

30. Solid Waste Management, West Bank and Gaza



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Background

Decades of conflict have led to underinvestment in infrastructure and the provision of public services in the West Bank and Gaza, especially in solid waste management. This is true in the case of Hebron and Bethlehem, which house nearly 1 million people and are the poorest governorates in the West Bank. Of the 500 tons of waste generated daily in Hebron and Bethlehem, most was abandoned, illegally dumped, or deposited in unsanitary dumps. The amount of solid waste was predicted to grow, yet the governorates were lacking in sanitary landfill space and funding – presenting health and environmental risks to the residents of the West Bank. To address the existing unsanitary dumpsites, the Palestinian Authority established the Joint Services Council for Hebron and Bethlehem (JSC-H&B) to oversee the solid waste management system. It also sought help from the World Bank Group and other donor partners to finance a sanitary and modern landfill equipped with access roads and transfer stations at Al Minya.

The Palestinian Authority sought assistance from the International Finance Corporation (IFC) to help design a PPP for the operation and management of the landfill and related facilities tailored for the region, and to procure a qualified private partner to manage the facility.

Project Structure

The project was structured using blended financing, as follows:

- i. USD 28 million was raised from the authority and local governments, as well as from donors, such as the World Bank, European Union, United States Agency for International Development, and Islamic Development Bank, among others; and
- ii. USD 8.3 million from the Global Partnership on Output-Based Aid (GPOBA), now known as the Global Partnership for Results-Based Approaches (GPRBA). This money would be disbursed based on the achievement of specific service improvements, including adequate waste

gathering and transferring solid waste to the landfill, as well as financial sustainability targets as set by local stakeholders.

The GPOBA's involvement reassured the private sector bidders, as it supported JSC-H&B's capacity to pay the private operator. The GPOBA's results-based disbursements also incentivized the performance of the selected private operator and, at the same time, encouraged local governments to use the landfill.

Seven international and regional private sector operators expressed interest in the project. Of the seven, three were pre-qualified and submitted bids, namely Hera Holding (Spain), WATT S.A. - MESOGEOS SA & EPEM SA (Greece), and Entag-Ecaru-Comeback (Egypt-Palestine). The Greek consortium was awarded the project in 2013 following a two-stage selection process involving a technical evaluation and a financial bid. The concession has a flexible term with a minimum of five years and a possible extension of up to two years. The continuation is contingent on the remaining volume in the landfill cells.

The private operator is responsible for the operation and maintenance of two transfer stations, at Tarqoumiya and Hebron, and the Al-Minya landfill, including the long-haul transfer of waste from the transfer stations to the landfill. JSC-H&B is responsible for paying charges per ton of waste managed at the Al-Minya landfill and the two transfer stations, as well as for providing a minimum waste guarantee of 500 tons per day to the operator. Meanwhile, waste and user fee collection were the responsibility of the local governments.

As a result of this project, greenhouse gas emissions are expected to be reduced by 13,400 tons over seven years, or 3.2 million tons of carbon dioxide equivalents (CO₂e) within 20 years of the project's economic life.

⁶⁶ World Bank. <https://www.worldbank.org/en/about/partners/brief/west-bank-and-gaza-cleaner-cities-ppps-and-innovative-financing-approaches>

Lessons Learned

Approximately 840,000 people in Hebron and Bethlehem are estimated to have benefitted from the improvements in solid waste management services. In return, customers appear more willing to pay for these services, as evidenced by steadily improving fee collection rates and billing-to-cost ratio for services in Hebron and Bethlehem. A report showed that both governorates had recovered around 82 percent of billed fees, 42 percentage points higher than at the start of the project. It was also reported that JSC-H&B now covers 84 percent of its operating costs from its revenues – indicating improved financial sustainability of the project. The project has also expedited the closure 17 unsanitary dumpsites.

In the future, JSC-H&B is planning to set up centers where customers can pay service fees and file quality-related complaints. It also plans to bundle waste management fees with other public services fees that citizens regularly pay.

This project highlights the following:

- Blending funding and financing sources (in this case combining contributions from public, bilateral and multilateral development partner, and private sources) can help de-risk projects in more fragile contexts and jurisdictions with less developed PPP markets, where it may be more difficult to attract private investment

- There is value in adaptability and flexibility.

In this case, considerable effort was made to improve the project scope and structure during the bidding and tendering phase.

For example, during this process it was decided that the project needed to be redesigned to

attract smaller firms, which were believed to be more likely to invest in a challenging operating environment. Flexibility was also key in successfully implementing the project across different local authorities. For instance, the type of instrument used to collect waste charges was permitted to vary from one locality to another.

- Assistance is available from bilateral and multilateral development partners, such as the World Bank and the IFC. In this case, the World Bank was able to help with funding the landfill and building institutional capacity, while the IFC assisted with structuring the PPP and securing GPOBA funding.
- Engage with stakeholders early and often. The JSC-H&B communicated directly with local government participants and encouraged them to proactively contribute to the project, especially in setting the project targets. It conducted several focus group meetings at the initial stages of the project to understand the concerns of stakeholders and encourage their early and continuous engagement.
- Performance-based payments can help to align incentives. GPOBA's performance-based disbursements helped to enforce the private operator's compliance with the performance indicators set by JSC-H&B, as this was necessary to safeguard its revenue stream and return on investment.⁶⁷

⁶⁷ The World Bank. 2018. "West Bank and Gaza: Cleaner Cities with PPPs and Innovative Financing Approaches." The World Bank. Accessed May 31, 2019. <https://www.worldbank.org/en/about/partners/brief/west-bank-and-gaza-cleaner-cities-ppps-and-innovative-financing-approaches>;

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