

**PROJECT INFORMATION DOCUMENT (PID)
ADDITIONAL FINANCING**

Report No.: PIDA13002

Project Name	Gaza Emergency Response for Electricity Network Rehabilitation (AF) (P152411)
Parent Project Name	GZ-Gaza Electricity Network Rehabilitation Project (P116199)
Region	MIDDLE EAST AND NORTH AFRICA
Country	West Bank and Gaza
Sector(s)	Transmission and Distribution of Electricity (100%)
Theme(s)	Infrastructure services for private sector development (50%), City-wide Infrastructure and Service Delivery (50%)
Lending Instrument	Investment Project Financing
Project ID	P152411
Parent Project ID	P116199
Borrower(s)	Palestine Liberation Organization (PLO) for the benefit of the Palestinian Authority (PA)
Implementing Agency	Palestinian Energy and Natural Resources Authority (PENRA)
Environmental Category	B-Partial Assessment
Date PID Prepared/Updated	22-Sep-2014
Date PID Approved/Disclosed	23-Sep-2014
Estimated Date of Appraisal Completion	30-Sep-2014
Estimated Date of Board Approval	30-Oct-2014
Decision	

I. Project Context

Country Context

The recent armed conflict in Gaza lasted from July 8 through August 26, 2014, with devastating impacts on both the population and infrastructure in the Gaza Strip. UNOCHA estimates that 2,131 people died; close to 11,000 people have been wounded; and about 0.5 million residents, equivalent to around a third of Gaza's total population, have been displaced.

Already prior to the conflict, unemployment in Gaza had jumped to 45 percent (June 2014), with youth unemployment close to 70 percent. While there are no recent poverty estimates, it is believed that close to half of Gaza's population lives in poverty. Some 70 percent of Gaza's population had already been aid dependent prior to the recent conflict. The economic impact of the war has not been fully quantified yet, but is doubtless severe. The loss in national GDP compared to the pre-conflict forecast is estimated at more than US\$0.65 billion. Economic activity in Gaza all but stopped for almost two months. The World Bank and IMF are forecasting that the Palestinian

economy will shrink by almost 4 percent in real terms, with growth projected at -15 percent for Gaza and 0.5 percent for the West Bank.

The conflict resulted in massive destruction of infrastructure. As a result, needs for immediate relief and early recovery assistance are huge. The PA, in close collaboration with the international community, has provided immediate humanitarian assistance to alleviate the impact of the war in Gaza and, in parallel, it has been preparing a comprehensive plan to address its aftermath.

Through project staff based in Gaza, the Bank is supporting the relevant PA institutions in the baseline construction; analysis, validation and quantification of damage; analysis of the service delivery and socio-economic impacts; and a preliminary quantification of reconstruction needs. Early analysis of the three sectors in which the Bank was already working as the PA's partner, shows that damage is extensive and that needs are urgent and significant: damage to water and sanitation are estimated at US\$ 34 million, energy at US\$42.5 million, and municipal infrastructure and public facilities at more than US\$50 million, excluding the infrastructure and networks owned and operated by utilities. Early damage assessments in the three sectors were judged to be adequate to proceed with project preparation of three emergency AFs, of which the GENRP AF is one. All of the three projects will rely on existing implementation mechanisms and funding sources, thus greatly expediting the ability to address the emergency reconstruction needs in Gaza. It was decided that the need to process the three AFs in the infrastructure sectors was immediate, and the World Bank was well placed to prepare the operations to focus on addressing emergency needs and avoiding humanitarian catastrophe in Gaza.

Based on the rapid damage assessments, an early draft of the plan called "The National Early Recovery and Reconstruction Plan for Gaza (NERRPG)" has been prepared and was shared for consultation with the Bank and other development partners. Given that full damage and needs assessments for all relevant sectors are yet to be completed, the PA is cognizant that the plan will be a living document for the next few months. A detailed Damage and Needs Assessment (DNA) to assess the full scope of damage, economic loss and reconstruction needs is currently being launched by the PA. The DNA will utilize existing data and sectoral assessments currently being conducted by the PA and compile them into one internationally accepted standard for determining damage, loss and needs. This standard will be used to finalize the NERRPG and prioritize the PA's and donor interventions for recovery and long-term reconstruction. The DNA would be led and owned by the Government with assistance from a multi-disciplinary, multiagency team comprising the relevant UN agencies, the European Commission, and the World Bank.

Sectoral and institutional Context

Based on the preliminary assessment, the hostilities between Israel and Gaza in July-August 2014 have inflicted significant damage upon Gaza's power system:

- Medium voltage (MV) transmission lines importing electricity from Israel and Egypt have been damaged, limiting basic levels of supply.
- The fuel treatment and storage systems, and generation plant for Gaza's only power plant (GPP) – which is privately owned and operated - have been damaged, and according to PENRA will take more than a year to repair.
- Medium voltage (MV) and low voltage (LV) distribution networks, ubiquitous in urban environments, have been severely damaged and in some cases completely destroyed, constraining

what little supply there is to areas that have remained undamaged.

- GEDCO's warehouse, and the goods and equipment for network repair and maintenance that it contained, have been completely destroyed, limiting short-term emergency repair to the electricity network.

Electricity supply was already highly constrained prior to the recent hostilities, with supply only being provided for 8 hours per day. Supply is currently less than 6 hours per day, but only in areas where the distribution network has not been damaged and consumers remain connected. In many areas the distribution system has been completely destroyed and no electricity supply is available.

According to PENRA, Gaza City experienced an extended period with little or no supply at all – not only directly affecting Gazan residents, but also limiting other basic services that are reliant upon electricity supply including hospitals, water supply, and wastewater treatment.

PENRA, in conjunction with GEDCO has carried out an extensive damage assessment for the electricity sector. PENRA's initial estimates of damage to Gaza's electricity network total around US\$42.5 million. This does not include damage to the Gaza Power Station, or the cost of providing additional generation and expanded network infrastructure to provide full electricity supply to Gaza which is estimated at around US\$180 million. The impact of this damage is significant:

- Approximately 190,000 people are entirely without electricity supply;
- Following temporary repair work, the remainder of the population has limited supply of around 6 hours of power per day, but with poor levels of reliability and significant interruption;
- Other basic services that are reliant upon electricity have been reduced;
- In response to lack of electricity supply, incidences of theft and illegal connections have significantly increased, causing problems with load management and overloading, and posing the risk of network collapse;
- System losses have increased significantly due to the nature of temporary repairs that have been already undertaken on critical medium voltage infrastructure;
- Revenue collection for electricity supply has all but ceased;

The AF will finance supply and installation of electricity distribution infrastructure, and associated implementation costs, in order to (i) reconstruct damaged electricity infrastructure and restore basic electricity services; (ii) strengthen the existing network and improve supply in areas where population movement has increased load; (iii) re-establish and improve revenue collections for electricity; and, (iv) restore and enhance the capacity of PENRA and GEDCO to deliver electricity services.

In addition to this AF, which will allow GEDCO to meet part of its urgent need to reconstruct and rehabilitate the electricity distribution network, it is working in parallel to re-establish and increase bulk supply from Egypt, Israel and the Gaza Power Station. Temporary network arrangements have allowed an immediate increase in supply from 17MW to 32MW from Egypt, with ongoing negotiations seeking a further 15MW of short-term supply. Gaza Power Station is being repaired to operate in simple cycle mode to produce 60MW dependent upon fuel supplies. Finally, negotiations are being held with Israel to also increase supply through Israeli feeders.

The Palestinian Authority is also reaching out to other donors to support reconstruction efforts in the sector. It has already received, or re-programmed, approximately \$5M in other donor resources,

to support immediate reconstruction needs. The PA is also seeking further development partner support to the reconstruction of the sector.

II. Proposed Development Objectives

A. Current Project Development Objectives – Parent

The objective of the Project is to rehabilitate and expand the electricity networks in Gaza in order to improve their reliability and performance.

B. Proposed Project Development Objectives – Additional Financing (AF)

The Project objective is to restore and improve basic electricity services in Gaza.

III. Project Description

Component Name

Emergency Reconstruction and Rehabilitation of Damaged Electricity Infrastructure

Comments (optional)

The AF will finance projects that will re-construct 121 kms of Medium Voltage, and 301 kms of Low Voltage distribution network across the 5 governorates of Gaza. The AF will also provide GEDCO with urgently needed goods, materials and equipment to replace those damaged in the destruction of GEDCO's warehouse. These goods and equipment will allow GEDCO to undertake emergency repair, and smaller reconstruction projects on its existing electricity network.

Component Name

Utility Capacity Building and Technical Assistance to PEA

Comments (optional)

The AF will also support operating costs for GEDCO in the implementation of the above projects.

IV. Financing (in USD Million)

Total Project Cost:	15.00	Total Bank Financing:	0.00
Financing Gap:	0.00		
For Loans/Credits/Others			Amount
Borrower			0.00
Special Financing			15.00
Total			15.00

V. Implementation

The proposed Additional Financing (AF) will be implemented by the existing Project Management Unit (PMU) at PEA, which is currently handling the implementation of the initial GENRP. The Project Management Unit (PMU) operates under the umbrella of the PEA and is fully staffed with a director, procurement, financial management, accountant and other relevant staff. Key members of the PMU are experienced in implementing similar projects under the Banks procurement guidelines, policies and procedures. Therefore, the PMU will be responsible for handling all procurement and financial management issues related to the proposed Project.

GEDCO will be responsible, in coordination with and support from PEA, for the design and preparation of the technical specifications of the project components. GEDCO will also be responsible for the implementation of the activities financed by the AF project including the

supervision of local contractors for the installation and civil works and consultants for the technical assistance component.

The PMU will also be responsible for coordination with GEDCO, the Bank, the Islamic Development Bank (IsDB) and government authorities on the supply of equipment and materials to GEDCO as well as contract execution. Additional staffing of the PMU and GEDCO will be necessary especially to support coordinating the execution and monitoring of the project activities in Gaza.

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	x	
Natural Habitats OP/BP 4.04		x
Forests OP/BP 4.36		x
Pest Management OP 4.09		x
Physical Cultural Resources OP/BP 4.11		x
Indigenous Peoples OP/BP 4.10		x
Involuntary Resettlement OP/BP 4.12		x
Safety of Dams OP/BP 4.37		x
Projects on International Waterways OP/BP 7.50		x
Projects in Disputed Areas OP/BP 7.60		x

Comments (optional)

VII. Contact point

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Borrower/Client/Recipient

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