

Document of  
The World Bank

Report No: 27501

IMPLEMENTATION COMPLETION REPORT  
(TF-22273 TF-22965 TF-21208 TF-26046 TF-24962)

ON A

CREDIT

IN THE AMOUNT OF US\$ 25 MILLION

TO THE

WEST BANK AND GAZA

FOR A

G Z- BETHLEHEM 2000 PROJECT

December 29, 2003

**Finance, Private Sector and Infrastructure  
Middle East and North Africa Region**

## CURRENCY EQUIVALENTS

(Exchange Rate Effective November 2003)

Currency Unit = New Israeli Shekel (NIS)

NIS 1 = US\$ 0.22

US\$ 1 = NIS 4.50

## FISCAL YEAR

January 1 to December 31

## ABBREVIATIONS AND ACRONYMS

APIB	Arab Palestine Investment Bank
Authority	Bethlehem 2000 Authority
B2000	Bethlehem 2000 Project
BAM	Bethlehem Area Municipalities
BMM	Bethlehem Municipalities Management
CAS	Country Assistance Strategy
CBU	Capacity Building Unit
CDP	Community Development Project
CG	Consultative Group
CH	Cultural Heritage
CHA	Cultural Heritage Authority
CHDM	Cultural Heritage Development Management
CQ	Consultants' Qualifications
DOA	Department of Antiquities
ECU	European Currency Unit
EIB	European Investment Bank
ERP	Emergency Rehabilitation Project (1+2)
ERR	Economic Rate of Return
EMP	Environmental Management Plan
EU	European Union
FA	Force Account
GDP	Gross Domestic Product
GPN	General Procurement Notice
ICB	International Competitive Bidding
IDA	International Development Association
IFC	International Finance Corporation
IS	International Shopping
JSC	Joint Services Council
LCS	Least-Cost Selection
LG	Local Government
LIR	Legal and Institutional Reform
MCHPB	Municipal Cultural Heritage Program Boards
MIDP-1	Municipal Infrastructure Development Project
MLG	Ministry of Local Government
MOF	Ministry of Finance
MOTA	Ministry of Tourism and Antiquities
MOC	Ministry of Culture
NCB	National Competitive Bidding
NGO	Non Governmental Organization
NS	National Shopping

O&M	Operation and Maintenance
PA	Palestinian Authority
PECDAR	Palestinian Economic Council for Development and Reconstruction
PCBS	Palestinian Central Bureau of statistics
PCD	Project Concept Document
PDP	Palestinian Development Plan
PEnA	Palestinian Environmental Authority
PLO	Palestinian Liberation Organization
QBS	Quality-Based Selection
QCBS	Quality-Cost Based Selection
SA	Special Account
SOE	Statement of Expenditures/Expenses
SPN	Specific Procurement Notice
SS	Sole-Source Selection
TA	Technical Assistance
TFGWB	Trust Fund for Gaza and West Bank
TOR	Terms of Reference
UNDB	United Nations Development Business
UNDP	United Nations Development Program
UNESCO	United Nations Educational, Scientific and Cultural Organization
USAID	United states Agency for International Development
WBG	West Bank and Gaza

Vice President:	Christiaan J. Poortman
Country Director	Nigel Roberts
Sector Director	Emmanuel Forestier
Sector Manager	Hedi Larbi
Task Team Leader:	Ibrahim Dajani

**WEST BANK AND GAZA  
GZ - BETHLEHEM 2000 PROJECT**

**CONTENTS**

	<b>Page No.</b>
1. Project Data	1
2. Principal Performance Ratings	1
3. Assessment of Development Objective and Design, and of Quality at Entry	2
4. Achievement of Objective and Outputs	5
5. Major Factors Affecting Implementation and Outcome	9
6. Sustainability	10
7. Bank and Borrower Performance	11
8. Lessons Learned	13
9. Partner Comments	14
10. Additional Information	14
Annex 1. Key Performance Indicators/Log Frame Matrix	15
Annex 2. Project Costs and Financing	19
Annex 3. Economic Costs and Benefits	21
Annex 4. Bank Inputs	22
Annex 5. Ratings for Achievement of Objectives/Outputs of Components	24
Annex 6. Ratings of Bank and Borrower Performance	25
Annex 7. List of Supporting Documents	26
Annex 8 Project Co-Financing	27
Annex 9 Minutes of Stakeholder Workshop	29
Annex 10 Partners comments	34
Annex 11 Footnotes	39

Map IBRD No. 29778

<i>Project ID:</i> P053985	<i>Project Name:</i> GZ-BETHLEHEM 2000
<i>Team Leader:</i> Ibrahim Dajani	<i>TL Unit:</i> MNSIF
<i>ICR Type:</i> Core ICR	<i>Report Date:</i> December 31, 2003

## 1. Project Data

*Name:* GZ-BETHLEHEM 2000

*L/C/TF Number:* TF-22273; TF-22965;  
TF-21208; TF-26046;  
TF-24962

*Country/Department:* WEST BANK AND GAZA

*Region:* Middle East and North  
Africa Region

*Sector/subsector:* Sub-national government administration (40%); Roads and  
highways (20%); Water supply (20%); Sewerage (20%)

*Theme:* Municipal governance and institution building (P); Other urban  
development (P); Participation and civic engagement (S)

### KEY DATES

*PCD:* 01/20/1998  
*Appraisal:* 08/28/1998  
*Approval:* 09/22/1998

	<i>Original</i>	<i>Revised/Actual</i>
<i>Effective:</i>	12/18/1998	12/18/1998
<i>MTR:</i>	06/05/2000	06/05/2000
<i>Closing:</i>	06/30/2002	12/31/2003

*Borrower/Implementing Agency:* PLO FOR BENEFIT OF PALESTINIAN AUTHORITY/BETHLEHEM 2000  
PROJECT AUTHORITY; MLG; MOTA/MOC

*Other Partners:* Bethlehem Area Municipalities

STAFF	Current	At Appraisal
<i>Vice President:</i>	Christiaan J. Poortman	Kemal Dervis
<i>Country Director:</i>	Nigel Roberts	Joseph Saba
<i>Sector Director:</i>	Emmanuel Forestier	Jean-Claude Villiard
<i>Team Leader at ICR:</i>	Ibrahim Dajani	Kingsley Robotham
<i>ICR Primary Author:</i>	Kinglsey Robotham	

## 2. Principal Performance Ratings

(HS=Highly Satisfactory, S=Satisfactory, U=Unsatisfactory, HL=Highly Likely, L=Likely, UN=Unlikely, HUN=Highly Unlikely, HU=Highly Unsatisfactory, H=High, SU=Substantial, M=Modest, N=Negligible)

*Outcome:* S  
*Sustainability:* L  
*Institutional Development Impact:* SU  
*Bank Performance:* HS  
*Borrower Performance:* S

	QAG (if available)	ICR
<i>Quality at Entry:</i>		S
<i>Project at Risk at Any Time:</i>	No	

### 3. Assessment of Development Objective and Design, and of Quality at Entry

#### 3.1 Original Objective:

The *Bethlehem 2000 Project* (B2000) was presented to the Board in September 1998 and became effective in December of that year. It built on the foundation of three earlier successful Bank-supported projects, Emergency Rehabilitation Projects One and Two (ERP-1&2) and the first Municipal Infrastructure (MIDP-1).<sup>1</sup> The first two projects sought to tackle the huge infrastructure backlog in the West Bank and Gaza (WBG). The third (MIDP-1) continued these efforts but also sought to begin to tackle the more deeply entrenched institutional issues in the local government sector. B2000 aimed to further these efforts, focusing on the Bethlehem area municipalities. However, there was one very significant difference. It sought to take advantage of the unique opportunity offered by the end of the millennium to highlight Bethlehem's enormous cultural, historical and religious assets and to *jumpstart* the Palestinian tourism program, thus harnessing a key resource for national development. The specific objectives of the project were to:

1. Strengthen the economic and cultural base of the Bethlehem Area Municipalities and foster their sustainable development through tourism promotion and product development;
2. Strengthen the infrastructural, financial and managerial base of these municipalities through a program of investment, reform and capacity building; and
3. Begin to foster the preservation of the very valuable cultural assets in Bethlehem and Palestine by initiating a national process of policy and institutional reform and capacity building.

*Conflict and Crisis:* The above objectives were pursued against the backdrop of the enormous social and economic dislocation which characterized WBG after September 2000—the beginning of the current Intifada. By December 2000, WBG was in a de facto state of war, and Bethlehem was one of the centers of the war. The city was re-occupied by Israeli troops. Manger Square and the Church of the Nativity (core pilgrimage sites of the Christian faith) were under a siege by the Israeli army for several months during 2001, in their pursuit of alleged Palestinian militants holed up inside the Church. During this period, more than 20 persons died and several more were wounded. Normal life came to a close in the area municipalities, as citizens were confined to their homes for extended periods. This, widespread Israeli border closures, restrictions on the mobility of Palestinian citizens, and severe dislocation of PA institutions, economy and social life made it impossible to continue to pursue the development and reform objectives.<sup>2</sup> Further, the violence and Israeli security actions caused significant damage to the newly rehabilitated infrastructure, and led to the collapse of the tourism industry nationally, and in Bethlehem. In sum, Bethlehem was an arena of conflict for about one-half of the project implementation period, and *this had a severely negative impact on the project*. In addition, while the situation has eased somewhat in recent months with the pulling back of Israeli troops from the center of Bethlehem, it will be a long time before life returns to normal—at least to the conditions that prevailed at appraisal. Because of the above, expectations had to be lowered, and some components significantly modified in response to the more urgent needs of the client. In effect, *force majeure* post September 2000 led to a significant change (*downgrading*) in objectives.

*Relative Importance of Objectives:* It is clear from the SAR that objectives one and two were of primary importance. Objective number one went beyond the Bethlehem area as the celebrations and the development of tourism industry in general were of national importance. This is evidenced by the high level of involvement of the PA and the patronage of President Arafat himself. Meeting the *hard deadline* of December 31, 1999 was critical, thus celebration related physical and capacity building objectives were to be pursued first. The municipal capacity building objectives were seen as essential for sustaining the investments, but there were no hard deadlines here. Accordingly, related activities were scheduled for years two and three. Cultural heritage preservation was important, but the objectives here were modest: to “*begin to foster*” and “*initiate*” only.

In this ICR, we examine the extent to which the project met both its original and revised objectives and the lessons learned. Bank OED guidelines recommend that in cases of *force majeure* the project should

be assessed on the basis of revised objectives. These guidelines have been applied in the assessments below. Our findings are based on reviews of the project files; discussions with participating agency and Bank appraisal and supervision staff; and the proceeding of stakeholder workshop held on October 15, 2003. With respect to original objectives, we conclude as follows:

- Despite the highly successful celebrations in December 1999 and significant private investments during 1998-2000, tourism development objectives were only partially achieved;
- The infrastructure rehabilitation and development sub-objectives were fully achieved. However, the sub-objectives of strengthening the financial and managerial base of the Area Municipalities municipal capacity building were only partially achieved;
- The cultural heritage preservation and reform objectives were only partially achieved.

Overall, therefore, original objectives were only partially achieved. With respect to revised objectives (see discussion below), we conclude that these were substantially achieved.

### 3.2 Revised Objective:

Objectives remained unchanged up to September 2000. Thereafter, a number of changes were made in consultation with the PA and management.<sup>3</sup> The tourism development objectives were abandoned--the crisis having made further progress impossible. The municipal and cultural heritage reform and capacity building objectives continued to be pursued, but expectations had to be reduced considerably. With unemployment rising dramatically in late 2000, a new sub-objective of *emergency employment relief* was adopted. An additional new objective (*damage repair*) was incorporated in mid-2002 in response to the widespread destruction of infrastructure, services and building arising from the crisis. In August 2002, the project was formally restructured as part of a comprehensive restructuring of WBG projects in response to the crisis. Though not specifically stated, after September 2000 the (*de facto*) revised objectives and related priorities may be summarized as follows:

- R1. Helping to generate emergency employment in response to the crisis (*new; priority 1*).
- R2. Helping to strengthen the managerial base of the municipalities through a program of investment, reform and capacity building (*downgrading of original objective #2; priority 2*).
- R3. Helping to foster the preservation of the very valuable cultural assets in Bethlehem and Palestine by initiating a national process of policy and institutional reform and capacity building (*downgrading of original objective #3; equal priority 2*).
- R4. Helping to repair and rehabilitate essential infrastructure, services and buildings damaged because of the crisis (*new priority 3*).

### 3.3 Original Components:

The project was originally comprised of the following components:

1. *Celebrations Support (US\$6.0m;24% )*: Support to The Bethlehem 2000 Project Authority for: a) technical assistance (TA) and consultants' services--including strategic planning, finance and fund raising, event development, marketing and sponsorship, environmental management, construction management, and overall celebrations program management and coordination; and for b) capital and operating expenses.

2. *Infrastructure and Cultural Heritage Rehabilitation Works (US\$15.0m; 60%)*: Support to the Bethlehem 2000 Project Authority and Bethlehem municipalities for: a) rehabilitation of essential Infrastructure and Services (roads, drains, water, sewerage, buildings, and parking structures); b) rehabilitation and adaptive reuse of historic municipal cores of Beit Jala and Beit Sahor and buildings; and c) archeological chance find protection.

3. *Capacity Building (US\$3.5m; 14%):* Support to: a) Bethlehem Area Municipalities for B2000 emergency services programming; financial and managerial and accounting systems reform; joint services, development and infrastructure O&M programming; studies to enhance competitiveness in regional, national and international markets; and b) to the Ministry of Tourism and Antiquities (MOTA) and the Ministry of Culture (MOC) for: Cultural Heritage Preservation policy and legal reform and institutional development; seminars and training; action plan for Hebron/Jericho municipalities, and a plan for the promotion of Palestinian culture. (The latter subcomponent ("b") was to be undertaken jointly with UNESCO.)

4. *Overall Project Monitoring and Reporting Support (US\$0.5m; 2%):* Support to a) To the Ministry of Local Government MLG for: technical, financial and progress monitoring and reporting; project accounting systems establishment and management; and development indicator monitoring; and b) To B2000 Project Authority for environmental training and monitoring.

### 3.4 Revised Components:

Consistent with the revised objectives the following new infrastructure-related sub-components were included after September 2000:

R1. *Emergency employment generation (US\$1.5m; 6%)*

R2. *Damage repair (US\$2.2m; 9%)*

Despite the change in objectives, the main components were never formally changed because there was no compelling need to do so. (*The infrastructure components had been quite broadly formulated in the Legal Agreement.*) However, beginning in December 2000, and at the request and with the approval of MLG and the B2000 Authority, uncommitted funds were reallocated from celebrations support and capacity building components to the infrastructure component. These funds were initially used to support an infrastructure-based, labor-intensive *emergency employment generation program*, and later on (in 2002) to support a program of *damage repair*-- both as part of a wider donor effort. At the same time, the scope of the tourism development, municipal and cultural heritage capacity building, and project monitoring and reporting components were scaled back, reflecting the changed objectives outlined above.

### 3.5 Quality at Entry:

Quality was *not* explicitly addressed at appraisal. However, it is rated satisfactory on five key criteria:

1. *Consistency with Country Strategy:* While it was not initially obvious to all, the project was a very creative attempt to mobilize a key resource for national development and to help provide an enabling environment for private sector participation. It was thus supportive of and wholly consistent with the *Strategy* for WBG as enunciated in Board Paper R98-96, dated April 28, 1998.

2. *Project Design:* The project design responded appropriately and effectively to the priorities of the PA and the critical tasks that had to be accomplished, particularly those of coordination, institutional support, donor mobilization, infrastructure rehabilitation and capacity building. The latter was proposed in the areas that were critical for sustaining the development effort at the municipal and community levels—municipal management and finance and cultural heritage preservation.

3. *Participation and Dialogue during Preparation:* Dialogue with the PA and donors was both positive and extensive during preparation, and culminated in the Bank cosponsoring a successful Donor Conference in Brussels in May 1998 with the EC, UNDP and UNESCO. The dialogue also resulted in the decision by the Bank to provide *interim* support to the B2000 Authority by reallocating uncommitted funds from another project for this purpose. This enabled an early start in addressing the most urgent issues, based partly on the reallocation of US\$1.0 million from the MIDP-1 project in November 1997

for this purpose.

*4. Preparedness for Implementation:* The good record of implementation up to September 2000 demonstrates the readiness at appraisal, as well as the wisdom of the appraisal team in seeking to provide *bridge* funding in response to a very late start by the PA. *There is one caveat here, though.* This involves the institutional aspect of the cultural heritage preservation component. At appraisal it was expected that UNESCO would take the lead in coordinating and supporting the implementation of this component, and that the two Ministries with responsibility for culture (Ministry of Tourism and Antiquities and Ministry of Culture) would be jointly responsible for implementation. *The risks of this joint responsibility arrangement were duly noted by the team and mitigation measures proposed.* However, during implementation, several problems arose leading to significant delay.

*5. Project Risk Evaluation:* While no one in the Bank or the donor community apparently foresaw the conflagration that was to ensue after September 2000, the risks were clearly identified at appraisal. The SAR states: "This is a context of very high uncertainty and risk," indicating the nature and potential impact of the risks, and proposed appropriate mitigation measures. A key expectation was that the keen interest of both the Israeli and Palestinian public and private sectors in the success of the celebrations would provide a measure of protection against serious political dislocation. This hope proved justified up to mid-2000, during which period there was substantial informal coordination. For example, in late 1999 the Israeli government significantly upgraded the main entrance road to Bethlehem and provided very impressive decorative lighting on the approaches to the city. However, all this good will was quickly dissipated when the crisis of September 2000 arose. The mitigation measures were unable to withstand such a severe shock.

## **4. Achievement of Objective and Outputs**

### *4.1 Outcome/achievement of objective:*

The overall achievement of (*revised*) objectives was *satisfactory*.<sup>4</sup> In order to ensure clarity and permit comparisons, the assessment presented below covers *both* the original and the revised objectives; but in keeping with OED guidelines, only the latter are considered decisive with respect to the final assessment of the project. (*A similar approach is taken below with respect to outputs, Section 4.2.*)

#### *Original Objectives*

*1: Strengthen the economic and cultural base of the Bethlehem Area Municipalities and foster their sustainable development through tourism promotion and product development.*

This objective was *partially achieved*. However, a significant beginning was made. During 1999-2000, considerable progress was made in mobilizing funds from donors, encouraging private investment, improving and diversifying the tourism product and promoting tourism, but this was terminated by the crisis. With respect to *visitation*, the lower of two projections (700,000 visitors) was met in 1999, but the 1.4 minimum target for 2000 was missed. Only 800,000 persons visited, though at mid-year area hotels were reportedly much over-booked. In 2001, due to the crisis visitation fell dramatically to not more than about 40-50,000 (probably a high estimate given the situation on the ground). However, there were many positives: First, some 10-15 donors including the US, UK, France, Germany, Spain, Portugal, Norway, Sweden, Japan and Greece among others, contributed some US\$80m equivalent to the effort--\$4 to every \$1 contributed by the Bank. The Bank contribution was instrumental in helping to mobilize these funds and to ensuring their effective utilization. Second, the program managed to attract the attention of the Pope, US President Clinton, Boris Yeltsin, James Wolfensohn and several other world leaders and dignitaries, securing for Palestine attention that mere money cannot buy. Third, the Israeli tourist industry was also gearing up for the event, and the Israeli government, itself, took significant steps during 1999 to facilitate increased visitation, including improvements to the airport, tour operations, and the approaches to Bethlehem. Finally, the private sector invested some US\$120m in hotels, convention facilities, parking structures, tour operations etc., partly as a result of the favorable

environment created by the project.

*2: Strengthen the infrastructural, financial and managerial base of these municipalities through a program of investment, reform and capacity building.*

This objective was substantially achieved. The infrastructural strengthening sub-objective was fully achieved, considering the improved safe access to essential services through improved roads networks and to healthy water and safe disposal of wastewater through the constructed and rehabilitated networks throughout the 5 participating municipalities. On the other hand, the sub-objective of strengthening the financial and managerial base of the area municipalities was partially achieved. The achievements were in the area of municipal investment and joint services programming, and in municipal project management capability—the latter due partly to the experience of managing the job creation and damage repair programs.

*3: Begin to foster the preservation of the very valuable cultural assets in Bethlehem and Palestine by initiating a national process of policy and institutional reform and capacity building.*

This objective was partially achieved. Apart from the rehabilitation work in the old city cores implemented under the project, a Center for Cultural Heritage Preservation was established in Bethlehem, charged with continuing the preservation and reuse effort. In addition, a draft cultural heritage and natural preservation law has been completed. However, the scope of a number of the planned supporting studies had to be reduced due to a late start, time constraints and the extenuating circumstances. Partly offsetting this is the fact that responsibility for the sector has now been consolidated under one ministry (MOTA), removing a major obstacle to effective policy making.

#### *Revised Objectives* <sup>5</sup>

*R1: Helping to generate emergency employment in response to the crisis.*

This objective was fully achieved. Some 40,000 person-days of temporary employment were created during the period December 2000 to June 2003.

*R2: Helping to repair and rehabilitate essential infrastructure, services and buildings damaged because of the crisis.*

This objective was fully achieved. Considerable progress was made in repairing damaged infrastructure and buildings during the one-year period beginning mid-2002.

*R3: Helping to strengthen the managerial base of the municipalities through a program of investment, reform and capacity building.*

This objective was substantially achieved (See original objective #2 above.)

*R4: Helping to foster the preservation of the very valuable cultural assets in Bethlehem and Palestine by initiating a national process of policy and institutional reform and capacity building.*

This objective was substantially achieved. (See original objective #3 above.)

#### *4.2 Outputs by components:*

The overall achievement of the *revised* outputs was *satisfactory*.

#### **Originally Planned Outputs**

1. *Celebrations Support*: Outputs here were satisfactory. Of the two targets, one was fully achieved and the other partially so. The record was as follows:

- A competent organization (the Authority) was established and made operational by March 1999. The organization was particularly effective in the following areas: Infrastructure programming and implementation; planning, budgeting and accounting; donor mobilization and coordination; events planning and management.
- Very successful internationally televised celebrations were held at Christmas 1999 and Easter 2000.
- Private sector mobilization could also have been improved, but the record here is still creditable—particularly with respect to hotels, the tour bus garage, a local parking garage, and the convention center.
- The main weaknesses were in the areas of marketing, sponsorship, and community relationships, but these did not substantially affect the achievement of the main objectives.

2. *Infrastructure and Cultural Heritage Rehabilitation Works*: Outputs here were high. Two of five targets were overachieved and the others achieved. In particular:

- The targets for road and water network rehabilitation were considerably over-achieved (roads: 77 vs. 18km.; water: 64 vs. 5.6km.).
- The targets for reduction in road congestion achieved (about 50% reduction in travel time),
- The target for water beneficiaries were achieved (about 16,000 persons, or about 20% of area population, benefited directly)
- The targets for historic preservation rehabilitation were achieved (some 3-400 units in the old city cores rehabilitated) and about 20 households have completed preservation efforts on their own.
- The targets for employment generation were achieved (about 100,000 person-days of direct employment created).

3. *Capacity Building Support*: Outputs here were, on balance, modest. Outputs on the municipal subcomponent were modest, while those on the cultural heritage preservation component were substantial. The record was as follows:

- Computerized accounting systems reform and maintenance programming targets were not achieved.
- Only 2 of the planned 7 studies were undertaken.
- All five Area Municipalities completed diagnostic studies, prepared three-year investment plans, identified the potential for joint service delivery, and agreed on a list of high priority individual and joint projects.

With respect to the cultural and natural heritage preservation subcomponent, two of the three targets were achieved and one partially achieved. The record was as follows:

- A new draft law has been prepared and will be presented to the legislative council for review and ratification.
- A Center for Cultural Heritage Preservation has been established in Bethlehem from the core of cultural heritage staff of the B2000 Authority.
- The Center is receiving considerable continuing support from a number of other donors, including UNESCO, Italy, UK, and Spain among others.
- Responsibility for the sector has now been consolidated under one ministry (MOTA)

4. *Overall Project Monitoring and Reporting*: Outputs here were satisfactory. Two of the three of the targets were achieved. The record was as follows:

- Disbursement lagged targets somewhat in the first years, but this was mainly because a number of other donors including the Israelis) came forward with additional funds, and earlier than originally anticipated.
- Accounting systems and reporting systems were well managed by the Authority, and were effective.
- Initially, MLG did not manage the accounting and reporting systems effectively as originally planned.

The Authority had to fill the breach, and did so effectively. However, by 2002 they were able to produce effective reports, due partly to training received under MIDP-1.

### **Revised Outputs**

*R1. Emergency Job Creation:* Outputs here were highly satisfactory. The record was as follows:

- Some 25,000 person-days of temporary employment were created.

*R2. Damage Repair:* Outputs here were highly satisfactory. The record was as follows:

- The targets for damage repair were accomplished, including repairs to 32 roads; 5 schools, 9 public buildings, electrical networks, and replacement of municipal equipment (vehicles and computers).

One particular experience stands out: During the closing months of the project, some 5 contractors were simultaneously at work rehabilitating the old Al-Anatreh quarter of Bethlehem adjacent to the Church of Nativity, with over 100 laborers and 20 supervisors attending to complementing contracts. They completed the job in 3-4 months--record time creating , and in time for project closing.

*R3. Municipal Capacity Building (downgraded original output #2):* Outputs here were satisfactory. As noted above, the record was as follows:

- All five Area Municipalities completed diagnostic studies, prepared three year investment plans, identified the potential for joint service delivery and agreed on a list of high priority individual and joint projects (including sanitary landfill, controlled slaughter house, wastewater treatment plant, etc).

*R4. Cultural Heritage Capacity Building (downgraded original output #3):* Outputs here were satisfactory. (See original objective #3 above)

#### *4.3 Net Present Value/Economic rate of return:*

The on-going crisis made it difficult to credibly re-estimate the economic rate of return (ERR) of the project for two reasons: First, it proved very difficult to collect the necessary data on a timely basis, largely because of travel restrictions. Second, and more importantly, some of the key assumptions (including travel) on which the analysis was based are no longer valid due mainly to the crisis. As noted elsewhere in this report, the crisis resulted in the severe restriction on movement of people and goods through border closure, military checkpoints (estimated at 140) and roadblocks; the consequent sharp reduction in traffic, particularly on the two regional roads (Beit Sahour and Road No. 60) which formed the core of the roads program; the reduction in water consumption due to loss of employment and therefore income (as a matter of fact *the poor have been getting even poorer, with average daily consumption slipping from US\$1.47 to US\$1.32 and food consumption declining by 25 to 30 percent on a per capita basis*), and the consequent reduction in revenues for water service delivery; and the sharp decrease in the revenues from tourism because of the dramatic fall in the number of visitors. Because of these factors and the lack of accurate data, only a brief qualitative review was undertaken. The latter is presented in Annex 3.

#### *4.4 Financial rate of return:*

Not applicable.

#### *4.5 Institutional development impact:*

The institutional development impact was substantial despite the crisis and subsequent downgrading of objectives. Four examples of significant impact can be cited:

- *National Confidence and Institutional Capacity Building:* A very capable implementing Authority was established and functioned very effectively during its short, three-year life. In addition, even though it was disbanded as planned, it proved that when the need arises Palestinians are able to come together at short notice, build very effective organizations, and put on a creditable *world-class* performance capable of attracting a large international audience.
- *Municipal Capacity Building:* While not having been able to undertake the entire capacity building program (for reasons beyond their control), area municipalities benefited significantly nonetheless. Due to the project, they are now far more aware of their responsibilities for managing the cities, and the potential for cooperation and the development of joint service councils. In addition, their capacity to engage in diagnostics and strategic planning, and to undertake procurement and project management has been strengthened through their participation in the employment generation and damage repair subcomponents of the project.
- *Cultural Heritage Capacity Building:* However modest, a Cultural Heritage Preservation Center now exists in Bethlehem where none existed before. This provides a platform on which to build. In addition, a draft law has been prepared, and is expected to be completed by December and enacted shortly thereafter. Further, responsibility for cultural heritage preservation policy had been consolidated under a single ministry, the Ministry of Tourism and Antiquities.
- *Social (Community) Learning:* The Bethlehem area community is now much more aware of the value and willing to protect and enhance their cultural assets. This is evidenced by the fact that some twenty householders have recently completed rehabilitation at their own expense and with the support and assistance of the Center-- an almost entirely new phenomenon.
- *Technical Capacity Building:* Local architects, engineers and builders are now able to undertake very effective preservation work.

## 5. Major Factors Affecting Implementation and Outcome

### 5.1 Factors outside the control of government or implementing agency:

The overriding and ultimately decisive factor was the Israeli military response to the Palestinian Intifada. This led to the occupation of the area municipalities, the curtailment of the movement of people and goods, the devastation of the Palestinian economy, the crippling of the tourist industry and, of course, the inability to implement key project subcomponents.

### 5.2 Factors generally subject to government control:

*There were at least two significant factors.* The most important was the long delay by MOTA and MOC in agreeing on responsibility for implementation of the cultural heritage capacity building component, and MOTA's failure to deliver even after responsibility was ceded to them. A *second factor* was MLG's failure to perform its agreed tasks effectively during the first three years of the project. On the positive side, the Ministry of Finance very effectively managed VAT refunds to contractors. This contributed positively and significantly to the implementation of works.

### 5.3 Factors generally subject to implementing agency control:

Two areas of significant weakness on the part of the B2000 Authority stand out. The *first* was in not building a strong and supportive partnership with area municipalities and communities, many of whom initially saw the Authority as interlopers and usurpers. The *second* was the Authority's failure to capitalize effectively on the marketing and sponsorship opportunities--partly out of inexperience, and partly out of the lack of a commercial orientation. The Authority seemed to place little faith in the municipalities and the local business community, and this lack of trust was reciprocated.

### 5.4 Costs and financing:

The project was very effectively managed by the Authority, and most subprojects were completed within budget. In addition to the Bank's funding, the governments of Norway, Italy and Austria contributed a

total of US\$ 3.5m equivalent in joint cofinancing to support high priority road and water supply projects. Greece contributed US\$0.76m in cofinancing through a parallel Bank project (MIDP-1). Parallel financing contributed by other donors but managed by the B2000 Authority amounted to almost US\$80m equivalent, most of it going to infrastructure rehabilitation.

## 6. Sustainability

### 6.1 Rationale for sustainability rating:

The project is deemed, *likely*. This is so despite the crisis.

The tourism industry collapsed due to the security situation, and the municipal capacity building components which were designed to support and ensure sustainability, had to be considerably reduced in scope. Nevertheless, should some semblance of peace return to the region within, say, the next 2-3 years, it should not be too difficult to reactivate the capacity building program and build on the accomplishments to date. This is so for a several reasons:

- Bethlehem is a powerful symbol all over the world, particularly for Christians, so there is likely to be a considerable pent up tourism demand which, if carefully managed, can yield significant dividends to the community and to Palestine.
- The main attractions are largely intact, and physical damage, while significant, should not be too difficult to repair if funds are made available, an exercise already underway.
- A considerable number of new hotel rooms were added by the private sector during the 1998-2000 period, so increased capacity exists and developers have an incentive to recoup their money by tourism promotion.
- Several public/private sector initiatives, which were cut short by the Intifada, can be resuscitated without too much difficulty. Examples include the initiative to organize and manage the area around Church of the Nativity in such a way as to yield revenues to the municipality which in turn can be used for upkeep, the convention center, the Artas recreation area, and the old civic cores.
- Due to the celebrations, the community is now much more aware of its cultural assets, their value and their potential. This should assist the preservation and reuse effort. As noted above, some twenty households in the Beit Jala municipalities have rehabilitated their culturally valuable building.
- Similarly, the area municipalities are now much more aware of their cultural assets, their value and their potential. Area municipalities are also far more aware of what can and needs to be done institutionally and financially to protect and manage these assets, and the need and possibilities for joint municipal action as well as for joint public/private sector activities.
- The new Center for Cultural Heritage Preservation will help ensure that the existing assets are even further protected and responsibly developed, thus deepening the tourism product and making the area even more attractive to visitors; and the continued work of the center itself is assured by recent contributions from Italy, UK, Finland, Germany, Sweden and Spain, among others. Particularly worthy of note is US\$0.5m equivalent contribution from Italy (through UNECSO) for the preparation of a Cultural Heritage master plan for the Bethlehem area.
- As already noted, responsibility for the management of culture heritage has now been consolidated under one governmental authority (the Ministry of Tourism). This will greatly facilitate policy coordination, management, and continued capacity building.

### 6.2 Transition arrangement to regular operations:

Considerable attention was given to transition issues by the Authority and the supervision team during implementation. It was originally planned that the Authority would have a limited three-four year life. However, during implementation both parties felt that the capacity built up under the project should not be dissipated, but should be harnessed for further national development efforts in the area of tourism and cultural heritage preservation. With the devastation of the tourist industry after September 2000 and the general social, economic and political turmoil, such hopes were abandoned. Thus, there is no easy transition path. With reactivation of capacity building efforts in the future, the municipalities should be capable of meeting the increased maintenance burden if funding and additional training is made

available. However, tourism will certainly need something akin to the Authority if it is to capitalize on its tremendous possibilities—two to three million visitors per year, or a more than doubling of current best visitation performance to date. With respect to cultural heritage preservation, the proposed new law and the nascent preservation center established in Bethlehem should provide a solid foundation on which to build, but considerable support will be required by the international community to assure this. Fortunately, Italy, UNESCO, DFID and a number of other donors are already moving to provide this continuing support.

## **7. Bank and Borrower Performance**

### **Bank**

#### *7.1 Lending:*

Bank performance is deemed *highly satisfactory*. The project was developed in a relatively short period of time (7 months from identification to negotiations) and was highly responsive to the needs of the client. The critical factor facing the client in 1998 was how to coordinate and manage a complex undertaking and put on a world-class cultural and touristic performance against a tight budget and very short and wholly unforgiving deadline—December 31, 1999. Until the Bank became involved in late 1997, there was no coherent strategic plan for the development, rehabilitation and financing of infrastructure; the marketing and staging of events; the raising of sponsorship; or for the broadcasting the event to a worldwide audience. Nor was there an institution in place capable of effectively managing these tasks. UNDP and a number of donors had pledged assistance, and UNESCO made a major contribution by undertaking a study of the infrastructure and cultural heritage preservation needs. However, little attention had been paid to managerial and financial issues. Even less attention had been paid to mobilizing the private sector and the local community, building local capacity, or to harnessing the potential of the occasion to mobilize the tourist industry.

Given the deadline, the appraisal team worked quickly and closely with PA officials to develop strategy, a business plan and an organizational framework, to prioritize infrastructure sub-projects, to help mobilize donor funding and technical support, and to help them prepare for a successful international donor support conference, which was held in Brussels in May 1998. The latter was sponsored jointly by the EC, UNDP, UNESCO and the Bank. The supervision team also moved quickly to secure *bridging* funds for the purpose of supporting the establishment of a capable project organization, and undertaking preparatory tasks prior to *effectiveness*. This was done by facilitating the reallocation of US\$1m from the on-going MIDP-1 project in November 1997.

One key design decision, among many, was to seek to employ the services of a competent international construction management firm to coordinate all the physical works—including works being funded by other donors and implemented by other agencies the municipalities. A second key decision was to seek to employ international event management and marketing consultants to help develop the strategy for these subcomponents—a strategy, which failed as it turned out, but had the effect of educating the staff of the Authority and galvanizing them into action to fully mobilize and exploit local talent. A third key decision was to seek help from IFC in supporting private sector initiatives, particularly in hotel construction and in the construction of the tour bus terminal.

#### *7.2 Supervision:*

Bank Supervision performance is rated *highly satisfactory*. *The team was resourceful and responsive throughout.* Because of the late start in preparing for the celebrations on the part of the PA, the supervision team decided to focus on Celebrations Support and Infrastructure and Cultural Heritage Rehabilitation tasks, and to delay implementation of other components. This was crucial for making the deadline, but had the negative effect of delaying the municipal capacity building effort. It had the effect of *falsely* communicating to the municipalities a lack of interest on the Bank's part, and this caused some difficulties with them in the first two years. This was a difficult trade-off, but was probably justified in the

circumstances. Given the level of unpreparedness of the PA in December 1998 when the project became effective, it was unlikely that all components could have been pursued simultaneously.

By all accounts, the supervision team often went beyond the call of duty-- going so far as to establish a full-time presence in the offices of the B2000 Authority in order to facilitate responsiveness and quick decision making. Often the team had to pitch in to support the Authority at its request, in areas where they were weak or staff was overloaded. This responsiveness and close support was appreciated by the Authority (see minutes of stakeholder workshop), and is evidenced by the outputs for the end of the millennium and prior to the onset of the Intifada. In addition, when the crisis of the Intifada broke in September 2000, the supervision team moved quickly to reallocate funds to emergency job creation in response to PA requests. Further, they moved to scale back, consolidate, and reduce the scope of some capacity building studies, while seeking to protect and pursue the key municipality and cultural heritage capacity building subcomponents. Finally, in mid-2002 and upon the request of the PA, the team moved to restructure the project, to reallocate most of the remaining uncommitted funds to damage repair.

### *7.3 Overall Bank performance:*

Overall Bank performance is rated *highly satisfactory*.

### *Borrower*

#### *7.4 Preparation:*

Borrower performance during preparation is rated *satisfactory*. After an initial period of disarray, the PA moved swiftly to establish the B2000 Authority, to give it a clear mandate, and to appoint very capable leadership with ministerial status. The PA also established a high level Steering Committee comprised of key implementing ministries and the ministries of planning and finance to oversee project preparation and help ensure effective coordination during implementation. Because the Authority had a limited lifespan, and because municipal development was one of the keys to project sustainability, the Ministry of Local Government was given overall responsibility for project coordination during implementation, but the key implementation tasks were assigned to the Authority. All PA agencies worked very closely with the Bank preparation team in preparing the project. *There is one caveat, however*. This is with respect to the inability of the Ministries of Tourism and Antiquities (MOTA) and of Culture (MOC), who shared responsibility for cultural heritage preservation, to come together and develop a common approach. This had repercussions during implementation—most of which were foreseen by the appraisal Bank team.

#### *7.5 Government implementation performance:*

The Government implementation performance is deemed *satisfactory*, but not altogether unproblematic. In general, the PA was highly supportive and met most of their project obligations effectively and on time. In addition, as noted above, MOF handled the VAT refund issue very well. However, problems arose in three areas. *First, Overall Coordination:* Except at the outset, and later on through a Steering Committee, Ministries were not greatly involved in the preparation. However, as noted above, MLG was given overall coordinating responsibilities. This included responsibility for monitoring, accounting and reporting. For the first three years of the project, MLG failed to perform effectively, seldom providing timely or useful reports. The B2000 Authority filled the breach. In the final years, MLG managed to pull itself together and to provide adequate accounts, but was still not able to provide useful reports or to give much support to the municipal capacity building effort. *Second, Coordination of Cultural Heritage Preservation:* For almost two years, MOTA and MOC could not agree on a joint approach. After much prodding of both sides by the supervision team, MOC agreed to cede responsibility to MOTA; but even then, MOTA proved slow in acting. Finally, with the approval of the PA and management, in mid-2001 the supervision team decided to switch responsibility to the B2000 Authority—then beginning to wind down its activities but still more capable by far than the three participating ministries. *Third, Establishing the B2000 Fund:* The PA failed to develop and implement the proposed *B2000 Fund*. Among the reasons was the fact that from the very beginning, the PA's objectives for the Fund were not clearly specified, nor were its governing and operating modalities. This, plus suspicions about its *bona fides* led to its early

demise. Fortunately, the success of the project was *not* predicated on the establishment or otherwise of the Fund—by neither the Bank nor the Authority. However, success here would have been beneficial, as it would have freed *more* Bank funds for the development and capacity building effort.

#### *7.6 Implementing Agency:*

Performance of the Implementing Agency is *highly satisfactory*. The new leadership of the B2000 Authority moved very quickly to take command, to develop organizational capacity, and to work closely with the Bank in developing a strategy and a business plan. It also moved quickly to recruit key consultants, take charge of operations, begin implementation, and begin to coordinate donor activity. As noted, the Authority succeeded in meeting the very tight December 2000 deadline—feat that few in the Bethlehem community, Palestine, or the donor community expected of them. Of course, *there were some shortcomings*, and we have alluded to them above: marketing, commercialization, community relations, etc. However, a commercial bonanza was never expected, as it was clear from beginning that the PA had moved too late. There was also a fear that commercialization would devalue the religious significance of the event. Further, there was a strong desire to focus on authenticity as opposed to *show business*, and this militated against the commercial efforts. Nevertheless, it was expected that the Authority would at least cover its operating costs from fund-raising and commercial efforts. It did not. However, against these shortcomings must be set the achievements in infrastructure rehabilitation, cultural heritage preservation and rehabilitation and events. As a result, a huge fillip was given to Palestine, and to the Palestinian tourist industry in particular. Beyond the celebrations, the Authority led in establishing the cultural heritage preservation center in mid-2001, ensuring the preparation of the new preservation law, and in providing excellent reports and keeping excellent accounts. It was also instrumental securing the consolidation of the responsibility for cultural heritage preservation under one ministry, and in helping to mobilize the job creation efforts after September 2000. In the end, it even earned the respect of the area municipalities.

#### *7.7 Overall Borrower performance:*

On balance borrower performance is deemed *satisfactory*.

### **8. Lessons Learned**

Several lessons have been learned, of which the most important are the following:

- *Risks of Tourism in an Unstable Area:* However attractive a project, the risks must be carefully weighed both culturally and politically. As it turned out, the situation became far more unstable than anyone anticipated—at times bordering on catastrophic, overwhelming all available mitigation measures.
- *Institutional Design and Capacity:* If the institutional arrangements are carefully considered, if a clear and adequate mandate is given, if adequate supporting resources are provided, and if capable leadership is in place, Palestinian institutions are capable of delivering very effectively. B2000 Authority's success proves the point.
- *Leadership:* This was in large measure the key B2000 Authority success. Such leadership certainly exists in Palestine, but is often not effectively harnessed to the task of nation building.
- *Stakeholder Involvement:* This is not easy to secure in Palestine, and was particularly difficult in Bethlehem area. Initially, all parties seemed suspicious of each other, and none thought the others were trustworthy, up to the job, or likely to deliver. This view persisted almost up to the 'tenth hour'. Ironically, due partly to the experience of reoccupation, the parties are now more appreciative of each other's roles, capabilities and achievements. It is not clear that this coming together would have been achievable without such a stimulus.
- *Mobilizing the Private Sector:* Much more could probably have been achieved in the areas of marketing and sponsorship if the private sector had been more closely involved at an early stage of the project. Not surprisingly, the public sector orientation of the leadership of the B2000 Authority and the widespread *and* mutual lack of trust militated against this

involvement. Clearly, a basis of trust has to be built before the benefits of private sector participation can be secured.

- *Municipal Learning:* The area municipalities have come a long way during the project. This is due to several factors: first the Authority showed the way in improving the infrastructure and staging the celebrations; second they were determined not to take (or be forced to take) a back seat in the development process and responded to the challenge; third they made the effort to take advantage of the (much reduced) capacity building opportunities offered under the project. They did so through the preparation of diagnostic studies, and through their participation in mobilizing and managing the damage repair and job creation program in their areas. Finally, it is desirable start the municipal capacity building effort earlier—all things being equal. This process takes time and requires much patience on the part of the client and the Bank
- *Responsiveness and Close On-Ground Bank Supervision:* Significant progress can be made even in a very difficult environment if adequate local leadership exists, and the Bank team is sensitive and responsive to the problems and takes quick and decisive action. This can occur most effectively when there is close on-ground Bank supervision and excellent relations with clients—as there generally is in WBG. Progress can be made even in an area such as cultural heritage preservation that is new for the Bank.

## 9. Partner Comments

### *(a) Borrower/implementing agency:*

Comments were received on November 12, 2003 and attached in Annex 10. In summary, the Bethlehem 2000 Authority rates this project as highly successful due to the achievement of objectives and accomplishments of key activities within a very short period of time. The Authority considers the Bank's support, both technically and financially, came in timely for the preparation for the millennium celebrations. This support also helped trigger and coordinate all donor activities and support. The establishment of the Center for Cultural Heritage Preservation which aims to ensure preservation of the cultural assets is one outcome that is sustainable for the future.

### *(b) Cofinanciers:*

Letters from the Austrian Development Cooperation, Office of Italian Cooperation and Representative Office of Norway were received in November 2003 and attached in Annex 10. In summary, all three partners have expressed their satisfaction of the results of their contribution to the Project and the professionalism of the World Bank team. They also expressed satisfaction of the team's approach during implementation especially with regards to engaging their representatives in site visits/meetings and discussions related to their components.

### *(c) Other partners (NGOs/private sector):*

Not applicable.

## 10. Additional Information

A stakeholders' workshop was held on October 15, 2003 to evaluate the Project's objectives and outcomes, lessons learned and how to improve the planning and implementation process for similar projects in the future. The minutes of the workshop are attached at Annex 9. While there were a few critical comments, the response of stakeholders was generally very positive. There was a consensus that: the celebrations, infrastructure rehabilitation and job creation components were very successful; the B2000 Authority did a very good job; the tourism development component was aborted by the arrival of the Intifada; the capacity building components despite having to be scaled back because of the Intifada had a significant impact.

## Annex 1. Key Performance Indicators/Log Frame Matrix

### Summary of Achievement of Objectives and Outputs

Narrative Summary	Key Performance Indicators	Target	Actual	Comments
<b>Project Development Objectives</b>				
1. Strengthen the economic and cultural base of the Bethlehem Area Municipalities and foster their sustainable development through tourism promotion and product development.	<ul style="list-style-type: none"> <li>Increased visitor arrival and lengthening of stay.</li> </ul>	No of Visitors: 1999: 0.7-0.8m; 2000: 1.4-1.7m; 2001: 1.1-1.4m; 2002: 1.2-1.5m; 2003: 1.2-1.6m	<b>Not achieved.</b> Visitors: 1999: 0.7m; 2000: 0.8m; 2001: na; 2002: na	Low end target for 1999 met, but targets missed in 2000 due to crisis. Industry disintegrates after that. Dramatic decline in visitors after 2000. Total number of visitors to Palestine as follows: 1999: 0.91m; 2000: 1.05m; 2001: 0.08m; 2002: na
	<ul style="list-style-type: none"> <li>Number of visits to other important sites besides Manger Square and Shepherds' Fields.</li> </ul>	Na	<b>Not achieved *</b>	It was expected that this would begin in 2001-2 as new venues brought on-stream and become known. Expectations dashed due to crisis.
	<ul style="list-style-type: none"> <li>Number of additional hotel rooms built by private investors 2000-2010.</li> </ul>	Na	<b>Partially achieved*</b> Start was made. Examples: The new Jacir Palace (Intercontinental) and the Russian orthodox guest house among others.	Accurate data not available for Bethlehem, but the evidence on the ground and the national data suggest that the increase in Bethlehem was considerable. Number of hotels in Palestine hanged as follows: 1998: 91; 1999: 106; 2000: 106; 2001: 84; 2002: 72. No. of rooms changed as follows: 1998: 3,682; 1999: 3781; 2000: 4708; 2001: 2860; 2002: 3098. Thus there was a considerable increase in hotels and rooms between 1998 and 2000, and a significant decrease thereafter. The Jerusalem area (including Bethlehem) accounted for about 30% of hotels and 70% of rooms. In June 2003, 40% of the total 124 hotels in Palestine were closed. Given Bethlehem's prominence in the industry, it seems clear that a considerable share of the increase in hotels and rooms added during 1998-2000 were in this region, and probably a significant share of the decrease as well.
2. Strengthen the infrastructural, financial and managerial base of these municipalities through a program of investment, reform and capacity build-ing, <u>and emergency job creation relief in response to the growing unemployment.</u> ( <i>Note: objective revised to include emergency job creation.</i> )	<ul style="list-style-type: none"> <li>Increased economic activity as measured by increased total and per capita expenditure.</li> </ul>	Na	<b>Not achieved *</b>	No reliable expenditure data available, but hotels were reputedly fully booked as of mid-year 2000. Prospects looked very good until crisis.
	<ul style="list-style-type: none"> <li>Improved infrastructure services coverage and quality.</li> </ul>	Roads: 18km; Water: 5.6km plus new 2500 m3 reservoir.	<b>Over achieved.</b> Roads: 77km; Water: 64km plus new 2500 m3 reservoir; Storm-water: 7.7km	Targets way over-fulfilled, partly because of increased attention to inner road and services maintenance, and partly to execution of damage repair program. Periods and scope of water "lock-offs" considerably reduced
	<ul style="list-style-type: none"> <li>Increased LG revenue mobilization and cost recovery.</li> </ul>	Na	<b>Not achieved *</b>	Crisis mainly to blame. While reliable data are not currently available for all municipalities, it is known from Bank damage impact studies that Bethlehem's revenue in Q4, 2000 was less than 50% of Q4, 1999. The area was particularly hard hit because of its dependence on tourism.
	<ul style="list-style-type: none"> <li>Increased private sector investment in hotel</li> </ul>	Na	<b>Not achieved *</b> . Significant	Reliable data not available but increase evidenced by major private investments in hotels, tour bus terminal,

	accommodation, tour operations and tourism facilities.		increase in 1999-2000.	parking garage, and convention center. Also, several small scale private investments in additions of rooms to accommodate visitors. Private sector demonstrated willingness and capacity to respond.
	Person days of temporary employment created	Na	<b>Achieved *</b> About 38,000 person days of temporary employment created.	Partly managed by the Authority and partly by the municipalities.
Begin to foster the preservation of the very valuable cultural assets in Bethlehem and Palestine by <u>initiating</u> a national process of policy and institutional reform and capacity building.	<ul style="list-style-type: none"> <li>Cultural Heritage policy and institutional framework developed - end 2000.</li> </ul>	Completion by end 2000. Number of historic buildings identified, protected, rehabilitated and reused annually.	<b>Partially Achieved</b> , 2 yrs late. Expected completion of new Law by December 2003. Some 3-400 buildings rehabilitate in old municipal cores. Responsibilities for sector consolidated under MOTA.	Old cores of Beit Jala and Beit Sahor rehabilitated along with several other building in Bethlehem itself. Some 20 private households have independently initiated rehabilitation. Significant progress made here, and new Center actively mobilizing community. Keen donor interest and support, particularly from, Italy, Austria, Spain, Greece, UK and several others.
<b>4.</b> Help to repair and rehabilitate essential infrastructure, services and buildings damaged as a result of the crisis. ( <i>Note: New objective</i> )	Km of infrastructure networks and number of buildings successfully repaired.	Completion by end-June 2003.	<b>Achieved.</b> Some 32 roads, 5 schools, 9 public buildings and electrical networks repaired. Municipal equipment replaced.	Program limited by available funds.

Narrative Summary	Key Performance Indicators	Target	Actual	Comments
<b>Project Outputs by Component</b>				
<i>Celebrations Support</i>				
<ul style="list-style-type: none"> <li>Support provided to B2000 Project Authority for planning and managing celebrations.</li> </ul>	<ul style="list-style-type: none"> <li>Delivery of technical assistance and consulting services for establishing institutional programmatic, managerial and financial framework for celebrations.</li> </ul>	Complete by end Dec. 1999	<b>Fully achieved.</b>	Competent Authority established and up and running by mid-1998, partly funded from another parallel ongoing Bank project (MIDP-1). Support continued under this project
<ul style="list-style-type: none"> <li>World class global religious/ cultural TV events staged by Bethlehem on key celebratory days during the period December 1999-Easter 2001.</li> </ul>	<ul style="list-style-type: none"> <li>TV programs carried live and prerecorded from Bethlehem by major international networks.</li> </ul>	Programs in December 1999 & 2000, and Easters through 2001.	<b>Partially achieved</b> Done in 1999; abandoned in 2000 because of crisis.	Very successful program mounted at Christmas 1999 through Easter 2000. programs widely carried on international TV. Highlight the visit of the Pope in March 2000. Celebrations drew scores of other very high level visitors, including several presidents and heads of international organizations. Several countries send contribute to event by sending artists and performers and jointly hosting "national weeks".
<i>Infrastructure and Cultural Heritage Rehabilitation Works</i>				
<ul style="list-style-type: none"> <li>Improved basic infrastructure and services.</li> </ul>	<ul style="list-style-type: none"> <li>Number of kilometers of road, water and sewerage networks constructed <i>annually</i>.</li> </ul>	Roads: 6; Water: 2 (ave.)	<b>Overachieved.</b> Roads: 26; Water: 2 (ave.)	Target for roads considerably overachieved because some fund redirected to priority community needs
	<ul style="list-style-type: none"> <li>Roads: Km built.</li> </ul>	Completions by end 1999, 2000.	<b>Overachieved.</b> 77 km rehabilitated.	Includes 2 of the 3 most important main, and several internal roads.
	<ul style="list-style-type: none"> <li>Water, # of additional persons served end 1999, 2000.</li> </ul>	Service by end 1999 and 2000.	<b>Achieved.</b> improved service benefited about 16,000 persons or 20 % of area population served.	
	<ul style="list-style-type: none"> <li>Number of additional households benefiting annually from improved water and sanitation services.</li> </ul>	Na	<b>Achieved.</b> Achieved. 5,000 per yr, average	About 16,000 persons benefited, or about 20% of areas population.
	<ul style="list-style-type: none"> <li>Reduction in congestion on access roads to main tourist destinations (Manger Sq., Shepherd's Field, and others) measured by travel times from Jerusalem checkpoint</li> </ul>	Na	<b>Achieved.</b> Approximately 50% reduction in Travel times.	Improvements due to rehabilitation, better channeling, signage, parking and traffic management.
<ul style="list-style-type: none"> <li>Rehabilitated, renovated and adaptively reused historical building and sites.</li> </ul>	<ul style="list-style-type: none"> <li>Number of historic buildings identified, protected, rehabilitated and reused annually.</li> </ul>	Na	<b>Fully achieved*.</b> Some 3-400 buildings rehabilitate in old municipal cores.	Old cores of Beit Jala and Beit Sahor rehabilitated along with several other building in Bethlehem itself. Some 20 private households have independently initiated rehabilitation. Significant progress made here, and new Center actively mobilizing community. Keen donor interest and support here, particularly from, Italy, Austria, Spain, Greece, UK and several others.
<i>Capacity Building</i>				

<b>Support</b>				
<i>Bethlehem, Area Municipalities</i>				
Strengthened municipal accounting, finance, planning, management and maintenance systems.	• Installation of accrual based computerized accounting systems.	Completion by end 2000	Not achieved.	Effort curtailed due to crisis. Being continued under MIDP-2. Some hardware purchased for Munis to run system.
	• Preparation of 3 yr. Municipal development plans by end 2000.	Completion by end 2000	Substantially achieved, but late. Completed in mid-2003	Crisis delayed start and made completion of task difficult.
	• Development and implementation of infrastructure O&M performance standards and programs by end 2000.	Completion by end 2000	Not achieved.	Crisis made it impossible to do.
<i>Cultural Heritage Preservation</i>				
• Dialogue begun towards the establishment of national cultural conservation policy and institutional framework.	• Publication of policy and consolidation of institutional framework. New Cultural Heritage institutional framework established.	Completion by end 2000	Partially achieved. Draft law completed December 2003	Lack of consensus and capacity at MOTa and MOC resulted in major delay. Task shifted to B2000 Authority in mid-2000. Since then significant progress has been made. Scope of studies and deliberations reduced. Completion of new law well advanced. Completion expected by end of yr 4. Responsibility for sector consolidated under MOTa. Center for Cultural Heritage Preservation Established in Bethlehem, with support of UNESCO, Italy, UK and others
<b>Damage Repair</b>				
Essential infrastructure, services and buildings damaged because of the crisis repaired.	Km of infrastructure networks and number of buildings successfully repaired.	Completion by end - June 03.	Achieved. Some 32 roads, 5 schools, 9 public buildings and electrical networks repaired. Municipal equipment replaced.	
<b>Project Monitoring and Reporting</b>				
• Funds disbursed on schedule.	• Annual disbursements.	(FY): 1999 - \$22.9m; 2000 - \$1.8m; 2001 - \$0.3m. (Note: this has been revised upwards to reflect the SAR schedule. The original targets appear to have been an error.)	Partially achieved. 1999: \$15.9m; 2000: \$6.1m; 2001: \$0.8m; 2002: \$1.0m.	Disbursement lagged the target mainly because other donors contributed more funds and earlier than anticipated. Bank funds could thus refocused to serve core needs beyond the celebrations area, and also to fulfill urgent maintenance needs.
▪ Effective accounting, monitoring and reporting systems established	▪ Systems established	Na	Fully Achieved.*	This was done very effectively, mainly by the Authority. MLG had overall responsibility but did not perform effectively during first 3 years of project.

**Notes:** (1) Baseline data do not exist for some indicators. (2) SAR table (Annex 1) reorganized to correspond more closely with stated objectives and outputs. (3) Where targets were not specifically stated in the SAR, the text of SAR was reviewed for targets. In this case also, the degree of achievement was assessed based the context, what was possible within the constraints. These items cases are marked by an “\*”.

## Annex 2. Project Costs and Financing

### Project Cost by Component (in US\$ million equivalent)

Component	Appraisal Estimate US\$ million	Actual/Latest Estimate US\$ million	Percentage of Appraisal
1. Celebration Support	6.00	5.20	86.67
2 a. Infrastructure and Cultural Heritage Rehabilitation Works	15.00	18.45	123
2 b. Job Creation	0.00	1.50	150
2 c. Damage Repair.	0.00	2.20	220
3. Capacity Building Support	3.50	0.98	28
4. Overall Project Monitoring and Reporting Support	0.50	0.00	0
<b>Total Baseline Cost</b>	25.00	28.33	
<b>Total Project Costs</b>	25.00	28.33	
<b>Total Financing Required</b>	25.00	28.33	

### Project Costs by Procurement Arrangements (Appraisal Estimate) (US\$ million equivalent)

Expenditure Category	Procurement Method <sup>1</sup>			N.B.F.	Total Cost
	ICB	NCB	Other <sup>2</sup>		
<b>1. Works</b>	5.50 (5.50)	9.00 (9.00)	0.50 (0.50)	0.00 (0.00)	15.00 (15.00)
<b>2. Goods</b>	0.70 (0.70)	0.30 (0.30)	0.31 (0.31)	0.00 (0.00)	1.31 (1.31)
<b>3. Services</b>	0.00 (0.00)	0.00 (0.00)	6.97 (6.97)	0.00 (0.00)	6.97 (6.97)
<b>4. Miscellaneous</b>	0.00 (0.00)	0.00 (0.00)	1.72 (1.72)	0.00 (0.00)	1.72 (1.72)
<b>5.</b>	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
<b>6.</b>	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
<b>Total</b>	6.20 (6.20)	9.30 (9.30)	9.50 (9.50)	0.00 (0.00)	25.00 (25.00)

**Project Costs by Procurement Arrangements (Actual/Latest Estimate) (US\$ million equivalent)**

Expenditure Category	Procurement Method <sup>1</sup>			N.B.F.	Total Cost
	ICB	NCB	Other <sup>2</sup>		
<b>1. Works</b>	0.00 (0.00)	21.16 (17.71)	0.70 (0.70)	()	21.86 (18.41)
<b>2. Goods</b>	0.00 (0.00)	0.48 (0.48)	0.22 (0.22)	0.00 (0.00)	0.70 (0.70)
<b>3. Services</b>	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	()	0.00 (0.00)
<b>4. Miscellaneous</b>	0.00 (0.00)	0.50 (0.50)	3.02 (3.02)	0.00 (0.00)	3.52 (3.52)
<b>5.</b>	0.00 (0.00)	0.00 (0.00)	2.25 (2.25)	0.00 (0.00)	2.25 (2.25)
<b>6.</b>	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
<b>Total</b>	0.00 (0.00)	22.14 (18.69)	6.19 (6.19)	0.00 (0.00)	28.33 (24.88)

<sup>1/</sup> Figures in parenthesis are the amounts to be financed by the Bank Loan. All costs include contingencies.

<sup>2/</sup> Includes civil works and goods to be procured through national shopping, consulting services, services of contracted staff of the project management office, training, technical assistance services, and incremental operating costs related to (i) managing the project, and (ii) re-lending project funds to local government units.

**Project Financing by Component (in US\$ million equivalent)**

Component	Appraisal Estimate			Actual/Latest Estimate			Percentage of Appraisal		
	IDA	Govt.	CoF.	IDA	Govt.	CoF.	IDA	Govt.	CoF.
<b>1. Celebration Support</b>	6.00	0.00	0.00	5.20	0.00	0.00	86.7	0.0	0.0
<b>2a. Infrastructure and Cultural Heritage Rehabilitation Works</b>	15.00	0.00	0.00	15.00	0.00	3.45	100.0	0.0	0.0
<b>2b. Job Creation</b>	0.00	0.00	0.00	1.50	0.00	0.00	0.0	0.0	0.0
<b>2c. Damage Repair</b>	0.00	0.00	0.00	2.20	0.00	0.00	0.0	0.0	0.0
<b>3. Capacity Building Support</b>	3.50	0.00	0.00	0.98	0.00	0.00	28.0	0.0	0.0
<b>4. Overall Project Monitoring and Reporting Support</b>	0.50	0.00	0.00	0.00	0.00	0.00	0.0	0.0	0.0

### Annex 3. Economic Costs and Benefits

At appraisal the opportunity cost of capital was estimated at 10-11 percent, and the ERR for the 66 percent of the project which were deemed to be quantifiable was estimated to be greater than 14%. Sensitivity analyses yielded ERR estimates ranging from a high of 22.8 percent and a low of 17.1 percent (see table below). The main unquantifiables included the cultural heritage preservation and capacity building components for which no estimates were provided. However, the latter were designed to support the main development objectives and were widely believed to yield a highly positive rate of return. Thus the project as whole was deemed to be justified.

Sensitivity analyses conducted at appraisal indicated the infrastructure components were quite robust with respect to assumptions, with roads being the more robust of the two subcomponents (see table). The key factors determining the results with respect to roads were assumptions about costs and traffic. In the case of water, the driving factor was cost. The most sensitive component was the B2000 Authority. Here the worst case scenario yielded rates of return significantly below the estimated opportunity cost of capital, and the most sensitive factor was assumptions about visitation and visitor spending. As the table indicates the quantifiable benefits (including the new job creation and damage repair subcomponents) were some 20 percent higher than at appraisal. The road component was much higher (44 vs. 32 percent); the water component lower (6 vs. 10 percent); and the Authority component also lower (20 vs. 22 percent). We have no measures for the new components which comprised 15 percent of quantifiable cost and a high content of repairs and maintenance, but from other projects in Palestine and elsewhere, these components are known to yield high ERRs, often exceeding 20 percent. Thus, all things being equal, the project ERR would probably have been higher than that estimated at appraisal.

The problem, as noted above, is that all things were not equal. There was, and to some extent still is, a war. Infrastructure was damaged, necessitating increased repair costs. For reasons given above, traffic was greatly reduced. Similarly, water service revenues decreased. And visitation (and the resulting spend) was vastly below the lowest predictions at appraisal. Reliable data are not available, but traffic on the main roads probably decreased by as much as 60 percent for much of the period, water consumption and revenues fell by an as yet undetermined amount and both have yet to return to pre-crisis levels. Visitation also fell sharply, by as much as 90 percent on most counts. There is thus little doubt that on the basis of current trends the appraisal estimate will not be achieved, and the project ERR will probably be far below the opportunity cost of capital.

Component	Appraisal				Actual	
	<i>Cost (\$m)</i>	<i>Percent of Costs (%)</i>	<i>ERR Base (%)</i>	<i>ERR Worse Case (%)</i>	<i>Cost (\$m)</i>	<i>Percent of Costs (%)</i>
• Project Total	25.0	100	Na	na		
• Project (quantifiable)	16.5	66	22.8	17.1	21.4	86
• B2000 Authority	6.0	24	14.5	8.3	5.2	20
• Roads	8.0	32	28.6	23.6	11.1	44
• Water	2.5	10	24.1	17.2	1.4	6
• Damage repair and job creation	-	-	-	-	3.7	15

Note: The last item includes rehabilitation and maintenance of infrastructure and services (water and electricity) as well as buildings and a small element of office equipment

## Annex 4. Bank Inputs

(a) Missions:

Stage of Project Cycle	No. of Persons and Specialty (e.g. 2 Economists, 1 FMS, etc.)		Performance Rating			
	Month/Year	Count	Specialty	Implementation Progress	Development Objective	
<b>Identification/Preparation</b>	January 1998					
	May 1998					
<b>Appraisal/Negotiation</b>	July 1998					
	July 1998					
<b>Supervision</b>	12/14/1999	2	LEAD URBAN PLANNER/TTL(1); PROJECT OFFICER (1)	S	S	
	11/25/2000	2	LEAD URBAN PLANNER/TTL (1); PROJECT OFFICER (1)	S	S	
	06/10/2001	2	LEAD URBAN PLANNER/TTL (1); PROJECT OFFICER (1);	S	S	
	02/21/03	1	OPERATIONS ANALYST (1)			
	2/17/2003	2	OPERATIONS OFFICER (TTL); CONSULTANT			
	10/30/03	2	OPERATIONS ANALYST (2);			
	5/15/03	2	OPERATION OFFICER (TTL); CONSULTANT (1)			
	<b>ICR</b>	10/15/03	5	OPERATION OFFICER/TTL (1); CONSULUTANT/URBAN PLANNER (1); CONSULTANT/ PROCUREMENT (1); PROGRAM ASSISTANT(1); OPERATIONS ANALYST (1)		

(b) Staff:

Stage of Project Cycle	Actual/Latest Estimate	
	No. Staff weeks	US\$ ('000)
Identification/Preparation	N/A	
Appraisal/Negotiation	N/A	413.0
Supervision	N/A	193.0
ICR	N/A	20.0
Total	N/A	626.0

NOTES:

Reports in SAP/BW do not provide breakdown between Identification/Preparation and Appraisal/Negotiations.

Actual/Latest Estimate in US\$ is in direct costs (BB). Lending and supervision costs exclude Trust Funds of \$309,000 and \$12,000 respectively.

## Annex 5. Ratings for Achievement of Objectives/Outputs of Components

(H=High, SU=Substantial, M=Modest, N=Negligible, NA=Not Applicable)

	<u>Rating</u>				
<input type="checkbox"/> <i>Macro policies</i>	<input type="radio"/> H	<input type="radio"/> SU	<input type="radio"/> M	<input checked="" type="radio"/> N	<input type="radio"/> NA
<input type="checkbox"/> <i>Sector Policies</i>	<input type="radio"/> H	<input type="radio"/> SU	<input checked="" type="radio"/> M	<input type="radio"/> N	<input type="radio"/> NA
<input type="checkbox"/> <i>Physical</i>	<input checked="" type="radio"/> H	<input type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input type="radio"/> NA
<input type="checkbox"/> <i>Financial</i>	<input type="radio"/> H	<input type="radio"/> SU	<input type="radio"/> M	<input checked="" type="radio"/> N	<input type="radio"/> NA
<input type="checkbox"/> <i>Institutional Development</i>	<input type="radio"/> H	<input checked="" type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input type="radio"/> NA
<input type="checkbox"/> <i>Environmental</i>	<input type="radio"/> H	<input type="radio"/> SU	<input checked="" type="radio"/> M	<input type="radio"/> N	<input type="radio"/> NA

### Social

<input type="checkbox"/> <i>Poverty Reduction</i>	<input type="radio"/> H	<input type="radio"/> SU	<input checked="" type="radio"/> M	<input type="radio"/> N	<input type="radio"/> NA
<input type="checkbox"/> <i>Gender</i>	<input type="radio"/> H	<input type="radio"/> SU	<input checked="" type="radio"/> M	<input type="radio"/> N	<input type="radio"/> NA
<input type="checkbox"/> <i>Other (Please specify)</i>	<input type="radio"/> H	<input type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input checked="" type="radio"/> NA
<input type="checkbox"/> <i>Private sector development</i>	<input type="radio"/> H	<input type="radio"/> SU	<input type="radio"/> M	<input checked="" type="radio"/> N	<input type="radio"/> NA
<input type="checkbox"/> <i>Public sector management</i>	<input type="radio"/> H	<input type="radio"/> SU	<input checked="" type="radio"/> M	<input type="radio"/> N	<input type="radio"/> NA
<input type="checkbox"/> <i>Other (Please specify)</i>	<input type="radio"/> H	<input type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input type="radio"/> NA

## Annex 6. Ratings of Bank and Borrower Performance

(HS=Highly Satisfactory, S=Satisfactory, U=Unsatisfactory, HU=Highly Unsatisfactory)

### 6.1 Bank performance

#### Rating

- |                                      |                                     |                         |                         |                          |
|--------------------------------------|-------------------------------------|-------------------------|-------------------------|--------------------------|
| <input type="checkbox"/> Lending     | <input checked="" type="radio"/> HS | <input type="radio"/> S | <input type="radio"/> U | <input type="radio"/> HU |
| <input type="checkbox"/> Supervision | <input checked="" type="radio"/> HS | <input type="radio"/> S | <input type="radio"/> U | <input type="radio"/> HU |
| <input type="checkbox"/> Overall     | <input checked="" type="radio"/> HS | <input type="radio"/> S | <input type="radio"/> U | <input type="radio"/> HU |

### 6.2 Borrower performance

#### Rating

- |  |                                     |                                    |                         |                          |
|--|-------------------------------------|------------------------------------|-------------------------|--------------------------|
| <input type="checkbox"/> Preparation                           | <input type="radio"/> HS            | <input checked="" type="radio"/> S | <input type="radio"/> U | <input type="radio"/> HU |
| <input type="checkbox"/> Government implementation performance | <input type="radio"/> HS            | <input checked="" type="radio"/> S | <input type="radio"/> U | <input type="radio"/> HU |
| <input type="checkbox"/> Implementation agency performance     | <input checked="" type="radio"/> HS | <input type="radio"/> S            | <input type="radio"/> U | <input type="radio"/> HU |
| <input type="checkbox"/> Overall                               | <input type="radio"/> HS            | <input checked="" type="radio"/> S | <input type="radio"/> U | <input type="radio"/> HU |

## **Annex 7. List of Supporting Documents**

1. Project Appraisal Document, August 28, 1998
2. Mid-Term Review - June 5, 2000
3. Monthly Quarterly Progress Reports, B2000 Authority
4. Damage Assessment Report, Donor Support Group, Italian Development Cooperation Draft 3, May 2002
5. Fifteen Months of Intifada, Closures and Palestinian Economic Crisis - An Assessment, March 2002
6. Palestinian Tourism in Numbers 123. Update 2002
7. Palestinian Central Bureau of statistics - Press Release for the Hotel Survey 2000
8. Palestinian Central Bureau of statistics - Press Release for the Hotel Survey, Second Quarter 2003
9. Completion Evaluation Report- Capacity Building: Support to Bethlehem Area Municipality, October 2003
10. Audit Report, May 7, 2002.
11. Rehabilitation of Al-Anatra Quarter, Package II: Renovation of Facades, Final Progress Report, August 2003
12. Brief report by B2000 Project Authority dated October 18, 2002, Contribution to MIDP-ICR.
13. West Bank and Gaza, Fiscal Crisis and Physical damages to Infrastructure, Emergency Reallocation and proposed amendments to Trust Fund Credit Agreements, August 6, 2002.

## **Additional Annex 8. Project Co-Financing**

The project attracted US\$3.45m equivalent in direct cofinancing from Italy, Norway and Austria to finance projects from the High Priority Projects identified by the Bank during appraisal (see Project Appraisal Document Annex 2(b) Table 1. B). In addition US\$0.76m equivalent was provided by Greece through a parallel Bank Project (MIDP-1). This note briefly summarizes the outputs from these contributions.

### **Italy**

During the Special Participants Conference, held in Brussels Belgium on May 11-12, 1998, that was sponsored by the PA on Bethlehem 2000 project, Italy has agreed to provide a grant of US\$2.5m. This grant would be used to finance infrastructure rehabilitation and cultural heritage preservation and capacity building in support for the Bethlehem 2000 Celebrations.

**A. Infrastructure rehabilitation**, this includes the rehabilitation of 8.3km of roads as follows:

1. **Solomon Pools-Artas Access Road:** The project included upgrading of access road and shoulders extending from the intersection located on the Jerusalem Hebron Road, through Solomon Pools area and Artas back to Bethlehem city. The works also included construction of bus parking for tourists, construction of retaining walls, storm water, water network and street lighting. The total length of this road is 5.4 km.  
It is worth mentioning that the Solomon Pools area, three pools and an ancient castle, are of Cultural Heritage and Historic value. These pools date back to Herodion and Ottoman times. It was used to collect water from near by springs to be transported to Jerusalem through stone carved conduits and the Castle was used for the protection of the pools. The project also financed the preservation of the ancient conduit that was exposed at several locations. The work included fencing of the area and provision of signs with literature on the history of the conduit. The project financed the rehabilitation of the access road leading to Artas village and Monastery. The village is an agricultural village, depending mainly of spring water, while the Monastery dates back to early last century.
2. **Jamal Abdel Nasser Road:** This is a 10 meter right-of-way road, leading from Solomon Pools area to connect to Jerusalem Hebron road an another location. The total length of this section is 0.80 km.
3. **Paul VI Street:** This is a main road connecting the Jerusalem Hebron road to Al Madbasseh square, a commercial center of Bethlehem city. The total length of this section is 0.70 km.
4. **Al-Mawardeh and Al Atfal Street:** These roads extend from the Jerusalem Hebron road to the Manger road that leads to the Nativity square. The total length of these roads is 0.900 km.
5. **The University Road:** This road passes by the Bethlehem University and the water reservoir and connects to Al Atfal Street, upgraded by the project. The total length of this road is 0.50 km.

### **B. Capacity Building and Support for Cultural Heritage Preservation:**

Italy provided US\$0.50m equivalent for the Development of Cultural Heritage Conservation Mater Plan for the Bethlehem Area and for institutionalizing of the process. This component will be implemented by the Center foe Cultural Heritage Preservation in Cooperation with UNESCO. The Bank has transferred the funds to UNESCO to commence with implementation.

**Project outputs:** The total length of roads rehabilitated under the project is 8.3 km. The project has improved the deteriorated condition of these roads. In addition, this network has relieved traffic jams when the main roads leading to the Nativity were closed during the celebration. Rehabilitation of these roads has improved surface conditions, surface drainage, and safety for both cars and pedestrians, reduced vehicle traveling and operating costs and has improved access for the visitors to this area of cultural heritage and historic value. The project encouraged another donor and the private sector to invest in the area. France has constructed public gardens for visiting families. The private sector has constructed a multi million dollar Conference Center. It includes conference halls, shops and traditional arts and crafts village.

### **Norway**

Norway provided US\$1.0m equivalent for the rehabilitation of the **Shepherds Fields Access Roads (6.0km)**. The work consisted of two parts:

1. Upgrading of the access roads leading to the Shepherds fields by widening the asphalt surface, installing water lines, improving street lighting constructing sidewalks where possible, landscaping, street signage and construction of parking for tourist buses. The total length of this part is 3.0km.
2. Upgrading other roads connecting the access roads to the main road in Beit Sahour and the road connecting Beit Sahour to Za'atara. A near by village. Work included widening of the asphalt surface, installing water lines, improving street lighting and constructing sidewalks. The total length of this part is 3.0km.

**Project outputs:** The most important output of this project is the improved access for visiting tourists to the Shepherds Fields which are important religious sites. Outputs also include improved surface conditions, improved safety for cars and pedestrians.

### **Austria**

Austria provided US\$0.70m for the rehabilitation works of phase III of **Old Core Beit Jala**. The work included cleaning of the facades of the old building, re-pointing of the facades, rehabilitation and repainting of the doors, windows and balconies, landscape, asphalt works, sidewalks, and rehabilitation of services, including dismantling of electricity and telephone lines to be placed under the asphalt layer.

**Projects outputs:** The rehabilitated area was saved from further deterioration and the general feature of the Old Core was very much improved. This has prolonged the life of the old building by at least twenty years. Local consulting firms, local contractors and local workers have acquired good experience in terms of rehabilitation of old building with CH value. The project has encouraged several families to rehabilitate and reuse their deserted homes

### **Greece**

Greece has provided US\$0.76m equivalent for the rehabilitation of the **Milk Grotto Road**, a road of very significant importance being adjacent to the Nativity church and leading to the Milk Grotto, where the Holy Family resided for some time. The project included the rehabilitation of the road, removing and installing services, electricity and telephone lines under ground, sidewalks and landscaping.

**Project outputs:** Improved access for visitors to these two important religious sites and cultural heritage preservation.

## **Additional Annex 9. Minutes of Stakeholder Workshop**

### **Introduction**

The B2000 project stakeholder's workshop was held at the Bethlehem Peace Center on Wednesday, October 15, 2003 to evaluate the Project's objectives and outcomes, lessons learned and how to improve the planning and implementation process for similar projects in the future. It was attended by Bethlehem 2000 Authority Staff, Bethlehem Area Municipality Mayors and City Engineers, Head of the Utilities in Bethlehem, private sector, Donors and International organizations, and community leaders who benefited from the project.

H.E. Dr. N. Kassis, Minister and Coordinator for the Bethlehem 2000 project, opened the workshop and gave a short introduction, highlighting the history of the project and the role of the World Bank in developing the Project. Dr. Kassis briefed the participants on the project's achievements and outputs. He emphasized the significant role played by B2000 staff, municipalities and local communities in project implementation and in particular during the crisis. He also appreciated the cooperation between the Bank and the implementing agency and hoped for continued cooperation in the future.

Mr. I. Dajani introduced the World Bank team and expressed his appreciation for the strong cooperation with the B2000 Authority and the municipalities' teams. He also mentioned that the outcomes of this workshop will be incorporated in the Implementation Completion Report. He highlighted the rationale for holding such a workshop and requested participant feedback on the project outcomes as well as lessons learnt to be incorporated in the design of future projects.

### **Project Overview and Components**

A short presentation on the project objectives and achievements was made by Dr. K. Daibes, who highlighted that their vision was to prepare a unique celebration of an exceptional religious event that will positively affect all Palestinians and would contribute to the process of nation building by inviting the world to join. She also indicated their short term objectives which are to prepare the city for the millennium celebration and in long term to bequeath a legacy of sustainable tourism development and foster role of public bodies. Dr. Daibes also gave a briefing on the credit and the allocation categories with the numbers of project implemented in Bethlehem district.

**The Celebration Support Component:** The celebrations were successfully launched on December 4, 1999, and was planned to continue till April 2001. Several Church Choir Groups had participated in the Celebration. It had attracted many visitors and had promoted private sector investment in the tourism sector. Several hotels and tourist attractions were constructed in Bethlehem city, number of tour operators had increased, tour guides had doubled, and the number of tour buses had been increased.

Dr. N. Kassis expressed the view that the events management, which primarily undertaken by local specialists, had been a significant learning experience which proved the availability and readiness of local specialists to take on such complex task and deliver a world class product. Resources had been efficiently used, but the current events seemed to be only a pale reflection of the past program.

**Infrastructure Rehabilitation and Cultural Heritage Preservation Works Component:** Mr. Awwad presented the main objective of this component and Mr. I. Nassar of B2000 Authority and Mr. J. Murkus of Bethlehem Municipality presented the outputs of the physical component of the project. This included statements with the regards to the secondary benefits which the local firms and individuals have gained in terms of knowledge and experience through participating in projects supervision and implementation

**Cultural Heritage Reservation Component:** Dr. S. Toukan gave a brief overview of the initial preparatory work, i.e., work undertaken prior to project appraisal. This consisted of an Emergency Action Plan which was prepared by UNESCO and financed by Italy. The resulted plan was very flexible and responsive to the emergency needs of the Bethlehem communities. It also involved a community consultation process that, for example, resulted in the rehabilitation of the Market Place in Bethlehem.

Mr. B. Khoury confirmed that the achievements of the project, and said that such success proved the local capacity to perform and deliver a world class product. He thought that more emphasis ought to have been placed on the local population's needs and the need to improve their quality of life first, and then cater for the tourists. Further, in his opinion, the local engineering and consulting have gained tremendously from the work performed in Bethlehem, especially with respect to cultural heritage preservation.

Mr. W. Al-Sharif presented the background of the Cultural Heritage Capacity Building component and outputs. He also outlined the progress achieved on the drafting of the Cultural Heritage Preservation Legislation which is expected to be completed by end November 2003. The draft will then be presented to the Legislative Council for review, comments and ratification.

**Capacity Building Component for Bethlehem Area Municipalities (BAM):** Mr. Awwad gave a brief description of the objectives of the local level capacity building component. This included the Diagnostic studies and Three-Year Investment Plans which were prepared by the Project for the Bethlehem municipalities with assistance from reputable consulting firm. A joint project list had been identified by the Bethlehem Area Municipalities which sets out priorities and forms the nucleus for future working together.

Mr. Murkus confirmed the Project's success in the following:

- Making the BAM more aware for their potentials for development:
- Identifying area for improvement in Municipal Management
- Identifying income generating development project; and
- Improving knowledge in project preparation and planning.

**Private Sector Participation;** Mr. H. Abu Dayyeh, from Net Tours – one of the largest tourist bus companies in Jerusalem, mentioned that the Project did not succeed in attracting the tourist numbers projected for, however it sent a global message of the good news. It also enhanced the market value of Bethlehem worldwide. However, he was not sure if the outcome had triggered the tourists to spend more money or stay longer in Bethlehem. He further confirmed that the Project helped create opportunities to develop new hotels and new tourism related businesses and industries. Hotel rooms have tripled and investment generated income to local industries. Though the projected number of tourists was not achieved, during the millennium celebrations, hotels in Bethlehem and Jerusalem were 100% booked. Tourist bus companies increased to 17. Tourists were directed and housed in Hebron and Ramallah. Both Tour operators and tour guides have doubled their operations as well. Licensing of Tour Guides quadrupled (from 75 to 300) in preparation for the celebrations and all of them were fully committed. He also mentioned that the Project brought all stakeholders to work together under limited budget and under very limited time frame. He was convinced of the Bank's important leadership and role in helping to attract and coordinate donors' efforts in the preparation for the Millennium. The historical experience was in the Bethlehem 2000 Authorities' efforts to bring all stakeholders including the churches to work under one umbrella and manage the Project with very little budget.

## Workshop Discussion

**The Infrastructure Rehabilitation Program:** Comments from participants included:

- The project main objectives were achieved in terms of benefits to the population as a priority and improved their lives; investment was increased despite the obstacles and constraints; the Project proved to be successful in addressing the community needs in terms of infrastructure improvement of the area; local contractors were employed and materials were either locally produced or supplied and therefore benefited during the Project implementation. The limited time available encouraged the mobility of more contractors to speed up implementation and therefore employing more workers.

The following additional concerns were raised:

- The need to implement projects in the reuse of wastewater and to expand existing water networks; develop capacity building programs, with emphasis on operations and maintenance; and raise more funding to complete other priority projects (i.e. soccer field)

**Donor/International Organization Contribution:** Mr. Mattar, from the Italian Cooperation Office, mentioned that the Intifada did not allow Bethlehem to gain the fruits of the project. Major projects were implemented such as Artas road which linked Artas with the world. He also mentioned the effective supervision role from the Bank's team during the implementation of the subprojects ensured the achievements of the set out objectives.

Mr. G. Fontene, from UNESCO, emphasized the need to look at the future while using the current experience to work toward the implementation of an integrated plan of the city. He stressed that strategic planning approach would be the most suitable to proceed ahead.

Ms. S. Breivik, from the Norwegian Representative Office, mentioned that during the millennium celebrations the project bridged the gap and relation between the local Palestinian communities and the outside world. The Norwegian week in particular, part of the Celebrations, has strengthened the friendship between the people of Palestine and Norway.

**Mayors of Bethlehem Area Municipalities (BAM) Contribution:** The Project proved to be successful in addressing the community needs for improvement of long deteriorated infrastructure. They hoped that realized products will continue to serve the people's needs. It also helped create jobs to the many unemployed. Furthermore, it built capacity at the municipal staff in preparation and management of similar projects.

The Three-Year Investment plan has identified priority investment projects which will be the responsibility the BAM to implement. The mayors emphasized the need for financial support to the following joint projects: the establishment of a joint service council for the BAM, the construction of a solid waste landfill and modern slaughter house, and the need to expanding the wastewater network.

**PLC Representative's Contribution:** Mr. Al-Ta'mari mentioned that the Project contributed to the creation of jobs especially during the crisis and period of strict closures. This helped maintaining residents from leaving the country. He also emphasized the need to be careful when rehabilitating historical places and not to lose the historical image and the traditional practice which is required to preserve and maintain. He cited the rehabilitation of the Jacaman Olive Mill project (not financed by the Bank).

Mr. Daoud highlighted the jobs created during the implementation period and wished for a more regional coverage of the interventions. He also highlighted that the Project contributed to attracting the major investments taking place in Artas area.

**Lesson Learned:** The following were highlighted:

- There is a need to focus on operations and maintenance of the completed infrastructure and

centralize the implementing agency (is it B2000? LGU's , PA etc....)

- There is a need for close consultation with the community, this should improve local ownership of the outputs and work towards safeguarding them;
- Rural communities incorporation in future projects would be advisable;
- With a committed and capable implementing agency and staff, it is possible to achieve the targets despite the political challenges and the time constraints.

### **Conclusion**

A dominating factor was the severely negative impact of the Israeli military actions after September 2000. This made it impossible to fully realize the potential of the project. However, within this major constraint, the participants concluded that:

- 1) The objectives of the celebration support had been largely achieved, and had the political environment continued to progress towards Peace the outcome would have been largely achieved;
- 2) The objectives for the physical component had been successfully achieved, but the benefits have been significantly reduced by Israeli military actions, including the occupation of Manger Square and the considerable damage it infrastructure and cultural assets;
- 3) The objectives of cultural heritage preservation subcomponents had been partially achieved, especially with the completion of draft legislation to preserve Palestine's very valuable heritage;
- 4) The local reform subcomponents had been also partially achieved.

## **List of Participants:**

### ***From the Palestinian Authority:***

H. E. Dr. N. Kassis, Minister and Coordinator General B2000 Authority  
Mr. W. Sharif, Ministry of Tourism and Antiquities  
Mr. K. Hemeid, Ministry of Local Government  
Mr. N. Sacca, General Director, Ministry of Local Government  
Mr. A. Dwaik, Ministry of Public Works

### ***From the Participating Municipalities (Bethlehem Area Municipalities)***

Mr. H. Nasser, Mayor, Bethlehem Municipality  
Mr. R. Zeidan, Mayor, Beit Jala Municipality  
Mr. A. Ma'ali, Mayor, Doha Municipality  
Mr. A Ghneim, Mayor, Al-Khader Municipality  
Mr. J. Mukus, City Engineer, Bethlehem Municipality  
Mr. N. Hadweh, City Engineer, Beit Jala Municipality  
Eng. E. Qumsyeh, City Engineer, Beit Sahour Municipality  
Mr. E. Ibrahim, Engineer, Beit Sahour Municipality  
Mr. Y. Al-Azzeh, City Engineer, Al Khader Municipality

### ***From the Bethlehem 2000 Project – Project Implementation Unit***

Dr. K. Daibes, Director, CCHP, Bethlehem 2000 Project  
Mr. I. Nassar, CCHP, Bethlehem 2000 Project  
Mr. D. Nour, CCHP, Bethlehem 2000 Project  
Ms. F. Fararjeh, CCHP, Bethlehem 2000 Project  
Ms. C. Nour, CCHP, Bethlehem 2000 Project  
Ms. E. Lindower, CCHP, Bethlehem 2000 Project

### ***From the Service Providers Sector***

Mr. N. El Hadweh, Director, Jerusalem Electricity District Company, Bethlehem  
Mr. M. Al-Sha'ar, Water Authority

### ***From the Palestinian legislative Council:***

Mr. B. Daoud, member representing Bethlehem  
Mr. S. Al-Ta'mari, member representing Bethlehem

### ***From the Private Sector:***

Dr. S. Toukan, Welfare Association  
Mr. H. Abu Dayyeh, NET Tours, Jerusalem  
Mr. B. Khoury, Architect and Planner, Bethlehem  
Mr. M. Naser, Director, Bethlehem Peace Center

### ***From the Donor Community and the International Organization:***

Mr. F. Antanell, UNESCO  
Mr. I. Mattar, Italian Cooperation Office, Jerusalem  
Mr. M. Cjmadevilla, Spanish Cooperation  
Mr. N. Bordallo, Spanish Cooperation  
Ms. S. Marie Breivik, Norwegian Representative Office, Jerusalem

### ***From the World Bank:***

Mr. I. Dajani, Task Team Leader  
Mr. K. Robotham  
Mr. G. Awwad  
Ms. F. Antar

## Additional Annex 10. Partners Comments

Palestinian National Authority  
**Bethlehem 2000 Project**  
Centre for Cultural Heritage Preservation



السلطة الوطنية الفلسطينية  
هيئة مشروع بيت لحم ٢٠٠٠  
مركز حفظ التراث الثقافي

Date: November 12, 2003

Ref: DC/3/987:

Ibrahim Dajani  
Task Team Leader  
Bethlehem 2000 Project  
World Bank

**Subject: Bethlehem 2000 Project  
Implementation Completion Report**

Dear Ibrahim,

Following the workshop held on 15 October 2003, I take this opportunity to reaffirm our appreciation of all the support the World Bank has given the Bethlehem 2000 Project throughout the last few years.

As Dr. Kassis previously mentioned in his letter dated September 1<sup>st</sup>, many of the personnel who took part in the project have already left so that it is almost impossible to include the comments of most of them. However and as confirmed during the workshop I am pleased to say that we have successfully accomplished all activities and projects in accordance with the terms of our agreement.

These projects were also implemented following the guidelines of the World Bank and with its technical support for defining pre-qualifications, tendering, evaluation, and closing of design documents before implementation.

The World Bank's support at both the technical and financial levels was essential given the limited time and impending date of the start of the celebrations. Also, the design and implementation of the various projects required a multi-sectoral approach as a key factor as well as a high degree of coordination among the different players.

On the short term, one can safely confirm that the project has achieved its objectives, a fact that can be verified through the marked improvement of the quality of life of the inhabitants of the area. On the longer term, the project was successful in creating a legacy of sustainable development, especially as related to tourism.

In terms of sustainability we can consider the project very successful. It provided the climate for private investment and development of the tourism sector: indeed, the multiple infrastructure and rehabilitation projects in the area attracted such important ventures as the Solomon's Pools Project and the Ja'fir Palace Intercontinental, star projects in the development of tourism facilities; it also contributed venues for the successful staging of the events. At the level of human resource development, the project has contributed to the establishment of consultancy firms and capacity building in the fields of infrastructure and cultural heritage preservation.





The fact that Bethlehem 2000 Project could secure extra funding, even after the closing of the millennium celebrations, reflects the confidence of the donor agencies in the accomplishments of the Project. I also hope that the example of the millennium, where the concerted efforts of various public and private organisations worked towards the achievement of a common goal will be a precedent in successful performance and will pave the way for future cooperation.

As the Project's successor in the field of cultural heritage preservation, the Centre for Cultural Heritage Preservation will continue the process of development and guarantee the sustainability of the achievements through awareness at various levels of the community and initiate public involvement in the maintenance of urban spaces.

I trust that our cooperation will resume to further development of the Bethlehem area.

Yours sincerely,

Khouloud Daibes  
Director



REPUBLIC OF AUSTRIA

Austrian

Representative Office

**-FAX Message-**

<b>From:</b> Maher Daoudi	<b>Date:</b> 20.11.03
<b>To:</b> Mr. Ibrahim Dajani Task Team Leader World Bank	<b>Fax No.:</b> 02- 236-6543
<b>Subject:</b> Partners comments to B 2000 project	<b>No of pages incl. cover sheet:</b> One

Ref. No. 1043 OEVB- 03

Dear Mr. Dajani,

In reference to your latest fax dating November 05, 2003 requesting Austria's comments on the implementation of the B 2000 project (TF-22965) through the World Bank. I would like express my appreciation for the professional work that the team of the World Bank have done in collaboration with the B 2000 project, Municipality of Beit Jala and the local Palestinian contractors. Talking to different stakeholders particularly the people of the Beit-Jala, we can only conclude that the project has achieved its results.

Thanking you for your proper follow up on this matter.

Best regards,

Maher Daoudi  
Programme Manager  
Austrian Development Cooperation

Cc: Dr. Leonhard Moll  
Dr. Margit Scherb



*Office of Italian Cooperation*

**Consulate General of Italy in Jerusalem**

November 26, 2003

Mr. Ibrahim Dajani  
Task Team Leader  
West Bank and Gaza Country Office  
Jerusalem

**Subject: Bethlehem 2000 Project  
Italian Grant (TFD-22273)-Partners Comments**

Dear Mr. Dajani,

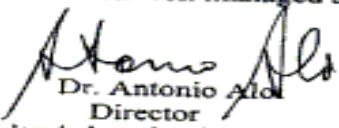
I refer to your letter of November 11, 2003 regarding the Italian contribution to the Bethlehem 2000 Project.

The Italian grant to the Bethlehem 2000 Project was allocated mainly for the construction and asphaltting of a 2 km road to the village of Irtas. In this regard, I am pleased to state that this road has achieved its main objective of linking the village of Irtas at the periphery of Bethlehem with the town and the nearby historical and archaeological site of Solomon's pools. It is worth mentioning that during construction of the road the World Bank and Bethlehem 2000 engineers monitoring the works on the road took great care to preserve the archeological canals and clay pipelines that were built during the Roman period in Palestine. During implementation the staff of the Italian Cooperation held several on site meetings with the Bank team and implementing agency to ensure that special ramps were built to protect these archaeological sites. The Bethlehem 2000 and Bank team were extremely cooperative in carrying out these tasks.

Furthermore, the timely completion of the road encouraged a private investor to develop and renovate an old castle near Solomon's pools and to build a Hotel and Convention Center that would serve the expected influx of pilgrims to Bethlehem on the occasion of the millennium. Unfortunately, this project was not completed due to the untimely eruption of the second Intifida in September of 2000.

Let me reiterate the thanks and appreciation of the Italian Cooperation to the Bank team and the staff of Bethlehem 2000 for the timely and successful completion of the road for the village of Irtas and for a task well managed and administered.

With my best personal regards,

  
Dr. Antonio Alo  
Director

Mujeer Eddin Street 2, Sheikh Jarrah, Jerusalem. Tel: 02-5327447, Fax: 02-5322904  
Email: utl@itcoop-jer.org  
-----  
Mujeer Eddin Street 2, Sheikh Jarrah, Jerusalem. Tel: 02-5327447, Fax: 02-5322904

**REPRESENTATIVE OFFICE OF NORWAY  
TO THE PALESTINIAN AUTHORITY,  
WEST BANK / GAZA**

Telefax: +972 2 2345079  
Telephone: +972 2 2345050  
E-mail: ambpal@norad.no  
Web page: www.embassies.mfa.no

DATE: 21 NOVEMBER 2003  
TO: THE WORLD BANK  
ATT.: MR. IBRAHIM DAJANI, TASK TEAM LEADER  
COPY TO:  
OUR REF.: 815 WB 2000/0074 PAL/SBR  
SUBJECT: **BETHLEHEM 2000 PROJECT**

Dear Mr. Ibrahim Dajani,

Reference is made to your fax dated 5 November 2003 regarding the Norwegian Grant to Bethlehem 2000 Project (TF-21208).

The Representative Office has no particular comments to be incorporated in the Completion Report. The quality of the rehabilitation of the Shepherds Fields Road was as far as we could evaluate of a high standard and the work well done. During the implementation period we were invited for site visits and meetings by the World Bank together with Bethlehem 2000 Project and the Contracting Company, and we were given the opportunity to present our views and inputs, especially related to the utilization of the saved funds. Unfortunately the Intifada started and delayed the completion of the project. Hence, we were not informed when all activities were implemented, and we would appreciate a small report on the completion of the last activities and the actual utilization of the saved funds.

Thanking you for the good co-operation,

Yours Sincerely,  
  
Einar Landmark  
Deputy Representative

  
Signe Marie Breivik  
Program Adviser

Page 1 of 1 page(s)

If pages are missing, call:  
+972 7 2824615/25  
+972 2 2345050  
+972 2 2345050

## **Additional Annex 11. Footnotes**

1. ERP-1 and 2; FY94 and 96 respectively, and MIDP-1, US\$40m, FY. See project ICRs, respectively dated June 25, 1999, December 22, 1999, and [December 2004].
2. The impact of events since the beginning of the Intifada has been documented in two World Bank publications: "*Fifteen Month - Intifada, Closures and Palestinian Economic Crisis*", March 2002; and "*Two years of Intifada, Closures and Palestinian Economic Crisis*", February, 14, 2003.
3. The celebrations support and infrastructure objectives had been fully achieved so they do not figure here.
4. Please note that in the SAR some indicators did not have specific numeric or qualitative targets. In these cases, the text of the ICR was reviewed for the content of the target. In addition, the views of the supervision team, the borrower and stakeholders were sought. The cases are indicated by "." In Annex 1.
5. In order to minimize repetition, details are not given for already achieved or for the downgraded objectives. A similar approach is taken with respect to revised outputs in Section 4.2 below with. The achievements of the revised objectives stated in Section 4.1 are confirmed by the revised outputs summarized in Section 4.2 below. All are further summarized in Annex 1.

