

1. Project Data:		Date Posted : 04/13/2010		
PROJ ID : P065921		Appraisal	Actual	
Project Name :	Emergency Water Project	Project Costs (US\$M):	13.40	8.85
Country:	West Bank & Gaza	Loan/Credit (US\$M):	12.50	8.28
Sector Board :	WAT	Cofinancing (US\$M):		
Sector(s):	Water supply (96%) Sub-national government administration (4%)			
Theme(s):	Access to urban services and housing (25% - P) Rural services and infrastructure (25% - P) Water resource management (24% - P) Municipal governance and institution building (13% - S) Other human development (13% - S)			
L/C Number:				
		Board Approval Date :		07/29/2003
Partners involved :		Closing Date :	06/30/2006	09/30/2009
Evaluator :	Panel Reviewer :	Group Manager :	Group:	
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2. Project Objectives and Components:

a. Objectives:

According to the Trust Fund Grant Agreement :

- "to help alleviate chronic shortages of safe water supply in the West Bank, and reduce health risks, water cost and water system losses."

The Memorandum of the President adopts a slightly different wording :

- "to help alleviate the chronic shortages of safe water supplies, and reduce system losses, water costs and health risks."

The two statements are quite similar.

It was expected that the project would secure an additional 1.7 million cubic meters of water a year and convey it to the existing north-south water main and thence to villages in Hebron Governorate . It was expected to improve water supplies to 90,000 people thus translating into improved health and hygiene through higher quantities and better quality water and reduced expenditure on water supplies from water vendors .

b. Were the project objectives/key associated outcome targets revised during implementation?

No

c. Components (or Key Conditions in the case of DPLs, as appropriate):

Rehabilitation and Improvement of Water Supply Transmission and Distribution System (planned US\$ 10.4 million, actual US\$ 7.72 million):

- **East Herodian Well Equipment and Transmission Pipeline (planned US\$ 4.5 million, actual US\$ 1.83 million).** This subcomponent financed: a) the supply and installation of electromechanical works for the existing east Herodian water well number two (EH#2), including well pump, booster pump and accessories; and b) the supply and installation of about 7.5 km of 16-inches diameter ductile iron water transmission pipeline to convey the water from EH#2 to the existing main north-south carrier.
- **Halhoul-Kharasl-Nuba Transmission Pipeline (planned US\$ 4.4 million, actual US\$ 3.05 million).** This sub-component financed the installation of about 15km of 6 to 16-inch diameter ductile iron water transmission pipeline from the existing Halhoul regional water reservoir (capacity 25,000m³, financed by USAID) to Kharas and Nuba villages.
- **Distribution Network Rehabilitation Package (planned US\$ 2.50 million, actual US\$ 2.72 million).** This sub-component financed the rehabilitation of existing water networks in the villages of Kharas (about 34km of different diameter pipes) and Nuba (about 34km of different diameter pipes).

Technical Assistance (planned US\$ 2.0 million, actual US\$ 1.13 million):

- Strengthening of the existing Project Management Unit (PMU) within Palestinian Water Authority (PWA) to enable it to effectively supervise project execution, and collaborate with other donors in the creation of a framework for the development of services clusters formed from groups of contiguous councils, that would be responsible for operating and maintaining retail water distribution throughout the project area .
- The preparation of designs and bidding documents for the Dura and Yatta villages ' distribution networks for implementation under a proposed follow-on project.
- PMU's incremental operating costs.

d. Comments on Project Cost, Financing, Borrower Contribution, and Dates:

- The Grant Agreement was revised twice to reallocate funds among expenditure categories . The first reallocation was done to meet increased expenditures for the distribution works, the second to increase the allocation for consultant services, audit and incremental operating costs .
- Misprocurement was declared by the Bank in September 2008 on the contract for the supply and construction of East Herodian Well No. 2 Pumping Station. The Bank canceled the equivalent of US\$ 3.12 million and requested reimbursement from the Palestinian Authority (PA).
- The closing date was extended first by one year to June 30, 2007 due to delays in effectiveness . It as extended for a second time for three months to September 30, 2007 to accommodate delays caused by the ongoing security situation. A third extension of one year to September 30, 2008 was needed to allow for the continued difficult security conditions, delays in delivery of materials and equipment and the time needed for the completion of the construction of East Herodian 2 well and pumping station (EH-2). A grace period closure extension of three months was approved through March 31, 2009 to allow time for the reimbursement of the misprocurement amount. On March 27, 2009, a letter was received from the PA asking for an additional extension through June 30, 2009 to deal with the reimbursement problem.

3. Relevance of Objectives & Design:

Relevance of Objectives : High

- Objectives were highly relevant to humanitarian concerns and public health needs . Protracted and often violent conflict since October 2000 had caused severe damages to the West Bank and Gaza 's physical and institutional infrastructure, including housing, public facilities, as well as vital water, wastewater and electrical networks. Effective operation and maintenance of water supply systems were jeopardized, piped water supplies became unreliable and unsafe and there was an increased reliance on extremely expensive water supplied by water tankers. Given that about 60% of households had lost more than half their income, paying for basic services became an increasing problem . Together these factors led to decreased water usage and increased health risks because of failed distribution, wastewater and chlorination systems . The project was relevant also to international humanitarian concerns as it was part of the multi -donor (USAID, AFD, FINNIDA and the WB) supported the PWA program of priority capital investments for water supply and distribution in the most adversely affected areas of the southern West Bank . Water is also one of the key sectors in the West Bank and Gaza where dialogue and reasonable working relationships exist between Palestinian and Israeli water professionals and where considerable donor involvement has facilitated dialogue between them . There appeared to be a higher-level consensus that health risks attached to the breakdown in water and sanitation systems were too important to be left unresolved . Project objectives were and are relevant to the Bank 's

assistance strategy for Palestine and the West Bank .

Relevance of Design : Substantial

- Project design was fully cognizant of the high risks imposed by the unstable security situation, the important role of external interlocutors with the Israeli Authorities, and the need to strengthen local capacity . Physical objectives were well designed and straightforward . Design as part of the bigger multi-donor PWA Program enhanced coordination and gave greater visibility and legitimacy that enhanced the Palestinian negotiating position with the Israelis. The difficulty of movement resulting from the security situation was circumvented by adopting a decentralized approach to project implementation and the engagement of a construction manager . The latter's prime role was to coordinate with Israeli authorities on import of materials and wayleaves to secure timely movement of contractors, goods and materials to project sites . Specification of ICB was unrealistic given the negative incentives provided by the difficult security situation in the West Bank : it would have been better to invoke the simplified procurement procedures allowed by OP/BP 8.00 for projects of emergency nature .

4. Achievement of Objectives (Efficacy):

The objectives "to help alleviate the chronic shortages of safe water supplies, and reduce system losses, water costs and health risks " were partially achieved . Outcome data is lacking and efficacy is rated modest overall .

- **Chronic water shortages were alleviated** . The expected project outcome to deliver 1.7 million m3/year of water has been achieved since project closure despite the impasse brought about by misprocurement . The PWA subsequently gained access to the EH2-well facilities and installed a new pump supplied by USAID . Water supplies from this well reportedly started in May 2009. The ICR states that 67,450 people benefited from improved water supplies (target 90,000) but it is unclear if the beneficiary numbers include those that benefit from the new EH2 production well. The pumping and associated water supply infrastructure was substantially completed and transferred to the West Bank Water Department (WBWD). Similarly the distribution infrastructure was completed substantially meeting or exceeding project targets and was transferred to the municipalities . According to the ICR the project's Technical Assistance contributed towards building the capacity of municipalities in the technical, financial, and institutional skills required to manage the distribution system . However, there are no outcome or results-chain indicators to demonstrate achievements .
- **More efficient distribution** . According to the ICR unaccounted-for-water losses were reduced following rehabilitation and construction of the distribution networks in Kharas, Nuba and Beit Ula and construction of the Kharas reservoir. There are no baseline data or quantifiable indicators to verify these statements .
- **Cost reduction** . According to the ICR the PWA is able to reduce its maintenance cost and provide better services to the residents, who in return, should feel more encouraged to pay their water bills . Utility-provided water is cheaper than available from water vendors : current utility-provided water sells for US\$ 1.33/m3 while water tanker vendors used to sell water at US\$ 4.0/m3. An agreement is in place between the WBWD and the communities that have been served to schedule the accumulated debts as well as to pay current invoices . The ICR is of the opinion that this strategy will help in collecting the water bills from the inhabitants .
- **Health**. The ICR states that the new water supply is chlorinated thus reducing the chances of spreading water-borne diseases. If chlorination meets the required standard the water could be classified as "safe."The PWA reportedly samples the different sources regularly but there are no supporting data or indicators .

5. Efficiency (not applicable to DPLs):

- As an emergency operation an estimate of the economic rate of return was not undertaken on completion . The MOP indicates that the ERR of the whole of the PWA's US\$ 74.9 million Program (of which this project is part) was expected to be 17%. There was considerable delay in much of the project's civil works construction caused by the security situation and the need to clear all works with the Israeli Authorities that often led to higher costs . For example, the water transmission mainline connecting the EH-2 production well to an existing main transmission pipeline exceeded the original contract value by 35% because of Israeli requirements that were not part of the original contract (ICR page 26). The change in the political scene following election of the Hamas government led to the boycotting of the US manufacturer of the pump for EH -2 well. The two-year hiatus over the subsequent commissioning of the pumping plant for the EH -2 well delayed the new water supply and thus benefits.
- As a result of these considerations, overall efficiency is rated modest .

a. If available, enter the Economic Rate of Return (ERR)/Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation :

	Rate Available?	Point Value	Coverage/Scope*
Appraisal	Yes	17%	85%
ICR estimate	No		

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome:

The weaknesses on efficacy and efficiency lead to an outcome rating of moderately unsatisfactory .

a. Outcome Rating : Moderately Unsatisfactory

7. Rationale for Risk to Development Outcome Rating:

Risks are significant. The continuing difficult security situation affects the project in two ways . First it jeopardizes income generation and thus the ability of people to pay for service delivery . And second reduced revenue for the PWA and municipalities jeopardizes timely and effective operation and maintenance of the water supply system .

a. Risk to Development Outcome Rating : Significant

8. Assessment of Bank Performance:

- **Quality-at-entry . Rating: Moderately Satisfactory** . Appraisal was thorough and built-in major risk factors and the lessons learned from previous emergency Bank operations in West Bank and Gaza (WBG). However, it failed to establish either indicators or a baseline to measure project achievements particularly for the efficiency of system operation that could be used to judge outcomes regarding reduced water losses and costs. There was no attempt to define water quality of desired health outcomes or indicators to track them .
- **Quality of Supervision . Rating: Moderately Satisfactory** . The project was supervised and closely monitored by a TTL based in Washington although the client notes this was too remote given the need to fully understand the complexity and difficulties of project implementation in WBG . The task team regularly prepared Aide-Memoires, alerted the Government and PWA about issues found during project execution . Generally, the Implementation Status Reports (ISRs) realistically rated the physical and financial performance of the project but paid insufficient attention to outcome indicators, a problem that was not resolved at Mid-Term Review (2006). The whole issue surrounding the misprocurement of pumping plant for well EH-2 delayed water availability by two years . In the Borrower's opinion, the Bank supervision role could have been more responsive to and supportive of PMU needs and less top -down (ICR page 30) and disbursement-driven. How far these views reflect the difficulties related to the misprocurement and implementation problems within the PIU is unclear . The Bank's position on anti-corruption was greatly strengthened by declaring misprocurement and while it delayed the project it has, according to INT, increased the PA's resolve to stamp out corruption and cooperate with the Bank to improve the governance of the Bank's portfolio in Gaza and the West Bank .

a. Ensuring Quality -at-Entry: Moderately Satisfactory

b. Quality of Supervision : Moderately Satisfactory

c. Overall Bank Performance : Moderately Satisfactory

9. Assessment of Borrower Performance:

- **Government ownership . Rating: Moderately Satisfactory** . It worked closely with the donors involved in the water sector and provided appropriate levels of review and approval, albeit subject to delays from time to time. Financial accountability and follow-up was observed and documentation was maintained properly for periodic review. Counterpart funding was assured and regular . The Government also acted proactively in recognizing the misprocurement situation and taking remedial governance measures . While generally satisfactory through project closure, government performance was moderately unsatisfactory following the delays experienced beyond the grace period extension for the refund of grant amount that was declared as misprocurement. It is acknowledged that overarching fiscal constraints may be contributing to the reimbursement delay.
- **Implementing Agency . Rating: Moderately Unsatisfactory** . The PWA successfully managed project implementation under very difficult circumstances . The project's Financial Procedures Manual (that was to provide clear guidance to staff on their duties and responsibilities and establish some internal controls in the process) was not completed, and this may have contributed to weakness in internal controls . Specifically responsibility for procurement and accounting was not segregated . Even so, Auditors' opinions on the project's financial statements were approved without qualification . It appears that the PWA was less proactive on resolving procurement issues, particularly that associated with well EH -2. Since recognizing

misprocurement, new PWA leadership has engaged in efforts to improve sector and agency governance .
The misprocurement issue may warrant the attention of the Bank's INT .

a. Government Performance :Moderately Satisfactory

b. Implementing Agency Performance :Moderately Unsatisfactory

c. Overall Borrower Performance :Moderately Unsatisfactory

10. M&E Design, Implementation, & Utilization:

- **M&E design** . There was no baseline and no attention to developing a results -chain linking inputs to expected outcomes in terms of water supply quantity and quality, water use efficiency, costs and health impacts . There were no indicators except that for the total volume of water to be produced . In contrast a robust MIS was in place for monitoring project inputs and outputs .
- **M&E implementation** . Input and output indicators were systematically collecting and regular progress reports were collated. But outcome data was not collected.
- **M&E utilization** . While input and output data were used, there was a dearth of outcome data and so decision-making could not benefit from the latter .

a. M&E Quality Rating : Negligible

11. Other Issues (Safeguards, Fiduciary, Unintended Positive and Negative Impacts):

- **Safeguards** . The project was categorized as "B" in accordance with OP4.01 (Environment) and an Environmental management Plan (EMP) was prepared during appraisal. The EMP confirmed that the components under the project did not require new land acquisition or involuntary resettlement or relocation of economic activities, and that there were no other adverse or irreversible environmental impacts .
- **Fiduciary** . The project's Financial Procedures Manual (that was to provide clear guidance to staff on their duties and responsibilities and establish some internal controls in the process) was not completed, and this may have contributed to weakness in internal controls . Specifically responsibility for procurement and accounting was not segregated. Even so, Auditors' opinions on the project's financial statements were approved without qualification. Since recognizing misprocurement, new PWA leadership has engaged in efforts to improve sector and agency governance. An investigation into misprocurement issue has been initiated by Bank's INT and is on-going.

12. Ratings:	ICR	IEG Review	Reason for Disagreement / Comments
Outcome:	Moderately Unsatisfactory	Moderately Unsatisfactory	
Risk to Development Outcome:	Moderate	Significant	This review gives greater weight to beneficiaries' decreased ability to contribute to O&M costs and the implications this has for raising revenue to cover O&M needs.
Bank Performance :	Moderately Satisfactory	Moderately Satisfactory	
Borrower Performance :	Moderately Unsatisfactory	Moderately Unsatisfactory	
Quality of ICR :		Satisfactory	

NOTES:

- When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.

- The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate .

13. Lessons:

- **While it is desirable that the design of emergency project be straightforward and simple, this should not preclude attention to a results framework, outcome indicators and monitoring and evaluation arrangements** . While this emergency project was relevant and well -designed, the lack of output indicators preclude measurement of development outcomes related to efficiency, cost, water quality and health .
- **Emergency projects should give careful attention to procurement methods** . International Competitive Bidding, while desirable, may not be practical because of physical access problems, political conflict or security concerns . In these circumstances project design should attempt to fully benefit from the simplifications afforded under OP/BP 8.00 for emergency projects .
- **In high risk countries greater attention to governance issues related to procurement is required** . In this particular case, following the lead provided by an anonymous tip -off, misprocurement was established . The Bank's INT proved crucial in that their timely input enabled the misprocurement (an expensive deep well pump not meeting engineering specifications) to be revealed before the case was voided by commissioning the pump .

14. Assessment Recommended? Yes No

15. Comments on Quality of ICR:

A fairly candid, if thin, account of the project experience . There is negligible quantifiable outcome information . The Borrower's ICR is quite critical about the effectiveness of Bank supervision .

a.Quality of ICR Rating : Satisfactory