing the necessary infrastructure to pipe the treated water to farming areas. Despite considerable investment in expanding sewerage networks, two-thirds of West Bank residents are still using cesspits, which places the groundwater resource at risk of contamination. The biggest problem is the 25 MCM of untreated sewage discharged into wadis each year from 350 locations. Some of which flows into Israel, where it is treated and reused in agriculture, however Israel charges the PA for treating this wastewater; in 2016 Israel billed the PA more than US$26 million for these costs. In Gaza, about 90 percent of wastewater is collected and partially treated but then discharged to the environment rather than being reused. Treatment plants are overloaded and function poorly, partly because of underfunding and partly because of Israeli restrictions on the entry of energy and materials to Gaza. Current treatment capacity is 13 MCM/year in the West Bank and 60 MCM/year in Gaza, while treatment needs are estimated at 62 MCM/year in the West Bank (assuming that all wastewater is collected) and 80MCM/year in Gaza.

The water sector operations in the Palestinian territories are fragile and unsustainable. There are three Regional Water Utilities (RWUs) and 226 small water services providers currently operating in WB&G. The service delivery level is commercially weak due to numerous small-scale SPs in the country with low performance, low service coverage, high levels of non-revenue water (55 percent), low collection efficiency (40 percent in Gaza and 70 percent in West Bank). This situation leaves these institutions with insufficient funding for maintenance and capital investments. At the national level the PWA, since its establishment in 1995 until the enactment of the updated water law in July 2014, was acting as a policy maker, planner, regulator, and implementing agency executing the development projects. Additionally, development of the water sector has depended mainly on donors' support. Donors have spent US$1.3 billion in the last decade. Despite of the lack of approved strategies and development plans, the development programs in WB&G have responded, to some extent, to the people's needs. However, a major refocusing effort is required because many of the ongoing projects have been developed based on "donor selection and have been narrow focused rather than long term visionary programmatic development".[14]

11. According to 2016 data from the Local Government Performance Assessment (LGPA), World Bank, 2017.
12. Average chloride concentration 250-5000 parts per million (ppm) and average nitrate concentration is 50-300ppm (WHO standard limit is 250 and 50 ppm respectively).
13. Gaza in 2020 A Livable Place, A report by the United Nations Country Team in the occupied Palestinian Territory, August 2012.
14. Infrastructure Audit of the Water Sector in Palestine. PWA report funded by Norway. November 2008.

In 2009 the Cabinet of Ministers (CoM) of the PA endorsed an Action Plan for Reform, which detailed the blueprints and implementation mechanisms of an institutional and legislative reform program in the water sector. A new Water Law was approved in 2014 that restructured the water sector with distinct roles and focuses on policy and service provision: national policy - PWA; regulatory level - Water Sector Regulatory Council (WSRC); bulk service delivery - the National Water Company (NWC): and domestic - SPs (RWUs) and Water User Associations supplying water for irrigation. Recently, the PWA instituted the SDP to improve the water sector. The SDP focuses on institutional development as a main pillar to sustain the development process and to achieve its objectives in improving water security by enhancing water and wastewater service delivery. It addresses improvement of water resources and water supply by recommending (i) increased water importation and (ii) slowdown of the deterioration in the groundwater of the coastal aquifer through the development unconventional water resources (desalination) and wastewater treatment systems. It also supports the continuation of the reform process through the establishment of sustainable and financially viable water service delivery institutions and strengthening of their institutional set up.

The Water Sector Capacity Building 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 project has supported development of a number of important strategies, policies, and tools. Many of which were implemented and contributed to stronger institutions, while providing improved efficiency and cost recovery of more effectively regulated water operators. 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 WB WSDP. Additionally, the monitoring function has improved under the project through enhanced data accuracy and transparency on the performance of the SPs and the water sector overall.

The WB is preparing a new water operation (WSDP) in the sector, to improve the water quality and quantity of water supplied, and support design of a national platform to improve the institutional and operational capacity of water SPs. The implementation of the national platform would provide the foundation for creating a sector financing model for efficient water service delivery. This is expected to improve water services delivered to the people, especially by addressing the water quality in Gaza. It is complementary to previous engagements, which the WB and other co-financing DPs have been supporting. Implementation Completion Results Reports (ICRs) have recently been finalized or are currently being drafted for the four projects which is helping inform the new operation under preparation as well as provides lessons learned on implementation of water projects in a fragile context of relevance also beyond the WB&G.

Overarching lessons learned from the projects include the following. (i) Despite fragility, projects can be implemented and results achieved when readiness of both WB and client teams is high. In FCV situations, flexibility and active engagement is imperative and has been the case in the evaluated projects. (ii) It is noted that close coordination with other DPs from project inception is key to success as noted in the case of WSSSP, which included parallel financing from the Islamic Development Bank (IsDB). (iii) While precautions relating to a fragile situation can be projected, wars are hard to plan for. In the context of Gaza this is particularly relevant and the close cooperation between the client and the WB (and partners) has enabled redemptive measures through rapid assessment and the use of AF.

### *Sector Risks*

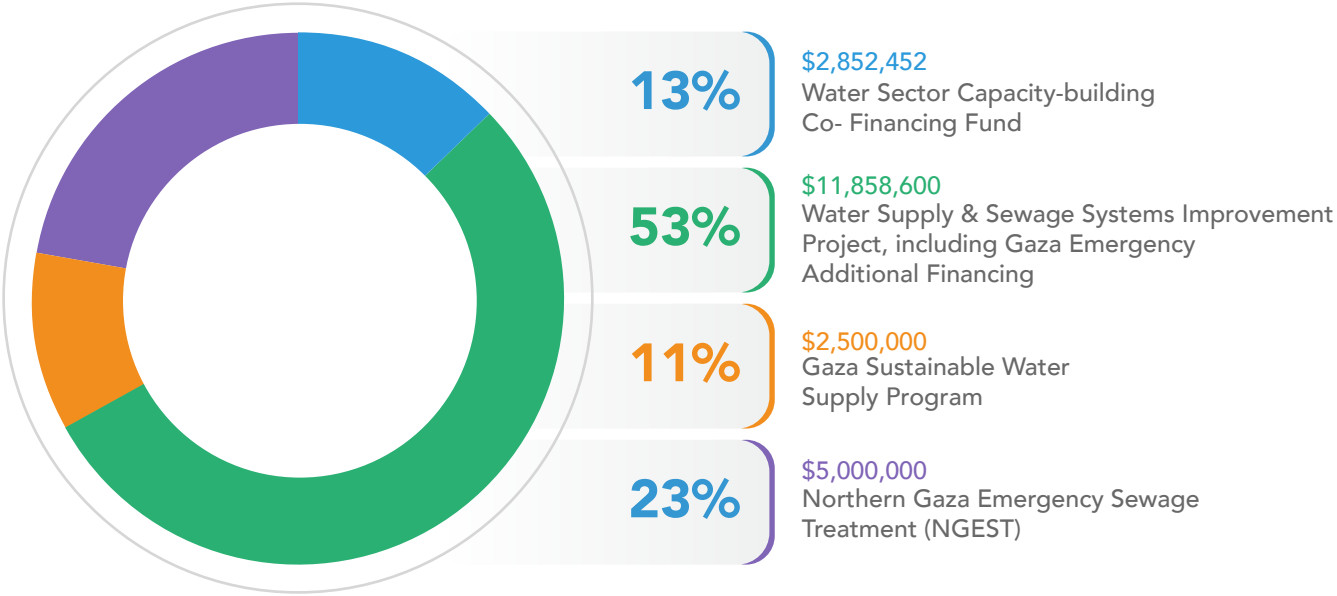
| Risk Category | Mitigation Measures |
|---|---|
| **Political and governance**<br>- Operating context for the sector remains volatile, access and mobility restrictions remain in place.<br>- Internal tension between West Bank and Gaza stakeholders assumed to continue, with possible implications for the PWA to operate in Gaza. | - Establish and build on existing coordination mechanism with the GOI to facilitate movement of goods and people, prior to project approval and during implementation.<br>- Maintain issues of high national importance center to the sector engagement, e.g., support to central level institutions such as the NWC and the national performance system, to keep the ongoing dialogue and continue engaging stakeholders to reach agreement on implementable action plans |

| | |
|---|---|
| **Sector strategies and policies**<br>- Although critical laws, policies and strategies were developed, including the SDP, implementation progress of the underlying sector reforms has been slow and uneven.<br><br>- Lack of clarity of roles and responsibilities among the sector entities may delay the refinement of bulk and retail services. | - The proposed program would work closely with the sector entities to clarify the roles and minimize potential delays during implementation. It will also help clarifying the role of the different stakeholders, supporting the planning, monitoring and fiduciary functions in the sector.<br><br>- Program design will include early identification of sector champions and demonstration of success to gain support.<br><br>- The establishment of the bulk water carrier in Gaza would be expected to stimulate support for the NWC and reform of CMWU. |
| **Institutional capacity building**<br>- Current capacities at the national level in the water sector may not be adequate to adoption or full operationalization of new roles. | - The program will develop and separate the roles and responsibilities of the different parties in the service value chain; mainly for PWA, NWC and WSRC.<br><br>- The program will provide PWA and other sector institutions with targeted capacity building to carry-out their functions effectively. |
| **Fiduciary**<br>- Recent and ongoing operations of the WBG faced procurement performance challenges related either to capacity or to governance issues. Significant weaknesses in budget preparation and execution, general accounting and reporting have been identified. | - Fiduciary risks and capacity assessment of the implementing partners will be updated prior to Appraisal.<br><br>- The Program will identify specific components of the national procurement system which would be acceptable for use.<br><br>- A Project Implementation Manual (including financial management and procurement procedures) will be prepared to provide capacity-building measures in financial management, procurement, and safeguards functions within the Project Coordination Unit (PCU) and other relevant water sector stakeholders. |
| **Environment and social**<br>- Because of the dense population in urban areas, particularly in Gaza, construction activities are expected to have impacts on community safety and interruption to traffic, and other municipal services.<br><br>- Impacts during operation are related to increased demand on energy, wastewater facilities, and increased costs of the service provision. | - Impacts are expected to be localized, short term, and can be minimized with careful planning and construction management and coordination with local authorities.<br><br>- Potential impacts have been assessed and analyzed in a detailed Environmental and Social Impact Assessment (ESIA).<br><br>- Further assessment will be carried during appraisal to verify if any additional mitigation measures would be required. |
| **Stakeholders**<br>- The introduction of new entities and the transformation of others in the water sector will change existing relationships in the sector and may create conflict. | - The proposed Program aims at thoroughly engaging/educating the stakeholders to understand their roles and responsibilities to avoid conflict. |

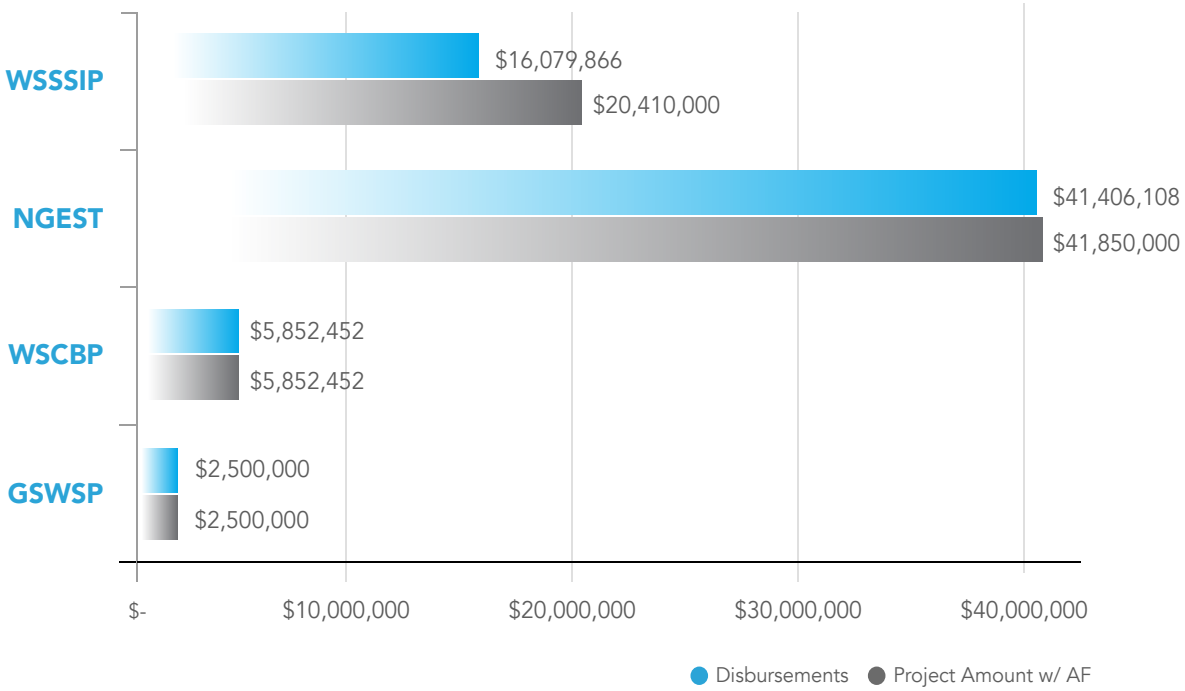
**More detailed analysis and policy recommendations in the water sector are available in recent WB analytical work:**

- Toward Water Security for Palestinians: West Bank and Gaza Water Supply, Sanitation, and Hygiene Poverty Diagnostic: http://hdl.handle.net/10986/30316
- Securing Water for Development in West Bank and Gaza: Sector Note: http://hdl.handle.net/10986/30252

## Figure 6: Water Sector PID MDTF Funding Distribution as of August 31, 2018




## Figure 7: Water Sector PID MDTF Disbursements as of August 31, 2018



## Table 7: Water Sector – Key Project Ratings

*Key Project Ratings*

| Water Sector Capacity Building Project including AF | Previous Rating | Current Rating |
|---|---|---|
| Progress towards achievement of PDO | Moderately Satisfactory | Moderately Satisfactory |
| Overall Implementation Progress (IP) | Moderately Satisfactory | Moderately Satisfactory |
| Financial Management | Satisfactory | Satisfactory |
| Project Management | Satisfactory | Satisfactory |
| Procurement | Satisfactory | Satisfactory |
| Monitoring and Evaluation | Satisfactory | Satisfactory |
| **Water Supply and Sewage Systems Improvement Project, including Gaza Emergency AF** | **Previous Rating** | **Current Rating** |
| Progress towards achievement of PDO | Unsatisfactory | Moderately Satisfactory |
| Overall Implementation Progress (IP) | Unsatisfactory | Moderately Satisfactory |
| Financial Management | Unsatisfactory | Moderately Satisfactory |
| Project Management | Moderately Unsatisfactory | Moderately Satisfactory |
| Procurement | Unsatisfactory | Moderately Satisfactory |
| Monitoring and Evaluation | Unsatisfactory | Moderately Satisfactory |
| **Northern Gaza Emergency Sewage Treatment (NGEST) Project** | **Previous Rating** | **Current Rating** |
| Progress towards achievement of PDO | Moderately Satisfactory | Moderately Satisfactory |
| Overall Implementation Progress (IP) | Moderately Satisfactory | Moderately Unsatisfactory |
| Financial Management | Satisfactory | Satisfactory |
| Project Management | Moderately Satisfactory | Moderately Satisfactory |
| Counterpart Funding | Satisfactory | Satisfactory |
| Procurement | Moderately Satisfactory | Moderately Satisfactory |
| Monitoring and Evaluation | Moderately Satisfactory | Moderately Satisfactory |
| **Gaza Sustainable Water Supply Program** | **Previous Rating** | **Current Rating** |
| Progress towards achievement of PDO | Satisfactory | Satisfactory |
| Overall Implementation Progress (IP) | Moderately Satisfactory | Moderately Satisfactory |
| Financial Management | Satisfactory | Satisfactory |
| Project Management | Moderately Satisfactory | Moderately Satisfactory |
| Procurement | Satisfactory | Satisfactory |
| Monitoring and Evaluation | Satisfactory | Satisfactory |

*Progress by activities*

## Water Sector Capacity Building Project (P117443), including AF (P153889, TF015756)

| | |
|---|---|
| **Duration** | Six years and nine months |
| **Approval** | US$1.0 million on February 5, 2014; and US$2.0 million July 2, 2015 |
| **PID Grant Amount** | US$ 3.0 million |
| **Status** | Closed December 31, 2017 |
| **OBJECTIVE** | To strengthen the capacity of the PWA to more effectively plan, monitor, and regulate water sector development in WB&G. |

*Key Project Ratings*

| Management Ratings | Previous Rating | Current Rating |
|---|---|---|
| Progress towards achievement of PDO | Moderately Satisfactory | Moderately Satisfactory |
| Overall Implementation Progress (IP) | Moderately Satisfactory | Moderately Satisfactory |
| Financial Management Rating | Satisfactory | Satisfactory |
| Project Management | Satisfactory | Satisfactory |
| No Procurement Assessment under SPN Phase has been completed in PRAMS to date. | Satisfactory | Satisfactory |
| Monitoring and Evaluation | Satisfactory | Satisfactory |
| **Specific Project Ratings** | **Previous Rating** | **Current Rating** |
| Technical Planning and Advisory Team (TPAT): (Cost $4.90 million) | Moderately Satisfactory | Moderately Satisfactory |
| Supplementary Studies and Training: (Cost $0.30 M) | Satisfactory | Satisfactory |
| Project Management: (Cost $0.80 million) | Satisfactory | Satisfactory |

Figure 8: WSCB Project Disbursement Ratio (US$ millions) as of August 31, 2018


TFGWB - TF099491
PID - *TF015756

## Background

Due to the fragile and unsustainable water sector, the PA adopted an action plan for reform that concentrated on institutional development and improving efficient service provision. The sector suffered from the following: (i) lack of sufficient policies and regulations; (ii) fragmented and inefficient service provision due to weak institutions; (iii) insufficient water in terms of quality and quantity; (iv) ambitious plans with few financial resources and irregular investments. In 2009 the CoM of the PA endorsed an Action Plan for Reform, which detailed the blueprints and implementation mechanisms of an institutional and legislative reform program in the water sector. The objective of the reform is to achieve water security and integrated sustainable water resources by: (i) building institutional capacity and sustainability; (ii) accelerating infrastructure development based on Palestinian water security needs and updated sector development strategies; (iii) regulating service provision to enhance quality, efficiency and cost recovery; and (iv) achieving and improving sustainable water service delivery. The sector reform resulted in the new Water Law 2014. The endorsement of which is considered the first step to restructuring the water sector. Implementation of the law should move the sector towards reaching an effective water governance system and improvement of water management.

## Opportunities

The sector reform resulted in the new Water Law 2014 which restructured the water sector. The law defined two main levels. (A) The national level: (i) policy making and strategic planning led by the PWA; (ii) regulatory and monitoring led by the WSRC; and (iii) bulk water supply and water resources development led by the NWC (yet to be established). The second level is (B) the local level (the service delivery level): (i) water and wastewater utilities to be established by aggregating the small SPs at Local Government Units (LGUs); and (ii) water user associations (to be established) to manage the service of supplying irrigation water at the local level in a sustainable manner. In addition, the water sector policies and development strategic plans describe the way forward to achieve this structure including a Road Map for the Establishment of RWU, and a Road Map for Rehabilitation of the West Bank Water Department and Establishment of the NWC. The opportunity lay: (i) under the government support and adaptation to the new structure and the ongoing reform process; (ii) in DP support to the reform outputs; and (iii) the possibility of new intervention to support the reform (i.e. the WSDP).

## PID MDTF in action

The PID MDTF supported the water sector reform by financing part of each component. PID brought the different DPs together, improving coordination of support for the water sector reform through different missions and meetings. The coordinated support has achieved good outputs that will benefit sector development.

***The Water Sector Regulatory Council (WSRC) was established.*** The WSRC is an important instrument for sector monitoring and performance improvement. Building on the capacity and knowledge that the WSRC has developed during the short time since its establishment would help in improving water service delivery. The WSRC has been monitoring the SPs and was able to produce annual monitoring reports from 2013 through 2016. These reports received strong attention from the SPs, who followed up with the Council to understand the identified weaknesses and to receive guidance for improvement. Furthermore, the WSRC has developed a centralized web database, where SPs regularly share their data. The database is controlled and monitored by the Council and linked to the WB IBENT database. The information can be used by decision makers, the SPs, researchers, practitioners, etc.

***Roadmap to establish the NWC is complete and implementation is underway.*** A Road Map to establish the NWC was developed upon analyzing the current service provider (West Bank Water Department). The priorities for successful establishment of NWC were set, starting with restoring the financial equilibrium in the short term. In this regard, PWA (i) introduced a new billing system using mobile billing technology; (ii) developed Water Supply and Distribution Information System (WSDIS) to support the management and monitoring water supply and distribution at bulk level; (iii) analyzed actual price of water at bulk level for the water department; and (iv) established a policy for financial sustainability. The analysis was sent to the CoM with recommendation to reduce the government subsidy. The collection efficiency increased from 47 percent in 2014 to 68 percent in 2016.

***Roadmap to establish RWUs is complete.*** PWA developed a Road Map for Establishing Regional Water Utility based on the 1997 Local Authorities Law and the 2014 Water Law as both allow for the scale-up of SPs through Joint Service Councils (JSCs) and RWUs.

## Key achievements

### Regulating

- Water Law 2014 is updated and consulted with stakeholders and approved;
- WSRC is strengthened and operationalized;
- NWC Bylaw developed;
- RWUs Bylaw developed.

### Planning

- Sector Reform Planning Document developed, updated, and endorsed yearly;
- Water Sector Policy and Strategy approved by PWA;
- Plans and planning support tools developed.

### Monitoring

- Quarterly Status Memoranda on Sector Reform produced;
- Technical regulations, guidelines, standards, are reviewed, updated, and developed.

### Project Objective Outcomes

- PWA was strengthened as a policy and planning institution;
- PWA transferred regulatory function to WRSC;
- Water facilities started reporting to WRSC.

### Project Objective Impact

- Establishment of strong, capable, and sustainable institutions within a legal framework that clearly define their roles, responsibilities, and the interface relationship between them;
- Improvement of water supply and sanitation strategies, policies, investment programs, project designs, and the implementation of projects in an effort to substantially accelerate infrastructure development;
- Acceleration of equitable access to a quality service, while providing improved efficiency and cost-recovery of effectively regulated water operators.

## Moving forward

The WSCBP put the basis for sector reform and paved the way to continue the reform process through the proposed WSDP, which the PWA considers as the national water development program. Many DPs expressed willingness to support it under the PID MDTF flagship.

## Additional Information

To access all project information including PADs, ICRs, and ISRs, please refer to the following link:
http://projects.worldbank.org/P117443/gz-water-sector-capacity-building?lang=en

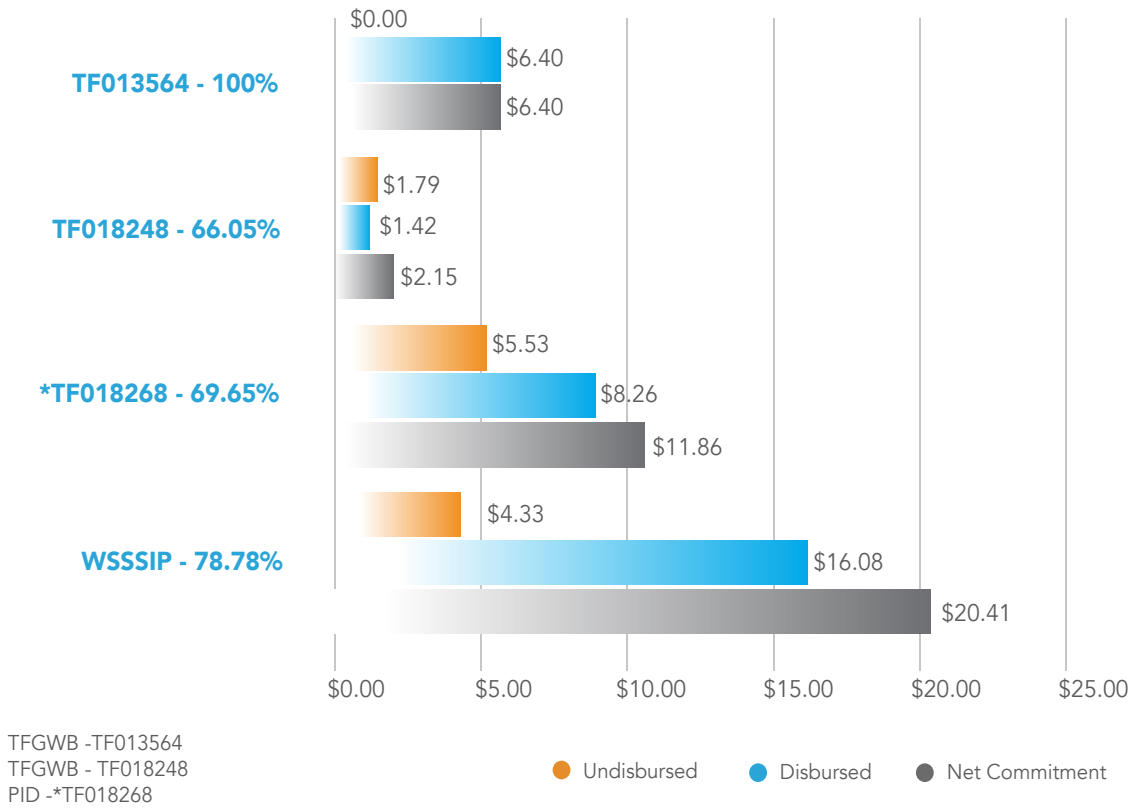
## Water Supply and Sewage Systems Improvement Project (WSSSIP) (P101289),including Gaza Emergency AF (P151032, TF018268)

| | |
|---|---|
| **Duration** | Three years |
| **Approval** | December 3, 2014 (AF) |
| **PID Grant Amount** | US$12 million |
| **Status** | Closed December 31, 2017 |
| **OBJECTIVE** | To improve the quality and efficiency of water supply and wastewater service provision in Gaza and assist in restoration of basic water supply and wastewater services through: (i) rehabilitation and reconstruction of existing and damaged water and wastewater systems, and (ii) enhancing the capacity of the CMWU to sustain water and wastewater services. |

*Key Project Ratings*

| Management Ratings | Previous Rating | Current Rating |
|---|---|---|
| Progress towards achievement of PDO | ● Unsatisfactory | ● Moderately Satisfactory |
| Overall Implementation Progress (IP) | ● Unsatisfactory | ● Moderately Satisfactory |
| Financial Management Rating | ● Unsatisfactory | ● Moderately Satisfactory |
| Project Management | ● Moderately Unsatisfactory | ● Moderately Satisfactory |
| No Procurement Assessment under SPN Phase has been completed in PRAMS to date. | ● Unsatisfactory | ● Moderately Satisfactory |
| Monitoring and Evaluation | ● Unsatisfactory | ● Moderately Satisfactory |
| **Specific Project Ratings** | **Previous Rating** | **Current Rating** |
| Restoring and Improving Water Supply and Wastewater Facilities: (Cost $22.34 million) | ● Moderately Satisfactory | ● Satisfactory |
| Utility Capacity Building and Operational Support and CMWU Recurrent Cost: (Cost $5.55 million) | ● Moderately Satisfactory | ● Moderately Satisfactory |
| Project Management, Monitoring and Evaluation: (Cost $4.65 million) | ● Moderately Unsatisfactory | ● Moderately Satisfactory |

Figure 9: WSSSIP Disbursement Ratio (US$ millions) as of August 31, 2018




## *Background*

The original project became effective in December 2012 with a total budget envelope of US$17.54 million, funded through a grant of US$6.4 million from the TFGWB and a grant of US$11.14 million in parallel financing from the IsDB. AF of US$11.7 million (designed for US$15 million) became effective in January 2015 of which US$3 million were financed from TFGWB and US$8.7 million from the PID MDTF. The financing from PID MDTF to complement the designed AF of US$3.3 million was approved on May 5, 2016. The main purpose of the AF was to help finance the scale-up of project activities and repair the wide-scale damage that occurred during the 2014 Gaza War (July 5-August 26, 2014). The project was implemented jointly by a PMU at the PWA in close cooperation with the CMWU. The MTR was conducted after the effectiveness of the AF in January 2015. The MTR confirmed that both the PDO and the Results Framework were still relevant and adequate for the project.

The project achieved good progress in repairing a majority of the damage that occurred during the war, however, a Post Procurement review conducted for the project in November 2016 identified several cases of mis-procurement and ineligible expenditures. A notice of suspension was sent to the PA on March 2, 2017 identifying the issues and indicating the requirement for reimbursement to the Grant Account the amount considered ineligible expenditure and those related to the amounts spent under mis-procurement (US$1,026,966 of which US$178,895 was cancelled from PID MDTF Child TF018268). Then a further ineligible amount of $236,549 under PID MDTF Child TF018268 was identified after the INT mission, which was communicated to the client on February 12, 2018. A joint technical and fiduciary review, conducted following the project suspension, reviewed in detail fiduciary risks under the project and recommended an action plan to be implemented by the PWA in order to lift the suspension. The suspension was lifted on 29 September 2017 after the Recipient met all the agreed conditions for restoring disbursements. The Project closed on 31 December 2017 with 84 percent of its funding disbursed.

## Opportunities

WSSSIP supported CMWU to continue providing critical water services during the emergency situation and to maintain water quality. It also contributed in building up the CMWU capacity. Recommendations from the joint technical and fiduciary review provide an opportunity to strengthen institutional arrangements in the Gaza water and sanitation sector, including better alignment and harmonization across different donors.

## PID MDTF in action

At appraisal, the project was not projected to be financially viable, except for the energy cost savings in the water supply rehabilitation program and the reduction of NRW through a reduction of illegal connections. The financial internal rate of return (IRR) at appraisal was estimated to be four percent. At appraisal the economic rate of return was projected to be 33 percent.

At completion, the project was found to be financially viable, primarily due to significant improvement in the operational efficiency of the CMWU. The financial IRR at completion was estimated to be 22 percent. The project's estimated economic rate of return at completion was estimated at 94 percent.The Implementation Completion Results Report Review (ICRR) for the project, prepared by the WB's internal Independent Evaluation Group (IEG) (Report No. ICRR0021297, 01 September 2018), concluded the following on the project's outcome:

The project contributed substantively to achieving the PWA's Medium-Term SDP, and was instrumental in providing the financial resources required to allow the CMWU to continue functioning and improve its overall institutional performance. The project's objectives continue to be highly relevant to Palestinian priorities in the water and sanitation sector. The overall efficacy of the extent to which the project's three sub-objectives were achieved is assessed as substantial. Similarly, the project's economic efficiency and financial efficiency were found to be substantial. The overall outcome rating of this project is therefore satisfactory.

## Key achievements

The project's ICR examined the project's achievements according to three objectives:
- Improvement in the quality of water supply and wastewater services;
- Improvement in the efficiency of water supply and wastewater services;
- Restoration of water supply and wastewater services following the 2014 conflict.

Key achievements under each of these three objectives are summarized below.

***Objective 1: Improvement in the quality of water supply and wastewater services:***
The outputs defined in the project design were largely achieved. Four of the five planned water tanks were installed at the required capacity, and the fifth water reservoir was rehabilitated, but at a reduced capacity. Small scale seawater and brackish water desalination plants were rehabilitated and expanded. 72km of water distribution networks were repaired, compared to the formally revised target of 36km. Supply of chlorine for water treatment was maintained. For wastewater, additional capacity was added at five pumping stations, and 26 existing stations were rehabilitated.

The target of maintaining disinfected water supplies for 1.85 million people was achieved. Piped water service was expanded to an additional 19,396 new customers. About 150,000 people directly benefited from improved water services as a result of better reliability and marginally improved water quality. Investments were made to relocate wells and increase blending of desalinated water with brackish groundwater supplies, and this has had some positive impact, but at the end of the project almost all Gazans continued to obtain desalinated drinking water from trucks, bottled water, home desalination facilities, or other sources pending the availability of increased supplies of fresh water from proposed largescale desalination and increased supplies from the Israeli national water supplier Mekorot. Thus, while the bacteriological quality of the water provided by the utility was maintained at a high standard, overall water quality did not improve to the point where customers did not need to rely on alternative sources for drinking and other uses requiring low-salinity water.

For wastewater services, the principal measures of achievement were the number of people provided with access to improved sanitation services and the percentage of reduction of Biological Oxygen Demand (BOD). Through a combination of rehabilitation and expansion of infrastructure, the project was able to fully achieve its target of reaching 100,000 people with access to improved sanitation services. Wastewater pumping capacity increased by 22,500 $m^3$ /day. Progress toward achieving the BOD reduction target of 80 percent was being made until the onset of hostilities in 2014 and subsequent economic decline. Consequently, in the final year of the project, BOD reduction averaged about 75 percent primarily due to power shortages and lack of chemical supplies. However, infrastructure improvements have allowed for a substantial increase in the volume of wastewater treated, so the total amount of BOD removed at the end of the project was 10,319 tons/year, significantly exceeding the target of 8,500 tons/year.

***Objective 2: Improvement in the efficiency of water supply and wastewater services:***
Investments in network rehabilitation and maintenance along with improved metering and management and reduction of illegal connections led to the efficiency targets being achieved. All of the wells in the project area have had their efficiency improved through electro-mechanical upgrades and pump replacements. 26 wastewater pumping stations were rehabilitated and thereby made more efficient.

Bill collection rates for water services were expected to rise from a baseline of 49 percent to 57 percent. Although improved collection rates were being achieved in the first two years of the project, the 2014 conflict led to a decline to 25 percent in 2014 in at least one municipality since many house connections were destroyed. As a result, collection efficiency only reached 36 percent by the end of the project, well below the revised target of 55 percent. NRW dropped from the baseline of 42 percent to 34 percent in the three municipalities that were fully integrated with the CMWU. Regarding improvements to institutional efficiency of the CMWU, the utility reported that its staffing ratio (number of staff per 1,000 connections) dropped from eight in 2012 to four in 2017, a marked improvement in one measure of institutional efficiency.

***Objective 3 Restoration of water supply and wastewater services following the 2014 conflict:***
All planned infrastructure rehabilitation and service restoration were completed as planned. Five water tanks were reconstructed and about 46km of water networks were repaired. Eight wells and a desalination plant in Rafah were repaired and rehabilitated. Wastewater sludge disposal and sea outfalls were also repaired and upgraded. Capacity building initiatives in the CMWU were introduced that focused on "management in crisis". Other capacity-building activities contributed to the CMWU's ability to adapt and respond rapidly during and after the crisis.

Water supply and wastewater services were restored for 1.9 million Gazans. The CMWU was able to remain operational throughout the war, was able to mobilize rehabilitation efforts shortly after the cessation of hostilities, and effectively used donor funding from a variety of sources using financial systems that were strengthened through the Project.

US$3,603,362.85 remain undisbursed under the project will be credited back to the PID MDTF Parent TF Account.

## Moving forward

PWA is working with the CMWU to develop the utility management services in the Gaza strip. The WB will continue supporting this effort with the long-term objective of restoring the CMWU as the single utility provider for the entire strip. The project closed with a Moderately Satisfactory rating. The ICR confirmed the Moderately Satisfactory rating, however IEG subsequently upgraded the project rating to Satisfactory.

## Additional Information

To access all project information including PADs, ICRs, and ISRs, please refer to the following links:
- http://projects.worldbank.org/P101289/gz-gaza-water-supply-rehab-expansion-project?lang=en
- http://projects.worldbank.org/P151032?lang=en

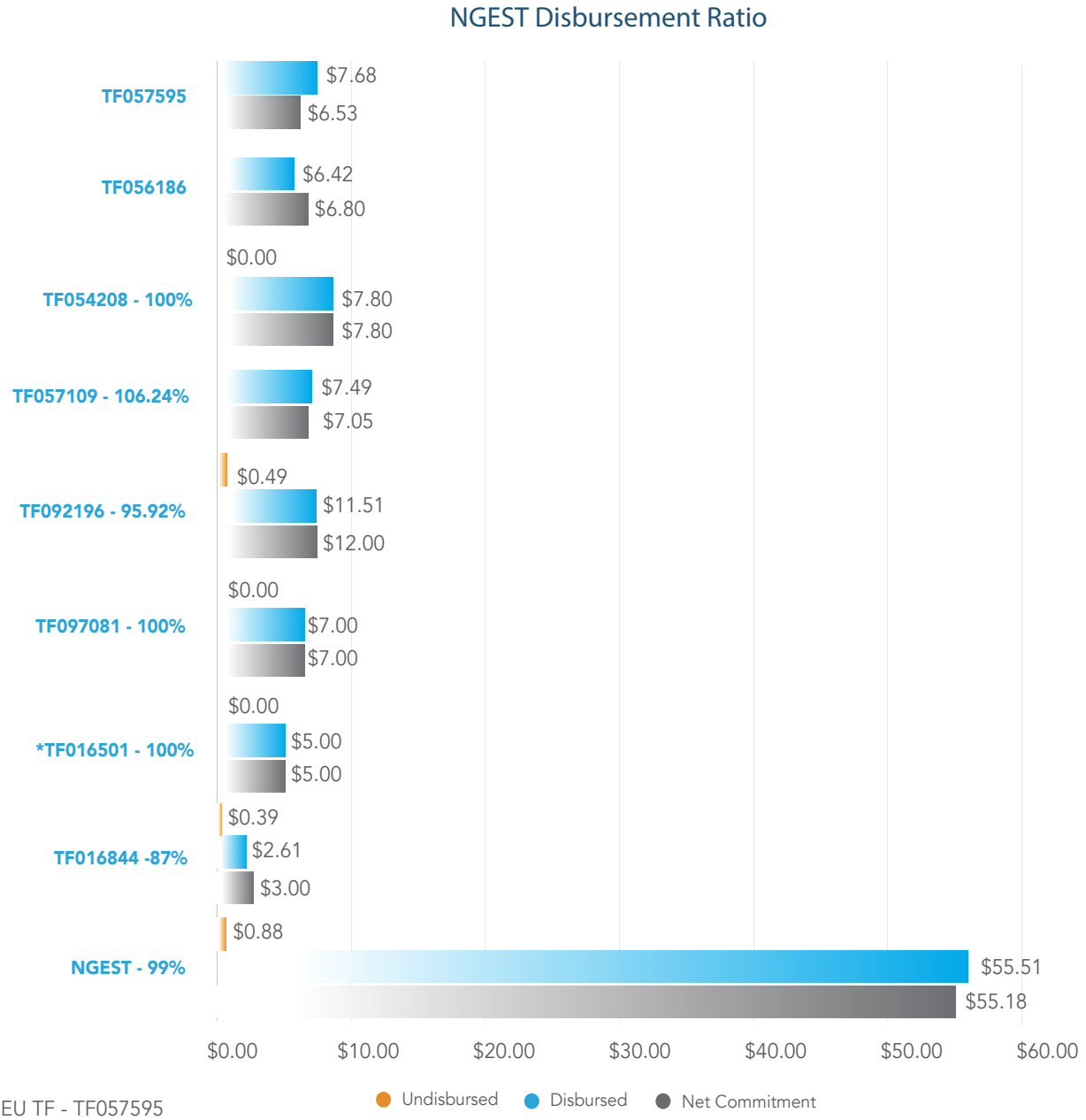
## Northern Gaza Emergency Sewage Treatment (NGEST) Project (P074595, P146065, TF016501)

| | |
|---|---|
| **Duration** | Three years, six months |
| **Approval** | May 4, 2014 |
| **PID Grant Amount** | US$5 million |
| **Status** | Closed June 30, 2018 |
| **OBJECTIVE** | (i) To mitigate the immediate gathering health and environmental safety threats to the communities surrounding the effluent lake at Beit Lahia Water Treatment Plant (BLWTP); and (ii) to provide a satisfactory long-term solution to the treatment of wastewater for the northern government in Gaza. |

*Key Project Ratings*

| Management Ratings | Previous Rating | Current Rating |
|---|---|---|
| Progress towards achievement of PDO | Moderately Satisfactory | Moderately Satisfactory |
| Overall Implementation Progress (IP) | Moderately Satisfactory | Moderately Unsatisfactory |
| Financial Management Rating | Satisfactory | Satisfactory |
| Project Management | Moderately Satisfactory | Moderately Satisfactory |
| Counterpart Funding | Satisfactory | Satisfactory |
| No Procurement Assessment under SPN Phase has been completed in PRAMS to date. | Moderately Satisfactory | Moderately Satisfactory |
| Monitoring and Evaluation | Moderately Satisfactory | Moderately Satisfactory |
| **Specific Project Ratings** | **Previous Rating** | **Current Rating** |
| Effluent Transfer: (Cost $21.46 million) | Moderately Satisfactory | Moderately Satisfactory |
| Technical Assistance to Effluent Transfer Component: (Cost $3.37 million) | Satisfactory | Satisfactory |
| Construction of Treatment Plant: (Cost $45.98 million) | Moderately Satisfactory | Moderately Satisfactory |
| Technical Assistance to Construction of Treatment Plant: (Cost $3.71 million) | Moderately Satisfactory | Moderately Satisfactory |

Figure 10: NGEST Disbursement Ratio (US$ millions) as of August 31, 2018




EU TF - TF057595
Swedish TF - TF056186
TFGWB - TF054208
Belgium TF - TF057109
TFGWB - TF092196
TFGWB - TF097081
PID - *TF016501
TFGWB - TF016844

## Background

NGEST was originally prepared as an emergency response to health and flood risks associated with a 1.5 MCM lake of untreated wastewater, which had formed over an area of 300 dunums (30ha) north of Beit Lahia as a result of prohibitions to discharge the wastewater to the sea and the lack of an adequate wastewater treatment plant (WWTP). The untreated wastewater seeped into the groundwater and served as a breeding ground for water-borne diseases. Tragically, breach of sand embankments in ponds adjacent to the lake occurred on three occasions in the period 1989-2007, flooding houses in areas of Beit Lahia and causing multiple casualties from drowning in raw sewage. The NGEST project, approved in 2004 aimed to address the health and flood problems through construction of an integrated wastewater treatment recovery and reuse scheme. This scheme consists of the following elements: (i) construction of a pumping station and evacuation of the raw sewage lake to a new NGEST site; (ii) a WWTP with a capacity of 35,600m$^3$/day; (iii) aquifer recharge with the treated wastewater through eight-hectare (ha) of infiltration basins; (iv) recovery of the recharged aquifer through a series of recovery wells; and (v) reuse[15] of the highly treated effluent for irrigating agriculture. In the first stage, the recovery and reuse scheme would have capacity for an irrigation command area of around 500 ha, and the recovery and reuse scheme would have a capacity of around 1,500ha. Also, NGEST is built in a modular design, so modules can be added, and the capacity increased to 69,000 m$^3$/day.

NGEST suffered serious delays due to: (i) restrictions on the entry of critical construction materials and equipment; (ii) hostilities resulting in suspended works and damages to already completed infrastructure; (iii) insolvency of the international partner in the Joint Venture (JV) for construction and commissioning of the WWTP, leading to cancellation of the contract with the international partner and temporary suspension of the work; and (iv) project cost overruns that were exacerbated by the exchange rate fluctuations and global increases in material and energy prices. As a result of cost overruns, AF was required, out of which US$5M from the PID MDTF was mobilized.

15. The reuse scheme will now be financed by AFD.

## Opportunity

The construction of the wastewater treatment plant concluded on December 31, 2017, and the plant entered into full operation on June 30, 2018, after a four-month commissioning period. This is a major milestone that represents a driving force for all stakeholders (Palestinian, international, and even Israeli stakeholders) to work together to address the dire needs in Gaza. NGEST's work modality can be replicated in the GCDP and Associated Works project.

NGEST itself represents a solution to the north Gaza sewage crisis and an opportunity to utilize treated wastewater to support the establishment of a viable irrigated agricultural sector in north Gaza. It is also an opportunity to invest in RE supporting power generation through methane gas and solar PV.

## PID MDTF in action

Following a request from the MoFP, NGEST was restructured in December 2017 with a six-month extension, which provided PWA an additional six months to complete pending works and achieve most project targets. The commissioning of the new wastewater treatment plant was launched on March 1, 2018, as the WB project neared completion. The four-month commissioning phase began following the conclusion of all works by the contractor, and the testing of equipment installed in the new facility. At the request of the PA, the WB extended its support throughout the commissioning period, as the plant was gradually brought to full operation at the end of June of this year.

The project closed in June 30, 2018 – after 14 years from the original project board date – with a moderately satisfactory rating. PWA with the support of the international community was able to turn this project around. Entry of all critical material for the construction and initial operations of NGEST was successfully coordinated.

The plant is currently operating at a load of about 32000 $m^3$/day (less than the design load of 35,600 m /day). The effluent quality has been tested and found to achieve the stable and optimal treatment on all occasions. Internal power reconfiguration provides relatively stable power supply with an average supply of 22 hours/day. Dedicated power supply from Israel remains to be the reliable mid-long-term solution to energize the plant.

Despite numerous security incidents on the fence (200 meters from NGEST) during protests since March 2018, the contractor completed all works and remained available on site. A stable security situation will be a key to maintain proper operations of the scheme.

## Key achievements

All activities were achieved before end of June 2018. Summary of achievements on each activity:

- WWTP constructed, tested, and commissioned as of June 30, 2018 and entered into full operational phase:
  - Works Completion Certificate (WCC) issued on March 1, 2018 upon completion of the construction and dry testing of all equipment installed at the WWTP.
  - Operation Acceptance Certificate was issued on June 30, 2018 upon successful commissioning and the effluent quality corresponded to the agreed standards.
  - Two infiltration basins rehabilitated and in use, allowing safe infiltration of the treated wastewater into the aquifer. The remaining 7 basins will be rehabilitated under financing from the upcoming AFD reuse project.
- Beit Lahia Terminal Pumping Station (TPS) is fully operational while decommissioning plans of the effluent lake are in place:
  - The main transmission pressure pipeline connecting the TPS to the WWTP and the rehabilitation of all five pumps with maximum pumping capacity of 1,000m3/h per pump is completed and all are operational.
  - Decommissioning of Beit Lahia random lake began end of May 2018.
  - The effluent lake (random lakes) at Beit Lahia will be dry in a maximum period of 6 months. As the 32,000m3/day of wastewater is diverted to the NGEST WWTP, the effluent lake is not receiving any additional wastewater. The natural infiltration of the lakes has already started in accordance with PWA's plan for site remediation and rehabilitation of the lake and the decommissioning of the original Beit Lahia WWTP.
- The Recovery Scheme was commissioned with the recovery wells entering the operational phase:
  - WCC was issued. The completed works include: five monitoring wells (82m average depth); 14 production wells (three central and 11 single) with 82m average depth and able to produce 120m3/h per well; booster pumping station (five working pumps) with pumping capacity to provide 750m3/h at a high of 101m per pump; storage tank with capacity of 4,000m3; and two surge tanks to meet needs of topography and system hydraulics.
  - PWA will be operating this scheme to "maintain the asset" until the AFD-financed irrigation scheme is complete.
  - Work on upgrading the existing power grid was completed and as of June 30, 2018 all project components are connected to a permanent power supply (on average 20 hours/day).

## Moving forward

The NGEST project closed on June 30, 2018 with a moderately satisfactory rating. An ICR is currently being drafted and will reflect an updated measure of the PDO and indicators.

PWA is in discussion with MoFP to finance the cost of the two-year O&M contract. At present, CMWU has not undertaken the responsibility to operate the WWTP as originally foreseen. This will constitute a constraint to long-term sustainability of the assets. The WB will continue supporting the water sector particularly in Gaza. AFD will finance Phase 2 of NGEST with works related to the reuse and solar panels. The reuse is the last step to close the loop under NGEST's original concept. AFD's budget of EUR13 million has been approved.

## Additional Information

To access all project information including PADs, ICRs, and ISRs, please refer to the following link:
http://projects.worldbank.org/P074595/northern-gaza-emergency-sewage-treatment-ngest-project?lang=en

### Box 1: A closer look at NGEST [16]

For years, the Gaza population endured an environmental disaster due to sewage pollution. Despite the extremely volatile environment, the long-awaited construction of the North Gaza Wastewater Treatment Plant is now complete and has begun operation. It is providing a long-term, sustainable wastewater management solution for over 400,000 Gazan citizens.

The plant has a long history, and was the cause of several incidents that led to catastrophic humanitarian, health, and environmental consequences. The most disastrous was the March 2007 collapse of the Beit Lahia sewage lakes which flooded the nearby village of Um Al Nasser, killing five, causing countless injuries, and displacing approximately 2,000 people. Additionally, the aging and inefficient sewage treatment system continually contaminated the groundwater, putting all residents at risk. There was a desperate need for immediate action. The WB, PID-MDTF, and DP financed project has addressed these immediate threats to the communities living adjacent to the lakes (52,000 inhabitants).

The project faced numerous challenges, including years of blockade, restrictions on the entry of critical materials and equipment, damages from war and conflict to existing infrastructure, and suspension of works due to hostilities. Despite the challenges, the US$75 million project moved from an emergency intervention to a longer-term solution. The external factors were significantly daunting, however due to the strong leadership of the PWA and the determined support from the donor community the construction of NGEST proceeded.

The PWA was able to alleviate the immediate environmental and health threats associated with the old and overburdened Beit Lahia WWTP by constructing a new TPS and 9 infiltration basins, and installing a pressure pipeline to support the transfer of effluent from Beit Lahia to the new WWTP site. A long-term, sustainable wastewater management solution has also been achieved with the construction of the modern treatment plant as well as a recharge and recovery scheme.

The treatment facility requires sufficient power to operate, which is not consistently available due to the Gaza electricity crisis; and in actuality the sewage crisis was aggravated by the lack of sufficient power. Raw wastewater seeped into the groundwater and flowed into the Mediterranean Sea. Not only is Gaza's entire coast severely polluted, but sewage has reached the Israeli beaches. In the interest of all, the PA and the GoI have finally agreed to some temporary power arrangements for NGEST. However, it needs a dedicated electricity line built from Israel straight to the plant to achieve long-term viability of sewage treatment operations. While the long-awaited power line request has been approved, it has yet to be implemented.

PWA still needs to reach an agreement with relevant stakeholders to delegate NGEST O&M to the CMWU, as the utility operator in Gaza. Moreover, the Palestinian stakeholders need to reach an agreement on financing the cost of operating NGEST including cost recovery measures.

16 Video: http://www.worldbank.org/en/news/video/2018/08/06/delivering-life-saving-sanitation-services-in-gaza

## Gaza Sustainable Water Supply Program (GSWSP): Additional Works (P150494, TF017186)

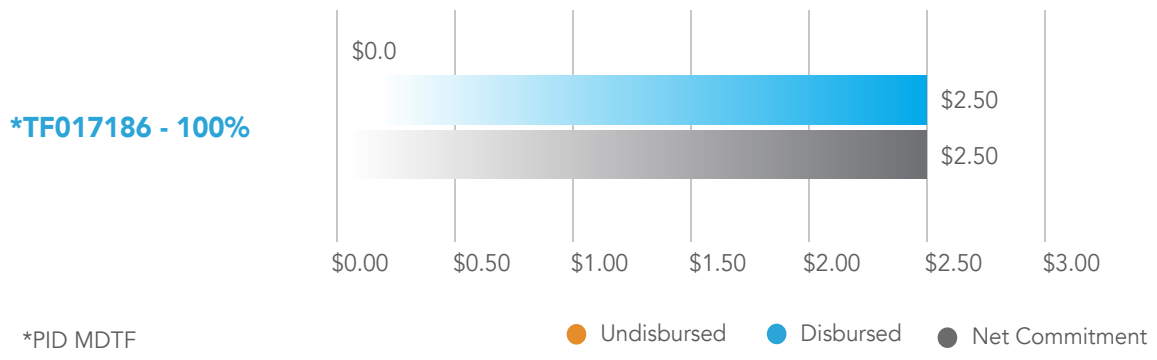
| | |
|---|---|
| **Duration** | Approximately 22 months |
| **Approval** | October 12, 2015 |
| **Closing Date** | May 31, 2018 (revised from August 31, 2017) |
| **PID Grant Amount** | US$2.5 million |
| **Status** | Closed May 31, 2018 |

**OBJECTIVE** To make available to the PWA studies and key initiatives needed to support the preparation of the GSWSP.

*Key Project Ratings*

| Management Ratings | Previous Rating | Current Rating |
|---|---|---|
| Progress towards achievement of PDO | Moderately Satisfactory | Moderately Satisfactory |
| Overall Implementation Progress (IP) | Moderately Satisfactory | Moderately Satisfactory |
| Financial Management | Satisfactory | Satisfactory |
| Project Management | Moderately Satisfactory | Moderately Satisfactory |
| Procurement | Satisfactory | Satisfactory |
| Monitoring and Evaluation | Moderately Satisfactory | Moderately Satisfactory |
| **Specific Project Ratings** | **Previous Rating** | **Current Rating** |
| Overall Safeguards Rating | Satisfactory | Satisfactory |
| Environmental Assessment | Satisfactory | Satisfactory |
| Involuntary Resettlement | Satisfactory | Satisfactory |

Figure 11: GSWSP Disbursement Ratio (US$ millions) as of August 31, 2018




*PID MDTF

## Background

The challenging water supply situation in Gaza has been extensively studied and a good master plan was prepared (i.e., the CAMP II Study financed by USAID, January 2002). This earlier work included a NRW program. Thus, there is a well-considered and technically based strategy, complemented by at least one study of alternatives. Broadly stated, the strategy is to: (i) recycle treated wastewater by infiltrating it to the aquifer to cover a portion of the irrigation demand (currently underway through the NGEST WWTP); (ii) to increase potable water imports from Israel; and (iii) to fill the remaining potable water demand gap by seawater desalination. The increase in imports from Israel and the desalination portions of the strategy ("b" and "c" above) are referred to as the GCDP and Associated Works (the Program). This is comprised of two major components:

• The construction of a first phase 55 MCM per year desalination plant, envisaged to be doubled by 2022;
• The construction of a North-South National Water carrier, a pipe, pumping and storage network to deliver water to customers from the desalination[15] plant and purchases from Israel and to mix water from existing small wells and desalination plants. Also, included is a NRW improvement program. This component is referred to as the "Associated Works".

The overall cost of the Program is about EUR550 million, with this cost split equally between the two components described above. Given the expected low ability to pay for the full cost of desalinated water in Gaza, these figures include substantial subsidies to guarantee operations for at least three years.

## Opportunity

The GSWSP allowed PWA to design the Associated Works component fulfilling important portions of PWA's current SDP to improve the water sector in WB&G, namely: (i) improved quality and reliability of water supply in Gaza; (ii) improved management of coastal groundwater resources; (iii) improved management of water resources through a comprehensive NRW reduction plan; and (iv) a strengthened institutional framework for the water and wastewater sector. As the design is now completed, the opportunity lies in fulfilling all of these objectives that would ultimately lead to alleviating the water crisis in Gaza.

## PID MDTF in action

The key activity (US$2.3 million) of the GSWSP was the production of a complete set of detailed designs and bidding documents for the Associated Works that is intended to increase coverage and quality for water supply in Gaza. However, in order to commence tendering for Associated Works, there will have to be adequate grant funding available for the planned infrastructure. In that context, a Donor Pledging Conference for the entire EUR562.3 million Program (i.e., the GCDP plus the Associated Works) was held on March 20, 2018 and EUR456 million was pledged. Arab donors, through the IsDB, committed at the Conference to fund 50 percent of the Program's cost, subject to these still outstanding conditions: (i) the other 50 percent of the Program's cost is identified and confirmed; (ii) the electricity and land issues are resolved; and (iii) supplies for sustainable operation are in place.

At the project closing date of May 31, 2018 all required land packages for the Associated Works were available, except for one outstanding land swap with a private party which has yet to be finalized. All studies and reports are now completed. If the Associated Works portion of the overall Program is eventually funded, then the Project Implementation Consultant (PIC) will take up a separate contract for construction supervision.

## Key achievements

- Complete set of detailed designs and bidding documents for the Associated Works;
- Announced agreement (not yet signed) with Israel on the potable water allocation to Palestine according to the December 2013 Red Sea-Dead Sea Phase One Memorandum of Understanding (MoU);
- Legal advice regarding the Joint Water Committee;
- Limited advisory support to the Gaza Seawater Desalination project;
- Environmental and Social Impact Assessment (ESIA) for the Associated Works.

## Moving forward

The Program closed on May 31, 2018. The South Carrier (package 1) of the Associated Works is under procurement while the other packages are ready to be tendered, The Kuwait Fund has allocated US$60 million to finance the south packages and other funding is being lined up. A "High Level Coordination Meeting" was held in June 2018 and an agreement was reached to: (i) reconfirm Kuwait's commitment to mobilize US$60 million to start tendering the southern packages that will immediately increase water supply to Gaza from the Israeli water company Mekorot; and (ii) carry out non-financial preparatory steps to launch other tenders. The US$60 million will be regarded as parallel financing in the WSDP while the rest of the funding gap will be channeled through the PID.

The GSWSP will eventually be rolled into the proposed WSDP. Until the new proposed program is effective, the PWA and WB will continue with the existing implementation and supervision activities. The Program closed with a Satisfactory rating, and its ICR is now under preparation by the PWA and the WB.

## Additional Information

To access all project information including PADs, ICRs, and ISRs, please refer to the following:
http://projects.worldbank.org/P150494?lang=en

## Box 3: A closer look at the Associated Works

***What is the rational for the Associated Works?***

Worsening water quality in Gaza is a serious threat to the population health as well as for the coastal aquifer. The aquifer has been exploited over its natural recharge capacity for several years. This has led to sea water intrusion causing many water wells not to be in compliance with WHO drinking water standards due to high chloride and nitrate concentration of the water. Access to improved drinking water in Gaza has reached an alarming one percent; meaning that only limited people are able to drink safe water from the tap of their homes, while the majority rely on tanker trucks as the main coping mechanism. The current situation needs immediate action. PWA has designed the CGDP and Associated Works (the Program) to provide drinking water to the population of Gaza and save the aquifer. PWA hopes to increase the supply of water reaching minimum water quality standards.

***What is the objective of the Associated Works?***

The main objective of the Associated Works is to improve the water supply situation through efficient use of desalinated water and precious groundwater while ensuring technical as well as financial sustainability of its operation.

***How is the Associated Works designed?***

The Associated Works is a US$220 million investment package. The designed project will construct storage and blending reservoirs to blend the desalinated water from Gaza's own desalination capacity (current STLVs and future CGDP) and water from Israel with groundwater. This should result in water with overall quality that complies with WHO and Palestinian drinking water standards. The works include the constructing of a transmission system i.e. the north - south carrier and the necessary distribution system with sufficient hydraulic capacity to transport this water to the end consumers, ensuring an acceptable quality service level. The Associated Works also considers O&M of the system by improving NRW.

***What is the status of implementation?***

Detailed design of the activities and the tender documents were prepared for these contract packages: Southern Main Carrier System (Rafah, Khan Younis Governorates); Mekorot Improvement Works (Khan Younis Governorates); Mekorot Improvement Works (Gaza Governorate); Northern Main Carrier System; Network Reconfiguration - South Area; and Network Reconfiguration - Northern area. The Southern Main Carrier Package has already been tendered while the Mekorot Improvement Package (Khan Younis Governorates) will be tendered soon using Kuwait Funds. PWA invites all donors interested in financing the Associated Works to contribute to the WB's PID MDTF which proposes to channel funds to the Associated Works through the Water Security Development Program. While some donors have pledged money to the Associated Works, commitments have not yet materialized.

*Proposed Activities*

## Water Security Development Program (WSDP) – P168739

| | |
|---|---|
| **Duration** | Under Preparation |
| **Approval** | February 11, 2019 (expected Board date) |
| **PID Grant Amount** | US$15 million (PID MDTF); US$15 million (TFGWB) while the total cost is estimated around US$135 million |

**OBJECTIVE** To address the immediate water quality and quantity needs in Gaza while incrementally building more financially sustainable and locally responsive water services in West Bank and Gaza.

### *Status of sector reform*

Gaza and the West Bank suffer from inadequate quantities and quality of water supply. Service provision is suboptimal and there are too many non-viable and poorly performing SPs. Support to the sector tends to be ad hoc and relies on donor support and preferences. The PWA has developed two key policy instruments to pave the way for transformational shift in the sector: the national SDP and the Water Law of 2014 for strengthening and establishing core sector entities. While the PWA will be responsible for planning, policy and donor coordination; the WSRC would oversee and regulate the sector; a NBC would ensure equitable allocation of water supply throughout the WB&G and act as a counterpart to Israel's Mekorot.

### *Gaps that need to be filled*

Available water resources for domestic consumption in the West Bank is only 62 liters per capita per day. In Gaza water from the coastal aquifer is extracted at three times the safe yield; the aquifer is contaminated due to inefficient wastewater treatment, and salinity is increasing due to sea water intrusion. This leaves 97 percent of Gazans relying on unregulated private water tankers and small-scale informal desalination plants for drinking water.

### *PA's request for potential WB intervention*

The PWA has requested the WB's help to improve water supply for the population of WB&G; and to strengthen the operational performance of selected water service providers by piloting a national incentive-based framework. Several donors including Kuwait, Netherlands, France, UK, Australia and Italy have expressed their interest in co-financing this intervention.

### *The proposed investment grant*

The grant will support physical investments in a phased approach to construct the Gaza bulk water carrier of the Associated Works. Other institutional strengthening interventions include: (i) increasing the capacity of the existing CMWU; (ii) developing a national framework to improve operational performance and viability of water SPs using incentive-based structure; (iii) support to a master plan for water supply in the West Bank; and (iv) advisory support to the PWA and WSRC. The decision review meeting is planned for January 2019, and presentation to the WB Board is expected in February 2019.

## The proposed project would support the following elements:

| WSDP Components | Gaza | West Bank |
|---|---|---|
| **National policy framework & institutional capacity** | • Provide PWA and WSRC with advisory and policy development support.<br>• Create a bulk water company to operate the bulk carrier. A private operator will be engaged through a 4-year performance-based management contract to establish this company in Gaza, which will be the nucleus of the NWC. | |
| **Utility management** | Design a national platform "conveyor belt" to systematically improve operational performance and viability of water SPs using incentive-based structure to allow gradual and continuous improvements. | |
| **Bulk water supply** | Physical investments to implement the Gaza bulk water carrier in a phased approach. The initial phase serves southern and middle Gaza and will provide nearly 1.2 million people with equitable conveyance of 68 MCM of potable water by blending water from additional and existing sources to acceptable standards (about 110 liters/ capita/ day will be supplied). | Support a master plan for water supply in the West Bank. |

# URBAN SECTOR

## Sector context

Local governments (LGs) continue to be at the forefront of service delivery in WB&G and therefore play a critical role in state-building. They have a long history of local infrastructure and service provision even though the LGUs – the cities, municipalities and VCs – endure recurring financial, capacity, and occupation-induced constraints. They are mandated to provide basic services within 27 functions to a largely urban population in the context of an eroding revenue base and a crippling economic slowdown. Only SWM, street maintenance, and water supply are consistently provided because of shrinking municipal budgets due to the recurrent conflict, poor municipal management, volatile revenue collections, and a culture of nonpayment among users.

The PA recognizes the critical role of LGs and is steadfast in its efforts of putting in place an environment conducive to improved LGU performance. Likewise, the Palestinian NPA policy, "Putting Citizens First", assigns a critical role to LGUs to achieve its ambitious objectives. Thus, making LGs responsive has been identified as a national priority, along with improving services to citizens, strengthening transparency and accountability, and building resilient communities. Both central and local level authorities will need to work in tandem to deliver on this agenda.

Improving the enabling environment for LGUs is therefore vitally important. The Local Government Sector Strategy (2017-2022) sets out a number of actions in this regard. On the policy front, the strategy seeks to review the roles of LG institutions, their administrative and technical relationships, restructure local authorities to improve local service delivery, among others. On the financing side, the PA paved the way for reforms in municipal finance to help mitigate the persistent financial difficulties faced by LGUs. The Transportation Fee allocation, the major source of LGU funding, is undergoing review with support from the PID MDTF (LGSIP and the LG Sector Reform Support ASA) to make it more transparent and predictable. Bolder actions are currently being pursued to help LGUs obtain revenue streams that ensure some degree of sustained service delivery. These include the advocacy of the MoLG to devolve property tax collection from the MoFP to the municipalities, and the introduction of an automatic appropriation in the annual PA budget for LGUs. MoLG's sector strategy encourages local authorities to increase their own-source revenues. To expand the financial resources available to local authorities, the Sector Strategy directs the MDLF to activate its lending function and tap the market to help sustain funding for municipal services.

Finally, the PA has prioritized support to programs that not only provide financing to LG programs but also to extend TA to increase the LGUs' capacity for expanded service delivery. The programs are each designed to respond to specific requirements and contexts of each tier of LG, mainly in areas of municipal management, local planning, service delivery, and accountability.

SWM remains a high priority for the PA and within the LG sector. The PA published the National Strategy for Solid Waste Management (2017-2022) which is being led by MoLG, the SWM National Team, and a special committee formed by the Cabinet. SWM is an increasingly critical environmental, health, and development challenge in the WB&G. Inadequate waste collection services, improper disposal at open dumpsites, and open-air burning are negatively impacting the residents of the region. These problems have been partially addressed in the West Bank through bilateral and multilateral donor assistance – including through the PID-MDTF co-financed Southern West Bank SWM Project – yet they remain largely neglected throughout the Gaza Strip.

Despite the completion of Al Minya landfill in 2015 in the southern West Bank, the SWM issue remains pressing. Across the West Bank the shortage of available land for construction of a sanitary landfill is the most significant challenge in the sector. The middle area of the West Bank is in dire need of a sanitary landfill, however due to restrictions by the GoI on Area C, the pursuit of this option is stalled. Consequently, there is a heavy load on the operating landfills, overburdening Zahret Al Finjan landfill in the north and adding pressure to the Al Minya in the south.

SWM in the Gaza Strip faces greater technical, environmental, social, institutional and financial challenges compared to the West Bank, due in large part to restricted access to goods and services. Frequent border closures cause considerable delays for the entry and servicing of waste management equipment. These delays contribute to a fragmented and poorly managed waste collection and disposal system, exacerbating public health and environmental concerns. In response to these challenges, concerted efforts are underway by the development community to strengthen the capacities of local municipalities to address the SWM crisis. The WB in collaboration with the AFD, the European Union (EU), Japanese International Cooperation Agency (JICA), the PID-MDTF, and other donors, is currently supporting the Gaza-SWMP. This project seeks to improve SWM services in the Gaza Strip through the provision of more efficient, and environmentally and socially sound waste management systems.

### *Contribution of PID-MDTF to Sectoral Objectives*

The objective of the PID-MDTF – to improve the coverage, quality, and sustainability of infrastructure in WB&G – dovetails with the PA efforts in the LG and urban sector.

***a. Infrastructure development.*** Two programmatic PID MDTF-financed operations were designed to support municipal and VC infrastructure development. These are the MDP (the second phase completed in February 2018 and the third phase now under implementation) and the LGSIP (now on its third year of implementation). In the case of MDP, grants are provided based on a formula that rewards performing municipalities in the areas of participatory planning, transparent budgeting and financial management, and CE. The top up (performance) grants augment the allocations the MDP provides to support implementation of the Strategic Development Investment Plans (SDIPs) of the municipalities. LGSIP on the other hand supports the implementation of the Palestinian Village Support Program. The grants of LGSIP are disbursed as program indicators are achieved, including those that relate to predictable allocation of annual capital grants, promotion of joint service projects, and reform of the Transportation Fee. Ultimately, VC infrastructure investments are also supported by LGSIP as they receive capital grants from the PA upon achievement of agreed LGSIP performance indicators. Both programmatic operations (MDP and LGSIP) target all WB&G municipalities and all eligible VCs. Additionally, the PID co-financed SWM projects have been directly supporting large-scale infrastructure development, together directly and indirectly benefitting large portions of the population in WB&G.

***b. Sustainability.*** Likewise, the MDP and LGSIP aim to make the LGUs sustainable. From a fiscal standpoint, both operations encourage efficient allocation of the limited resources available to the LGUs as well as mobilization of own source revenues. These projects are client-driven and are therefore likely to be sustained by the PA and the LGUs themselves. Through MDP, efforts will be initiated at bringing in the private sector in municipal service provision. This way, access by local authorities to finance is expanded (as they start to tap the market for infrastructure development, for example), and at the same time, the ability of the local authorities to collect user fees will be enhanced. Likewise, the SWM projects have program elements which introduce gradual improvements in billing and payment mechanisms to ensure the long-term sustainability of the operation.

***c. Institutional development.*** Building institutions is an important goal of all programs supported by the PID MDTF. Apart from MDP and LGSIP, which feature extensive and sustained capacity development activities, the ASA on LG Sector Reform (PID MDTF financed TA) supports activities aimed at improving the institutions involved in LG: the municipalities and VCs (at the local level), and the MoLG and MDLF (at the national level). The TA for example is looking at how the functional and revenue assignments can be rationalized to enable the LGUs to perform better given the multitude of mandated functions and the limited resources available at their disposal. Furthermore, the TA under MDP-3 will facilitate the development of a road map for MDLF performing a lending function. The Support to the Palestinian Land Sector ASA has also been targeting institutional reform through TA to the land sector agencies. The ASA has supported ongoing policy, regulatory, and legal reform processes highlighted under the *Road Map for Reforming the Palestinian Land Sector.*

***d. Response to Gaza.*** The local authorities in Gaza continue to struggle with maintaining the level of local services provided to their constituents considering the severely deteriorating condition in recent months. MDP has been instrumental in supporting the Gaza municipalities amid challenging conditions. Under MDP-2, the 25 Gaza municipalities received close to half of the total project resources for all WB&G. Currently, preparation is underway for an additional scale-up support to the Gaza municipalities under the on-going MDP-3 through a potential C4W component.

***e. Improved aid efficiency.*** The PID-MDTF supported programs which have effectively brought together a number of DPs to collaborate on the priority programs of the PA. MDP introduced and sustained a performance assessment system that drives the allocation of DP funding (in the form of grants) towards LGU priorities defined through a national planning process for the local level – the SDIP. Through the LGSIP, DP support to key reforms are pursued via a package of timebound agreed actions with the PA. Both the MDP and the LGSIP serve as a platform for DPs to pursue parallel activities (e.g., support to Area C, and capacity development of certain LGU functions).

### *Opportunities*

The PID MDTF is instrumental in helping pave the way for Palestinian local authorities to function and perform critical service delivery activities despite socio-political, economic, and financial constraints. Institutional development at both the local and national levels is being sustained through the PID-supported activities, alongside financing of investments by LGs. The MDP programmatic series and LGSIP have nurtured participatory planning in municipalities and VCs and promoted the development of annual investment plans. The PID through these programs helped finance the implementation of some projects identified through the planning and investment processes introduced in all municipalities and VCs. However, the extent of implementation is limited given the amount of available resources vis-à-vis the number of LGUs and the local infrastructure gaps.

The PA has taken steps to advance its municipal finance and fiscal transfer reform agenda. A directive has been issued to transfer, on pilot basis, the responsibility of property tax collection to the municipalities. This will have far reaching implications, both on the collection efficiency as well as on municipalities with limited capacity to carry out such an enormous responsibility. Obviously, capacity development in tax administration, financial management, and expenditure management will need to be intensified. On the fiscal transfers front, proposals are being debated on the introduction of fixed allocation for LGUs in the national budget. How this will impact revenues and expenditure patterns in the LGUs will need to be closely studied.

Thus, mobilizing additional resources to assist the LGUs to carry out their priority programs, emanating from planning and investment processes introduced by the PID MDTF projects, will be important if the gains from the support to the LG sector and credibility of these processes are to be sustained. The TA requirements for ensuring smooth transition in the transfer of property tax collection will also need to be addressed, while advice on how best to institutionalize the fiscal transfer system carried out in the projects (MDP and LGSIP) will be very useful to the PA.

A more focused support to LGUs in addressing other priority development issues should be considered. These include disaster risk management (DRM), youth, and marginalization. Support in these areas has so far been limited and municipalities can play an important role in pursuing national objectives in these areas.

Continued and expanded support from the PID MDTF will be critical to maintain the momentum of the reforms being carried out through the various TF co-financed activities supporting decentralization and local government:

- The LGSIP, which provides key input to the Palestinian National Village Support Program, is falling short of the needed financing to meet its commitment. Due to population growth and the increasing number of VCs, the LGISP would require AF of around US$3.4 million if it is to meet its commitments.

- For the municipalities, the MDP-3 capital grant allocations on a per capita basis are lower than what was provided under MDP-2, potentially reducing the ability of municipalities to implement priorities generated by the MDP-promoted participatory investment planning process. In order to at least maintain the MDP-2 level of municipal support, the MDP-3 budget will need to be augmented by at least US$8 million.

- The emerging issues following recent key decisions and developments in the LG front (e.g., transfer of property tax collection from MoFP to municipalities, initiation of lending activities by MDLF etc.) require timely response from the WB on requests for technical advice. Additional budget to the current ASA on LG reform will be necessary in this regard.

*Sector Risks*

| Risk Category | Mitigation Measures |
|---|---|
| **Political and governance**<br>- Operating context for the sector remains volatile, access and mobility restrictions remain in place.<br>- Internal tension between West Bank and Gaza stakeholders assumed to continue.<br>- Delayed or pending local elections undermine legitimacy of local authorities. | - Establish and build on existing coordination mechanism with the GOI to facilitate movement of goods and people, prior to project approval and during implementation.<br>- Rely on and further strengthen institutional capacity of the Municipal Development and Lending Fund (MDLF) to implement municipal projects in both the West Bank and Gaza.<br>- Support strengthening social accountability and Citizen Engagement mechanisms in the local government sector. |
| **Sector strategies and policies**<br>- Delays in responding to Gaza municipalities financial crisis would negatively affect their operational capacity, service deliver, stability and predictability.<br>- Aggravating fragility and a growing fiscal deficit may delay progress in implementing critical sector reforms, including local government finance reform. | - The multiphase MDP operationalizes the PA's goal of strengthening local governments through enhancing their efficiency and effectiveness and assisting in supporting their fiscal stability performance-based grants and capacity building packages.<br>- Parallel Technical Assistance to the sector and support of key policy reforms through the Bank's Development Policy Grant help maintain reform momentum in the sector. |
| **Institutional capacity building**<br>- Limited resources and capacity at the MDLF to respond to growing needs.<br>- Fragmentation and limited capacity across local government sector institutions. | - MDLF will continue receiving capacity building support and Technical Assistance, including parallel support to the MDP and Programmatic TA provided by the Bank, to meet additional demands. An institutional assessment to support MDLF growing into a Financial Intermediary has been conducted.<br>- MDLF's operational expenditures are covered through management fees applicable to projects implemented and allow the institution to remain independent at sufficient staffing.<br>- Targeted support to central and local level institutions provided through a set of interventions, including TA and financial incentives in investment programs, designed to support sector consolidation and enhanced effectiveness in policy making, oversight and implementation support. |

| | |
|---|---|
| **Fiduciary**<br><br>- Limited monitoring of procurement and financial management performance due to Gaza blockade and the restriction in movement and access for project staff. | - The overall responsibility for project procurement rest with the MDLF, which acts as the Bank's counterpart for procurement and financial management.<br><br>- Beneficiary municipalities are responsible for subproject procurement, under MDLF's supervision. Procurement is being processed in accordance with the subproject procurement plan and the MDLF Procurement Manual. Municipalities are also responsible for contract management.<br><br>- MDLF has established a sound control and audit system of procurement activities carried out by municipalities for infrastructure sub-projects. The system requires municipalities to seek MDLF's no objection prior to proceeding with key steps of the procurement process.<br><br>- MDLF continues to possess the technical capacity to execute the expanded scope of sector programs. While the MDLF headquarters are in Ramallah, MDLF operates a Gaza satellite office, staffed with technical, safeguards and administrative personnel working in Gaza on full-time basis.<br><br>- The Gaza office of MDLF leads project support to the Gaza municipalities and in monitoring project activities. |
| **Environment and social**<br><br>- Because of the dense population of Gaza, construction activities are expected to have impacts on community safety and interruption to traffic, and other municipal services. | - The impacts are localized, short term, and can be minimized with careful planning and construction management and coordination with local authorities.<br><br>- A Resettlement Policy Framework was prepared and disclosed. MDLF has strong experience in managing environmental and social safeguards from a series of Bank-financed investment operations.<br><br>- MDLF has adequate capacity of managing social safeguards risks. Under the previous projects, municipalities also have gained experience on social risk management. Larger municipalities have One-Stop Shops that also serve as grievance redress mechanism. |

**More detailed analysis and policy recommendations in the urban sector are available in recent WB analytical work:**

- The Performance of Palestinian Local Governments: An Assessment of Service Delivery Outcomes and Performance Drivers in the West Bank and Gaza:
http://documents.worldbank.org/curated/en/920051497530257564/pdf/ACS22456-REVISED-WB-LGPA-report-TO-IDU-6MB-Nov-16-2017.pdf
- Public Expenditure Review of the Palestinian Authority - Chapter 5: Intergovernmental Fiscal Relations:
http://documents.worldbank.org/curated/en/320891473688227759/Public-Expenditure-Review-Palestinian-territories

Figure 12: Urban Sector PID MDTF Funding Distribution as of August 31, 2018

Recipient-Executed Urban Sector: US$79.95M

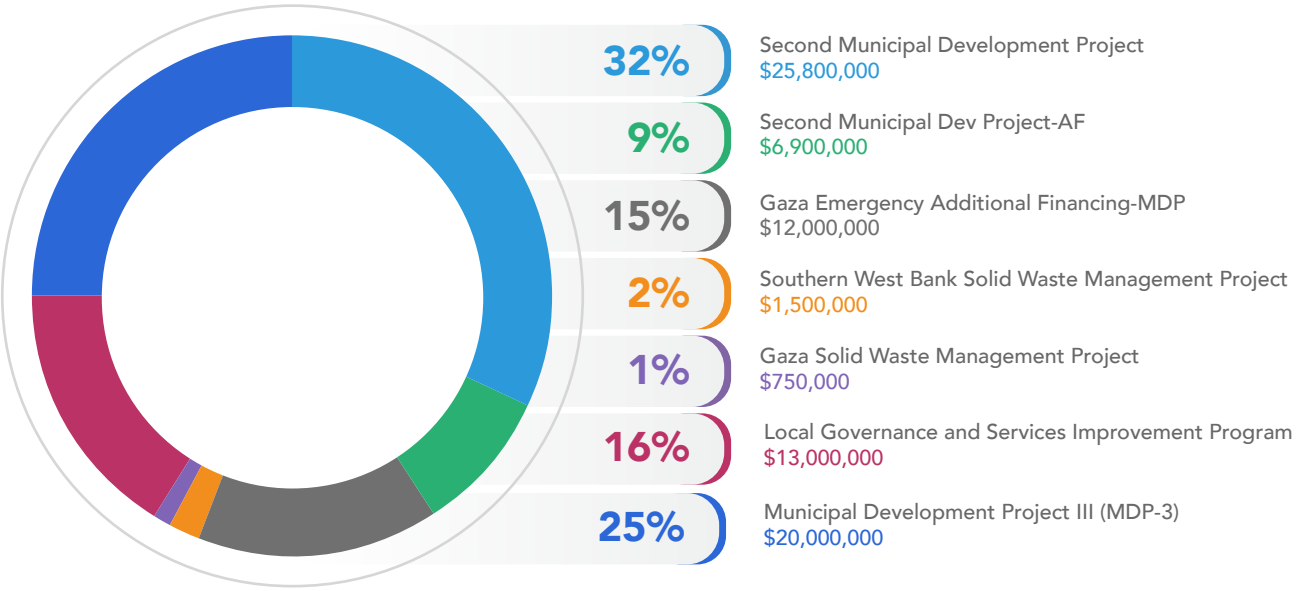
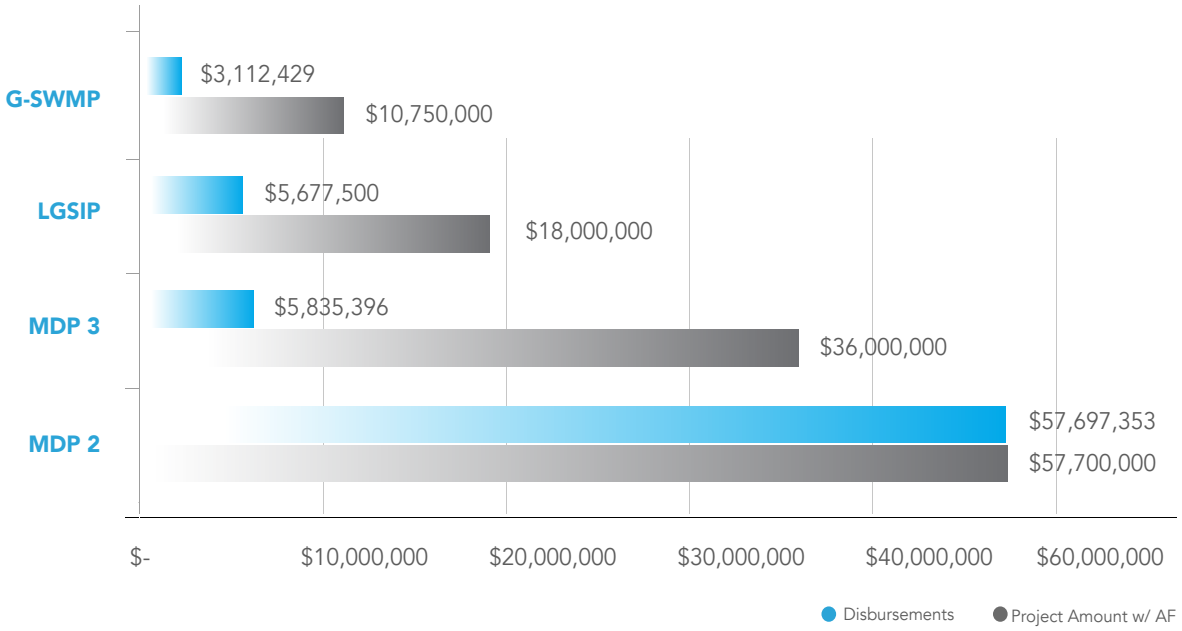



Figure 13: Urban Sector PID MDTF Disbursements as of August 31, 2018



## Table 8: Urban Sector – Key Project Ratings

| Second Municipal Development Project, incl. Gaza Emergency AF | Previous Rating | Current Rating |
|---|---|---|
| Progress towards achievement of PDO | Satisfactory | Satisfactory |
| Overall Implementation Progress (IP) | Satisfactory | Satisfactory |
| Financial Management | Satisfactory | Satisfactory |
| Project Management | Satisfactory | Satisfactory |
| Counterpart Funding | Moderately Satisfactory | Satisfactory |
| Procurement | Satisfactory | Satisfactory |
| Monitoring and Evaluation | Satisfactory | Satisfactory |
| **GZ-Third Municipal Development Project** | **Previous Rating** | **Current Rating** |
| Progress towards achievement of PDO | Satisfactory | Satisfactory |
| Overall Implementation Progress (IP) | Satisfactory | Satisfactory |
| Financial Management | Satisfactory | Satisfactory |
| Project Management | Satisfactory | Satisfactory |
| Counterpart Funding | Satisfactory | Satisfactory |
| Procurement | Satisfactory | Satisfactory |
| Monitoring and Evaluation | Satisfactory | Satisfactory |
| **Gaza Solid Waste Management Project** | **Previous Rating** | **Current Rating** |
| Progress towards achievement of PDO | Moderately Satisfactory | Moderately Satisfactory |
| Overall Implementation Progress (IP) | Moderately Unsatisfactory | Moderately Unsatisfactory |
| Financial Management | Satisfactory | Satisfactory |
| Project Management | Moderately Satisfactory | Moderately Satisfactory |
| Counterpart Funding | Moderately Satisfactory | Moderately Satisfactory |
| Procurement | Satisfactory | Satisfactory |
| Monitoring and Evaluation | Moderately Satisfactory | Moderately Satisfactory |
| **Local Governance and Services Improvement Program (LGSIP)** [17] | **Previous Rating** | **Current Rating** |
| Progress towards achievement of PDO | Satisfactory | Satisfactory |
| Overall Implementation Progress (IP) | Satisfactory | Satisfactory |
| Technical | Satisfactory | Satisfactory |
| Fiduciary Systems | Satisfactory | Satisfactory |
| E&S Systems | Satisfactory | Satisfactory |
| Disbursement Linked Indicators (DLI) | Satisfactory | Satisfactory |

17.LGSIP has a different set of ratings than the other investment projects as it uses a PforR financing tool.

## Second Municipal Development Project

| Second Municipal Development Project (P127163, TF016476) | |
|---|---|
| **Duration** | Four years (closed Feb 2018) |
| **Approval** | March 2014 |
| **PID Grant Amount** | US$25.8 million |
| **Status** | Active |

| GZ Emergency Response AF MDP-2 (P152523, TF018378) | |
|---|---|
| **Duration** | Four years (closed Feb 2018) |
| **Approval** | December 2014 |
| **PID Grant Amount** | US$12 million |
| **Status** | Active |

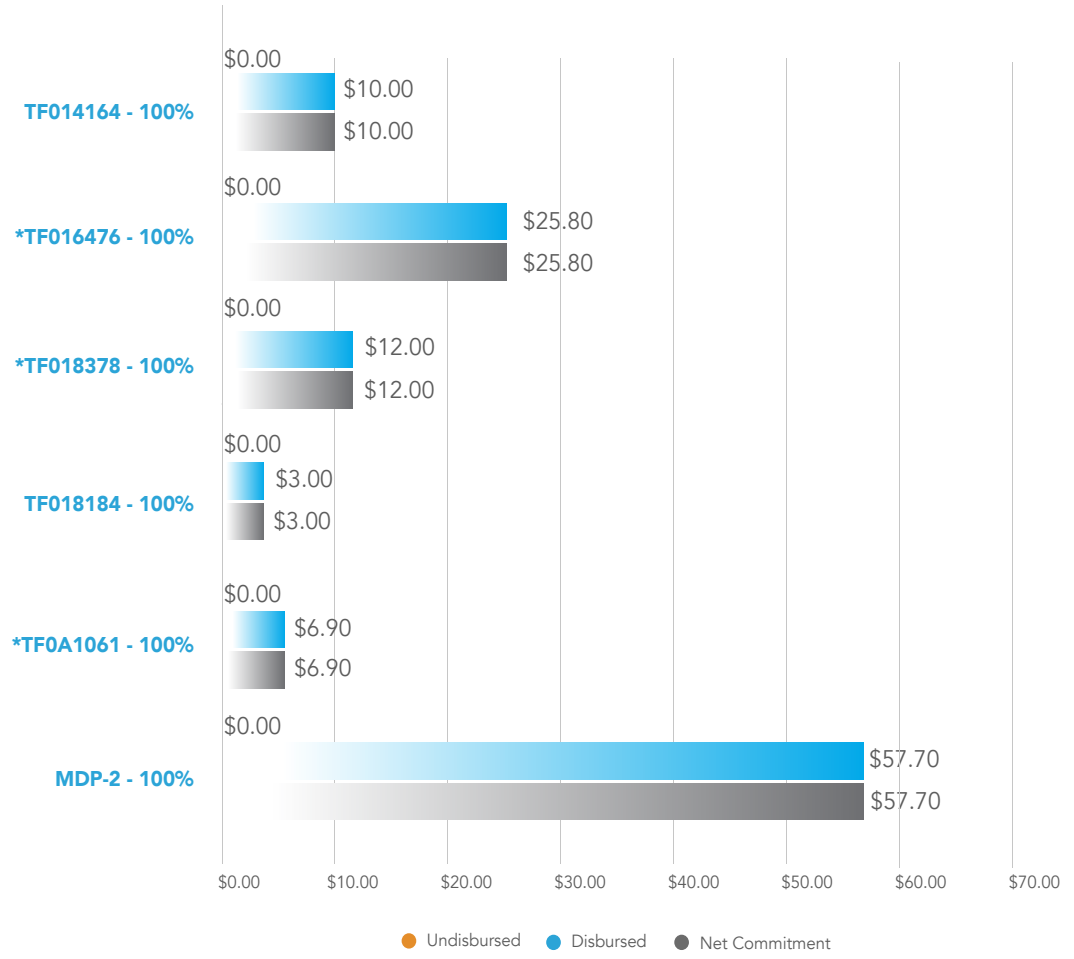
| Second Municipal Development Project - AF (P127163, TF0A1061) | |
|---|---|
| **Duration** | Two years (closed Feb 2018) |
| **Approval** | April 2016 |
| **PID Grant Amount** | US$6.9 million |
| **Status** | Active |

**OBJECTIVE** To improve the recipient's municipal management practices for better municipal transparency and service delivery, and to restore priority municipal services following the conflict in Gaza.

*Key Project Ratings*

| Management Ratings | Previous Rating | Current Rating |
|---|---|---|
| Progress towards achievement of PDO | Satisfactory | Satisfactory |
| Overall Implementation Progress (IP) | Satisfactory | Satisfactory |
| Financial Management Rating | Satisfactory | Satisfactory |
| Project Management | Satisfactory | Satisfactory |
| Counterpart Funding | Moderately Satisfactory | Satisfactory |
| Procurement Performance Rating & Summary from latest archived PRAMS Assessment | Satisfactory | Satisfactory |
| Monitoring and Evaluation | Satisfactory | Satisfactory |
| **Specific Project Ratings** | **Previous Rating** | **Current Rating** |
| Municipal Grants for Capital Investments: (Cost $13.45 M) | Satisfactory | Satisfactory |
| Support to Municipal Innovations and Efficiency: (Cost $0.77 million) | Satisfactory | Satisfactory |
| Capacity Building for Municipalities and MDLF: (Cost $0.60 million) | Satisfactory | Satisfactory |
| Project Implementation Support and Management Costs: (Cost $2.08 M) | Satisfactory | Satisfactory |
| Gaza Municipal Emergency Grants: (Cost $13.95 M) | Satisfactory | Satisfactory |

Figure 14: MDP-2 Disbursement Ratio (US$ millions) as of August 31, 2018




TFGWB - TF014164
PID - *TF016476
PID - *TF018378
TFGWB - TF018184
PID - *TF0A1061

## *Background*

MDP-2 was approved on May 23, 2013 for US$10 million from the TFGWB and US$25.8 million from the PID MDTF. The original PDO was to improve municipal management practices for better municipal transparency and service delivery. MDP-2 was in alignment with the Palestinian National Development Plan (NDP) 2011-2013 at the time and built on the achievements of the MDP-1 with greater focus on service delivery (it remained aligned with the subsequent NDPs and the current NPA). The most important element of MDP-2 was the Grant Allocation Mechanism in which, for the first time, a performance-based formula was used in conjunction with infrastructure grants to Palestinian municipalities.

- Part 1: Municipal Grants for Capital Investments allocates performance-based grants for capital investments or operating expenditures through a transfer formula based on population, need and municipal performance.
- Part 2: Support to Municipal Innovations and Efficiency promotes learning and innovation to promote municipal development. Supports strengthening newly amalgamated municipalities, e-governance, RE, and local economic development (LED).
- Part 3: Capacity-Building for municipalities to graduate to a higher performance category and for MDLF, the implementing entity, to build its capacity.
- Part 4: Project Implementation Support and Management Costs finances project management.

Due to the conflict in Gaza in July-August 2014, AF of US$3 million from the TFGWB was provided and supplemented by co-financing in the amount of US$12 million from the PID MDTF. The revised PDO reflects the scale-up of support to Gaza as follows "to improve the recipient's municipal management practices for better municipal transparency and service delivery, and to restore priority municipal services following the conflict in Gaza."

The project is co-financed through the PID with contributions from Sweden and Denmark; and with parallel financing by Germany (German Development Bank (KfW), and Gesellschaft für Internationale Zusammenarbeit (GiZ)), France (AfD), Belgium (BTC), the EC and the Swiss Agency for Development and Cooperation (SDC), Netherlands through International Cooperation Agency of the Association of Netherlands Municipalities (VNG), and the PA.

## Opportunity

The MDP is a multi-phased program and the centerpiece of WB support to all existing municipalities in Palestine. The program intends to contribute to the sector goal of strengthening municipal governance and enabling municipalities to ultimately become creditworthy and be able to access resources from the market for municipal infrastructure. The first MDP (MDP-1) began in 2009 and was satisfactorily completed in October 2013. MDP-1 set the basis for working collaboratively with municipalities. MDP-2 sought to sustain the gains from MDP-1 and continue and consolidate MDLF's experience in implementing the performance-based grant system. MDP-2 was satisfactorily completed in February 2018. MDP-3, which is currently under implementation, seeks to consolidate and deepen the gains from MDP-1 and MDP-2 on transparency and service delivery by enhancing the institutional capacities of municipalities and improving the enabling environment for the private sector to participate in service delivery.

## PID MDTF in action

At project closing, the MDP-3 almost fully achieved its objectives for each of the three elemental parts of the original PDO: improved municipal management practices, better municipal transparency, and better municipal service delivery; as well as the added PDO of restoring critical municipal services in Gaza.

PDO part 1 (original): *Improve municipal management practices for better municipal transparency and service delivery.* The project fully achieved (and even exceeded) the original and revised targets for 9 of 12 PDO indicators and substantially achieved the targets for the remaining PDO indicators. Likewise, the project fully achieved and exceeded the targets for 8 of 9 intermediate outcome indicators.

## Key achievements

***Outcome (i): Improved municipal practices:***

- 80 municipalities moved up the performance category ladder;
- Two municipalities graduated to A ranking;
- 77 municipalities graduated to B ranking;
- 90 percent of municipalities recorded at least 20 percent processing time reduction in at least two of the defined set of services.

***Outcome (ii): Better municipal transparency.***

- 81 percent of municipalities instituted social accountability mechanisms, including public disclosure of activities;
- 76 municipalities publicly disclosed external audit reports with minimum standards and with unqualified opinion;
- 144 municipalities publicly disclosed participatory SDIP execution and updates;
- 39 municipalities established service quality standards for tracking in Citizen Service Support Centers.

***Outcome (iii): Better municipal service delivery.***

- At closing, the project implemented a total of 759 subprojects in two cycles;
- Around 2.5 million people in WB&G benefitted from roads and public parks that were established or rehabilitated.

***Outcome (iv): Restore priority municipal services following the conflict in Gaza.***

- The project's support to Gaza reconstruction accounted for 34.5 percent of the total estimated damage, which is higher than the project target of 30 percent. The project implemented 332 rehabilitation subprojects. Therefore, the overall project efficacy was rated substantial.

## *Moving forward*

The ICR has been completed and submitted to the WB's Board. The final will be shared with DPs and the client for reference and to inform implementaiton of MDP-3.

## *Additional Information*

To access all project information including PADs, ICRs, and ISRs, please refer to the following link:
• http://projects.worldbank.org/P127163/gz-municipal-development-program-ii?lang=en&tab=overview
• http://projects.worldbank.org/P152523?lang=en

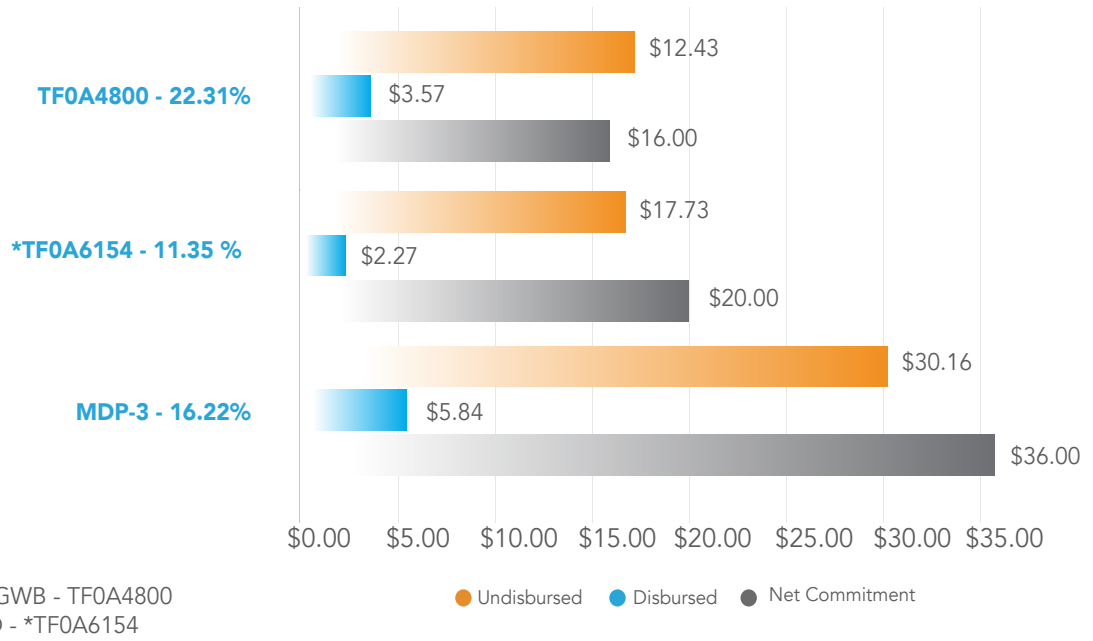
## Third Municipal Development Project (MDP-3) (P159258, TF0A6154)

| | |
|---|---|
| **Duration** | Four and a half years |
| **Approval** | July 21, 2017; Closing Date: February 28, 2022 |
| **PID Grant Amount** | US$20 million |
| **Status** | Active |
| **OBJECTIVE** | To enhance the institutional capacity of municipalities in the West Bank and Gaza for more accountable and sustainable service delivery. |

*Key Project Ratings*

| Management Ratings | Previous Rating | Current Rating |
|---|---|---|
| Progress towards achievement of PDO | ● Satisfactory | ● Satisfactory |
| Overall Implementation Progress (IP) | ● Satisfactory | ● Satisfactory |
| Financial Management Rating | ● Satisfactory | ● Satisfactory |
| Project Management | ● Satisfactory | ● Satisfactory |
| Counterpart Funding | ● Satisfactory | ● Satisfactory |
| Procurement Performance Rating & Summary from latest archived PRAMS Assessment | ● Satisfactory | ● Satisfactory |
| Monitoring and Evaluation | ● Satisfactory | ● Satisfactory |
| **Specific Project Ratings** | **Previous Rating** | **Current Rating** |
| Municipal Performance and Service Delivery | ● Satisfactory | ● Satisfactory |
| Capacity Development | ● Satisfactory | ● Satisfactory |
| Municipal Partnership Projects | ● Satisfactory | ● Satisfactory |
| Project Implementation Support and Management Costs: (Cost $2.08 M) | ● Satisfactory | ● Satisfactory |

Figure 15: MDP-3 Disbursement Ratio (US$ millions) as of August 31, 2018




TFGWB - TF0A4800
PID - *TF0A6154

## Background

MDP-3 was approved on July 21, 2017 and is co-financed with US$16 million from the WB's TFGWB and US$20 million from the PID MDTF. The project is aligned with the PA's long-term strategy to consolidate and strengthen service delivery in the LG sector and to nurture financially sustainable LGUs as specified in the MoLG's LG Sector Strategy for 2017 – 2022. The project continues to consolidate and scale up past gains under MDP-1 and MDP-2 in municipal performance and accountability enhancement. It also aims to strengthen the enabling environment at the central level and municipal partnerships with the private sector to improve the efficiency and sustainability of municipal services.

• *Part 1: Municipal performance and service delivery.* Finances municipal infrastructure for improved service delivery through a combination of: (i) block grants to provide basic funding for eligible municipalities for infrastructure development based on needs and equity; and (ii) performance grants to provide an incentive for eligible municipalities to improve their performance.
• *Part 2: Capacity development to municipalities and Palestinian institutions*. Provides capacity development support to municipalities and national level institutions, namely MDLF and MoLG.
• *Part 3: Municipal partnership projects.* Provides TA and project financing to municipalities to: (i) engage more effectively with the private sector; and (ii) work across administrative boundaries to develop joint and/or innovative investments for municipal service delivery and LED. Only the TA portion under sub-component A will be financed by TFGWB.
• *Part 4: Project implementation support and management costs.* Finances project management.

The project is co-financed through the WB-administered PID-MDTF including contributions from the Government of Denmark. France (through AFD), Germany (through GIZ and (KFW)), Switzerland (through SDC) and the Netherlands (through VNG) provide parallel financing. The PA will also provide counterpart funding of no less than 10 percent of the total amount committed by DPs.

## Opportunity

MDP-3 is at the center of a series of interlocking interventions by the WB and DPs in collaboration with the PA aimed at strengthening the institutional development, accountability and financial sustainability of local governance and service delivery in the WB&G. The main challenges identified in the LG Sector Strategy 2017-2022 and addressed by the project include: (i) optimizing the use of scarce financial and natural resources while maintaining service quality; (ii) creating enabling environment for LED; and (iii) enhancing LGU accountability through strengthened citizen participation. MDP has been functioning as the key mechanism to align DPs' support as well as financing to the municipal sector. It has effectively incentivized LG level reform to improve the financial sustainability and accountability of municipal services. The program is therefore best placed to continue to advance municipal level reforms as well as to align it to the necessary reforms at the central level to materialize the PA's vision.

## PID MDTF in action

The project was declared effective in December 2017. A joint-DP Implementation Support Mission for the project was carried out by the WB and DPs in May 2018 to review progress made so far in paving the way for implementation of MDP-3 components and to discuss the work plan for the year. The mission assessed the overall progress of MDP-3 as Satisfactory in terms of both the PDO and IP.

## Key achievements

- MDLF successfully carried out the 2017 baseline municipal ranking based on the 21 Key Performance Indicators (KPI 21), a pre-requisite for determining the block and performance grants for MDP-3 Cycle 1.
- The individual grant municipal allocation was determined and communicated to the municipalities in October 2017.
- MDLF conducted four orientation workshops during Q1 2018 for all municipalities in WB&G on the preparation of infrastructure subprojects. Subsequently, municipalities were requested to submit their subproject proposals to MDLF.
- 142 sub-project proposals were received from 119 municipalities in the West Bank for a total allocation of EUR23.5 million; another 207 sub-project proposals were received from 25 municipalities in Gaza Strip for a total allocation of EUR19.3 million. The sub-projects are currently at various stages of implementation.
- Four orientation workshops on capacity building packages were conducted for municipalities in WB&G. MDLF completed the evaluation of applications for such packages, which were submitted by municipalities during the first half of 2018. The capacity packages were identified per municipality, and municipalities were notified about the awarded packages.
- The TOR for the diagnostic study of PPP was finalized in early July 2018. Accordingly, MDLF initiated the procurement process to contract a consultant for conducting this study. The study will offer a detailed design of the TA package to strengthen the capacities of municipalities to identify, design, and implement modalities for private sector engagement in municipal service delivery and LED.

## Moving forward

Recognizing the critical role played by national level institutions in the strengthening of governance and service delivery at the municipal level, the project will provide capacity development support to MoLG and MDLF to enable them to play their respective mandated roles and responsibilities more effectively. Accordingly, MDLF will receive capacity support to become a financial intermediary for LGs in the long run. A study tour is being organized to allow MDLF and MoLG to explore various models of municipal lending, get hands-on experience, and learn about good practices in initiating and managing a municipal lending program.

Increasing LGU capacity to directly manage grants (for subproject implementation and in FM) will be pursued through MDP-3. For that purpose, MDLF will be piloting direct transfer and administration of grants received from MDP-3 for selected municipalities in the West Bank (that are proven to have strong performance).This activity will contribute to strengthening financial management practices of municipalities, a precondition for creditworthiness, and therefore a step towards MDLF assuming a lending function.

The next Implementation Support mission is planned for November 2018.

## *Additional Information*

To access all project information including PADs, ICRs, and ISRs, please refer to the following link:
http://projects.worldbank.org/P159258/?lang=en&tab=overview

## Gaza Solid Waste Management Project (P121648, TF018377)

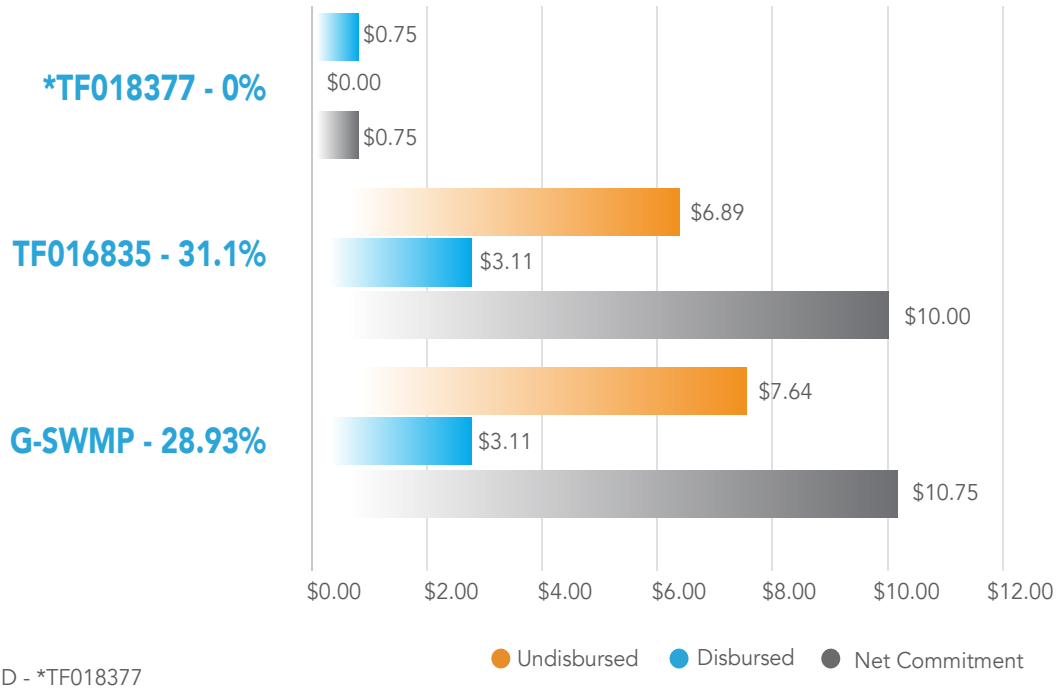
| | |
|---|---|
| **Duration** | Five years |
| **Approval** | October 24, 2014 |
| **PID Grant Amount** | US$750,000 |
| **Status** | Pending |

**OBJECTIVE** To improve solid waste management services in the Gaza Strip.

*Key Project Ratings*

| Management Ratings | Previous Rating | Current Rating |
|---|---|---|
| Progress towards achievement of PDO | Moderately Satisfactory | Moderately Satisfactory |
| Overall Implementation Progress (IP) | Moderately Unsatisfactory | Moderately Unsatisfactory |
| Financial Management Rating | Satisfactory | Satisfactory |
| Project Management | Moderately Satisfactory | Moderately Satisfactory |
| Counterpart Funding | Moderately Satisfactory | Moderately Satisfactory |
| No Procurement Assessment under SPN Phase has been completed in PRAMS to date. | Satisfactory | Satisfactory |
| Monitoring and Evaluation | Moderately Satisfactory | Moderately Satisfactory |
| **Specific Project Ratings** | **Previous Rating** | **Current Rating** |
| Component 1: Solid Waste Transfer and Disposal Facilities:(Cost $20.15 million) | Moderately Unsatisfactory | Moderately Unsatisfactory |
| Component 2: Institutional Strengthening: (Cost $1.65 million) | Moderately Satisfactory | Moderately Satisfactory |
| Component 3: Primary Collection and Resource Recovery: (Cost $5.10 million) | Moderately Satisfactory | Moderately Satisfactory |
| Component 4: Project Management: (Cost $3.95 million) | Moderately Satisfactory | Moderately Satisfactory |
| Contingencies: (Cost $4.41 million) | Moderately Satisfactory | Moderately Satisfactory |

Figure 16: G-SWMP Disbursement Ratio (US$ millions) as of August 31, 2018




PID - *TF018377
TFGWB - TF016835

## *Background*

The management of solid waste in Gaza Strip is a well-recognized development concern given the volume of waste generated and the technical, environmental, social, institutional and financial challenges due in large part to restricted access to the area. These facts contribute to a fragmented and poorly managed waste and disposal system, increasing public health and environmental concerns. The Gaza SWM project aims to address these issues by supporting a combination of: (i) strategic infrastructure investments i.e. construction of a new landfill, two transfer stations, equipment, access road, closing the existing dump site, purchase land for the new landfill; (ii) institutional strengthening and capacity building; and (iii) skills and technology development.

The MDLF is the main implementing agency and continues to maintain a special team, Project Development and Safeguards Unit, to oversee project implementation. MDLF's special unit is currently working closely with the Joint Service Council for Khan Younis and Rafah, Middle Gaza area (JSC-KRM), which has over the past year strengthened its executive unit and filled the vacant positions.

The project has faced a series of delays since launching. Initially the project faced difficulties during the land acquisition process given the fragile context in the Gaza Strip. Additionally, the landfill construction experienced delays at the beginning of the project with respect to the design and in execution of the contracts. The subsequent need of additional land to accommodate the excavated material and transport of the excavated soil presented the major issues further exacerbating the delays.

## Opportunities

A project midterm review was undertaken in December 2017 which reviewed the status of implementation and suggested measures to help improve IP and quality. As a result of the review: (i) the scope of the project activities was adjusted; (ii) the budget estimate was updated; (iii) the results indicators were adjusted; and (iv) an extension of the timeline of the project was recommended.

The changes required a restructuring of the project and an extension of the closing date of the WB financing until November 2020, EU funds until September 2019, and AFD funds until January 2020. Since this time, these changes have been approved by the funding partners and formalized in legal agreements that are now effective.

## PID MDTF in Action

As of May 2018, the project has available parallel financing through six donors and the PA amounting to US$31.13 million, of which 36.4 percent has been disbursed and 63.5 percent has been committed against contracts. The latest mission reviewed the project implementation status, progress-to-date, and results achieved. Summaries of the main discussions and suggested measures are detailed below. The project expects to use the PID funding during FY19.

While the commitments are reasonably high, the project execution has experienced delays and implementation challenges. Efforts up to mid-term accordingly focused on resolving these issues. This included getting the landfill works contracted and in execution, and tackling the related delays in land acquisition, contract execution and ensuring safety and income of the waste-pickers at the dump site. The status of implementation was reviewed, and measures were suggested to help improve IP and quality.

## Key achievements

- Overall completion of construction activities at Sofa Landfill at the end of August 2018 is at 45 percent, and 36 percent is for the entire project.
- Of the five PDO indicators, two have met their target outcomes: (i) increases in cost recovery, and (ii) providing livelihoods for waste pickers.
- Providing livelihoods for waste pickers has been fully achieved. The JSC provided temporary jobs at the member municipalities, until they were formally included in the UNDP Deprived Families Economic Empowerment Project (DEEP).
- The civil works related to the remaining PDO Indicators – disposal of waste in the landfill and closure of dumpsites – are picking up pace and showing some, albeit slow, progress, given the implementation challenges.

## Moving forward

In the midterm review the project was reviewed with the following changes in the project were agreed to ensure efficient and effective achievement of the PDO:

- ***Scope of project:*** A revised scope of the project and activities was agreed.
- ***Project financing:*** Based on the revised activities, the total project financing is US$31.13 million (from US$35.26 million in the Project Appraisal Document) which requires no changes in the amount of financing provided by the AFD-EU and the WB. A revised budget including AFD-EU and WB funding by component was proposed and included in paragraph 48 and Annex VI.
- ***Timeline:*** Based on the revised schedule, the project activities have been extended from November 2019 to November 2020 with the WB funding extended until November 2020, the EU funds until September 2019, and AFD funds until January 2020.
- ***Project results indicators:*** Changes in the results indicators to match the revised scope and activities are were agreed.

## Additional Information

To access all project information including PADs, ICRs, and ISRs, please refer to the following link:
http://projects.worldbank.org/P121648/gaza-solid-waste-management-project?lang=en

### ***Box 2*** *From marginalization to inclusion - The story of waste pickers in the West Bank*

Ibrahim, a 35-year-old Palestinian man, was working as a waste pickers every day at the Yatta dumpsite in the southern West Bank; sorting through trash to collect plastics, cardboard, and cans and selling them towards the end of the day. Working at the dumpsite was not only harsh on him but also on his two little boys – ages six and eight – who endured the toxic and hazardous conditions to help him. The competition among the pickers over recyclables was fierce, and daily hazards included fires, smoke, malodor, sharp material, and infectious health-care waste mixed with domestic waste. All of which were faced without any protective gear. Falling ill or getting seriously injured was a daily threat for waste pickers, and also likely meant a day without meals.

The Southern West Bank Solid Waste Management Project launched in 2009 to improve SWM for the 840,000 people in the governorates of Bethlehem and Hebron. One project component included closure of the Yatta dumpsite, where illegally dumped and burned household waste was reaching a highly unsanitary and hazardous level. However, there came the different challenge. While the closure of the dumpsite would curb a serious environmental and public health problem, it was terrible news for the waste pickers and their families as it meant an end to their livelihood source. For Ibrahim, his brother, and two sons – who had dropped out of school to help their father – the income from 10 hours of continuous work was already hardly enough to feed the two families. The lack of formal education for both Ibrahim and his brother made it additionally very difficult for them to find alternative jobs. The challenge was even more complicated since the municipal JSC, the project's partner, initially viewed waste pickers as illegal, informal, and unorganized groups who did not deserve much attention, given that the wider population would benefit from the project.

The implementation of the resettlement action plan prepared under the project for the rehabilitation of the livelihoods of the waste pickers, entailed significant effort and dedication to changing negative mindsets toward this social group. A unique, tailored approach was adopted to reach a sustainable outcome through partnering with the UNDP DEEP as well as local NGOs. The livelihoods rehabilitation plan prepared and implemented under the project was tailored to the Palestinian context, and built on the strengths of the individuals and the family network to attain economic and human empowerment.

What did this mean for Ibrahim, his family, and his fellow waste pickers? Through ongoing engagement with the affected persons, understanding the complexity of their lives and aspirations, giving them voice and space, and training them, the project developed a customized, bottom-up menu of alternative livelihoods sources for the waste pickers and their families. After almost six years from the program roll out, many of the former waste pickers have been integrated into the formal SWM system, or continued their education and graduated from university. Many former waste pickers are now involved in small family businesses that continue to operate sustainably, including land surveying, operating heavy machinery, and handling livestock projects. Ibrahim started a textile and sewing business with his wife and brother, and today his business has grown into a large upholstery center.

The story of Ibrahim and his fellow former waste pickers shows how social safeguards – the environmental and social standards that all WB projects must meet – did far more than just ensure the project was implemented responsibly. The safeguards also worked as an entry point and an economic empowerment tool for people affected by the project. This approach is now being replicated in the ongoing SWM project in Gaza, and has been widely shared with a number of local governments in the Mashreq countries.

## Local Governance and Services Improvement Program (LGSIP) (P148896, TF0A4511)

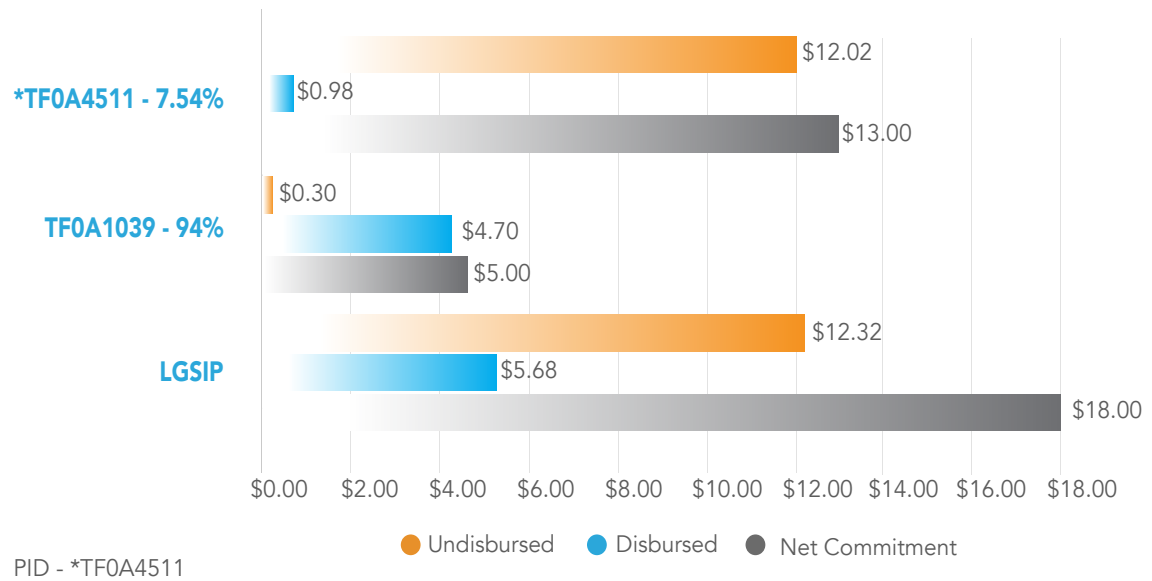
| | |
|---|---|
| **Duration** | Five years |
| **Approval** | November 2, 2015; March 13, 2017 (PID) Closing Date: December 31, 2020 |
| **PID Grant Amount** | US$13 million |
| **Status** | Active |

**OBJECTIVE** To strengthen the local government financing system and improve local service delivery in Program villages.

*Key Project Ratings*

| Management Ratings | Previous Rating | Current Rating |
|---|---|---|
| Progress towards achievement of PDO | Satisfactory | Satisfactory |
| Overall Implementation Progress (IP) | Satisfactory | Satisfactory |
| **Specific Project Ratings** | **Previous Rating** | **Current Rating** |
| Technical | Satisfactory | Satisfactory |
| Fiduciary Systems | Satisfactory | Satisfactory |
| E&S Systems | Satisfactory | Satisfactory |
| Disbursement Linked Indicators (DLI) | Satisfactory | Satisfactory |

Figure 17: LGSIP Disbursement Ratio (US$ millions) as of August 31, 2018




PID - *TF0A4511
TFGWB - TF0A1039

## Background

Strengthening LGUs and enabling them to perform as fully functional LGs accountable to citizens are key priorities for the PA. However, for several years LG sector support was provided through channeling development funds into service delivery infrastructure without giving much attention to the sustainability of LGU management, financing, and performance. The PA, nonetheless, has been striving to shift to supporting accountable and responsive local infrastructure service delivery. Accordingly, the LGSIP responds to this government vision by piloting a transparent and predictable financing mechanism for funding minimum LGU functions and capacity development at the lowest of LGU tiers. Embedded in LGSIP is also the notion of incentivizing consolidation of service delivery through capacitating JSCs to provide joint services on behalf of VCs.

LGSIP uses a Program for Results (PforR) financing instrument. It finances activities under the following three sub-programs: (i) Delivery of Local Services by VCs; (ii) Infrastructure Service Delivery through Joint Projects; and (iii) Capacity Support for strengthening Local Governance Institutions. KFW, BTC, SDC, and GIZ provide parallel financing across these three sub-programs. LGSIP also supports the government's program for delivery of local services in Area C communities, through parallel financing from the SDC, DRO, AfD, EU, and DfID, and from the PA. The PforR segment is co-financed from the WB's TFGWB with a grant amount of US$5 million, and from the PID MDTF with the amount of US$13 million.

## Opportunities

LGSIP aims to support the PA's intention to strengthen core local governance systems, and LG sector consolidation. This includes enabling large VCs to evolve into cluster centers and eventually become municipalities, and facilitating the PA's desire to shift implementation responsibilities of small VCs to JSCs. LGSIP is providing strong financial incentives for joint service provision as well as capacity building support in this regard. However, as VCs naturally tend to prefer the status quo, the program needs to demonstrate through joint projects the benefits of economies of scale and intensify support in identification and formulation of joint project proposals. At the same time, measures to increase resource transfers to JSCs to incentivize VCs to collaborate and address common needs jointly will have to be identified and pursued. The LG Sector Reform Support ASA (P161279) will support a review of the intergovernmental transfer system and offer recommendations for fiscal measures to support these efforts.

## PID MDTF in action

A Program Implementation Support and Handover Mission for LGSIP was carried out jointly by the WB and DPs in November 2017. The objectives of the mission were to assess IP of Program activities supported under the LGSIP; and review results monitoring arrangements and progress towards achieving the PDO and associated Disbursement Linked Indicators (DLIs). Overall, Program implementation continues to make good progress. However, steps to reform the Transportation Fee allocation and utilization need to be intensified urgently.

## Key achievements

- The number of people benefiting from improved service delivery in program villages has already reached almost 75 percent of the project mid-term target.
- The timely communication and transfer to VCs of the formula-based Annual Capital Investment Grants (ACIG) have been sustained in 2017 and 2018.
- The percentage of VCs submitting their annual budget to MoLG electronically on time and disclosing budgets publicly has tremendously exceeded the FY17 target of 30 percent. Almost 95 percent of all VCs are already submitting budgets electronically although only 31 percent disclosed the budgets publicly.
- Preparation of Annual Capital Investment Plans (ACIPs) is also making solid progress: 139 VCs are targeted this year. 61 VCs will update existing ACIPs while 78 need to prepare new ACIPs per the updated procedures.
- MoLG also completed the second year JSC assessment.
- 10 joint projects were approved by the LGSIP Program Committee. The verification for achieving Disbursement Linked Result (DLR) #4 on joint projects is currently underway.

## *Moving forward*

One results area of this PforR operation is the predictable and transparent allocation of the Transportation Fee. In dialogue with key agencies (e.g. MoLG, MoFP) has begun, the outcome – steps taken towards predictable and transparent transfer of the LGU share of the Transportation Fee – are yet to be completed. Efforts to move this forward needs to be intensified urgently. The WB will provide technical support for this through the LG Sector Reform Support ASA (P161279) to review the intergovernmental transfer system and provide recommendations for fiscal measures to support these reforms.

The MTR of LGSIP was carried out by the WB and the financing partners in September 2018 to assess the overall progress made by the Program. The objectives of the mission were to: (i) assess IP of Program activities supported under the LGSIP; (ii) review progress towards achieving the PDO and associated DLIs midway through the life of the program; and (iii) discuss adjustments to the program given implementation experience so far.

## *Additional Information*

To access all project information including PADs, ICRs, and ISRs, please refer to the following link:
http://projects.worldbank.org/P148896?lang=en

# ENERGY SECTOR

## Sector context

The Palestinian territories continue to face significant energy security challenges, already severe in Gaza, but also emerging in the West Bank. In Gaza, the available power supply has further deteriorated, with reduction of electricity imports from Israel and intermittent fuel supply for the GPP. As a result, the availability of power supply in Gaza has been limited to less than 8 hours a day. The West Bank generally enjoys 24-hour power supply with some emerging power shortages during peak winter and summer months. Palestinian electricity demand is expected to continue to grow, however the economic concerns in the Gaza Strip are likely to keep it below the projected average annual rate of around 3.5 percent for the coming years. The issue of cost-effective energy sources, especially in Gaza, is emerging as a key concern for financial sustainability of the sector and for fostering economic growth.

The Palestinian territories continue to rely primarily on Israeli imports to meet electricity needs. As of 2017, about 90 percent of electricity to WB&G was supplied by imports from the IEC. Modest amounts of electricity continue to be imported from Jordan into the West Bank while supply from Egypt to Gaza has dropped significantly. The only large-scale generation capacity in the Palestinian territories is the troubled GPP. The 140 MW diesel-fired plant was developed as an Independent Power Project and has been operating since 2004. Due to the high cost of diesel and intermittency of fuel supply, the plant is reduced to running at less than half capacity. For Gaza, though complex and longer term, converting the GPP to run on natural gas remains the most viable option. This would reduce its operating costs to at least a third of current levels and extensive discussion have been ongoing to secure gas supply and build the gas supply infrastructure. In parallel, the development of renewables such as rooftop solar photovoltaic (PV) for small customers and priority public services, such as health facilities, is being prioritized and would be valuable in Gaza and West Bank.

The Palestinian electricity sector continues to implement institutional reform measures. As a whole, the sector is making strides towards establishing its creditworthiness. A few major challenges remain, particularly in Gaza. Despite important efforts by the PERC, electricity is not priced at cost recovery levels throughout the Palestinian territories. The gap between tariffs and costs is particularly large in the case of Gaza, where tariffs have not been adjusted over the last decade.

The operational performance of the distribution utilities in the West Bank has been improving, with revenue collection in May 2018 reported to be more than 80 percent of the electricity purchased. The revenue collection situation in Gaza is more complicated, which is partly attributed to limited supply, at barely 50 percent reported. LGUs including municipalities and VCs continue to manage about a quarter of the overall electricity distribution. In addition, recognizing the need for timely collection of revenues from other line ministries for electricity supplied to public facilities (e.g., hospitals, police stations), PENRA is working with the MoFP to implement an inter-ministerial clearance mechanism.

The poor track record of paying Israeli power import bills has led to the so-called 'net lending' crisis and a high accumulation of outstanding debt. Since power purchased from IEC is only partially paid for by the DISCOs who purchased and received the power, the unpaid portion is then partially covered through 'net lending' [18] and partially accumulated as outstanding debt. By 2016 the accumulated debt owed to IEC reached over NIS 2 billion (US$500 million). In September 2016 the PA and the GoI signed an agreement to settle past electricity sector debt, and created joint committees to work on three key issues: (i) energization of the new high voltage substations to bring more power to the West Bank; (ii) signature of a long term PPA at a lower wholesale tariff rate; and (iii) transfer of over 200 connection points to PETL in order to have a single point of transaction (single-buyer) between the Israeli and Palestinian sides.

In July 2017 PENRA and PETL reached a major agreement with IEC and Israeli authorities on an interim PPA for the energization of the first of the four planned high voltage substations. The energization of the Jenin substation has allowed additional power to be delivered to the north of the West Bank. Initial information indicates that PETL has begun establishing a track-record of paying for 100 percent of the power purchased from IEC. This important milestone is a critical step in the overall sector reform process. In May 2018, PETL and IEC initialed the PPA with expectation of the pending issues to be resolved in due course.

The Palestinian electricity sector is implementing extensive institutional reform measures. The next stage will require alignment of financial flows across the sector, to enable PENRA and PETL to effectively engage private power producers. Over the next year the priority areas for the sector include: (i) consolidation of customer base within existing and new DISCOs; (ii) strengthening the legal framework governing customers; (iii) improved intra-governmental payments; and (iv) enhancing the transmission and distribution systems.

18.Net lending refers to a fiscal mechanism whereby money is deducted from clearance revenues that would otherwise be transferred from Israel to the PA.

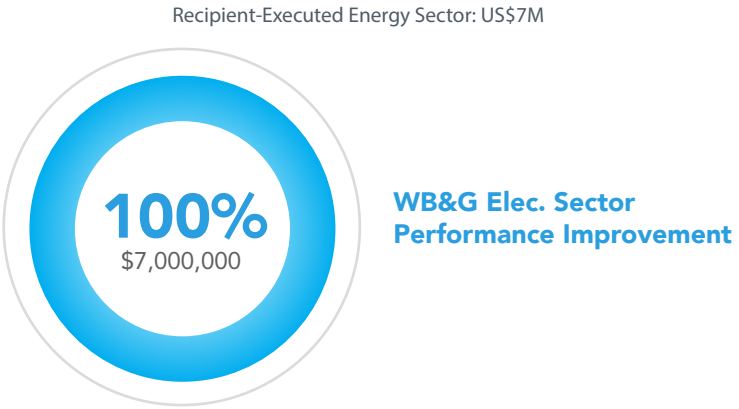
| Risk Category | Mitigation Measures |
|---|---|
| **Political and governance**<br>- Internal tension between West Bank and Gaza stakeholders assumed to continue, with possible implications for PENRA to operate in Gaza. | - PENRA Gaza remains the key interlocutor between the Bank and GEDCO.<br>- GEDCO has been involved in critical sector dialogue, through PENRA.<br>- Strategic alliance with other sector stakeholders have been established, including WHO and ICRC with interventions in the electricity sector. |
| **Sector strategies and policies**<br>- Delays in resolving the pending issues under the initialed PPA between PETL and IEC, would delay the reform and consolidation process of the energy sector.<br>- The poor track record of paying Israeli power import bills will continue accumulating the outstanding debt.<br>- Delays in achieving tangible results would delay the reform process and the improvement in efficiency of the distribution system in targeted areas. | - ESPIP project is supporting PENRA and PETL to continue the institutional reform measures. The next stage will require alignment of financial flows across the sector, to enable PENRA and PETL to effectively engage private power producers.<br>- Sector engagement continues providing support to assist the successful implementation of the Israeli-Palestinian electricity debt agreement and the PPA.<br>- Inclusive process across all DISCOs and PENRA applied during roll-out of Revenue Protection Programs and performance improvement programs for sector stakeholders. |
| **Institutional capacity building**<br>- Current capacities at the PENRA's PMU needs strengthening in certain technical expertise i.e. procurement to cope with the additional workload. | - PMU has agreed on a staff Sustainability Plan, which involved gradual transfer of PMU staff from ESPIP budget to PENRA payrolls by July 2019. This is proceeding as planned with around 75 percent of the PMU staff already transferred. This will result in significant savings that would allow ESPIP to provide strategic support to the PMU, focusing on key positions and technical experts such as a qualified procurement specialist until project closing in 2022. |
| **Fiduciary**<br>- Delays in launching the procurement process of key packages. | - PENRA PMU capacity will be strengthened by recruiting a procurement and financial specialists.<br>- The close supervision of all procurement and financial management by PENRA PMU as well as by building in preventive actions, e.g. technical audits, will reduce the fiduciary risk. |

| | |
|---|---|
| **Environment and social**<br>- Potential negative impacts of the project investments during construction and operation of rooftop PV solar panels and other equipment might be detected such as noise, dust, interruption of services, health and safety risks, and waste disposal, among others. | - Environmental impacts of those interventions are limited, localized, and easily mitigated.<br><br>- An Environmental and Social Management Framework (ESMF) has been prepared.<br><br>- Risk assessment will continue on a case-by-case basis during the implementation, since the location of sub-projects will be identified by then.<br><br>- PENRA PIU will hire a qualified environmental officer to conduct sub-projects screening, assessment of environmental and social risks. This position will also have a monitoring role and will liaison with the Environment Quality Authority as needed. |
| **Stakeholders**<br>The consolidation of DISCOs may change stakeholder relationships | - Sector engagement aims at thoroughly engaging and strengthening professional relationship across stakeholders |

**More detailed analysis and policy recommendations in the energy sector are available in recent WB analytical work:**

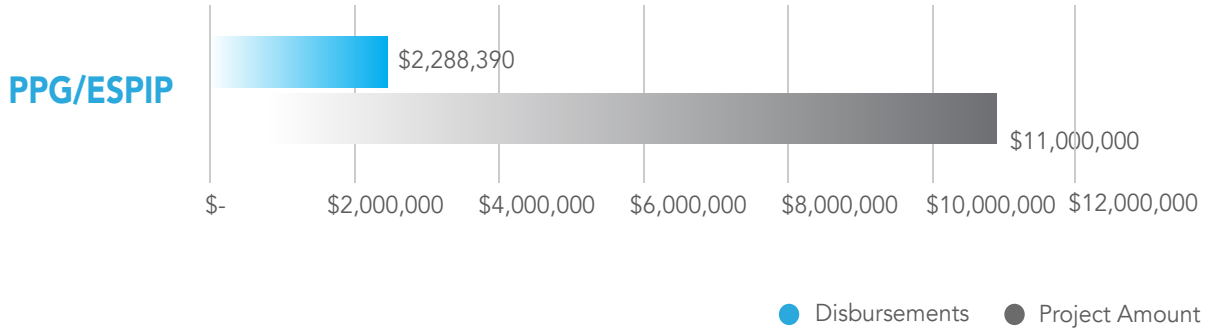
- Securing Energy for Development in West Bank and Gaza: http://documents.worldbank.org/curated/en/351061505722970487/pdf/119769-WP-P157348-v1-Securing-Energy-PUBLIC-ACS.pdf
- Securing Energy for Development in West Bank and Gaza - Annexes: http://documents.worldbank.org/curated/en/384001505723088507/pdf/119769-WP-P157348-v2-Annexes-Securing-Energy-PUBLIC-ACS.pdf

Figure 18: Energy Sector Funding Distribution as of August 31, 2018




*Including PPG.

Figure 19: Energy Sector Disbursements as of August 31, 2018




## Table 9: Energy – Key Project Ratings

| West Bank and Gaza Electricity Sector Performance Improvement Project | Previous Rating | Current Rating |
|---|---|---|
| Progress towards achievement of PDO | Satisfactory | Satisfactory |
| Overall Implementation Progress (IP) | Satisfactory | Satisfactory |
| Financial Management | Satisfactory | Satisfactory |
| Project Management | Satisfactory | Satisfactory |
| Procurement | Satisfactory | Moderately Satisfactory |
| Monitoring and Evaluation | Satisfactory | Satisfactory |

*Progress by activities*

## Electricity Sector Performance Improvement Project (ESPIP) (TF0A5078) & PPG (TF0A2807) – (P148600)

| | |
|---|---|
| **Duration** | Six years |
| **Approval** | June 9, 2016 (PPG); July 27, 2017 (ESPIP) |
| **PID Grant Amount** | US$2.5 million (PPG); US$4.5 million[19] |
| **Status** | Active |

**PPG OBJECTIVE**
To improve the monitoring of electricity payments, to reduce energy losses and to increase bill collection rates.

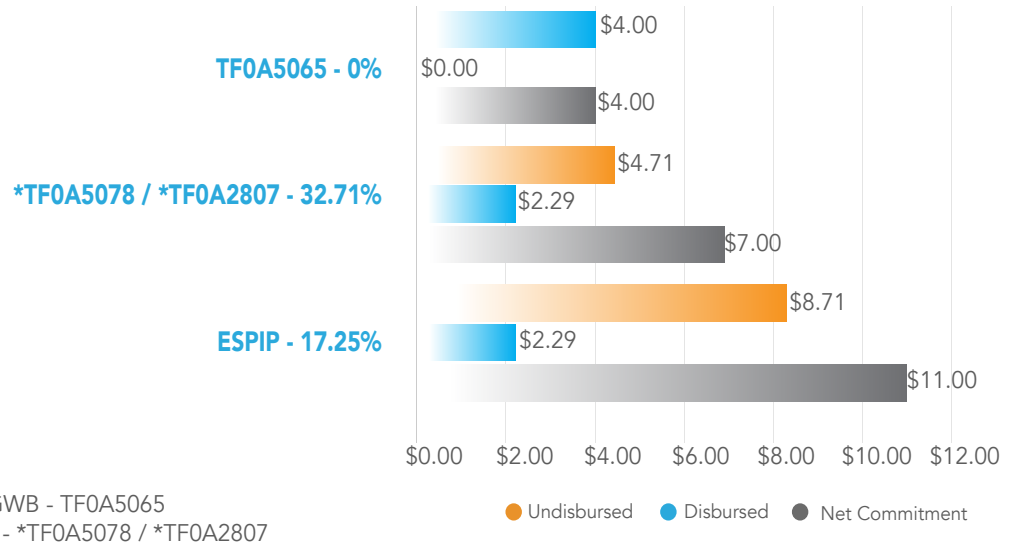
**ESPIP OBJECTIVE**
To enhance the energy sector's institutional capacity, improve efficiency of the electricity distribution system and pilot a new business model for solar energy service delivery in Gaza.

*Key Project Ratings*

| Management Ratings | Previous Rating | Current Rating |
|---|---|---|
| Progress towards achievement of PDO | Satisfactory | Satisfactory |
| Overall Implementation Progress (IP) | Satisfactory | Satisfactory |
| Financial Management Rating from latest archived PRIMA Assessment | Satisfactory | Satisfactory |
| Project Management | Satisfactory | Satisfactory |
| Counterpart Funding | Satisfactory | Satisfactory |
| Procurement Performance Rating & Summary from latest archived PRAMS Assessment | Satisfactory | Moderately Satisfactory |
| Monitoring and Evaluation | Satisfactory | Satisfactory |
| **Specific Project Ratings** | **Previous Rating** | **Current Rating** |
| Component 1 -Strengthening the Capacity of Palestinian Electricity Sector Institutions, PETL and PERC:(Cost $2.50 M) | Satisfactory | Satisfactory |
| Component 2 - Improving the operational performance of Palestinian electricity Distribution Companies (DISCOs):(Cost $5.30 M) | Satisfactory | Satisfactory |
| Component 3 - Improving Energy Security in Gaza with Solar Energy:(Cost $2.50 M) | Satisfactory | Satisfactory |
| Component 4 - Technical Assistance, Capacity Building, and Project Management:(Cost $0.70 M) | Satisfactory | Satisfactory |

19.The PPG amount of US$2.5 million is part of the overall allocation to ESPIP. The recording in the system is currently being updated and US$2.5 million will be reposted to the PID MDTF from the ESPIP Child TF0A5078, currently recorded at US$7 million instead of US$4.5 million.

Figure 20: Energy Disbursement Ratio (US$ millions) as of August 31, 2018




TFGWB - TF0A5065
PID - *TF0A5078 / *TF0A2807

## Background

ESPIP was approved by the WB's Board on July 27, 2017 and is being co-financed by TFGWB (US$4 million) and the PID MDTF (US$7 million). The project's objective is to enhance the energy sector's institutional capacity, improve efficiency of the electricity distribution system and pilot a new business model for solar energy service delivery in Gaza. The project was designed to sustain and expand the achievements of the previous US$140 million multi-donor Electric Utility Management Project (EUMP, closed in September 2016) and to further support the reform process led by PENRA, which should lead to solid, performing sectoral institutions, a diversification of power sources, and increased participation of private sector. ESPIP also supports the PA Action Plan sponsored by the Office of the Quartet (OQ) to implement the Palestinian-Israeli agreement on electricity debt reached on September 13, 2016.

At the closing date of the EUMP project, the role and sustainability of PETL was at risk because of exogenous delays in the energization of four high-voltage substations, i.e. Jenin, Nablus, Hebron and Ramallah. This did not allow the new public company to purchase power from IEC, sell it to the Palestinian DISCOs following a single buyer model, and cover its operational costs without donor funding. To prevent PETL's collapse, the WB approved the US$2.5 million PPG on June 23, 2016 and financed by the PID MDTF to cover operational expenditures for one year and key equipment to operate the high-voltage substations. The ESPIP PPG has been critical to fill the gap between the expiration of donor funding under EUMP (2016) and the expected commercial revenues from its first sales to Northern Electricity Distribution Co. (NEDCO) after the energization of the Jenin substation.

## Opportunity

Since January 2018 initial stages of implementation of ESPIP has identified opportunities for strengthening coordination, collaboration, and harmonization across the electricity sector. The DISCOs across WB&G have extensive knowledge, experience, and insights that would be valuable as: (i) they address common challenges; (ii) allow for gradual consolidation under PETL; and (iii) align their KPIs with PERC. Thematic communities of practitioners could play a valuable role in successful implementation of ESPIP and identification of future interventions for continuous operational improvements in the sector.

## PID MDTF in action

ESPIP began implementation in January 2018. The PPG funded operational support to PETL, procurement of equipment to operate new high voltage substations, and technical and legal consultancy services, which have largely been completed. The PPG has enabled PETL to play a central role in the ongoing restructuring of the sector, particularly negotiations of the recently initialed PPA with IEC. PETL has started generating revenues through the sales of power under the interim PPA to NEDCO. The PPG continues to finance the operational costs of the PMU, which is embedded in PENRA's office. The PMU has proven its notable capacity in implementing donor projects and played a critical role during the preparation of the ESPIP project. The unit is effectively leading the implementation of the ESPIP since it achieved effectiveness in January 2018. The Gaza rooftop solar revolving fund for households and MSMEs and grant fund for health facilities is in final stages of technical review and completion of legal agreements prior to launch. The revolving fund design was updated to incorporate key lessons learned by GEDCO revolving fund and the changing socio-economic conditions in Gaza Strip.

Under PENRA's overall leadership, the 6 DISCOs across WB&G are utilizing common methodology towards the RPP and MIS, which is allowing alignment of technical practices and standards for procurement of metering infrastructure and harmonization of resource, customer, and operational management software. This will support improvement of quality and consistency of data available to each DISCO and to PERC, PETL, and PENRA, and will improve planning and management of the sector. ESPIP has resulted in creation of a community of technical staff representing each DISCO, which will work together through implementation, share knowledge and experience, and ideally continue to collaborate beyond the project.

## Key achievements

- Operational support for PETL has been completed;
- Technical Review of the metering infrastructure under RPP and for the information systems under MIS have been completed for all 6 DISCOs in WB&G;
- Technical Specifications for the rooftop solar PV kits for households and MSMEs and for Naser Hospital have been prepared.
- The operational and legal arrangements for launching the Gaza solar revolving fund are in final stages.

## Moving forward

September and October 2018 are expected to mark three key milestones for ESPIP. The Gaza rooftop solar revolving fund will be launched, along with the first stage of procurement of solar kits for households and MSMEs and the first round of procurement for one hospital. Technical Specifications for health clinics are expected to be completed by November 2018. Launch of the procurement for the first phase of the RPP followed by initiation of comprehensive procurement for the MIS for all 6 DISCOs in WB&G. These will enable harmonization of technical standards across the DISCOs, which will strengthen cohesive action across the Palestinian electricity sector. These comprehensive procurement packages will not only support the goals of ESPIP, but will also enable acceleration of the activity scale-up through the proposed ESPIP AF (also co-financed through the PID MDTF), which is expected to be finalized in October 2018.

## Additional Information

To access all project information including PADs, ICRs, and ISRs, please refer to the following link:
http://projects.worldbank.org/P148600?lang=en

# BANK-EXECUTED TECHNICAL ASSISTANCE

## Bank-executed Technical Assistance

In addition to the sector-specific activities financed by Recipient-executed co-financing agreements described in the preceding section, the TF structure also includes a window to finance Bank-executed TA. Disbursing accounts under this window are established for consulting services managed by the WB related to infrastructure sector planning and strategy formulation initiatives. The Bank-executed TA window provides the opportunity to develop and implement cross-sectoral integrated approaches across the infrastructure sectors such as the already completed RE supply study for the water sector. During the reporting period a new TA, the Water Security Technical Assistance was launched in addition to the three ongoing TAs under this window: (i) LG Sector Reform Support ASA; (ii) Support to the Palestinian Land Sector ASA; and (iii) the Energy Sector Programmatic TA. The activities have been designed to complement WB support across the sectors and further enhance impact of the Recipient-executed activities. For example, the Energy Sector TA and LG Sector ASA are providing support to the PA to tackle the prevailing net lending issue. Additionally, the Land ASA is supporting reform of the land sector, which in turn should improve planning and service delivery at the local level across all infrastructure sectors, as well as create increased opportunities for facilitating private sector investment.

Figure 21: PID MDTF Bank-executed TA Funding Distribution as of August 31, 2018

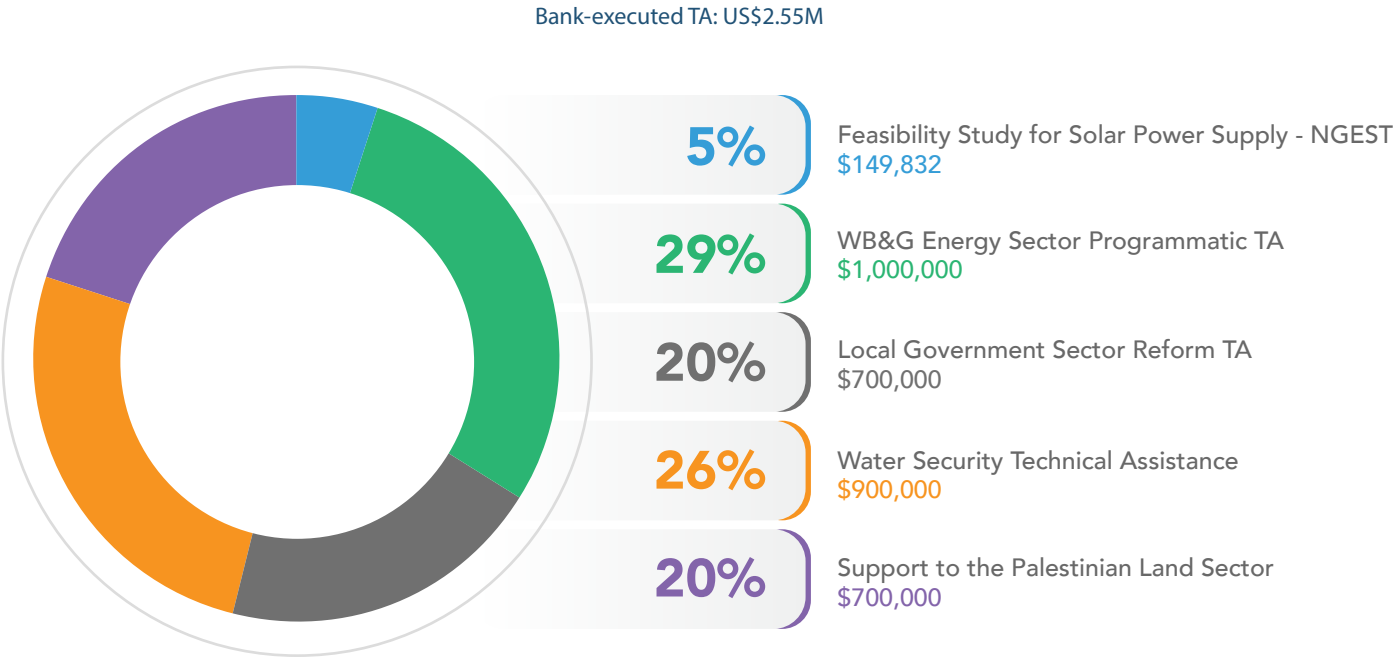
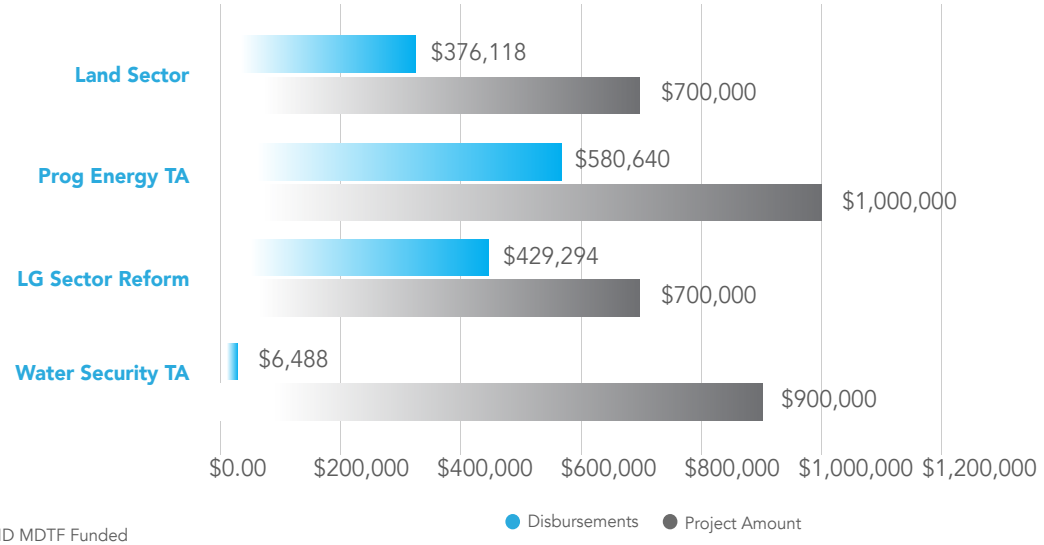



Figure 22: PID MDTF Bank-Executed TA Disbursements as of August 31, 2018




Fully PID MDTF Funded

## Water Security Technical Assistance – P167309, TF0A7564

| | |
|---|---|
| **Duration** | Three years |
| **Approval** | May 1, 2018 |
| **PID Grant Amount** | US$900k |
| **OBJECTIVE** | To support the Palestinian water sector institutions advance efforts towards water security with a consideration of a broad menu of interventions. |

### *Background*

The water sector reforms put citizens first by prioritizing sustainable, efficient, and equitable provision of water and sanitation services. The reforms are underway however it is clear that the restructuring of the sector will take considerable time and effort and must be supported. This TA builds on the reform agenda of the PWA to support critical dimensions for establishing sustainable and financially viable water service delivery institutions.

Implementation of the institutional reform has been limited. The effectiveness of the PWA has been constrained by the presence of a parallel structure in Gaza by the de facto administration; and since the WSRC has not yet received its full statutory authorities, including the ability to license SPs and collect the fees essential to its financial sustainability. The enactment of the two Road Maps for the Establishment of the NWC and the RWU is progressing slowly as well. At the local level, the slow implementation and differing interpretations of the 2014 Water Law have led to continued lack of accountability for water resource management and service provision. In the absence of a fully empowered PWA or WSRC, most SPs are still governed under the 1997 MoLG Law, which assigns water service responsibility to the LGUs. The LGUs are reluctant to cede these revenue streams but provide uneven oversight of the SPs.

At the same time, water resource development is constrained by the political and economic context. Development of water resources is bound by Article 40 of the Israeli-Palestinian Interim Agreement. The lack of an ongoing political dialogue or agreed and effective mechanisms for cooperation, together with ongoing restrictions on movement and access, have limited Palestinians' ability to develop new resources even as the population grows and the quality of existing water resources declines. Given the restrictions and sector inefficiencies, PWA is increasingly dependent on Mekorot for bulk water purchases. Unable to pay for the needed full amount, every bulk water purchase from Mekorot puts PWA into further arrears to Israel, which Israel deducts from the taxes it collects on behalf of the PA. In 2016 Israel deducted $94 million for unpaid Mekorot water bills (net lending) and for sewage treatment.

### *Opportunity*

Water security requires that water resources are well managed including risks, and that water SPs are capable and motivated to provide sustainable, efficient, and equitable services. This TA will support PWA efforts to incrementally build more financially sustainable and locally responsive water services, including through effective private sector engagement, that leads to greater self-reliance in water and sanitation in the Palestinian territories. The tasks of this TA will focus on innovative solutions to overcome sector challenges. Traditionally, the Palestinian water sector has been viewed as an engineering sector, the TA will highlight additional aspects including CE with focus on youth and women.

### *PID MDTF in action*

A concept note for this TA is being prepared in alignment with the design of the WSDP, and the activities will complement the project. It will support complementary agile institutional reforms to drive the WSDP results-based financing. Specific focus will be on innovations to reduce inefficacies needed to improve service delivery coupled with institutional and technical performance dimensions. The framework builds on the results of the recent WASH Poverty Diagnostic. It combines institutional change with adequate water resources and with investment and integrated in an incentives package. The expected result is improved efficiency and accountability of service provision through agile institutional change ensuring that all parties are aligned; and to bring adequate water and investment that will enable providers to deliver affordable quality water and sanitation services.

Greater efficiency is sorely needed in the wastewater treatment and reuse process. In the West Bank alone, almost none of the treated wastewater is reused. Additionally, untreated sewage is discharged into wadis each year from 350 locations, some of which flows into Israel, where it is treated and reused in agriculture. Israel charges the PA for treating this wastewater, and in 2016 more than US$26 million was billed by Israel for this treatment. Much of the treated West Bank effluent is reused for agriculture by Israel without any benefit to the Palestinians, who are being charged for the service. The TA will be considering innovations to address these inefficiencies.

## *Key achievements*

Work has recently started and is ongoing. An early achievement of the TA was the establishment of a framework for mainstreaming youth engagement in the water sector. With TA support the PWA organized two workshops to better strengthen youth inclusion and participation. This early activity represents a move by PWA towards deepening social partnerships. Inclusion of youth is imperative and offers concrete benefits that can help boost effectiveness and impacts of investments in the water sector. A youth committee was also established to support PWA's work on the policy, service delivery, and monitoring levels.

## *Moving forward*

Building on the design of the WSDP, this activity will be further refined to assist in smoother launch and implementation of the project. The TA will continue to support PWA in youth mainstreaming.

## Palestinian Local Government Sector Reform Support ASA (P161279, TF0A3599)

| | |
|---|---|
| **Duration** | Four years |
| **Approval** | October 12, 2016 |
| **PID Grant Amount** | US$700,000 |
| **Status** | Active |
| **OBJECTIVE** | To carry out a set of analytical work and advisory services, and provide implementation support to strengthen the capacity of the MoLG and other government agencies with core mandates in the LG sector, to refine and implement LG sector reforms. |

### *Background*

The Local Government Sector Strategy (2017-2022) sets out a comprehensive set of policies towards achieving the PA vision for the sector, "good local governance which is capable of achieving sustainable development with active community participation". These include: (i) setting up a conducive legislative and regulatory framework; (ii) improving LG performance; (iii) enabling LGs to be financially stable and sustainable; (iv) promoting LED; and (v) broadening citizen participation in LG decision making and program implementation.

The PID MDTF is at the forefront of supporting the sector strategy through the programs and projects that feature elements relating to the five sector policies mentioned above. This project provides advisory services and analytical support in the core reform areas that relate to the sector policies. It aims to provide the PA with implementation support to target and consolidate critically needed reform efforts where quick wins as well as long-term results could be rationalized in a programmatic manner. It complements current efforts of the WB and other DPs to improve performance at different tiers of LG – municipalities through the MDP, VCs through the LGSIP, and cities and their peri-urban areas through the Integrated Cities and Urban Development (ICUD) Project.

### *Opportunities*

There is a strong interest from key DPs in WB&G to hasten implmentation of the LG sector strategy. The PA has planned to intensify the work of the LG Sector Working Group to facilitate the execution of the policies outlined in the sector strategy. The PA created thematic working groups to focus on topics deemed to be critical to the reforms in the sector, including municipal finance and fiscal transfers, social accountability and citizen inclusion, territorial development, marginalised communities and disadvantaged areas, and SWM. This TA project will contribute to the activities of the thematic working group by way of analyses produced particularly in (i) LGU revenue and expenditure assignments, (ii) improving LGU planning approaches, and (iii) strengthening the inter-governmental fiscal framework.

### *PID MDTF in action*

Under the project the WB carried out a mission to review critical LG and decentralization issues that require urgent attention. A series of consultations with various stakeholders was carried out in August 2018 to assess progress made by the PA in various areas of LG reform, collect views from stakeholders on which areas of reform and support to be prioritized, and the likelihood of implementation of reforms identified.

Three inter-related topics emerged: (i) rationalizing LGU revenue and expenditure assignments; (ii) strengthening the inter-governmental transfer system; and (iii) initiating LGU credit financing. On revenues and expenditures, emphasis should be on enhancing own-source revenue mobilization and increasing revenues from services delivered locally. Mandated functions need to be prioritized and matched with available resources and capacities. LGU capacity building should continue in areas of planning and investment programming, budgeting and accounting, personnel and expenditure management and electronic financial management. On the transfer system, the aim should be to introduce an automatic allocation in the national budget for LGUs, continue to look at ways to reduce the net lending of LGUs, and timely and full release of LGU shares in transportation fees and fines. On LGU credit financing, focus should be in building credit financing infrastructure (including setting up LGU credit rating system, debt monitoring system, and dispute resolution mechanisms).

The first wave of analytical findings under the SDIP assessment were shared with the MoLG National Working Group during the last reporting period, which informed the update of the SDIP manual. The in-depth review of the SDIP process at the local level has been shifted until the after the completion of the new round of SDIPs, who are utilizing the new manual. With this new timing the analysis will be conducted on the updated SDIP process providing more relevant feedback.

## *Moving forward*

This ASA will continue to carry out analytical pieces that will produce recommendations constituting a proposed road map and action plan for short, medium, and long-term reforms in the LG sector. The road map will offer for example suggested revisions to existing laws and directives that impact own-source revenue mobilization, transfers to the LGUs. It will also provide detailed recommendations to initiate lending to municipalities. Such recommendations will be presented to all stakeholders in series of workshops envisioned before end of calendar year 2018.

## Support to the Palestinian Land Sector (P163872; TF0A4947)

| | |
|---|---|
| **Duration** | 21 months |
| **Approval** | May 01, 2017 |
| **PID Grant Amount** | US$700,000 |
| **Status** | Active |
| **OBJECTIVE** | (i) Assess and quantify the economic, fiscal and social impact of a weak land administration system and of restrictions on access to land in the Palestinian territories; and (ii) assist the Palestinian Authority to refine and implement key policy, regulatory, and legal aspects of the Government *Road Map for Reforming the Palestinian Land Sector.* |

### *Background*

Land reform in the Palestinian territories is fundamental for improving tenure security, stimulating economic growth, generating government revenues, and building trust between the government and citizens. DPs support to the Palestinian land administration sector over the past ten years has led to mixed, but largely unsatisfactory results, due to various constraints within Government control. An important factor that contributed to a sustained unsatisfactory outcome has been the governance structure of the Palestinian Land Authority (PLA) and its weak leadership, as well as inefficiencies in the work organization and methodology for Systematic Land Registration (SLR).

During the past two years, a number of measures were promoted by the Prime Minister to show seriousness to turnaround the sector's weak performance, including the approval of a waiver on all new registration fees aiming at increasing citizen's interest in obtaining land titles, and the establishment of an independent agency to complete SLR – the Land and Water Settlement Commission (LWSC).

This has led to consensus among DPs to support a comprehensive, multi-phased, multi-stakeholder approach to reforming the sector, subject to the PA demonstrating the highest level of commitment through the preparation of a substantive road map outlying specific policy, legal and institutional reforms. In January 2017 the PMO submitted a draft *Road Map for Reforming the Palestinian Land Sector*, representing an in-house effort by the government to demonstrate the seriousness of the PA to implement short and long-term sector reforms. The Road Map, which was approved by the Cabinet in September 2017 , outlines a comprehensive, multiphase, multi-stakeholder approach to reforming the land sector, including the specific policy, legal and institutional reforms needed in the short, med-, and long-term.[20]

This activity is composed of two correlated tasks that are considered a precondition for a potential gradual reengagement by the WB and DPs in the land sector in the Palestinian territories: (i) a study on the potential economic, fiscal and social benefits from reforming the land sector; and (ii) TA to support the PA in the implementation of key elements of the Road Map for Reforming the Palestinian Land Sector. The implementation of these tasks would determine the areas for a potential operation in support of land registration and the overall implementation of the Road Map. As such, the TA would include support for the design of the potential operation.

### *Opportunities*

Reforming the land administration system is of utmost importance for a future Palestinian state and to ensure its economic development, and one of the potentially most impactful reform agendas in Palestine. The Support to the Palestinian Land Sector ASA came at a critical time for the land sector in Palestine and in direct response to request for support from the PMO, recognizing the importance of securing property rights for private sector investment, growth, and increase government revenues from property taxation. The ASA has had direct impact on the ongoing reform of the sector by the PA through a two-fold approach outlined below.

20.Cabinet Decision Number 01/171/2017.

## PID MDTF in action

The ASA activities focused on two parallel tracks during the reporting period: analytical work and TA.

Data collection and analysis, which began during the previous reporting period, was continued, and the resulting analytical study has been completed. The study assesses and quantifies the economic, fiscal and social impact of a weak land administration system and of restrictions on access to land in the Palestinian territories. The analysis has underscored for the PA the urgency for reform of the land administration system and completion of SLR to stimulate the land market through the demonstration of financial losses for the economy and banking sectors. It has also highlighted the lost investment opportunity for the private sector including for small and medium enterprises due to the lack of land registration.

The TA was launched after the official approval of the Road Map by the PA in September 2017. The ongoing TA has been assisting the PA to refine and implement key policy, regulatory, and legal aspects of the government's Road Map. These areas of reform include: land registration, state land policy, governance and organizational restructuring of the land agencies, property tax, Geospatial Information Management.

## Key achievements

Task 1:
The final study – The Socio-Economic Effects of Weak Land Registration and Administration System in the West Bank – was completed in June 2018.
Task 2:
Outline of Proposed Approach to Reviewing the Status and Plans to Complete Systematic Registration in Areas A and B submitted to the PA.
Outline of Proposed Modernization to Governance and Organizational Structure to the PLA submitted to the PA.
Through direct technical support from an international SDI expert, GeoMoLG developed a draft Action Plan for Geospatial Information 2018-2023 for Palestine, under the joint UN-WB Integrated Geospatial Information Framework. The Action Plan was presented at the annual meeting of the UN-GGIM.
A draft technical assessment – Review of the Status and Plans to Complete Systematic Registration – has been completed and shared with the PA.

## Moving forward

As a result of the WB's TA and quantitative analysis, the PA has been active in their reform of the land sector, demonstrating strong commitment with the approval by the Cabinet of the Road Map for reforming the land sector, and by appointment a new leadership to the PLA. The TA will continue its support to the reform agenda being led by the PMO. A detailed work plan to complete systematic registration is being prepared by LWSC with support from the TA. Additionally, with support from the TA the government is aiming to address gaps in the current legal framework regarding land. This includes the establishment of a Board of Directors for the PLA which would increase transparency and accountability, as well as the establishment of a registrar for state property and a governing framework for its use. In addition to introducing transparency in management of state land, it would create opportunities for joint investments with the private sector for development and the provision of services through land value capture schemes and PPPs.

The results of the land study will be discussed with the PMO, sector agencies, and DPs during an upcoming land sector mission at the end of September 2018. Building on the findings of the analytical work, the subsequent TA will assist the PA to finalize and implement key policy, regulatory, and legal aspects of the Road Map. In parallel, the WB will begin preparation of a potential follow-on investment operation to finance the implementation of the overall Road Map, including the completion of land registration.

## West Bank & Gaza Energy Sector Programmatic TA (P162545, TF0A4202)

| | |
|---|---|
| **Duration** | Three years |
| **Approval** | May 3, 2017 |
| **PID Grant Amount** | US$1 million |
| **Status** | Active |
| **OBJECTIVE** | To enhance energy sector institutional capacity and efficiency, and piloting models for renewable energy. |

### *Background*

The Palestinian electricity sector has been characterized by weak institutional capacity, insufficient payment discipline for electricity services, distortion of subsidies ("net lending"), and lack of transparency in financial data. The high dependency on IEC as the single supplier coupled with accumulated debts, has led to an effective capping of additional electricity supply in the Palestinian territories with a negative impact on the population and the economy. In September 2016 the Palestinian and Israeli governments reached a landmark agreement on the repayment of arrears to IEC and paved the way for the consolidation of the PETL as the single-buyer of all power produced and imported in the Palestinian territories. The first milestone was reached on July 2017 when PETL/PENRA and IEC agreed on an interim PPA and a related milestone was reached in May 2018 with the initialing of a full PPA. The PID MDTF provided critical support in the form of TA to PENRA/PETL through a PPG to ESPIP.

Despite significant improvements in the electricity sector's performance, further efforts are required to achieve sustained improvements, consolidate sector reform, and ensure the successful implementation of the Israeli-Palestinian electricity debt agreement and the PPA. This US$1 million Programmatic TA financed by the PID MDTF was approved in May 3, 2017 to support ESPIP implementation and wider energy sector reform. The three-year TA targets the following areas: (i) Palestinian electricity sector reform, particularly supporting the implementation of the historical Israeli-Palestinian electricity debt agreement signed by both governments on September 2016; (ii) dissemination and follow-up of strategic study *Securing Energy for Development;* (iii) support to RE scale-up; and (iv) implementation support to RPP component of ESPIP project.

### *Opportunity*

Due to the shifting socio-economic and political context, especially in Gaza, there is an interest to revisit the SED report's recommendations and realign the priorities. Improvements in the performance of PETL and in sector creditworthiness are also creating potential opportunities for enhancing private sector engagement in the power sector.

### *PID MDTF in action*

The SED report has been well-received and continues to feature prominently in all electricity sector related discussions in WB&G.

The TA has enabled PENRA, PETL, and the DISCOs to benefit from external technical expertise on crucial issues critical for success of the ESPIP. This includes international experts on RPP, MIS, and rooftop solar applications. The presence of external experts has enabled PENRA to encourage harmonization across the DISCOs, which will prove valuable in building a cohesive and coordinated electricity sector.

## *Key achievements*

• The Securing Energy for Development report was successfully, widely disseminated through events in Ramallah, animated videos, author interviews, and online articles;
• A draft White Paper on Financial Flows in the Electricity sector has been prepared;
• Technical experts on RPP and MIS have completed assessments of all DISCOs in WB&G and submitted their recommendations to PENRA;
• Technical experts on rooftop solar have completed review of the GEDCO revolving fund and submitted their recommendations to PENRA.

## *Moving forward*

The TA will focus on sector creditworthiness to facilitate engagement with private sector in the power sector. The WB team with support from external financial experts is supporting the development of the White Paper. This white paper is expected to not only provide an update to the PA regarding the impact of reform measures on financial health of the sector but to also identify priority measures to continue the reform process. The White Paper is also expected to form the basis of PENRA/PETL's ongoing discussions, including PPA negotiations, with the Jenin IPP, which is a proposed 450MW gas-fired power plant in northern West Bank and other smaller solar IPPs.

## Program and Trust Fund Management Window

This window finances a portion of the management and administration costs associated with implementing the PID-MDTF that are borne by the sector teams, country management, and central support functions. Up to three percent can be allocated to this window from the Trustee Fund. To date US$700,000 has been allocated to the Management window, of which US$369,873 has been disbursed. No additional allocations have been made to this window during the reporting period. During the PID MDTF reporting period (September 1, 2017 - August 31, 2018) a total of US$101,448 was disbursed.

As previously reported, the TF recovery framework was updated by the WB in order to improve efforts to recover the indirect costs for TFs that include both Bank-executed and Recipient-executed TF components in a single financing arrangement. The new parallel TF that was established in (TF072778) has been receiving all new contributions during the last two reporting periods.

TF Indirect Rate is levied on the cost of personnel charged to BETFs in order to recover the Bank's indirect costs associated with TF financed activities. Under the recovery framework a TF Indirect Rate equal to 17 percent of the cost of personnel (staff salaries, consultant fees, and benefits, except for extended assignment benefits) will be charged to the BETF. The Budget, Performance Review & Strategic Planning Vice-Presidency unit of the WB (BPS) will regularly monitor the amount of indirect costs incurred, to ensure that the total amount of revenues generated through TF-related fees and indirect rates do not exceed the total amount of indirect costs attributed to TFs.

The WB's 2017 Trust Fund Annual Report, which includes a review of the program under the PID MDTF, is available online.[21] The report summarizes key results, financial trends, and reforms pertaining to WBG TFs and financial intermediary funds (FIFs). TFs and FIFs are key pillars of the WBG's development finance, responding to emerging global needs and providing flexible and customized development solutions to help clients. The tools are held to the same high fiduciary standards, responsible investment strategy, and robust operational procedures applied to all other WBG activities. They have enabled the WBG to support priority development issues to complement the International Development Association (IDA) and IBRD operations, generate knowledge and analytics, pilot and scale up innovations, and build strong partnerships.

## Project Supervision

To date, no supervision costs have been financed through the PID-MDTF. Project supervision has been covered exclusively by the WB implementation support budgets. Given the number and complexity of operations co-financed by the PID, management will consider allocations to this window in the upcoming period.

## Outlook

While the PID MDTF remains the instrument of choice for the PA and key donors to provide financial and technical support to the Palestinian infrastructure sectors, financial contributions to the TF have declined in line with the overall trend of donor aid to the PA. In light of the growing funding needs, particularly in Gaza, this decline in pledges remains the most daunting challenge for the coming programming period. Although some critical operations to address the current Gaza crisis have secured additional funding, such as ESPIP, other investment programs remain critically underfunded. The water sector alone accounts for a funding gap of close to US$150 million, only 10 percent of which can currently be covered by the PID. The WB has increased allocations to all pipeline infrastructure programs currently under preparation with the additional funding being made available by the recently approved replenishment request to the TFGWB. However, more resources will be required to fully or even partially meet the critical investment needs in the Palestinian water, urban, and electricity sectors.

The WB is currently in discussion with several donors who have expressed interest in joining the PID MDTF. These include the EC and UK in addition to Australia. Combined pledges from these donors may reach up to US$25-30 million over the next 12 months. The WB will continue updating the PID MDTF OG on the progress of discussions and inform all partners once Administrative Agreements (AA) to join the TF have been signed.

The PID MDTF will also need an extension of the End of Disbursement (EOD) Date, currently December 31, 2022. With new operations in the pipeline, a longer disbursement period would be required to allow sufficient time for project implementation. The WB is proposing to extend the EOD of the Parallel TF (TF072778) to December 31, 2027. All donors who made contributions to the PID MDTF after January 2016 and are active in the parallel TF, i.e., Norway, Finland, Denmark, and Sweden, would receive a draft amendment to the AA with the proposed EOD extension.

21. https://www.worldbank.org/en/publication/trust-fund-annual-report-2017

Finally, the PID MDTF is likely to continue experiencing liquidity shortages in the coming programming period. Paid-in cash under the original TF071898 will be fully committed with signing of the upcoming GAs in the water and energy sectors. The balance of paid-in cash under the parallel TF072778 is not expected to reach sufficient levels of liquidity to provide for the full co-financing allocated to Recipient-executed activities supported by the PID MDTF. Existing donors increasingly pay in their contributions according to national budget cycles and subject to annual parliamentary approval. New donors considering joining the TF apply similar constraints. This conditionality will continue restricting the PID MDTF's capability to respond to the co-financing needs agreed with the PA and contributing donors, since not enough cash is available to enter GAs covering the full funding allocation—despite the rigorous cash flow management system applied by TF management to forecast cash demands of current and future projects. These de-facto restrictions on signing new GAs until sufficient cash contributions have been made may cause delays in the availability of co-financing for new operations. As a result, this may affect the PA's ability to implement agreed activities on time and possibly reflect on the IP performance of the PID MDTF investment program.

## ANNEX 1: PA NATIONAL POLICY AGENDA - NATIONAL PRIORITIES, POLICIES & POLICY INTERVENTIONS (ENGLISH TRANSLATION OF NPA IS UNOFFICIAL)..

The objectives of the PID MDTF and the projects and programs supported by the TF are fully aligned with the NPA, specifically but not limited to the following areas:

| PILLAR | NATIONAL PRIORITIES | NATIONAL POLICIES | POLICY INTERVENTIONS |
|---|---|---|---|
| Government Reform | Citizen-Centered Government | Responsive Local Government | • Reform and restructure local government and administration.<br>• Decentralize services to LGUs, while building their capability and fiscal capacity to carry out these services.<br>• Expand LGU taxation, revenue-raising and resource management mandates.<br>• Develop an effective system of intergovernmental transfers. |
| | | Improving Services to Citizens | • Develop and implement a government-wide service improvement strategy<br>• Strengthen service delivery in partnerships with the private sector and civil society. |
| | Effective Government | Strengthening Accountability and Transparency | • Strengthen transparency in government, including the approval and implementation of access to information legislation.<br>• Strengthen the role of financial and administrative audit institutions.<br>• Strengthen results-based management and integrated planning and budgeting. |
| | | Effective, Efficient Public Financial Management | • Ensure fiscal sustainability and improve public financial management<br>• Reform and restructure Palestine's public institutions to increase efficiency and improve service quality.<br>• Establish Palestine's utilities, prioritizing the electricity and water sectors. |
| Sustainable Development | Economic independence | Effective Public Financial Management | • Plan and invest in strategic infrastructure (water, electricity, transportation and telecom networks, airports, seaport and industrial parks).<br>• Bridge the West Bank-Gaza development gap. |
| | Resilient Communities | Meeting the Basic Needs of Our Communities | • Expand community access to clean water and sanitation.<br>• Expand community access to reliable energy.<br>• Improve public transportation and road safety. |
| | | Ensuring a Sustainable Environment | • Expand SWM and recycling.<br>• Expand wastewater management, treatment and reuse.<br>• Manage, protect and promote sustainable use and conservation of natural resources (land, water and energy).<br>• Increase energy efficiency and reliance on renewable energy. |

# ANNEX 2: PID MDTF RESULTS MATRIX AS OF AUGUST 31, 2018

| Results Matrix – Active Projects | | | | |
|---|---|---|---|---|
| Results Indicators | Unit of Measure | Baseline | Current | End Target |
| Enhance the institutional capacity of Local Government Units and strengthen the local government financing system for more accountable and sustainable service delivery. | | | | |
| **Improving Local Service Delivery** | | | | |
| People provided with improved living conditions and access to improved services. (50% of which female beneficiaries.) (2016-2022). | Number | 0 | 171,298 | 850,000 |
| People benefitting from improved sanitation disposal services in Gaza (Khan Younis, Rafah, and Middle Gaza). | Number | 0 | 474,000 | 948,000 |
| **Enhancing Performance of Local Government Sector Institutions** | | | | |
| Number of municipalities that move up one rank in the performance assessment system. (2018-2022). | Number | 0 | 0 | 100 |
| Number of municipalities with operational and enterprise surplus and no increase in arrears. (2018-2022). | Number | 40 | 40 | 40 |
| Percentage of VCs receiving transparent and predictable Annual Capital Grants | Percentage | 0 | 53 | 70 |
| **Strengthening Good Governance in the Local Government Sector** | | | | |
| Municipalities with public disclosure of executed budget and executed SDIP. (2018-2022) | Number | 0 | 0 | 100 |
| Beneficiaries that feel Program investments reflected their needs. | Percentage | 0 | 0 | 75 |
| Percentage of beneficiaries satisfied with municipal sub projects executed under MDP-3. | Percentage | 0 | 0 | 80 |
| Percentage of VCs submitting their annual budget to MoLG electronically on time and have disclosed budgets publicly. | Percentage | 10 | 75 | 60 |
| Number of municipalities with functional complaint system. (2018-2022) | Number | 22 | 22 | 100 |
| Enhance the energy sector's institutional capacity, improve efficiency of distribution system in targeted areas, and pilot a new business model for solar energy service delivery in Gaza. | | | | |
| **Improving Electricity Services** | | | | |
| People provided with new or improved electricity service (30% of which female) | Number | 0 | 0 | 9,300 |
| Installed solar PV systems in female-headed households and SMEs | Number | 0 | 0 | 100 |

| Enhance the energy sector's institutional capacity, improve efficiency of distribution system in targeted areas, and pilot a new business model for solar energy service delivery in Gaza. | | | | |
|---|---|---|---|---|
| **Enhancing Performance of Energy Sector Institutions** | | | | |
| PETL collection rate from DISCOs. | Percentage | 0 | 0 | 90 |
| Electricity losses per year in the project area. | Percentage | 23 | 23 | 100 |
| Number of management information systems in operation | Number | 0 | 0 | 1 |
| **Strengthening Good Governance in the Energy Sector** | | | | |
| Grievances registered related to delivery of project benefits addressed. | Percentage | 0 | 0 | 100 |
| PERC's audits of ERPs of two DISCOs | Yes/No | No | No | Yes |
| Improving access to, and operational performance of water supply services in select areas. (2019-) – *under development* | | | | |
| **Improving Water and Sanitation Services** | | | | |
| People (of which 50% female) provided with access to improved water supply through piped water connections. | Number | TBD | TBD | TBD |
| Volume (m3) of treated wastewater that is available for reuse. | M3 | W ASH (140,000) | TBD | 155,000 |
| Achieving and maintaining water disinfection efficiency in Gaza at 99%.[22] | Percentage | 99% | TBD | 99% |
| **Enhancing Performance of Water Sector Institutions** | | | | |
| Reduction of non-revenue water by X% (System volume input – volume billed/ system volume input 100%). | Percentage | WASH | TBD | TBD |
| Interactive benchmarking system established and operational. | Number | 3 | TBD | 8 |
| Establishment of X number of independent water utilities. | Number | 2 | TBD | 6 |
| Revenues exceeds operation expenditure by X%. | Percentage | TBD | TBD | TBD |
| **Strengthening Good Governance in the Water Sector** | | | | |
| Institutionalization of sustainable accountability mechanisms at the local and national levels (e.g: compliant system (CS), citizen engagement and communication (CE), | Text | Not available | TBD | CS, CE, G |

22. This indicator measures the number of samples with positive residual chlorine out of total number of X samples for the network locations under CMWU jurisdiction (not all Gaza strip). Negative samples are treated within 24 hours of detection, as a mitigation measure. The high quality standard disinfection rate of 99% has been established under Bank support in previous interventions is therefore an important indicator for the Utility's performance. The project will supp

# ANNEX 3: PROJECT RESULTS REPORT – AUGUST 2018

## WATER SECTOR
## WATER SECTOR CAPACITY BUILDING

| PROJECT | PROJECT ID | GRANT NO. | NET COMMITMENT AMOUNT | TOTAL DISBURSEMENT | CLOSING DATE | OVERALL IMPLEMENTATION PROGRESS | RATING TOWARDS ACHIEVEMENTS OF PDO |
|---|---|---|---|---|---|---|---|
| Basic Info with key dates | P117443 | TF015756 | $5.85M | $5.85M | 31/12/2017 | MS | MS |
| Project Development Objectives | The Project's development objective is to strengthen the capacity of the PWA to more effectively plan, monitor, and regulate water sector development in the West Bank and Gaza. | | | | | | |

### PROJECT DEVELOPMENT OBJECTIVE INDICATORS

**Sector Reform Planning Document developed, Updated yearly approved yearly by PWA and COMSC (Yes/No, Custom)**

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|---|---|---|---|---|
| VALUE | N | Y | Y | Y |
| DATE | 01-Jan-2011 | 28-Apr-2017 | 02-Nov-2017 | 31-Dec-2017 |

**Water law is updated and consulted with stakeholders and approved by responsible Authorities (Yes/No, Custom)**

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|---|---|---|---|---|
| VALUE | N | Y | Y | Y |
| DATE | 01-Jan-2011 | 28-Apr-2017 | 02-Nov-2017 | 31-Dec-2017 |

**Water Sector Policy and Strategy approved by PWA (Yes/No, Custom)**

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|---|---|---|---|---|
| VALUE | N | Y | Y | Y |
| DATE | 01-Jan-2011 | 28-Apr-2017 | 02-Nov-2017 | 31-Dec-2017 |

| WSRC is strengthened and Functional (Text, Custom) | | | | |
|---|---|---|---|---|
| | Baseline | Actual (Previous) | Actual (Current) | End Target |
| VALUE | Not available | WSRC has been established, staffed, strategy underdevelopment. | WSRC has been established, staffed, strategy developed. | WSRC established, staffed, strategies, and bylaws approved and under implementation |
| DATE | 24-Jun-2015 | 28-Apr-2017 | 02-Nov-2017 | 31-Dec-2017 |

| Monitoring Reports on Service Providers performance are developed and published annually (Text, Custom) | | | | |
|---|---|---|---|---|
| | Baseline | Actual (Previous) | Actual (Current) | End Target |
| VALUE | None | Three Reports were finalized for 2013, 2014 and 2015 | Annual report is developed and disclosed | Annual report is developed and disclosed |
| DATE | 03-Mar-2011 | 28-Apr-2017 | 02-Nov-2017 | 31-Dec-2017 |

Link to latest ISR:

http://documents.worldbank.org/curated/en/591431513942846151/pdf/Disclosable-Version-of-the-ISR-GZ-Water-Sector-Capacity-Building-P117443-Implementation Status & Results Report Sequence-No-14.pdf

# ADDITIONAL FINANCING FOR WATER SUPPLY & SEWAGE SYSTEMS IMPROVEMENT (P101289) INCLUDING AF (P151032)

| PROJECT | PROJECT ID | GRANT NO. | NET COMMITMENT AMOUNT | TOTAL DISBURSEMENT | CLOSING DATE | OVERALL IMPLEMENTATION PROGRESS | RATING TOWARDS ACHIEVEMENTS OF PDO |
|---|---|---|---|---|---|---|---|
| Basic Info with key dates | P101289 | TF018268 | $20.41M | $16.08M | 31/12/2017 | MS | MS |
| Project Development Objectives | To improve the quality and efficiency of water supply and wastewater service provision in Gaza and assist in restoration of basic water supply and wastewater services through: (i) rehabilitation and reconstruction of existing and damaged water and wastewater systems, and (ii) enhancing the capacity of the CMWU to sustain water and wastewater services. | | | | | | |

## PROJECT DEVELOPMENT OBJECTIVE INDICATORS

**Disinfection efficiency of water supply in the Gaza Strip is sustained at the baseline level of 99.0% throughout the project. (Yes/No, Custom)**

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|---|---|---|---|---|
| VALUE | Y | Y | Y | Y |
| DATE | 30-Sep-2012 | 02-Mar-2017 | 23-Oct-2017 | 31-Dec-2017 |

**Decrease in the percentage of non-revenue water in Rafah, Khan Younis, and Deir El-Balah as a result of the project. (Percentage, Custom)**

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|---|---|---|---|---|
| VALUE | 39.00 | 34.00 | 34.00 | 34.00 |
| DATE | 30-Sep-2012 | 02-Mar-2017 | 23-Oct-2017 | 31-Dec-2017 |

**Decrease in the percentage of non-revenue water in Rafah, Khan Younis, and Deir El-Balah as a result of the project. (Percentage, Custom)**

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|---|---|---|---|---|
| VALUE | 39.00 | - | 34.00 | 34.00 |
| DATE | 30-Sep-2012 | - | 30-Oct-2017 | 31-Dec-2017 |

Nominal increase in collection rate of CMWU in Rafah, Khan Younis, and Deir El-Balah Governorates as a result of the project. (Percentage, Custom)

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|---|---|---|---|---|
| VALUE | 49.00 | 47.00 | 47.00 | 55.00 |
| DATE | 30-Sep-2012 | 02-Mar-2017 | 23-Oct-2017 | 31-Dec-2017 |

People (49% females) in the project area would benefit from improved wastewater facilities. (Number, Custom)

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|---|---|---|---|---|
| VALUE | 0.00 | 100,000.00 | 100,000.00 | 100,000.00 |
| DATE | 30-Sep-2012 | 02-Mar-2017 | 23-Oct-2017 | 31-Dec-2017 |

People provided with access to improved sanitation services (Number, Corporate)

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|---|---|---|---|---|
| VALUE | 0.00 | - | 100,000.00 | 100,000.00 |
| DATE | 30-Sep-2012 | - | 30-Oct-2017 | 31-Dec-2017 |

People provided with access to improved sanitation services - Female (RMS requirement) (Number, Corporate Supplement)

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|---|---|---|---|---|
| VALUE | 0.00 | - | 49,000.00 | 49,000.00 |

People provided with access to improved sanitation services - rural (Number, Corporate Supplement)

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|---|---|---|---|---|
| VALUE | 25,000.00 | - | 25,000.00 | 25,000.00 |

People provided with access to improved sanitation services - urban (Number, Corporate Supplement)

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|---|---|---|---|---|
| VALUE | 75,000.00 | - | 75,000.00 | 75,000.00 |

Improvement in wastewater effluent quality in Gaza. (Percentage, Custom)

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|---|---|---|---|---|
| VALUE | 75.00 | 77.20 | 77.20 | 80.00 |
| DATE | 30-Sep-2012 | 02-Mar-2017 | 23-Oct-2017 | 31-Dec-2017 |

Number of people in urban areas provided with access to Improved Water Sources under the project (Number, Custom)

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|---|---|---|---|---|
| VALUE | 1,600,000.00 | 1,800,000.00 | 1,900,000.00 | 1,850,000.00 |
| DATE | 12-Sep-2014 | 02-Mar-2017 | 23-Oct-2017 | 31-Dec-2017 |

Number of people benefitting from restored water supply and wastewater services (Number, Custom)

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|---|---|---|---|---|
| VALUE | 0.00 | 1,800,000.00 | 1,900,000.00 | 1,800,000.00 |
| DATE | 12-Sep-2014 | 02-Mar-2017 | 23-Oct-2017 | 31-Dec-2017 |

Improvement in wastewater effluent quality in Gaza (Percentage, Custom)

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|---|---|---|---|---|
| VALUE | 75.00 | - | 77.20 | 80.00 |
| DATE | 30-Sep-2012 | - | 31-Oct-2017 | 31-Dec-2017 |

People provided with access to improved water sources (Number, Corporate)

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|---|---|---|---|---|
| VALUE | 1,600,000.00 | - | 1,900,000.00 | 1,850,000.00 |
| DATE | 30-Sep-2012 | - | 31-Oct-2017 | 31-Dec-2017 |

People provided with access to improved water sources - Female (RMS requirement) (Number, Corporate Supplement)

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|---|---|---|---|---|
| VALUE | 800,000.00 | - | 950,000.00 | 925,000.00 |

People provided with access to improved water sources - rural (Number, Corporate Supplement)

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|---|---|---|---|---|
| VALUE | 200,000.00 | - | 237,500.00 | 231,250.00 |

People provided with access to improved water sources - urban (Number, Corporate Supplement)

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|---|---|---|---|---|
| VALUE | 600,000.00 | - | 712,500.00 | 693,750.00 |

Link to latest ISR:

http://documents.worldbank.org/curaed/en/186431514560540127/pdf/Disclosable-Version-of-the-ISR-GZ-Gaza-Water-Supply-Sewage-System-Improvement-P101289-Implementation Status & Results Report Sequence-No-11.pdf

# NORTHERN GAZA EMERGENCY SEWAGE TREATMENT (NGEST) PROJECT

| PROJECT | PROJECT ID | GRANT NO. | NET COMMITMENT AMOUNT | TOTAL DISBURSEMENT | CLOSING DATE | OVERALL IMPLEMENTATION PROGRESS | RATING TOWARDS ACHIEVEMENTS OF PDO |
|---|---|---|---|---|---|---|---|
| Basic Info with key dates | P074595 | TF016501 | $41.85M | $41.41M | 31/12/2017 | MS | MS |
| Project Development Objectives | The project objectives are to: (i) mitigate the immediate gathering health and environmental safety threats to the communities surrounding the effluent lake at BLWTP; and (ii) Provide a satisfactory long-term solution to the treatment of wastewater for the Northern Government in Gaza. | | | | | | |

## PROJECT DEVELOPMENT OBJECTIVE INDICATORS

**Effluent lake is drained and no longer a threat to the surrounding communities at Beit-Lahia WWTP (Yes/No, Custom)**

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|---|---|---|---|---|
| VALUE | N | Y | N | N |
| DATE | 29-Oct-2004 | 31-Dec-2017 | 15-Jun-2018 | 30-Jun-2018 |

### COMMENTS

While some of the investments (referred to as Part A) were concluded in 2010 with the effluent lake at Beit Lahia being evacuated and dried, delays in the construction of the new WWTP and clogging of the infiltration basins forced the PWA in March 2016 to resort back to using the lake as a temporary measure to control and manage sewage flows until they can be treated at the new site. Once commissioning of the new WWTP is concluded end of June 2018, drainage of the effluent lake will be initiated once again, and completed over the course of the ICR period. This would explain why the value changes from yes to no over the course of project implementation.

**Wastewater collected and treated in accordance with Palestinian environmental standards suitable for groundwater infiltration and reuse (M3/day) (Number, Custom)**

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|---|---|---|---|---|
| VALUE | 0.00 | 25,000.00 | 16,000.00 | 25,000.00 |
| DATE | 17-Mar-2014 | 31-Dec-2017 | 15-Jun-2018 | 30-Jun-2018 |

### COMMENTS

While effluent quality has yet to be reached (although it is close) during the commissioning phase, it is very likely that it will once the three treatment lines are fully operational, with a flow of 34,000 m3/d.
The latest analyses show that the WWTP has already made significant progress in achieving the effluent quality standards as per the operation and maintenance (O&M) contract performance targets. The latest analyses performed in June 2018 during the commissioning period report average concentrations of biochemical oxygen demand (BOD) of 21.3 mg/L (compared with the contractual level of 20 mg/L), a total suspended solids (TSS) concentration of 23.3 mg/L (compared with the contractual level of 20 mg/L) and a total nitrogen (TN) concentration of 55.7 mg/L (compared with the contractual level of 20 mg/L).
It is also important to note that, as per the MoU signed between the PWA and O&M contractor in February 2018, "during the commissioning period, the contractor will maintain all required testing of inlet and outlet parameters for each process facility and submit the results to the engineer and employer for verification. If, after the process is stable, the tests detect that the plant cannot meet the effluent standard foreseen in the contract, then the employer and the contractor will agree and adapt these effluent parameter to the achieved figures."

**Less than 5% increase in salinity and nitrate levels at monitoring wells within project site compared to before commissioning the plant (Yes/No, Custom)**

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|---|---|---|---|---|
| VALUE | N | Y | N | Y |
| DATE | 17-Mar-2014 | 31-Dec-2017 | 15-Jun-2018 | 30-Jun-2018 |

COMMENTS

As per the latest groundwater quality sampling campaign results (up to June 2018), the data point to levels of nitrates between 35 and 90 mg/L. As for salinity, we have, from the same campaign, total dissolved solids (TDS) levels of 1,200-1,600 mg/L and conductivity of 2,000-2,800 µS/cm (both used as proxies for salinity). The achievement of this indicator will be assessed once commissioning is completed.

**Establishment of O&M plan, including gradual increases of O&M financing and cost recovery for the NGEST WWTP (Yes/No, Custom)**

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|---|---|---|---|---|
| VALUE | N | Y | Y | Y |
| DATE | 17-Mar-2014 | 31-Dec-2017 | 15-Jun-2018 | 30-Jun-2018 |

COMMENTS

The plan received by the Bank includes all of the elements listed in the indicator definition, but its endorsement (and thus long term financing and sustainability) has yet to be confirmed by the PWA. A draft final MoU has been finalized between the stakeholders involved, but it has yet to be signed, due to the recent internal political complications.

In terms of short to medium-term financing, the Palestinian Authority will cover the electricity costs for the next 2 years, and the World Bank will continue to finance, through NGEST (until closing) and a potential budget support operation with the Ministry of Finance, the O&M contract for the full contract period (up to end of February 2020).

**CMWU manages plant so that effluent standards are met at all times (Yes/No, Custom)**

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|---|---|---|---|---|
| VALUE | N | Y | N | Y |
| DATE | 17-Mar-2014 | 31-Dec-2017 | 15-Jun-2018 | 30-Jun-2018 |

| Direct project beneficiaries (Number, Custom) | | | | |
|---|---|---|---|---|
| | Baseline | Actual (Previous) | Actual (Current) | End Target |
| VALUE | 200,000.00 | 550,000.00 | 377,575.00 | 350,000.00 |
| DATE | 17-Mar-2014 | 31-Dec-2017 | 15-Jun-2018 | 30-Jun-2018 |

COMMENTS

It is to be noted that there is a mistake with the values entered in the last ISRs for this indicator. As per the restructuring papers since this core indicator was introduced in 2014, the end target is 350,000, and not 550,000.

| Female beneficiaries (Percentage, Custom Supplement) | | | | |
|---|---|---|---|---|
| | Baseline | Actual (Previous) | Actual (Current) | End Target |
| VALUE | 50.00 | 50.00 | 49.10 | 50.00 |

OVERALL COMMENTS

See Key Issues for a complete analysis of progress with regards to these indicators.

Link to latest ISR:

http://documents.worldbank.org/curated/en/757561530291927286/pdf/Disclosable-Version-of-the-ISR-Northern-Gaza-Emergency-Sewage-Treatment-NGEST-Project-P074595-Implementation Status & Results Report -Sequence-No-30.pdf

# GAZA SUSTAINABLE WATER SUPPLY PROGRAM (P150494)

| PROJECT | PROJECT ID | GRANT NO. | NET COMMITMENT AMOUNT | TOTAL DISBURSEMENT | CLOSING DATE | OVERALL IMPLEMENTATION PROGRESS | RATING TOWARDS ACHIEVEMENTS OF PDO |
|---|---|---|---|---|---|---|---|
| Basic Info with key dates | P150494 | TF017186 | $2.50M | $2.50M | 31/5/2018 | MS | S |
| Project Development Objectives | The Development Objective is to make available to the Palestinian Water Authority studies and key initiatives needed to support the preparation of the Gaza Sustainable Water Supply Program. | | | | | | |

## PROJECT DEVELOPMENT OBJECTIVE INDICATORS

**Associated Works infrastructure ready to tender (Yes/No, Custom)**

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|---|---|---|---|---|
| VALUE | N | N | Y | Y |
| DATE | 05-Oct-2015 | 28-Apr-2017 | 31-Mar-2018 | 30-Apr-2018 |

**ESIA Report completed (Yes/No, Custom)**

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|---|---|---|---|---|
| VALUE | N | N | Y | Y |
| DATE | 05-Oct-2015 | 28-Apr-2017 | 31-Mar-2018 | 29-Dec-2017 |

**Non-revenue Water Plan Designed and Approved (Yes/No, Custom)**

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|---|---|---|---|---|
| VALUE | N | Y | Y | Y |
| DATE | 05-Oct-2015 | 29-Jun-2017 | 31-Mar-2018 | 30-Apr-2018 |

Link to latest ISR:

http://documents.worldbank.org/curated/en/532351527887711491/pdf/Disclosable-Version-of-the-ISR-Gaza-Sustainable-Water-Supply-Program-P150494-Implementation Status & Results Report-Sequence-No-02.pdf

# URBAN SECTOR
# SECOND MUNICIPAL DEVELOPMENT PROJECT

| PROJECT | PROJECT ID | GRANT NO. | NET COMMITMENT AMOUNT | TOTAL DISBURSEMENT | CLOSING DATE | OVERALL IMPLEMENTATION PROGRESS | RATING TOWARDS ACHIEVEMENTS OF PDO |
|---|---|---|---|---|---|---|---|
| Basic Info with key dates | P127163 | TF016476<br>TF018378 | $57.70M | $57.70M | 28/2/2018 | S | S |
| Project Development Objectives | The project development objective is to improve the Recipient's municipal management practices for better municipal transparency and service delivery, and to restore priority municipal services following the conflict in Gaza. | | | | | | |

## PROJECT DEVELOPMENT OBJECTIVE INDICATORS

**Number of municipalities that graduate up the performance category in which they are currently classified, by the end of MDP-II (Number, Custom)**

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|---|---|---|---|---|
| VALUE | 0.00 | 70.00 | 80.00 | 80.00 |
| DATE | 28-Mar-2013 | 27-Mar-2017 | 18-Sep-2017 | 28-Feb-2018 |

**Number of municipalities that graduate to A ranking, by the end of MDP-II (Number, Custom Breakdown)**

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|---|---|---|---|---|
| VALUE | 0.00 | 0.00 | 2.00 | 2.00 |
| DATE | 28-Mar-2013 | 27-Mar-2017 | 18-Sep-2017 | 28-Feb-2018 |

**Number of Municipalities that graduate to B ranking (Number, Custom Breakdown)**

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|---|---|---|---|---|
| VALUE | 0.00 | 54.00 | 77.00 | 50.00 |
| DATE | 28-Mar-2013 | 27-Mar-2017 | 18-Sep-2017 | 28-Feb-2018 |

Affected population in Gaza with access to restored municipal services (Number, Custom)

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|---|---|---|---|---|
| VALUE | 0.00 | 1,147,133.00 | 1,147,133.00 | 1,000,000.00 |
| DATE | 15-Oct-2014 | 27-Mar-2017 | 18-Sep-2017 | 28-Feb-2018 |

Percentage of municipalities that apply social accountability measures, specifically, at least two public disclosure mechanisms, by the end of MDP-II. (Percentage, Custom)

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|---|---|---|---|---|
| VALUE | 68.00 | 94.00 | 81.00 | 80.00 |
| DATE | 28-Feb-2013 | 27-Mar-2017 | 18-Sep-2017 | 28-Feb-2018 |

Municipalities publicly disclosing external audit reports with minimum standards, and with unqualified opinion (Number, Custom Supplement)

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|---|---|---|---|---|
| VALUE | -- | 72.00 | 76.00 | 55.00 |

Municipalities publicly disclosing participatory SDIP execution and updates. (Number, Custom Supplement)

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|---|---|---|---|---|
| VALUE | 0.00 | 129.00 | 144.00 | 100.00 |

Municipalities establishing service quality standards for tracking in Citizen Service Support Centers (Number, Custom Supplement)

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|---|---|---|---|---|
| VALUE | 8.00 | 22.00 | 22.00 | 40.00 |

**Percentage of investments financed under the Project that are operational and in an adequate state of usability, according to technical audits. (Percentage, Custom)**

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|---|---|---|---|---|
| VALUE | 0.00 | 93.00 | 93.00 | 90.00 |
| DATE | 28-Feb-2013 | 27-Mar-2017 | 18-Sep-2017 | 28-Feb-2018 |

**Direct project beneficiaries (Number, Core)**

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|---|---|---|---|---|
| VALUE | 0.00 | 3,282,886.00 | 3,282,886.00 | 2,000,000.00 |
| DATE | 28-Mar-2013 | 27-Mar-2017 | 18-Sep-2017 | 28-Feb-2018 |

**Comments**
Methodology for this indicator was revised to reduce the incidence of double counting.

**Female beneficiaries (Percentage, Core Supplement)**

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|---|---|---|---|---|
| VALUE | 0.00 | 49.00 | 49.00 | 49.00 |

**Beneficiaries from roads established/rehabilitated, by the end of MDP-II (Number, Custom)**

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|---|---|---|---|---|
| VALUE | 0.00 | 2,470,313.00 | 2,532,851.00 | 1,200,000.00 |
| DATE | 28-Mar-2013 | 27-Mar-2017 | 18-Sep-2017 | 28-Feb-2018 |

Link to latest ISR:
http://documents.worldbank.org/curated/en/696571509102858912/pdf/Disclosable-Version-of-the-ISR-GZ-Second-Municipal-Development-Project-P127163-Implementation-Status-Results-Report Sequence-No-10.pdf

# THIRD SECOND MUNICIPAL DEVELOPMENT PROJECT

| PROJECT | PROJECT ID | GRANT NO. | NET COMMITMENT AMOUNT | TOTAL DISBURSEMENT | CLOSING DATE | OVERALL IMPLEMENTATION PROGRESS | RATING TOWARDS ACHIEVEMENTS OF PDO |
|---|---|---|---|---|---|---|---|
| Basic Info with key dates | P127163 | TF0A6154 | $36.00M | 5.84M | 22 Feb 2022 | S | S |
| Project Development Objectives | The project development objective (PDO) is to enhance the institutional capacity of municipalities in the West Bank and Gaza for more accountable and sustainable service delivery. | | | | | | |

## PROJECT DEVELOPMENT OBJECTIVE INDICATORS

**Number of municipalities that move up one rank in the performance assessment system (Number, Custom)**

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|---|---|---|---|---|
| VALUE | 0.00 | 0.00 | 0.00 | 100.00 |
| DATE | 1-Sep-2017 | 3-Jan-2018 | 3-Jan-2018 | 28-Feb-2022 |

**People provided with improved urban living conditions (Number, Custom)**

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|---|---|---|---|---|
| VALUE | 0.00 | 0.00 | 0.00 | 500.00 |
| DATE | 1-Sep-2017 | 3-Jan-2018 | 3-Jan-2018 | 28-Feb-2022 |

**Female beneficiaries (Number, Custom Breakdown)**

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|---|---|---|---|---|
| VALUE | 0.00 | 0.00 | 0.00 | 250.000.00 |
| DATE | 1-Sep-2017 | 3-Jan-2018 | 3-Jan-2018 | 28-Feb-2022 |

| Municipalities with public disclosure of executed budget and executed SDIP (Number, Custom) | | | | |
|---|---|---|---|---|
| | Baseline | Actual (Previous) | Actual (Current) | End Target |
| VALUE | 0.00 | 0.00 | 0.00 | 100.00 |
| DATE | 1-Sep-2017 | 3-Jan-2018 | 3-Jan-2018 | 28-Feb-2022 |

| Number of municipalities with operational and enterprise surplus and no increase in arrears (Number, Custom) | | | | |
|---|---|---|---|---|
| | Baseline | Actual (Previous) | Actual (Current) | End Target |
| VALUE | 40.00 | 40.00 | 40.00 | 80.00 |
| DATE | 1-Sep-2017 | 3-Jan-2018 | 3-Jan-2018 | 28-Feb-2022 |

Link to latest ISR:

http://documents.worldbank.org/curated/en/588821532711189757/pdf/Disclosable-Version-of-the-ISR-GZ-Third-Municipal-Development-Project-P159258-Sequence-No-02.pdf

# GAZA SOLID WASTE MANAGEMENT PROJECT

| PROJECT | PROJECT ID | GRANT NO. | NET COMMITMENT AMOUNT | TOTAL DISBURSEMENT | CLOSING DATE | OVERALL IMPLEMENTATION PROGRESS | RATING TOWARDS ACHIEVEMENTS OF PDO |
|---|---|---|---|---|---|---|---|
| Basic Info with key dates | P121648 | TF018377 | $10.00M | $3.117M | 30/11/2020 | MU | MS |
| Project Development Objectives | The objective of this project is to improve solid waste management services in the Gaza Strip. | | | | | | |

## PROJECT DEVELOPMENT OBJECTIVE INDICATORS

**Direct project beneficiaries (Number) and percentage of which are female (Number, Custom)**

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|---|---|---|---|---|
| VALUE | 0.00 | 467,675.00 | 474,000.000.00 | 948,000.00 |
| DATE | 15-May-2014 | 15-Nov-2017 | 08-May-2018 | 30-Nov-2020 |

**Female beneficiaries (Percentage, Custom Supplement)**

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|---|---|---|---|---|
| VALUE | 0.00 | 49.00 | 49.00 | 49.00 |

**Contaminated land managed or dump sites closed under the project (Hectare(Ha), Custom)**

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|---|---|---|---|---|
| VALUE | 0.00 | 0.00 | 0.00 | 10.00 |
| DATE | 15-May-2014 | 15-Nov-2017 | 08-May-2018 | 30-Nov-2020 |

**Number of waste pickers whose lives depend on the existing solid waste context and who are integrated into livelihood and social inclusion programs under the project (Number, Custom)**

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|---|---|---|---|---|
| VALUE | 0.00 | 16.00 | 16.00 | 16.00 |
| DATE | 15-May-2014 | 15-Nov-2017 | 08-May-2018 | 30-Nov-2020 |

**Percentage increase in fees collected annually within the member municipalities towards cost recovery (Percentage, Custom)**

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|---|---|---|---|---|
| VALUE | 15.00 | 20.00 | 30.00 | 60.00 |
| DATE | 15-May-2014 | 31-Mar-2017 | 08-May-2018 | 30-Nov-2020 |

**Percentage of solid waste collected from the targeted population, disposed in a new sanitary landfill developed under the project (Percentage, Custom)**

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|---|---|---|---|---|
| VALUE | 0.00 | 0.00 | 0.00 | 80.00 |
| DATE | 15-May-2014 | 31-Mar-2017 | 08-May-2018 | 30-Nov-2020 |

Link to latest ISR:

http://documents.worldbank.org/curated/en/269771529349276046/pdf/Disclosable-Version-of-the-ISR-Gaza-Solid-Waste-Management-Project-P121648- Implementation-Status-Results-Report-Sequence-No-09.pdf

# LOCAL GOVERNANCE AND SERVICES IMPROVEMENT PROGRAM (LGSIP)

| PROJECT | PROJECT ID | GRANT NO. | NET COMMITMENT AMOUNT | TOTAL DISBURSEMENT | CLOSING DATE | OVERALL IMPLEMENTATION PROGRESS | RATING TOWARDS ACHIEVEMENTS OF PDO |
|---|---|---|---|---|---|---|---|
| Basic Info with key dates | P148896 | TF0A4511<br>TF 18377 | $18.00M | $5.68M | 31 Dec 2020 | S | S |
| Project Development Objectives | The objective of this project is to improve solid waste management services in the Gaza Strip. | | | | | | |

## PROJECT DEVELOPMENT OBJECTIVE INDICATORS

**PDO indicator 1: VCs receiving transparent and predictable Annual Capital Grants (Percentage, Custom)**

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|---|---|---|---|---|
| VALUE | 0.00 | 31.00 | 53.00 | 70.00 |
| DATE | 16-Sep-2015 | 31-Jul-2017 | 31-Dec-2017 | 31-Dec-2020 |

**PDO indicator 2: Timely communication to VCs of the formula based Annual Capital Investment Grant (ACIG) allocations and timely transfer of ACIGs to eligible VCs (Yes/No, Custom)**

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|---|---|---|---|---|
| VALUE | No | Yes | Yes | Yes |
| DATE | 16-Sep-2015 | 31-Jul-2017 | 31-Dec-2017 | 31-Dec-2020 |

**PDO indicator 3: People benefiting from improved service delivery in Program villages (Number, Custom)**

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|---|---|---|---|---|
| VALUE | 0.00 | 0.00 | 171,298.00 | 350,000.00 |
| DATE | 16-Sep-2015 | 31-Jul-2017 | 31-Dec-2017 | 31-Dec-2020 |

| PDO indicator 4: Beneficiaries that feel Program investments reflected their needs (Percentage, Custom) | | | | |
|---|---|---|---|---|
| | Baseline | Actual (Previous) | Actual (Current) | End Target |
| VALUE | 0.00 | 0.00 | 0.00 | 75.00 |
| DATE | 16-Sep-2015 | 31-Jul-2017 | 31-Dec-2017 | 31-Dec-2020 |

Link to latest ISR:

http://documents.worldbank.org/curated/en/404761522085354837/pdf/ISR-Disclosable-P148896-03-26-2018-1522085346971 Implementation-Status-Results-Report-Sequence-5.pdf

# ENERGY SECTOR
# WEST BANK AND GAZA ELECTRICITY SECTOR PERFORMANCE IMPROVEMENT PROJECT

| PROJECT | PROJECT ID | GRANT NO. | NET COMMITMENT AMOUNT | TOTAL DISBURSEMENT | CLOSING DATE | OVERALL IMPLEMENTATION PROGRESS | RATING TOWARDS ACHIEVEMENTS OF PDO |
|---|---|---|---|---|---|---|---|
| Basic Info with key dates | P48600 | TF0A2807<br>TF0A5078 | $11.00M | $0.00M | 30/06/2022 | S | S |
| Project Development Objectives | The Project Development Objective is to enhance institutional capacity of the energy sector, improve efficiency of the distribution system in targeted areas, and pilot a new business model for solar energy service delivery in Gaza. | | | | | | |

## PROJECT DEVELOPMENT OBJECTIVE INDICATORS

**PETL collection rate from DISCOs (Percentage, Custom)**

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|---|---|---|---|---|
| VALUE | 0.00 | - | 0.00 | 90.00 |
| DATE | 23-May-2017 | - | 10-May-2018 | 23-May-2023 |

**Electricity losses per year in the project area (Percentage, Custom)**

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|---|---|---|---|---|
| VALUE | 23.00 | - | - | 19.00 |
| DATE | 20-July-2017 | - | 10-May-2018 | 20-July-2023 |

**People proived with new or improved electrity service (Number, Corporate)**

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|---|---|---|---|---|
| VALUE | 0.00 | - | 0.00 | 9,300.00 |
| DATE | 20-July-2017 | - | 10-May-2018 | 20-July-2023 |

**People proived with new or improved electrity service – Female (Number, Corporate Supplement)**

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|---|---|---|---|---|
| VALUE | 0.00 | - | 0.00 | 2,790.00 |

Link to latest ISR:

http://documents.worldbank.org/curated/en/259921529276606162/pdf/Disclosable-Version-of-the-ISR-West-Bank-and-Gaza-Electricity-Sector-Performance-Improvement-Project-P148600- Implementation-Status-Results-Report -Sequence-No-02.pdf

## ANNEX 4: FINANCIAL CONTRIBUTIONS AS OF AUGUST 31, 2018 BY TRUST FUND

### TF071898

| AUG-18 | | PLEDGED TO DATE - TF071898 | | | | | |
|---|---|---|---|---|---|---|---|
| CONTRIBUTORS | CURRENCY | PLEDGED | | PAID-IN TO DATE | | RECEIVABLES | |
| | | Pledge Currency | US$ | Paid-in Currency | US$ | Pledge Currency | US$ |
| Croatia | USD | 200,000 | $200,000 | 200,000 | $200,000 | - | - |
| Sida | SEK | 310,000,000 | $40,272,159 | 310,000,000 | $40,272,159 | - | |
| Denmark | DKK | 220,000,000 | $37,926,345 | 220,000,000 | $37,926,345 | - | - |
| Finland | Euro | 8,650,000 | $10,600,229 | 8,650,000 | $10,600,229 | - | - |
| France | Euro | 3,500,000 | $4,390,050 | 3,500,000 | $4,390,050 | - | - |
| Netherlands | US$ | 4,000,000 | $4,000,000 | 4,000,000 | $4,000,000 | - | - |
| Norway | NOK | 73,000,000 | $9,772,213 | 73,000,000 | $9,772,213 | - | $0 |
| Portugal | Euro | 150,000 | $182,835 | 150,000 | $182,835 | - | - |
| Invest. income | | USD | | | | | |
| US$ TOTALS | | | $107,343,830 | | $107,343,830 | | $0 |

### TF072778

| AUG-2018 | | PLEDGED TO DATE - TF072778 | | | | | |
|---|---|---|---|---|---|---|---|
| CONTRIBUTORS | CURRENCY | PLEDGED | | PAID-IN TO DATE | | RECEIVABLES | |
| | | Pledge Currency | US$ | Paid-in Currency | US$ | Pledge Currency | US$ |
| Croatia | US$ | - | $0 | - | - | - | - |
| Sida | SEK | 33,000,000 | 3,944,207 | 33,000,000 | 3,944,207 | - | - |
| Denmark | DKK | 140,000,000 | 22,172,820 | 70,000,000 | 11,219,747 | 70,000,000 | 10,953,074 |
| Finland | Euro | 2,300,000 | $2,446,510 | 2,300,000 | $2,446,510 | - | - |
| France | Euro | - | $0 | - | - | - | - |
| Netherlands | US$ | - | $0 | - | - | - | - |
| Norway | NOK | 74,000,000 | $8,992,640 | 72,563,000 | $8,820,225 | 1,437,000 | $172,416 |
| Portugal | Euro | - | $0 | - | - | - | - |
| Invest. income | | USD | | | | | |
| US$ TOTALS | | | $37,556,178 | | $26,430,689 | | $11,125,489 |

## WORLD BANK GROUP

Partnership for Infrastructure Development in the West Bank and Gaza Multi Donor Trust Fund (WORLD BANK REFERENCE 71898) - Multi Donor Fund

### UNAUDITED TRUST FUNDS FINANCIAL REPORT

*Expressed in United States Dollars*

| | 07/01/2018 to 08/31/2018 | 06/04/2012 (date of inception) to 08/31/2018 |
|---|---|---|
| **Receipts (Note 1)** | | |
| Cash Contributions | 0.00 | 107,343,830.46 |
| Investment Income (Note 2) | 145,917.27 | 1,954,147.32 |
| Transfers within Hierarchy | 0.00 | 289,115.84 |
| Contributions via Transfers | 0.00 | (289,115.84) |
| **Total Receipts** | 145,917.27 | 109,297,977.78 |
| **Disbursements (Note 1)** | | |
| **Project Disbursements** | | |
| Disbursements to Grantee | (373,248.45) | (68,070,931.81) |
| **Direct costs Disbursed by WBG** | | |
| Staff costs (including benefits) | (35,449.43) | (688,928.74) |
| Consultant fees | 0.00 | (307,098.20) |
| Travel expenses | (24,647.08) | (157,198.61) |
| Media workshop | (83.47) | (10,208.34) |
| Contractual services | (2,800.00) | (2,800.00) |
| Other direct costs | (19.79) | (19.79) |
| **Total Direct Costs Disbursed by WBG** | (62,999.77) | (1,166,253.68) |
| **Total Project Disbursements** | (436,248.22) | (69,237,185.49) |
| **Non-Project Disbursements** | | |
| Administrative fees and expenses(Note 4) | (14,436.91) | (2,516,749.43) |
| **Total Non-Project Disbursements** | (14,436.91) | (2,516,749.43) |
| **Total Disbursements** | (450,685.13) | (71,753,934.92) |
| Excess of receipts over disbursements / (disbursements over receipts) | (304,767.86) | 37,544,042.86 |
| **Fund Balance** | | |
| Beginning of period | 37,848,810.72 | 0.00 |
| End of period | 37,544,042.86 | 37,544,042.86 |
| **Fund balance consists of** | | |
| Share in pooled cash and investments | | 37,544,042.86 |
| Undisbursed Commitments as of 09/21/2018 (Note 5) | | 25,476,535.91 |

# WORLD BANK GROUP

Partnership for Infrastructure Development in the West Bank and Gaza Multi Donor Trust Fund (WORLD BANK REFERENCE 71898) - Multi Donor Fund

## UNAUDITED TRUST FUNDS FINANCIAL REPORT

| Status | Beneficiary | VPU/Div | TF Hierarchy | TTL Name |
|---|---|---|---|---|
| Active | WEST BANK& GAZA | MNCA4 | Trustee Account | Mr Bjorn Philipp |

### Contribution details by Donor

| Donor | Currency | 07/01/2018 to 08/31/2018 | 06/04/2012 (date of inception) to 08/31/2018 |
|---|---|---|---|
| CROATIA MINISTRY OF FOREIGN AND EUROPEAN AFFAIRS | USD | 0.00 | 200,000.00 |
| DANISH MINISTRY OF FOREIGN AFFAIRS (DANIDA) | DKK | 0.00 | 220,000,000.00 |
| FINLAND - MINISTRY FOR FOREIGN AFFAIRS | EUR | 0.00 | 8,650,000.00 |
| FRANCE - AGENCE FRANCAISE DE DEVELOPPEMENT | EUR | 0.00 | 3,500,000.00 |
| NETHERLANDS-MINISTER OF FOREIGN AFFAIRS | USD | 0.00 | 4,000,000.00 |
| NORWAY - MINISTRY OF FOREIGN AFFAIRS | NOK | 0.00 | 73,000,000.00 |
| PORTUGAL - MINISTRY OF FOREIGN AFFAIRS | EUR | 0.00 | 150,000.00 |
| SWEDISH INTERNATIONAL DEVELOPMENT COOPERATION AGENCY (SIDA) | SEK | 0.00 | 310,000,000.00 |

### Contribution paid-in details by Donor

| Donor | Currency | 07/01/2018 to 08/31/2018 | 06/04/2012 (date of inception) to 08/31/2018 | 06/04/2012 (date of inception) to 08/31/2018 In USD Equivalent |
|---|---|---|---|---|
| CROATIA MINISTRY OF FOREIGN AND EUROPEAN AFFAIRS | USD | 0.00 | 200,000.00 | 200,000.00 |
| DANISH MINISTRY OF FOREIGN AFFAIRS (DANIDA) | DKK | 0.00 | 220,000,000.00 | 37,926,344.64 |
| FINLAND - MINISTRY FOR FOREIGN AFFAIRS | EUR | 0.00 | 8,650,000.00 | 10,600,228.95 |
| FRANCE - AGENCE FRANCAISE DE DEVELOPPEMENT | EUR | 0.00 | 3,500,000.00 | 4,390,050.00 |
| NETHERLANDS-MINISTER OF FOREIGN AFFAIRS | USD | 0.00 | 4,000,000.00 | 4,000,000.00 |
| NORWAY - MINISTRY OF FOREIGN AFFAIRS | NOK | 0.00 | 73,000,000.00 | 9,772,212.86 |
| PORTUGAL - MINISTRY OF FOREIGN AFFAIRS | USD | 0.00 | 182,835.00 | 182,835.00 |
| SWEDISH INTERNATIONAL DEVELOPMENT COOPERATION AGENCY (SIDA) | SEK | 0.00 | 310,000,000.00 | 40,272,159.01 |

## Disbursement details by Grant

| Grant | Grant Name | Executed By | Currency | Grant Amount | 07/01/2018 to 08/31/2018 | 06/04/2012 (date of inception) to 08/31/2018 |
|---|---|---|---|---|---|---|
| TF014530 | PID MDTF Program and TF Management Fund | Bank | USD | 700,000.00 | 14,436.91 | 369,872.82 |
| TF015756 | Water Sector Capacity Building co-financing fund | Recipient | USD | 2,852,451.80 | 0.00 | 2,852,451.80 |
| TF016476 | Second Municipal Development project | Recipient | USD | 25,800,000.00 | 0.00 | 25,799,059.71 |
| TF016501 | Third Additional Financing for the North Gaza Emergency Sewage Treatment Project | Recipient | USD | 5,000,000.00 | 0.00 | 5,000,000.00 |
| TF017186 | Gaza Sustainable Water Supply Program : Additional Works | Recipient | USD | 2,500,000.00 | 0.00 | 2,500,000.00 |
| TF017221 | NGEST Solar Power Feasibility Study | Bank | USD | 149,832.36 | 0.00 | 149,832.36 |
| TF018268 | Gaza Emergency Water Supply and Sewage Systems Improvement Project Additional Financing | Recipient | USD | 11,858,600.00 | 0.00 | 8,255,237.15 |
| TF018376 | Southern West Bank Solid Waste Management Project | Recipient | USD | 1,500,000.00 | 0.00 | 1,500,000.00 |
| TF018378 | GZ Emergency Response AF MDP-2 | Recipient | USD | 12,000,000.00 | 4,094.09 | 11,999,000.59 |
| TF019350 | Water Sector Capacity Building Fund | Recipient | USD | 0.00 | 0.00 | 0.00 |
| TF0A1061 | Second Municipal Development Project - Additional Financing | Recipient | USD | 6,900,000.00 | 0.00 | 6,899,292.76 |
| TF0A2807 | Project Preparation Grant for ESPIP | Recipient | USD | 2,500,000.00 | 369,154.36 | 2,288,389.80 |
| TF0A3599 | Local Government Sector Reform ASA | Bank | USD | 700,000.00 | 23,596.15 | 429,293.54 |
| TF0A4202 | West Bank & Gaza Energy Sector Programmatic Technical Assistance | Bank | USD | 1,000,000.00 | 35,625.20 | 580,639.97 |
| TF0A4511 | Local Governance and | Recipient | USD | 13,000,000.00 | 0.00 | 977,500.00 |

**Disbursement details by Grant**

| Grant | Grant Name | Executed By | Currency | Grant Amount | 07/01/2018 to 08/31/2018 | 06/04/2012 (date of inception) to 08/31/2018 |
|---|---|---|---|---|---|---|
| | Services Improvement Program (LGSIP) | | | | | |
| TF0A5078 | West Bank Gaza Elec. Sector Performance Improvement-ESPIP-P148600-PID MDTF | Recipient | USD | 7,000,000.00 | 0.00 | 0.00 |
| TF0A7564 | Water Security Technical Assistance | Bank | USD | 900,000.00 | 3,778.42 | 6,487.81 |

**Notes:**

1. This statement is prepared on the modified cash basis of accounting
2. Investment income is not credited to any trust fund where the daily fund balance is less than equivalent $5,000.
3. Other costs (where applicable) represent all disbursements incurred prior to July 2000.
4. Administrative fees are generally collected from the trust fund in the same month in which contributions are received, however for administrative purposes, collection of fees may occur in the month following receipt of the contribution.
5. Amounts committed relate to the amounts yet to be disbursed for active and pending recipient executed grant agreements and the undisbursed balance of bank executed trust funds.
6. Investment income of this trust fund is credited to TF071898 ( Partnership for Infrastructure Development in the West Bank and Gaza Multi Donor Trust Fund ) in accordance with administration agreement(s) and hence forms part of the fund balance of this trust fund.
7. Where applicable, amounts displayed against "staff costs (including benefits)" and "consultant fees" include charges to cover the cost of benefits and general communication, facilities and IT costs unless otherwise specified in the Administration Agreement for the Trust Fund.

# WORLD BANK GROUP

Partnership for Infrastructure Development in the West Bank and Gaza Multi Donor Trust Fund (WORLD BANK REFERENCE 72778) - Multi Donor Fund

## UNAUDITED TRUST FUNDS FINANCIAL REPORT

*Expressed in United States Dollars*

| | 07/01/2018 to 08/31/2018 | 12/09/2016 (date of inception) to 08/31/2018 |
|---|---|---|
| **Receipts (Note 1)** | | |
| Cash Contributions | 0.00 | 26,430,688.76 |
| Investment Income (Note 2) | 90,386.55 | 414,344.02 |
| **Total Receipts** | 90,386.55 | 26,845,032.78 |
| **Disbursements (Note 1)** | | |
| **Project Disbursements** | | |
| Disbursements to Grantee | (2,265,155.49) | (2,265,155.49) |
| **Direct costs Disbursed by WBG** | | |
| Staff costs (including benefits) | (14,382.91) | (204,217.71) |
| Consultant fees | (10,400.00) | (112,121.63) |
| Travel expenses | (13,789.87) | (59,257.38) |
| Media workshop | 0.00 | (515.14) |
| Other direct costs | 0.00 | (5.84) |
| **Total Direct Costs Disbursed by WBG** | (38,572.78) | (376,117.70) |
| **Total Project Disbursements** | (2,303,728.27) | (2,641,273.19) |
| **Non-Project Disbursements** | | |
| Administrative fees and expenses(Note 4) | 0.00 | (1,000,000.00) |
| **Total Non-Project Disbursements** | 0.00 | (1,000,000.00) |
| **Total Disbursements** | (2,303,728.27) | (3,641,273.19) |
| Excess of receipts over disbursements / (disbursements over receipts) | (2,213,341.72) | 23,203,759.59 |
| **Fund Balance** | | |
| Beginning of period | 25,417,101.30 | 0.00 |
| End of period | 23,203,759.59 | 23,203,759.59 |
| **Fund balance consists of** | | |
| Share in pooled cash and investments | | 23,203,759.59 |
| Undisbursed Commitments as of 09/21/2018 (Note 5) | | 18,037,105.85 |

# WORLD BANK GROUP

Partnership for Infrastructure Development in the West Bank and Gaza Multi Donor Trust Fund (WORLD BANK REFERENCE 72778) - Multi Donor Fund

## UNAUDITED TRUST FUNDS FINANCIAL REPORT

| Status | Beneficiary | VPU/Div | TF Hierarchy | TTL Name |
|---|---|---|---|---|
| Active | WEST BANK& GAZA | MNCA4 | Trustee Account | Mr Bjorn Philipp |

### Contribution details by Donor

| Donor | Currency | 07/01/2018 to 08/31/2018 | 12/09/2016 (date of inception) to 08/31/2018 |
|---|---|---|---|
| DANISH MINISTRY OF FOREIGN AFFAIRS (DANIDA) | DKK | 0.00 | 140,000,000.00 |
| FINLAND - MINISTRY FOR FOREIGN AFFAIRS | EUR | 0.00 | 2,300,000.00 |
| NORWAY - MINISTRY OF FOREIGN AFFAIRS | NOK | 0.00 | 74,000,000.00 |
| SWEDISH INTERNATIONAL DEVELOPMENT COOPERATION AGENCY (SIDA) | SEK | 0.00 | 33,000,000.00 |

### Contribution paid-in details by Donor

| Donor | Currency | 07/01/2018 to 08/31/2018 | 12/09/2016 (date of inception) to 08/31/2018 | 12/09/2016 (date of inception) to 08/31/2018 In USD Equivalent |
|---|---|---|---|---|
| DANISH MINISTRY OF FOREIGN AFFAIRS (DANIDA) | DKK | 0.00 | 70,000,000.00 | 11,219,746.75 |
| FINLAND - MINISTRY FOR FOREIGN AFFAIRS | EUR | 0.00 | 2,300,000.00 | 2,446,510.00 |
| NORWAY - MINISTRY OF FOREIGN AFFAIRS | NOK | 0.00 | 72,563,000.00 | 8,820,224.62 |
| SWEDISH INTERNATIONAL DEVELOPMENT COOPERATION AGENCY (SIDA) | SEK | 0.00 | 33,000,000.00 | 3,944,207.39 |

### Disbursement details by Grant

| Grant | Grant Name | Executed By | Currency | Grant Amount | 07/01/2018 to 08/31/2018 | 12/09/2016 (date of inception) to 08/31/2018 |
|---|---|---|---|---|---|---|
| TF0A4947 | Support to the Palestinian Land Sector | Bank | USD | 700,000.00 | 38,572.78 | 376,117.70 |
| TF0A6154 | Municipal Development Project III - PID MDTF | Recipient | USD | 20,000,000.00 | 2,265,155.49 | 2,265,155.49 |

**Notes:**

1. This statement is prepared on the modified cash basis of accounting
2. Investment income is not credited to any trust fund where the daily fund balance is less than equivalent $5,000.
3. Other costs (where applicable) represent all disbursements incurred prior to July 2000.
4. Administrative fees are generally collected from the trust fund when commitment is made to recipient.
5. Amounts committed relate to the amounts yet to be disbursed for active and pending recipient executed grant agreements and the undisbursed balance of bank executed trust funds.
6. Investment income of this trust fund is credited to TF072778 ( Partnership for Infrastructure Development in the West Bank and Gaza Multi Donor Trust Fund ) in accordance with administration agreement(s) and hence forms part of the fund balance of this trust fund.
7. Where applicable, amounts displayed against "staff costs (including benefits)" and "consultant fees" include charges to cover the cost of benefits and general communication, facilities and IT costs unless otherwise specified in the Administration Agreement for the Trust Fund.

## ANNEX 6: TF COMMITMENTS TO THE WATER, URBAN, AND ENERGY SECTORS.

Funding in the amount of US$147.17 million has been committed for co-financing from the TFGWB to the water, urban, and energy sectors during the period corresponding with the lifetime of the PID MDTF (2012-present). Similar to the PID MDTF, the largest share of co-financing, US$61 million, has been committed to the urban sector which also includes solid waste and land management. The TFGWB has committed a total of US$44.67 to the water sector, and US$41.50 to the energy sector.

Of the combined co-financing committed to the sectors, the TFGWB has co-financed 53 percent of the water sector commitments, 40 percent of the urban sector commitments, and 86 percent of the energy sector commitments.

**Co-financing by TF (US$ millions)**

| | TFGWB | PID MDTF | Other TFs | Total by Sector |
|---|---|---|---|---|
| Water Sector | $44.67 | $18.61 | $21.59 | $84.87 |
| Urban Sector | $61.00 | $79.95 | $9.90 | $150.85 |
| Energy Sector | $41.50 | $7.00 | $0.00 | $48.50 |
| **Total by TF** | **$147.17** | **$105.56** | **$31.49** | **$284.22** |
| Percent of total co-financing | 52% | 37% | 11% | |