Ex post evaluation – Palestinian territories

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Sector: Urban development and management (CRS code: 43030)
Project: Gaza Emergency Response – Additional Financing to the Municipal Development Programme (MDLF VI), BMZ No. 2014 68 578*
Implementing agency: Municipal Development and Lending Fund (MDLF)

Ex post evaluation report: 2020

All figures in EUR million	Planned	Actual
Investment costs (total)	21.31	21.31
Counterpart contribution	0.00	0.00
FC funding	5.00	5.00
of which BMZ budget funds	5.00	5.00

*) Random sample 2019

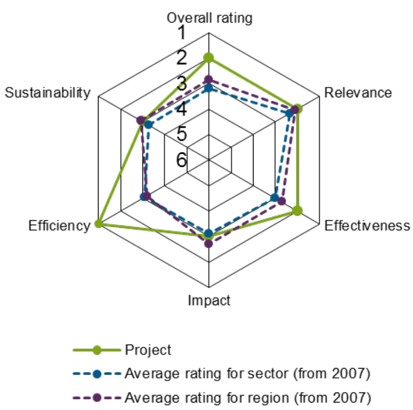
Summary: This FC measure, Gaza Emergency Response – Additional Financing to the Municipal Development Programme (MDLF VI), underwent an expedited appraisal. The measure played a role in efforts to swiftly repair damage to municipal infrastructure facilities caused by the armed conflict in the Gaza Strip in 2014 (emergency assistance approach). Grants were issued for investments in infrastructure and to pay for operating costs in various sectors eligible for promotional support: water and sewage measures, waste management, roads, public facilities, street lighting and electricity supply. The criteria for selecting the individual projects within the reconstruction drive were agreed between donors and the executing agency – and, in turn, applied for the municipalities. Under these criteria, the aim was for the measures to serve the highest possible number of beneficiaries while making the largest possible contribution to the provision of municipal services to the public.

Development objectives: The evaluation assesses the FC measure's impact in terms of its contribution to the economic and social stabilisation of the civilian population. The FC module objective was to make a contribution towards restoring and safeguarding basic municipal services in Gaza.

Target group: The measure's target group was the population of the municipalities in the Gaza Strip who would benefit from the restoration of municipal services.

Overall rating: 2

Rationale: Thanks to the MDLF programme, it has once again been possible to provide municipal services to more than a million people in the Gaza Strip, a significant portion of the wartime damage has been repaired and the individual measures have been met with strong take-up. The FC project was integrated into the existing structures of the Palestinian municipal development programme, which is funded by several donors. The criteria for selecting individual measures were needs-based, focusing on the FC activities' nature as emergency assistance efforts. This resulted in effective and highly efficient implementation. There are plausible indications of increased stability in terms of the population's living conditions. Whether the FC activities financed have a sustainable impact will depend on the political conditions at play in the region, which are beyond development cooperation's sphere of influence.



Highlights: For efficient reconstruction efforts, it has proven to be a good idea to work with an established executing agency that has experience with multi-donor financing. This conclusion is also valid beyond the Gaza Strip.

Rating according to DAC criteria

Overall rating: 2

Ratings:

Relevance	2
Effectiveness	2
Efficiency	1
Impact	3
Sustainability	3

Relevance

The implementation of the measure, Gaza Emergency Response – Additional Financing to the Municipal Development Programme, was intended to help restore and safeguard municipal services in Gaza. The starting point for the FC project, which underwent expedited appraisal, was the serious damage to the infrastructure in Gaza following the armed conflict in 2014. Around USD 58.7 million in damage to municipal infrastructure was identified in the Rapid Assessment of Gaza Municipal Sector Damage: Impact of the 51-Day War on Gaza (7 July – 14 August 2014). The damage was greatest on roads (around 47%), followed by water and sewage systems (15%), municipal buildings (14%), street lighting, waste management, cultural centres, markets and public parks. All 25 municipalities in the Gaza Strip were affected. This damage was the key issue behind the FC project. With the FC funds provided, together with other donor funds, the damage was to be repaired as quickly as possible to enable the population to be provided with basic municipal services.The project measures' geographical relevance is supported by an analysis of the geographical distribution of the damage and the project locations (see Figure 1).

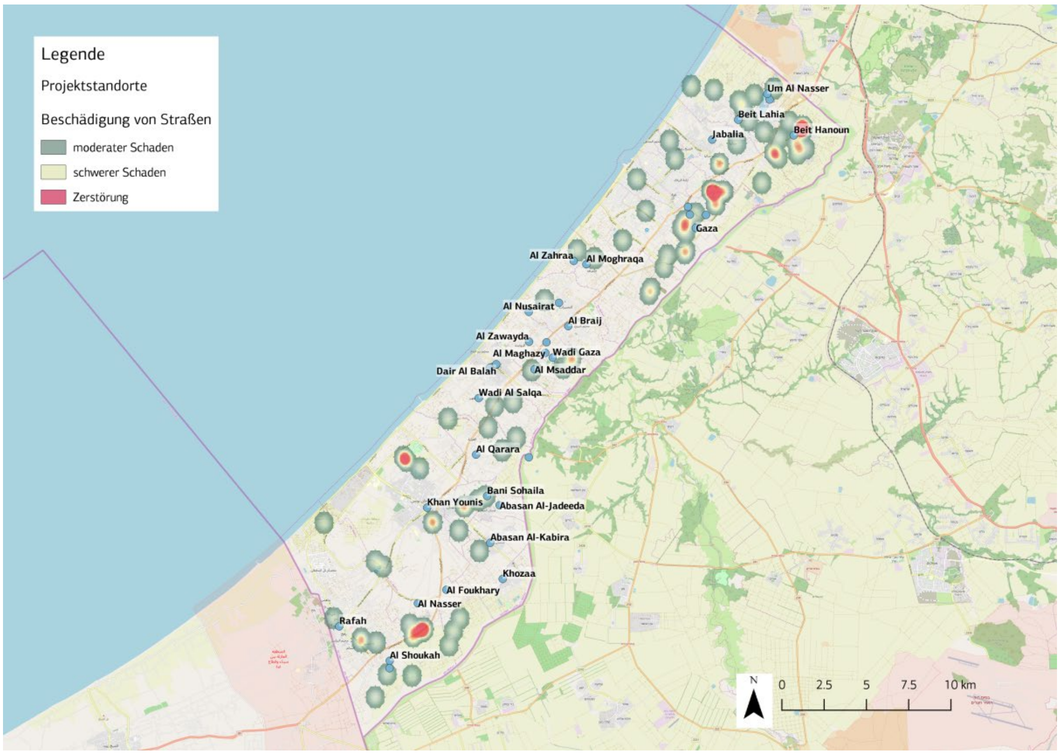


Figure 1: Road damage and project locations

In a survey of operators responsible for the individual measures visited as part of the evaluation, it was also confirmed that repairs to these infrastructure facilities were rated highly relevant in 72% of cases (when compared with other unrepaired damage).

The FC module seamlessly fits into the existing FC portfolio at the time of the project appraisal, in the field of municipal financing. At this time, there was an ongoing FC project with the same executing agency. Along with other donor funds, this project provided Municipal Development Programme (MDP) II with financing windows for municipal investments, capacity building for municipal administrative bodies, project management and monitoring. Other donors were the World Bank, Denmark, Belgium, Switzerland and the EU. This FC module was incorporated into MDP II in the form of an independent financing window (Window 5). The cooperation with the MDLF has continued until the present day without interruption.

From today's perspective, we can conclude that the chosen project approach was an appropriate way to help solve the problem – in terms of the executing agency and target group selected, the urgency of the situation, the coordination with other donor funds, and the type of the funding (FC grant). By that point, the executing agency – the Municipal Development and Lending Fund (MDLF) – was already a long-standing partner with which FC had enjoyed positive experiences when it came to financing municipal infrastructure through the Municipal Development Program (MDP). As had been the case under the "regular" MDP, the municipalities received grants for investments in infrastructure and to pay for operating costs in various sectors eligible for promotional support: water and sewage measures, waste management, roads, public facilities, street lighting and electricity supply (unless delivered by a regional utility/provider).

The criteria for selecting the individual projects within the reconstruction drive were agreed between donors and the executing agency – and, in turn, applied for the municipalities. Under these criteria, the aim was for the measures to serve the highest possible number of beneficiaries while making the largest possible contribution to the provision of municipal services to the public. Thus, during the design stage, significant effort went into ensuring that the individual measures proposed by the municipalities would have as great an impact as possible on the target group as soon as possible. Another criterion was that the existing grants should have been sufficient to fully fund the individual measures that were proposed. In light of the emergency aid character of the FC module, a conscious decision was made not to include a criterion demanding sustainable operation of the facilities that were constructed and restored to usable condition. We consider the agreed criteria – and, in turn, the partial deviation from the usual requirements of the MDLF programmes – to have been sensible and appropriate for emergency action of this type.

Taking the criteria and the sectors eligible for promotional support into account, the municipalities selected the individual measures to be financed from the list of identified damage locations. The damaged municipal infrastructure rehabilitation and repair measures identified in this appraisal process had the potential to make an immediate positive impact on the target group. The expedited project implementation and its appraisal were appropriate. The project was appraised in November 2014, shortly after the damage report was completed. FC funds were disbursed immediately after the FC financing agreement was signed. The project was rapidly implemented in 2015 and 2016, with only a series of residual activities needing to be completed in 2017.

The MDLF is the key executing agency through which the donor community can channel funds to finance municipal infrastructure, allowing individual financing streams to be efficiently pooled in a sensible fashion. In light of the Palestinian National Authority's catastrophic budgetary situation, FC financing must be disbursed appropriately, on a grant basis and in line with the regular financing mechanism within FC. Taking into account the exception granted in Section 30 of the FC/TC guidelines, the FC module explicitly provided for limited financing of running costs and only for the implementation of the FC module. This agreement also makes sense for the reasons listed above.

Under the project's results framework, the core problem of damaged municipal infrastructure is to be solved with the FC financing (input) through repair measures (output). The FC project's outcome is determined by the usage of the rebuilt infrastructure. At impact level, it is necessary to assess the FC module's contribution to economic and social stability among the public. The underlying consideration here is that, by using the infrastructure facilities that have been repaired, the population can generate income more quickly and easily than would have been the case without the FC module – and/or can restore their living conditions to pre-destruction levels. This results in a more stable economic and social situation among the target group.

The cooperation with the MDLF is in line with the German Federal Ministry for Economic Cooperation and Development (BMZ) strategy for the Palestinian territories to strengthen municipalities. This approach stems from the reality that the Palestinian National Authority only has limited state capacity nationally, as Palestine's status falls short of full sovereignty. In this context, the collaboration between German development cooperation and the municipalities is targeted towards the provision of municipal services, development of municipal infrastructure, integrated and development-focused planning, and financial management. The project offered an appropriate plan in response to the urgent need for action following the damage in 2014, making it an undertaking with high relevance.

Relevance rating: 2

Effectiveness

The FC module objective was achieved. The individual measures made a contribution towards restoring and safeguarding basic municipal services in Gaza. The main focus in the FC-financed measures was road rehabilitation (62%), followed by repairs to public buildings such as market halls (18%), financing of waste disposal vehicles (8%), and activities in the street lighting, water and sewage sectors. 35% of funds were used for rehabilitation measures, 14% for supply and services, and 52% for maintenance activities.

The individual measures were planned and implemented swiftly within a three-year timeframe. Window 5 of MDP II was planned on a needs basis, concentrating on individual measures intended to benefit the largest possible number of people.

The FC module objective and the indicators (1 and 2) selected to measure the FC module objective were appropriate. To address the question of whether the measures financed have been well received and widely used by the public, a third indicator was added to indicators 1 and 2 as part of the EPE. Target achievement at the outcome level is summarised in the table below.

Indicator	Status PA, target PA	Ex post evaluation
(1) After completion of the project, Gaza residents who were affected by the violent clashes have access to municipal services that have been restored.	0, at least 1,000,000	1,147,133. The indicator better assesses target achievement at output level. Nonetheless, it has been kept here as a proxy indicator, as reaching as many people as possible was an important objective.
(2) Proportion of identified damage to municipal infrastructure repaired by the relevant municipalities in Gaza.	0, at least 30%	36%. This is also more of an output-level indicator. Due to the urgent need to repair damage to existing infrastructure, this indicator has been kept as a proxy indicator. Since the MDLF is the key player in the financing of municipal infrastructure, it is also plausible that the MDLF was able to help achieve this indicator through this project.
(3) Infrastructure measures are highly meaningful and meet with significant take-up.	N/A	96% of individual measures visited (random sample) have been met with strong or very strong levels of usage. (See Figure 2). Due to the needs-based focus, selection criteria and dense population of the Gaza Strip, we can assume that this also applies to the individual projects that were not visited.

The numbers listed are based on all the measures implemented during Financing Window 5 of MDP II, so also include financing from other donors.

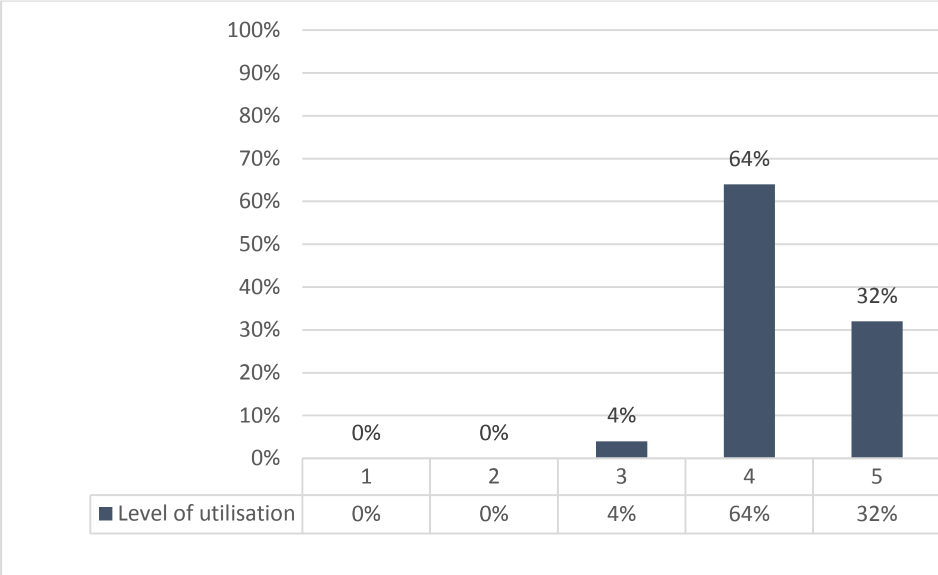


Figure 2: Level of usage among the individual measures visited (from 1 = very weak to 5 = very strong)

The municipalities selected and prioritised the individual measures from the list of identified damage locations. We can therefore assume it was possible to effectively ensure that the intended needs-based approach was followed. Since the measures were completed, no new infrastructure damage of note has arisen from armed conflict. Most of the physical damage has been repaired in the meantime, with the exception of the buildings. In this case, the most serious problem lies with the irreversibly damaged residential buildings, which for the most part have not yet been demolished. There is no indication of improper use. Unlike the individual projects financed by the executing agency as part of the MDP programmes, this project exclusively involved repairing and maintaining the damage to existing infrastructure. Today, 76% of the individual measures visited are in good or very good overall condition. During Window 5, the individual measures were distributed between sectors in a similar way to the MDP.

An important factor in the target achievement was the measures' short implementation time. This was largely possible because the MDLF, in its capacity as the executing agency, already had extensive expertise and experience in handling and implementing municipal infrastructure measures. The process was also made substantially easier thanks to the various donor funds being pooled in a single programme, as well as the selection criteria for the individual activities.

In addition, high usage rates were evident in similar ex post evaluations, such as that for the employment programme EGP VI Poverty-oriented Infrastructure; BMZ No. 2005 65 358) in the Gaza Strip in October 2018. According to this EPE, 78% of the individual measures financed (predominantly roads) fell into the highest usage category. These results are highly plausible and applicable to this FC module, given the very high population density in the Gaza Strip – the highest in the world after the city-states of Hong Kong, Singapore and Monaco at around 5,000 inhabitants per square kilometre.

Effectiveness rating: 2

Efficiency

The FC measure was implemented by an executing agency that already had years of experience in the context of the project. The FC evaluation for MDLF II and III (MDP I) in 2016 concluded that the MDLF was an efficient mechanism for making individual investments in municipal infrastructure in the Palestinian territories. The MDLF staff operated professionally and efficiently. Overall, a positive picture of the executing agency emerged when the individual projects within Financing Window 5 were reviewed (with regard to the necessary processes during the appraisal and the assistance provided by the MDLF during the construction phase).

It was soon possible to ensure fast implementation, as well as coordination of the FC funds and international donor funds, due to the FC measure being incorporated into the MDLF's tried-and-tested processes for documentation, evidence-gathering by municipalities, etc. The FC module was swiftly executed, with most of the 62 individual FC-financed measures carried out in 2015 and 2016. As a result, it was possible to complete the FC activities in advance of the December 2017 deadline set out in the programme proposal.

It made good sense to set up a separate financing window, making a key departure from the MDLF's regular financing activities by adopting a different set of selection criteria for the individual measures. This change in the selection criteria was necessary, as the individual measures were "only" aimed at repairing existing facilities. The individual projects did not entail any additional bureaucracy, as they were delivered within the scope of the MDLF's processes, so were highly efficient in light of the urgency of the situation and the emergency nature of the activities.

Coupled with a management fee set at a regular level for the MDLF (7%), it was possible to achieve efficient use of the FC funds. In addition, costs to the tune of EUR 29,370 were incurred for technical assistance to the municipalities, allowing them to prepare their applications for the individual projects and the invitation to tender. It was possible to benefit from synergy effects here, as the contract with the local consulting office was ultimately replaced with a new contract with the same consulting office financed by Swiss development cooperation. EUR 18,931 was earned in interest, which was used for the individual projects. Around 92.7% of the FC funds were used for the investment measures. According to the MDLF, the specific costs were similar to the MDP's. As a result, no particularly high costs arose during the reconstruction effort after 2014, which required swift action. Given this state of affairs, the FC module was encouragingly cost-effective.

Under the funding allocation mechanism, the MDLF examined the individual projects proposed by the municipalities, oversaw a qualitative and quantitative tender and award process, reviewed municipality contract management and paid the invoices for the investments. The measures were selected on a needs basis and resulted in strong levels of usage. The convincing allocation of the individual measures, the gratifying cost efficiency and the good utilisation result in a positive assessment of the allocation efficiency.

In summary, the FC module objectives were achieved in an efficient manner. This is demonstrated by the faster-than-planned completion of the FC measure, the needs-based selection of the funds and the highly effective assistance on the individual projects provided by the MDLF. The efficiency is deemed very good.

Efficiency rating: 1

Impact

At the impact level, the module's contribution to the economic and social stabilisation of the civilian population is assessed. This impact assessment objective was defined as part of the evaluation, although no specific goal was formulated for this level during the project's appraisal.

The FC measure helped to swiftly minimise the damage to public infrastructure facilities caused by the armed conflicts in 2014 and restore these facilities to their former condition. The strong usage figures could plausibly indicate that there have been specific positive impacts on the target group's living conditions.

It seems plausible that Window 5 contributed to improving the employment and income opportunities of the population, mainly due to better roads, lower transport costs and repaired market halls. However, stakeholders interviewed on site expressed reservations in that the individual projects had only limited direct poverty reduction (only 28%) and employment promotion (only 14%) effects.

It is plausible that there were positive effects on the socio-economic and socio-cultural level. Three years after the destruction in 2014, basic administrative services were back up and running at close to pre-2014 levels in the municipalities. Functional roads, pavements and street lighting have increased safety for road users, especially helping schoolchildren, older people and those with health conditions. The rapid restoration of waste management, water and sewage systems and repairs to children's playgrounds and green spaces have made a significant contribution towards improving the population's living conditions. In terms of stabilising living conditions, we can also assume that improvements were made, as better roads, local recreational amenities, and reasonably efficient and effective waste disposal reduce stress among the population.

(Economic) relief above and beyond these impacts in the Gaza Strip was not an objective of this FC module. The relationship between the measures and the specific situation in the region (primarily high dependency on donor funds and unforeseeable border closures) is too indirect for this to occur. There is little investment as a result of restrictions on trade and the import of essential materials, leaving productivity, income generation and job creation at the same low level.

The environmental impacts tend to be positive. No new investments were made, but existing structures were repaired or rehabilitated. The measures on the roads decreased public exposure to dust and improved air quality. Functioning supply and disposal systems are improving natural resource use and reducing adverse environmental impacts in the densely populated area.

The project serves as a role model in the context of emergency aid projects. First, because it is advantageous to work with executing agencies that already have relevant experience in the sector/field receiving support; and second, because it is beneficial to incorporate the emergency assistance measures into existing executing agency processes and/or programmes. The project is not broad-based and does not ultimately provide structural support, as the promotional approach was designed to swiftly repair physical damage to municipal infrastructure facilities.

In summary, the impact is deemed satisfactory.

Impact rating: 3

Sustainability

In view of the municipalities' catastrophic financial situation, it was justifiably assumed during the appraisal that the FC measure had limited sustainability. A conscious decision was made not to include a criterion demanding sustainable operation of the facilities that were constructed and restored to usable condition by the affected municipalities. From today's perspective, the situation has further deteriorated in recent years, meaning that we cannot assume reliable long-term effects. These could only develop if the political framework conditions in the region were to change. The risk of additional political destabilisation or a renewed military escalation in Gaza remains high, with potentially significant impacts on the sustainability of the FC module's impacts.

However, the FC project was planned as an emergency effort, then incorporated into the national Municipal Development Program (MDP) and the structures and processes of the executing agency. This indirectly produces certain sustainable effects due to the executing agency acting in the same capacity, issuing grants and continuing to develop the existing mechanisms for strengthening the municipalities. The aim of the donor support is to strengthen the municipalities' institutional capacity in the West Bank and Gaza, resulting in longer-term service provision with improved accountability. As in previous programmes, this also includes incentive-based grants for municipal investments; capacity building for municipalities and national institutions to strengthen governance and administrative capacities (investment and budget planning, financial management, operational and maintenance management, accountability, public participation and other measures to strengthen social accountability); and to meet the MDP's performance criteria (municipal public-private partnership programmes and programme management financing). The continuing donor support was intended to help establish structure by enabling municipalities to perform their duties in the long term, as well as being able to independently implement appropriate and proper budget planning and management practices. In the long run, the measures financed by Window 5 could also benefit from this close cooperation between donors, the MDLF and the municipalities.

There was progress in municipal capacity, which was promoted by the MDLF (e.g. in information transparency in areas such as budgets, registers of assets, existing investments and audited financial statements). The MDLF's programmes support and improve government services and infrastructure facilities, strengthen efficiency and professionalism among the municipal workforce, and take steps to promote an efficient and effective municipal financing mechanism.

This progress in municipal capacity building and the MDLF's support has been achieved in the face of a persistently dire financial situation in the Gaza Strip. While 75% of the project's individual measures remain in good working order at present, only half of these measures are sufficiently funded for ongoing operation and only around a third are sufficiently funded for maintenance work. Despite 60% of the individual measures having an operation and maintenance plan in place, the lack of funds to implement these plans cannot be ignored. At a macroeconomic level, this financial crisis is reflected in growing unemployment, falling GDP per capita and increasing poverty rates. The collection rate for municipal services is 10-15%.

If new emergency financing becomes necessary to repair physical infrastructure damage in the future, this donor support will remain highly advantageous – and indeed essential – to carry out the work. Donor support appears to be assured for the near future. The MDLF states that it would again rely on the Window 5 structure in order to carry out these activities. In this narrow sense, sustainable structures have been established.

Sustainability rating: 3

Notes on the methods used to evaluate project success (project rating)

Projects (and programmes) are evaluated on a six-point scale, the criteria being **relevance, effectiveness, efficiency** and **overarching developmental impact**. The ratings are also used to arrive at a **final assessment** of a project's overall developmental efficacy. The scale is as follows:

Level 1	Very good result that clearly exceeds expectations
Level 2	Good result, fully in line with expectations and without any significant shortcomings
Level 3	Satisfactory result – project falls short of expectations but the positive results dominate
Level 4	Unsatisfactory result – significantly below expectations, with negative results dominating despite discernible positive results
Level 5	Clearly inadequate result – despite some positive partial results, the negative results clearly dominate
Level 6	The project has no impact or the situation has actually deteriorated

Rating levels 1-3 denote a positive assessment or successful project while rating levels 4-6 denote a negative assessment.

Sustainability is evaluated according to the following four-point scale:

Sustainability level 1 (very good sustainability): The developmental efficacy of the project (positive to date) is very likely to continue undiminished or even increase.

Sustainability level 2 (good sustainability): The developmental efficacy of the project (positive to date) is very likely to decline only minimally but remain positive overall. (This is what can normally be expected).

Sustainability level 3 (satisfactory sustainability): The developmental efficacy of the project (positive to date) is very likely to decline significantly but remain positive overall. This rating is also assigned if the sustainability of a project is considered inadequate up to the time of the ex post evaluation but is very likely to evolve positively so that the project will ultimately achieve positive developmental efficacy.

Sustainability level 4 (inadequate sustainability): The developmental efficacy of the project is inadequate up to the time of the ex post evaluation and is very unlikely to improve. This rating is also assigned if the sustainability that has been positively evaluated to date is very likely to deteriorate severely and no longer meet the level 3 criteria.

The **overall rating** on the six-point scale is compiled from a weighting of all five individual criteria as appropriate to the project in question. Rating levels 1-3 of the overall rating denote a "successful" project while rating levels 4-6 denote an "unsuccessful" project. It should be noted that a project can generally be considered developmentally “successful” only if the achievement of the project objective (“effectiveness”), the impact on the overall objective (“overarching developmental impact”) and the sustainability are rated at least “satisfactory” (level 3).