

**PROJECT INFORMATION DOCUMENT (PID)  
APPRAISAL STAGE**

Report No.: AB6298

<b>Project Name</b>	GZ-Gaza II Emergency Water Additional Financing III
<b>Region</b>	MIDDLE EAST AND NORTH AFRICA
<b>Sector</b>	Sub-national government administration (67%);Water supply (15%);Sanitation (12%);Sewerage (6%)
<b>Project ID</b>	P122268
<b>Borrower(s)</b>	PLO FOR THE BENEFIT OF THE PA
<b>Implementing Agency</b>	Coastal Municipalities Water Utility (CMWU)
<b>Environment Category</b>	<input type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> FI <input type="checkbox"/> TBD
<b>Date PID Prepared</b>	January 20, 2011
<b>Date of Appraisal Authorization</b>	
<b>Date of Board Approval</b>	March 1, 2011

1. Country and Sector Background

The decline of the Palestinian economy triggered by the Second Intifada in 2000 and compounded by recent events has left per capita GDP at US\$1,129 by the end of 2006, about a third less than its level of US\$1,612 in the year 1999<sup>1</sup>. Since Israel's disengagement from Gaza in September 2005, its borders have been closed for extended periods, inhibiting trade and movement of people. The unemployment rate in Gaza reached 35% in 2006 compared to 18.6% in the West Bank for the same year. Since June 2007, Hamas took over Gaza and the closure became much tighter where trade and entry of goods became almost impossible.

The water and wastewater sector has come a long way since 1995:

- A capable national institution, the Palestinian Water Authority (PWA), has been built;
- The foundations for policy and operational coordination with Israel have been established;
- Several existing municipal distribution networks have been rehabilitated, new networks developed, and supplies improved; and several new wells have been drilled and many rehabilitated;
- Backbone primary network of bulk-water carriers are under construction in the West Bank and ready to be launched in Gaza.
- In Gaza not only have municipal networks and systems have been significantly upgraded, under an internationally recruited management contractor, effective managerial and operational systems have been established;
- A new water law rationalizing the sector has been passed;
- Several studies have been undertaken to evaluate resource availability and quality, supply and demand, well and network conditions, tariffs, technical and financial management, and institutional options;
- A coherent national policy has been laid out and a national plan developed; and

<sup>1</sup> The world Bank Group, "West Bank and Gaza Update, Predictions for Palestinian Economic Recovery", November 2007, P14.

- A “Coastal Utility” is being established in Gaza, in an attempt to consolidate the existing small and inefficient municipal water departments into a more efficient operating and service delivery unit.

Despite the considerable efforts and many praiseworthy achievements, the structure and performance of the water supply and delivery system as a whole has not yet changed significantly:

- Domestic water production and consumption, in Gaza, at 125 and 75 l/c/d respectively, remains low, well below comparators and Israel; critical water resources are still almost totally under Israeli control;
- Palestinian supply and demand in the West Bank is highly constrained by Israeli actions;
- Supply in Gaza, while somewhat less constrained than in the West Bank, is of highly variable quality (high salinity and nitrate contents); the Gaza aquifer remains degraded and at risk of irreversible damage;
- Adequate wastewater treatment and disposal are still lacking, and the potential for wastewater reuse is not effectively exploited;
- Adequate transmission networks and systems have yet to be developed;
- The new law and the proposed institutional reforms, while extremely positive developments have yet to be fully implemented;
- The institutional framework, while greatly improved, still needs further rationalization;
- Distribution institutions and systems are still inefficient, and in need of major reform and rehabilitation, and water losses are unacceptably high;
- Tariffs generally do not reflect the cost of operations or maintenance, much less development needs.
- The restriction of movement and entry of materials into Gaza has significantly slowed down the investment plans.
- The latest Israeli war on Gaza has resulted in damaging parts of the water and wastewater systems.
- Finally, the initiative to establish CMWU is quite a success but still needs to be further supported for the coming few years.

## 2. Objectives

The Additional Financing will pursue the primary project development objectives which are to:

- (i) Improve the provision of adequate water and wastewater services in Gaza; and
- (ii) Functionally, strengthen the newly established Coastal Municipalities Water Utility as independent well-run modern utility.

In addition, the project has a secondary objective to strengthen the PWA’s capacity to assume sector regulatory functions

## 3. Rationale for Bank Involvement

There are two basic reasons for Bank involvement: one is based on successful Bank leadership and in the water sector in WBG in general followed by the need to follow through on the reforms

that were started; the other is based more broadly on the Bank's role and experience with emergency operations.

*Leadership and Staying the Course:* The Bank has played a leading, innovative and successful role in initiating change in the water sector in Gaza under Water Services and Sanitation Improvement Project (WSSIP) and the current Gaza II Emergency Water Project (GEWP II). Among the initiatives was the introduction of a private sector operator under a performance-based *management contract* to operate and manage water and wastewater services throughout Gaza. The establishment of a functional utility in Gaza is being realized under the GEWP II. However, the delay in the utility establishment toward the end of the project necessitates the need to continue support of the CMWU for additional year through the supplemental financing under consideration.

*Emergency Experience:* The Bank has had considerable global experience in designing and implementing operations in response to natural disasters and emergencies arising in conflict-affected settings. Also, developing countries are becoming increasingly aware of the need to put in place measures to prevent or reduce risks arising from crises. Thus, the number of Bank-supported emergency recovery projects has increased in the past ten years, and the Bank has come a long way in its own understanding of how to operationalize sustainable interventions in emergency situations. In WBG, specifically, the Bank is often relied upon by the PA and donors to lead such efforts, and has done so successfully. The GEWP II sets an excellent example of the capability of the Bank to implement such project under very hard conditions in Gaza and enables the project to act as a vehicle to channel more than US\$ 55.0 million by other donors to the CMWU.

#### 4. Description

The Project consists of the Original Project, subject to such modifications thereof as the Recipient and the Administrator may agree upon from time to time to achieve such objectives:

##### Part A: Performance-based Management Contract

No activities will be undertaken within this component under this Additional Financing.

##### Part B: Capital and Operating Investments

Rehabilitation, operation and maintenance of the water and wastewater infrastructure in Gaza through the carrying out of works, purchase of materials, supplies and construction equipment, and provision of consultants' services.

##### Part C: Institutional Reform and Capacity Building

Strengthening the institutional capacity of the CMWU, the PMU and the PWA through the provision of expert support in the areas, *inter alia*, of Project management, accounting, sanitation services, licensing and technical and financial auditing.

The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant ("Category"), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<b>Category</b>	<b>Amount of the Grant Allocated (expressed in US\$)</b>	<b>Percentage of Expenditures to be Financed</b>
(1) Civil Works under Part B of the Project	850,000	100%
(2) Goods under Part B of the Project	500,000	100%
(3) Consultants' services, audit and training	100,000	100%
(4) Operating Costs	1,550,000	100%
<b>TOTAL AMOUNT</b>	<b><u>3,000,000</u></b>	

#### 5. Financing

Source:	(\$m.)
Borrower	0
Special Financing	3
<b>Total</b>	<b>3</b>

#### 6. Implementation

The project implementation plan (PIP) as revised for the Additional Financing will be followed. The PIP describes CMWU as the focal point, fully accountable for Project oversight and coordination.

#### 7. Sustainability

The AF3 will lead to the improvement of the water and wastewater services through proper operation and maintenance of the facilities through the repair and rehabilitation of the water works and wastewater facilities. It will help the CMWU to maintain the investments made over the last decade in the water services facilities. It will also lead to better supply management and reduction of leaks and thus contributes in the reduction of unnecessary groundwater over-abstraction which in turn will lead to a better control of the seawater intrusion.

#### 8. Lessons Learned from Past Operations in the Country/Sector

A number of lessons were learned from the implementation of the project and other projects that the Additional Financing can benefit from. These include:

1. Due to the work under politically unstable conditions in Gaza, procurement must be planned and started as early as possible.
2. due to the tough closure imposed on Gaza, the local expertise need to be encouraged and involved in the process of the development of the water sector as much as possible.

3. In a situation similar to Gaza, close and frequent supervision missions are necessary to follow the dynamic changes and to be able to adjust within the framework of the project document.
4. The competent PMU is the key for the success of the implementation of the project.
5. To maintain political leverage, other donors' contribution deemed necessary. This can be achieved through the continuous discussion, share of information with the donors and increasing the credibility of the CMWU as service provider.

#### 9. Safeguard Policies (including public consultation)

The proposed project has been classified under the environmental category "B" in accordance with the World Bank's Operational Policy 4.01 on Environmental Assessments. The safeguards and environmental aspects of the project remain the same. There are no project proposals the implementation of which would require land acquisition or result in involuntary resettlement. No known archaeological or historical sites would be affected by rehabilitation sub-projects, nor does the operating investment component of the project raise any international water issues. Accordingly, and as the activities are a continuation to those initiated under the original project and no new project sites are envisaged, the Environmental Impact Assessment (EIA) and Environmental Mitigation and Management Plan (EMP) which were completed in March 2001 as part of the Project preparation and revised in June 2008 are still valid. Both the EIA and EMP are available on file within the World Bank's Infoshop.

The AF3 would contribute to improving the environment through improved management of existing water and sanitation facilities, increased expenditure on essential rehabilitation, operations and maintenance. The project does not include any component with major environmental impact and will result in significant improvement in environmental quality through improved water and sanitation services.

Environmental impact will be mitigated by improved operations and maintenance of water and sewerage services which will improve the efficiency of water use and reduce the need for tapping new resources. Substantial past and future investments by other donors have provided adequate collection systems to accommodate increased wastewater discharges resulting from this project. The Additional Financing will lead to enhancing and improving customer satisfaction through the damage repair.

<b>Safeguard Policies Triggered by the Project</b>	<b>Yes</b>	<b>No</b>
<u>Environmental Assessment</u> ( <a href="#">OP/BP 4.01</a> )	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Natural Habitats ( <a href="#">OP/BP 4.04</a> )	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Pest Management ( <a href="#">OP 4.09</a> )	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Physical Cultural Resources ( <a href="#">OP/BP 4.11</a> )	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Involuntary Resettlement ( <a href="#">OP/BP 4.12</a> )	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Indigenous Peoples ( <a href="#">OP/BP 4.10</a> )	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Forests ( <a href="#">OP/BP 4.36</a> )	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Safety of Dams ( <a href="#">OP/BP 4.37</a> )	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Projects in Disputed Areas ( <a href="#">OP/BP 7.60</a> )*	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Projects on International Waterways ( <a href="#">OP/BP 7.50</a> )	<input type="checkbox"/>	<input checked="" type="checkbox"/>

#### 10. List of Factual Technical Documents

Semiannual and Annual Progress Reports

Technical Papers developed under the Management Contract.

#### 11. Contact point

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\* *By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas*