



Public-Private Partnership Stories

West Bank & Gaza: Solid Waste Management



Over the last decades, West Bank and Gaza have suffered due to political and economic instability, resulting in years of inadequate infrastructure investment and poor provision of public services to the people of Palestine. The provision of standard municipal public services, especially solid waste management, was of particular concern. In response, the World Bank Group provided an integrated solution to the client, the Joint Services Council for Hebron and Bethlehem (JSC-H&B), leading to the successful conclusion of the first public-private partnership (PPP) in the West Bank.

The World Bank and other donors provided the necessary funding for a new sanitary landfill at Al-Minya but deemed that the local capacity to manage it was insufficient. Thus, the JSC-H&B sought IFC's support to find an experienced private sector partner to manage the new facility through a PPP. To improve the sustainability of the project and the sector, the World Bank Group also structured an \$8 million output-based grant from the Global Partnership on Output Based Aid (GPOBA*).

A Greek consortium, W.A.T.T. S.A.-MESOGEO S.A. & EPEM S.A., won the tender. The operator will be responsible for the operation and maintenance of Al-Minya landfill and two transfer stations at Hebron and Tarqoumiya, which will improve the quality of services, reduce health and environmental risks, and reduce greenhouse gas emissions. The concession was signed in September 2013.

This series provides an overview of public-private partnership stories in various infrastructure sectors, where IFC was the lead advisor.

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The project was implemented with the financial support of DevCo, a multi-donor facility affiliated with the Private Infrastructure Development Group. DevCo provides critical financial support for important infrastructure transactions in the poorest countries, helping boost economic growth and combat poverty. DevCo is funded by the UK's Department for International Development (DFID), the Austrian Development Agency, the Dutch Ministry of Foreign Affairs, the Swedish International Development Agency, and IFC.

BACKGROUND

The Hebron and Bethlehem Governorates are home to nearly one million people in the southern West Bank, who generate about 500 tons of waste daily. Most of it is disposed of in unsanitary dumps, illegally burned, or dumped outdoors.

The volume of waste is expected to grow, exacerbating the problem and posing growing health and environmental risks that worsen quality of life. In addition, decades of conflict and political instability, has meant that municipalities in the West Bank and Gaza have been unable to invest sufficiently in solid waste management (SWM) infrastructure or services. To address this problem, the Joint Services Council for Hebron and Bethlehem (JSC-H&B) was established to focus on providing sanitary final disposal services and raise public awareness.

THE WORLD BANK GROUP'S ROLE

The World Bank Group provided an integrated solution to the client JSC-H&B.

Realizing the need for sanitary waste disposal facilities, the JSC-H&B sought support from the World Bank and international donors to fund a modern, sanitary landfill, transfer stations, and access roads at Al Minya that would enable the closure of existing, unsanitary dumpsites. However, operating the new facility required expertise unavailable locally so IFC was brought in to help find a qualified private partner to manage the facility. IFC worked with the client to design a PPP for the operation and management of the Al-Minya landfill and associated facilities. IFC and the World Bank also supported JSC-H&B to improve sustainability of the SWM sector by structuring an \$8 million output-based grant from the Global Partnership on Output Based Aid (GPOBA*).

PPP TRANSACTION STRUCTURE

IFC worked closely with technical consultants and legal counsel to design a PPP structure built on a sound technical, legal, and regulatory foundation. Anticipating private sector concerns around the fragile and conflict-affected status of West Bank and Gaza, IFC held numerous conversations with regional and international solid waste operators to develop a robust transaction structure that addressed the country's unique situation.

The operation and management of the facilities in a sanitary and efficient way was a key goal for JSC-H&B. Under the project structure, the private partner is responsible for the operation and management of Al-Minya landfill and two transfer stations at Tarqoumiya and Hebron, including the long-haul transfer of waste to from the transfer stations to the landfill. The JSC-H&B will provide a minimum waste guarantee of 500 tons per day to the operator and pay fees per ton of waste managed at the landfill and transfer stations. Primary waste collection is not a part of the private sector's responsibilities and will remain in the hands of various municipal entities.

In order to better align incentives between the grantor and the operator, a flexible concession term was adopted whereby the private partner operates and maintains the facilities for a

minimum of five years with a possible extension of up to two years depending on the remaining volume in the landfill cells. This creates an incentive for the operator to extend the landfill life to generate further revenue, thereby delaying further investment in additional landfill capacity. A system of performance standards and penalties ensures sanitary operation of the landfill, adherence to environmental standards on leachate and landfill gas, and performance of other critical operational requirements.

The GPOBA disbursements were designed on specific service improvements and financial sustainability targets, providing additional comfort to the operator that the system can support operating payments.

BIDDING

Extensive marketing resulted in seven international and regional private sector operators expressing interest in the project. Of these, three were pre-qualified and submitted bids: Hera Holding (Spain); W.A.T.T. S.A.-MESOGEOS S.A. & EPEM S.A. (Greece); and Entag-Ecaru-Comeback (Egypt-Palestine). The two-stage evaluation process consisted of a technical evaluation followed by financial bid. To ensure completeness and compliance with bidding requirements, technical bids were evaluated by a committee that included the Hebron Joint Service Council, the Bethlehem Joint Service Council, and the Ministry of Local Government with support from IFC as well as technical and legal experts.

The PPP agreement was signed at Al-Minya on September 2, 2013. IFC will also provide post transaction support to JSC-H&B through the initial period of operations.

POST-TENDER RESULTS

- First PPP in the West Bank.
- Strong potential for demonstration effects as an innovative mechanism to deliver public services.
- Will benefit 840,000 people in towns and villages in Bethlehem and Hebron, who will enjoy significantly improved solid waste management services.
- Estimated reduction of GHG emissions by 13,400 tons over seven years.

* GPOBA was established in 2003 by the United Kingdom's Department for International Development (DFID) as a multi-donor trust fund administered by the World Bank. Four additional donors have joined the partnership: IFC, the Dutch Ministry of Foreign Affairs, the Australian Department of Foreign Affairs and Trade, and the Swedish International Development Agency.