

Document of
The World Bank

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Report No: PAD84

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED GRANT

IN THE AMOUNT OF US\$10 MILLION

TO THE PALESTINE LIBERATION ORGANIZATION

FOR THE BENEFIT OF

THE PALESTINIAN AUTHORITY

FOR A

GAZA SOLID WASTE MANAGEMENT PROJECT

March 5, 2014

Sustainable Development Department
Middle East and North Africa Region

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CURRENCY EQUIVALENTS
(Exchange Rate Effective January 31, 2014)

Currency Unit = New Israeli Shekel (NIS)
NIS 3.4980 = US\$1

FISCAL YEAR
January 1 – December 31

ABBREVIATIONS AND ACRONYMS

| | |
|---------|---|
| AFD | French Development Agency (<i>Agence Française de Développement</i>) |
| ARAP | Abbreviated Resettlement Action Plan |
| BESIA | Baseline Environmental and Social Impact Studies |
| CE | Citizen Engagement |
| COGAT | Coordination of Government Activities in the Territories at Israeli Ministry of Defense |
| CSO | Civil Society Organization |
| DA | Designated Account |
| DBR | Deir Al Baleh |
| DEEP | Deprived Families Economic Empowerment Program |
| EMP | Environmental Management Plan |
| ERR | Economic Rate of Return |
| ESIA | Environment and Social Impact Assessment |
| ESMP | Environmental and Social Management Plan |
| EU | European Union |
| FAO | Food and Agriculture Program |
| FP | Financing Partner |
| FS | Feasibility Study |
| FY | Fiscal Year |
| GDP | Gross Domestic Product |
| GNG | Gaza Municipality and North Gaza |
| GOI | Government of Israel |
| GS | Gaza Strip |
| GIZ | German Society for International Cooperation |
| GSWMDC | Gaza SWM Development Committee |
| HDPE | High Density Poly Ethylene |
| ICT | Information Communications Technology |
| IDA | International Development Agency |
| IFR | Interim Financial Report |
| ILS | New Israeli Sheqalim |
| IRR | Internal Rate of Return |
| IsDB | Islamic Development Bank |
| JSC | Joint Services Council |
| JSC-DB | Joint Services Council for Deir El-Balah |
| JSC-KRM | Joint Services Council for Khan Younis, Rafah and Middle Area |
| JSC-H&B | Joint Services Council for Hebron and Bethlehem |
| KfW | Kreditanstalt für Wiederaufbau |
| KPI | Key Performance Indicator |
| KRM | Khan Younis, Rafah and Middle Area |
| LF | Lending Fund |

| | |
|-----------|---|
| MDLF | Municipal Development and Lending Fund |
| MEnA | Ministry of Environmental Affairs |
| MOF | Ministry of Finance |
| MOLG | Ministry of Local Government |
| MOPAD | Ministry of Planning & Administrative Development |
| MOU | Memorandum of Understandings |
| M&E | Monitoring and Evaluation |
| NDP | National Development Plan |
| NGO | Non-Governmental Organization |
| NIS | New Israeli Sheikl |
| NPV | Net Present Value |
| O&M | Operation and Maintenance |
| OP | Operational Policy |
| ORAF | Operational Risk Assessment Framework |
| PA | Palestinian Authority |
| PAD | Project Appraisal Document |
| PAP | Project Affected People |
| PC | Primary Collection |
| PCBS | Palestinian Central Bureau of Statistics |
| PDO | Project Development Objective |
| PDSU | Project Development and Safeguards Unit |
| PECDAR | Palestinian Economic Council for Development and Reconstruction |
| PID | Project Implementation Document |
| PLO | Palestine Liberation Organization |
| PMU | Project Management Unit |
| POM | Project Operation Manual |
| PP | Procurement Plan |
| PWA | Palestinian Water Authority |
| RAP | Resettlement Action Plan |
| RFP | Request for Proposals |
| SBD | Standard Bidding Documents |
| SRFP | Standard Requests for Proposal |
| SWM | Solid Waste Management |
| SWMP | Solid Waste Management Project |
| SWEMP | Solid Waste and Environmental Management Project |
| TOR | Terms of Reference |
| TOU | Technical Operations Unit |
| TS | Transfer Station |
| UNDP-PAPP | United Nations Development Program – Program Assistance of the Palestinian People |
| UNOPS | United Nations Office for Projects Services |
| UNRWA | United Nations Relief and Works Agency for Palestine Refugees in the Near East |
| US\$ | United States Dollar |
| WB | World Bank |
| WB&G | West Bank and Gaza |
| WBG | World Bank Group |
| WFP | World Food Program |

| | |
|-------------------|-----------------------|
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| Country Director: | Steen Lau Jorgensen |
| Sector Director: | Junaid Kamal Ahmad |
| Sector Manager: | Franck Bousquet |
| Task Team Leader: | Ibrahim Khalil Dajani |

WEST BANK AND GAZA
Gaza Solid Waste Management Project

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PAD DATA SHEET
West Bank and Gaza
Gaza Solid Waste Management Project (P121648)
PROJECT APPRAISAL DOCUMENT
MIDDLE EAST AND NORTH AFRICA
Urban Social and Disaster Risk Management Unit

Report No.: PAD84

| Basic Information | | | |
|--|---------------------------------------|--|---|
| Project ID P121648 | | EA Category A - Full Assessment | Team Leader Ibrahim Khalil Dajani |
| Lending Instrument Investment Project Financing | | Fragile and/or Capacity Constraints [] | |
| | | Financial Intermediaries [] | |
| | | Series of Projects [] | |
| Project Implementation Start Date 31-March-2014 | | Project Implementation End Date 31-Apr-2019 | |
| Expected Effectiveness Date 30-Apr-2014 | | Expected Closing Date 30-Nov-2019 | |
| Joint IFC No | | | |
| Sector Manager Franck Bousquet | Sector Director Junaid Kamal Ahmad | Country Director Steen Lau Jorgensen | Regional Vice President Inger Andersen |
| Borrower: Palestine Liberation Organization (for the benefit of the Palestinian Authority) | | | |
| Responsible Agency: Municipal Development and Lending Fund | | | |
| Contact: | Abdel Moghni Nofal | Title: | Director General |
| Telephone | +970 2 296 6610 | Email: | A.MNofal./DirectorGeneral@mdlf.org.ps |
| No.: | | | |
| Project Financing Data(in USD Million) | | | |
| [] | Loan | [] | Grant |
| [] | Credit | [] | IDA Grant |
| | | [X] | Other |
| Total Project Cost: | 35.26 | Total Bank Financing: | 0.00 |
| Financing Gap: | 0.00 | | |

| Financing Source | Amount |
|--------------------------------------|---------------|
| Borrower | 2.10 |
| European Commission | 6.48 |
| FRANCE French Agency for Development | 13.64 |
| Islamic Development Bank/UNRWA | 0.80 |
| SWEDEN, Government of | 0.64 |
| Special Financing | 10.00 |
| United Nations Development Programme | 1.60 |
| Total | 35.26 |

Expected Disbursements (in USD Million)

| Fiscal Year | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|-------------|------|------|------|------|------|-------|-------|
| Annual | 0.30 | 2.00 | 3.90 | 3.00 | 0.50 | 0.30 | 0.00 |
| Cumulative | 0.30 | 2.30 | 6.20 | 9.20 | 9.70 | 10.00 | 10.00 |

Proposed Development Objective(s)

The objective of the Project is to improve solid waste management services in the Gaza Strip through provision of more efficient, environmentally and socially sound waste management systems.

Components

| Component Name | Cost (USD Millions) |
|---|----------------------------|
| Component 1: Solid Waste Transfer and Disposal Facilities | 20.15 |
| Component 2: Institutional Strengthening | 1.65 |
| Component 3: Primary Collection and Resource Recovery | 5.10 |
| Component 4: Project Management | 3.95 |
| Contingencies | 4.41 |

Institutional Data

Sector Board

Urban Development

Sectors / Climate Change

Sector (Maximum 5 and total percent must equal 100)

| Major Sector | Sector | % | Adaptation Co-benefits % | Mitigation Co-benefits % |
|---|--|-----|--------------------------|--------------------------|
| Water, sanitation and flood protection | Solid waste management | 92 | | |
| Public Administration, Law, and Justice | Sub-national government administration | 8 | | |
| Total | | 100 | | |

☒ I certify that there is no Adaptation and Mitigation Climate Change Co-benefits information

| | | | |
|---|---|-----------------|------------------|
| applicable to this project. | | | |
| Themes | | | |
| Theme (Maximum 5 and total % must equal 100) | | | |
| Major theme | Theme | % | |
| Environment and natural resources management | Pollution management and environmental health | 69 | |
| Urban development | Municipal governance and institution building | 21 | |
| Urban development | Other urban development | 10 | |
| Total | | 100 | |
| Compliance | | | |
| Policy | | | |
| Does the project depart from the CAS in content or in other significant respects? | | Yes [] | No [X] |
| Does the project require any waivers of Bank policies? | | Yes [] | No [X] |
| Have these been approved by Bank management? | | Yes [] | No [X] |
| Is approval for any policy waiver sought from the Board? | | Yes [] | No [X] |
| Does the project meet the Regional criteria for readiness for implementation? | | Yes [X] | No [] |
| Safeguard Policies Triggered by the Project | | Yes | No |
| Environmental Assessment OP/BP 4.01 | | X | |
| Natural Habitats OP/BP 4.04 | | | X |
| Forests OP/BP 4.36 | | | X |
| Pest Management OP 4.09 | | | X |
| Physical Cultural Resources OP/BP 4.11 | | | X |
| Indigenous Peoples OP/BP 4.10 | | | X |
| Involuntary Resettlement OP/BP 4.12 | | X | |
| Safety of Dams OP/BP 4.37 | | | X |
| Projects on International Waterways OP/BP 7.50 | | | X |
| Projects in Disputed Areas OP/BP 7.60 | | | X |
| Legal Covenants | | | |
| Name | Recurrent | Due Date | Frequency |
| | | | |
| Description of Covenant | | | |
| | | | |

| Conditions | | | |
|--|------------------------------------|---------------------------|-------|
| Name | | Type | |
| Withdrawal | | Withdrawal | |
| Section IV B. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed US\$400,000 equivalent may be made for payments made prior to this date but on or after April 1 2013, for Eligible Expenditures under Category (1). | | | |
| Name | | Type | |
| Effectiveness | | Effectiveness | |
| Description of Condition | | | |
| Article V, 5.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that: (a) the execution and delivery of this Agreement on behalf of the Recipient has been duly authorized or ratified by all necessary governmental actions; (b) the Subsidiary Agreement has been executed between the Recipient and the Palestinian Authority; and (c) the On-Granting Agreement has been executed on behalf of the Palestinian Authority and the MDLF. | | | |
| Article V, 5.02. As part of the evidence to be furnished pursuant to Section 5.01, there shall be furnished to the World Bank an opinion or opinions satisfactory to the World Bank of counsel acceptable to the World Bank or, if the World Bank so requests, a certificate satisfactory to the World Bank of a competent official of the Recipient, showing the following matters: (a) on behalf of the Recipient, that this Agreement has been duly authorized or ratified by, and executed and delivered on its behalf and is legally binding upon it in accordance with its terms; (b) on behalf of MDLF, that the Project Agreement has been duly authorized or ratified by, and executed and delivered on its behalf and is legally binding upon it in accordance with its terms; (c) the Subsidiary Agreement has been duly authorized or ratified by the Recipient and the Palestinian Authority and is legally binding upon the Recipient and the Palestinian Authority in accordance with its terms; (d) the On-Granting Agreement referred to in Section I.A of Schedule 2 to this Agreement has been executed on behalf of the Palestinian Authority and MDLF; and (e) the land acquisition for the purposes of Part A.1 of the Project has been conducted in full compliance with all applicable laws and regulations and is final. | | | |
| Team Composition | | | |
| Bank Staff | | | |
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| Nikolai Soubbotin | Lead Counsel | Lead Counsel | LEGAM |
| Nina Bhatt | Lead Social Development Specialist | Social Scientist | MNSSU |

| | | | | | |
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| Fifi Z. Antar | Program Assistant | Program Assistant | MNCGZ | | |
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| Maiada Mahmoud Abdel Fattah Kassem | Finance Officer | Finance Officer | CTRLA | | |
| Ranan Ibrahim Rafat Muthaffar | Operations Officer | Operations Officer | MNCGZ | | |
| Noriko Oe | E T Consultant | E T Consultant | MNSSU | | |
| Basheer Ahmad Fahem Jaber | E T Consultant | E T Consultant | MNAPC | | |
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| Dariusz Kobus | Environment Specialist | 48606912343 | Warsaw | | |
| | | | | | |
| Locations | | | | | |
| Country | First Administrative Division | Location | Planned | Actual | Comments |
| West Bank and Gaza | Gaza Strip | Southern Gaza Strip – Al-Fukhari (Sofa) | | X | |

I. STRATEGIC CONTEXT

A. Country Context

1. West Bank and Gaza's (WB&G) turbulent political context has had direct socio-economic consequences for its population, including poverty, unemployment, and a lack of confidence that the future will bring positive change. Progress in negotiating a peace agreement and political economic goals has stalled since parliamentary elections in 2006, which led to Israeli restrictions and internal divisions within Palestinian society. Such factors have contributed to pervasive instability, as well as to financial and economic stress for the population.

2. Following years of robust growth, economic activity in the Palestinian Territories, especially in the West Bank, has lately been declining. Growth since 2012 has been driven primarily by large inflows of donor aid that has enabled the expansion of the public sector. Recent growth trends indicate that the contribution of government-funded services to the economy has been on the rise, while the share of the tradable sectors has declined. This is mainly due to ongoing Israeli restrictions on movement, trade, and access to Area C. However, this growth model has proven unsustainable. A significant decline in donor aid in 2012, combined with Israeli restrictions, had a negative effect on the economy: the overall growth rate in WB&G declined from an average of eleven percent in 2010-2011 to six percent in 2012. The economic situation further deteriorated in 2013, with the Palestine Central Bureau of Statistics (PCBS) reporting that economic growth in WB&G was just under two percent in the first half of 2013. While Gaza grew by eight percent, output in the West Bank contracted by 0.1 percent.

3. The incidence of poverty in the Gaza Strip is more severe than in the West Bank. The overall poverty rate in Gaza in 2011 was 38 percent, more than twice that of the West Bank, 18 percent. The incidence of poverty also relates to food security: a study carried out in 2012¹ noted that "34 percent of Palestinian households – approximately 1.57 million individuals – were found to be food insecure".

4. The restrictions on access to and from Gaza have resulted in significant constraints to economic activity, which has exacerbated poverty for Gaza's residents. Goods entering Gaza are limited to items designated for humanitarian purposes. Starting in 2012, entry of fuel and other products has resumed, which has benefited the local population. However, exports, mainly flowers, fruits and vegetables headed to Europe, must first pass through Israel.

¹ *Socio-Economic and Food Security Survey 2012*. Food and Agriculture Organization (FAO), World Food Program (WFP), the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), and the Palestinian Central Bureau of Statistics (PCBS), p 5.

B. Sectoral and Institutional Context

The Solid Waste Sector

5. The generation and managed disposal of solid waste in the Palestinian Territories is a well-recognized development concern given the volume of waste generated. The Palestinian Central Bureau of Statistics (PCBS) and the Palestinian Authority's (PA) National Strategy for Solid Waste Management estimate that 78,644 tons of solid waste were generated per month during the 2010-2014 period, with households generating 3.9 kg per day in the West Bank, and 2.7 kg in the Gaza Strip.

6. The Palestinian Territories have made significant improvements in the proper and innovative management of its solid waste, by drawing on an integrated approach to cover the major geographical sections of the West Bank. Under the auspices of the Solid Waste and Environmental Management Project (SWEMP),² a landfill in Jenin has been operational since July 2007. A similar landfill is being constructed to serve the Bethlehem and Hebron Governorates through the Bank-financed Southern West Bank Solid Waste Management Project (SWMP)³ and is expected to become operational in early 2014. A sanitary landfill for the middle area is to be financed by the German Government via Kreditanstalt für Wiederaufbau (KfW—the German Government's development bank).

7. Efforts to strengthen institutions to manage the solid waste sector is also underway. Jenin Joint Services Council (JSC) was established to manage solid waste systems in the northern West Bank. In addition to managing the landfill, the JSC has been transformational in its approach to recycling⁴ (launched starting September 2011), by partnering with the private sector to implement fee-based disposal services for municipalities that are not currently members of the JSC. The Jenin JSC model has been replicated by the Hebron-Bethlehem JSC for the management of solid waste.

*The Gaza Strip*⁵

8. Gaza Strip faces greater technical, environmental, social, institutional and financial challenges than West Bank, due in large part to restricted access to goods and services in the area. Border closures cause considerable delays for the entry of waste management equipment. These delays contribute to a fragmented and poorly managed waste collection

² This project was a World Bank US\$ 9.42 million credit intended to improve waste management in Jenin by constructing a landfill, rehabilitating and closing uncontrolled dumps, and improving SWM services through provision of equipment, training and capacity-building within the JSC.

³ The Southern West Bank Solid Waste Management Project is a World Bank US\$12 million grant to improve disposal services in the Bethlehem and Hebron Governorates. Its main activities include sanitary landfill construction, JSC capacity-building, public awareness campaigns to promote waste minimization, resource recovery and cost recovery. Livelihoods programs for people who collect and process waste are also being implemented by donor partners.

⁴ The total daily waste load entering the landfill is about 700 tons of which 10-15 percent is reclaimed as organic components for composting, and the rest 10 tons/day of cartons, 1 ton/day of metals and 5 tons/day of plastics is reclaimed for recycling. The recycling of non-organic materials is a function of the market demand.

⁵ Based on the *Feasibility Study and Detailed Design for Short-Term and Long-Term Solid Waste Management in the Gaza Strip*, UNDP-PAPP, January 2012, prepared by DHV and Partners.

and disposal system, exacerbating public health and environmental concerns.⁶ In addition, the capacity of waste management service providers is weak, and the generally impoverished economic circumstances of Gaza's population have contributed to their inability or reluctance to pay for basic collection and disposal services.

9. The Gaza Strip covers about 365 km² (about 40 km in length and 10 km width). It is a densely populated area with approximately 4,380 persons per km². The density of Gaza's population has direct effects on the generation and management of waste. In 2011, its population of about 1.6 million generated 1,500 tons of solid waste per day or 550,000 tons per year. With a population of 2.08 million expected by 2020, experts estimate daily waste generation of 2,100 tons of per day, reaching 3,400 tons per day by 2040. In line with other public services, solid waste management is under extreme stress in the Gaza Strip.

10. *Primary Collection.* Primary collection of waste in the Gaza Strip is the responsibility of its 25 municipalities in conjunction with coordinators of refugee camps. Collection practices vary: daily house-to-house collection occurs in densely populated neighborhoods, and twice daily collection is practiced in busy commercial areas. In less populated areas, waste collection typically occurs several times a week from street containers. The project feasibility study identified several key challenges:

- Current methods of primary waste collection are both inefficient and *ad-hoc* because municipalities often use donkey carts, which are slow and unable to carry adequate loads⁷. In some municipalities, individuals are hired to collect waste by donkey cart.
- The fleet of municipality-owned waste compactor trucks is largely obsolete and in need of replacement.⁸
- Due to the complexity of primary collection, the project team conducted detailed neighborhood and community studies, complemented by community consultations to design an affordable and cost-effective system.⁹ The study results indicate that communities find the current primary collection system ineffective and inefficient, and calls for urgent improvements to the system. The results of the Environmental and Social Impact Assessment (ESIA) carried out for this project indicate that residents' reluctance to pay for waste collection is related to the poor quality of services, and the perception that fee collection rates are high (an average of NIS 10 per household per month).
- Solid waste collection and managed disposal is the largest cost item in municipal budgets, which typically relies on Palestinian Authority and donor subsidies. This

⁶ Among others, these restrictions have prevented the import of new solid waste equipment.

⁷ Donkey carts are fairly prevalent with an estimated number of 260 carts in Gaza Municipality alone.

⁸ In addition to the issues identified in this section, the entry challenges of goods to Gaza are also reflected by the finding that ten UNDP-imported waste compactor trucks have been unused in warehouses for two years. Another twelve tractors used for primary collection have been prevented from entering the Gaza Strip.

⁹ The feasibility study and the ESIA reported that beneficiaries consider: (a) solid waste disposal a lower priority than provision of water, electricity and sewage disposal; (b) primary collection is of greater importance than final disposal; (c) the quality of primary collection is inadequate and thus people are not willing to pay for collection services; (d) the cost of solid waste collection and disposal is too high; and (e) the use of donkey- and horse-driven carts for primary collection is ineffective and should be discontinued.

raises concerns about municipalities' financial sustainability and autonomy for managing this sector in the years to come.¹⁰

11. *Disposal and management.* There are three legally designated landfills: Johr Al-Deek in the north, Deir El-Balah in the middle area, and Al-Fukhari (Sofa) in the south¹¹, operated by Rafah municipality. Of these, only Deir El-Balah landfill built in 1995 (with German assistance) meets the international criteria for sanitary landfills, but Deir El-Balah and the other landfills have reached maximum capacity. The Joint Services Council and municipalities are tasked with providing communities with waste management services in the following ways: Northern Gaza JSC serves four municipalities in their geographical locale; Gaza municipality manages solid waste within its jurisdiction; Deir El-Balah JSC serves 13 municipalities in the middle strip; Rafah JSC serves three municipalities and manages all its waste. In addition, there are seven open dumpsites in the Gaza Strip that are overflowing. These present a health and environmental hazard to on-site waste pickers as well as to the surrounding communities. The United Nations Relief and Works Agency (UNRWA) manages waste disposal services free of charge in eight refugee camps located throughout the Gaza Strip and uses the existing JSC and municipal facilities for disposal purposes.

12. The project's feasibility study, commissioned by the PA in 2011, was examined three possible scenarios to meet the projected solid waste loads through 2040. Following extensive consultations with key stakeholders,¹² consensus was reached to focus on municipal waste collection and disposal, and to pilot waste recovery schemes. Agreement was also reached to construct two sanitary landfills in the Northern and Southern parts of Gaza Strip. Within this context, the following priorities were established:

- a. Improving collection and sanitary disposal capacity and performance;
- b. Improving cost recovery through strengthening collection and disposal institutions;
- c. Acquiring necessary and appropriately located lands for the construction of new facilities and/or for the expansion of existing sanitary landfills;
- d. Building public awareness;
- e. Observing current Israeli disposal location criteria; and
- f. Securing the required financing to fulfill the above actions.

13. *Programmatic Approach.* Building on the established priorities for this sector in the Gaza Strip, there also was agreement that addressing the specific technical and socio-political challenges would require several sustained interventions over many years. Thus the key stakeholders (governmental authorities, financing partners, and technical experts)

¹⁰ The Environmental and Social Impact Assessment (ESIA) reported that current fees for solid waste collection per household represent a high proportion of household budgets, although still within the World Bank standards of 1-3 percent of household expenditures. The ESIA also reported that household income is variable and unreliable, as most jobs are temporary.

¹¹ Gaza municipality operates Johr Al-Deek, the Deir El-Balah is managed by its Joint Services Council and the Rafah municipality manages Al-Fukhari (Sofa) in the south.

¹² Including government authorities (Ministries of Local Government and Environmental Affairs), municipalities, JSCs and related stakeholders; and donor partners (Agence Française de Développement (AFD), European Union (EU), and the Islamic Development Bank (IsDB)), UNDP and the World Bank.

agreed that a *programmatic approach*¹³ focused on the development of two separate but closely related and coordinated projects was more feasible (in terms of design, financing and implementation) than a single large project. All financing partners -- including the AFD, EU, the Islamic Development Bank, Sweden and the World Bank -- have agreed to this approach.

C. Higher Level Objectives to which the Project Contributes

14. The project is consistent with and supports the Palestinian Authority's development strategy as stated in the National Development Plan (NDP) (2011-2013), which underscores the importance of improving infrastructure and sets as a key objective the improvement of solid waste management. The NDP has also set targets for increasing the percentage of households with access to waste collection services from 80 percent to 97 percent in 2013 and to increase the percentage of solid waste disposed of in sanitary landfills from 22 percent to 90 percent in 2013.

15. This project supports the goals of the World Bank Interim Strategy Note for the West Bank and Gaza 2012-2014 by supporting public infrastructure development and creating an enabling environment for private sector-led growth.

16. In addition, the new World Bank Group Strategy,¹⁴ endorsed by the Governors at the 2013 Annual Meetings, sets a framework to align all World Bank Group (WBG) public and private sector interventions to the two goals of ending extreme poverty and promoting shared prosperity in a sustainable and inclusive manner. This project's setting, as described earlier, is one of high population growth and severe population density, coupled with deep poverty in the Gaza Strip. By engaging in the solid waste management sector, economic, health and environmental dividends are expected to accrue, including through the creation of jobs. Enabling solid waste management operators and the Joint Service Councils to function at full capacity under this project is expected to result in job creation in the Gaza Strip, particularly for the most marginal and excluded populations (waste pickers and their families).

17. In the above context, Solid Waste Management (SWM) is an urgent poverty reduction challenge. Failure to manage this sector poses a health risk to the citizens of Gaza,¹⁵ and inadequate sanitation is a major contributing factor to the persistence of poverty here, and worldwide.¹⁶

¹³ The proposed *programmatic approach* is mainly distinguished from a fully integrated program involving a single implementing agency.

¹⁴ A Stronger, Connected, Solution World Bank Group: An Overview of the World Bank Group Strategy, 2013.

¹⁵ Poverty headcount rate (= percent of population who lives with less than \$1.25 a day with Purchasing Power Parity) in Gaza localities ranged from 28.14 percent to 66.21 percent in the middle and south area where the new project is targeted. The middle and south area of Gaza is also worse off than the northern area with the average governorate poverty headcount rate at 40 percent (Deir El-balah, Khan Younes, Rafah), compared to the northern area's 33 percent (Gaza-North and Gaza-City). Data and analysis from: Seeing Is Believing – Poverty in the Palestinian Territories-, 2013, World Bank, P128645.

¹⁶ *World Development Report 2014, Risk and Opportunity – Managing Risk for Development*, page 55.

18. The proposed project also has a strong inclusion and civic engagement imperative. It builds on the evidence that citizen engagement, including beneficiary feedback, can improve on-the-ground development results by holding the public sector more accountable for services provided to its citizens. Not only can development interventions be better targeted, improved monitoring of the performance of governments and service providers from a public and the private sector perspective can contribute to project effectiveness.

19. In addition to an explicit citizen engagement focus, the project seeks to enhance outcomes and impacts of development interventions with planned partnerships down the road. Citizen engagement interventions in this project will draw on experience from the Southern West Bank Solid Waste Management Project, where a public - private sector partnership has been established to develop profitable business strategies in solid waste management, while helping to deliver tangible social benefits.

II. PROJECT DEVELOPMENT OBJECTIVES

A. Project Development Objective

20. The objective of the Project is to improve solid waste management services in the Gaza Strip through provision of more efficient, environmentally and socially sound waste management systems.

B. Project Beneficiaries

21. The project would benefit 886,000 residents of the middle and southern Gaza Strip through the construction of a sanitary landfill and related transfer stations, and provision of improved primary collection to ensure the effective sanitary disposal of solid waste. The project is expected to provide benefits to public health, especially for residents living near existing dumping sites, through the sanitary closure of these sites. The project would also benefit people currently involved in waste recycling and composting, through studies and pilot investments intended to support the growth of such economic endeavors.

C. Project Development Objective (PDO) Level Results Indicators

22. The following key PDO indicators have been identified (see also Annex 1):
- a. Percentage of solid waste collected from the targeted population, disposed in a new sanitary landfill developed under the project.
 - b. Percentage increase in fees collected annually within the member municipalities towards cost recovery.
 - c. Number of people in urban areas with access to regular solid waste collection under the project.
 - d. Number of waste pickers whose livelihoods depend on the existing solid waste context and who are integrated into livelihood and social inclusion programs under the project.
 - e. Area of contaminated land managed or dump-sites closed and rehabilitated under the project (in hectares (ha)).

- f. Direct project beneficiaries (number), and percentage of which are females.

III. PROJECT DESCRIPTION

A. Project Components

23. The project will support a combination of: (i) strategic infrastructure investments, (ii) institutional strengthening and capacity building, and (iii) skills and technology development. The project components are as follows:

- a. **Component 1: Solid Waste Transfer and Disposal Facilities (US\$20.15 million total; US\$6.80 million from the World Bank)**. This component would finance: (a) construction of a new sanitary landfill; (b) construction of two transfer stations; (c) provision of operational equipment for the sanitary landfill and two transfer stations; (d) access roads to landfill and transfer stations; (e) sanitary closure of existing dump site; (f) Abbreviated Resettlement Action Plan (ARAP) implementation; and (g) land acquisition for the first-stage development of Al-Fukhari (Sofa) landfill and transfer stations.
- b. **Component 2: Institutional Strengthening (US\$1.65 million total; US\$0.40 million from the World Bank)**. This component would finance: (a) capacity building for the Joint Services Council for Khan Younis, Rafah and Middle Area Governorates, Technical Operations Unit (TOU), including its Board members also on value proposition of Citizen Engagement (CE) and the mechanisms to be implemented under this project; (b) capacity building for participating municipalities; and (c) capacity and implementation of Citizen Engagement mechanisms, which will include the concept of co-responsibility among citizens, private operators, and government entities for solid waste service delivery to stakeholders. In particular, community-based monitoring tools (scorecards, web or information communications technology- ICT-based reporting mechanisms (such as the use of text messaging and social media platforms) have been discussed as mechanisms to assess services, as well as to provide feedback and increase interactions between stakeholders. Public displays of information showed in locations appropriate to Gaza (project site, schools, health centers, JSC office) will be part of the community campaigns for communicating health, environment and hazards associated with waste picking. Waste picker livelihoods programs based on citizen decision-making are an additional means to ensure accountability by allowing people who can reflect users' different interests to sit on committees that make decisions about project activities under preparation and implementation. Finally, the project's Grievance Redress Mechanism will establish a system by which queries or clarifications about the project are responded to, problems with implementation are resolved, and complaints and grievances are addressed efficiently and effectively.
- c. **Component 3: Primary Collection and Resource Recovery (US\$5.10 million total; US\$0.1 million from the World Bank)**. This component would finance: (a) studies to optimize primary collection services in the Gaza Strip; (b) the supply of waste collection equipment; (c) studies for waste recovery; and (d) pilot investments for recycling and composting.

- d. **Component 4: Project Management (US\$3.95 million total; US\$1.90 million from the World Bank).** This component would finance: (a) MDLF's administrative fees and establishment of a Project Development and Safeguards Unit (PDSU) to manage project implementation; (b) consultants for landfill design review and value engineering, construction supervision and contract management; (c) operational and maintenance for the landfill and transfer stations; and (d) other independent consultancies, including independent review and monitoring of environmental and social safeguards requirement and Beneficiary Assessment and other Citizen Engagement Mechanisms that have been identified for this project.
- e. **A contingency** fund of about **US\$4.41 million (US\$0.80 million from the World Bank)** has been allocated from AFD, EU, Sweden and the WB for project activities.

B. Project Financing

Lending Instrument

24. The project is estimated to cost about US\$35.26 million and will be financed in parallel by US\$10 million from the World Bank, €4.75 million from the EU, €10 million from the French Development Agency (*Agence Française de Développement*, AFD), US\$1.60 million from UNDP,¹⁷ US\$1.60 million from the Islamic Development Bank through UNRWA and approximately US\$2.1 million from the Palestinian Authority and local contributions. A US\$0.64 million contribution from Sweden will be financed through cofinancing with the World Bank.¹⁸

Table 1. Project Costs and Financing in US\$ million¹⁹

| Component | Project Cost (US\$M) | WB Financing (US\$M) | % Financing / Component |
|---|----------------------|----------------------|-------------------------|
| 1) Infrastructure Development | 20.15 | 6.80 | 34% |
| 2) Institutional Strengthening | 1.65 | 0.40 | 24% |
| 3) Primary Collection & Resource Recovery | 5.10 | 0.10 | 2% |
| 4) Project Management | 3.95 | 1.90 | 48% |
| Contingencies | 4.41 | 0.80 | 18% |
| Total | 35.26 | 10.00 | 28% |

C. Lessons Learned and Included in the Project Design

25. The Project builds on the successful experience of the two Bank-financed Solid Waste Management (SWM) projects in Northern and Southern West Bank. It also builds on the foundation of the successful Deir El-Balah JSC for SWM and sanitary landfill with support from the German Society for International Cooperation (GIZ), the first and only sanitary landfill in the Gaza Strip. Lessons learned in developing and managing the JSC-DB

¹⁷ Funding related to Abbreviated Resettlement Action Plan (ARAP) for the wastepicker livelihood program will be through Deprived Families Economic Empowerment Program (DEEP).

¹⁸ Sweden has allocated US\$5 million towards Solid Waste Management activities in the West Bank and Gaza. A portion of this funding will be used to finance activities under Gaza SWMP.

¹⁹ Detailed project financing including Financing Partners' contribution is presented in Annex 2.

landfill operation helped to provide a solid basis for designing the Northern West Bank Project several years later. The lessons learned from implementing operations in fragile and conflict states in general—and in the West Bank in particular—were taken into account while preparing the project:

- a. **Institutional Arrangements:** The establishment of a Joint Service Council (JSC) will promote a more efficient use of scarce resources and sharing a service known to be high cost if delivered individually. In addition, the project builds on the capacity and experience of the Municipal Development and Lending Fund (MDLF) and its proven track record of effectively operating in the complex political and institutional environment of Gaza and the successful implementation of three Bank-financed Projects.²⁰ The MDLF has effectively administered Bank and donor funds, and adhered to the respective financial, procurement, social and environmental guidelines.
- b. **The World Development Report 2011:²¹ Conflict, Security and Development, which cautions not to let *perfection be the enemy of progress*— to embrace pragmatic, best-fit options to address immediate challenges, has guided the design of the Gaza SWMP.** In insecure situations, it is generally impossible to achieve technical perfection in approaches to security, justice or development. There is a need to be pragmatic, to address immediate challenges within political realities, with approaches that can improve over time. Solid Waste Management projects typically involve infrastructure investments. Given the fragile circumstances and complex political economy in West Bank and Gaza, the Bank has supported an incremental and practical approach adapted to the country situation. The Bank has been working in solid waste management in the Northern and Southern West Bank since 1998. A project in the Northern West Bank was approved in October 2000 and closed in June 2009. Another project in Southern West Bank was approved in May 2009 and will be closed in December 2014. In addition to these efforts, the Bank has been engaged in a series of municipal projects that aim to build the capacity of municipalities to improve service delivery.²² Finally, the Ministry of Defense Department for Coordination of Government Activities in the Territories (COGAT) has provided a letter approving the Gaza SWMP and committing to facilitate the entry of the required items and materials for the implementation of the project.
- c. **The importance of convening partnerships is critical to deliver infrastructure services in fragile environments.** The Bank has worked closely with EU and Italian Cooperation in the Northern SWMP, and with the EU, Italian Cooperation, USAID, Japan, and the Islamic Development Bank (IsDB) on the Southern SWMP. These partnerships enabled the provision of the necessary financial resources to support the municipal sector in addressing its basic needs to improve waste management.
- d. **The Bank should ensure that its interventions are responsive to client demand and receptive to reform.** In fragile and conflict states, government engagement and commitment are imperative to increase the likelihood of satisfactory project outcomes.

²⁰ Emergency Municipal Services Rehabilitation Projects (EMSRP) I and II (FY 02 and 05); the ongoing Municipal Development Project (MDP I, FY10); and several other donor-financed municipal projects.

²¹ WDR 2011 Report #62255.

²² The First Municipal Development Program was approved in September 2009 and was closed in August 2013.

The project objectives and design are aligned with the first national cross-sectoral strategy for solid waste management in the Palestinian Territories 2010 – 2014.

- e. Other lessons from implementing the Solid Waste and Environmental Management project in the Northern West Bank can be summarized as follows: In conflict settings, seeking out and building upon common areas of interest between divergent stakeholders results in optimal outcomes; 2) local ownership is more critical for project success than is often recognized; 3) individuals can and do make a major difference to project success; thus seeking out and strongly supporting capable local professionals is advisable; 4) significant tacit (local situational) knowledge often exists, and can sometimes be mobilized to effectively support a project; 5) effective channels of public communication and feedback support sustainability and can and should be built into project design; 6) investment in changing the culture is often as important as physical investments, and sometimes more so; 7) early preparation, consensus building and “learning” can pay significant dividends; and 8) consistent, thoughtful, and dedicated on-ground Bank supervision support can be the difference between success and failure.²³

IV. IMPLEMENTATION

A. Institutional and Implementation Arrangements²⁴

26. Given the specific institutional and implementation challenges expected for the Gaza Strip, a *programmatic approach* for developing two separate projects was agreed among key stakeholders as the most effective option over a single large project. It was agreed that the Bank and co-financing partners would focus resources on the Khan Younis, Rafah and Middle Area of the Gaza Strip project (KRM SWMP), while UNDP and their co-financing partners would focus on the Gaza Municipality and North Gaza (GNG SWMP), given that UNDP, with support from Japan and IsDB that already supports collection and disposal in Gaza and North Gaza.²⁵

27. The implementation strategy for this project is as follows:

- a. Build on the lessons from similar projects implemented in WB&G;
- b. Adopt a programmatic approach comprising two main projects, one for the Northern Gaza Strip to be financed by the Islamic Development Bank while the second for the Middle and Southern Gaza Strip to be financed by the EU, AFD and the World Bank;
- c. Assign MDLF as the implementing entity to ensure compliance with World Bank and its financial partners’ fiduciary and safeguard requirements, among other duties. MDLF has already established a Project Development and Safeguards Unit to oversee the project implementation. This unit has been staffed with qualified specialists dedicated to oversee the project activities;

²³ The lessons of the on-going southern area project (SWMP) are still being learned.

²⁴ The institutional arrangements are presented in details in charts in Annex 3.

²⁵ While UNDP has been actively involved in supporting SWM feasibility, the participation of other implementing agencies has not been ruled out.

- d. Recruit consultants to oversee the landfill construction at Al-Fukhari (Sofa) in Southern Gaza Strip and to ensure contractors' compliance with commissioning requirements and with the participation of the Joint Services Council for Khan Younis, Rafah and Middle Area (JSC-KRM);
- e. Develop the technical and managerial capacities of the JSC-KRM Technical Operating Unit (TOU);
- f. Establish a SWM Development Committee to provide overall strategic guidance for the sector in Gaza to oversee the implementation of both projects.

B. Results Monitoring and Evaluation (M&E)

28. MDLF, through its established PDSU, would be responsible for overall project implementation including monitoring and evaluation, and preparing technical and financial progress reports. The PDSU supported by the JSC-KRM, will oversee data aggregation and periodic reporting on progress, and ensure that the Project Development Objective (PDO) is met. The PDSU will maintain a monitoring and evaluation arrangement, including auxiliary data storage tools for data collection, output dashboards and outcome monitoring, reporting, and evaluation of project performance. Environmental and social data, including compliance with the Environmental Management Plan (EMP) and the Resettlement Action Plan (RAP), will be provided through independent consultants and Ministry of Environmental Affairs (MEnA) monitoring, as proposed in Annex 1. Independent consultants contracted by the project will monitor the technical aspects of construction contracts under Component 1.

C. Sustainability

29. The high poverty incidence (38.8 percent in 2011) and high unemployment (29.5 percent in 2013)²⁶ in the Gaza Strip make the application of full cost recovery under the project unfeasible; solid waste services here will require some subsidy. A well-designed public awareness program is key to promote cost recovery among beneficiary communities. The economic analysis estimates the cost of waste management at US\$25 per ton (or about ILS 100/ton), which when added to the current primary collection and transportation fees (ILS21/household/month) would represent about US\$6.1/household/month, or about two percent of the household expenditures for an average-sized family in the bottom quintile, and about three percent of the household expenditures for an average-sized family in the two lowest quintiles of the population (40 percent).²⁷

30. To address sustainability, the project will (i) include provisions of capacity building of the Technical Operations Unit (TOU) for efficient and cost-effective management of the new facilities; (ii) study alternatives to improve the cost-effectiveness of primary collection services; (iii) study market demands and invest, on a pilot basis, in expansion of current recycling practices through the promotion of public-private sector partnerships; and (iv) launch a public awareness program to promote waste reduction and resource and cost recovery.

²⁶ World Bank Economic Monitoring Update, September 2013.

²⁷ Include operating the transfer sites, transport from transfer stations to the sanitary landfill, and the landfill gate fee. Feasibility Study and Detailed Design for Solid Waste Management in the Gaza Strip, January 2012.

V. KEY RISKS AND MITIGATION MEASURES

A. Risk Ratings Summary

| Type of Risk | Rating |
|---|----------|
| Stakeholder Risk | High |
| Implementing Agency Risk | |
| Capacity | High |
| Governance | High |
| Project Risk | |
| Design | Moderate |
| Social and Environmental | High |
| Program and Donor | Moderate |
| Delivery Monitoring and Sustainability | Moderate |
| Other: <i>Land acquisition prior to award of works contract</i> | Moderate |
| Overall Implementation Risk | High |

B. Overall Risk Rating Explanation

31. The overall Risk Rating is **High**. This rating is due to the complexities associated with the project in terms of location in the Gaza Strip and the associated constraints. These constraints include (a) the limited Palestinian Authority's control over the Gaza Strip; (b) the limitations on materials and persons entering the Gaza Strip, subject to permissions issued by the Government of Israel; (c) proximity of the new landfill from the borders with Israel; and (d) delays in finalizing the compensation to landfill land owners.

32. The mitigation of project risks is addressed through the project design and through close dialogue and collaboration with key stakeholders. The Bank and Financing Partners (FPs) have established a dialogue with Israeli institutions, including the Ministry of Defense Department for Coordination of Government Activities in the Territories (COGAT) and received written commitment²⁸ to facilitate project implementation. The Bank and FPs have also entered into a Memorandum of Understanding (MOU) for project preparation, which will be extended through project implementation to ensure that there is adequate donor support for the project activities. Project implementation will invest sufficient resources in public awareness programs within the beneficiary municipalities to ensure beneficiary support and participation in project implementation. Finally, the award of the works contract for the construction of the landfill has been conditioned with finalizing the compensation to the landfill land owners.

VI. APPRAISAL SUMMARY

A. Economic and Financial Analyses

33. The economic and financial analyses are based on the feasibility study and data from benefiting municipalities. Some information was obtained from similar Bank projects, which were completed using assumptions that reflect the best existing knowledge and

²⁸ COGAT sent a letter on September 17, 2012 in which it approves the project and commits to facilitate the entry of required items and materials for the implementation of the project.

conditions in the project area, which were confirmed during appraisal. Three solid waste disposal scenarios were considered to manage the transportation and final disposal of waste:

Scenario 1 – Two long-term sanitary landfills (2040)

Scenario 2 – One long-term landfill (2040) and one interim landfill (2020)

Scenario 3 – One long-term sanitary landfill (2040)

34. All three scenarios would require the upgrading and expansion of the Al-Fukhari (Sofa) landfill to serve the Southern Gaza Strip. During further expansion, this landfill would become the sole landfill disposal site and an integral part of Scenarios 1 and 2.

35. The economic analysis of the project compares costs and benefits to the economy as a whole, while the financial analysis compares costs and benefits to the investor (JSC-KRM). The economic analysis takes into account financial, environmental, economic, social, and health costs and benefits, while the financial analysis considers only financial costs and benefits. The economic aspects of this proposal are potentially significant, particularly for health and social benefits.

36. The financial analyses of the project draw from cost data presented by consultants. This information was obtained from engineering designs and international construction costs supplemented, where possible, with local waste management operating cost data and waste collection fees. Most local data came from the Gaza Municipality, which was taken to represent the Gaza Strip as a whole.

37. Financial costs include capital investment costs, and operation and maintenance costs, including the leasing of land. Financial benefits from composting and materials recovery, as well as savings from reduced waste disposal costs, will be evaluated subsequently by consultants.

38. User charges will only be included in the financial analysis of the project, since they represent a transfer within the economy and as such are not included in the economic analysis. The project will encourage municipalities, through its capacity-building component, to increase their fee collection by 30 percent. This is a conservative assumption consistent with the observed situation in the two West Bank SWM projects.

39. The initial assessment of the Al-Fukhari (Sofa) landfill component, using an eight percent discount factor, shows that the Net Present Value (NPV) of the proposed investment is positive (US\$9.6 million) and represents 59 percent of the capital costs of the southern Gaza projects. Correspondingly, the capital investment is only 33 percent of the combined capital costs for the North and South Gaza projects. The Internal Rate of Return (IRR) for the best case (all revenues collected from municipalities and 10 percent allocated to Al-Fukhari (Sofa) landfill) is 114 percent. This is due to the modest operating costs required in the first 19 years before all waste is disposed of at this site. The landfill is viable as long as revenues received from municipalities exceed 70 percent of the total sum billed (IRR is seven percent), providing the landfill is still allocated ten percent of the total revenues received. A revenue allocation to the landfill below ten percent would have an adverse impact on viability. The landfill operation is relatively insensitive to capital cost variations

of 20 percent provided that at least 70 percent of waste fees billed are paid by municipalities and 10 percent of the total sum received is allocated to the landfill.

40. The financial analysis presented in the feasibility study focused on measuring the impacts from fuel, wages and land acquisition. For fuel, the base case assumed a relatively low fuel cost of US\$1 per liter. Doubling of fuel cost to approximate European levels would have a large detrimental impact on the operational finances. The IRR is more affected under Scenarios 2 and 3 with only Scenario 1 remaining positive at 37 percent (reduced from an IRR of 53 percent). The NPV for the project under Scenario 1 is drastically reduced to US\$8.7 million at 0 percent discount rate and US\$10 million at 6 percent. Using the relatively high household waste fee (ILS 19 per household per month) calculated for Gaza Strip (GS) in the Feasibility Study, Scenarios 2 and 3 would no longer be financially feasible if fuel prices doubled.

41. *Costs and fees.* The Feasibility Study has proposed a uniform household tariff for waste collection and disposal of ILS 24.6 per month. This is relatively high in comparison to Jenin JSC at ILS 16 per household per month and the JSC for Hebron and Bethlehem at ILS 17. The tariff is also nearly double the present average GS household waste fee of ILS 13. Given the difficult overall economic circumstances in GS and the change in waste management envisaged, sustaining a high fee tariff and recovery rate from households will be a challenge. Setting an affordable tariff is still to be defined. The landfill remains viable at a 70 percent recovery rate, i.e., about ILS 17.2 per household per month. This is comparable to the fees charged in Jenin and Hebron.

42. *Financial Sustainability of Services at the Municipal Level.* Currently, 38 percent of total operational costs for SWM in GS are covered by locally collected disposal fees. The remaining 62 percent is provided through external budget support. Current average household waste collection fees in GS municipalities are ILS 10-12 but decrease to ILS 0 in the UNWRA-managed areas. Cost recovery and a willingness to pay will have to improve substantially under the project to achieve the target of ILS 24.6 per household. Continued external budget support at the current level is likely to be required.

B. Technical

43. *Service Area Considerations.* The feasibility study recommended having two service areas: the first including Gaza municipality and the northern JSC, which would dispose of their municipal waste at Johr-Al-Deek landfill, and the second covering the middle and southern GS to be served by a landfill at Al-Fukhari (Sofa). In the long term, most likely beyond 2030 when the land available at Johr El Deek is filled to capacity, all waste would be transferred to Al-Fukhari (Sofa), where more land is available for future expansion.

44. *Landfill Capacity, Size, Shape and Location Options.* The feasibility study examined five potential sites for a sanitary landfill using exclusion criteria and concluded that the Al-Fukhari (Sofa) site was the most environmentally and economically responsible, socially acceptable option. The study found that the economically viable development of Al-Fukhari (Sofa) landfill construction should be done in 10-15 year stages. This option would also reduce the initial investment in land acquisition, as only about 43 percent of the total land

requirements for year 2040 would be needed initially. The shape of the cells follow the natural geography and topography since the landfill is adjacent to an existing road, the existing dumping site, and the proposed Khan Younis sewage treatment plant, and it would follow the Israeli border to maintain the minimum security buffer zone of 500 meters.

45. *Landfill Technical Design and Development Options.* The feasibility study compared various technical designs, namely shallow cells (at grade and five meters below grade), versus deeper excavations up to 20 meters below grade with a maximum above ground waste pile of 50 meters and 30 meters, respectively. The options compared for a cell sealing layer at the bottom were Bentonite versus High Density Poly Ethylene (HDPE) with protective geo-membranes. The HDPE/geo-membranes option was chosen based on economic and installation requirements, as it could be installed easily by local workers. Regarding the thickness of the HDPE and geo-membranes, two sizes were compared, 2.5 mm versus 1.5 mm. The second size was chosen due to easier transport and handling at the site. The options for leachate disposal compared disposal at the proposed Khan Younis sewage treatment plant, a physical-chemical treatment process or evaporation ponds. The latter option was chosen to benefit from the high evaporation rate and the lower rainfall in the southern GS. This option would be less costly to build and operate, and the toxicity of leachate would be harmful to the biological treatment process of the Khan Younis sewage treatment plant.

46. *Transfer Station Design Options.* Transfer stations will be built on sites currently used as transit stations for storage of municipal waste prior to disposal, located at the existing disposal sites (At Deir El-Balah sanitary landfill and Al-Fukhari (Sofa) dumping site). These sites are strategically located within 10 km of the service area, and the proposed Al-Fukhari (Sofa) sanitary landfill, making transport of waste to the landfill more cost-effective than disposal without transfer stations.

47. *Capacity and implementation of Citizen Engagement mechanisms.* The citizens and recipients of waste management services in the project target areas will be able to communicate its views about the quality of the service and areas for improvement to the private operators and the JSC-KRM. This will be done through community-based monitoring tools that will be financed by the project. These tool include scorecards, web or information communications technology- ICT-based reporting mechanisms such as the use of text messaging and social media platforms.

C. Financial Management

48. The overall responsibility of the project's financial management and disbursement functions will rest with the Municipal Development and Lending Fund (MDLF) through its offices in Ramallah. MDLF has a proven track record of effectively operating in the complex political and institutional environment of Gaza. The PDSU will include a Financial Officer who will be under the direct supervision of the Finance and Administrative Department Manager at MDLF.

49. The majority of project's payments will finance civil works, goods, and consultancy contracts that will be paid through a Designated Account (DA) or through direct payments.

Each Financing Partner's contribution towards the project's activities, including that of the Bank, will be through parallel financing. This means that each Financing Partner will disburse its funds through a separate Designated Account (DA) managed by the MDLF. Funds are deposited into and disbursed from each DA and will be spent on specific activities according to the schedule of Financing Partners' Share of Investments (See Annex 2).

50. MDLF's "Oracle" accounting system will be used to account for all project-related transactions, and separate cost centers will be established to track project funds by each financier. The accounting system will also be used to generate the Quarterly IFRs. An external auditor will also be appointed based on terms of reference acceptable to the Bank to audit project's financial statements.

51. Taking into account the risk mitigation measures proposed in Annex 3, the overall financial management risk for this grant is assessed as "*Substantial*." The implementation of such measures would satisfy the Bank's Financial Management minimum requirements.

D. Procurement

52. Procurement for World Bank-financed project components will be carried out in accordance with the World Bank Guidelines "*Guidelines: Procurement of Goods, Works and Non-Consulting Services under IBRD Loans and IDA Credits and Grants*" by World Bank Borrowers published in January 2011, for goods, works, and non-consulting services; the World Bank "*Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers*" published by the World Bank in January 2011 for consultant services; the accompanying standard bidding documents (SBDs)/standard requests for proposal (SRFP) and the Grant Agreement. "*Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants*", dated October 15, 2006, and updated in January 2011 shall apply to the project.

53. The overall responsibility for project procurement will rest with MDLF through its PDSU established in GS to manage the day-to-day project implementation and to ensure adherence to fiduciary policies. The PDSU will manage the procurement process, ensuring involvement of the TOU of JSC-KRM throughout the procurement process. PDSU will also be responsible for contract management, including the supervision of works by contractors, the review and approval of consultant deliverables and the receipt/inspection and acceptance of goods, and for advising MDLF headquarters on the release of payments to the consultant/contractor/supplier in accordance with the signed contracts.

54. MDLF has considerable experience in procurement under World Bank-financed projects. However, due to their current workload, they may be unable to meet project procurement and implementation requirements. Given the nature of the project, which requires the interaction of various entities in different geographic locations, coordination and decision-making may become a challenge, thus delaying project implementation.

55. It should be noted that further deterioration of WB&G's political context and the market situation may limit competition and discourage participation of qualified

international contractors/consultants. Increased restrictions imposed on movement of people and goods into Gaza may also delay or hinder construction. Disagreements between the Bank and donors on the applicable procurement procedures and/or the review of procurement decisions for jointly financed contract(s) could also delay project procurement, although it has been agreed that the Bank's procurement guidelines will be used.

56. To ensure efficient project procurement operations, the PDSU has been established as a separate, semi-autonomous entity reporting directly to the MDLF Executive Manager and will act as the Bank's counterpart on procurement. The project implementation structure and responsibilities have been detailed in the Project Operations Manual (POM). Procurement packaging will be structured to allow for wider competition, including encouraging possible association between local and international contractors and consultants. For contracts jointly financed by the Bank and other donors, it was agreed that the Bank Procurement Guidelines will apply and the Bank SBDs/SRFP will be used. The PID defines the mechanism for review and clearance of procurement decisions for co-financed contracts.

57. During appraisal, a procurement plan (PP) for project implementation was prepared and agreed to with the Bank. The PP includes procurement packages, consultancy assignments, estimated costs, methods and schedule. The PP will be updated annually or as needed to reflect actual project implementation needs.

58. The overall procurement risk rating for the project is *Substantial*. The Bank's prior review thresholds for this project were set based on the existing procurement capacity and identified procurement risks. In addition to prior reviews, the Bank will carry out at least two supervision missions per year during which the team will perform follow-up and quality control of procurement/contract management issues.

E. Social (including Safeguards)

59. **Citizen Engagement:** The proposed project has a strong inclusion and civic engagement imperative. It builds on the evidence that citizen engagement (CE), including beneficiary feedback, can improve on-the-ground development results by holding the public sector more accountable for services provided to citizens. The context in Gaza is that of an informed citizenry eager to set the terms of engagement with the state and private sectors. For the CE platform, this project draws directly from the lessons and experiences of the *Southern West Bank Solid Waste Management Project* which engages community members including youth and women's groups, and vulnerable and marginalized groups such as waste pickers in the design and implementation of development interventions. Under the proposed operation, family-based livelihoods approaches for the waste picker population is being designed based on an analysis of the skills base of the entire family – not just the directly affected waste picker. This approach is intended to be more transformational, that is, ensuring that waste picker livelihoods programs are based on citizen decision-making reflecting users' different interests to influence a tailored livelihoods intervention that will have direct bearing on their lives. Information and community awareness endeavors, specifically around health and environmental hazards, hazards of waste picking in open dumpsites, especially for children have been identified as the key areas where greater

awareness is needed. Consultations and lessons from the Southern West Bank project indicate that simple but sustained measures such as public billboards, posters, public discussions at locations appropriate to the project (on-site, schools, health centers, JSC office) are most effective in outreach.

60. The CE aspect of this project will include strong community based monitoring and feedback mechanisms using Internet and Communications Technology (ICT) to assess public services and to increase engagement between service providers and their clients. The pre-conditions for ICT based platforms are well established for Gaza with the determination that sufficient mobile phone coverage, internet connectivity and computer literacy are in place. Citizen scorecards, ICT based text messaging and the development of social media platforms have been tested successfully with the *Southern West Bank Solid Waste Project* and will be applied here as well. Progress towards these CE objectives will be assessed using proposed indicators for their inclusion in program and project results frameworks, as well as through corporate scorecards. Partnerships to develop and implement the CE and livelihoods program will include the Islamic Development Bank, the United Nations Livelihoods Program, and local Civil Society Organizations (CSOs) such as the Gaza based YMCA.

61. ***Social Safeguards:*** This project is assigned Category A for environmental & social considerations. Overall, the project is expected to result in positive socioeconomic impacts on the Gaza Strip population during both construction and operation. The most significant positive impacts relate to improvements in public health, as well as environmental conditions in the residential areas. The proposed project also presents possible economic opportunities via job creation for the poorer segments of the population, especially for the waste pickers earning their living at Sofa. The Bank's Operational Policy OP 4.12 on *Involuntary Land Acquisition and Resettlement* applies because of direct adverse impacts expected on two sets of populations at the Al-Fukhari (Sofa) landfill site. These are: i) people affected through having their lands expropriated for the landfill expansion; and ii) livelihoods impacts on a small vulnerable group of 18 waste pickers currently deriving their daily livelihood by sorting recyclable items from the Sofa dumpsite. The client has prepared an Environmental and Social Impact Assessment (ESIA) and two Abbreviated Resettlement Action Plans (ARAPs). All safeguards instruments have been cleared by the Bank. The Draft ESIA and Executive Summary were disclosed locally and in the InfoShop in January 2012 with updated documents disclosed in September 2012. Similarly, ARAPs for waste pickers and land owners were initially disclosed in February and March 7, 2012 respectively, then updated and re-disclosed in January 2013, and again in August 2013.

62. For Al-Fukhari (Sofa), an ARAP has been prepared to address the impacts of expropriating 215 dunums²⁹ of land which affects 70 owners who are heirs of five main families based in Gaza. None of the landowners live on this site, nor do they have any physical assets on the site. These lands are adjacent to and/or partially encroach onto the Israeli-imposed 500 meters wide security buffer zone which means there is restricted land use and this is an area of heightened security. ESIA findings indicate that these are low revenue generating rain-fed lands with limited wheat and olive production. A former key

²⁹ 1 dunum = 0.1 hectares.

source of income (olive groves) was destroyed during the 2008 conflict. The lands are also adjacent to a 17 year old dumpsite owned and used by the Rafah Municipality, as well as to a planned wastewater treatment plant to be financed by the Islamic Development Bank. The Israeli Defense Ministry has provided the Bank and financing partners with its agreement that the project's landfill boundaries may reach to 400 meters from the borders.

63. The legality of the land expropriation for this project has been established through a final court decision and also confirmed by an independent Palestinian legal land expert.³⁰ The required financing for land acquisition is available through the Ministry of Finance and also the Joint Services Council for Solid Waste Management in Rafah, Khan Younis and Middle Gaza Strip (JSC-KRM).

64. For the 18 waste pickers adversely impacted under the project, an ARAP has been prepared which defines livelihoods measures to support this group's transfer to alternative livelihood streams. The project has carried out extensive consultations with this affected group with the main finding that most waste pickers expressed a preference for sustained employment either through the project or in an alternative stream. The ESIA and ARAP confirmed that the most sustainable and appropriate compensation would be through the provision of sustainable sources of income to compensate for their loss of revenue. The project has identified the *Deprived Families Economic Empowerment Program (DEEP)* of UNDP to develop family based alternative livelihoods program for the concerned 18 waste pickers and their families.³¹

65. *Consultations with the affected population:* Consultations with affected people were conducted through the preparation of the ESIA and the ARAPs. The sets of consultations conducted indicated the following: there is clarity on land ownership, including on boundary demarcations. The owners are of mixed socio-economic and educational status. All affected landowners appear to have the correct paper documentation/certificates proving ownership thus potential contestation over land ownership was not viewed as an issue by any of the owners. Some farmers were willing to sell their lands in an open market whilst others prefer to not sell, if given the option. Some others would have opted for a land for land swap. All emphasized the importance of fair compensation, based on the market price.

66. A project level grievance mechanism has been discussed with project-affected people and is outlined in the safeguards instruments. Stakeholder consultations indicated the prevalence of using local, more informal systems of justice as the routine and preferred means of resolving disputes but more formalized systems such as the formal justice system are in place and used as well by community members if satisfactory outcomes are not achieved through tribal mechanisms.

³⁰ The JSC-KRM has placed part of the compensation funds in an escrow account in accordance with OP 4.12 pending final resolution of an ongoing dispute on the compensation amount brought by one of the landowners.

³¹ A commitment letter was made available to the Bank by the UNDP Special Representative to support waste pickers at Al-Fukhari (Sofa) dumpsite in February 2012.

F. Environment (including Safeguards) (Environmental Category: A)

67. The project's environmental impacts and mitigation measures have been categorized under three phases: construction, operation, and decommissioning. The assessment and significance of impacts, corresponding mitigation measures, responsible entities for implementation of mitigation measures, and the responsibility for monitoring are presented in the Environmental and Social Impact Assessment (ESIA) and Environmental and Social Management Plan (ESMP), which also includes provisions for monitoring and reporting.

68. The ESIA was produced in a highly participatory manner that fully engaged stakeholder groups. Below is a summary of main issues and recommendations raised during the discussions at a Scoping Session in May 2010. These conclusions were shared with the participants of the session before closing the workshop and were considered in preparing the ESIA.

- a. Solid Waste Management should be developed as integrated solutions that involve primary collection, secondary collection, and intermediary transfer through final disposal.
- b. The success of any project is conditional on the implementation of comprehensive awareness-raising campaigns across the Gaza Strip.
- c. There is a need for environmental law enforcement measures.

69. Annex 3 of the ESIA presents detailed activities for each phase of project development: design, construction, operation, and decommissioning upon closure of the landfill cells. It also presents the implementation arrangements for the ESMP, including the estimated budget of US\$9.64 million. This estimated budget includes an allowance of US\$2.10 million for acquiring land needed for first phase investment. It should be noted that both the ESMP implementation and its cost have been integrated into the project design. Institutional arrangements have been integrated into the management plan for both the PDSU and the TOU. Safeguard staff with proper qualifications will be hired and those under the TOU would remain upon completion of implementation as permanent staff of the TOU. Capacity-building and awareness programs for the JSC have been included in the project design and budget to ensure sustainability.

G. Safeguards Policies Triggered

| Safeguard Policies Triggered by the Project | Yes | No |
|---|------------|-----------|
| Environmental Assessment (OP/BP 4.01) | [X] | [] |
| Natural Habitats (OP/BP 4.04) | [] | [X] |
| Pest Management (OP 4.09) | [] | [X] |
| Indigenous Peoples (OP/BP 4.10) | [] | [X] |
| Physical Cultural Resources (OP/BP 4.11)* ³² | [] | [X] |
| Involuntary Resettlement (OP/BP 4.12) | [X] | [] |
| Forests (OP/BP 4.36) | [] | [X] |
| Safety of Dams (OP/BP 4.37) | [] | [X] |
| Projects on International Waterways (OP/BP 7.50) | [] | [X] |
| Projects in Disputed Areas (OP/BP 7.60)* | [] | [X] |

* By supporting the proposed project, the Bank does not intend to prejudge any final determination of the parties' claims in the disputed areas.

³² Neither the Feasibility Study nor ESIA reported evidence of cultural heritage sites. The project has received confirmation from the Ministry of Archaeology confirming that the site for the Landfill is not considered a site of antiquity. Still, bidding documents and contracts will include provisions for cultural chance finds.

Annex 1: Results Framework and Monitoring

WEST BANK AND GAZA: Gaza Solid Waste Management Project

| Project Development Objective (PDO): The objective of the project is to improve solid waste management services in the Gaza Strip. | | | | | | | | | | | | |
|--|--------------------------|-----------------|---------------|--------------------------|---------|---------------|---------------|---------------|---------------|---|--|--|
| PDO Level Results Indicators* | Core | Unit of Measure | Baseline | Cumulative Target Values | | | | | Frequency | Data Source/ Methodology | Responsibility for Data Collection | Description (indicator definition etc.) |
| | | | | YR 1 | YR 2 | YR3 | YR 4 | YR5 | | | | |
| PDO Indicator One: Percentage of solid waste collected from the targeted population, disposed in a new sanitary landfill developed under the project | <input type="checkbox"/> | % | 0% | 0% | 0% | 50% | 70% | 80% | Semi-annually | Monthly site Operator report Landfill site log Data from member municipalities | Site Operator MDLF-PDSU | This indicator measures the percentage against volume of solid waste generated by these populations which is disposed in the sanitary landfill |
| PDO Indicator Two: Percentage increase in fees collected annually within the member municipalities towards cost recovery | <input type="checkbox"/> | % | 15% | 0% | 0% | 20% | 40% | 60% | Annually | Annual Operating Budget of JSC-KRM and its member municipalities MDLF PDSU Reporting | MDLF PDSU JSC-KRM | Percentage Point is the unit of arithmetic difference between two percentages. |
| PDO Indicator Three: Number of people in urban areas with access to regular solid waste collection under the project | X | Number | 263,000 (35%) | 263,000 | 263,000 | 374,000 (45%) | 515,000 (60%) | 709,000 (80%) | Annually | Primary SW collection study/plan 2 Beneficiary Assessments PCBS statistics MDLF-PDSU Reporting | Independent Consultants MDLF-PDSU | Beneficiaries under this indicator are populations of the following governorates: populations: Khan Younis, Deir Al-Balah, and Rafah |
| PDO Indicator Four: Number of waste pickers whose lives depend on the | <input type="checkbox"/> | Number | 0 | 0 | 10 | 18 | 18 | 18 | Semi-annually | Resettlement Action Plan implementation and | MDLF PDSU Resettlement | The annual target refers to the number of waste pickers |

| | | | | | | | | | | | | |
|--|--------------------------|---------------|----|-----------------|-----------------|-----------------|-----------------|-----------------|----------|--|---|--|
| existing solid waste context and who are integrated into livelihood and social inclusion programs under the project | | | | | | | | | | review UNDP reporting MDLF-PDSU Reporting | Action Plan implementers UNDP-DEEP | officially identified in the project's ARAP |
| PDO Indicator Five: Contaminated land managed or dump- sites closed under the project | X | Ha | 0 | 0 | 0.5 | 1.5 | 3 | 3 | Annually | Construction Supervision Consultants and plans Observation/ field visits EMP MDLF-PDSU Reporting | MDLF PDSU | |
| PDO Indicator Six: Direct project beneficiaries (number), and percentage of which are females | X | Number (%) | 0 | 778,000 (49) | 804,000 (49) | 831,000 (49) | 858,000 (49) | 886,000 (49) | Annually | MDLF-PDSU Reporting Beneficiary Assessments PCBS Statistics | MDLF PDSU | According to this indicator definition, direct beneficiaries are at minimum the populations of Rafah, Khan Younis, and Deir Al-Balah Governorates. End of project target is based on PCBS projections and the feasibility study. |
| INTERMEDIATE RESULTS | | | | | | | | | | | | |
| Intermediate Result (Component One – Solid Waste Transfer and Disposal Facilities: Minimization of illegal and random dumping and the construction of sanitary solid waste transfer and disposal system, and relief of livelihoods. | | | | | | | | | | | | |
| 1.1: 1 Sanitary Landfill in the Southern Gaza Strip (Sufa/AlFukhari) with capacity of 300,000 tons/year is constructed and operational | <input type="checkbox"/> | Yes/No | No | No | No | No | Yes | Yes | Annually | Construction Supervision Consultants and plans Observation/field visits MDLF-PDSU Reporting | Construction Contractor Independent Consultants MDLF-PDSU | 1 cell of 10 years capacity, reception area, recycling and composting plant, and leachate pond constructed and operational by the end of project. |
| 1.2: Industrial and municipal waste disposal capacity created under the project (tons) | X | Tons/year | 0 | 0 | 0 | 0 | 300,000 | 300,000 | Annually | Construction Supervision Consultants Construction | Construction Contractor Independent Consultants | Under this indicator, the annual targets for capacity/year are annual, not |

| | | | | | | | | | | | | |
|--|--------------------------|--------|---|---|--------|--------|---------|---------|------------------------|--|--------------------------------------|------------|
| | | | | | | | | | | implementation plans | | cumulative |
| | | | | | | | | | | Observation/field visits | MDLF-PDSU | |
| | | | | | | | | | | MDLF-PDSU Reporting | | |
| 1.3: At least two transfer stations in (1 in Rafah, and 1 in Deir Al-Balah) area are constructed, fully equipped, and operational, by the end of project | <input type="checkbox"/> | Number | 0 | 0 | 1 | 2 | 2 | 2 | Annually | Construction Supervision Consultants | Construction Contractor | |
| | | | | | | | | | | Construction implementation plans | MDLF-PDSU | |
| | | | | | | | | | | Disbursement Plans | | |
| | | | | | | | | | | Observation/field visits | | |
| | | | | | | | | | | MDLF-PDSU Reporting | | |
| 1.4: 7 random dumping areas in the project locations are gradually closed in a sanitary manner. | <input type="checkbox"/> | Number | 0 | 0 | 2 | 5 | 7 | 7 | Annually | Construction Supervision Consultants | Independent Consultants | |
| | | | | | | | | | | Construction implementation plans | Construction Contractor | |
| | | | | | | | | | | Observation/field visits | MDLF-PDSU | |
| | | | | | | | | | | EMP | | |
| | | | | | | | | | | MDLF-PDSU Reporting | | |
| 1.5: Temporary jobs created (person-day) under the various activities of Component 1. | <input type="checkbox"/> | Number | 0 | 0 | 30,000 | 60,000 | 100,000 | 100,000 | Monthly/ Semi-annually | Construction Supervision Consultants and plans | Construction Supervision Consultants | |
| | | | | | | | | | | Workers attendance sheets | Construction contractor | |
| | | | | | | | | | | | MDLF-PDSU | |
| Intermediate Result (Component Two – Institutional Strengthening): The institutional capacity of the JSC for Khan Younis, Rafah and Middle Area of the Gaza Strip and its TOU in solid waste management is enhanced, and the project promotes the importance of sanitary SWM practices among beneficiary communities. | | | | | | | | | | | | |

| | | | | | | | | | | | | |
|---|--------------------------|--------|----|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|-------------------------|---|--|---|
| 2.1: JSC-KRM management plan for optimization of primary collection and transportation of solid waste in the targeted areas is created by year 2 and implemented by year 3 | <input type="checkbox"/> | Yes/No | No | No | Yes | Yes | Yes | Yes | Quarterly/Semi-annually | Verification as part of the Financing Partners Supervision/Monitoring Missions | Financing Partners Semi-annual Supervision/Monitoring Missions MDLF-PDSU | |
| 2.2: Training days provided to the Technical Operations Unit and other JSC-KRM staff and Board members as part of the targeted capacity building activities financed under Component 2 | <input type="checkbox"/> | Number | 0 | TBD based on training plan | TBD based on training plan | TBD based on training plan | TBD based on training plan | TBD based on training plan | Quarterly/Semi-annually | Training and Capacity building plan Training evaluation reports | MDLF-PDSU JSC-KRM TOU Financing Partners | |
| 2.3: At least two schemes on cost efficiency and cost recovery of solid waste management services designed and implemented to the benefit of services providers of the Gaza Strip | <input type="checkbox"/> | Yes/No | No | No | No | Yes | Yes | Yes | Semi-annually | Training and Capacity building plan and evaluation reports MDLF-PDSU reporting JSC-KRM TOU verification | MDLF-PDSU JSC-KRM TOU | |
| 2.4: Intended beneficiaries that are aware of project information and project supported investments (percentage) | X | % | 0% | - | - | 25% | - | 50% | Annually | Public Awareness Campaign Plan implementation 2 Beneficiary Assessments | MDLF PDSU Public awareness consultant/firm | |
| Intermediate Result (Component Three – Primary Collection and Waste Recovery): Efficient, commercially viable and sustainable primary collection and waste reclamation and recycling schemes implemented and affected people compensated with sustainable livelihoods. | | | | | | | | | | | | |
| 3.1: At least 2 Schemes for pilot waste recovery through waste separation and composting are designed and launched by end of Project; | <input type="checkbox"/> | Number | 0 | 0 | 1 | 1 | 1 | 2 | Semi-annually | Feasibility study final report | MDLF PDSU Independent Consultants | This indicator supports production and implementation of pilots for two categories: - Primary Collection and Cost recovery - Waste Recovery |

| | | | | | | | | | | | | |
|---|--------------------------|--------|----|-----|-----|-----|-----|-----|-----------------------------|---|---|--|
| 3.2: Primary collection system at JSC-KRM member municipalities provided with adequate primary collection equipment and containers | <input type="checkbox"/> | Yes/No | No | No | No | Yes | Yes | Yes | Semi-annually | Procurement Plan Plan for needed equipment MDLF PDSU Reporting Financing Partners Supervision/Monitoring Mission reports | MDLF PDSU Financing Partners | Targets will be determined based on the results of the Pilot studies and the procurement plan. The adequacy will be determined by the items proposed in the plan. |
| Intermediate Result (Component Four – Project Management): MDLF carries out sound fiduciary and safeguards aspects of project implementation. | | | | | | | | | | | | |
| 4.1: MDLF PDSU maintains adequate staffing for project management, environmental and social safeguards and fiduciary staff throughout the life of the project | <input type="checkbox"/> | Yes/No | No | No | Yes | Yes | Yes | Yes | Quarterly/ Semi-annually | Financing Partners Supervision/Monitoring Mission reports World Bank Fiduciary Team Assessments Staff Contracts | Financing Partners MDLF-PDSU World Bank | MDLF-PDSU will be staffed with: Project Manager, Fiduciary and Safeguards Specialist. |
| 4.2: Interim IFRs and Progress Reports are submitted to Financing Partners in a timely and satisfactory manner | <input type="checkbox"/> | Yes/No | No | Yes | Yes | Yes | Yes | Yes | Semi-annually | Financing Partners' supervision and verification | Financing Partners | |

Annex 2: Detailed Project Description

WEST BANK AND GAZA: Gaza Solid Waste Management Project

The project would consist of the following components:

- 1) ***Component 1: Solid Waste Transfer and Disposal Facilities (Total cost: US\$20.15 million; WB: US\$6.80 million).*** This component would improve solid waste management through the provision of sanitary disposal. It would finance:
 - a. *Construction of a sanitary landfill (Total cost: US\$12.0 million; WB: US\$5.25 million).* The sanitary landfill will be complete with an administrative building, weigh bridge station, truck washing station, first phase landfill cells (1-3), leachate treatment pond, storage, workshop and maintenance buildings, site lighting and fencing, stand-by power supply and internal distribution, on-site and off-site infrastructure (water supply and sewerage, telephone, and drainage), and access and internal roads and signage. The size of land area to be purchased will be for the first stage investments only, but arrangements would be made to reserve land to the east for future expansion of landfill cells (4 and 5) to meet the projected storage needs through 2040. The infrastructure, except for the landfill cells, would be constructed for the ultimate size. The landfill cells will be constructed in about ten-year demand stages. Initially only one ten-year capacity cell would be constructed complete with leachate under drainage system and cell lining. The land area reserved for cell 3 will be reserved for storage of soil to be used for daily cover of compacted waste.
 - b. *Transfer stations (Total cost: US\$0.8 million).* This subcomponent includes two solid waste transfer stations, namely, Tel Al Sultan in Rafah, and in Deir El-Balah, each complete with entrance gate and fence, weigh bridge, ramps and shed, on-site and off-site infrastructure (water, sewerage, drainage and telephone), electricity and standby power supply, site lighting, access road and signage.
 - c. *Supply and installation of equipment for transfer stations and landfill (Total cost: US\$2.5 million).* This sub-component would finance the purchase of operational equipment for the landfill (US\$1.1 million), namely: compactors, loaders, trucks, pumps and piping, maintenance shop equipment and tools. Equipment for transfer stations (US\$1.4 million) – solid waste containers, hauling equipment, loaders and vehicles – is also included in this component.
 - d. *Access roads to landfill and transfer stations (Total cost: US\$1.55 million; WB: US\$1.15 million).* This sub-component would finance the improvements of the access road to the proposed landfill and to transfer stations. Such improvements would consist of road widening, paving and drainage, road signs, and road safety measures particularly at critical intersections.

- e. *Sanitary closure of existing dumpsite (Total cost: US\$1 million; WB: US\$0.4 million).* This sub-component would finance the closure and rehabilitation of several dumpsites in the Middle and Southern Gaza Strip.
 - f. *Implementation of ARAP (Total cost: US\$0.20 million).* This sub-component would finance the implementation of ARAP measures related to the waste pickers to ensure a new source of income once the illegal waste picking at Al-Fukhari (Sofa) dumpsite is halted.
 - g. *Land acquisition for the Al-Fukhari (Sofa) landfill (Total cost: US\$2.1 million).* The first stage development of Al-Fukhari (Sofa) landfill would require about 215,000 m² (215 dunums) for the construction of cells 1 and 2, and cell 3 reserved for storage of daily cover soil, the leachate pond, the reception area and the recycling and composting area. The land reserved for cell 2 would be used for storage of daily cover soil. The land reserved for future cells 4 and 5 with a total area of about 260,000 m² (about 260 dunums) would not be purchased initially as this land would not be needed before 2025.
- 2) ***Component 2: Institutional Strengthening (Total cost: US\$1.65 million total; WB: US\$0.4 million).*** This component would improve the solid waste services through improved management and public awareness, and it would consist of: capacity building of the JSC-KRM TOU to assume responsibility for the operation of the new landfill and transfer stations; capacity building of participating municipalities; and public awareness programs. These are discussed below:
- a. *Capacity building of the JSC for Khan Younis, Rafah and Middle Area of GS TOU (Total cost: US\$0.85 million; WB: \$0.1 million).* This sub-component would finance institutional support for: (i) contracting key staff to fill vacant positions; (ii) provision of essential office furniture and equipment, desk computers and software, printers and similar office administration equipment and incremental operating costs; and (iii) capacity building of board members of the JSC-KRM and staff of its TOU (US\$0.4 million), including workshops, technical assistance and training to improve the technical and administrative capacity (US\$0.2 million). This subcomponent would strengthen the JSC-KRM TOU on the operation and maintenance (O&M) of the new sanitary landfill and transfer stations upon commissioning, as well as the management of the primary collection system under the JSC's responsibility to enhance sustainability. Training will also include social and environmental safeguards as well as public relations and awareness. The capacity building of the JSC board members would focus on overall management, social and environmental safeguards, and policy development to guide financial sustainability through cost-recovery.
 - b. *Capacity building of participating municipalities (Total cost: US\$0.5 million).* This sub-component would finance: (i) training and technical assistance to the solid waste technical department of the participating municipalities. The training would include administration, cost-accounting, finance, technical aspects, planning, supervision of field operations, and maintenance to improve the quality of the services in a cost-effective way. It would also include training on participatory techniques to promote public

awareness in a participatory way, engaging the beneficiary community and key stakeholders and to develop understanding for support of the solid waste collection services. This component would also (ii) train council members on policy and operational aspects of solid waste management and giving support to the technical department in the provision of the services. Particular attention would be given to cost-efficiency and cost recovery aspects of such services. Finally, the sub-component would also finance the provision of key administrative equipment including desk computers to facilitate the application of the new skills.

- c. *Citizen engagement activities (Total cost: US\$0.3 million; all from WB).* This sub-component would finance consultants, workshops, training, public awareness campaigns (including production of documents for public information and dissemination through various media as required), and citizen feedback system using internet and communication technologies (ICT). The activities would complement the activities funded under Component 3 to improve primary collection and promote recycling of organic and non-organic materials as well as to promote financial sustainability. Launching of public awareness programs and citizen feedback systems would be a joint effort of the JSC-TOU and solid waste technical departments of participating municipalities. The project will also finance Grievance Redress Mechanism which will establish a system by which queries or clarifications about the project are responded to, problems with implementation are resolved, and complaints and grievances are addressed efficiently and effectively.

3) ***Component 3: Primary Collection and Resource Recovery (Total cost: US\$5.1 million; WB: US\$0.1 million).*** This component would improve primary collection and promote resource recovery for enhanced solid waste management services. It would finance:

- a. *Studies for optimization of waste collection (Total cost: US\$0.5 million).* Consultants would be hired to carry out detailed studies and designs of primary collection networks, aimed at improving collection services in a cost-effective and participatory manner. The consultation will determine the type of service wanted by beneficiaries, and their willingness to pay for it. The studies will include a detailed assessment and recommendations on required institutional, administrative, technical, operational, financial, economic, monitoring, evaluation, reporting, environmental, and social aspects of such services.

The studies will recommend an investment program to maintain the desired level of services. The consultant shall assess the conditions of the primary collection (PC) equipment and containers by service area, and shall verify the list of priority needs. The consultant will also review equipment and containers by size and capacity, operating conditions, materials of construction, and through expert inspection determine whether the equipment and containers can be cost-effectively repaired, and if so, prepare a list of spare parts and materials for purchase from suppliers or manufacturers of equipment as per the manufacturers' catalog. Priority equipment beyond repair should be inventoried for replacement.

Based on the assessment of the present PC system, and the preliminary recommendations for improvement, the consultant will validate whether the type and capacity of equipment to be replaced is still valid or whether equivalent equipment of larger or smaller capacity, of different type or function, should be purchased through competitive bidding.

The consultant will design the most cost-effective quality primary collection system for each service area. The study will recommend whether the merging of services from municipalities under the JSC would present the most cost-effective option, as a result of economies of scale. This alternative applies to the PC systems as well as to the maintenance of equipment. If merging services is deemed the best option, the consultant shall recommend the necessary administrative and legal arrangements needed and identify the JSC or municipality with the critical mass of resources to absorb adjacent service areas. The study includes developing one pilot scheme for primary collection for each service area. The findings of these pilots shall be used to update and revise the proposed PC schemes for the wider service areas for implementation under a separate project.

The study will recommend introducing new concepts to the administration and organization for setting up cost accounting systems and procedures. This will provide the needed support to the operations department responsible for the field operations, namely, the provision of the waste collection. The study includes updating the ESIA and ESMP of the approved PC system in all the pilot areas in the Gaza Strip. The study includes the social assessment and identification of the Project Affected People (PAP) and, as part of the PC design, and updating the Resettlement Action Plans (RAPs) for each group of PAP.

- b. *Supply of Waste Collection Equipment (Total cost: US\$3.5 million).* According to the findings of the consultant's reports discussed above, new equipment would be supplied to improve primary collection.
- c. *Studies for Waste Recovery (Recycling and Composting) (Total cost: US\$0.1 million; all from WB).* This component would fund viability studies for existing resource recovery schemes. The studies would assess existing resource recovery of both public and private sector enterprises, the current market supply and demand, as well as projected demands over the ensuing ten years for each type of recyclable waste material (carton and paper, metals and plastics by type and quality, and organic waste for composting), and it would assess their financial viability and recommend a program of activities to promote viable resource recovery (recyclable materials and compost) in public and private sector partnership with the cooperation of the beneficiary community, particularly if separation at source is viable.
- d. *Pilot investments for Recycling and Composting (Total cost: US\$1 million).* This component would also finance pilot recycling and composting initiatives of public-private and NGO-community participation to promote local demand and sustainable operations.

- 4) **Component 4: Project Management (Total cost: US\$3.95 million; WB: US\$1.90 million).** This component would facilitate implementation of the proposed solid waste management services through financing:
- a. *MDLF administrative fees, and the cost to establish and operate the PDSU in Gaza for about five years* (US\$1.95 million; US\$0.70 million from WB). MDLF's fee and PDSU operations would cover: (i) staff to carry out administrative, fiduciary and safeguard responsibilities for project implementation in compliance with donors' and PA's requirements; legal fees associated with land acquisition; technical assistance; annual audits of project accounts; and special studies; and (ii) project-related incremental operating costs, such as: office space rental, office equipment and supplies, desk computers and software, utilities, vehicles including fuel and maintenance, insurance and licensing, operational and training related travel costs, workshops, communication, advertisements and costs associated with procurement, printing and media publication of project implementation related activities.
 - b. *Consultants for landfill design review and value engineering, construction supervision and contract management* (US\$0.6 million) will supervise the construction of the new facilities in accordance with the designs and signed contracts and report on progress.
 - c. *Operational and maintenance of the landfill and transfer stations* (US\$0.60 million; all from WB). This component will fund operations and maintenance cost of the landfill and transfer stations at the level of 100 percent.
 - d. *The independent consultancies, including independent review and monitoring of environmental and social safeguards requirement and Beneficiary Assessments* (US\$0.8 million; WB: US\$0.6 million) would cover primarily the services of independent reviews of compliance with the Environmental and Social Management Plan, as well as Beneficiary Assessments and other Citizen Engagement Mechanisms.
- 5) **A Contingency Fund (Total cost: US\$4.41 million; WB: US\$0.80 million).** The AFD, EU, and WB will allocate approximately 18 percent of the project cost for contingencies.

Table 1. Co-Financing Partners' Share of Investments

| Project Cost By Component and/or Activity | Total US\$M | Share of Investments in US\$ Million | | | | | | Total Available Funds US\$M |
|---|--------------------|--------------------------------------|------------------------|-------------|------|-------------|------|--------------------------------|
| | | PA + JSC | AFD + EU ³³ | IsDB/U NRWA | UNDP | Sweden (WB) | WB | |
| Component 1: Infrastructure Development | | | | | | | | |
| a) Construction of Sanitary Landfill | 12.00 | | 6.75 | | | | 5.25 | 12.00 |
| b) Construction of Transfer Stations (TS) | 0.80 | | 0.40 | 0.40 | | | | 0.80 |
| c) Supply and Installation of TS & Landfill Equipment | 2.50 | | 2.50 | | | | | 2.50 |
| d) Access Roads to Landfill & TS | 1.55 | | | | 0.40 | | 1.15 | 1.55 |
| e) Closure of existing dump site | 1.00 | | | 0.40 | | 0.20 | 0.40 | 1.00 |
| f) ARAP Implementation | 0.20 | | | | 0.20 | | | 0.20 |
| g) Land Acquisition for Landfill and Transfer Stations | 2.10 | 2.10 | | | | | | 2.10 |
| Sub-Total Component 1 | 20.15 | 2.10 | 9.65 | 0.80 | 0.60 | 0.20 | 6.80 | 20.15 |
| Component 2: Institutional Strengthening | | | | | | | | |
| a) Capacity Building of JSC-DBR | 0.85 | | 0.75 | | | | 0.10 | 0.85 |
| b) Capacity Building of Municipalities | 0.50 | | 0.50 | | | | 0.00 | 0.50 |
| c) Public Awareness Campaign | 0.30 | | | | | | 0.30 | 0.30 |
| Sub-Total Component 2 | 1.65 | 0.00 | 1.25 | 0.00 | 0.00 | | 0.40 | 1.65 |
| Component 3: Primary Collection & Resource Recovery | | | | | | | | |
| a) Studies for Optimization of Waste Collection; | 0.50 | | 0.50 | | | | | 0.50 |
| b) Supply of Waste Collection Equipment | 3.50 | | 3.50 | | | | | 3.50 |
| c) Studies for Waste Recovery (Recycling and Composting) | 0.10 | | | | | | 0.10 | 0.10 |
| d) Pilot recycling and composting facility | 1.00 | | | | 1.00 | | | 1.00 |
| Sub-Total Component 3 | 5.10 | 0.00 | 4.00 | 0.00 | 1.00 | | 0.10 | 5.10 |
| Component 4: Project Management | | | | | | | | |
| a) MDLF Fee and Cost of PDSU | 1.95 | | 1.20 | | | 0.05 | 0.70 | 1.95 |
| b) Construction Supervision | 0.60 | | 0.60 | | | | | 0.60 |
| c) Operating & maintenance costs of Al-Fukhari landfill and two transfer stations | 0.60 | | | | | | 0.60 | 0.60 |
| d) Independent consultancies, including independent monitoring of the EMP and Beneficiary Assessments | 0.80 | | | | | 0.20 | 0.60 | 0.80 |
| Sub-Total Component 4 | 3.95 | 0.00 | 1.80 | 0.00 | 0.00 | 0.25 | 1.90 | 3.95 |
| Estimated Total Project Cost | 30.85 | 2.10 | 16.70 | 0.80 | 1.60 | 0.45 | 9.20 | 30.85 |
| Contingencies | 4.41 | | 3.42 | | | 0.19 | 0.80 | 4.41 |
| Estimated Total Project Cost Including Contingencies | 35.26 | 2.10 | 20.12 | 0.80 | 1.60 | 0.64 | 10.0 | 35.26 |

*The referenced UNDP program is being funded primarily from IsDB and Government of Japan.
The referenced UNRWA program is being funded by IsDB.*

³³ The EU funding will be administered by the AFD through bi-lateral agreement.

Annex 3: Implementation Arrangements

WEST BANK AND GAZA: Gaza Solid Waste Management Project

Project Institutional and Implementation Arrangements

Introduction

1. The project builds on the successful experience of the Bank's first Solid Waste Management (SWM) project in the World Bank Group (WBG) (SWEMP, FY 01), known as the Jenin Project, and the on-going experience of the Southern West Bank SWMP (FY 09). The Jenin Project, which is considered by many to be one of the best Bank projects implemented in WB&G, learnt several lessons: 1) in conflict settings, seeking out and building upon common areas of interest between divergent stakeholders results in optimal outcomes; 2) local ownership is more critical for project success than is often recognized; 3) individuals can and do make a major difference to project success; thus seeking out and strongly supporting capable local professionals is advisable; 4) significant tacit (local situational) knowledge often exists, and can sometimes be mobilized to effectively support a project; 5) effective channels of public communication and feedback support sustainability and can and should be built into project design; 6) investment in changing the culture is often as important as physical investments, and sometimes more so; 7) early preparation, consensus building and "learning" can pay significant dividends; and 8) consistent, thoughtful, and dedicated on-ground Bank supervision support can be the difference between success and failure.³⁴

2. These lessons have all been heeded in the design of the institutional arrangements of this project. However, the current divisive political situation in Gaza presents some unique challenges for institutional design. In particular, the Palestinian Authority does not control key government institutions, and the political group that does control such institutions is not recognized by the Palestinian Authority (PA), the Bank and most donors. Thus the Jenin/SWMP model cannot be adopted without considerable modification.

3. Some recent Bank projects, such as the recently completed Second Emergency Municipal Services Rehabilitation Project (EMSRP 2, FY07) and the ongoing Municipal Development Project (MDP, FY09), have had to address this problem, and have done so successfully. They have done so by utilizing the unique operational and managerial capacity of the Municipal Development and Lending Fund (MDLF), a PA institution with an office in Gaza that has demonstrated ability to work effectively with all parties in Gaza. The project thus builds on MDLF's proven record of effectively operating in the complex political and institutional environment of Gaza, a record that has been established over the last 7-10 years. During this period MDLF has effectively administered Bank and donor funds, and their respective fiduciary, procurement, social and environmental guidelines.

4. This reliance on MDLF is not without risk: the risk of overstressing MDLF's capacity and deflecting it from what some believe to be its main mission which is the development of the local government sector in WB&G. However, institutional development as proposed under

³⁴ The lessons of the on-going southern area project (SWMP) are still being learned.

components 2 and 3 of the (current) project falls well within MDLF's mandate.³⁵ And the project addresses the risks by providing support to MDLF for establishing a special, separate, temporary, capable, and semi-autonomous Project Development and Safeguards Unit (PDSU) in Gaza, reporting directly to the general manager, and financial and procurement managers based in Ramallah (West Bank). This would limit the pressure placed on MDLF's current resources, while taking advantage of its capacity and experience and its unique knowledge of Bank and donor requirements and systems.³⁶

5. Apart from the complexities of the current political situation, SWM development in Gaza poses some special challenges, partly arising from long years of neglect and the recent severe economic dislocation. Effectively addressing these challenges will require sustained interventions over many years. In addition, Gaza Municipality as well as the North Gaza Governorate have indicated some significantly different preferences from those encountered in the Middle Areas and the South, including in terms of disposal sites and operating and managerial arrangements.

6. Because of the above, it was agreed with key stakeholders that a *programmatic approach* involving the development of two separate projects (and possibly other future projects) would be more effective than a single large project.³⁷ After further discussions with stakeholders, it was agreed that the Bank and co-financing partners would focus their limited resources in the Middle and South Gaza area project (KRM SWMP), while UNDP³⁸ (or other Implementing Agencies) and their co-financing partners would focus their resources in Gaza Municipality and North Gaza (GNG SWMP). This approach is practical as UNDP with support from Japan and the Islamic Development Bank are already actively involved in addressing collection and disposal issues in the Gaza and North Gaza. Further, both projects emerged from a single feasibility study in which all the key stakeholders participated.

Basic Strategy

7. The basic implementation strategy is to:
- a. Build on the lessons and structures of the successful Jenin and Southern West Bank SWMP.

³⁵ MDLF would implement activities that would improve the beneficiary municipalities and JSC capacities to effectively and in participatory manner plan and deliver a solid waste management service in an efficient and cost effective manner. Such activities are consistent with and complementary to that being financed by the MDLF's MDP.

³⁶ While this is not an ideal structure, given the complex context of Gaza, it is the most practical and workable approach available at the present time. Prior to selecting this option, several different implementation arrangements were examined. Those most relevant to the project are summarized in Appendix 1. MDLF's current and proposed revised organizational structure is presented in Appendix 2.

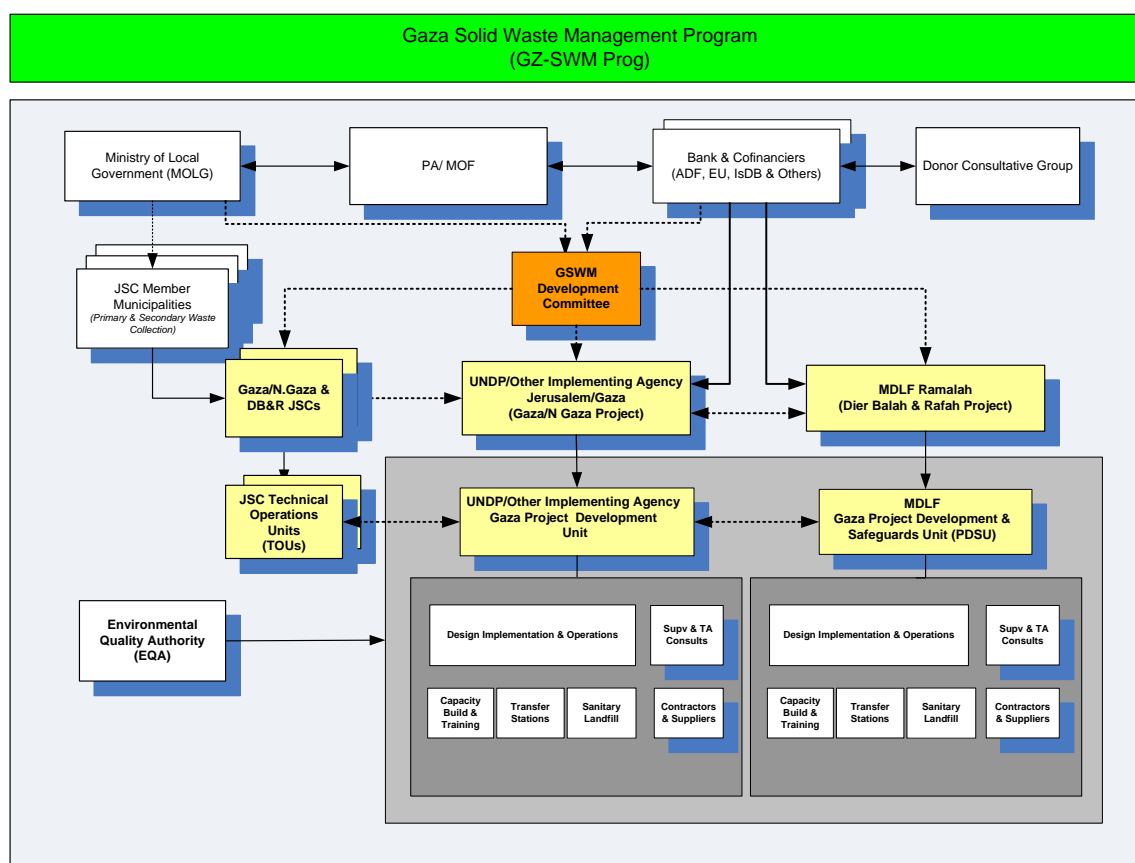
³⁷ The proposed *programmatic approach* is to be distinguished from a tightly knit, fully integrated program involving a single implementing agency. Instead, what is proposed is the parallel implementation of two complementary, closely related and coordinated projects, with similar objectives and structures and sharing the same oversight and coordination mechanism, but focused on different geographical areas within Gaza Strip and implemented by different agencies.

³⁸ While UNDP has been very actively involved in supporting the SWM feasibility, the participation of other Implementing Agencies has not been ruled out.

- b. Build on the foundation of the existing Deir El-Balah JSC (DB JSC) with its long and successful record of effective sanitary solid waste disposal and landfill management in middle and southern Gaza.
- c. Utilize MDLF as the *Implementing Entity* in order to navigate the present operational complexities of Gaza, and to ensure compliance with Bank fiduciary and safeguard requirements.
- d. Establish a separate MDLF PDSU in Gaza as a strong and semi-autonomous Unit in order to:
 - i. Minimize the operational burden on MDLF headquarters in Ramallah;
 - ii. Ensure effective and responsive project management, and adherence to the donors' and Bank's fiduciary and safeguards guidelines and requirements; and
 - iii. Recruit and supervise the private consultants who would oversee the construction of the proposed new landfill at Al-Fukhari (Sofa) in southern Gaza, and ensure contractors compliance with contractual obligations for commissioning of completed works to and with the participation of the Joint Services Council for Khan Younis, Rafah and Middle Area (JSC-KRM).
- e. Support and help build the technical and managerial capacity of the JSC-KRM Technical Operating Unit (TOU) as a key beneficiary.
- f. Adopt a programmatic approach comprising two main project components, one focused on Gaza and North Gaza and the other focused on Middle and South Gaza—with the Bank (i.e., the project) focusing on the latter.
- g. Establish a SWM Development Committee to provide *overall strategic guidance* for the sector in Gaza, and to oversee and the two key projects mentioned above.

8. The basic program and project relationships are shown in the organizational figures 1 and 2 and in the Responsibility Matrix in Appendix 1. The proposed relationship between MDLF headquarters organization and the proposed new PDSU is shown in Appendix 2, while the relationships between MDLF PDSU and JSC-KRM-TOU are shown in Appendices 3-4. Appendix 5 indicates the proposed structure of the Gaza/North Gaza Project, and Appendix 6 indicates the main organizational options reviewed.

Figure 1: Proposed Organizational Structure, Gaza SWM Program



Project Administration Mechanisms MDLF and MDLF PDSU

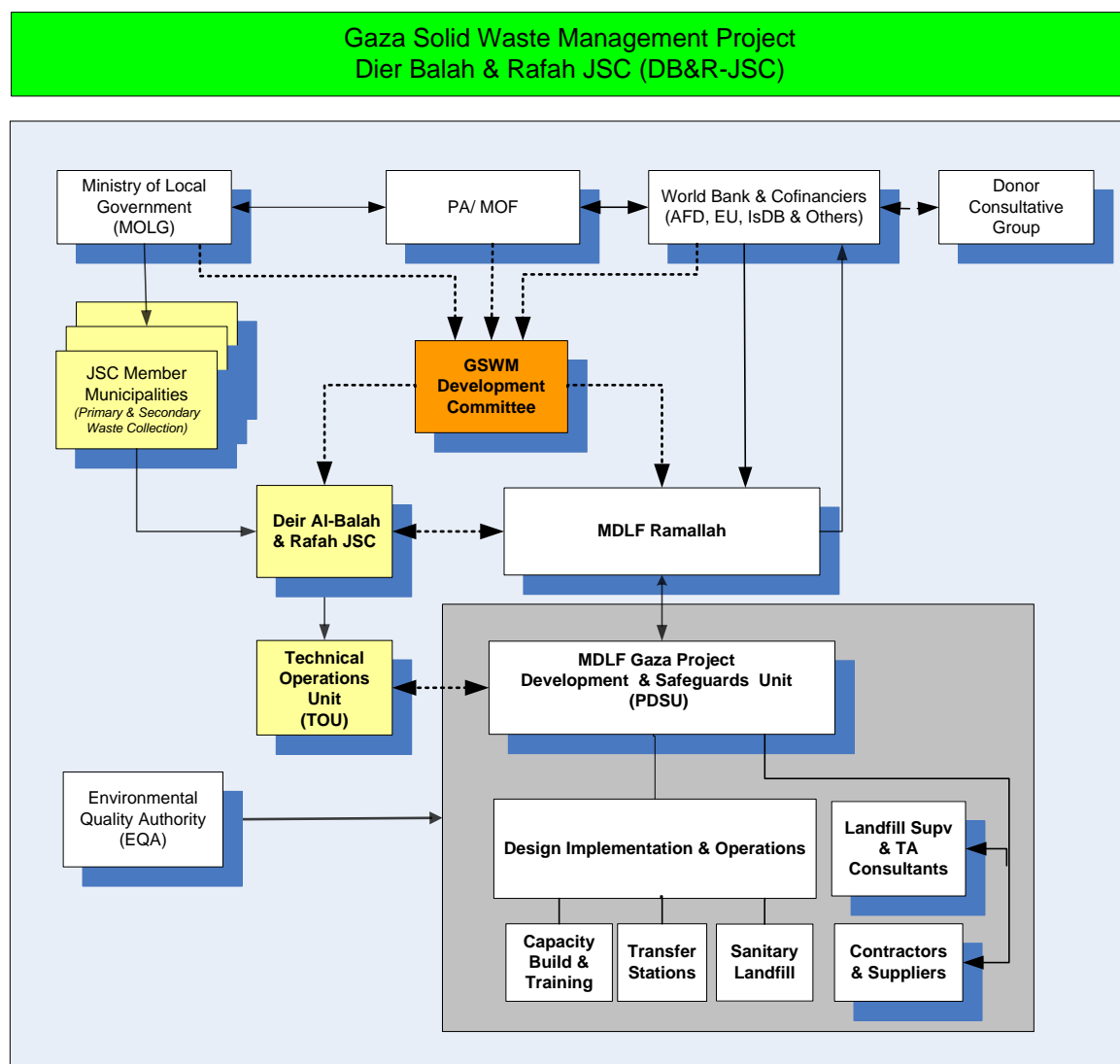
9. MDLF would be the Implementing Entity and legal *owner* of the assets acquired or created under project, and would thus be responsible for ensuring the achievement of project objectives. It would undertake this role primarily through PDSU – a separate new and semi-autonomous project development unit based in Gaza and reporting directly to the executive director of MDLF in Ramallah.

10. PDSU would be responsible for the day-to-day management of the project and the implementation of fiduciary and safeguards policies. In addition, PDSU would be responsible for:

1. All fiduciary and safeguards policies as agreed to under grant agreements co-signed with the Bank and the donor partners:
 - i. Preparing tender documents for the various tasks financed by the Project, evaluating tenders and recommending companies/contractors for the award of contracts.
 - ii. Preparing quarterly and semi-annual progress reports satisfactory to the Bank and donors.
 - iii. Ensuring the production of independent financial audit reports.
 - iv. Preparing the final report upon project completion.

- v. Carrying out regular meetings with the Bank's team as well as the donor coordination group to review the progress reports and address the challenges facing implementation.

Figure 2: Proposed Organizational Structure, Gaza SWM Program, Middle and Southern Areas



JSC-KRM and TOU

11. The PDSU has been staffed by experienced professionals (a project coordinator; financial, procurement, environment and social specialists; support staff; and other technical consultants). All positions have been filled in accordance with MDLF guidelines. It is expected that the PDSU would be effective and responsive in Gaza without overly burdening the MDLF headquarter departments in Ramallah.

12. JSC-KRM has been expanded to include municipalities in the Rafah Governorate as key stakeholders (and possible eventual owners and operators of the new landfill).³⁹ The JSC-KRM will play an important supporting role during implementation, and will do so in close consultation with the MDLF-PDSU. The Technical Operational Unit (TOU) will be the operational arm of JSC-KRM. In order to facilitate cooperation, TOU and PDSU would occupy the same premises in the Southern Gaza Strip, and will meet regularly to share ideas and to review the project's progress and achievement of objectives. The JSC-KRM's role with regard to the project was outlined in a Memorandum of Understanding (MoU), which was executed between the MDLF and JSC-KRM in 2012.

13. Currently, several positions in the existing TOU are vacant, and several senior officers are due for retirement in 1-2 years. This may present the JSC-KRM with an opportunity to recruit new key staff, establish new systems, and generally strengthen the organization. The staffing of the strengthened TOU should include an executive director, an operations engineer, a financial and accounting officer(s), a public information specialist and support staff.

Other Potential Participants

14. In addition to the above and Palestinian Authority ministries and agencies, potential participants would include NGOs and private sector companies, in such areas as recycling and composting. Of course, both could play key roles in solid waste disposal and management in the future.

15. The Ministry of Environmental Affairs (MEnA) would also play a role in monitoring and reporting on compliance with the PA Environment Law. However, considering its limited role in the Gaza Strip, either a qualified NGO or private consultants would be recruited by the MDLF in coordination with MEnA to perform these duties.

Gaza SWM Development Committee (GSWMDC)

16. The Khan Younis, Rafah and Middle Area of the Gaza Strip project (KRM) and Gaza Municipality and North Gaza (GNG) projects would both be overseen by a Ramallah- (West Bank) based SWM Development Committee (DC). It would comprise representatives of the PA ministries and agencies (MOF, MOLG, MOPAD and MEnA), the two JSCs, UNDP, MDLF, and other key stakeholders including NGOs, UNRWA, and private sector representatives to ensure responsiveness. The chairman of the DC would be appointed from among its members; and the DC would meet quarterly and as necessary to discharge its responsibilities. Its main responsibilities would be to:

- a. Provide overall strategic guidance for the development of the SWM sector in Gaza.
- b. Ensure that both SWM projects are implemented effectively and in accordance legal agreements and safeguard policies, and that they are effectively coordinated with and supportive of each other.
- c. Help resolve problems and conflicts that arise during implementation.
- d. Provide a forum for stakeholder discussion, complaints and dispute resolution.

³⁹ New Bylaws for the expanded JSC was approved by Minister of Local Government on March 21, 2012 in accordance with the Local Authorities Law No. 1 of 1997

- e. Help promote public awareness and willingness to pay for improved SWM services.
- f. Help keep key stakeholders (including the Bank and co-financiers) informed on a regular basis on the progress of the Program and the two main project components.

A. RESULTS MONITORING AND EVALUATION

17. The MDLF, through its established PDSU, would be responsible for the overall monitoring and evaluation related to the project and for the preparation of semi-annual progress and Interim Unaudited Financial Monitoring Reports (IFRs), and for reporting progress against the achievement of the project key performance indicators (KPIs) in Annex 1. Semi-annual progress reports will be submitted by the PDSU to the FPs within 45 days of the end of each reporting calendar semester, and IFRs will be submitted within 45 days of the end of each reporting calendar quarter. The PDSU's Project Coordinator, supported by the various relevant and technical staff from the PDSU and the JSC-KRM, will oversee data aggregation and periodic reporting on project implementation progress, and ensure that the development objective is met. The PDSU will maintain a simple project monitoring and evaluation arrangement, including auxiliary data storage tools for data collection, output dashboards and outcome monitoring, reporting, and evaluation of project performance. Data on environmental and social aspects of the project, including the implementation of the ESIA, and beneficiary views, will be provided to the PDSU through independent (consultants) and MEnA monitoring, as proposed in Annex 1. Monitoring of technical aspects of construction contracts under components 1 and 2 will be carried out by construction contractors, who will report periodically⁴⁰ to the PDSU and the TOU.

B. SUSTAINABILITY

18. The economic conditions in the WB&G are documented in recent Bank reports. In Gaza, in particular, the widespread incidence of poverty, coupled with a high unemployment rate, would make the application of full cost recovery of the proposed solid waste management improvements unfeasible, and some degree of subsidy may be required. It will also require undertaking a well-designed public awareness program to inform and promote cost recovery within affordability of beneficiary communities. The economic analysis reveals that the cost of operating the transfer sites, transportation from transfer stations to the sanitary landfill, and the landfill gate fee have been estimated at US\$25 per ton (or about ILS 100 per ton). When added to the current primary collection and transportation fees (21 ILS /household/month⁴¹), the fee required would represent about US\$6.1 /household/month or about two percent of the household expenditures of an average size family in the bottom quintile, and about three percent of the household expenditure of an average family in the two lowest quintile of the population (40 percent of the population).

⁴⁰ Reporting may start as quarterly during the first year reduced down to semiannual for subsequent years.

⁴¹ This fee is considered very high considering the level of income in the Gaza Strip. It is expected that a lower fee is agreed to with the planned restructuring and improvement to the service that will be provided by the project.

19. In order to address sustainability over a medium and longer-term, the project includes provisions to: (i) strengthen the technical and administrative capacity of the JSC-KRM TOU for efficient and cost-effective management of the new facilities; (ii) study alternatives to make the primary collection services in the Khan Younis, Rafah and Middle Area of the GS cost-effective, more responsive to the needs of the beneficiary population, and in consultation with beneficiaries promoting their participation and cooperation; (iii) study market demand and invest on a pilot basis on expansion of current recycling practice through promotion of public-private sector partnerships; and (iv) launch a public awareness program to promote waste reduction, resource recovery, and cost-recovery.

20. Prior to completion of the sanitary landfill and transfer station(s), PDSU would also:
- a. Either procure the services of a managing contractor for the operations of the new facilities or hire operating staff for the same purposes.⁴²
 - b. Be responsible for developing the operational manual for the new facilities (landfill and transfer stations), which would be approved by the JSC-KRM for compliance by all member municipal councils as well as operational staff or operational contractors.
 - c. Ensure (with the assistance of a consultant) that all municipalities who are members of JSC-KRM and any private or public sector organizations using the waste management facilities under its jurisdiction comply with MENA laws and regulations for disposal of municipal wastes in the municipal sanitary landfill and ensure that only eligible wastes are disposed of at such facilities.
 - d. Develop operational guidelines and procedures for management of non-eligible wastes (hazardous wastes, hospital wastes and inert waste material from construction) for concerned municipal councils to enforce compliance with proper disposal as per the environmental law and MENA policies and regulations—all with the assistance of consultants.

21. Further, PDSU would support and help build the capacity of the expanded JSC-KRM-TOU—one of the main beneficiaries of the project. However, it would not substitute for the TOU as this could undermine the long-term sustainability of the project. Instead, every effort would be made promote a strong and effective *working relationship* between PDSU and TOU in order to ensure long-term project and program sustainability.

The JSC for DB and KRM

22. As noted the JSC-KRM builds on the foundation of the successful and long established Deir El-Balah Joint Service Council for Solid Waste Management (JSC-DB)—a core part of the implementation strategy.

23. JSC-DB was inaugurated in 1995, with assistance from the German Society for International Cooperation (GTZ, now GIZ), as a non-profit organization to serve Deir El-Balah, the Middle Camps and Khan Younis area⁴³—a population of some 530,000 in 2011 or 33.5 percent of Gaza’s current population. The landfill was the first, and until recently (until Jenin) the only sanitary landfill in WB&G. It still is the only sanitary landfill in the Gaza Strip. In fact,

⁴² There is a potential for IFC’s involvement similar to their contribution to the SWMP.

⁴³ It has also served as a valuable model for sanitary landfill development elsewhere in WBG, including in Jenin and Hebron.

lessons learned in developing and managing the JSC-DB landfill operation helped provide a solid basis for designing the successful Bank-supported Jenin SEWMP project several years later. JSC-DB thus provides a solid foundation for the project.

24. Until recently, JSC-DB comprised 13 municipalities in the middle of Gaza: Khan Younis; Bani Suhaila; Abasan Al-Kabeera; Khuza'a; Abasan; Qarara; Deir El-Balah; Nuseirat; Zawaida; Wadi Salka; Bureij; Maghazi; and Masadar. However, it excluded the important Rafah governorate with its four municipalities and population of some 195,600 in 2011. In order to build a capable SWM institution to serve middle and southern Gaza Strip, Rafah municipalities are being integrated into JSC-DB to form JSC-KRM.⁴⁴

25. JSC-KRM was established in March 2012 and operates pursuant to Local Authorities Law No. one (#1) of 1997 and the Bylaw⁴⁵ of the Joint Services Council of Solid Waste Management, and the Bylaw of the Joint Services Council No (1) of 1998. It comprises 17 municipalities, 12 of the original 13 plus Rafah; Abasan Al-Jadida; Al-Shokeh; Al-Nasr; and Al-Fukhari. Each member municipality would have voting powers equivalent to its population. The Board of Directors is composed of all the heads of Local Authorities in Khan Younis, Rafah and Middle Gaza Districts.

26. According to its bylaws, JSC-KRM will perform the following functions:
- a. Develop suitable plans and supervise the process of waste collection and transport, and design integrated plans for the scientific disposal of waste and the preservation of the environment.
 - b. Establish sanitary landfills for solid waste, including maintenance and measures to control operations at the landfills.
 - c. Collect solid waste from containers in the manner and by the means that the Council and Local Authorities deem appropriate.
 - d. Set up and operate one or more garages for the waste collection trucks that would operate within the scope of the work of the Board.
 - e. Operate and maintain waste collection trucks belonging to the Board as well as the vehicles owned by Board members at cost price that includes the minimum wage of maintenance technicians and workers.
 - f. Maintain and supply waste collection containers to the Local Authorities and members.
 - g. Train personnel on waste collection, transport and disposal.
 - h. Conduct public awareness campaigns on the preservation of a clean environment.
 - i. Organize timely cleaning campaigns at the request of Board members and based on agreed on terms.
 - j. Provide advice and counseling to Local Authorities and their members on the management of solid waste from legal, technical, environmental, and social and health perspectives.

⁴⁴ This integration is consistent with the December 2011 recommendation of SWM Feasibility Study Consultants which calls for immediate closure of DB JSC's existing landfill due in part to its close proximity to the Israeli border and lack of capacity, and the area to be served by a single new sanitary landfill located at Sofa, in Rafah Governorate.

⁴⁵ New Bylaw has been approved by the Ministry of Local Government (MOLG) in Ramallah on March 21, 2012.

- k. Represent individual Local Authorities before any party in all matters relating to solid waste.
- l. Develop plans, implement, and adopt techniques that reduce pollution of the environment caused by solid waste, and apply the principles of prevention, retrieval of resources and recycling.
- m. Manage financial aspects, from setting tariffs for services to billing and collection.
- n. Control, monitor and enforce the law against illegal dumping of solid waste.

27. JSC-KRM will also be responsible for developing policies and plans for the improvement of solid waste disposal for the middle and southern Gaza Strip and oversee the performance of its TOU. It would also be responsible for approving tariff policies, waste treatment and disposal methodologies, monitoring performance of operations and ensure compliance with laws and regulations, private sector engagement, etc. Additionally it would also coordinate and cooperate with key PA agencies, especially the MEnA. However, it would not be responsible for primary collection, which remains with the individual municipalities. The structure of JSC-KRM is shown in the organizational diagram in Figure 2.

28. *Technical Operations Unit (TOU)*: Like Jenin/SWMP, JSC- KRM TOU would play an important role in of the project. However, unlike Jenin/SWMP, TOU would do so in close cooperation with MDLF-PDSU. Importantly, for the reasons stated repeatedly above, the TOU would not be the *Implementing Entity* – MDLF would be but TOU would play a key supporting role. It would also be responsible for planning, executing projects and the management of operations under the JSC-KRM mandate, including billing and collection of services and related tasks whether financed with the JSC-KRM own revenues. Further, TOU will prepare itself for the later task of managing and maintaining the new landfill upon project completion.

29. The structure of the current DB JSC-TOU is indicated in Appendix 4. It shows that several positions are vacant, and several senior officers are due for retirement in a few years. This will create an opportunity for the JSC to recruit key staff, establish new systems, and further strengthen the organization in order to enable it to effectively discharge its project tasks, as well as to assume full responsibility for project implementation if and when improvements in the political situation in Gaza permits.

30. The upgraded JSC-KRM TOU will have an executive director, an operations engineer, financial and accounting officer(s), a public information specialist and support staff (see Appendix 3). The TOU should also be supported by highly qualified technical consulting firms and individuals.

31. The main roles and responsibilities of JSC-KRM-TOU are shown in the Responsibility Matrix in Appendix 1, along with the potential roles of other key players. In addition to the PA ministries and agencies, potential participants include NGOs and private sector companies in such areas as recycling and composting in which they are already well established in Gaza. Of course, both could play key roles in solid waste disposal and management in the future.

Program/Project Coordination

Gaza SWM Development Committee

32. The KRM and GNG projects would both be overseen by a Ramallah- (West Bank-) based SWM Development Committee (DC). It would comprise representatives of the PA ministries and agencies (MOF, MOLG, MOPAD and MENA), the two JSCs, UNDP, MDLF, and other key stakeholders. The chairman of the DC would be appointed from among its members; and DC would meet quarterly and as necessary to discharge its responsibilities. Its main responsibilities would be to:

- a. Provide overall strategic guidance for the development of the SWM sector in Gaza;
- b. Ensure that both SWM projects are implemented effectively and in accordance legal agreements and safeguard policies; and that they are effectively coordinated with and supportive of each other;
- c. Help resolve problems and conflicts that arise during implementation;
- d. Provide a forum for stakeholder discussion, complaints and dispute resolution;
- e. Help promote public awareness and willingness to pay for improved SWM services; and
- f. Help keep key stakeholders (including the Bank and co-financiers) informed on a regular basis on the progress of the Program and the two main project components.

Appendices

Appendix 1: Responsibility Matrix, GZ SWMP

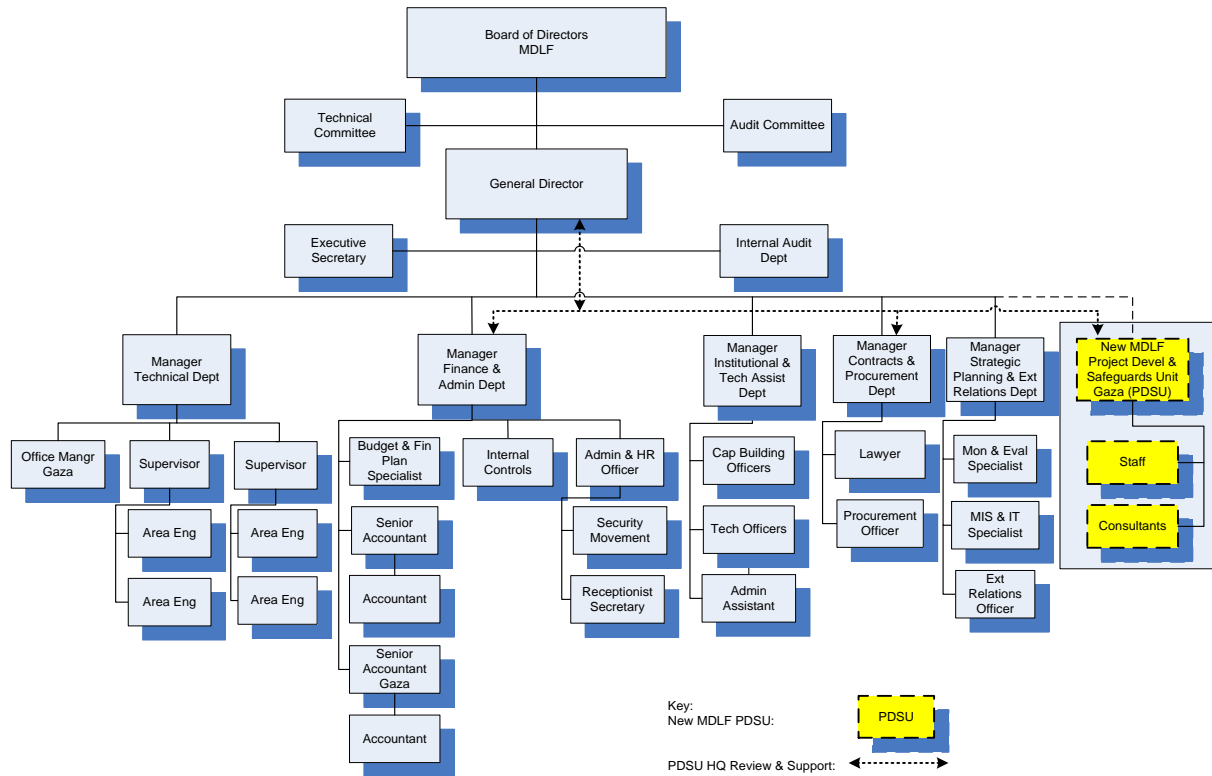
| Tasks | GSMDC | GSMSC | MDLF HQ Management | MDLF PDSU | PDSU Landfill Consultants | Other PDSU Consultants | JSC | JSC-TOU | Municipalities | MEEnA | NGO/Private Sector Partner | MOLG | MOF | Bank/Donors |
|---|-------|-------|--------------------|-----------|---------------------------|------------------------|-----|---------|----------------|-------|----------------------------|------|-----|-------------|
| Program/Project Establishment and Coordination | | | | | | | | | | | | | | |
| 1. Overall Gaza SWM Program Coordination | E | S | S | S | | | S | S | S | S | S | S | S | S |
| 2. Local SWM Project Coordination | S | E | S | | | S | S | S | S | S | S | N | | S |
| 3. Overall Project Implementation | S | S | E | E | | | N | | | | | N | N | N |
| 4. Establishing MDLF PDSU | S | S | E | | | | N | N | | N | | N | N | R/A |
| 5. Effectiveness | S | S | E | | | | | | | | | | E | E |
| | | | | | | | | | | | | | | |
| Landfill & Transfer Station Design, Construction & Supervision (Comp. 1) | | | | | | | | | | | | | | |
| 1. Designs | | | | | | | | | | | | | | |
| a. Landfill Design | N | S | R/A | R/A | E | | S | R/A | | R/A | | N | | R/A |
| b. Transfer Station Design | | S | R/A | R/A | E | | S | R/A | | R/A | | N | | R/A |
| 2. Construction Supervision | | | | | | | | | | | | | | |
| a. Landfill Works | N | N | S | R/A | E | | | S | | | N | N | | N |
| b. Transfer Station Works | | N | S | R/A | E | | | S | | | N | N | | N |
| 3. Goods Acquisition | N | N | S | E | S | S | | S | | | | | | N |
| 4. Operations | | | | | | | | | | | | | | |
| a. Landfill Operations | N | S | N | E | | | S | R/A | | | N | N | | N |
| b. Transfer Station Operations | | S | N | E | | | S | R/A | | | N | N | | N |
| c. Landfill Transport (to) | | S | N | E | | | S | R/A | | | | | | N |
| d. Transfer Station Transport (to) | | S | N | E/S | | | S | R/A | E/S | | | | | N |
| 5. Land Acquisition | S | S | R/A | E | | S | E | | | | | S | E | N |
| | | | | | | | | | | | | | | |
| Institutional Strengthening/Capacity Building | | | | | | | | | | | | | | |

| | | | | | | | | | | | | | | |
|--|-----|-----|-----|-----|---|-----|---|-----|-----|-----|---|---|-----|-------|
| (Comp. 2) | | | | | | | | | | | | | | |
| 1. Strengthening JSC | N | S | N | S | S | E/S | | | | | | | N | R/A |
| 2. Strengthening DBR TOU | N | S | N | S | S | E/S | S | | | | | | N | R/A |
| Primary Collection Pilot (Comp. 3) | | | | | | | | | | | | | | |
| 1. Prepare TOR | N | N | R/A | E | | S | N | N | | | | | N | R/A |
| 2. Bidding | N | N | R/A | E | | S | S | S | | S | | | N | R/A |
| 3. Phase 1: Study | N | N | R/A | R/A | | E | S | S | | S | | | N | R/A |
| 4. Phase 2: System Design & Testing | N | N | R/A | E | | S | S | S | | S | | | N | R/A |
| 5. Phase 1: Public Education | N | N | R/A | E | | S | S | S | | S | | | N | R/A |
| 6. Phase 1: Pilot Implementation | N | N | R/A | E | | S | S | S | | S | | | N | R/A |
| Safeguards, Public Education & Evaluation (Comp. 3) | | | | | | | | | | | | | | |
| 1. Social Safeguards | N | N | N | E | | S | | S | | | | | N | N |
| 2. Environmental Safeguards | N | N | N | E | | S | | S | | R/A | | | N | N |
| 3. Public Education | N | N | N | E | | S | | S | | | | | N | N |
| 4. Evaluation Studies | N | N | N | E | | S | | S | | | | | N | N |
| Resource Recovery Pilots (Comp. 3) | | | | | | | | | | | | | | |
| 1. Recycling | N | S | N | E | | S | S | R/A | | R/A | E | N | | N |
| 2. Composting | N | S | N | E | | S | S | R/A | | R/A | E | N | | N |
| Administration (Comp.4) | | | | | | | | | | | | | | |
| 1. Disbursement on Components | N | N | E | S | | | N | N | | | | | N | R/A |
| 2. Legal Covenant Compliance | N | N | E | S | | | N | N | | | | | N | N R/A |
| 3. JSC Bylaw Compliance | N | N | S | S | | | E | | | | | | R/A | N |
| 4. Municipality Compliance | N | N | N | S | | | S | E | E/S | | | | N/S | N |
| 5. Landfill Billing & Collection | N | N | S | E | | | S | | S/N | | | | N | N |
| Reporting (Comp. 4) | | | | | | | | | | | | | | |
| 1. Periodic Procurement Reports | N | N | S | E | S | | N | S | | | | | N | N |
| 2. Periodic Financial Reports | N | N | S | E | S | | N | S | | | | | N | N |
| 3. Periodic Progress Reports | N | N | S | E | S | | N | S | | | | | N | N |
| 4. Periodic Safeguard Reports | N | N | S | E | S | | N | S | | | | | N | N |
| 5. Quarterly/Semi-Annual Progress Reports | R/A | R/A | R/A | E | S | S | N | S | | N | | | N | N N/A |
| 6. Annual Audits | R/A | R/A | R/A | E | | S | N | S | | | | | N | N N/A |

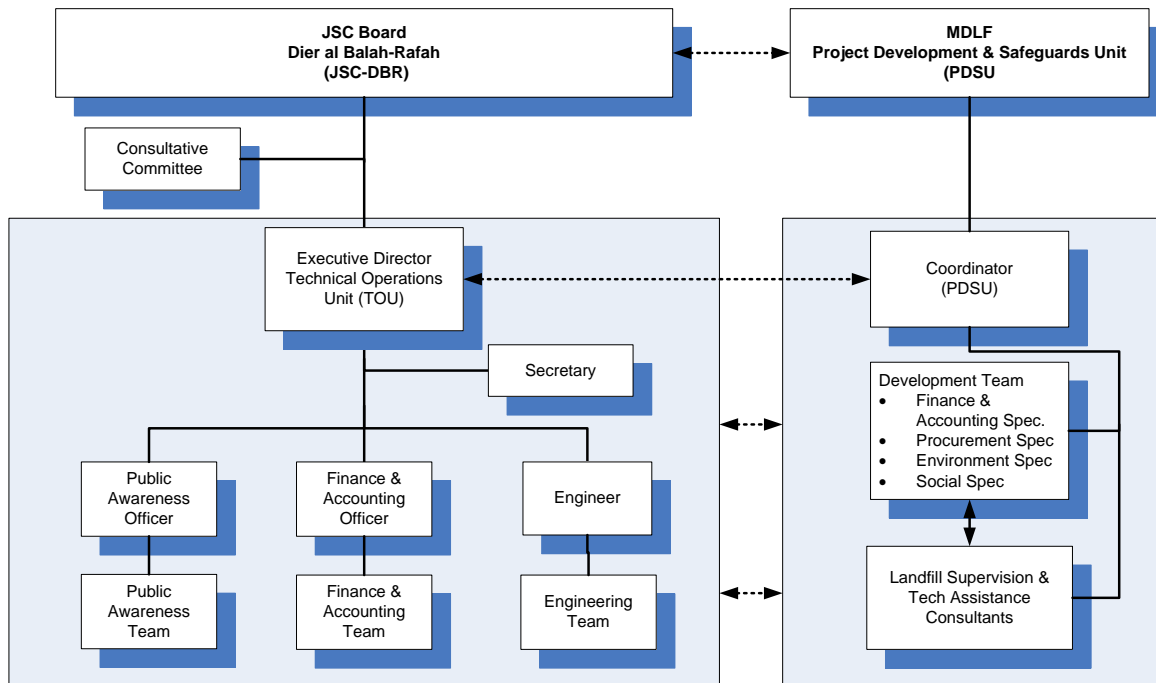
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|--|---|---|-----|---|--|---|---|---|---|--|--|-----|-----|-----|
| | | | | | | | | | | | | | | |
| Existing SWM Operations (JSC-TOU) | | | | | | | | | | | | | | |
| 1. Primary Collection | | N | N | S | | S | S | | E | | | N | | N |
| 2. Secondary Collection | | N | N | S | | S | S | E | E | | | N | | N |
| 3. Landfill Disposal | | N | N | S | | S | S | E | | | | N | | N |
| 4. Landfill Operations | | N | N | S | | S | S | E | | | | N | | N |
| 5. Landfill Administration | | N | N | S | | S | S | E | | | | N | | N |
| 6. Landfill Billing & Collection | | N | N | S | | S | S | E | | | | N | | N |
| | | | | | | | | | | | | | | |
| Other | | | | | | | | | | | | | | |
| 1. Israeli Authority Approvals | N | S | R/A | N | | | N | N | | | | R/A | R/A | E/S |

Key: E= Executes (primarily responsible for implementation): R=Reviews; A=Approves; S=Supports; N=Is notified

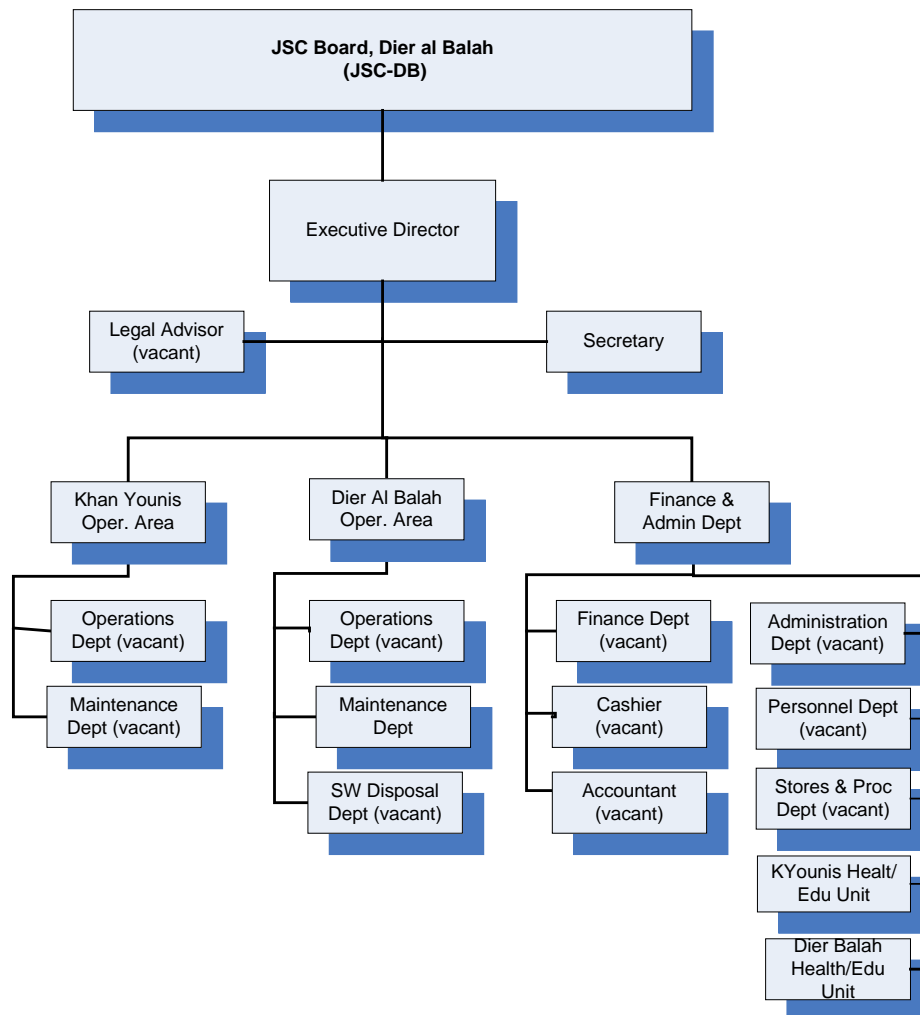
Appendix 2: Proposed MDLF Organizational Structure, Gaza SWMP



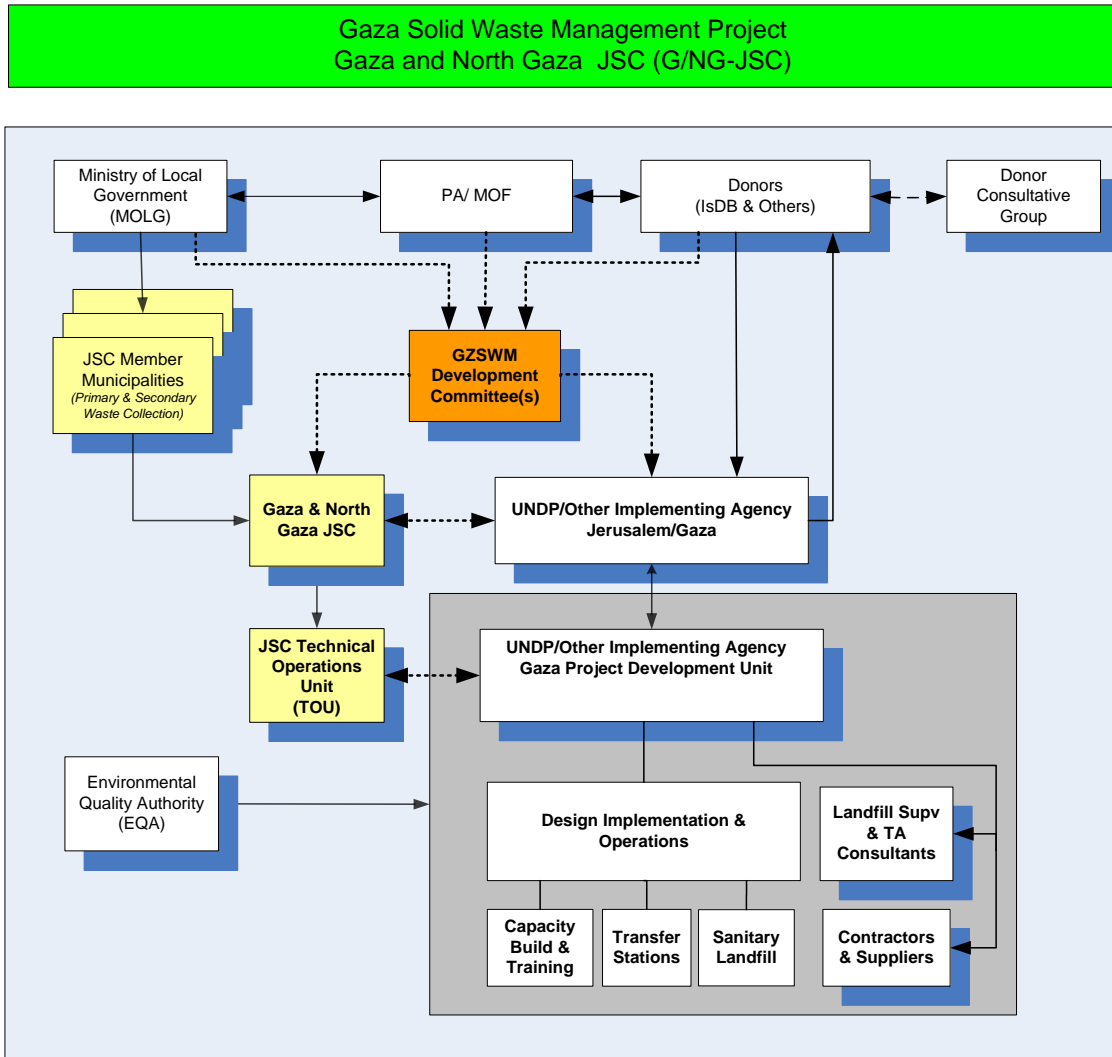
Appendix 3: Proposed JSC-KRM-TOU & MDLF PSDU Organizational Structure, Gaza SWMP



Appendix 4: Existing JSC-DB Organizational Structure, Gaza SWMP



Appendix 5: Proposed Organizational Structure, Gaza SWM Program, Gaza and North Gaza



Appendix 6: Institutional Options Matrix, Gaza SWMP

| Agency | Pros | Cons |
|---|--|--|
| 1. Ministry of Local Government (MOLG) | <ul style="list-style-type: none"> As the PA institution responsible for municipalities and JSCs, has been mandated to plan the SWM sector. Has led the preparation of the National Solid Waste Management Strategy Has been highly supportive of donors' assistance to the sector. Has been key to the formulation of the institutional aspects including establishing Joint Services Councils for solid waste management. | <ul style="list-style-type: none"> Current PA strategy (one supported by the Bank and several other donors) is to focus on sector policy, planning and performance monitoring in terms of complying with the law, not on operational issues. While MOLG has project management experience, its performance in implementing Bank projects leaves much to be desired, particularly when compared with MDLF Currently MOLG has no operational capacity in Gaza. |
| 2. Palestinian Economic Council for Development and Reconstruction (PECDAR) | <ul style="list-style-type: none"> A PA institution with long experience with infrastructure projects implementation. Ability and experience to work with different donors. Has institutional and fiduciary capacity acceptable to most donors. Has strong experience and capacity to implement projects in the West Bank and to a certain extent in Gaza. | <ul style="list-style-type: none"> During its early years of establishment, PECDAR accumulated a degree of monopoly power at the expense of other PA institutions. Does not have the mandate or the interest in building institutional capacity especially at the local level. This has resulted in the PA and donors support to the establishment of the MDLF. May not have the level of cooperation that is needed with the local stakeholders in Gaza to carry out not only the infrastructure but also the important institutional building activities financed by the project. |
| 3. Deir El-Balah Joint Services Council for Solid Waste Management (DB JSC) | <ul style="list-style-type: none"> Established by the PA in 1996. Long technical and financial support from GTZ. Stronger ownership as it would also be responsible for O&M. It already has the Middle and South Gaza municipalities as member of the JSC. Expansion would be required to include Rafah municipalities. It could readily enter into a services contract or invite to join the JSC other Gaza municipalities as a service provider for sanitary disposal of solid wastes. Its PIU has an established coordination | <ul style="list-style-type: none"> Would be politically unacceptable to the PA to manage TFG proceeds on behalf of the PA, as some, if not all JSC member municipalities are not associated with the PA. Would not be possible for the Bank to enter into a Project Agreement for the implementation of the project on political grounds. The JSC Technical Secretariat does not have experience in contract management and supervision, and it does not have fiduciary and safeguard experience that would be in compliance with WB policies. |

| Agency | Pros | Cons |
|---|--|---|
| | <p>with the Israelis at Erez on Deir El-Balah landfill management issues.</p> <ul style="list-style-type: none"> • Extensive experience in public awareness and consultation. | <ul style="list-style-type: none"> • None of the Financing Partners have previous experience in working with DB JSC. This may require protracted agreements before funds are made available to this entity. |
| 4. Municipal Development and Lending Fund (MDLF) | <ul style="list-style-type: none"> • MDLF mandate is to assist municipalities and JSCs with regional programs as well as technical and financial capacity building and institutional development. • MDLF is an autonomous agency of the PA governed by a board of directors headed by the Minister of MOLG. • MDLF has substantial experience on Bank fiduciary and safeguard policies and their implementation. It has procurement and financial management experience in compliance with Bank requirements for project appraisal. • MDLF has presence in Gaza with experience in dealing with all municipalities. • Establishing a Project Development and Safeguards Unit (PDSU) could be done rapidly with minimum project preparation delays. • The administrative cost excluding construction supervision would be the lowest (around 5-7 percent of the project cost) when compared with the other options. | <ul style="list-style-type: none"> • MDLF is already operating at capacity and additional responsibilities could negatively affect its performance in the management of ongoing donors-funded programs. It would need a project management unit based in Gaza for procurement and project management with support from headquarters in Ramallah. • MDLF does not have any direct dialogue with municipal local councils and with SWM JSC to manage the SWM sector issues, such as land acquisition and dumping fees to be charged to municipalities that would have to be addressed through the project prior to project appraisal and during implementation. • MDLF could not be responsible for the O&M. • Has no/limited coordination with the Israelis at Erez. |
| 5. Municipal Development and Lending Fund (MDLF) in Joint Venture with Deir El-Balah +Rafah Joint Services Council for Solid Waste Management (JSC-KRM) | <ul style="list-style-type: none"> • MDLF mandate is to assist municipalities and JSCs with regional programs as well as technical and financial capacity building and institutional development. • MDLF is an autonomous agency of the PA governed by a board of directors headed by the MOLG minister. • MDLF has substantial experience on Bank fiduciary and safeguard policies and their implementation. It has procurement and financial management experience in compliance with Bank requirements for project appraisal. • MDLF has presence in Gaza with | <ul style="list-style-type: none"> • MDLF is already operating at capacity and additional responsibilities could negatively affect its performance in the management of ongoing donor-funded programs. It would need a project management unit based in Gaza to procurement and project management with support from headquarters in Ramallah. • MDLF does not have any direct dialogue with municipal local councils and with SWM JSC to manage the SWM sector issues, such as land acquisition and dumping fees to be |

| Agency | Pros | Cons |
|--|---|---|
| | <p>experience in dealing with all municipalities.</p> <ul style="list-style-type: none"> Establishing a project development and safeguards unit (PDSU) could be done rapidly with minimum project preparation delays. The administrative cost excluding construction supervision would be the lowest (around 5-7 percent of the project cost) when compared with the other options. The MDLF-PDSU to be established for project management in Gaza could be integrated in part into the JSC-DB to strengthen its operational management capacity. | <p>charged to municipalities that would have to be addressed through the project prior to project appraisal and during implementation.</p> <ul style="list-style-type: none"> MDLF could not be responsible for the O&M of the new facilities but MDLF + JSC-KRM Joint Venture would enable to take ownership of the new facilities for O&M. |
| | <ul style="list-style-type: none"> Stronger chances for ownership and commitment towards sustainability. Can capitalize on the already technical experience in SWM through years of GTZ technical support including extensive experience in public awareness and consultation. The JV can benefit from already established coordination with the Israelis at Erez. | |
| 6. Coastal Municipalities Water Utility (CMWU) | <ul style="list-style-type: none"> Ownership as the board of directors is formed by the mayors of most municipalities in Gaza and it could serve as a forum for debating and addressing the key issues hindering performance of the sector. It could build on existing experience in addressing the issue of setting equitable landfill dumping fees to be charged to municipalities, particularly for those very distant from the landfill that would provide the incentives to use the sanitary landfill. It has a well-established management organization with fiduciary staff familiar with World Bank and other donors' policies, guidelines and procedures to manage funds and produce management reports acceptable to donors. The executive unit could be readily | <ul style="list-style-type: none"> Difficult to establish consensus especially since the largest municipality wants to always take the leading role and its views taken into consideration. Already some of the Gaza Strip municipalities including its biggest, Gaza City, have withdrawn from its membership. Therefore, cooperation among all municipalities will be limited. Current legal mandate limits its function to water and sewerage and adding a solid waste management function will require lengthy debate and endorsement. Moreover, legal changes will require Government decree that may not be possible under the current Palestinian internal political situation. |

| Agency | Pros | Cons |
|--|---|--|
| | <p>expanded to establish a solid waste management unit, which upon project completion could become responsible for operation and maintenance of the new facilities (landfill and transfer stations). It could be strengthened to: (i) manage the EMP during operation of the new facilities, and (ii) to assist municipalities and joint services councils in the improvement of collection services at local levels.</p> | |
| 7. United Nations Development Fund (UNDP) | <ul style="list-style-type: none"> • It has strong presence in both West Bank and Gaza with staff in Gaza who can easily coordinate with Gaza municipalities. • It is managing the Feasibility Study and already up to date with the Solid Waste Management issues on hand. • Excellent understanding of the political conditions and can use the UN system to establish working arrangements with the Israeli authorities to facilitate project implementation. • Experience in contract and financial management. | <ul style="list-style-type: none"> • Municipal ownership and commitment to the built facilities may be in question considering a turn-key type arrangement but through a grant rather than from municipality own resources. • It would have to establish a Project Management Unit (PMU) and contract out the project manager and key staff positions for fiduciary and safeguard activities. • It would use its own financial management system and procurement procedures, which are not the same as those of the Bank standard procedures. • It would charge a management fee in the order of 8 percent plus the cost of establishing a PMU in Gaza thus increasing the overall administrative cost to at least 14 percent. • Negotiating a contract between the MOF and UNDP could be protracted thus delaying project preparation activities. • All funds would have to be transferred directly to UNDP in advance tranches as its budgeting system requires to have the deposits in its bank account and the funds accounted for following its system of accounts. |
| 8. United Nations Office for Projects Services (UNOPS) | <ul style="list-style-type: none"> • It has experience in contract management in countries in political conflict, and it would centralize project implementation in Gaza. • It has presence in Jerusalem with easy access to decision makers in West Bank and in Gaza. | <ul style="list-style-type: none"> • It does not have an office in Gaza and it would have to establish a Project Management Unit (PMU) based in Gaza for which it would have to hire a project manager and administrative, fiduciary and safeguard management staff who may not have experience in |

| Agency | Pros | Cons |
|--------|--|---|
| | <ul style="list-style-type: none"> • Excellent understanding of the political conditions and can use the UN system to establish working arrangements with the Israeli authorities to facilitate project implementation. | <ul style="list-style-type: none"> implementation of Bank-funded projects. • It follows UN system of financial management and procurement, whose reporting system is different from the Bank's. And as UNDP, it charges a fee for the services rendered based on the total cost of the project and which ranges from 7-10 percent of the project cost. • It would be more costly than UNDP as it would have to purchase or lease vehicles for its staff, rent office space in Gaza plus the cost of housing of PMU non-Gaza resident staff. • Negotiating a contract by MOF and UNOPS could be protracted thus delaying project preparation activities. • All funds would have to be transferred directly to UNOPS in advance tranches as its budgeting system requires to have the deposits in its bank account and the funds accounted for following its system of accounts. |

Financial Management, Disbursements and Procurement

Financial Management

1. A financial management capacity assessment for the Municipal Development and Lending Fund (MDLF) was carried out in May 2009, as part of the appraisal of the on-going Bank and donor-financed Municipal Development Project (MDP), and was updated for this project during appraisal. The overall responsibility for the implementation of financial management (FM) and disbursement arrangements will rest with MDLF which has a proven track record of effectively operating in the complex political and institutional environment of Gaza. This record has been established over the last 5-7 years in successfully implementing three Bank-supported Projects: Emergency Municipal Services Rehabilitation Projects (EMSRP) I and II (FY02 and FY05), the on-going Municipal Development Project (MDP I, FY10), and several donor-financed municipal Projects. During this period, MDLF has effectively administered Bank and donor funds, and their respective fiduciary arrangements. A Development and Safeguards Unit (PDSU) is in process to be established in Gaza, the PDSU will include a qualified Financial Officer, who will be competitively selected and will be based in Gaza, to work under the direct supervision of the Finance and Administrative Department Manager at

MDLF. The Financial Officer will be responsible for: (i) receiving payment requests from contractors/suppliers/consultants; (ii) reviewing payment requests and ensuring that all needed supporting documents are attached; (iii) obtaining technical approval of JSC-KRM TOU; (iv) transferring original payment requests to the MDLF Ramallah for final review and payment; and (v) handling the day to day FM of the project and the implementation of fiduciary arrangements.

2. The overall financial management risk for the project is assessed as “**Substantial**”, mainly due to:

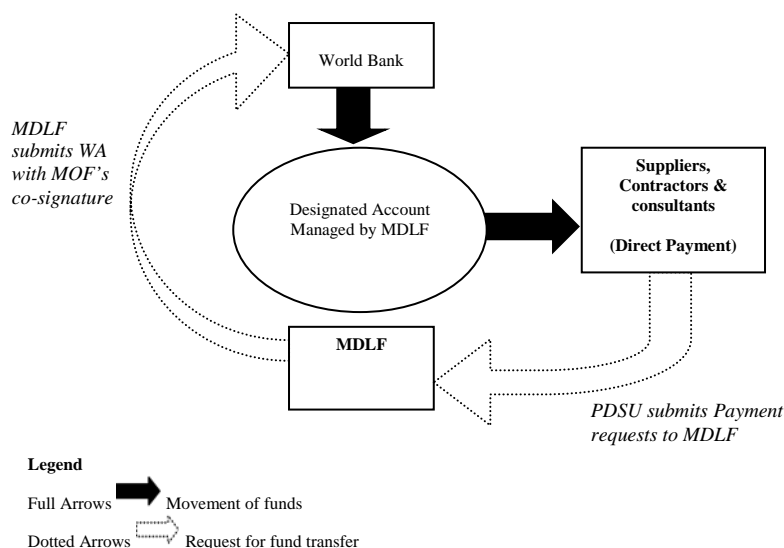
- a. Political situations and restriction of access may affect physical and financial progress. This could also affect verifying the actual physical progress on the ground;
- b. Double dipping between Financing Partners’ funds; and
- c. MDLF FM capacity is over stretched to properly manage the project’s FM responsibilities.

3. The following measures are to be taken to mitigate the FM related risks:

- a. MDLF will supervise private consultants who will oversee the construction of the proposed new landfill, and ensures contractors compliance with contractual obligations for commissioning of completed works to and with the participation of the JSC-KRM.
- b. The MDLF will have the sole responsibility to disburse on behalf of the project to suppliers, contractors, and consultants.
- c. Project payment requests will be reviewed and approved first by the technical team before being further processed to provide assurance that payments related activities are in line with physical progress and for goods actually supplied and installed.
- d. An independent external auditor will be hired to perform annual external financial audit in accordance to terms of reference acceptable to the Bank.
- e. A separate designated account will be opened in the name of the project and under the control of the MDLF.
- f. Financial transactions will be maintained separately in the Oracle accounting software through opening separate cost centers for each financer.
- g. Complete supporting documentation for each contract, including signed contract and invoice and other related supporting documents will be maintained by MDLF in an orderly manner, readily available for audit.
- h. Establish a separate PDSU in Gaza as a strong unit to help minimize the operational burden on MDLF headquarters in Ramallah. A Financial Officer, based in Gaza as part of the PDSU staff, will work under the direct supervision of MDLF FM team. Adequate training will be provided to the Financial Officer on the World Bank financial management and disbursement guidelines during the project implementation support.

4. **Budgeting and Funds Flow.** In consultation with JSC-KRM, MDLF will maintain project budget and detailed disbursement plans. The budget will be developed based on an initial

procurement plan and revised as needed and will be analyzed by year and by quarter, and will be submitted to the Bank as part of the Interim Financial Reports (IFRs). As the project will be financed *in parallel* by the World Bank, AFD, EU, and UNDP, each source of funds will be disbursed through a separate Designated Account (DA) which will be managed by the MDLF. The sole responsibility to disburse on behalf of the project to suppliers, contractors, consultants will vest in the MDLF. On a monthly basis, the MDLF Financial Manager will reconcile the project DA statement with MDLF records to ensure that all receipts and payments are properly monitored. All reconciling items (if any) should be listed, explained and followed up. The project will include a provision for retroactive financing of US\$400,000 to cover necessary expenses related to office rent, PDSU salaries, advertisement, and consultancy services. The date after which payments may be disbursed on project's account for eligible expenditures is April 1, 2013 and up to the date of effectiveness.



5. **Parallel Financing by Financing Partners.** Each Financing Partner's contribution to the project (including that of the Bank) will be through parallel financing towards the project's activities. This means that each Financing Partner will disburse its funds through a separate Designated Account (DA) managed by the MDLF. Funds are deposited into and disbursed from each DA and will be spent on specific activities according to the schedule of Financing Partners' Share of Investments (See Annex 2).

6. **Accounting and Reporting.** Project will follow the accrual basis of accounting. MDLF maintains a fully automated Oracle-based accounting system. The system is capable of capturing all project related transactions and has the flexibility to permit the establishment of separate cost centers within the main system, to track and report the use of project funds for each financier. MDLF will be responsible for preparing the Interim Financial Report (IFRs) and annual Project

financial statements. IFRs will be system generated, while the variance analysis and DA reconciliation statement will be done through excel spreadsheets. IFRs will comprise of (i) statement of cash receipts and expenditures for the period and cumulatively since inception by Financing Partner along with explanations of significant variances between budgeted and actual amounts, and cash balances of the project; (ii) statement of Designated Account reconciling period-opening and end balances; (iii) statement of project commitments, i.e., the unpaid balances under the project's signed contracts; and (iv) statement of fixed assets. The IFRs should be submitted to the Bank not later than 45 days after the end of the calendar semester.

7. **Internal Control.** The project will be implemented under the general context of MDLF internal control policies and procedures, complemented by the Bank's financial management guidelines with respect to financial reporting requirements and disbursement procedures. MDLF has in place acceptable internal control procedures over payments, including payment verification, authorization, and execution process. MDLF has an acceptable FM manual of Policies and procedures that includes detailed roles and accountability as well as control processes for sound financial control environments that have been customized for the purposes of this project.

8. **External Audit.** The project financial statements will be annually audited by a qualified independent auditor acceptable to the Bank in accordance, with internationally accepted auditing standards and TORs acceptable to the Bank. MDLF will submit the audit report and management letter to the Bank within six months after the end of the audit period. MDLF will be responsible for preparing the TORs for the auditor and submitting them to the Bank for clearance. The audit report will be comprehensive and cover all aspects of the project including all sources of financing and not only the portion related to the World Bank. The external auditor shall be engaged not later than seven months after project effectiveness. The auditor will be requested also to provide an opinion on the project's effectiveness of internal control system. The project audited financial statements will include (i) statement of cash receipts and expenditures; (ii) statement of fund balance; (iii) statement of designated account reconciling period-beginning and ending balances; and (iv) statement of project commitments.

9. According to the World Bank Policy on access to Information issued on July 1, 2010, the audit report with audited financial statements of the project will be made available to the Public.

10. **Fixed Assets and Contracts Registers:** MDLF is the implementing entity and legal owner of the assets acquired or created under the project. A Fixed Assets Register will be maintained by the Financial Officer and will indicate all relevant information (such as an asset description, location, quantity, serial number, etc.), regularly updated and checked. Contracts Registers will also be maintained for all contracts.

11. **Training and Implementation Support.** The Bank will provide training to the newly hired Financial Officer on Bank FM and disbursement guidelines, and will provide FM implementation support during project supervision missions. MDLF FM team will provide training and capacity building for the Financial Officer during project implementation and will assess the JSC needs to establish FM function (systems, equipment, procedures) to handle the FM aspects of the landfill once it is operational.

12. **Record Management:** The files will be kept in MDLF for three years from the closing date, after the last audit of the project.

13. **Governance and Anti-corruption.** Fraud and corruption may affect project resources, thus negatively affecting the project outcomes. An integrated understanding of possible vulnerabilities and actions to mitigate the risks have been developed. The aforementioned proposed fiduciary arrangements and mitigation measures are expected to address the potential risks of fraud and corruption.

Disbursements

14. The World Bank DA will be opened by the Ministry of Finance (MoF), at the Bank of Palestine (Ramallah), and will be managed by the MDLF. The proceeds of the Grant will be disbursed in accordance with the Bank's disbursements guidelines as it will be outlined in the Disbursement letter and in accordance with the Bank Disbursement Guidelines for projects. Project disbursements will follow "Report-based disbursements". The ceiling of the DA including the initial advance will be based on a two quarters cash flow projection prepared by the MDLF. Subsequent disbursements into the DA will be based on the semiannual IFRs. Bank's disbursements will be transferred into the respective DA based on (IFRs) review by an external auditor, the review IFRs will provide actual expenditure for the preceding quarter and cash flow projections for the next six months. The IFRs together with the withdrawal application will be reviewed and approved by the Bank before the Bank processes the request for disbursement. In addition, the direct payment method involving direct payments to suppliers for works, goods and services, as well as special commitments may also be used. The reimbursement method may be used for expenditures pre-financed using MDLF's resources. Reimbursements must be disbursed to an account used for purposes consistent with the terms of the legal agreement. The Disbursement Letter will stipulate the minimum application value for direct payment, reimbursement and special commitment procedures as well as detailed procedures to be complied with under these disbursement arrangements.

| Category | Amount of the Grant Allocated (expressed in USD) | Percentage of Expenditures to be Financed (inclusive of Taxes) |
|--|---|---|
| (1) Goods, works, non-consulting services, consultants' services, Training and TOU Incremental Operating Costs under the Project | 8,700,000 | 100% |
| (2) MDLF Management Fee | 700,000 | 100% |
| (3) Operating and maintenance costs of Al-Fukhari landfill and transfer stations | 600,000 | 100% |
| TOTAL AMOUNT | 10,000,000 | |

Action Plan

| Action | By When |
|--|-----------|
| Recruiting the Project's Financial Officer | Completed |

Procurement

15. Procurement for World Bank-financed project components shall be carried out in accordance with the World Bank *"Guidelines: Procurement of Goods, Works and Non-Consulting Services under IBRD Loans and IDA Credits and Grants"* by World Bank Borrowers published by the World Bank in January 2011, for goods, works and non-consulting services, the World Bank *"Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers"* published by the World Bank in January 2011, for Consultants' Services, the accompanying standard bidding documents (SBDs)/standard request for proposal (SRFP) and the Grant Agreement. *"Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants"*, dated October 15, 2006 and updated January 2011, shall apply to the project.

16. The overall responsibility for the implementation of project procurement will rest with MDLF, through the Project Development and Safeguards Unit (PDSU), which will be established in Gaza to manage the day-to-day implementation of the project and to ensure adherence to fiduciary and safeguards policies. The PDSU, to be staffed with a project coordinator, procurement, financial and social specialists, will report directly to the Executive Manager of MDLF and will act as the Bank's main counterpart for all procurement aspects of the

project. The MDLF-PSDU will manage the procurement process, ensuring the involvement of the TOU of JSC-KRM, in all steps of the procurement process: preparation of pre-qualification documents, bidding documents/requests for proposals (RFPs), advertising, bid/proposal opening, bid/proposal evaluation, contract negotiations (if applicable) and contract award. MDLF-PSDU, in close consultation with the TOU, will also be responsible for contract management including the supervision of the execution of the works by the contractors, the review and approval of consultants' deliverables and the receipt/inspection and acceptance of goods, and for advising MDLF headquarters on the release of payments to the consultant/contractors/supplier in accordance with the signed contracts. In consultation with and participation of the TOU, MDLF PSDU will hire qualified consulting firms to work closely with the PSDU in the supervision of the construction of the landfill and transfer stations. The PSDU contract management capacity will be further strengthened through hiring a contract management expert to provide advice, as needed.

17. An assessment of MDLF procurement capacity was carried out as part of project preparation and finalized during appraisal. The assessment evaluated the institutional capacity of the MDLF to implement procurement for the project following Bank Guidelines, evaluated procurement risks and made recommendations on mitigation measures for efficient procurement under the project. MDLF has acquired significant experience implementing Bank Procurement Guidelines and its procurement capacity has improved substantially throughout the implementation of Bank-financed projects, however MDLF will require additional staffing in order to meet the project procurement implementation requirements. Following is a summary of the identified procurement risks and mitigation measures.

18. Procurement Risks:

- a. MDLF capacity is overstretched and it is unable to meet project procurement and/or implementation requirements.
- b. Lack of proper coordination and the interaction of various entities may cause procurement and project implementation delays.
- c. Further deterioration of the political situation may limit competition, and discourage participation by qualified international Contractors/Consultants.
- d. Increased restrictions imposed on movement of people and goods into Gaza may delay/hinder the implementation of the construction contracts.
- e. Cost sharing of contracts among the Bank and donors could delay project procurement due to disagreement on the applicable procurement procedures and/or the mechanism for the review of procurement decisions for jointly financed contracts.

19. Mitigation Measures: the following actions are/will be implemented:

- a. The PSDU is established as a separate, semi-autonomous entity reporting directly to the MDLF Executive Manager and will act as the Bank's counterpart on procurement. The project implementation structure was established and the detailed responsibilities of the various entities will be defined in the Project Implementation Document.

- b. A qualified Procurement Specialist with expert knowledge and experience in Bank Procurement Guidelines has been hired within the PDSU, and will be responsible for processing all aspects of project procurement. The PDSU implementation and contract management capacity will be further strengthened with qualified consultants to supervise the construction contracts, including a contract management expert to provide advice, as needed, on handling claims or disputes which may arise during contract execution.
- c. The procurement section of the POM, currently being prepared by MDLF, would make reference to the MDP Procurement Manual, which includes the details of the procedural requirements that the PDSU would follow to handle procurement and contract management under the project.
- d. Procurement and contract management training: immediately after effectiveness, training will be provided to PDSU and TOU staff, on the use of the POM in order to ensure that full capacity is in place.
- e. For contracts jointly financed by the Bank and other donors, it was agreed that the Bank Procurement Guidelines will apply and the Bank SBDs/SRFP will be used. The POM will define the mechanism for the review and clearance of procurement decisions for jointly financed contracts.
- f. Procurement packaging was determined to allow for wide competition, including encouraging possible association among local and international contractors/consultants.
- g. The Bank prior review thresholds were set based on existing capacity. In addition to prior review, the Bank team will maintain a close follow up and quality control of procurement/contract management matters during project supervision to ensure the efficiency of procurement decisions.

20. The overall procurement risk rating for the project is **Substantial**.

Procurement Plan

21. Under Works, the project will finance the construction of the landfill and transfer stations and access roads to both, as well as clean up, rehabilitation and closure of existing dumpsites. Bank financing will include the construction of the landfill and closure of the existing dumpsite at Sofa, jointly with AFD, access roads and rehabilitation and closure of other existing dumpsites. Under Goods, the project will finance the supply of equipment for landfill and transfer station operation, waste collection equipment and equipment for pilot recycling and composting, all to be financed jointly by the Bank/AFD/EU. Non-consulting services will include operation and maintenance of the landfill and transfer stations, to be financed by the Bank, and consultants' services will include: design revisions, construction supervision and contract management, technical assistance and capacity building for JSC-KRM and municipalities, public awareness campaign, studies for optimization of waste collection and for pilot composting and recycling, as well as project evaluation and beneficiary assessments. The financier of each procurement package/consultancy assignment was agreed during appraisal.

22. A procurement plan (PP) for project implementation was prepared and agreed during appraisal and summarized below. The PP specifies the procurement packages/consultancy assignments, estimated cost, methods and schedule, taking into consideration the project implementation schedule. The PP will be updated at least annually or as needed to reflect actual project implementation needs.

Summarized Procurement Plan

I. General

1. Project Name: Gaza Solid Waste Management Project, West Bank and Gaza
2. Period covered by this procurement plan: Five years

II. Works, Goods and Non-consulting Services

1. Procurement Methods and Prior Review Thresholds: Procurement Decisions subject to Prior Review by the Bank as stated in Appendix 1 to the Guidelines for Procurement:

| Category | Method of Procurement | Threshold (US\$ Equivalent) | Prior Review Threshold (US\$ Equivalent) |
|-------------------------|-----------------------|-----------------------------|--|
| Works | ICB | No threshold | First contract and thereafter all contracts above \$10,000,000 |
| | NCB | <2,000,000 | First contract |
| | Shopping | <200,000 | First contract |
| | Direct Contracting | No threshold | All contracts |
| Goods | ICB | No threshold | First contract and thereafter all contracts above \$1,000,000 |
| | NCB | <500,000 | First contract |
| | Shopping | <100,000 | First contract |
| | Direct Contracting | No threshold | All contracts |
| Non-consulting services | ICB | No threshold | First contract and thereafter all contracts above \$1,000,000 |
| | NCB | <1,000,000 | First contract |
| | Shopping | <100,000 | First contract |
| | Direct Contracting | No threshold | All contracts |

2. Summary of the Procurement Packages planned during the first 18 months after project effectiveness:

Works:

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|----------|---|----------------------------|-------------|--------------------|-------------|------------------------------|----------------------------|------------------------------------|--------------------------|
| Ref. No. | Description | Estimated Cost US\$ (,000) | Financier | Procurement Method | No. of lots | Domestic Preference (yes/no) | Pre-qualification (yes/no) | Review by Bank/ AFD (Prior / Post) | Estimated BDs issue date |
| 1. | Landfill Construction and Rehabilitation and Closure of Sofa Dumpsite | 12,000 ⁴⁶ | IDA/AFD/ EU | ICB | 1 | No | No | Prior | January 2014 |
| 2. | Access Roads to Landfill and Transfer Stations | 1,150 | IDA | NCB | 1 | No | No | Prior | November 2014 |
| 3. | Clean-up, rehabilitation and closure of existing dump sites | 600 | IDA/SW | NCB | Multiple | No | No | Post | January 2015 |
| 4 | Construction/ Rehabilitation of Transfer Station | 400 | AFD/EU | NCB | 1 | No | No | Post | June 2014 |
| | Total | 14,150 | | | | | | | |

Goods:

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
|----------|-------------|----------------------------|-----------|--------------------|-------------|------------------------------|-------------------------------|--------------------------|
| Ref. No. | Description | Estimated Cost US\$ (,000) | Financier | Procurement Method | No. of lots | Domestic Preference (yes/no) | Review by Bank (Prior / Post) | Estimated BDs issue date |
| 1. | Supply of | 6,000 | AFD/EU | ICB | 3 | No | Prior | February |

⁴⁶ This contract shall be jointly financed by the Bank and AFD; Bank financing amounts at US\$5.25 million.

| | | | | | | | | |
|--|--|--------------|--|--|--|--|--|------|
| | equipment for Landfill and Transfer Station and Collection Equipment | | | | | | | 2015 |
| | Total | 6,000 | | | | | | |

Non-consulting Services:

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
|----------|---------------------------------------|----------------------------|-----------|--------------------|-------------|------------------------------|-------------------------------|--------------------------|
| Ref. No. | Description | Estimated Cost US\$ (,000) | Financier | Procurement Method | No. of lots | Domestic Preference (yes/no) | Review by Bank (Prior / Post) | Estimated BDs issue date |
| 1. | O&M of landfill and transfer stations | 600 | IDA | NCB | Multiple | No | Prior | October 2015 |
| | Total | 600 | | | | | | |

III. Selection of Consultants

1. **Selection Methods and Prior Review Thresholds:** Selection decisions subject to Prior Review by Bank as stated in Appendix 1 to the Guidelines Selection and Employment of Consultants:

| Category | Selection Method | Threshold (US\$ Equivalent) | Prior Review Threshold (US\$ Equivalent) |
|----------------------------------|------------------|-----------------------------|--|
| Consulting Services Firms | QCBS/QBS | No threshold | First contract selected under each of the two methods and thereafter all contracts above \$500,000 |
| | FBS/CQS/LCS | <200,000 | First contract selected under each of the three methods |
| | Sole Source | No threshold | All contracts |
| Individuals | IC | No threshold | First contract and thereafter all contracts above \$200,000 |
| | Sole Source | No threshold | All contracts |

2. **Short list comprising entirely of national consultants:** Short list of consultants for services, estimated to cost less than US\$300,000 equivalent per contract, may comprise entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

3. Consultancy Assignments with Selection Methods and Time Schedule:

| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|----------|--|----------------------------|------------|------------------|-----------------------------------|--------------------------|
| Ref. No. | Description of Assignment | Estimated Cost US\$ (,000) | Financier | Selection Method | Review by Bank/AFD (Prior / Post) | Estimated RFP issue date |
| 1. | Design Revisions, Construction supervision and Contract Management | 600 | AFD/EU | QCBS | Prior | December 2013 |
| 2. | CB of JSC-KRM and municipalities (multiple) | 1,350 | IDA/AFD/EU | QCBS | Prior | February 2015 |
| 3. | Public awareness campaign | 300 | IDA | QCBS | Post | July 2015 |
| 4. | Studies for optimizing waste collection and waste recovery | 600 | IDA/AFD/EU | QCBS | Prior | April 2016 |
| 5. | Independent Consultants (multiple) | 800 | IDA/SW | IC | Prior | September 2017 |
| | Total | 3,650 | | | | |

23. The following additional procedures shall apply to National Competitive Bidding:

- a. Public enterprises in parts of the West Bank and Gaza under the jurisdiction of the Palestinian Authority shall be eligible to participate in bidding only if they can establish that they are legally and financially autonomous, operate under commercial law, and are not a dependent agency of the Palestinian Authority;
- b. Foreign bidders shall be eligible to participate under the same conditions as local bidders. In particular, no preference over foreign bidders shall be granted to local bidders in bid evaluation;
- c. Invitations to bid shall be advertised on at least two (2) consecutive days in a local newspaper of wide circulation, and prospective bidders shall be allowed a minimum of thirty (30) days between the date on which the notification appears for the first time and the deadline for bid submission. With the specific approval of the World Bank, this minimum period of 30 days may be reduced to a minimum period of 10 days in the case of emergency operations;
- d. Until standard bidding documents acceptable to the World Bank have been introduced by the PA, the standard bidding documents of the World Bank shall be used;
- e. Qualification criteria shall be clearly specified in the bidding documents, and *all* criteria so specified, and *only* criteria so specified, shall be used to determine whether a bidder is qualified. Bids of bidders not meeting such criteria shall be rejected as

- non-qualified. The fact that a bidder meets or surpasses the specified qualification criteria shall not be taken into account in the evaluation of such bidder's bid;
- f. Evaluation criteria shall be clearly specified in the bidding documents, and all evaluation criteria other than price shall be quantified in monetary terms. All evaluation criteria so specified, and *only* criteria so specified, shall be used in bid evaluation. Merit points shall not be used in bid evaluation;
 - g. If classification of contractors is required, contractors that have not yet been classified but meet the required qualifications shall be enabled to obtain the necessary classification during the bidding procedure. Any contractor that has been classified in a class higher than the lowest class shall not be restricted to bidding in his own class but shall be eligible also to bid in any lower class;
 - h. Bids shall be submitted in sealed envelopes and shall be accepted whether mailed or hand-carried;
 - i. Bids shall be opened in the presence of bidders who wish to attend, and immediately after the deadline for bid submission. Said deadline, and the place of bid opening, shall be announced in the invitation to bid. The name of each bidder, and the amount of his bid, shall be read aloud and recorded when opened in the minutes of bid opening. The minutes of bid opening shall be signed by the members of the bid opening committee immediately after bid opening;
 - j. Bids received after the deadline for bid submission shall be returned to the bidders unopened;
 - k. A bid containing material deviations from or reservations to the terms, conditions and specifications of the bidding documents shall be rejected as not substantially responsive. A bidder shall not be permitted to withdraw material deviations or reservations once bids have been opened;
 - l. The bid evaluation shall be carried out in strict adherence to the criteria specified in the bidding documents, and the contract shall be awarded to the qualified bidder offering the lowest evaluated and substantially responsive bid; and
 - m. A bidder shall not be required, as a condition for award, to undertake obligations not specified in the bidding documents or otherwise to modify his bid as originally submitted; and there shall be no post-bidding negotiations with the lowest or any other bidder.

24. ***Frequency of Procurement Supervision.*** The Bank's prior review thresholds were set based on the existing procurement capacity and the identified procurement risks. In addition to prior review, the Bank will carry out at least two supervision missions per year during which a close follow up and quality control of procurement /contract management matters will be maintained. A post procurement review of contracts which are not subject to the above prior

review requirements shall be conducted once a year. The procurement post reviews should cover at least 20 percent of contracts subject to post review.

25. ***Procurement Records.*** Complete procurement documentation for each contract, including RFPs/bidding documents, advertisements, proposals/bids received, proposal/bid evaluations, letters of acceptance, contract agreements, securities, related correspondence etc., will be maintained by MDLF-PDSU in an orderly manner, readily available for audit.

Environmental and Social (including safeguards)

26. *Baseline Environmental and Social Impact Assessment (BESIA)*⁴⁷. The BESIA for Solid Waste Management in the Gaza Strip reported that the environment in Gaza has been suffering from a great deal of abuse and neglect. The limited land resources, the rapidly growing population and a restricted economic sector, coupled by its long-term isolation from the outside world by the Israeli imposed siege, and negligence as a result of the political circumstances, has led to the deterioration of the natural resources and amplification of several environmental shortcomings. However, one of the main environmental concerns in Gaza Strip is the high vulnerability of its ground water resources to pollution. The Gaza Strip depends entirely on its coastal zone aquifers for drinking, industrial and agricultural use. The Palestinian Water Authority (PWA) is the PA's agency responsible for monitoring water withdrawal and quality for drinking and industrial use, and the Ministry of Agriculture (MOA) is responsible for monitoring the irrigation wells in agricultural areas. Ground water quality is at risk of pollution from sewage and industrial discharges from populated areas that may infiltrate into the aquifers, but the most serious threats come from agriculture because of uncontrolled pumping and the use of pesticides and fertilizers that could cause significant pollution of ground water aquifers.

27. The baseline conditions of the site are suitable for landfill construction. The site is located in semi-desert land with low annual precipitation; the area is very sparsely populated. The site is underlain by fresh water aquifer, which constitutes the main source of drinking and irrigation water for southern Gaza Strip. The ESIA reported that this aquifer is of low vulnerability to pollution. The BESIA report indicates that excessive withdrawal⁴⁸ of ground water at drinking water wells has created major cones of depression and the cone of influence is significant in the vicinity and approach areas to the well fields. However, in the area in the vicinity to the proposed Al-Fukhari (Sofa) landfill, the effect of ground water withdrawal is insignificant, which can be construed to indicate that the potential impact of the proposed sanitary landfill at Al-Fukhari (Sofa) would not cause any immediate threat to existing water

⁴⁷ Environmental and Social Impact Assessment for Solid Waste Management in Gaza, Baseline Report, and draft dated December 2011 carried out by EcoConServ Environmental Solutions (international Egyptian consultant) and Universal Group-Gaza (local Gaza consultant).

⁴⁸ The cones of depression are due to an imbalance in the rate of pumping that exceeds the rate of recharge from rainfall. Hydrological studies for years 2000/2001 and 2006/2007 report two large cones of depression, one in the north GS (in the vicinity to Beit Lahia) and the other in the south GS (in the vicinity to Rafah city).

supply wells. In southern Gaza Strip, the drinking water supply wells are located more than two kilometer distant from the proposed Al-Fukhari (Sofa) landfill site. The proposed project would include the construction of a new sanitary landfill and the sanitary closure of two existing disposal sites, the sanitary landfill at Deir El Balah and the dumping site at Al-Fukhari (Sofa) designed for “zero discharge”. In order to ensure that the proposed sanitary landfill at Al-Fukhari (Sofa) does not discharge accidentally any leachate wastewater into the aquifer, the proposed project would include the construction of ground water quality monitoring wells strategically located in the area around the landfill cells for early detection of any leakage from the cells. Since there is already some degree of ground water pollution in several places in southern Gaza Strip, the baseline seasonal water quality characteristics will be measured prior to placing in operation the new sanitary landfill and the closure of the existing dumping site at Al-Fukhari (Sofa). The operational manual for the landfill will include detailed procedures for monitoring and reporting such periodic testing. If there is any evidence of accidental leakage from any of the landfill cells, the manual will also include the procedures for field investigation to locate the leaks and for making the required repairs.

28. *Environmental Category:* The proposed project would finance the construction of a new sanitary landfill and two transfer stations, provision of operational equipment for the new sanitary landfill and transfer stations, sanitary closure of existing dump sites, studies and pilot investments to improve primary collection and promote resource recovery, and capacity building of service provider organizations in the middle and southern Gaza Strip. Due to the scope of work, mainly the landfill and transfer stations, the project is rated category “A” in accordance with World Bank Operational Policy OP 4.01.

29. *Environmental Assessment:* The Environmental and Social Impact Assessment (ESIA) was carried out by independent consultant for the proposed project. The ESIA also examined potential impacts that could trigger other safeguard policies to ensure compliance with World Bank policies (OP 4.11). The assessment of potential impacts was done through analyzing different project activities and envisaging possible changes to the environment. Each potential impact was qualitatively analyzed to classify its significance to three degrees: major, medium and minor. The environmental impacts of the project are grouped into the construction phase, the operational phase and the decommissioning phase. Each phase will generate different environmental impacts that will require different mitigation measures. The ESIA reported long-term potentially irreversible impacts to ground water resources by leachate if proper mitigation measures are not considered in project design. Environmental impact would also result in the vicinity to the proposed landfill site from the increased traffic of solid waste disposal trucks from the various communities in middle and southern GS. The project will generate also landfill gas during the operational and decommissioning phases. Environmental impacts during the construction phase (such as dust emissions, soil erosion, water pollution, noise etc.) would be temporary and reversible. The risk of chance finds of sites of cultural property value is negligible and this has been confirmed in writing by the Ministry of Tourism and Antiquities.

30. The ESIA presents the impacts and mitigation measures, some of which are addressed through proper design, others through proper construction procedures, and through proper operational procedures, which should also include procedures for sanitary closure of active cells upon decommissioning. The ESIA analyzes in detail each phase of project development to assess whether the proposed design will cover the necessary mitigation measures. These recommendations are being considered by the consultant currently preparing the detailed designs. The analysis also covers measures to be considered during construction and that will be incorporated in the bidding documents and contracts. Likewise, the analysis discusses to a great extent operational procedures and measures and design considerations for decommissioning of landfill cells at end of active life for sanitary closure and degasification. The ESIA also identifies in addition to the mitigation measures, the responsible entities for implementation of mitigation measures, and the estimated budgets required. The main mitigation measures required to address the key environmental impacts are the "zero" leachate and drainage discharge into the ground and surface water resources. The cells will be provided with sealing base (double layers of HDPE protected by double layers of geo-membranes) and under drainage system for collection of leachate and discharge at an on-site evaporation pond. Monitoring wells will also be built around landfill cells to enable periodic monitoring of the ground water quality and to verify whether there are any leaks from the cells for immediate location and repair. Gas collection and flaring systems would be installed upon decommissioning of active cells to mitigate ambient air pollution particularly emissions of greenhouse gas (GHG) which contribute to global warming. Another mitigation measures are improvements to the main access roads that would be used by all vehicular traffic to mitigate the impact on the roads users and adjacent population. Contracts will include provisions for chance finds with clear procedures to manage any site of cultural resource value.

31. The project is characterized by the importance and considerable weight given to the socioeconomic dimensions. The ESIA was produced in a highly participatory manner that managed to fully engage stakeholders groups. The ESIA is particularly sensitive to the interests of primarily affected vulnerable groups like land owners and waste pickers whose access to their livelihood sources would be restricted, and the local population near the waste disposal sites and TSs. Moreover, the ESIA gave high attention to the SWM beneficiaries, being the primary targeted groups for the potential improvements of the proposed system, key players in maintaining the sustainability of the system and also a key group that could be affected economically from the increased service fees.

32. Consultation and participatory techniques were employed during the process of the ESIA, as well as for the preparation of the two Abbreviated Resettlement Action Plans (ARAPs). The methodology of the preparation of the ESIA and the ARAPs involved bottom-up approaches that depended on a diverse range of tools to serve the objectives of the various parts of the ESIA. Large amounts of quantitative and qualitative information from various primary and

secondary sources were obtained. The key consultation activities during the course of the project could be divided into the following:

33. During the scoping and preparation of the ESIA and ARAPs:

- a. Plenary session. As part of the preparation of the ESIA for Gaza SWM Project, a scoping session was conducted in Gaza in May 2010 and was attended by a wide range of stakeholders including various municipalities, JSC from different Governorates of Gaza Strip, MDLF, SWMC, PWA, MEnA, NGOs, academics, consultants and local communities to the landfills who were invited through individual invitations.
- b. The scoping session aimed to present the project, scope of work and methodology of the ESIA for the long-term activities and obtain participants feedbacks on the issues that the consultant should pay attention to during the course of the ESIA.

34. *Social Impacts including social safeguards:* The analysis of social impacts examines the potential social risks associated with the project and potential mitigation measures to address these. Overall, the project is expected to result in several positive socioeconomic impacts on the Gaza Strip population during both construction and operation. The most significant positive impacts relate to improvements in public health, as well as environmental conditions in the residential areas. The proposed project also presents possible economic opportunities via job creation for the poorer segments of the population, specifically for the waste pickers earning their living at the dumpsites. For the mitigating measures associated with the social issues, the project will utilize lessons learnt from the West Bank Jenin project and Southern West Bank Solid Waste Management Project for Hebron and Bethlehem governorates. Through additional and specifically tailored studies and public consultation workshops, the project is also addressing issues related to affordability and willingness-to-pay, especially by the poorer segments of the population. Sustaining the new SWM system will require the introduction of an updated tariff and service fees system which is predicted, also, to have negative impacts in particular on the poor segment of the population who cannot afford to pay.

35. There are however, direct adverse impacts expected on two sets of populations on Al-Fukhari (Sofa) landfill site. These are: i) people affected through having their lands expropriated for the landfill expansion; and ii) the impacts on the livelihoods of a marginalized segment of the population (18 waste pickers) who derive their daily livelihood by sorting recyclable items from the Sofa landfill.

36. The Bank's Operational Policy OP 4.12 applies to both the social impacts pertaining to the waste pickers at the Al-Fukhari (Sofa) landfill as well as to the families impacted through the land acquisition requirements of the project for Al-Fukhari (Sofa). Specifically, OP 4.12 related impacts are as follows:

37. *Waste-Pickers.* Results from the draft ESIA and ARAP show that there are income related risks for the waste pickers currently earning their livelihoods from the Sofa landfill site.

Since access to the facility will be restricted to licensed operators only, the number of informal waste pickers currently benefiting from the sites will experience negative impacts on their income streams. Some of the potential risks include increased impoverishment, challenges of transferring to alternative livelihood streams, and potential strife that could result among these project affected people if appropriate mitigation measures are not in place. The ESIA and ARAP census indicates that a total of 18 waste pickers will be impacted of which 11 consider scavenging as their primary source of income. As the case in other waste disposal locations, landfill waste pickers predominate from a few families. In the case for Al-Fukhari (Sofa), three families predominate. Consultations have been carried out with the waste pickers both through the ESIA and ARAP preparation process; as well as by the Bank Task Team and members of the United Nations DEEP Program. Among other issues, consultations with waste pickers indicate the following: most have been working on the Sofa landfill site for at least six to seven years; this is full time, twelve hour daily employment (with the exception of Fridays); most all waste pickers support extended families (younger siblings, unemployed parents); the average commute to the Sofa site is seven kilometers and public transportation is used for commuting. The average daily income reported was between 25-40 shekels per day. Regarding losing access to their incomes as a consequence of the project, most waste pickers that were interviewed displayed a marked preference for employment through the project, preferably to remain in the waste management sector. This information is also confirmed through the ESIA and ARAP, which indicates that the most sustainable and appropriate compensation measure is provision of sustainable sources of income that would compensate for their loss of income.

38. Towards seeking tested and sustainable solutions for maintaining, if not augmenting, the livelihoods of the waste pickers, the Bank identified collaboration with the UNDP sponsored *Deprived families Economic Empowerment Program* (DEEP) which has long standing experience with developing livelihoods programs for vulnerable populations, including in the Gaza Strip. The DEEP Program would focus on the 18 waste pickers and their families as their unit of analysis for developing livelihoods approaches that benefit the household as a whole and which draws on the skills mix of various household members – beyond the individual waste pickers. As part of due diligence towards establishing the viability of the UNDP DEEP program to support livelihoods development for the waste pickers, several meetings were conducted with managers of the DEEP Program in Jerusalem and in the Gaza Strip. Two meetings have already taken place between DEEP representatives with the waste pickers towards defining the types of programs that are best suited to their needs. In February 2012, a commitment letter was made available by the UNDP Special Representative to support the waste pickers at the Sofa dumpsite.

39. *Al-Fukhari (Sofa) Land Acquisition.* The second major impact under OP 4.12 pertains to the land requirements for the Al-Fukhari (Sofa) landfill. The current landfill area is

approximately 26.64 dunums⁴⁹ and is owned by the Rafah municipality. The Feasibility Study recommended an extension of 472 dunums to the existing landfill but since some of the cells (4 and 5) will not be implemented before year 2027, the land acquisition needs for this early stage is 215 dunum and this specific land acquisition would impact five main families (70 landowners), none of whom live in the affected area. The ESIA findings indicate that these are low revenue generating lands because it is dominated by rain-fed agricultural activities as opposed to being complemented by irrigated activities. Wheat is produced three to four months in the year combined with scarce olive tree production. To address impacts associated with the land acquisition, an ARAP has been prepared which identifies a total of 70 landowners (belonging to five main families) impacted under the project.

40. Consultations with affected people were conducted through the preparation of the ESIA and the ARAP. The sets of consultations conducted, indicated the following: clarity on land ownership ownership exists, including on boundary demarcations. The owners are of mixed socio-economic and educational status. All affected landowners appear to have the correct paper documentation/certificates proving ownership thus potential contestation over land ownership was not viewed as an issue by any of the owners. Some farmers were willing to sell their lands in an open market whilst others prefer to not sell, if given the option. Some others would have opted for a land for land swap. All emphasized the importance of fair compensation, based on the market price. The poorest households expressed some concerns about potential livelihoods impacts resulting from the land take.

41. A project level grievance redressal mechanism is in place as described in the safeguards instrument. The mechanisms for seeking redress of grievances ranges from the formal court system to informal tribal mechanisms depending on the complexity of the matter. Recourse to local, more informal systems of justice appears to be given first priority. If project/local level satisfactory outcomes are not achieved, the court systems are accessed only as a final recourse.

42. *ESMP Cost Estimate.* The ESIA estimated the total cost of the mitigation measures and some of these cost items will be integrated in the different elements of the project design and others would be stand-alone costs for monitoring compliance with the ESMP. The ESIA estimated that about US\$9.64 million would be the total cost of the recommended mitigation measures, which also includes an allocation of US\$8.83 million for land acquisition based on an estimated market value of land in the project area and the maximum area to be purchased for the needs through 2040. This cost figure is included in the project cost but only for the purchase of the land that would be required for the first phase, which represents about 40 percent of the ultimate land size required. The budget also includes a provision of US\$166,420 for transition assistance for waste pickers, however, the cost of addressing the waste pickers' needs is being considered through parallel programs, some managed by NGOs, others by UNDP/DEEP

⁴⁹ One dunum is 1,000 square meters.

program, and others by PA social safety nets programs and, therefore, such costs have not been included in the financing plan for the proposed first phase project. Other cost items such as the cost of safeguard staff and consultants to be hired full-time by the implementing agency (PDSU) to manage implementation of an independent monitoring of compliance with the ESMP have already been included in the project management budget (Component 4). Other costs such as awareness campaigns have also been incorporated in the project cost under Components 1 and 2.

43. *ESMP Implementation Arrangements.* The ESMP matrix identifies the agencies responsible for implementation of and for monitoring compliance with each element of the ESMP; however, overall management of implementation of and compliance with it will be under the PDSU with the close participation of the JSC-KRM and its TOU. The JSC-KRM would take the responsibility to establish and oversee the grievance committee to address social mitigation measures, and to take policy measures and actions as required to ensure compliance with the ESMP. Component 2 of the project includes provisions to build management capacity at the JSC as well as the TOU. The latter is very important as the ESMP includes provisions to be addressed during the operation of the new facilities and upon decommissioning of active landfill cells, such as sanitary closure and degasification. Also component 4 of the project includes provisions to staff and strengthen the management capacity of the TOU to properly manage the safeguard aspects of the project with emphasis on management of the ESMP.

Monitoring & Evaluation

44. Data for the project's outcome and results indicators are expected to be delivered by specialized studies, surveys, progress and midterm reports prepared by the implementing agency, reports prepared by construction supervision and other technical and capacity building consultants and structured Bank supervision missions that will be carried out during project implementation; (i) the MDLF has nearly a decade worth of experience in working with the Bank and financing partners and have acquired the experience in managing data collection whether through its own staff at the PDSU; (ii) additional funds will be made available to the MDLF to contract consultants to support monitoring and evaluation (M&E); and (iii) data that will be acquired will be primarily that described in the Key Performance Indicators Section above including that of intermediate nature which will aim to present progress towards achieving the Project Development Objectives (PDO) and Implementation Performance.

Role of Partners

45. Several financing partners have contributed to the preparation of the Solid Waste Management Program in the Gaza Strip including the Islamic Development Bank (IsDB) and Japan who financed the feasibility study and detailed design and French Development Agency (AFD) who financed the environmental and social impact assessment (ESIA). Some of these

partners plan to finance certain activities of this project while others will finance activities to be carried out as part of a similar project that will be implemented in the northern Gaza Strip.

46. Other international agencies (including bilateral donors) financing the project are:

- a. European Union
- b. French Development Agency (AFD)
- c. Islamic Development Bank through UNDP
- d. Government of Japan through UNDP

Financing Partnerships will be structured as follows:

47. MDLF will be the implementing agency for all parallel financing, with exception of UNDP which will use its own system.

Annex 4: Operational Risk Assessment Framework (ORAF)

WEST BANK AND GAZA: Gaza Solid Waste Management Project

| Project Stakeholder Risks | | | | |
|--|---|--------------------|------------------------|---------------------|
| Stakeholder Risk | Rating | High | | |
| Description: 1. Two key stakeholders; the Palestinian Authority through the Municipal Development and Lending Fund (MDLF) in Ramallah, are the grant recipient for the benefit of the Gaza municipalities. Both parties are at odds on matters of governance in Gaza where the PA has limited representation. This conflict could de-rail project implementation. 2. The proposed owner of the proposed assets for SWM would be the Joint Services Council for Deir El Balah which is currently being expanded to include Rafah municipality to formulate Joint Services Council for Deir El-Balah and Rafah (JSC-KRM). | Risk Management: 1. The Bank and the PA to agree prior to appraisal on implementation arrangements acceptable to all parties and for the PA to officially designate the local government entity to assume ownership of proposed assets and on arrangements satisfactory to the Bank for sound and sustainable O&M of new assets. 2. The PA through MOLG to ratify the revised Bylaws of expanded JSC-KRM. | | | |
| | Resp: Both | Stage: Preparation | Due Date: May 18, 2012 | Status: Completed |
| Implementing Agency (IA) Risks (including Fiduciary Risks) | | | | |
| Capacity | Rating | High | | |
| Description: 1. The MOLG has designated MDLF as the main implementing agency to support the JSC-KRM, which builds on the strength of the Deir El-Balah JSC Technical Operations Unit (TOU) established in 1995 by a PA's decree with the financial and technical assistance of GTZ from Germany (now GIZ). Though MDLF has an office in Gaza for implementation of donors' funded programs, it would have to establish a specific Project Development and Safeguards Unit (PDSU) for which new staff with proper qualifications and experience in managing Bank-funded programs would be contracted. MDLF at HQ has proven experience in Bank policies, procedures and fiduciary management; however, for operations in Gaza to be effective and efficient, substantial autonomy would have to be delegated to the PDSU. Also the TOU at JSC-KRM will require capacity building to implement the project in compliance with Bank's and donors' policies and procedures as well as on the proper O&M of the new assets to be created through the project. 2. Lack of Effective Internal Audit Function at MDLF 3. Geographic disconnects between MDLF (Ramallah) and implementation partners in Gaza Strip and the complexity of the environment in Gaza Strip might cause lack of effective FM coordination and communication that might cause delay in payments. 4. MDLF may not be able to meet the project procurement and implementation requirements due to overstretched capacity. Coordination and decision-making among the various entities in different geographic locations, may become a challenge that would delay project procurement and implementation. | Risk Management: 1. Initial discussions with JSC-KRM, MDLF and MOLG have been positive as there is interest and commitment in principle to build local capacity to implement the project in compliance with Bank's and donors policies and procedures. The PA has expressed commitment and Gaza is in the priority list for interventions. The Bank team is also building on the successful experience of the Jenin project by close participation of the TOU manager who has experience in the implementation of the Jenin project and now has been operating the assets since its commissioning in July 2009. 2. During project implementation, an independent external auditor, acceptable to the Bank, will be appointed who will provide an opinion on the effectiveness of the internal controls as well as issues a management letter that assesses the effectiveness of the entity's internal control system over financial reporting. 3. The MDLF has established a PDSU in Gaza strip that is staffed by competent professionals (financial, procurement, and socials specialist) that will ensure compliance with Bank fiduciary and safeguard requirements. The responsibilities of PDSU Accountant have been spelled out in MDLF MOP. 4. The PDSU has been established as a separate entity reporting directly to MDLF Executive Manager and serves as the Bank's counterpart on procurement. The project implementation structure is established and the detailed responsibilities of the various entities have been defined. The PDSU has a qualified Procurement Specialist and will hire qualified consulting firms to work closely with the PDSU and the TOU in the supervision of the construction of the landfill and transfer stations. | | | |
| | Resp: Both | Stage: Both | Due Date: May 30, 2014 | Status: In Progress |
| Governance | Rating | High | | |

| | | | | |
|--|--|---------------------------|--------------------------------|--------------------------|
| Description: SWM in GS is fragmented, poorly managed, and considered by beneficiaries unacceptable. The services are unsustainable as the cost of service provision is not fully recovered (below 50 percent) and it depends on donors’ support to barely maintain the services. The SW primary collection fleet is old and in need of replacement which the service provider organizations cannot afford. Beneficiaries are not willing to pay for the service, some on account that they cannot afford to pay but others are free-riders. Two of the three legal land disposal sites are unsanitary dumping facilities (except for Deir El Balah Sanitary LF), which result in a serious and critical hazard for pollution of ground water resources and surround surface environment. | Risk Management: The MOLG has designated MDLF as the key implementing agency for which it will establish a PDSU in Gaza to manage the proposed project and build management capacity of the proposed local government agency to assume ownership of the newly created assets. MDLF has proven experience and capacity to manage Bank and donors funds and would pass this know-how to the JSC-KRM and its TOU. Also the project design would be simple with few procurement activities for works, goods and services. The proposed project would consolidate SW disposal services in middle and southern GS to complement similar activities to be managed by UNDP for the northern GS. | | | |
| | Resp: Both | Stage: Preparation | Due Date: June 18, 2012 | Status: Completed |
| Project Risks | | | | |
| Design | Rating | Moderate | | |
| Description: The feasibility study reported that the SWM services in GS from primary collection, transport and land disposal are in critical conditions requiring major and substantial interventions. Likewise the ESIA reported the dismal conditions in GS due to the poor and weak management of SW services and the unsanitary disposal of mixed municipal refuse places at a high risk of contamination of vital ground water resources upon which the entire GS depend for drinking, industry and commerce, and agricultural use. Addressing these needs would require more than US\$149 million till 2040. | Risk Management: The project would design and invest on the first stage priority needs for solid waste transfer and disposal in an environmentally and socially friendly manner, which have been estimated to cost about US\$32.8 million for the middle and southern GS to meet the needs through about 2025. The stakeholders expressed preference for the alternative recommended by the feasibility study as the best on financial and economic grounds (highest IRR) which would consist of two systems, the first with a sanitary landfill and related transfer stations to service Gaza municipality and the northern GS JSC (with a LF at Johr-AL- Deek), and the second to service the middle and southern GS (with a sanitary LF at Sofa). The project would invest on detailed studies with beneficiary participation for improving primary collection that would be acceptable, cost-effective and affordable to the communities, and it would include a public awareness program to build consensus and commitment to pay for services for financial sustainability. | | | |
| | Resp: Both | Stage: Preparation | Due Date: May 18, 2012 | Status: Completed |
| Social and Environmental | Rating | High | | |
| Description: <div>1. The ESIA reported potentially irreversible impacts to ground water resources and ambient air if proper mitigation measures are not considered in project design. Other environmental impacts would be temporary and during construction and would not be irreversible. There are no natural habitats at risk. The risk of chance finds of sites of cultural property value is negligible and this has been confirmed in writing by the Ministry of Tourism and Antiquities in writing to the World Bank.</div> <div>2. For land acquisition, some owners may have preferences to sell their entire parcels of lands since the remaining land parcel may be not be optimal for agricultural or other use. Also, the sale of only a portion of the lands may entail significant disadvantage to land owners as the value of their remaining land is expected to decrease as a result of the establishment of the landfill.</div> <div>3. The issue of funding for land acquisition for the Sofa landfill in earlier stages of preparation had needed clarification.</div> | Risk Management: <div>1. Project design has taken all risks and ESIA recommendations into account. Landfill cells would be designed for “zero” discharge of LF leachate as the bottom would be sealed with double layers of HDPE protected by double layers of suitable geo-membranes. Cells would be provided with under drainage system for leachate collection and discharge at a leachate pond also sealed as the LF cells for “zero” discharge where it would be stored for disposal through evaporation. The design would benefit from the low rainfall precipitation and the very high evaporation rate in southern GS. Gas collection and flaring systems would be installed upon decommissioning of active cells to mitigate ambient air pollution particularly emissions of GHG which contribute to global warming. Contracts will include provisions for chance finds with clear procedures to manage any site of cultural resource value. The O&M manual of operational procedures would be provided for an environmentally and economically sound operation of the LF. The project would include substantial investment in capacity building of the JSC-KRM and its TOU.</div> <div>2. An Abbreviated Resettlement Plan has been formulated to take these issues into account, including on specific preferences articulated by land owners vis-à-vis sale of the portion size of their lands (i.e., their wanting to sell larger portions). The Joint Services Council is prepared to consider this preferred option.</div> <div>3. The project has the funding commitments in place for the purchase of lands associated with the Sofa landfill: the PA has committed to USD \$1.15 million while the JSC has committed to US\$1 million.</div> | | | |
| | Resp: Both | Stage: Preparation | Due Date: June 18, 2012 | Status: Completed |
| Program and Donor | Rating | Moderate | | |
| Description: The entire long-term program and the initial investments would require substantial FPs’ commitments for a long term presence in the GS. The proposed initial stage of investments required for the middle and southern GS have been estimated at about US\$46 million equivalent. | Risk Management: The Bank has maintained close cooperation with the EU and AFD who have expressed interest in and commitment to support the SWM sector in the GS. The Bank dialogue with donors has been vetted with the PA (MOF, MOPAD, and MOLG) which have expressed commitment and declared the GS SWMP of the highest priority to the PA. FPs’ commitments would be firmed up prior to project appraisal planned for June 18, 2012. | | | |

| | | | | |
|---|---|------------------------------|--------------------------------|----------------------------|
| | Resp: Both | Stage: Preparation | Due Date: June 18, 2012 | Status: Completed |
| Delivery Monitoring and Sustainability | Rating | Moderate | | |
| Description: A monitoring system and capacity for monitoring would be required prior to project appraisal. | Risk Management: A monitoring framework arrangement has been drafted and arrangements are being made with MDLF for establishing the PDSU in Gaza and for hiring a consultant for independent monitoring as well as building capacity of JSC-KRM and its TOU for self-monitoring. | | | |
| | Resp: Both | Stage: Preparation | Due Date: June 18, 2012 | Status: Completed |
| Other (Optional) | Rating | Moderate | | |
| Description: Land acquisition prior to award of works contract. | Risk Management: The land required for the initial stage development of the LF is about 215 dunums (215,000 M ²) estimated at US\$2.15 million. The JSC-KRM has expressed commitment to purchase the land identified at Al-Fukhari (Sofa) adjacent to the existing Rafah Municipality dumping site. The JSC-KRM has committed US\$1 million towards land acquisition with the balance of US\$ 1.15 million to be committed by the PA. | | | |
| | Resp: Both | Stage: Implementation | Due Date: June 30, 2014 | Status: In Progress |
| Overall Risk | | | | |
| Implementation Risk Rating: High | | | | |
| Risk Description: <div>1. Satisfactory completion of payments to LF land owners prior to contract signing;</div> <div>2. JSC-KRM and its TOU do not respect the agreements reached prior to appraisal to actively participate and support project implementation;</div> <div>3. Conflict with Israel may lead to escalation of hostilities;</div> <div>4. Israel may delay issuance of entry permits to consultants and contractors thus resulting in a protracted implementation;</div> <div>5. Internal Palestinian conflicts may also lead to either protracted implementation or work stoppage all together.</div> <div>6. Complaints from PAPs particularly the communities in the vicinity to the Al-Fukhari (Sofa) LF that could lead to road blockage to stop or interrupt access to the construction site to contractors, JSC staff, consultant supervising the works, and the PDSU staff.</div> | | | | |

Annex 5: Implementation Support Plan

WEST BANK AND GAZA: Gaza Solid Waste Management Project

1. *Joint Supervision Missions:* The World Bank and the Financing Partners (FPs) including AFD, EU, IsDB and UNDP will carry out joint structured supervision missions at least every six months. The joint supervision missions will monitor the progress on the World Bank financing, the parallel financing from the FPs. The Statement of Mission Objectives (SMO) and the timing of the missions will be agreed in advance with all parties (FPs and MDLF). At the end of each mission a draft Aide Memoire will be presented at the wrap-up meeting where all stakeholders will be invited. The final joint Aide Memoire including recommendations for a way forward, list of agreed actions, changes and amendments to the work program will be agreed by all parties.
2. The joint supervisions missions would also allow for required policy dialogue with the PA, in the event of changes to PA policy or changes in the MDLF (identified as risks in the ORAF) to be conducted jointly with the FPs. This would strengthen the dialogue.
3. *Skills for Supervision:* The following skills are required for the adequate supervision of the project:
 - a. Task Team Leader (TTL): In addition to ensuring adequate supervision, the TTL would be required to ensure a sound relationship with the FPs and would also be required to ensure continuous dialogue with the stakeholders including the Government of Israel. During preparation, the presence of a West Bank and Gaza based TTL positively influenced the preparation process. A similar arrangement may be considered by Bank management.
 - b. Environment Engineering Expert is required for the duration of the project to support the supervision of tasks related primarily to Component 1: Solid Waste Transfer and Disposal Facilities. The Expert will also input into the design of the waste resources recovery pilot under Component 2. The expert will also oversee the compliance with the environmental safeguards that may be triggered by the project.
 - c. Solid Waste Management Specialist is required primarily to oversee the assessment of primary collection and recommendations for improvement.
 - d. Social Development Specialist will be required for the duration of the project. Tasks relate primarily to the monitoring the compliance with the social policy that may be triggered by the Project and the mitigation measures that were put in place especially that related to the project-affected people (waste pickers and land owners).
 - e. Procurement Specialist will ensure compliance of World Bank procurement guidelines.
 - f. Financial Management Specialist will ensure compliance of World Bank FM guidelines.
 - g. M & E Specialist will be required primarily at the start of the project to comment on the project M & E systems setup and to comment on the design and implementation of the public satisfaction surveys.
 - h. Others: The FPs will provide additional experts for project supervision and monitoring as the need arises.

I. Supervision Plan During first year

| Time | Focus | Skills Needed | Resource Estimate | Partner (MFA) | Role |
|----------------|-----------------------------|---|------------------------|---------------|------|
| March 2014 | Project launch | TTL, Procurement, FM, M&E, Social and Environment Safeguards | US\$35,000 | | |
| Semi-annual | Project supervision | TTL, Procurement, FM, M&E, Social Safeguards, SWM Specialist, Environment Engineering Expert, Institutional Development Specialist | US\$40,000 per mission | | |
| September 2017 | Mid-term review supervision | TTL, Procurement, FM, M&E, Social Safeguards, SWM Specialist, Environment Engineering Expert, Institutional Development Specialist, Environmental Economist | US\$45,000 | | |

II. Skills Mix Required

| Skills Needed | Number of Staff Weeks | Number of Trips | Comments |
|-----------------------------------|-----------------------|----------------------|----------------------|
| TTL | 6 | 4 | Country Office Based |
| Environment Engineering Expert | 3 | 2 | Expat |
| Solid Waste Management Specialist | 4 | 2 | Local |
| Social Development Specialist | 4 | 2 | HQ Based |
| M & E Specialist | 4 | Country Office Based | Country Office Based |
| Procurement Specialist | 4 | Country Office Based | Country Office Based |
| Financial Management Specialist | 4 | Country Office Based | Country Office Based |

III. Partners

| Name | Institution/Country | Role |
|----------------------------|------------------------------------|--|
| Samuel Lefevre | French Development Agency | Team Leader |
| AbdelKarim Yakobi | European Union | Task Manager |
| Rima Abu Middain-Barghouti | United Nations Development Program | Team Leader |
| Amran Al-Kharoubi | United Nations Development Program | Task Manager |
| Omar Mehayar | Islamic Development Bank | Manager of WB&G Infrastructure Program |

IV. Bank staff and consultants who worked on the project included:

| Name | Title | Unit |
|-------------------|---|-------------|
| Ibrahim Dajani | Senior Operations Officer - Task Team Leader | (MNSTI) |
| Nina Bhatt | Lead Social Development Specialist | (MNSSU) |
| Lina Abdallah | Operations Officer – Monitoring | (MNSSU) |
| Ranan Muthaffar | Operations Officer | (MNCGZ) |
| Lina Tutunji | Senior Procurement Specialist | (MNAPR) |
| Nadi Mashni | Financial Management Specialist | (MNAFM) |
| Khalida Qutob | Program Assistant | (MNCGZ) |
| Nikolai Soubotin | Lead Counsel | (LEGEM) |
| Mario A. Zelaya | Environmental Engineering Expert – Consultant | (MNSSD) |
| Kingsley Robotham | Urban and Strategic Development Expert – Consultant | (MNSSD) |
| Philip Rushbrook | Environmental Economist – Consultant | (MNSSD) |
| Hani Shawahneh | Solid Waste Management Specialist – Consultant | (MNSSD) |
| Sintana Vergara | Environmental Engineer | (FEUUR) |
| Tracy Hart | Senior Environmental Specialist | (MNSEE) |
| Basheer Jaber | Procurement Specialist | (MNAPR) |
| Noriko Oe | Urban Specialist | (MNSSU) |
| Maiada Kassem | Finance Officer | (CTRLA) |
| Farouk Banna | Environmental Engineer | (UDRUR) |

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