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# WEST BANK AND GAZA UPDATE

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# More Than Just Money

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# More Than Just Money

The World Bank is most commonly associated with loans and grants to governments and the design, financing and implementation of development projects.

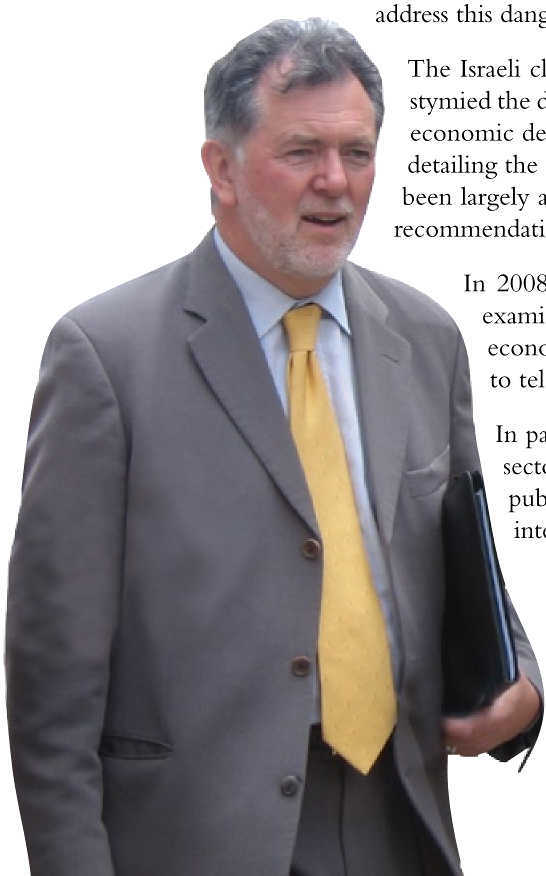
Last year, the World Bank Group's global budget was $13.5 billion. In the West Bank and Gaza (WB&G), the Bank has directly invested $676 million since 1993 and administered much larger sums of funding from other donors through a number of Trust Funds. The Bank's current portfolio of development projects in WB&G is valued at $215 million. In July of this year the Bank approved and granted the Palestinian Authority (PA), the NGOs and the municipalities an additional $73.5 million in aid -- $12 million for West Bank solid waste management, $21.5 million for recovery and reconstruction in Gaza and $40 million in budget support.

Increasingly, however, project financing is only one part of the World Bank's global development work. The goal of a world free of poverty will not be realized if our only focus is on transferring capital from industrialized nations to the developing world. No less, perhaps more, important is an honest and in-depth examination of how aid can be used to establish sustainable, independent, economies.

Today, much of our energy is channeled towards what we term AAA -- Analytical and Advisory Assistance. We strive to tap the institution's long experience and worldwide reach to provide client governments and their bi-lateral donors with the best synthesis of global expertise and local knowledge. World Bank specialists produce a range of standard analytical products as well as reports tailor-made to local needs.

This type of work is of particular importance for the World Bank Palestinian Program. The PA has been the recipient of very large amounts of aid for an extended period of time, much of it from bi-lateral donors. While World Bank financing is important, it represents a relatively small slice of total aid to the Palestinians. Under these conditions, the World Bank's AAA provides a unique and differentiated contribution to the Palestinian state-building. Our analytical products are designed to assist the PA and the donor community to efficiently administer *all* aid, not just that provided by the World Bank.

This is not a "regular" development environment. Normally, economic development is preceded by conflict resolution. In many respects, the Palestinian situation is not post-conflict. The danger of economic aid fulfilling a humanitarian function and creating dependency rather than catalyzing sustainable development is omnipresent. Much of our analysis aims to provide accessible tools to address this danger.



The Israeli closure regime, significantly tightened since the outbreak of the *Second Intifada* in 2000, has stymied the development of the Palestinian private sector -- a key condition for aid to catalyze sustainable economic development. Since 2003, the WB&G Program has produced a comprehensive body of work detailing the negative impact of movement and access restrictions on private enterprise. This analysis has been largely accepted by the international community and even by Israel, though implementation of its recommendations is still in its early stages.

In 2008 we expanded the scope of our analysis beyond physical impediments to movement, to examine the underlying system of institutional and administrative barriers blocking access to economies of scale and natural resources. Over the past year, we have published reports on access to telecommunications frequencies, land in Area C of the West Bank, and water resources.

In parallel, we have continued and expanded our AAA work on a range of Palestinian economic sectors. We present two products of this effort -- examining health and transport -- in this publication. Dozens of other reports, on a very wide range of issues and relevant to anyone interested in the Palestinian economy, can be found on our website -- www.worldbank.org/ps.

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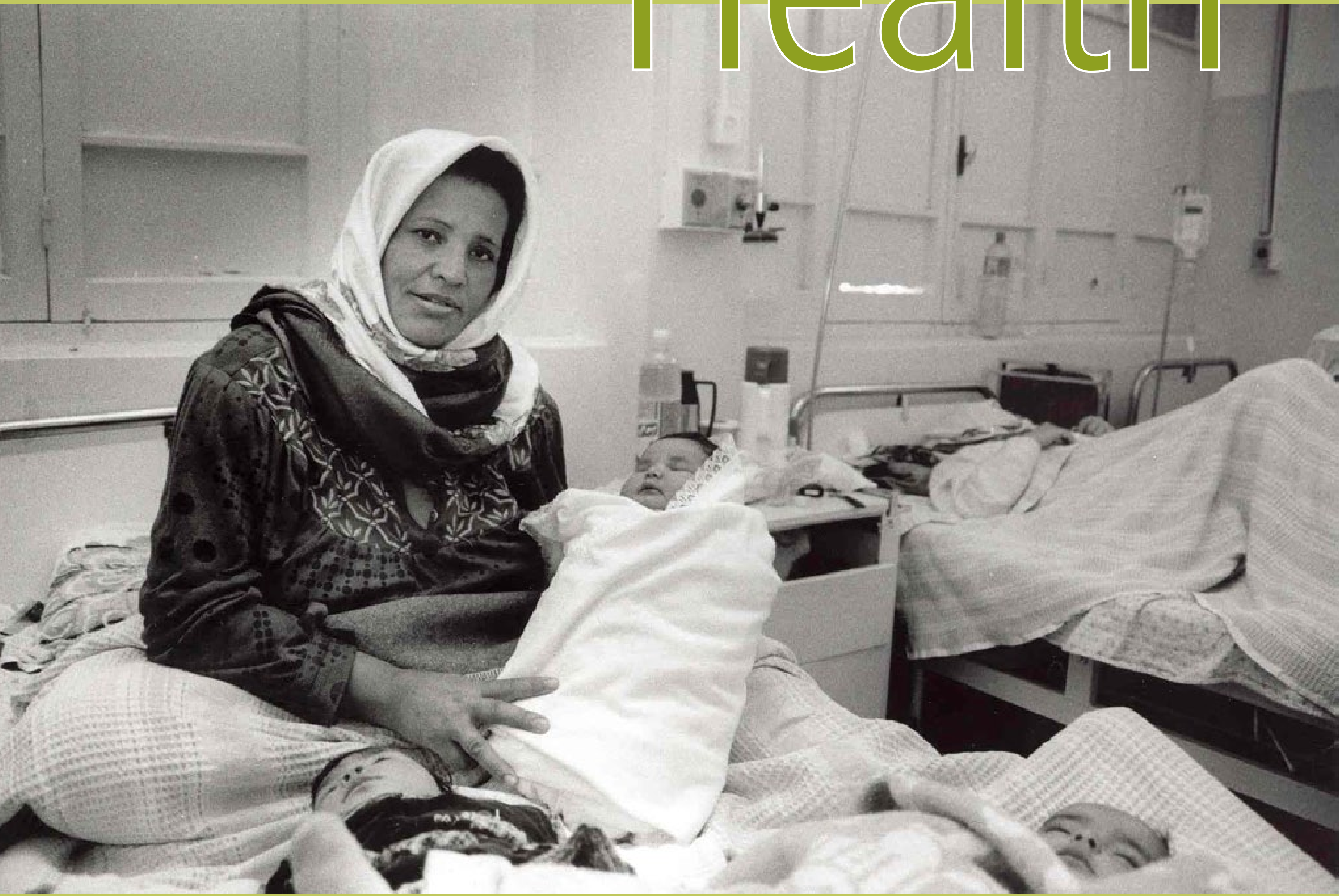
# Health



# Towards Pro-Poor Health Services

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Good health boosts economic growth, and economic growth enables further gains in health – it is a virtuous circle. There is a widespread recognition in the global health architecture of the tight link between investments in health and economic development.

The **World Bank strategy** advocates for close synergy among Health, Nutrition and Population (HNP) and multiple sectors of the economy such as water and sanitation, transport, employment, education, agriculture, energy, infrastructure, and public administration. A well-organized and sustainable country health system is necessary to achieve results. In practical terms, it means putting together the right chain of events (financing, regulatory framework for private-public collaboration, governance, insurance, logistics, provider payment and incentive mechanisms, information, well-trained personnel, basic infrastructure, and supplies). The World Bank group works on a number of issues related to health systems, including health finance, health insurance, human resources for health, pharmaceuticals, public/private partnerships and hospital management. The development and dissemination of knowledge and technical assistance are indispensable elements in the Bank strategy.

While the **MENA region** has made significant improvements in health outcomes, particularly through reduction in mortality rates among infants and children, it faces new challenges and risks that could holdup its achievements to date: cost escalation in the health sector due to epidemiologic changes, rapidly changing technologies in the global market, and move towards market liberalization in the region. The existing health financing and service delivery systems in the region show varying capacity to respond to these challenges. New institutional capacities and governance structures are needed to improve the performance of the public sector programs as well as create an enabling regulatory environment which promotes the growth of an effective, safe and viable private health sector.

In MENA, low income countries (Yemen and Djibouti) continue to show poor health outcomes associated with poverty, and have the highest infant mortality rates and maternal mortality ratios in the region. Yemen allocates the lowest health spending in the region. Djibouti is the only country in the region where HIV/AIDS has reached a generalized epidemic stage consuming a large share of health resources.

The middle income countries (Algeria, Egypt, Iran, Jordan, Lebanon, Libya, Morocco, Syria, and Tunisia) have made significant progress in improving the health outcomes of their populations. However, most of these countries still face significant rural and urban disparities in health outcomes and gaps in health coverage. Most of these countries also face structural inefficiencies that will require organizational and institutional reforms in the health system.

A number of countries in the region (**West Bank & Gaza**, Iraq, and more recently, Lebanon) have experienced or are experiencing major reversals in the health status of the population due to conflicts. These countries face the dual challenge of meeting the most urgent health needs of the population and reconstruction efforts, while at the same time developing a vision and programs for a future sustainable health system. These countries also face an additional burden of disease arising from physical disabilities and mental health problems as a consequence of the conflict.

Specifically in West Bank and Gaza, the conflict conditions and closure policies had a profoundly negative impact on public health and access to basic health services. The policy concerns and recommendations for reforms are described in the World Bank Health Policy Report for West Bank and Gaza, a summary of which follows this note.

# Reforming Prudently Under Pressure:

## Health Financing Reform and the Rationalization of Public Sector Health Expenditures

Public sector health financing is at a critical crossroads in the West Bank and Gaza Strip. The emergency environment in the Palestinian Territory since 2000 has engendered significant and unsustainable imbalances in the financing of public sector health services. While economic growth and fiscal revenues contracted during the post-2000 period due to continued Israeli-imposed economic closures, public sector health spending ballooned, particularly during 2003-2005. This expansion in expenditures was driven by an increase in Ministry of Health (MoH) employment, an increase in average salary levels, greater spending on pharmaceuticals and specialty care referrals for treatment to private and overseas providers. Spending by MoH alone increased from US$ 95 million to 157 million from 2000 to 2005 – a 65 percent increase. Other public sector expenditures included spending by the Humanitarian Aid Committee attached to the Office of the President. Part of the financial imbalance also stemmed from policy decisions related to the design of the Government Health Insurance Scheme (GHI). Since its establishment as an extra revenue-generating scheme for the MOH, there has been a significant financial gap between insurance revenues and the cost of benefits extended by the GHI. This financial disequilibrium grew with the adoption of the 'free' Al Aqsa program – a PA voluntary insurance program aimed at ameliorating the social conditions of the unemployed population after the beginning of the Second Intifada.

The World Bank Health Policy Report entitled 'Reforming Prudently Under Pressure: Health Financing Reform and the Rationalization of Public Sector Health Expenditures' addresses and analyzes these policy concerns related to health financing with a focus on providing recommendations for medium-term reforms. The report builds on previous analytical work conducted by the World Bank on the Palestinian health sector and is aligned with the strategic objectives of the Palestinian Reform and Development Plan (PRDP) and the MOH National Strategic Health Plan (NSHP) for the years 2008-2010. Below is a summary of the core issues and messages highlighted in the report. The summary begins with a synopsis of the key challenges facing the health sector and then addresses the key issues related to health insurance reforms, financial management reforms, MOH human resource management reforms, pharmaceutical cost containment strategies, and public sector expenditures on contracted specialty care services.

### Key Challenges Facing the Health Sector

- **Conflict conditions and closure policies** – The recent conflict between Israel and the Hamas government in Gaza and the ongoing Israeli security policies in the West Bank have had a profoundly negative impact on public health and access to basic health services. The conflict in December 2008-January 2009 resulted in hundreds of fatalities and thousand of injuries; and further undermined the already weakened state of the water, sanitation and power sectors in the Gaza Strip. Medical supplies were in very short supply and health facilities were often not able to treat the sick during the crisis. The checkpoints riddling the West Bank continue to hamper access to health services.

- **Fragmented institutional framework** – The governance of the healthsector is fragmented across two authorizing institutions in the West Bank and in the Gaza Strip. The division between the PA and the Hamas government has effectively created two Ministries of Health and fragmented the decision-making related to operational issues, investment planning and government initiated-reforms in the health sector.

- **Unpredictable health financing and donor dependency** - The unpredictability of budget revenues for the MoH hampers medium-term investment and recurrent expenditure planning. Due to the fiscal contraction in recent years, priority expenditures have focused on covering the wage bill and a share of the recurrent expenditures with fluctuating donor support making up the difference. This unpredictability will probably prevail over the short to medium term.

- **Efficiency of public sector health expenditures** - The efficiency of public sector health expenditures warrants continued attention by the Ministries of Finance and Health. Recurrent MoH spending on salaries almost doubled from 2000-2005 ($48 million to $83 million) and public sector expenditure on outside treatment referrals increased ten times during the same time period ($6 million to $60 million) taking into account the expenditures by the Humanitarian Aid Committee connected to the Office of the President.

- **Inadequate financial protection from illness** - Around 40 percent of total health expenditures in the West Bank and Gaza is in the form of out-of-pocket household expenditures. In 2004, the lowest income quintile of households spent an estimated 40 percent of their monthly income on health services while the richest quintile spent around 15 percent. When payments are catastrophic and beyond 40 percent of household incomes, families can sink into poverty. Between 1998 and 2006-2007, both the percentage of households making catastrophic health payments and the 'intensity' of the poverty gap attributable to health payments (extent to which household fall under the poverty line due to health payments), increased considerably.

- **MoH management capacity constraints** – The Ministry of Health is burdened with capacity constraints impacting its institutional effectiveness. The recent fiscal pressures leading to delayed salary payments, sometimes up to six to nine months, has weakened MoH capacity to motivate employees and attract new high-performing individuals. This environment of weakening incentives affects MoH management functions ranging from procurement of medical supplies and drugs to hospital claims processing to GHI enrollee management.

- **Increasing burden of chronic disease** – Chronic diseases and injuries are increasingly forming a larger part of disease burden in the West Bank and the Gaza Strip. Cardiovascular diseases, hypertension, diabetes mellitus are among the leading causes of adult mortality and morbidity among the Palestinian population. In 2004, heart diseases caused the highest number of adult deaths with a mortality rate of 60.5 per 100,000 in males and 48 per 100,000 in females.

## Health Insurance Reforms

The Palestinian Authority (PA) and the MoH have already taken remedial measures to begin redressing the financial imbalances and administrative weaknesses of the GHI scheme. High-level decisions were taken to unify the decision process governing outside referrals for the insured under MoH authority and to consolidate the insurance and outside referral units under one administrative directorate in the MoH. Other decisions were taken to substantially reduce the volume of overseas treatment referrals and to develop stricter criteria for outside referrals in general. Beyond the short-term options, the PA is currently contemplating establishing a separate national health insurance agency under the chairmanship of the Ministry of Health. This policy direction signals an intention to by the PA to place health financing arrangements on a path towards achieving universal coverage through social health insurance.

The Bank report examines the pre-requisites and enabling factors for an effective social health insurance system based on lessons from international experience. The report also reviews earlier draft legislation prepared by the MOH for the establishment of an independent health insurance agency and provides recommendations for improving the legislation. In the report, three medium to longer term health financing reform options are examined including the option currently being considered by the MOH.

The three reform options are to:

1. Consolidate MoH as an integrated national health service (NHS) that both pools resources and provides services

2. Maintain the MOH as the primary financing agency – but introduce broader purchasing reforms including contracting NGO and private providers

3. Move towards establishing a social health insurance system based on mandated contributions and administered by an independent national health insurance agency

The main features, advantages and disadvantages associated with each reform option are summarized in the Table below:

**Table 1. Summary Description of Features, Advantages and Disadvantages of Options**

| Policy Options | Features | Advantages | Disadvantages |
|---|---|---|---|
| **Policy Option 1:**<br>Consolidate MoH as integrated national health service | **Resource mobilization:**<br>Predominantly general tax revenues<br>**Fund management:**<br>Ministry of Health<br>**Purchasing:**<br>Potential reform in the internal budget process, including the introduction of global budget and performance-based payments within MOH | - Easy to implement<br>- Provides universal access to health services | - Difficult to reform budget process and introduce performance payments<br>- Services limited to MoH facilities |
| **Policy Option 2:**<br>Maintain the MOH as the primary financing agency but strengthen the purchasing capacity of the MOH. | **Resource mobilization:**<br>Predominantly general tax revenues, supplemented by co-payments, other fees<br>**Fund management:**<br>Ministry of Health<br>**Purchasing:**<br>Contracting providers, alternative payment methods | - Provides universal access to health services<br>- More tools to introduce strategic purchasing<br>- Expands choice of providers for patients (NGO, private) | - Technical expertise and capacity required to manage contracts |
| **Policy Option 3:**<br>Move towards establishing a social health insurance system based on mandated contributions and administered by an independent national health insurance agency | **Resource mobilization:**<br>Contributory system (payroll tax, fees, copayments) with general revenues for targeted subsidies<br>**Fund management:**<br>National Health Insurance Agency<br>**Purchasing:**<br>Contracting providers, alternative provider payment methods | - Establishes an independent financing agency with better defined accountability -<br>- Potential efficiency gains through better purchasing<br>- Expands choice of providers for patients | - Expanding coverage difficult if economy poor and informal sector is large<br>- Potential access problems for non-contributing members<br>- Exacerbates informality if contribution rates are high<br>- Cost escalation could become problem if purchasing capacity is weak |

The policy approach currently being contemplated by the MoH (Option 3), given the current emergency conditions in June, 2009, is risky. The pre-requisites and enabling factors for successfully pursuing Option 3 at the present time are in short supply. The PA and the MOH could, alternatively, give greater consideration to pursuing Options 2 over the medium-term as an interim step during a transitional phase towards achieving universal coverage through social insurance. Ultimately, however, the decision to organize a health financing system in a given way (to mobilize resources for healthcare, pool and manage those resources, and use them for the purchase of health services) is, at its core, a social choice and governed by political, economic, and institutional factors prevailing in a country context.

### Financial Management Reforms

In 2007-2008, the PA initiated broad-scale public financial management (PFM) reforms with the aim of improving public sector accountability and financial control. Under a restructured financial management system, the PA aims to increase the authority and accountability of specific ministries (including the MoH) through the allocation of funds to line ministries in accordance with an appropriation approved by the parliament. The Minister of Health will be authorized to disburse funds within the limitations imposed by the parliamentary appropriation and account for the performance of their responsibilities through the preparation of an annual financial statement. The current MoH financial management system needs to be redesigned and modernized so that the Minister of Health can properly discharge these new financial responsibilities. The existing system does not provide: (i) a reliable basis for preparing forward estimates; (ii) reasonable assurance about legislative regularity of all expenses; (iii) an efficient and timely mechanism for the payment of accounts payable; (iv) complete and accurate information about the real cost of health services.

### There are five proposed reform options:

1. **Long-Term Transfer of Responsibility from the Ministry of Finance to the Ministry of Health** - In the medium-term the Ministry of Health should concentrate on developing appropriate commitment controls before it is authorized to assume responsibility for two important functions: (i) payment of salaries and wages and (ii) internal control and internal audit services.

2. **Reform the Budgetary Cycle** – As part of a comprehensive government approach to strengthening the budgetary cycle led by the Ministry of Finance, the Ministry of Health should implement a performance monitoring program to support the introduction of a new program-based budgeting cycle. The Ministry of Finance

should provide assistance and guidance to line ministries to assist the development of an agreed program structure, appropriate performance measurement tools and reporting requirements.

3. **Re-engineer the System of Internal Control** - The existing system of internal control is old-fashioned and labor intensive. The release of a new financial management system within the Ministry of Finance provides an opportunity for the Ministry of Health with the direct and specific support of the Ministry of Finance to: (i) implement control measures to detect and investigate fraud and over-servicing; (ii) re-engineer core financial management processes, i.e. collection of contributions, payment of accounts and procurement of services; (iii) expand the range of payment options available to contributors.

4. **Establish a New Chart of Accounts** - The existing chart of accounts does not support the accurate costing of specific services and/or service delivery outlets. As part of the general move to program budgeting, the Ministry of Health (MoH) chart of accounts should be re-designed to facilitate the production of regular reports aligned to programs specified in the budget.

5. **Prepare Comprehensive Financial Statements** - The annual financial report prepared by the Ministry of Finance is not a complete record of all health portfolio assets and liabilities. In the short-term the Ministry of Health should focus on preparing a cash-based annual statement that accounts for all revenue and expenses assigned to the Minister of Health via the budget law.

In the longer term, the financial statements should be expanded to encompass all health related financial activity. This should include all non-current assets and liabilities such as plant and equipment and the accrued value of any deprecation of those assets. The Ministry of Health should develop accounting procedures for the valuation and depreciation of assets. These values should be included in the annual financial statements. The financial statements should comprise a balance sheet, a cash flow statement and an operating statement

## MoH Human Resource Management Reforms

The political and macroeconomic environment in the West Bank and Gaza during 2000-2006 induced a rapid expansion in public sector employment particularly in the health, education, social development, and security sectors. The severe economic stagnation and growing unemployment in the private sector, particularly during the 2001-2003 period, prompted the PA to expand the scope of public employment. The total number of MoH employees during 2000-2006 increased from 7,500 to 13,057 and the MoH wage bill similarly rose from US $48 million in 2000 to US $83 million in 2005. This rapid increase in MoH employment, particularly among paramedical workers in the first six years after 2000, reversed course during the 2007-2008 due to employment retrenchment policies imposed by the PA.

As part of a reform agenda, a new Civil Service Law was passed in 2005 to bring greater uniformity and transparency to the recruitment practices of the public sector. This initiative helped rationalize the employment practices of the different PA Ministries including the MoH. Additional reforms by the MoH itself in the areas of human resource management and planning could further rationalize MoH employment policies and its overall wage bill. These reforms include the following:

1. Consolidate disparate human resource management functions under a new MoH human resources department;
2. Conduct a series of in-depth analyses on human resources in the MoH (mapping analysis, staff motivational survey) and preparing a comprehensive human resource development plan;
3. Strengthen existing recruitment procedures and the development of a new MoH recruitment handbook;
4. Prepare a training plan and calendar for the period 2010-2012;
5. Adopt a new human resource management information system for the MoH. These reform measures could be implemented over the course of a year with the necessary technical and financial assistance of the donor community.

## Pharmaceutical Cost Containment Strategies

Overall spending on pharmaceuticals in the West Bank and Gaza has expanded in recent years despite increasingly limited resources in the public and private sectors. This expansion has been fuelled by several factors including a growing number of publicly procured medicines, higher demand from a growing population and high pharmaceutical prices due to existing trade barriers and new expensive drugs entering the Palestinian market. The key pharmaceutical cost containment issues in the West Bank and Gaza Strip are as follow:

- **Current procurement policies in the public sector** – Aside from medicines donated in-kind by donors, all medicines available in the public sector are bought via government tenders. Drugs procurement guidelines follow PA general laws and regulations for general goods and services and do not take into account the specialized nature of pharmaceuticals (e.g. regarding their patent situation). Conditions of weak market competition, also, compel the MoH to buy either from Israeli companies, local manufacturers or the local providers at higher prices than those that could be achieved via more competitive tendering.

- **Current pricing policies in the private sector** – In the private market products are basically purchased by the pharmacists directly from agents or local manufacturers. Pharmacy retail prices are quite high. The reason for these high prices is that the list prices at the level of the manufacturer, importer or agent levels are not effectively regulated but are usually suggested by the manufacturers, agents or importers. Agents usually have exclusivity contracts[1] for the branded medicines they import guaranteeing them a monopoly position with reported profits of 100 percent and more since the maximum allowed add-ons are not regulated. They are granted such contracts by both the Ministry of National Economy (MONE) and the MoH.

- **Existing Trade Agreements** – The 'Paris Protocol' Trade Agreement of 1993 between Israel and the PLO represents, according to many stakeholders, one of the main barriers to trade and competition. Israeli authorities rely on certain stipulations ('standard requirements') in the Paris Protocol to require that all pharmaceutical goods (and raw materials needed for production) entering the Palestinian Territories need to comply with Israeli process standards. This requirement means that all medicines not produced in Israel and not donated in-kind by international organizations such as the UN are required to pre-register in Israel. The stated rationale of the Israeli authorities is that the medicines need to comply with Israeli public health standards and to avoid a potential backwash of medicines from the West Bank and Gaza Strip into Israel. These expensive and time-consuming pre-registration requirements are a major barrier to competitive trade and discourage interest in the Palestinian pharmaceutical market.

1 Exclusivity contracts are a part of the market authorisation/registration process, to guarantee the availability of the medicine.

## The main pharmaceutical cost containment recommendations are:

**Table 2. Recommended Pharmaceutical Cost Containment Measures**

| Recommendations | Proposed action | Feasibility | Fiscal Impact | Lead by |
|---|---|---|---|---|
| **A) Preparing a National Drug Policy** | - Prepare a new national drug policy | Possible | Intermediate | MoH |
| **B) Promoting Rational Drug Use** | - Develop an operational instrument to promote rational drug use, and the monitoring of prescription patterns | Possible | Intermediate | MoH |
| **C) Reducing the overall price level of pharmaceuticals** | - Redraft the pricing ordinance after an evaluation of its objectives and impact.<br>- Define that the procured price may not exceed the registered (approved) maximum price and try to cap the profit of agents.<br>- Standardize the approval procedure for pricing requests by manufacturers/ importers (in the long-term price increases shall only be possible after approval by the Technical Committee).<br>- Improve strategic price negotiations.<br>- Seek reliable information on price by enhancing data collection e. g. in cooperation with the Pharmacists Association.<br>- Measures shall be directed at procurement and private market | High | Immediate | MoH |
| **D) Further encouragement of competition and enhancement of procurement system** | - Increase number of bidders in procurement by addressing potential foreign bidders for multi-source products directly and guaranteeing them a timely payment.<br>- Long-term: building up of electronic procurement<br>- Customization of the standard bidding documents for goods to address any particular technical or legal requirement related to the purchase of medical equipment must be done through the Bid Data Sheet, the Special Conditions of Contract, and the Technical Specifications.<br>- Not allow exclusivity contracts for agents<br>- Try to promote "parallel imports" | Possible | High | MOH<br>MONE<br>MOF |
| **E) Minimize Trade Barriers** | - Review Paris Protocol and accepted interpretation of its articles related to pharmaceutical supplies<br>- Prepare a thorough dossier with a documentation of all unfavorable occurrences that impose non-tariff barriers (assisted by industry).<br>- Start active discussions with the Israeli authorities on how to facilitate entry of medicines.<br>- Improve efficiency of registration. | Doable, but strong political support necessary | High | MONE together with Joint Economic Committee (JEC) |
| **F) Modification of the Technical Committee and its subcommittee on Pricing** | - Role and set-up of Committees should be redefined to avoid potential conflict of interest.<br>- Voting process shall be made clear.<br>- More weight for payers.<br>- Involvement of independent experts in the field (one legal adviser already nominated). | High | Linked to the draft pricing ordinance | MOH eventually jointly with MONE and MOF |

### Public Sector Expenditures on Contracted Specialty Care Services

The recent expansion of public sector expenditures on contracted specialty care services, as with human resources and pharmaceuticals, contributed significantly to the overall rise in public sector health spending in the West Bank and Gaza. In 2000, referrals for outside tertiary cares services reported by the Ministry of Health slightly exceeded 5,000 cases. By 2005 this figure exceeded 30,000 – a 500 percent increase in five years. The factors driving this increase in outside referrals, according to the Ministry of Health officials, were several: (i) a general environment during the Second Intifada which induced the government to expand the number of outside referrals (deepening economic hardship; increased psycho-social stress on Palestinian households; higher incidence rate of conflict related injuries); (ii) an increase in the total number of beneficiaries under the Government Health Insurance (GHI) scheme as large numbers of non-contributing enrollees were brought under the scheme; and (iii) a loosening of the management and control mechanisms authorizing public sector referrals for specialized care services.

As part of its reform agenda, the PA and the MoH recently undertook several indirect and direct measures to contain and rationalize these public sector expenditures on specialty care services. The indirect measures involved efforts to design and implement new health promotion and prevention programs (e.g. smoking cessation, cancer screening). The direct measures involved the development of regulatory criteria for capital investments in specialty care services and facilities; and a move to strengthen the existing contracting mechanism with local providers through the development of a new model contract and the implementation of a competitive-based bidding approach. Due to technical capacity constraints in the MoH, implementation of this innovative approach suffered from long implementation delays and bottlenecks. Over the next two years, 2009-2010, it will be important for the MOH to evaluate, strengthen, consolidate and possibly expand (to include overseas referrals) this new contracting mechanism. External technical assistance would help facilitate and guides this process.

# Transport

# TRANSPORT SECTOR STRATEGY NOTE

# Safe, Clean and Affordable.....
## Transport for Development

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Regions and countries are the ground on which any transport strategy must be implemented. To have a chance of success, strategy must respond to the day-to-day transport problems of developing countries and their demands for assistance.

Although countries in the Bank's six regions differ in many ways, their priorities for transport consistently show some common challenges, albeit in different guises. The **World Bank Transport Strategy** (2008-2012) proposes a consolidated approach to address set of issues:

*Safe transport*. The strategy stresses the need to address safety in all transport modes, especially road transport. Ensuring fair access of developing country exports to developed markets has become a major issue.

*Clean transport*. Reflecting the contribution of transport to the wider environmental aims, the strategy encompasses the transport-energy-environment nexus, from energy consumption to the emissions and climate change impact perspectives.

*Affordable transport*. Affordability concerns not only the rural and urban poor but also the whole freight economy, aiming at improving competitiveness to foster stronger economic growth.

The **transport sector in MENA** plays an important role in the economies of the MENA region (around seven of the countries' GDP). It is also key to regional integration and vital to improving the quality of life and reducing poverty. In general, with the exception of Yemen and Djibouti, transport systems in the MENA region are relatively well developed. Most countries have extensive road networks, with high capacity in some areas; they also have important facilities for air and sea transport, and, in several instances, a sizable rail network. The quality of transport infrastructure is, however, often deficient and cannot support growing, modern economies. There are also serious capacity gaps in urban and rural transport infrastructure and congestion is a growing and serious problem in most large urban areas. Institutions in charge of the sector are generally in place, but policy formulation and management capacity are often weak. Regulatory and financial systems also need development, especially to encourage more private sector participation in transport infrastructure and service provision which has traditionally been dominated by the public sector. So far, also, very little has also been done for adapting the transport sector to climate change.

There are nine investment **projects in MENA** under implementation for a total lending of about US$ 1.2 billion: the First and Second Rural Road Projects in Morocco; the Transport Project in Tunisia; the Airport Development Project and the Railway Restructuring Project in Egypt; the Beirut Urban Transport Project in Lebanon, the Amman Corridor Development Project in Jordan, the Second Rural Access Project in Yemen, and the Emergency Road Rehabilitation Project in Iraq. Three new projects are under preparation, the Urban Transport DPL in Morocco, and the Second Airport Development Project and the Urban Transport Project in Egypt.

The **analytical and advisory activities** have been comparatively more important than lending in most countries, as client countries seek assistance from the Bank in the design and evaluation of transport policies. Recently completed or currently on-going are a study of transport and climate change in Morocco, a review of roads and road transport, urban transport, and air transport in Yemen, a review of urban and rural public transport in West Bank and Gaza, studies of gender and transport in Yemen and West Bank and Gaza, a regional cross-border trade facilitation and infrastructure study for Mashreq countries (Jordan, Iraq, Lebanon, Syria and West Bank and Gaza), and a brief overview of HIV/AIDS in relation to transport in the region. Finally, technical assistance is provided in Morocco, Tunisia, Syria, Egypt and Iran. The Bank is also providing reimbursable technical assistance to Saudi Arabia and the Gulf Council Countries in the transport sector, especially in the railway and interurban transport subsectors.

Quite challenging studies and technical assistance are being carried in **West Bank and Gaza**, summaries of which follow this introductory note, and respond to the same set of issues addressed in the World Bank Transport Strategy. Specifically in West Bank and Gaza, transportation faces extreme challenges, to the extent that mobility for people and goods is hindered with broader impacts on the functioning of society and the economy.

# Transport Sector Strategy Note

The Transport Sector Strategy Note (TSSN) aims to: a) assist the Palestinian Authority (PA) to address some of the urgent constraints on sector development, and thus support the PA's effort to revive the national economy, improve mobility and reduce poverty; b) assist the responsible sector ministries to prepare a coherent framework and supporting program for the sector; and c) update the World Bank's knowledge of the transport sector priorities in light of recent developments, including identifying high priority interventions for possible consideration by the donor community[1].

The current operating context is one of deep economic, social and political crisis; severe shortage of funds to meet even basic needs; and weak and increasingly weakening institutional capacity. This severely limits the room for new, major policy, program and project initiatives. The 1993 Oslo Agreement significantly limited PA control of major sections of the West Bank and Gaza (WBG) and the transportation network. Palestinians were given some autonomy in the main urban centers (Area "A") but had to share decision making with Israel on activities in the peri-urban areas (Area "B"). They have no real jurisdiction in the inter-urban areas, i.e., in perhaps 60 percent of the WBG. Thus, Palestinian decision making with respect to transport system development and maintenance is very highly circumscribed. They have to seek Israeli permission to make improvements in the peri-urban areas, and they have no say whatsoever on the status or development of the major inter-urban networks. Hence, the have almost no control over national transport development strategy or policy making.

In addition, the Israeli closure regime on the WBG, which has increased in its restrictiveness since the mid-1990s, significantly limited the movement of people and goods, and ultimately the welfare of Palestinians. The regime, which began by restricting movements from the WBG into Israel and from the WBG, and visa-versa, was greatly intensified following the outbreak of the Second Intifada in September, 2000 to include an extremely strict system of internal closures within the West Bank and within Gaza. This severely limited the movement of people and goods within the WBG, with devastating effects on the Palestinian society, economy and institutions. Further, for all practical purposes, the PA lost the limited control it had over Area "B". An already extremely deep crisis became even graver with the election of the Hamas political party to government in early March, 2006. Immediately after, Israel responded by withholding Palestinian revenues it collects on behalf of the PA, and donors have drastically reduced their financial support, especially for infrastructure development projects. Donor assistance to the transport sector since 1994 has been estimated at US $337 million. This has brought public sector programs and activities to a virtual halt. Both Israel and the donors have reversed their decisions and actions with the introduction of the interim government led by Dr. Salam Fayyad.

**Key Issues in the Transport Sector:** Several key factors are currently constraining the transport sector, including:

(1) Physical Factors which is primarily related to *the already limited existing road network capital under PA control that is being destroyed*: Road transport is by far the most important mode in the WBG. The overall network is relatively well developed by regional standards. However, recent estimates by the Ministry of Public Works and Housing (MPWH) indicate that almost 50 percent of the road network, under the PA's control, is in poor, very poor or failed condition, and hence beyond economic repair. This has been caused by an under-funding of regular maintenance over many years as well as damage caused by the Israeli military incursions since the Second Intifada[2].

1 The TSSN should also be useful to the PA in its discussions with Israel.

2 Air and sea modes were severely damaged and/or circumscribed by the Israelis military response to the Intifada. Both the Gaza International Airport and the basic infrastructure of the new Gaza Seaport were damaged by air strikes.

(2) Institutional Factors related to (a) *the unclear responsibility for the sector:* Even within the confines of Palestinian control over the transport sector, physically defined within Area A and B, there are at least three claimants - the Ministry of Transport (MOT), MPWH, and Palestinian Economic Council for Reconstruction and Development (PECDAR) -- and none seems willing to yield pride of place to the other. This greatly weakens policymaking, planning, management and development in the sector; and (b) *the PA's weak capacity for sector management:* Considerable progress had been made in building capacity - including capacity in key sector agencies - up until 2000. Even then, policymaking and program management capacity remained relatively weak by modern standards. This modest capacity has been severely eroded by the breakdown of governmental institutions under the pressure of financial and higher-level political disarray. With the non-payment (or irregular partial payment) of civil servants since early 2006, key agencies ceased to function effectively, and some highly qualified staff have left for predictable and rewarding pastures elsewhere.

(3) Accessibility and Connectivity related to (a) *the PA's limited control and access to most of the road network used within the West Bank:* As noted above, the PA has control only of that part of the network that it is within Area A and B while the rest of the network remains under Israeli jurisdiction or control therefore limiting the scope of PA actions in implementing transport plans or improvements; (b) *the existing Israeli internal and external closure regime together with the "Separation Barrier"*[3] *severely constrains economic and social development in the West Bank:* An earlier published World Bank technical paper reflected on the closure policy as follows: *"The policy of closure, which broadly consists of comprehensive restrictions on the movement of people and goods within the West Bank, highly constricted movement of goods across the border with Israel, and a near total separation of economic and social interaction between the territories of Gaza and the West Bank, has resulted in a highly fragmented Palestinian economy. In economic terms, the restrictions arising from closure have not only increased transaction costs, but have also led to a level of uncertainty and inefficiency which has made the conduct of business difficult and therefore has stymied the growth and investment which is necessary to fuel economic revival;"*[4] and (c) *the existing Israeli external closure regime virtually eliminates the possibility of economic and social development in Gaza:* The current practically complete closure on Gaza, through the limited control on the Gaza – Egypt border and no control on that with Israel, the 1.5 million Palestinians in Gaza are effectively cut-off from the outside world, the markets and employment opportunities in Israel, the West Bank or regional and international markets.

(4) Public Transport and Road Safety (a) *Public transport management and regulation are in disarray:* Public transport in the WBG is performing largely by privately owned buses, shared taxis and taxis. The supply has been regulated by a traditional system with roots many years back in history. However, the regulatory system which previously functioned reasonably well is now inefficient and outdated. Enforcement mechanisms have also been broken down - a victim of the post Second Intifada crisis. As a result, illegal taxis proliferate in the urban and peri-urban areas, with little regard for public safety or basic road etiquette; and (b) *Road traffic safety record is poor:* The fatality rate in the WBG is about 10 times that in Western Europe. This is partly a consequence of the relatively poor condition of the road network, lack of traffic regulations and the breakdown of enforcement mechanisms noted above.

3 The Separation Barrier is currently being constructed by the GOI for security reasons. The route of this Barrier significantly departs from the 1967 Armistice Line and cuts into the territory of the West Bank.

4 Movement and Access Restriction in the West Bank and Gaza: Uncertainty and Inefficiency in the Palestinian Economy, World Bank Tehnical Team, May 9, 2007.

# Towards a Strategic Framework and a Program

Any realistic and practicable framework must take cognizance of the character and state of the existing networks and systems, the objectives and capacity of the key actors and institutions, the current political, economic, and fiscal situation in the WBG, as well as the PA's broader aims and objectives.[1] It must also take cognizance of the constraints imposed by Israel and the views of donors who now provide almost all the developmental funds. Within this broad framework, the proposed strategy would:

1. focus on feasible and practical improvements to the transport system that are within the PA's scope of action and with clear economic payoff in terms of improving access and reducing costs in the short-term;
2. rationalize the institutional framework so that roles and responsibilities are clear, rules can be established and enforced, and institutions can be held accountable for performance; and
3. lay the foundation for future actions once the necessary prerequisites are in place.

Given the objectives and the context, <u>two</u> program phases have been outlined in this TSSN:

- An immediate to short-term program focusing on specific practical and visible improvements that can be implemented within the PA's current scope for action with respect to some of the main issues of the transport sector to ease the people suffering and reduce travel cost and time;
- A medium to longer -term program aimed more at development and reactivation of major transport assets and which would require that movement and access restrictions be significantly alleviated to an extent that assures revival of economic activity, PA and GOI cooperation resumed and active on transport issues.

The proposed Program rests on two "pillars": Priority Infrastructure Investments and Institutional Reform and Capacity Building; and on three themes: *Improving Institutional Capacity and Overall Sector Management, Improving Internal Mobility and Improving External Connectivity*. The latter not only reflects the PA needs and priorities, as a practical matter they are also geared to objectives and preferences of the donor community on whom program financing critically depends. The key program components are outlined below.

**Short Term Program:**

| Investments Pillar | Institutional Pillar |
|---|---|
| ▪ Establish a Cabinet-level Committee to decide on roles and responsibilities in the sector;<br>▪ Establish a national-level Transport Steering Committee to coordinate the update of transport policies, regulations and oversee the implementation of the "Strategic Framework";<br>▪ Unify direct road management and maintenance under one ministry;<br>▪ Upgrade institutional capacity of MPWH & MOT to properly manage challenges facing the sector. | ▪ High priority road rehabilitation and maintenance in the PA controlled areas (to reduce travel time and cost, as well as accidents);<br>▪ Rural roads (priorities program) to improve accessibility and connectivity, as well as to provide temporary employment opportunities; |

**Medium to Longer Term Program:**

| Investments Pillar | Institutional Pillar |
|---|---|
| ▪ Road Development Plan in WBG;<br>▪ Road Rehabilitation and maintenance in the PA controlled areas (Continued);<br>▪ Territorial Link between West Bank & Gaza; and trade corridors between West Bank & Jordan and between Gaza & Egypt;<br>▪ Gaza Seaport Construction;<br>▪ Gaza International Airport Rehabilitation.<br>▪ Infrastructure Rehabilitation/Development of Border Crossings. | ▪ Preparation of a medium- to long-term development strategy to assist economic development and national integration;<br>▪ Adoption and enforcement of updated policies and regulations;<br>▪ Development of adequate road financing arrangements (especially for road maintenance). |

The proposed institutional development and investment program above is estimated to cost about US $120 million for the short-term and US $870 million for the medium to longer term starting with a 3-year investment plan.

1 This Transport Sector Strategy Note has been prepared in close consultation with the PA. A draft Note, was shared with senior officials of the Ministries of Transport, Planning, Public Works and Housing, and was discussed with them in a stakeholder workshop held in the World Bank office in Jerusalem on May 10th, 2007.

# Technical Assistance in the Passenger Transport Sector Development

The 2007 TSSN identified that transportation in the WBG faces extreme challenges, to the extent that mobility for people and goods is severely curtailed, with consequent impacts on the broader functioning of society and the economy. The constraints on personal mobility within the WBG has greatly reduced the market for travel, and hence the business and viability of the transportation sector. Operators are in a loss-making situation and cannot afford fleet renewal, so the quality deteriorates while some buses eventually stop running and some operators go out of business. The World Bank Technical Assistance to the MoT aimed to develop a practical strategy for action in co-operation with the operator sector.

The main sector issues are summarized as follows: a) the operator sector consists of small companies with an old fleet, relatively low productivity, and a very limited capacity to replace its assets; b) the sector is unsustainable as it currently stands with risk that many of the operators will go out of business and the formal bus/minibus supply will diminish; and c) the sector suffers from lack of organizational and operational efficiencies, productivity, and investment.

**Strategy for Sector Development:** Based on the sector review and the MoT's policy guidance, a suggested sector strategy was developed. The core principle is to achieve consolidation among the small operators into companies of sufficient size to achieve network, organizational and operational efficiencies, and to restructure their businesses to be able to generate surpluses after expenses. This would provide the capacity for asset renewal. To encourage the consolidation of operators and network, and to protect the revenue streams, exclusive franchises for geographic areas would be granted to the consolidated companies.

The strategy consists of four main strands:

1. *Offer Area Concessions for the fixed-route passenger transport services to competent transport operating companies.* The Area Concessions would be for specific geographic areas in the WBG for a specific period of time with a possibility for renewal subject to satisfactory performance. The Concessionaire would define the specific services within parameters set down by the MoT.

2. *Facilitate the existing operators to form legal entities* that can bid for and operate the area concessions to a high standard over the concession life. The encouraged option is to merge existing companies into a new business, but other forms of affiliation could be acceptable as long as they have legal form and proper accountability.

3. *Assist operating companies to acquire vehicles and depot/maintenance facilities* either by establishing a bus leasing company or by making suitable financing channels available. A bus leasing company would acquire a suitable fleet of large and mid-sized buses and make them available on long-term lease to the holders of the Area Concessions.

4. *Facilitate the establishment of a support services company* which would provide terminals, customer-facing services, ticketing, and passenger information in a common way throughout the WBG. It would also provide higher-order business services for the operating companies, such as network planning, technical research and know-how transfer.

**Area Franchises:** The Area Franchise concept with a working example for the Nablus and Tulkarem area has been developed. Here, the MoT would: a) establish the boundaries of the Franchise

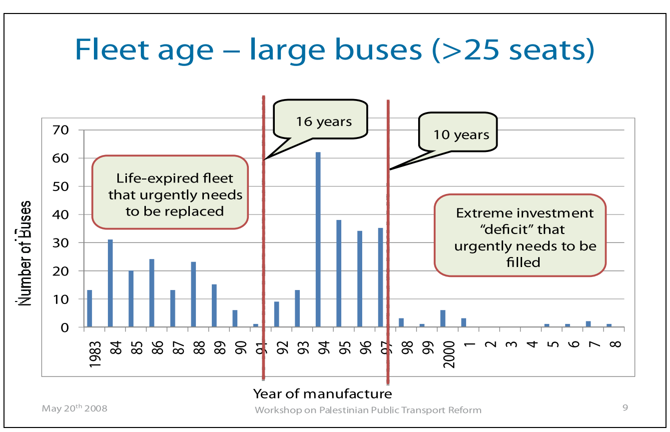


Figure 1: Distribution of year of manufacture of Large Buses in the West Bank

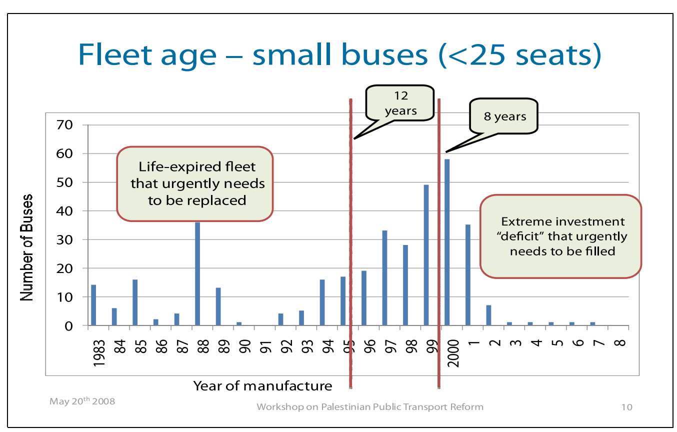


Figure 2: Distribution of year of manufacture of small buses in the West Bank

Areas; b) establish the pre-qualification criteria for a suitable operator; c) enter contracts with suitable operators for the Area Franchises; d) define the services to be included in the Franchise; e) set the coverage and service level parameters for the passenger transport services, within which the Franchisee would do the detailed design; and f) set the quality parameters against which the Franchisee would be measured and appraised.

The Area Franchises would be expected to be self-financing, but would receive reimbursement from Government for any free or reduced-tariff customers they are required to carry. The Franchises would be for a fixed period, suggested to be 5 years with an automatic extension of a further 5 years if performance meets the agreed criteria.

**Operator Consolidation:** The existing operators will need to form into entities that can enter into contracts and take on service and financing obligations. Two concepts are currently under consideration:

1. Formation of three Unions of bus operators (North, Central, South), as proposed by the MoT. Each Union would have a legal basis, a Board of Directors, and a professional management. It would operate in a co-operative way, but the identity of the companies would remain distinct and their assets would not be integrated; and

2. Consolidation of the bus operators into new companies in which the assets of the companies would be combined, and the original identities would be absorbed. The new company would plan and organize all of the services to meet passenger demand and with optimal allocation of resources.

Consolidated Companies are necessary for Area Contracts and for long-term lending and investment, but there are concerns among the operators about this approach, including: a) the current willingness of operators to participate and to give up their identities and historic operating permits; b) the difficulty to evaluate the assets; and c) the difficulty and time taken to dissolve the existing companies and form the new ones.

A transition approach is needed, beginning with Unions – to which the operators have now committed – and within 2 years to evolve to Consolidated Companies. Two recommendations are made for the Unions: 1) Develop a strategy, business and implementation plans that sets out clearly the targets and achievements that are expected from the Union, the actions will be implemented to achieve them, and the financing plan. The Charter of the Union, the organizational structure, and the agreement among the participating operators should be based on the business activities; and 2) Within the first months of the Union's existence, develop the Migration plan from the Union to a Consolidated Company.

For the Consolidated Companies, it is recommended that these should be formed as new entities rather than a merge of the existing companies. This would enable the companies to begin with a "clean slate" and would avoid the complexities and potential delays associated with liquidating the existing companies (some of which may wish to remain in business for non-scheduled services).

**Fleet Renewal:** There is an urgent need to replace a large proportion of the fleet within the next 2-3 years, otherwise it will cease to operate and the business will be lost to shared-taxis and personal transport. The priority is to replace the large bus fleet, since these provide the greater part of the capacity. However, new vehicles are expensive to procure and they cannot share parts or maintenance with other vehicles (unlike minibuses which have the same chassis, engine and gearbox as commercial vans which are available in the West Bank).

A strategic decision needs to be taken (or it will occur by default) on whether to: a) Systematically replace the life-expired fleet with new buses over a 3-5 year period, so that the fleet has been rehabilitated and the quality substantially improved; or b) In order to save funds, replace life-expired vehicles with the 12-year old Israeli buses and work them to the end of their technical life.

The Bank recommends strategy (a), replacement with new buses, even if this has to be done over an extended timescale due to limitation of available funds. Depending on the vehicle type selected, the cost of a standard urban 12 meter bus can range from US$70,000 to more than US$300,000. Keeping in mind the requirements to conform with Israeli specifications, the need for durable buses, and the limits on the price that operators can afford to pay, the purchased vehicles are likely to be in the cost range of US$100,000 to US$150,000. This means that the investment requirements for large bus replacement are in the range US$40-60 million over the period 2009-2012. Maintenance facilities and supplies of spare parts are additional. It will also be necessary to invest about US$20 million to renew the small bus fleet over the same period.

Four options have been identified to finance new vehicles: 1) Operators buy buses using their own resources or through commercial loans; 2) A special financing channel is made available for operators to buy buses; 3) Inward investment is made into the bus operating companies in return for shareholding, this provides the finance to buy buses; and 4) Operators lease buses.

For all four options, lenders or investors will only be interested in companies that can show a credible business proposition, an ability to repay, sound financial forecasts, and the organizational capacity to perform and manage their business effectively. The bus operating companies will need to prepare good quality business and financial plans. They will also need to strengthen their organizational and financial structures to give confidence to potential lenders or investors. For all options, it is to the advantage of the operators to standardize the bus manufacturer and models to a small number of types, and to purchase collectively.

In the option of a Bus Leasing Company, a special purpose company would be established to purchase the vehicles and make them available under long-term lease to the companies which have gained the Area Franchises. Planned and major maintenance would be carried out by the Leasing Company, and the cost included in the monthly leasing charge. The bus supplier would be one of the stakeholders in the company, as a means of ensuring good quality vehicles and lifetime support.

The main part of the financing would come from investors. The Bank has initiated contacts with a number of potential investors and donor agencies to identify the level of interest. The Bank has also explored possibilities for covering the political risk and insuring against circumstances beyond the control of the operators who would lease the vehicles.

**Adapting the Regulatory Framework:** The Regulatory Framework needs to be changed to support the proposed passenger transport business framework to enable the sector to develop and change. The main changes that will be required in the regulatory framework are summarized below:

- Designate the Passenger Transport Authority, define its governance structures, and define its functions and scope of authority
- Establish that the Passenger Transport Authority has all rights on road passenger transport services, and that any such services are only operated under permit from the authority
- Enable the designated Passenger Transport Authority to enter into contracts for Area Franchises and other service agreements, to set vehicle, service and performance standards, and to organize and distribute funds to Area Franchises and any other contracted routes
- Make provision in law for Area Franchises, allowing for award of area concession and provision of exclusive service concessions for a designated area
- Make provision for services to Gaza, Israel and neighboring countries, in the event that the restrictions on such services are removed
- Define relationships with other key stakeholders such as Municipalities and Governorates
- Strengthen enforcement powers, where required

This will require a comprehensive review of the relevant legislation and regulations, examining the extent to which they currently permit, limit, prohibit, or simply do not make provision for the new passenger transport framework.

A new capacity is required at the Passenger Transport Authority to support the new regulatory framework. The Public Transport Department needs to adapt in order to: a) provide effective regulatory capacity; and b) acquire technical capacity and knowledge to manage and support the sector.

Based on international good practice and the emerging requirements in the West Bank, the sector-specific Functions of the Passenger Transport Department would be to:

- Set the Policy for the passenger transport supply
- Develop, monitor and manage the Area Franchises and their associated Contracts
- Establish and manage the administrative and legal processes for permit issuing
- Define and monitor performance and quality standards of the services and operators
- Assess the effectiveness of supply through research, and intervene where required to establish new routes or strengthen existing ones
- Set tariffs based on good knowledge of the industry business and cost structure
- Arrange reimbursement of free and reduced-rate travel
- Harmonize (and develop where necessary) integrated customer-facing services
- Enforce regulations, control against unauthorized operations
- Work with Municipalities to improve operating conditions for passenger transport services and to improve terminals, passenger facilities, parking, and upgrade bus stops
- Carry out research on the passenger transport sector
- Acquire and transfer international know-how and provide technical guidance to the sector

# Strategic Assessment on Energy Efficiency and Security for Public Transport in the West Bank

The ongoing World Bank TA is assisting the MoT and the bus operator sector to develop a strategy for strengthening the sector, which at a minimum will require strengthening of the operators' finances to be able to afford the urgent fleet renewal. One strand of this considers aims at restructuring the industry sector so that it can achieve system-wide efficiencies, and economies of scale. Other strands are needed to focus on practical measures to achieve technical and operational efficiencies, and help in the reduction of unit operating costs.

Since fuel is the largest expense item in the WBG bus industry sector, it requires special attention. One aspect to examine is whether changes in fuel types would provide significant benefit. Over the last decade, some Chinese and Indian bus operators have converted their fleets to gas-operating (CNG or LPG), and to a lesser extent European and North American operators have also done so. At the regional level, Israeli operator Egged has begun using CNG. There are also trends of increasing use of blended fuels, bio-fuels, and 'clean diesel'. These changes have been stimulated by expected benefits in fuel costs, security of fuel supply, fuel efficiency, and cleaner emissions.

This on-going study supports the Transport Strategy Note (TSSN) of 2007 and the PT Sector Development of 2009 by exploring the options for the use of alternative fuels in the bus industry in the WBG, and carrying out an initial examination of potential benefits and practicality.

The main activities of this TA include the following: (i) general review of alternative engine pathways available for buses; (ii) description of the public transport situation in the West Bank, with a special focus of fuel availability and use for public transport; (iii) life-cycle cost comparison of 6 scenarios involving alternative fuel pathways, including CNG and LPG buses.

Six scenarios were established: three EURO3 with Diesel, LPG and CNG and three EURO4 with Diesel, LPG and CNG. A set of key assumptions was defined so that the life cycle cost, on 12 years, of each scenario could be computed with the STARBUS simulation model. The assumptions included, among others: various fuels unit prices and escalation, capital cost of each type of bus, specific capital costs needed for CNG and LPG technologies, maintenance costs of each type of buses, average kilometers per year, etc. The bus duty cycles used for the simulations are those built in the STARBUS simulation model. The scenario comparison is carried out on the basis of: (i) direct costs: fuel costs, maintenance costs and bus asset depreciation; (ii) environmental monetarized costs for local pollutants (CO, HC, NOx, particles) and global pollution (CO2). EU standards were used to monetarize pollution costs.

Of the six scenarios presented, EURO4 diesel is the most cost-effective, with very little cost difference with EURO3 diesel. The diesel scenarios are between 10% and 25% cheaper than the other scenarios, EURO4 CNG is the third cheapest, but approximately 10% more expensive than the diesel scenarios. The LPG scenarios are much more expensive. The EURO3 Diesel scenario is the cheapest, considering only direct costs.

In terms of pollution, as expected, EURO4 scenarios are, on the whole, much better than the EURO3 scenarios. Between 24% - 35% of emission savings when each EURO3 pathway is compared to its EURO4 counterpart. While EURO3 diesel is, by far, the worst pathway and EURO4 CNG the best, it can be stated that EURO3 CNG, EURO4 diesel and EURO4 LPG are within the same order of magnitude when it comes to pollution costs.

A stakeholder workshop was held at MoT on June 11, 2009 to discuss the initial findings and recommendations towards finalizing and disseminating the report towards end of June 2009. Participants from MoT and representatives from the private bus operators, Energy and Environment Quality Authorities agreed with the recommendations that EURO4 diesel is by far the most suitable alternative to be adopted.

# Towards Enhancing Women's Mobility in the West Bank

Mobility is a major factor of access to economic resources, education, health and other key elements influencing women's empowerment. In Middle-East and North Africa countries, like in many other developing economies, women's mobility is constrained not only by the limited transport supply but also by social factors reducing women's access to the outside world. Yet, gender and transport issues have not been addressed in this region, except for an on-going World Bank funded study in Yemen.

In the West Bank, mobility is dramatically reduced for men and women due to political restrictions such as checkpoints, the separation barrier, and economic closures. As a result, transport is very expensive and waiting time is unpredictable and often protracted. However, the impact of the conflict and these higher transaction and financial costs do not fall equally on men and women. The main reason is that men have better social networks and trade links outside their community, such as better access to private cars within their social networks.

The key objective of this World Bank study for the benefit of the MoT is to assess the gender differentiated mobility constraints and their impact on women's access to transportation in the West Bank towards identifying policies and plans that would address the issues at hand.

Initial findings from this survey show that because 62% of interviewed women are housewives and only 31% work or study, women's transport demand is lower than men's, among whom 85% work or study. A survey of interviewees' transport activities for one week showed that on average, women use transport on average 2.4 times a week while men use them 4.8 times a week. Households spend around 19% of their income on this service. Women tend to spend more per trip than men, averaging 12 NIS per trip versus 10 NIS for men

25% of surveyed households own cars, but due to the movement restrictions about 97% of interviewees use public transportation: 22% of them as their main mode of transport, while others, even 47% of those who own cars, use it for some selected destinations especially inter-urban and long distance transport. Privately owned cars are the second most common mode of transport, used by 49% of interviewees. Alternative transport modes such as tractors, bikes, motorbikes, animals or carriages are marginally used and more so by men than by women (17% and 5% respectively.)

Women rely heavily on public transport: 70% of their transport activity is done using public transport, as compared to 57% for men. Walking is the second alternative for women and covers 17% of their transport demand, versus 18% for men. Finally, women's use of private cars covers only 10% of their transport activity, versus 23% of men's transport activity.

The impact of mobility constraints do not fall equally on men and women. About 80% of interviewed women reported delays and unreliable schedule as a key issue in accessing public transport (versus 70% of interviewed men). Indeed, the transportation schedule is usually arranged around the students' and employees' schedules thus transport peaks mainly in the morning and afternoon hours.

Both men and women face challenges with public transportation. 30% of interviewees reported that they are bothered by the presence of illegal transport providers. 15% of interviewees argued with the driver about the rate, and 17% were bothered by inappropriate behavior. 65% of interviewees know of people (in their immediate circle) that were robbed on the public transport means and 10% of interviewees knew people (in their immediate circle) that were harassed while utilizing public transport.

Since women rely mainly on public transport, improving safety including, equipping terminals with the necessary facilities such as waiting chairs and benches, sidewalks, lighting, clean and separate public toilets, information and complaint centers and supervision of licensing and fees should substantially enhance women's mobility. Routine supervision by public safety officers and police is also encouraged.

The final report is expected to be completed and disseminated towards September 2009.

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