



Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 24-Jul-2019 | Report No: PIDC26995

BASIC INFORMATION

A. Basic Project Data

Country West Bank and Gaza	Project ID P170928	Parent Project ID (if any)	Project Name Advancing Sustainability in Performance, Infrastructure, and Reliability of the Energy Sector in the West Bank and Gaza
Region MIDDLE EAST AND NORTH AFRICA	Estimated Appraisal Date Sep 25, 2019	Estimated Board Date Nov 14, 2019	Practice Area (Lead) Energy & Extractives
Financing Instrument Investment Project Financing	Borrower(s) Ministry of Finance and Planning	Implementing Agency Palestinian Energy and Natural Resources Authority (PENRA)	

Proposed Development Objective(s)

Improved operational, commercial and financial performance of electricity sector institutions and increased diversification of energy sources

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	36.00
Total Financing	36.00
of which IBRD/IDA	0.00
Financing Gap	0.00

DETAILS

Non-World Bank Group Financing

Trust Funds	36.00
Partnership for Infrastructure Development MDTF	18.00



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Advancing Sustainability in Performance, Infrastructure, and Reliability of the Energy Sector in the West Bank and Gaza (P170928)

Special Financing	18.00
Environmental and Social Risk Classification Substantial	Concept Review Decision Track II-The review did authorize the preparation to continue

Other Decision (as needed)

B. Introduction and Context

Country Context

The political situation in the West Bank and Gaza (WB-G) remains uncertain —both internally and externally. The reconciliation process between the Ramallah-based Palestinian Authority (PA) and Gaza has all but stopped. The peace process between the PA and the Government of Israel (GoI) remains in a stalemate. A recent discord is centered on the GoI decision to deduct an amount of US\$138 million from clearance revenue^[1] in 2019 to offset payments made by the PA to Palestinian prisoners in Israeli prisons and families of those deceased as a result of violence. The GoI decision led the PA to reject all the clearance revenues and to adopt an emergency fiscal plan.

West Bank & Gaza witnessed minimal growth in 2018 due to a steep deterioration in Gaza and a slowdown in the West Bank. Investment levels extremely low, due to the associated high risk, and have resulted in a deindustrialization of the economy. Inflows of transfers have significantly dropped in recent years and are no longer able to offset the impact of a weak business environment. As a result, the Palestinian economy has been on a declining growth trajectory eventually witnessing less than 1 percent growth in 2018. Given that population growth in the Palestinian territories is around 3 percent, 2018 registered a sizeable decline in the real incomes of Palestinians, resulting in worsening living conditions.

To achieve economic growth in West Bank & Gaza, job creation and effective private sector engagement are essential. The private sector has the potential to become the sustainable engine for growth, and greater focus is needed on removing the constraints and creating the right conditions for it to flourish. Private sector requires reliable and affordable electricity supply but can also play a central role in increasing the share of renewable energy. The ongoing uncertain political situation, weak governance and infrastructure create a significant barrier to private investment and private sector participation.

Sectoral and Institutional Context

The electricity sector reform process has improved and consolidated the energy sector from a fragmented municipal-based system to a more efficient sector model. The Palestinian and Israeli electricity sectors remain deeply intertwined with Israeli imports accounting for approximately 95 percent of electricity supply in West Bank and more than half in Gaza. Despite a recent respite to the severe electricity crisis in Gaza, which was brought about by the import of Qatari financed fuel to operate the Gaza Power Plant (GPP), the sector remains under severe stress with widespread non-payment and insufficient power supply to meet the growing demand. PENRA's strategic long-term vision is to achieve greater autonomy through advanced transmission and distribution infrastructure, domestic generation through independent power producers, and financial and operational sustainability of its institutions. This MPA, seeks to transform PENRA's vision into a phased program that is crucial to mobilizing the necessary technical and financial

^[1] These are taxes collected by the Government of Israel for the Palestinian Authority and remitted to them monthly, constituting 65 percent of the PA's revenues and 15 percent of GDP.

resources and engaging public and private sector stakeholders towards a common goal.

Relationship to CPF

The proposed project is strategically aligned with the current World Bank Group's Country Assistance Strategy (CAS) for West Bank and Gaza (FY18-21), which highlights the promotion of an environment for dynamic, inclusive private sector growth for job creation, and strengthening of institutions' accountability and capability. This MPA directly supports the overarching objective, which is to create conditions that incentivize the private sector and simultaneously mitigate the risks faced while investing in a fragile and uncertain environment. The Assistance Strategy initiated the establishment of the Private Sector Enhancement Facility (PSEF), which will be utilized to provide guarantee support to small and large Independent Power Producers (IPPs).

C. Proposed Development Objective(s)

Improved operational, commercial and financial performance of electricity sector institutions and increased diversification of energy sources

Key Results (From PCN)

The key results for MPA Phase I are listed below.

- Proportion of electricity supply managed by PETL (percent)
- Improved revenue collection by DISCOs (percent)
- Increased import capacity (MW) from Israel and Jordan
- Increased RE capacity (MWp): Utility-scale, Rooftop Solar PV for SMEs, Hospitals and clinics and households (further disaggregated by gender, especially for households and SMEs)
- Increased capacity to recycle or refurbish batteries (percent)

D. Concept Description

The MPA program development objective (PrDO) is to ensure affordable and reliable energy services in West Bank & Gaza. The MPA Phase-1 Project Development objective (PDO) is to improve operational, commercial and financial performance of electricity sector institutions and increased diversification of energy sources. The components in phase

one of the MPA are listed below:

Component 1: Improving infrastructure for regional electricity interconnections

- Rehabilitation of PETL-IEC connection points
- Construction of North Gaza-Israel 161KV interconnection
- Upgrade of West Bank-Jordan existing interconnection

Component 2: Improving sustainability of service delivery

- Revenue Protection Program (Phase 2) in six West Bank & Gaza DISCOs

Component 3: Enabling Private Sector Engagement in Renewable Energy

- Grid reinforcement and upgrade to enable evacuation of utility-scale and small-scale RE
- Scale-up Rooftop Solar PV systems for Health, MSMEs and Residential Sector
- Pilot improved battery recycling in Gaza

Component 4: Technical Assistance, Capacity Building and Project Management

Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

Summary of Screening of Environmental and Social Risks and Impacts

The main risks identified and relevant to the project activities are : (i) Construction risks, e.g., dust, noise, interruption of utilities, safety of workers, (ii) occupational health and safety of operation of substations and EM risks to close-by communities, solid waste management, and PCB / other chemical handling and disposal, handling, recycling, and disposal of acid battery waste. With respect to social risks, land take, restriction of access, labor influx and GBV, possible exclusion of the most vulnerable, are among some of the social risks. ,

Note To view the Environmental and Social Risks and Impacts, please refer to the Concept Stage ESRS Document.

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APPROVAL

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