

Document of
The World Bank

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Report No: PAD1139

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT PAPER

ON A

PROPOSED ADDITIONAL GRANT AND
RESTRUCTURING

IN THE AMOUNT OF US\$15 MILLION

TO THE

PALESTINE LIBERATION ORGANIZATION
(FOR THE BENEFIT OF THE PALESTINIAN AUTHORITY)

FOR A

GAZA WATER SUPPLY AND SEWAGE SYSTEMS IMPROVEMENT PROJECT

October 17, 2014

Water Global Practice
Middle East and North Africa Region

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CURRENCY EQUIVALENTS

September 30, 2014

Currency Unit = US\$
3.69 = US\$1

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

AF	Additional financing
AFD	Agence Française de Développement
AFR	Additional Financing and Restructuring
CMWU	Coastal Municipalities Water Utility
EC	European Commission
ESMP	Environmental and Social Management Plan
ESIA	Environmental and Social Impact Assessment
FM	Financial Management
IBRD	International Bank for Reconstruction and Development
ICB	International Competitive Bidding
IDA	International Development Association
IsDB	Islamic Development Bank
MENA	Middle East and North Africa
MOF	Ministry of Finance
NCB	National Competitive Bidding
NRW	Non- Revenue Water
PA	Palestinian Authority
PID-MDTF	Partnership for Infrastructure Development of the Multi- Donor Trust Fund
PLO	Palestine Liberation Organization
PMU	Project Management Unit
PRDP	Palestinian Recovery and Development Plan
PWA	Palestinian Water Authority
QCBS	Quality and Cost Based Selection
SIDA	Swedish International Development Agency
TFGWB	Trust Fund for Gaza and the West Bank
UXO	Unexploded Ordnance
WB&G	West Bank and Gaza
WSSSIP	Water Supply and Sewage Improvement Project
WWTP	Waste water treatment plant

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**WEST BANK AND GAZA
ADDITIONAL FINANCING AND RESTRUCTURING TO THE GAZA WATER
SUPPLY AND SEWAGE SYSTEMS IMPROVEMENT PROJECT**

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ADDITIONAL FINANCING DATA SHEET

West Bank and Gaza

Additional Financing and Restructuring for Water Supply & Sewage Systems Improvement (P151032)

MIDDLE EAST AND NORTH AFRICA

GWADR

Basic Information – Parent									
Parent Project ID: P101289				Original EA Category: B - Partial Assessment					
Current Closing Date: 30-Jun-2016									
Basic Information – Additional Financing (AF)									
Project ID: P151032				Additional Financing Type (from AUS): Scale Up					
Regional Vice President: Inger Andersen				Proposed EA Category: B - Partial Assessment					
Country Director: Steen Lau Jorgensen				Expected Effectiveness Date: 10-Nov-2014					
Senior Global Practice Director: Junaid Kamal Ahmad				Expected Closing Date: 31-Dec-2017					
Practice Manager/Manager: Steven N. Schonberger				Report No: PAD1139					
Team Leader: Iyad Rammal									
Borrower									
Organization Name		Contact		Title	Telephone		Email		
Palestine Liberation Organization (PLO)		Shukry Bishara		Minister of Finance at the Palestinian Authority	+972 2 2978830		minister@pmof.ps		
Project Financing Data–Parent (GZ-Gaza Water Supply & Sewage System Improvement- P101289)									
Key Dates									
Project	Ln/Cr/TF	Status	Approval Date	Signing Date	Effectiveness Date	Original Closing Date	Revised Closing Date		
P101289	TF-13564	Effective	19-Dec-2012	19-Dec-2012	26-Dec-2012	30-Jun-2016	31-Dec-2017		
Disbursements									
Project	Ln/Cr/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed
P101289	TF-13564	Effective	USD	6.40	6.40	0.00	3.86	2.54	60.29

Project Financing Data –Additional Financing and Restructuring for Water Supply & Sewage Systems Improvement (P151032)					
<input type="checkbox"/>	Loan	<input checked="" type="checkbox"/>	Grant	<input type="checkbox"/>	IDA Grant
<input type="checkbox"/>	Credit	<input type="checkbox"/>	Guarantee	<input type="checkbox"/>	Other
Total Project Cost:	15.00	Total Bank Financing:	15.00		
Financing Gap:	0.00				
Financing Source – Additional Financing (AF)			Amount		
Borrower			0.00		
Partnership for Water and Urban Development in the West Bank			12.00		
Special Financing			3.00		
Total			15.00		
Policy Waivers					
Does the project depart from the CAS in content or in other significant respects?				No	
Explanation					
Does the project require any policy waiver(s)?				No	
Explanation					
Team Composition					
Bank Staff					
Name	Title	Specialization	Unit		
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Eric Ranjeva	Financial Officer	Disbursement Specialist	CTRLD		
Non Bank Staff					
Name		Title		City	
Locations					
Country	First Administrative Division	Location	Planned	Actual	Comments
West Bank and Gaza		West Bank and Gaza		X	Gaza
Institutional Data					
Parent (GZ-Gaza Water Supply & Sewage System Improvement-P101289)					
Practice Area / Cross Cutting Solution Area					
Water					
Cross Cutting Areas					
[] Climate Change					
[] Fragile, Conflict & Violence					
[] Gender					
[] Jobs					
[] Public Private Partnership					
Sectors / Climate Change					
Sector (Maximum 5 and total % must equal 100)					
Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %	
Water, sanitation and flood protection	Water supply	50			
Water, sanitation and flood protection	Wastewater Treatment and Disposal	27			
Public Administration, Law, and Justice	Public administration-Water, sanitation and flood protection	23			

Total		100		
Themes				
Theme (Maximum 5 and total % must equal 100)				
Major theme	Theme	%		
Urban development	Urban services and housing for the poor	76		
Financial and private sector development	Infrastructure services for private sector development	24		
Total		100		
Additional Financing and Restructuring for Water Supply & Sewage Systems Improvement (P151032)				
Practice Area / Cross Cutting Solution Area				
Water				
Cross Cutting Areas				
[] Climate Change				
[X] Fragile, Conflict & Violence				
[] Gender				
[] Jobs				
[] Public Private Partnership				
Sectors / Climate Change				
Sector (Maximum 5 and total % must equal 100)				
Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %
Water, sanitation and flood protection	Water supply	50		
Water, sanitation and flood protection	Sanitation	25		
Public Administration, Law, and Justice	Public administration- Water, sanitation and flood protection	25		
Total		100		
<input checked="" type="checkbox"/> I certify that there is no Adaptation and Mitigation Climate Change Co-benefits information applicable to this project.				
Themes				

Theme (Maximum 5 and total % must equal 100)		
Major theme	Theme	%
Urban development	Urban services and housing for the poor	100
Total		100

I. Introduction

1. This Project Paper seeks the approval of the Executive Directors to provide additional financing grant (AF) in the amount of US\$ 3 million from the Trust Fund for Gaza and West Bank (TFGWB) to the Palestinian Liberation Organization for the Gaza Water Supply and Sewage Systems Improvement Project (WSSSIP) (P101289, Grant No. TF013564). In addition, the project will be co-financed by a grant in the amount of US\$12 million from the Partnership for Infrastructure Development Multi-Donor Trust Fund (PID MDTF). The proposed AF was prepared according to OP10.00 paragraph 12 “Projects in Situations of Urgent Need of Assistance or Capacity Constraints.”

2. The proposed AF would help finance the costs associated with the scaling-up of project activities in response to circumstances arising during implementation, and specifically it would finance rehabilitating water and wastewater infrastructure damaged in Gaza as a result of the conflict that took place from July 5 to August 26, 2014. The AF is requested by the Palestinian Water Authority (PWA) in consultation with the Gaza Coastal Municipal Water Utility (CMWU) to finance civil works, goods, consulting services, non-consulting services, training, operating costs and recurrent costs to: (i) conduct the most urgent repairs to damage water and wastewater systems in order to restore basic water and wastewater services; and (ii) restore and enhance the capacity of the CMWU to deliver these services. Overall damage to water and wastewater systems are assessed in the order of US\$ 34 million, with the proposed AF covering approximately 40 percent of the required repairs. It is expected that additional funds from other donors for the reconstruction of the water sector will become available over the course of 2015 and early 2016 to cover the remaining 60 percent.

3. The proposed changes for the purposes of the AF are: (i) change in the PDO to reflect the reconstruction activities; (ii) restructuring of Component 1 (Improving Water Supply and Wastewater Facilities) to include additional activities for restoring damaged water supply and wastewater systems; (iii) corresponding changes to Component 2 (CMWU Capacity Building and Operational Support and CMWU recurrent cost) to include operating costs; (iv) restructuring of Component 3 (Project Management, Monitoring and Evaluation) and changes to the financial management and disbursement procedures; (v) revision of procurement arrangements in line with OP10.00 paragraph 12 to allow for simplified procurement procedures; and (vi) an extension of the closing date by 18 months from June 30, 2016 to December 31, 2017.

4. The direct beneficiaries from the proposed AF would be: (i) a population of around 1.8 million people that are currently reliant on CMWU services delivery through damaged or destroyed water and wastewater systems; (ii) the CMWU which had its technical and financial capacity for service delivery severely affected; and (iii) a population of around 1.2 million affected by the uncontrolled disposal of sewage as a result of non-functioning wastewater infrastructure. The expected outcome of the AF would be that around 1.8 million people of which 50 percent women would have basic water supply and wastewater services restored.

5. The AF will be funded with US\$ 3 million Special Financing from the TFGWB, supplemented by US\$ 12 million co-financing from the World Bank-administered PID MDTF. Co-financing for the proposed AF has been committed through Administration Agreements specifying the donor contributions to the PID MDTF. A supplemental contribution to the PID MDTF will be made by the Representative Office of the Kingdom of the Netherlands who signed

the Administrative Agreement for US\$4.0 million and the Agence Française de Développement (AFD) who expressed a willingness to participate with US\$4.5 million equivalent. Project financing under this AF reflects the full amount required for this project as well as all financial allocations. As such, the Grant Agreement (GA) for the MDTF co-financing will be issued only up to the amount of cash currently available from the Trust Fund. The GA will be amended as supplemental tranches from donors are received, but would not exceed the total financing envelope of US\$15 million for this proposed emergency AF as detailed in the document. Such supplemental amendments to the GA would not be considered “Additional Financing” per OP/BP 10.00 and would not require Board approval.¹ The additional financing from the World Bank’s TFGWB is secured and will be reflected in an amendment to the original GA.

II. Background and Rationale for Additional Financing in the amount of US\$15 million

6. *Alignment with Interim Strategy.* The proposed AF fits well with the World Bank Group’s Assistance Strategy for the West Bank and Gaza for the Period FY15 – FY16. It is critical to restoring basic water and wastewater services in Gaza, and as such would directly support the efforts of the Palestinian Authority (PA) to strengthen public institutions to ensure service delivery to citizens, the first pillar of the Assistance Strategy. Within that context the proposed AF would restore a part of the water and wastewater services in Gaza to the same or better level as before the July-August 2014 hostilities. It would also improve water infrastructure and environmental protection by reducing uncontrolled disposal of untreated or partially treated sewage. The AF would support private sector development and employment generation through civil works and goods contracts to local contractors and suppliers, in that way supporting private sector led growth that increases employment opportunities, which is the second pillar of the Strategy. The proposed AF would support the efforts to achieve the Bank’s global twin goals to end extreme poverty and promote shared prosperity, since restoring basic water and wastewater services will meet urgent humanitarian needs as well as meet the water and sanitation requirements of commercial and industrial enterprises and public services, thereby enabling private-sector led growth.

7. *Original Grant.* The development objective of WSSSIP is to improve the quality and efficiency of water supply and wastewater service provision in Gaza by (i) rehabilitating and expanding existing water and wastewater systems, and (ii) enhancing the capacity of the Coastal Municipalities Water Utility to sustain water and wastewater services. WSSSIP is the third in a series of World Bank-supported projects aimed at improving water and wastewater infrastructure and the institutional capacity to manage these facilities in Gaza. The project has a total budget envelope of US\$17.54 million, and is funded through a grant from the TFGWB of US\$ 6.40 million and a grant of US\$ 11.14 million in parallel co-financing from the Islamic Development Bank (IsDB). There have been slight changes to the objectives and components, but not to the scope of the project. The original project became effective December 26, 2012 and was originally scheduled to close on June 30, 2016 and is now being extended to December 31, 2017.

8. *Performance of WSSSIP.* WSSSIP is currently rated Satisfactory for achievement of the PDO as well as for Implementation Progress, in spite of delays related to Israeli restrictions on

¹ Any project restructuring per OP/BP 10.00 would be submitted to the Board for approval. Amendments to the GA would be subject to standard clearance procedures prior to signature.

the entry of materials into Gaza. Project implementation complies with all key grant covenants, procurement and financial management capacity are rated satisfactory, and there are no unresolved fiduciary issues. Prior to the hostilities of July-August 2014, the project had achieved some impressive results, including: (i) PWA and the CMWU maintain disinfection efficiency of the water supply in Gaza at the acceptable standard level of 99 percent as a result of chlorine supplies secured under the project; (ii) the percentage of non-revenue water(NRW) decreased from 39 percent to 34 percent as a result of repairs and installation of pipes and water meters; (iii) improved wastewater facilities benefitted around 44,000 people; and (iv) significant reduction (43 percent) in the power consumption at water wells as a result of rehabilitation and upgrading of electro-mechanical works. However, as a result of the hostilities some of these results were annulled, as NRW increased due to massive leakages from damaged pipe networks, and water and wastewater facilities that were built under the project sustained damages. Most notably, the financial capacity of the CMWU has been severely affected, and with the lack of services it is expected for the coming year that bill collection will not be higher than 65 percent of the collection rate before the hostilities.

9. *Rationale for requesting Additional Financing.* The request for the proposed two AF (US\$3 million from the TFGWB and US\$12 million from the PID MDTF) stems from the extensive damages to water and wastewater facilities caused by the the conflict in Gaza in July-August, 2014. In parallel to the AF to the WSSSIP, AFs are also proposed for the ongoing Gaza Electricity Network Rehabilitation Project and the Second Municipal Development Project which address urgent rehabilitation needs in the power and electricity sector as well as the municipal sector. Although total available funding will not suffice to address the full scope of damages from the July-August 2014 conflict, the proposed three AF operations are critical given the urgent need to ensure delivery of critical basic services in the three sectors (water, energy and municipal) and to enable the PA to respond to the emergency needs. Funds across the three sectors were allocated in close coordination with the PA sector authorities, based on the rapid damage assessments prepared with support from the Bank, and considering availability of sector funding from other donors, including for parallel financing. Allocation within sectors follows the priorities identified by the PA sector authorities. However, significant additional funding for recovery and reconstruction will be required and would need to be mobilized by the PA.

10. The recent conflict in Gaza from July 8 through August 26, 2014 had devastating impacts. According to UNOCHA estimates, 2,131 people died, close to 11,000 people have been wounded, and 28 percent of Gazans were displaced during the conflict. Prior to the conflict, a consensus Palestinian Government under the leadership of President Abbas was established in May 2014, with a cabinet of technocrats, who are not affiliated to any political party, but with broad support from all Palestinian parties. Growth, which started falling since 2012 as a result of a decline in foreign aid, fell further to less than 2 percent in 2013. The closures of the illicit tunnels with Egypt, which represented the main trade channel for imports and exports, particularly affected Gaza, and the economies of both the West Bank and Gaza went into recession in 2014. Preliminary estimates by the Palestine Central Bureau of Statistics (PCBS) indicate that growth in the first quarter of 2014 amounted to -1 percent (0.5 percent in the West Bank and -4 percent in Gaza). Israeli restrictions² on economic activity, in particular those on

² According to the Government of Israel, these restrictions are for the purpose of enhancing the security of Israel and Israeli citizens.

trade, movement and access substantially increased the cost of trade and make it impossible to import many production inputs into the Palestinian territories.

11. The restrictions on import and export and on movement of people in Gaza are particularly severe. All movement of people and goods in and out of Gaza has been restricted since June 2007. Israeli restrictions have been eased since 2010 for some construction materials, but exports are still virtually blocked from Gaza and must be destined to a third country (neither Israel nor the West Bank, which traditionally absorbed 85 percent of Gaza's exports.) The economic decline is resulting in unemployment growth. Unemployment reached 26 percent by the middle of 2014: 16 percent in the West Bank and a staggering 45 percent in Gaza. At 40 percent each, women and youth have particularly high levels of unemployment. Almost 23 percent of the workforce is employed by the public sector, an uncommonly high proportion that reflects the lack of dynamism in the private sector. A quarter of all Palestinians live in poverty according to a national poverty line based on a basic needs package of goods, with poverty rates in Gaza being twice that of the West Bank.

12. The economic impact of the conflict 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 has 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 for 2014.

13. The conflict resulted in massive destruction of infrastructure. Needs for immediate relief and early recovery assistance are significant and urgent. The PA has been preparing a comprehensive strategy and plan to deal with the aftermath of the Gaza conflict. As the first phase is in the planning process, the PA has launched damage assessments for specific sectors. An early draft of the plan called "The National Early Recovery and Reconstruction Plan for Gaza" (NERRPG) has been shared with the Bank and other donor partners. It comprises a vision for Gaza's reconstruction and socioeconomic recovery; early damage estimates; and principles for the implementation of the plan. Given that full damage and needs assessments for all relevant sectors are yet to be completed, the plan will be a living document for the next few months.

14. The total damage and needs are not fully known yet but are likely to be in the billions of dollars. The Bank has been active from early stages of the joint effort to design a recovery and reconstruction plan for Gaza. The PA has asked the Bank, the United Nations Development Program (UNDP), and the European Union (EU) to take the lead on the post-humanitarian phase needs assessments, which will be a critical input to enable the PA to revise and finalize the NERRPG. At the request of the PA, the Bank also contributes to the damage assessments in the sectors where the Bank is one of the PA partners in project implementation. These include water and sanitation, energy, and municipal development.

15. Rapid assessments estimate damages to the water and sanitation infrastructure at around US\$ 34 million; and at around US\$ 42.5 million in the electricity sector. Damages to municipal infrastructure and public facilities are estimated at more than US\$ 58 million, excluding the infrastructure and networks owned and operated by utilities.

16. For the water sector, PWA has prepared a damage assessment based on an inventory by the CMWU of the most visible damages and impacts. This assessment (see Table 1), shows that around US\$ 34 million in damages have been identified thus far. The impact of these damages is

significant and potentially disastrous. Water supply shortages occur due to damaged wells and around 120,000 CM per day of sewage (equivalent to the sewage of around 1,800,000 people) is currently discharged and uncontrolled, affecting groundwater infiltration areas, residential areas and eventually the sea. The poor sanitary situation is of great concern, as it could trigger the rapid spread of water-borne diseases. At the peak of the hostilities reportedly almost 40 percent of the water sources for Gaza in the eastern area of Gaza was left out of order either due to direct damages or damages to the electricity supply, as well as a lack of fuel to run back-up generators, leaving only 20 percent of the population receiving water through the network. Reportedly eight staff of the CMWU were killed while trying to perform emergency repairs on critical infrastructure. An overview of damages is given in Table 1 below.

Table 1: Type of damages in the water and wastewater sector and estimated cost³

Damaged Infrastructure/Asset	Extend of damage	Quantity	Estimated costs
Water Wells	Partially	15	\$ 419,000
Water Wells	Completely	11	\$ 1,650,000
Water Network	Partially	17,500m	\$ 3,310,000
Water Network	Completely	29,300 m	\$ 4,325,000
Water Storage/Reservoir	Partially	11	\$ 1,300,000
Water Storage/Reservoir	Completely	5	\$ 4,400,000
Desalination Unit	Partially	4	\$ 205,000
Desalination Unit	Completely	2	\$ 130,000
Wastewater Network	Partially	10310 m	\$ 2,427,100
Wastewater Network	Completely	7238 m	\$ 2,492,000
Wastewater Pump Station	Partially	12	\$ 1,447,000
Wastewater Pump Station	Completely	0	\$ -
Wastewater Treatment Plant	Partially	4	\$ 1,224,000
Wastewater Treatment Plant	Completely	0	\$ -
Water & Sanitation Vehicles & Equipment		50	\$ 8,850,000
Offices, computer and office equipment		1	\$ 255,000
Hidden and unseen		1	\$ 2,000,000
		Total	USD \$ 34,434,100

17. *Alternatives considered.* The World Bank considered providing financing to the water sector needs in Gaza through a stand-alone emergency project. This alternative was not favoured as it required longer processing time whereas the needs in Gaza are immediate and critical. Since all the activities envisaged under this proposed AF are in line with the original WSSSIP PDO, with the original project components and implementation mechanisms already in place, the same fiduciary, environmental and social safeguard mechanisms can apply, thus facilitating implementation in the early stages.

III. Proposed Changes

Summary of Proposed Changes

³ Water Sector Damage assessment Report, (Gaza August, 2014). Palestinian Water Authority, based on data from the Coastal Municipalities Water Utility (CMWU).

The proposed Additional Financing will restructure and scale-up the project activities to provide financing for emergency rehabilitation of water infrastructure which was damaged during the violent conflict in Gaza in July-August, 2014. The project development objective is revised and the project scope is expanded to scale-up on-going activities for: (i) the emergency rehabilitation of damaged water infrastructure in order to restore basic water supply and wastewater services; (ii) operational support to the implementing agency; and (iii) project management. The results framework is updated to reflect the deterioration in the original target values as a result of the damages, and to include indicators for the emergency rehabilitation. The project closing date will be extended to December 31, 2017.

The proposed AF is in line with OP10.00 paragraph 12 "Projects in Situations of Urgent Need of Assistance or Capacity Constraints". The financing envelope for the AF will be revised as other financiers are likely to commit financial contributions to this AF over the course of preparation and appraisal.

Change in Implementing Agency	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Change in Project's Development Objectives	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Change in Results Framework	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Change in Safeguard Policies Triggered	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Change of EA category	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Other Changes to Safeguards	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Change in Legal Covenants	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Change in Loan Closing Date(s)	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Cancellations Proposed	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Change in Disbursement Arrangements	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Reallocation between Disbursement Categories	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Change in Disbursement Estimates	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Change to Components and Cost	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Change in Institutional Arrangements	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Change in Financial Management	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Change in Procurement	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Change in Implementation Schedule	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Other Change(s)	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Development Objective/Results	
Project's Development Objectives	
Original PDO	
The project development objective is to improve the quality and efficiency of water supply and wastewater	

service provision in Gaza. This will be achieved through (i) rehabilitation and expansion of existing water and wastewater systems, and (ii) enhancing the capacity of the Coastal Municipalities Water Utility (CMWU) to sustain water and wastewater services.

Change in Project's Development Objectives

Explanation:

The PDO is revised to reflect the focus on emergency rehabilitation.

Proposed New PDO - Additional Financing and Restructuring (AFR)

To improve the quality and efficiency of water supply and wastewater service provision in Gaza and assist in restoration of basic water supply and wastewater services through: (i) rehabilitation and reconstruction of existing and damaged water and wastewater systems, and (ii) enhancing the capacity of the Coastal Municipalities Water Utility (CMWU) to sustain water and wastewater services.

Change in Results Framework

Explanation:

The Results Framework is revised to reflect: (i) the reduction in target values for the original indicators; and (ii) the focus under the AF on restoring basic water and wastewater services.

Compliance

Covenants - Additional Financing (Additional Financing and Restructuring for Water Supply & Sewage Systems Improvement - P151032)

Source of Funds	Finance Agreement Reference	Description of Covenants	Date Due	Recurrent	Frequency	Action
PWUD	TBD	- US\$4.7 million are available and the rest of the funds are contingent on receiving funds from donors in the MDTF account.				
TFGWB		- Signing of the Subsidiary Agreements between the PLO and PA are needed to be signed for the two additional financing		☒	Quarterly	New

Conditions					
Source Of Fund		Name		Type	
Special Financing		Amendment Letter, paragraph 15		Effectiveness	
Description of Condition					
The Subsidiary Agreement has been revised according to the provisions of the Amendment Letter.					
Finance					
Loan Closing Date - Additional Financing (Additional Financing and restructuring for Water Supply & Sewage Systems Improvement - P151032)					
Source of Funds			Proposed Additional Financing and restructuring Loan Closing Date		
MNA VPU Free-standing Trust Funds			31-Dec-2017		
Special Financing			31-Dec-2017		
Loan Closing Date(s) - Parent (GZ-Gaza Water Supply & Sewage System Improvement - P101289)					
Explanation:					
As a result of the damages to the water sector in Gaza, project implementation was delayed and results already achieved were negatively affected. Activities are scaled-up under the proposed AF to recover and expand achievement of the project objectives, requiring an extension of the closing date of 18 months.					
Ln/Cr/T F	Status	Original Closing Date	Current Closing Date	Proposed Closing Date	Previous Closing Date(s)
TF-13564	Effective	30-Jun-2016	30-Jun-2016	31-Dec-2017	
Change in Disbursement Arrangements					
Explanation:					
Under the original project there are three disbursement categories; (i) Goods, Works, Non-consulting Services, Consultants' Services and Training under Component 1 and 3; (ii) Goods, Works, Non-consulting Services, Consultants' Services and Training under Component 2; and (iii) Operating Costs of the Project Management Unit. In order to provide the implementing agency with the required flexibility to allocate funds as needed, under the original grant and the AF there will be one disbursement category for "Goods, Works, Non-consulting Services, Consultants' Services, Training, Operating Costs, and Recurrent Costs". Allocation of funds will be done in line with the project budget satisfactory to the World Bank.					
Change in Disbursement (including all sources of Financing)					

Estimates										
Explanation: Expected disbursements are updated to reflect the two AF and as shown in the legal agreement.										
Expected Disbursements (in USD Million) (including all Sources of Financing)										
Fiscal Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Annual	0.00	2.00	6.80	4.00	2.2	0.00	0.00	0.00	0.00	0.00
Cumulative	0.00	2.00	8.80	12.8	15.00	0.00	0.00	0.00	0.00	0.00
Allocations - Additional Financing (Additional Financing and restructuring for Water Supply & Sewage Systems Improvement - P151032)										
TFGWB US\$3Million:										
Category						Amount of the Additional Grant Allocated (expressed in USD)		Percentage of Expenditures to be Financed		
(1) Goods, works, non-consulting services, consultants' services and Training under Parts A and C of the Project						1,650,000		100%		
(2) Goods, works, non-consulting services, consultants' services and Training under Part B of the Project						800,000		100%		
(3) PMU Operating Costs						550,000		100%		
TOTAL AMOUNT						3,000,000				
PID MDTF (PWUD) US\$12Million:										
Source of Fund	Currency	Category of Expenditure	Allocation		Disbursement %(Type Total)					
			Proposed		Proposed					
PWUD		Goods, civil work, consultancy services, non- consultancy services, training, operation cost and recurrent cost	12,000,000.00			100				
Total:			12,000,000.00							
Reallocation between Disbursement Categories										
Explanation: No Change in the Parent project.										
Components										
Change to Components and Cost										
Explanation:										

Component 1 is revised to scale-up activities for the emergency rehabilitation of damaged water infrastructure. Component 2 and Component 3 are revised to scale-up financing for Operational Support (Component 2) and Project Management (Component 3).

Current Component Name	Proposed Component Name	Current Cost (US\$M)	AF	Proposed Cost (US\$M)	Action
Improving Water Supply and Wastewater Facilities	Restoring and Improving Water Supply and Wastewater Facilities	11.29	11.05	22.34	Revised
Utility Capacity Building and Operational Support	Utility Capacity Building and Operational Support and CMWU Recurrent Cost	3.15	2.40	5.55	Revised
Project Management, Monitoring and Evaluation	Project Management, Monitoring, Evaluation	3.10	1.55	4.65	Revised
	Total:	17.54	15.00	32.54	

Other Change(s)

Change in Implementing Agency

Explanation:

Implementing agency remains PWA, but the name in the system is changed to reflect a recent change of the Head of the PWA.

Implementing Agency Name	Type	Action
Palestinian Water Authority	Implementing Agency	

Change in Procurement

Explanation:

Since the AF is processed under OP 10.00 paragraph 12 "Projects in Situations of Urgent Need of Assistance or Capacity Constraints", simplified procurement procedures will be used in accordance with OP

11.0 (Procurement) paragraph 20.

**Change in Implementation
Schedule**

Explanation:

The implementation schedule is revised to reflect the scaled-up activities and the extended closing date.

IV. Appraisal Summary

Economic and Financial Analysis

Explanation:

There are no changes to the economic and financial rates of return for the original WSSSIP. No economic and financial analysis is done for the purposes of this AF, since the AF will restore basic water and wastewater services to the beneficiary population, and as such has not only humanitarian urgency but also significant economic and financial benefits, as people can return to their houses and the CMWU can re-start their normal operating procedures, including service provisions and bill collection.

Technical Analysis

Explanation:

The proposed AF is technically feasible, as it includes mostly civil works and goods to repair damages sustained in the water sector as a result of the bombardments and incursions of the Israeli Defense Forces (IDF) in Gaza. The Coastal Municipal Water Utility (CMWU) is very well experienced in implementing, procuring and supervising civil works and goods contracts. There is sufficient qualified staff, and staffing levels required for construction supervision will be monitored during implementation and adjusted if necessary. Activities to be financed have been identified by the CMWU and the Palestinian Water Authority in a detailed assessment of damages which occurred until August 14, 2014. This assessment was done by teams of CMWU and PWA staff and includes detailed lists of repairs needed at specified locations, as well as the preliminary bill of quantities, technical specifications and scope of works needed for the rehabilitation. The assessment does not yet include: (i) damages occurred during continued bombardments from August 14-16, 2014; (ii) hidden damages which cannot be observed as a result of scattered debris; (iii) damages to buried pipelines as a result of shock waves from the bombardments; and (iv) environmental damages such as pollution of wells and groundwater bodies.

The assessment identifies around US\$ 34 million of damages, mostly to water reservoirs, water and wastewater networks as well damages to CMWU buildings, vehicles, spare parts, equipment and machinery. Immediate financing of US\$ 17 million is required to alleviate the most urgent needs, with intermediate and long-term financing of US\$ 17 million to render the system fully operation. As funding is limited, packages to be financed under the proposed AF have been prioritized based on humanitarian needs, so the number of beneficiaries is maximized. The project will also work with other donors to explore the possibility of parallel funding for certain activities.

Social Analysis

Explanation:

The social development impacts of this project are expected to be generally positive, including restoring

water and sewerage services, reducing physical dangers caused by damaged systems; providing employment for local contractors and workers, and restoring water and sanitation services to hospitals, schools and homes. Potential negative impact of the project are in general limited to the project construction phase and may include noise, dust, obstruction of access to businesses and houses, etc. These negatives impacts are manageable and their mitigation is addressed in the project Environmental and Social Management Plan (ESMP) whose scope and area remain the same.

The project will not require any land acquisition as it will be carried out on existing facility sites located on public land (including waqf lands) and on municipality property and thus will not entail any resettlement or land acquisition and will not trigger the Involuntary Resettlement OP 4.12 safeguards policy. The project will avoid all areas where internally displaced people (IDPs) are temporarily housed. The CMWU and Bank confirmed that there are no IDPs on the site of the works. Formal consultations were carried out in the original project and the World Bank was informed that the populations affected have not changed. Information about the project and construction schedules will be communicated to the beneficiary population in a consultative manner. Environmental and social documentation have been updated and revised as necessary and were disclosed locally in local language (Arabic) and in the Infoshop on September 25, 2014.

Grievance resolution: Complaints will be resolved by providing written complaints to the borrower/client. If the issue cannot be resolved, an alternative method of completing the project will be identified. All complaints must be documented, including meetings and discussions of how the issues are resolved. The CMWU has been using a grievance process and has agreed to formalize this with improved documentation going forward and this will be reviewed regularly as part of the Bank's supervision activities.

Environmental Analysis

Explanation:

As the proposed AF is primarily restoration of similar physical works funded by the parent project, WSSSIP, there is no change to the safeguard category, nor the triggered safeguards policies. Hence the only relevant environmental safeguards policy is OP 4.01 on Environmental Assessment, and the proposed AF remains as an environmental safeguards category B. The safeguards instruments of the parent project (ESIA/ESMP) can be applied to the proposed AF, with minor updating to the ESMP to reflect the proposed AF sites. The content of the ESIA as well as the environmental consultations for the initial WSSSIP is still applicable. Construction debris removal is now in process, largely guided by UN agencies. Limited refurbished materials (e.g. gravel for backfilling) may be used for the civil works in this project, provided it fully complies with technical specifications.

The UN Mine Action Service (UNMAS), as well as other humanitarian agencies, are responsible for the safe removal of unexploded ordnances (UXO) and other explosive materials. Written documentation demonstrating completion of UXO clearance will be required as part of sub-project screening processes prior to commencement of civil works, as will be amended in relevant sections of the Operations Manual. The CMWU will use the ESMP to address any and all expected environmental impacts, as well as mitigation and monitoring measures. Client supervision of environmental safeguards aspects during implementation of

WSSSIP small civil works has been consistently rated Satisfactory, with timely and clear written monitoring and reporting records. The client has also complied with measuring and reporting relevant water quality indicators.

Risk

Explanation:

The risk rating remains high, due to the exceptional situation in Gaza. Under the cease-fire agreements reached on August 26, 2014, Israel has committed to ease restrictions to the imports of goods into Gaza. Nevertheless, the restrictions in place will likely pose a burden to implementation progress. Coordination with the Government of Israel on imports required for project implementation will be key to mitigate this risk.

Annex 1 - Results framework – Additional Financing and Restructuring for Water Supply & Sewage Systems Improvement

Project Name:	Additional Financing and restructuring for Water Supply & Sewage Systems Improvement (P151032)	Project Stage:	Additional Financing	Status:	DRAFT
Team Leader:	Iyad Rammal	Requesting Unit:	MNC04	Created by:	Pieter David Meerbach on 27-Aug-2014
Product Line:	Special Financing	Responsible Unit:	GWADR	Modified by:	Pieter David Meerbach on 12-Sep-2014
Country:	West Bank and G	Approval FY:	2015		
Region:	MIDDLE EAST AND NORTH AFRICA	Lending Instrument:	Investment Project Financing		
Parent Project ID:	P101289	Parent Project Name:	GZ-Gaza Water Supply & Sewage System Improvement (P101289)		

Project Development Objectives

Original Project Development Objective - Parent:

The project development objective is to improve the quality and efficiency of water supply and wastewater service provision in Gaza. This will be achieved through (i) rehabilitation and expansion of existing water and wastewater systems, and (ii) enhancing the capacity of the Coastal Municipalities Water Utility (CMWU) to sustain water and wastewater services.

Proposed Project Development Objective - Additional Financing and restructuring (AFR):

To improve the quality and efficiency of water supply and wastewater service provision in Gaza and restore basic water supply and wastewater services. This will be achieved through: (i) rehabilitation and reconstruction of existing and damaged water and wastewater systems, and (ii) enhancing the capacity of the Coastal Municipalities Water Utility (CMWU) to sustain water and wastewater services.

Results

Core sector indicators are considered: Yes

Results reporting level: Project Level

Project Development Objective Indicators							
Status	Indicator Name	Core	Unit of Measure		Baseline	Actual(Current)	End Target
Revised	Disinfection efficiency of water supply in Gaza is sustained at the baseline level of 99.0% throughout the project.	<input type="checkbox"/>	Yes/No	Value	Yes	No	Yes
				Date	30-Sep-2012	12-Sep-2014	31-Dec-2017
				Comment		The project helped PWA and the utility to secure chlorine solution which helped sustaining the disinfection efficiency of the water supply in Gaza at acceptable standard level of 99.0%, even during the hostilities.	
Revised	Decrease in the percentage of non-revenue water in Rafah, Khan Younis, and Deir El-Balah as a result of the project.	<input type="checkbox"/>	Percentage	Value	39.00	42.00	34.00
				Date	30-Sep-2012	12-Sep-2014	31-Dec-2017
				Comment		Prior to hostilities, non-revenue water decreased to the target value of 34%, but it is currently estimated that as	

						a result of the damages, there are more losses and it is higher than the original baseline value.	
Revised	Nominal increase in collection rate of CMWU in Rafah, Khan Younis, and Deir El-Balah Governorates as a result of the project.	<input type="checkbox"/>	Percentage	Value	49.00	25.00	55.00
				Date	30-Sep-2012	12-Sep-2014	31-Dec-2017
				Comment		Prior to hostilities collection rate was at 49%, but it is now at 25% only, as many household connections have been destroyed.	
Revised	People (49% females) in the project area would benefit from improved wastewater facilities.	<input type="checkbox"/>	Number	Value	0.00	0.00	100000.00
				Date	30-Sep-2012	12-Sep-2014	31-Dec-2017
				Comment		Before the hostilities, 44,000 people had improved wastewater facilities, but because of destruction this is now back to the baseline value of 0.	

Revised	Improvement in wastewater effluent quality in Gaza.	<input type="checkbox"/>	Percentage	Value	75.00	70.00	80.00
				Date	30-Sep-2012	12-Sep-2014	31-Dec-2017
				Comment		As a result of damages to wastewater treatment plants, effluent quality deteriorated.	
New	Number of people in urban areas provided with access to Improved Water Sources under the project	<input checked="" type="checkbox"/>	Number	Value	1600000.00	1600000.00	1850000.00
				Date	12-Sep-2014	12-Sep-2014	31-Dec-2017
				Comment			
New	Number of people benefitting from restored water supply and wastewater services	<input type="checkbox"/>	Number	Value	0.00	0.00	1800000.00
				Date	12-Sep-2014	12-Sep-2014	31-Dec-2017
				Comment			

Intermediate Results Indicators

Status	Indicator Name	Core	Unit of Measure		Baseline	Actual(Current)	End Target
Revised	Water tanks (3,000 – 4,000 CMs capacity) installed or rehabilitated and connected to the existing water network according to the CMWU Master Plan.	<input type="checkbox"/>	Number	Value	0.00	3.00	5.00
				Date	30-Sep-2012	12-Sep-2014	31-Dec-2017
				Comment		Three water tanks were constructed prior to hostilities	
Revised	Kilometers of water distribution networks rehabilitated.	<input type="checkbox"/>	Number	Value	0.00	12.00	36.00
				Date	30-Sep-2012	27-May-2014	31-Dec-2017
				Comment			

Revised	Water meters installed/replaced.	<input type="checkbox"/>	Number	Value	0.00	8750.00	14000.00
				Date	30-Sep-2012	27-May-2014	31-Dec-2017
				Comment		8750 new customers meters have been procured and installed with all associated piping requirements based on the field assessment carried out with customers services department. The main target was to replace blocked and damaged water meters	
Revised	Volume(mass) of BOD pollution load removed by treatment plant under the project	<input checked="" type="checkbox"/>	Tones/year	Value	7000.00	6000.00	8500.00
				Date	30-Sep-2012	12-Sep-2014	31-Dec-2017
				Comment		Volume of BOD load removed as a result of damages to WWTPs	
Revised	Volume of wastewater pumping capacity (m3/ day) restored and maintained, under the project.	<input type="checkbox"/>	Number	Value	110000.00	100000.00	130000.00
				Date	30-Sep-2012	12-Sep-2014	31-Dec-2017
				Comment		Pumping capacity	

						decreased as a result of damages	
Revised	Tariff proposal and adjustment system at CMWU upgraded.	<input type="checkbox"/>	Yes/No	Value	No	No	Yes
				Date	30-Sep-2012	27-May-2014	31-Dec-2017
				Comment		PWA/CMWU in cooperation with the Ministry of Local Government was introducing the new tariff system but this has been paused as a result of the hostilities.	
Revised	Operational cost recovery instruments for CMWU developed.	<input type="checkbox"/>	Text	Value	CMWU is recovering operational cost only in Rafah	CMWU is recovering operational cost only in Rafah	CMWU sign MOUs for membership with Khan Younis and Deir El-Balah Municipalities
				Date	01-Jan-2013	27-May-2014	31-Dec-2017
				Comment		Due to the political situation with Egypt the economic situation is preventing the achievement of	

						cost recovery in other areas.	
Revised	Reduction in energy consumption for operation of targeted water wells supported by the project in Rafah, Khan Younis, and DeirEl-Balah Governorates (Kw/h/m3).	<input type="checkbox"/>	Text	Value	0.55	0.55	0.4
				Date	01-Jan-2013	27-May-2014	31-Dec-2017
				Comment		Initial achievements have been annulled by damages sustained to the pumps supported under the project.	
New	Kilometers of damaged or destroyed water networks restored.	<input type="checkbox"/>	Kilometers	Value	0.00	0.00	46.00
				Date	12-Sep-2014	12-Sep-2014	31-Dec-2017
				Comment			

Annex 2

Operational Risk Assessment Framework (ORAF)

West Bank and G: Additional Financing and Restructuring for Water Supply & Sewage Systems Improvement (P151032)

Stage: Additional Financing and Restructuring

Risks						
1. Project Stakeholder Risks						
1.1 Stakeholder Risk	Rating	Moderate				
Risk Description: The PA, PWA change priorities, donors not interested in further funding the program	Risk Management: Water supply and infrastructure rehabilitation in Gaza is a pillar of the PNDP for 2011-2014. Investments are aligned with the PA and PWA strategy for improving the water supply in Gaza and developed and has been also recognized as a priority area for rehabilitation and reconstruction after the last conflict in Gaza. Many donors are showing interest in supporting the water sector in Gaza and the IsDB has signed a financing agreement of US\$ 11.14 million for this project.					
	Resp: Client	Stage: Implementation	Recurrent:	Due Date: Dec 31, 2015	Frequency:	Status: Ongoing
2. Implementing Agency (IA) Risks (including Fiduciary Risks)						
2.1 Capacity	Rating	Moderate				
Risk Description:	Risk Management:					

PWA is unable to meet project implementation requirements	By establishing a PMU, PWA agreed with the CMWU to hire PMU staff who have acquired substantial experience in implementing the Bank-supported GEWP and other donors' project. The same PMU will continue managing the Additional Financing and Restructuring.					
	Resp: Client	Stage: Implementation	Recurrent:	Due Date: Dec 31, 2017	Frequency:	Status: Ongoing
	Risk Management: Project Implementation Manual (including FM & Procurement procedures) has been updated to comply with the additional financing and measures were taken also to enhance the FM, procurement, and safeguards functions within PWA, including the retaining of the FM & Procurement specialists.					
	Resp: Client	Stage: Preparation	Recurrent:	Due Date: Sep 28, 2014	Frequency:	Status: Completed
3.2 Governance	Rating	Moderate				
Risk Description: The utility governance affected by political split between the West Bank and Gaza	Risk Management: The PWA will be the implementing agency and will be responsible for the fiduciary aspects. The utility has been successfully surviving the split and keeping coherent governance by focusing on the provision of services. Investments are spread and will benefit the entire population in Gaza and for all municipalities.					
	Resp: Client	Stage: Implementation	Recurrent:	Due Date: March 2015	Frequency:	Status: Ongoing

3. Project Risks

3.1 Design	Rating	Low				
<p>Risk Description:</p> <p>Project design is not flexible enough to suit the volatile conditions in Gaza and the parallel financing arrangements. Strong linkages between several activities financed by the World Bank and the IsDB might negatively affect the Bank's financing in case the IsDB investments are not implemented correctly.</p> <p>For the purposes of the AF, the overall scope and design of the project have depended on the availability of funds. This envelop depended on: (i) the allocation of available funds over the water, power and municipal sector; and (ii) the committed contributions of donors.</p>	Risk Management: Implementation arrangements were kept simple, utilizing the accumulated experience of PWA and CMWU in implementing previous Bank projects and the coordination mechanisms with the Israeli authorities on materials entry.					
	Resp: Client	Stage: Implementation	Recurrent:	Due Date: Dec 2017	Frequency:	Status: Ongoing
	Risk Management: Co-financed activities between the Bank and IsDB have been implemented efficiently and the coordination efforts will continue until they are finalized. The Bank activities that are linked to IsDB's are sequenced in a proper manner in the PP to ensure effectiveness of the Bank's investments. Close coordination between the involved parties (WB, IsDB, and Client) is already established and joint supervision missions will be conducted during implementation.					
	Resp: Client	Stage: Implementation	Recurrent:	Due Date: Dec 2015	Frequency:	Status: Ongoing
	Risk Management: There are several donors who joined the PID MDTF, four of them (Denmark, Sweden, Finland and Netherlands) have signed administrative agreement with the World Bank. AFD is anticipated to do so in December 2014. Therefore, the majority of the funding needs are already available.					
	Resp: Client	Stage: Imple	Recurrent:	Due Date: October 2014	Frequency:	Status: Ongoing

		menta tion		Date:	:	g
	Risk Management: Jointly with the relevant PA institutions in Gaza and the other donors, a consensus will be reached on allocation of limited funds to the sectors with the highest need and the greatest impact on alleviating humanitarian needs.					
	Resp: Both	Stage: Imple menta tion	Recurrent:	Due Dec 2014 Date:	Frequency :	Status: Not Yet Due
3.2 Social and Environmental	Rating	Moderate				
Risk Description:	Risk Management: The PMU staff is trained to implement and monitor the implementation of the EMP. CMWU will assist in monitoring the implementation of the ESMP; qualified staff at the quality assurance department are already in place.					
Construction and rehabilitation activities impacting communities. The PWA oversees monitoring the implementation of the ESMP. Customers may not be satisfied with the CMWU performance.	Resp: Client	Stage: Imple menta tion	Recurrent:	Due Dec 2014 Date:	Frequency :	Status: Not yet started
	Risk Management: A tariff by law has been approved by the Ministerial cabinet and study will be conducted focused on protecting poor households.					

	Resp: Client	Stage: Implementation	Recurrent:	Due Date: 31-Dec-2016	Frequency:	Status: In Progress
	<p>Risk Management:</p> <p>PWA in consultation with the CMWU will conduct broad-based consultations; communicate progress achieved by the project to enhance customer confidence and trust. CMWU is already using part of this through their website and its Facebook page.</p>					
	Resp: Client	Stage: Implementation	Recurrent:	Due Date: Sep 2015	Frequency:	Status: Ongoing
3.3 Program and Donor	Rating	Moderate				
<p>Risk Description:</p> <p>Parallel financing by IsDB may be affected.</p> <p>Donors' coordination may not be effective, which may jeopardize project implementation.</p> <p>For the proposed Additional Financing and Restructuring, some donors are still considering contributing to the AF through the Multi-Donor Trust Fund "Partnership for Infrastructure Development".</p>	<p>Risk Management:</p> <p>CMWU and IsDB have signed agreements on financing the agreed activities. IsDB expressed interest to the Bank team to support the CMWU and the water sector in Gaza. New coordination effort between CMWU and IsDB following the last Israeli-Palestinian conflict in Gaza is going on.</p>					
	Resp: Client	Stage: Implementation	Recurrent:	Due Date: Dec 2014	Frequency:	Status: Ongoing
	<p>Risk Management:</p> <p>Involved donors have started coordination at an early stage of project preparation and agreed to enhance coordination during implementation. Joint supervision missions will be conducted, along with regular communication among the involved parties. Four donors have already signed Administrative</p>					

	Agreements to provide support through the PID MDTF.					
	Resp: Bank	Stage: Implementation	Recurrent:	Due Date: Dec 2017	Frequency:	Status: Ongoing
	<p>Risk Management:</p> <p>The PWA, the Bank and the CMWU will have close coordination with the various donors involved, in order to expedite the decision making process and finalize the financing envelop for the proposed AF.</p>					
	Resp: Both	Stage: Implementation	Recurrent:	Due Date: Dec2014	Frequency:	Status: Ongoing
<p>3.4 Delivery Monitoring and Sustainability</p>	Rating	Substantial				
<p>Risk Description:</p> <p>CMWU is unable to improve its financial standing and operational sustainability to operate and maintain the infrastructure investments.</p>	<p>Risk Management:</p> <p>Measures were employed in project design to support the CMWU operation and CMWU will take some measures to reduce (i) the operational costs of the utility and (ii) improve revenues.</p>					
	Resp: Client	Stage: Implementation	Recurrent:	Due Date: 31-Dec-2015	Frequency:	Status: In Progress
	<p>Risk Management:</p> <p>External independent M&E specialist will be hired by the PWA to monitor project progress and</p>					

	evaluate CMWU operations and management functions.					
	Resp: Client	Stage: Implementation	Recurrent:	Due Date: 31-Dec-2015	Frequency:	Status: In Progress
	Risk Management: CMWU will take measures and will sign MOUs with municipalities to ensure improved cost recovery. Milestones have been set and agreed.					
	Resp: Client	Stage: Implementation	Recurrent:	Due Date: 31-Dec-2015	Frequency:	Status: In Progress
4. Overall Risk						
Overall Implementation Risk:	High					
Risk Description:	The overall fragility of the operating environment. PWA and CMWU unable to meet the implementation requirements, and donors (together) and Client coordination are not efficient during implementation					

Annex 3 – Detailed Description of Activities financed under the Additional Financing and Restructuring

1. Based on the detailed damage assessment, a priority list of scaled-up activities was established which can be financed with the available envelope. The additional financing will be used for the activities listed in Table 2, which are similar to the activities under the original components of the WSSSIP. All damaged works will be rehabilitated and if necessary upgraded in line with the PWA & CWMU Master Plan. Since it is expected that more damages will become apparent as the debris is being cleared, and since prices of materials and equipment are a function of the import restrictions imposed by the Israeli authorities, a high contingency rate of 20 percent is used for both price and physical contingencies.

Table 2: Very urgent priority activities financed under the AF and related WSSSIP components.

#	Very urgent priority activities	Activity details	WSSSIP Component	No. of beneficiaries ('000)	Estimated Cost (US\$ million)
1	Rehabilitate and reconstruction of water wells and desalination plants	Drilling and reconstruction of two wells to replace the completely damaged Abu Hamam and Abu Naser wells, each of 60 m ³ /hr production capacity in Deir Al Balah area. Also, 8 partially damaged wells shall be repaired and rehabilitated including civil and electromechanical works. The works shall cover electromechanical rehabilitation of Al Salam Brackish water desalination plant of 50 m ³ /hour production capacity in Rafah which was partially damaged.	1.2	500	0.5
2	Rehabilitate and reconstruction of water reservoirs and booster stations , reconstruct (Khouzaaa Water Reservoir and Abasan Water reservoir)	Reconstruction of two groundwater reservoirs of 1,500 m ³ capacity each, complete with water booster stations to serve both Khoza'a and Abassan Al Kabira areas in Khan Younis governorate in order to replace the damaged reservoirs. Structural rehabilitation and repairs of partially damaged ground water reservoirs in Al Musader (350 m ³), Wadi Al Salqa (350 m ³), and Al Moghrakah (3000 m ³) located in the middle area governorate. Electromechanical rehabilitation and repair of partially damaged Al Rahma water booster station located at the existing Rahma 5000 m ³ ground water reservoir in Khan Younis.	1.1	175	2.2
3	Rehabilitate and reconstruction of water mains, distribution network, and house connections, assess damages through a leak detection program	Replacement of all damaged carrier water lines including connections, valves and plumbing fixtures and upgrading of water networks with all associated household connections .This will cover UPVC piping and ductile pipes wherever applicable, including 4 km of 14" diameter pipes,5 km of 12" diameter pipes, 8 km of 10" diameter ,16 km of 8" ,6",4",2" diameters. Also, the works and supplies shall include two leakage detection vehicles to detect leakage in order to reduce it.	1.1&1.3	500	2.2
4	Rehabilitate and reconstruction of wastewater	Carry out comprehensive cleaning and desludging of 6 anaerobic wastewater lagoons located at 3 treatment plants in North,Rafah and Khan Younis plants. This	1.4	750	0.5

	treatment plants in Rafah, Khan Younis, and North area	will improve the performance of the plants by increasing the detention time for anaerobic lagoons. Also, the works shall include electromechanical rehabilitation of mechanical surface aerators located in Khan Younis and North WWTP and a rotary arm for bio tower in Rafah WWTP, as well as effluent water pumping stations with all associated electrical and mechanical installations requirements.			
5	Rehabilitated and reconstruction of wastewater networks and wastewater pumping stations	Replacement and upgrading of various wastewater gravity pipelines of different sizes with all associated manholes requirements which are damaged during the war periods. Electromechanical rehabilitation and repairs of 10 wastewater pumping stations including the replacement of damaged electrical switchboards, generators, pressure manifolds and pumps.	1.4	200	1.65
6	Purchase vehicles and heavy machinery, including loaders, excavators, and maintenance vehicles	Procurement of two loaders, two backhoes, one excavator, two trucks and five equipped maintenance vehicles. Comprehensive repair of 10 partially damaged service water and wastewater vehicles with all associated spare parts.	1.3 & 1.4	350	1.5
7	Environmental mitigation measures and monitoring	This will enhance the CMWU environmental monitoring programs established by CMWU for both water and wastewater services, and additional laboratory equipment and kits will be procured to enhance the CMWU laboratory capacity. Several additional activities and mitigation measures should be carried out to maintain both safe dumping of sludge generated from wastewater treatment plants and safe effluent wastewater to the sea outfalls which were partially damaged during hostilities. Also, a water quality monitoring program shall be established at customers household points where actual blending is taking place along with the water distribution networks.	2.3	1,800	0.3
8	Rehabilitate the administration and operational buildings of the CMWU	Structural and civil works repairs for CMWU Headquarter, regional and operational offices	2.1	1,800	0.4
9	Repair and replace damaged Information Technology equipment (computers, printers, servers)	Procurement of computers, printers, photocopiers and scanners to replace IT equipment which were partially damaged at different CMWU regional offices.	2.2	700	0.3
10	Purchase chlorine (extra demand to disinfect the entire water networks) and chemicals , and	Additional requirements of chlorine disinfection solution required to chlorinate the targeted reservoirs, water supply tanks, water networks and return them to safe operation. Also, additional chemicals for desalination plants are required to secure the operation	2.3	1,800	1.0

	fuel	of 9 brackish water desalination plants each of 50 m3/hr production capacity and one sea water desalination plant of 115 m3/hour .Diesel fuel quantities of at least 250,000 liters has to be made available to cover the deficits required for standby generators operated for more than 12 hours a day after the complete damage of Gaza electricity generation plant			
11	Additional contributions to PMU and CMWU recurrent cost and monitoring and evaluation from October 2014 until December 2017.	This will support PMU's project management by financing external M&E, external audit, CMWU recurrent cost (utility charges, insurance, office rent) and the like.	3		1.95
Sub-Total					12.5
Contingency at 20%					2.5
TOTAL					15

2. The proposed activities include significant financing for environmental mitigation and for contributions to the recurrent costs of the PMU and the CMWU. Additional environmental mitigation and monitoring is necessary as groundwater recharge areas and wells have been affected by uncontrolled sewage and possibly by hazardous substances used in the shells, bombs and ammunition used by the IDF. Environmental monitoring as such might call for more rigorous rehabilitation than estimated in the damage assessment. Additional financing to the CMWU is necessary as a result of the significant loss of revenues from bill collection. Therefore the AF will bridge the gap in CMWU operating costs until bill collection is back to previous or better levels, which could be achieved by project closing on December 31, 2017.

3. If contingency funds or additional financing from other donors will become available, they can be allocated to the activities of second priority as noted in Table 3.

Table 3: Urgent priority activities to be financed if more financing becomes available.

#	Urgent priority activities as noted in the damage assessment report	WSSSIP Component	No. of beneficiaries ('000)	Estimated Cost (US\$ million)
1	Rehabilitated wastewater networks and wastewater pumping stations	1.4	100	1.0
2	Rehabilitate and upgrade water mains, distribution network, and house connections,	1.1&1.3	200	2.0

3	Rehabilitate wastewater treatment plants in Rafah, Khan Younis, and North area	1.4	750	0.5
44.	Purchase chlorine (extra demand to disinfect the entire water networks) and chemicals , and fuel	2.3	1,800	1.0
5	Purchase vehicles and heavy machinery, including loaders, excavators, and maintenance vehicles	1.3&1.4	300	1.0
Sub-Total				5.5
Contingency at 20%				1.1
TOTAL				6.6

Annex 4 – Revised cost estimates

1. Table 1 below shows the current financing for the WSSIP per Component, both for the current original project (including IsDB parallel financing) as well as for the proposed AF.

Table 1. Financing for the WSSIP per Component, current project and AF (in US\$ million)

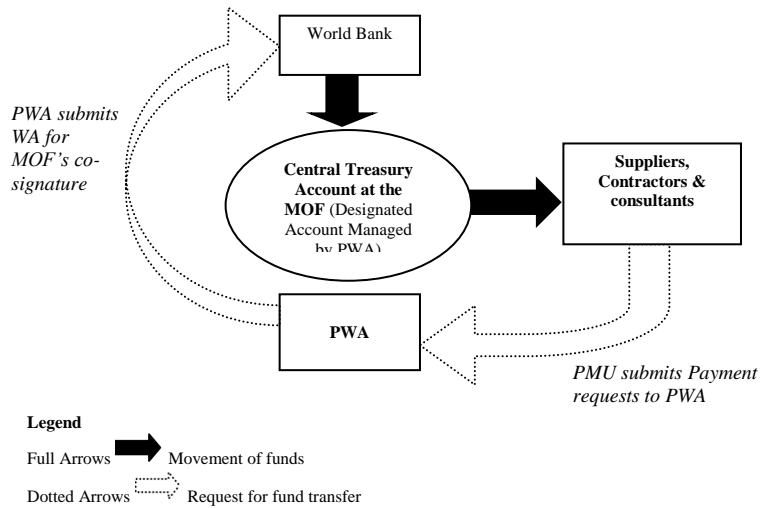
Component	Current	AF	Total
Restoring and Improving Water Supply and Wastewater Facilities	11.29	11.05	22.34
Utility Capacity Building and Operational Support and CMWU Recurrent Cost	3.15	2.40	5.55
Project Management, Monitoring and Evaluation	3.10	1.55	4.65
Total	17.54	15.00	32.54

Annex 5 - Revised Implementation Arrangements and Support

1. *General.* There are no changes to the implementation arrangements. The grant recipient is the Palestinian Liberation Organization (PLO) for the benefit of the Palestinian Authority (PA). The PA will implement the project through the Palestinian Water Authority for the benefit of the people of Gaza in accordance with legal agreements between the Bank and the recipient. A PMU will carry out day-to-day project implementation in consultation with the Coastal Municipalities Water Utility through inter-agency arrangements. The PWA and the CMWU have signed a memorandum of understanding describing the relationships, roles, and responsibilities between the two entities to be applied during project implementation. The PWA will be responsible for the fiduciary and safeguard aspects of project implementation through a PMU that has been established. The PMU makes available to the CMWU consultants' services, goods, and works benefitting the CMWU and financed out of the proceeds of the trust funds administered by the World Bank. The parties agreed that following completion of the construction, rehabilitation, and reconstruction of the facilities, the CMWU will continue to operate and maintain the facilities.
2. *Financial Management (FM):* The existing FM and disbursement arrangements for WSSSIP are used for this AF. FM performance rating has been "Satisfactory" since its effectiveness. The FM and disbursement arrangements of the ongoing WSSSIP will continue to be implemented under the proposed AF, and the PWA through the PMU will continue to manage the FM and disbursement for the Project. The PMU is adequately staffed and the accounting system is well functioning and captures all project-related transactions by component and by each financier. The PWA has a proven track record of effectively operating in the complex environment of Gaza.
3. The PWA's accounting system will be used to record, report, and monitor the project's accounts. Previous IFRs have been submitted in a timely and acceptable manner. The overall FM risk rating for the proposed AF is assessed as substantial with similar mitigating measures as WSSSIP. The audit report and management letter for the year ending December 2013 has been received. The delay in submitting the audit report is attributed to delays in contracting the external auditor and is also attributed to the current situation in Gaza. The audit field work was finalized by the external auditor and the auditor is expected to submit the final audit report to the Bank by September 15, 2014.
4. An external auditor, acceptable to the Bank, will be appointed by the Ministry of Finance (MOF) to audit the project's financial statements based on terms of reference (TOR) acceptable to the Bank. Additionally, an external auditor, using relevant technical specialists as needed, will conduct an annual technical audit.
5. Financial risks and mitigating measures. The overall financial management risk for the project is assessed as "substantial," mainly due to the following factors:
 - a) The overall fragile situation and the Israeli-imposed access restrictions to Gaza may affect the physical and financial progress of the operation and the verification of actual physical progress on the ground.
 - b) The nature of the project, which involves large work contracts for the rehabilitation and reconstruction of water reservoirs and water wells, may encourage collusive behavior.

- c) Potential “double dipping” from donors’ funds.
6. The following is a summary of the agreed actions/mitigation measures:
- a) Contract management will be centralized at the PWA.
 - b) The PWA will have the sole responsibility to disburse to suppliers, contractors, and consultants on behalf of the project.
 - c) The technical team responsible for monitoring goods and works contracts will review and approve project payment requests before further processing to provide assurance that payment related activities correlate to goods actually supplied and installed and to physical progress on the operations.
 - d) An independent external auditor, acceptable to the Bank, will be hired on a competitive basis to perform an external audit of the project’s annual financial statements, in accordance with ToR acceptable to the Bank. In addition, the ToR will be expanded to include a provision for annual technical audits of the project.
 - e) A separate Designated Account for each financier will be opened by the MoF under the Central Treasury Account, and will be used solely for this particular project.
 - f) The PWA will maintain separate financial transactions in its accounting software by opening separate cost centers for each financier.
 - g) The PWA will maintain complete and orderly supporting documentation for each contract, including signed contracts and invoices, and other related supporting materials, readily available for audit.
 - h) Quarterly financial management supervision missions will be undertaken by the Bank.
7. Parallel Financing by Financing Partners: Each donor’s contribution to the additional financing (including the Bank’s) will be through the MDTF, as co-financing towards the project’s activities. The Bank will disburse its funds through a separate Designated Account (DA) (under the Central Treasury Account) and managed by the PWA. World Bank and MDTF funds will be spent on specific project activities under the AF. Under the original WSSSIP, IsDB provides parallel financing, and World Bank and IsDB finance discrete project activities.
8. Staffing at the PWA: The PMU staff consists of a full-time financial and administrative manager, as well as a financial officer. The financial and administrative manager holds a degree in accounting and is capable of monitoring the grant’s FM and disbursement functions. The FM team is familiar with the World Bank’s FM and disbursements guidelines.
9. Budgeting and Funds Flow: The PMU will maintain a project budget and detailed disbursement plans. The budget will be developed based on an initial procurement plan and revised as needed. The budget will be analyzed yearly and quarterly as part of the Interim Financial Reports (IFRs).
10. The PMU is vested with the sole responsibility to disburse on behalf of the project to suppliers, contractors, and consultants. Each disbursement check has to be signed by one signatory from Category (A) plus one signatory from Category (B), according to the following matrix: Category A: (1) PMU head based in Ramallah, and (2) PMU-Gz deputy head based in Gaza. Category B: (1) PMU manager, and (2) PMU financial and administrative manager.

Flow of Funds



11. Accounting & Reporting: The PWA has a fully automated accounting system in place, “Al Aseel Accounting System.” This system is capable of capturing all project-related transactions. Separate cost centers to track and report the use of project funds for each financier will be created after the Grant Agreements are signed. The accounting system, however, cannot generate the Interim Financial Reports (IFRs). Therefore, IFRs will be compiled manually using Excel spreadsheets. Transaction statements from the accounting system will be retained with the IFRs to provide an audit trail to the underlying documentation.

12. The PMU will be required to issue quarterly IFRs composed of (i) Statement of Sources and Uses of Funds for the period and cumulatively by donor and by component and subcomponent; ii) Comparison between budget versus actual along with explanations of significant variances between budgeted and actual amounts; (iii) Statement of Designated Account reconciling the period’s opening and end balances; (ii) Contract listing; (iv) Fixed assets schedule; and (v) Physical Progress Reports, which include narrative information linking financial information with physical progress, and highlighting issues that require attention. The IFRs will be comprehensive and will cover all aspects of the project including all financing sources. IFRs content and format has been communicated and discussed with the project team.

13. Internal Control and Internal Audit: Project control procedures will follow the PWA’s internal control procedures, supplemented by the FM manual, to ensure that project funds are used only for intended purposes and for financing eligible expenditures. The PWA’s internal control procedures are summarized as follows: (i) PMU technical team review and approval; (ii) Procurement officer review and approval, and financial and administrative manager review and approval; (iii) MoF financial controller review; and (iv) Each payment will be signed by two authorized signatories as mentioned above. All parties must approve payment requests before the authorized signatories sign the requested check.

14. External Audit: The project financial statements will be audited annually by a qualified independent external auditor acceptable to the Bank and in accordance with internationally accepted auditing standards and ToR acceptable to the Bank. The audit will be comprehensive covering all financiers and will be conducted in accordance with International Standards on Auditing. The scope of the audit will be expanded to assess and report on the effectiveness of internal controls and compliance with the Grant Agreement, FM manual, and applicable laws and regulations. Deficiencies will be reported through a management letter. The audited financial statements and management letter will be sent to the World Bank not later than six months following the end of the project's fiscal year.

15. The PWA in coordination with the MoF will be responsible for preparing the ToRs for the external auditors. The ToRs is to be submitted to the Bank for clearance three months after project effectiveness. The cost of the external auditor will be financed from the grant. The PMU has one outstanding audit for WSSSIP. The delay in submitting the audit report is attributed to delays in contracting the external auditor and is also attributed to the current situation in Gaza. The audit field work was finalized by the external auditor and the auditor submitted the final audit report to the Bank on September 15, 2014.

16. In addition to the financial audit, the auditor is expected to perform a technical audit on an annual basis. In this context, auditors should use relevant technical specialists as needed to perform the technical audit in accordance to the Bank-accepted ToRs.

17. According to the World Bank's access to information policy issued on July 1, 2010, the project's audit report with audited financial statements will be made available to the public.

18. Fixed Assets and Contracts Registers: The Fixed Assets Register will be maintained by the PWA and regularly updated and checked. The register will include all necessary information including fixed asset description, location, type, identification numbers, purchase date, invoice number, etc. Contracts registers will be maintained for all contracts.

19. Supervision: The project's FM arrangements and activities will be supervised every quarter. The financial supervision activities will include, inter alia, review of IFRs, review of annual audited financial statements and management letters, technical audit reports, as well as timely follow up on issues raised by the auditor and a review of SOEs if needed.

20. Record Management: The PMU and CMWU will keep the project files for three years from the last audit of the project.

21. Governance and Anti-Corruption: Although it is impossible to eliminate the risk of fraud and corruption, prevention policies and internal control can reduce opportunities for it to occur. Fraud and corruption may affect project resources, thereby negatively affecting project outcomes. The above-proposed fiduciary arrangements are expected to reduce the risks of fraud and corruption that are likely to have a material impact on the project outcomes.

22. Disbursement: The proceeds of the grant will be disbursed in accordance with the Disbursement Letter and the Bank's disbursement guidelines for projects. Transaction-based disbursement will be used in this project. The same authorized signatories, names, and corresponding specimens of their signatures will be used by the Bank as in WSSSIP. For direct payments above the "minimum application size," as specified in the Disbursement Letter, withdrawal applications will be submitted to the World Bank for payments to suppliers and consultants directly. There will be two new segregated DAs for the new AFs. There are no

subaccounts under this DA, and reimbursements to the PA for payments made from its own resources will be made to accounts opened under the CTA with adequate safeguards to monitor accounts to which reimbursements would be made. Withdrawal applications submitted to the Bank will be prepared by the PMU and signed by the authorized signatories at the MoF, prior to submission to the Bank for processing.

23. Supporting documentation. In requesting disbursements into the DA or reimbursements for expenditures pre-financed by the recipient, the PMU will make use of a Statement of Expenditures (SOE) or records. The SOE could be used for (i) goods contracts costing less than US\$100,000 equivalent; (ii) works contracts costing less than US\$250,000; (iii) service contracts for individual consultants costing less than US\$ 50,000 equivalent each, and for consulting firm services costing less than US\$200,000; and for (iv) incremental operating costs.

24. Allocation of grant proceeds. Under the original project there are three disbursement categories; (i) Goods, Works, Non-consulting Services, Consultants' Services and Training under Component 1 and 3; (ii) Goods, Works, Non-consulting Services, Consultants' Services and Training under Component 2; and (iii) Operating Costs of the Project Management Unit. In order to provide the implementing agency with the required flexibility to allocate funds as needed, under the AF there will be one disbursement category for "Goods, Works, Non-consulting Services, Consultants' Services, Training, Operating Costs, and Recurrent Costs". Allocation of funds will be done in line with the project budget satisfactory to the World Bank. The proposed allocation of grant proceeds is shown in the table below.

Category	Amount of the Grant Allocated (expressed in USD)	Percentage of Expenditures to be Financed (inclusive of taxes)
Goods, Works, Non-consulting Services, Consultants' Services, Training, Operating Costs, and Recurrent Costs	12,000,000	100%

Category	Amount of the Original Grant Allocated (expressed in USD)	Amount of the Additional Grant Allocated (expressed in USD)	Percentage of Expenditures to be Financed
(1) Goods, works, non-consulting services, consultants' services and Training under Parts A and C of the Project	2,840,000	1,650,000	100%
(2) Goods, works, non-consulting services, consultants' services and Training under Part B of the Project	490,000	800,000	100%
(3) PMU Operating Costs	3,070,000	550,000	100%
TOTAL AMOUNT	6,400,000	3,000,000	
TOTAL GRANT AMOUNT	9,400,000		

25. Disbursement Plan: The projected disbursement for the proposed AF (in million US\$, rounded numbers) for each financial year (July-June, with FY15 from July 2014 until June 2015) is noted in the table below. Disbursements peak at the start of the AF as contracts are signed, and in the last two quarters of the project, as works are approved and commissioned and final bills are paid.

Component	FY 2015				FY 2016					FY 2017					FY 2018			
	Q2	Q3	Q4	Sub	Q1	Q2	Q3	Q4	Sub	Q1	Q2	Q3	Q4	Sub	Q1	Q2	Sub	Sub-Tot
Restoring and Improving Water Supply and Wastewater Facilities	0.75	0.30	0.31	1.360	1.40	1.30	1.20	1.30	5.20	0.50	0.50	0.56	0.56	2.12	1.0	1.33	2.33	11.01
Utility Capacity Building and Operational Support and CMWU Recurrent Cost	0.10	0.10	0.35	0.55	0.35	0.35	0.26	0.24	1.20	0.27	0.27	0.1	0.05	0.69	0.0	0.0	0.0	2.44
Project Management, Monitoring and Evaluation,	0.0	0.0	0.0	0.0	0.0	0.175	0.17	0.17	0.515	0.17	0.265	0.175	0.175	0.785	0.175	0.75	0.25	1.55
<i>Sub-Total</i>	<i>0.85</i>	<i>0.40</i>	<i>0.66</i>		<i>0.175</i>	<i>1.825</i>	<i>1.630</i>	<i>1.710</i>		<i>0.94</i>	<i>1.035</i>	<i>0.835</i>	<i>0.785</i>		<i>1.175</i>	<i>1.405</i>		
Total (Cumulative)	0.85	1.25	1.91	1.91	3.66	5.485	7.115	8.825	8.825	9.765	10.80	11.63	12.42	12.42	13.59	15.0	15.0	15.0

26. Disbursement Methods: Methods will include advances, reimbursements, direct payments, and special commitments. The project's Designated Account (DA) is established under the Central Treasury Account. The PWA is responsible for managing the DA and making all payments directly to contractors, consultants, and suppliers, including the incremental and operating costs of the PMU.

27. Procurement: Procurement for the AF will follow the same arrangements in place for the original project. In particular, procurement of goods, works, and non-consulting services will be carried out in accordance with the *Guidelines: Procurement of Goods, Works and Non-Consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers*, (World Bank, January 2011). For the selection of consultants, *Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers* will be used (World Bank, January 2011). *Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants*," shall apply to the AF (World Bank, October 15, 2006, revised January 2011).

28. The overall responsibility for procurement shall rest with PWA, through the existing PMU which has been handling the day-to-day implementation of the project, including

procurement. The PMU has experienced staff in implementing projects under Bank Procurement Guidelines. Current procurement performance is rated “Satisfactory”. However, continued restrictions imposed on access and movement of people and goods into Gaza is expected to delay or hinder the supply of equipment, spare parts, and other construction materials necessary for the execution of the rehabilitation works and may therefore cause substantial implementation delays and cost overruns.

29. Given the emergency nature of this AF, the following simplified procurement procedures for works and goods and selection procedures for consultants’ services shall apply:

A. Works and Goods

Direct Contracting. Direct contracting for the procurement of works and goods (as per paragraph 3.6 (a) and (e) of the Procurement Guidelines) may be used to extend an existing contract or award new contracts. For such contracting to be justified, the Bank should be satisfied that the price is reasonable and that no advantage could be obtained by further competition.

Shopping. Shopping in accordance with paragraph 3.5 of the Procurement Guidelines may be used for procuring readily available off-the-shelf goods of values less than US\$500,000, or simple works of values less than US\$1,000,000. The PMU shall solicit at least three price quotations⁴ for the purchase of goods, materials, small works, or services (other than consulting services), to formulate a cost comparison report.

B. Consultants’ Services

Single-Source Selection. Single-source selection of consulting firms and individuals (paragraphs 3.10 (b) and 5.4, respectively, of the Consultant Guidelines) may be used only if it presents a clear advantage over competition for the required consulting services.

Advertising/Shortlists For assignments that are estimated to cost less than US\$100,000, advertisement is not mandatory as long as a shortlist of at least three qualified firms is established.

30. **Procurement Plan.** Under works, the AF will finance the procurement of rehabilitation and repair works of water wells, desalination plants, tanks, booster stations, networks and house connections, rehabilitation and repair of wastewater networks and pumping stations, and rehabilitation works of CMWU administrative and operation buildings. Under goods, supply of Chlorine, chemicals and fuel, supply of vehicles, heavy machinery loaders, excavators and maintenance vehicles, and supply of IT and office equipment are envisaged, in addition to environmental monitoring and technical and financial audits under consultants services.

31. The PMU prepared a procurement plan for the AF, in consultation with CMWU. The procurement plan was agreed with the Bank and is summarized below. It specifies the procurement packages/consultancy assignments, estimated cost, methods and schedule, taking into consideration the project implementation schedule. It does not include PMU and CWMU

⁴ The PMU shall use the sample request for quotations for goods and simple works, which are currently being used under the original project.

management and recurrent costs. The PP will be updated at least annually or as needed to reflect actual project implementation needs.

Summarized Procurement Plan

I. General

- 1. Project Name:** Additional Financing and Restructuring for Gaza Water Supply and Sewage Systems Improvement Project
- 2. Period covered by this procurement plan:** first 18 months

II. Works and Goods

- 1. Procurement Methods and Prior Review Thresholds:** Procurement Decisions subject to Prior Review by the Bank as stated in Appendix 1 to the Guidelines for Procurement:

Category	Method of Procurement	Threshold (US\$ Equivalent)	Prior Review Threshold (US\$ Equivalent)
Works	NCB	<5,000,000	None
	Shopping	<1,000,000	None
	Direct Contracting	No threshold	All contracts
Goods	ICB	No threshold	First contract
	NCB	<500,000	None
	Shopping	<500,000	None
	Direct Contracting	No threshold	All contracts

- 2. Summary of the Procurement Packages planned during the first 18 months after project effectiveness:**

Works:

1	2	3	4	5	6	7	8
Ref. No.	Description	Estimated Cost US\$ ('000)	Procurement Method	No. of lots	Domestic Preference (yes/no)	Review by Bank (Prior / Post)	Estimated BDs issue date
1.	Construction and Equipping of Khoza'a Ground Water Reservoirs of 1800 m3 capacity in	800	NCB	1	No	Post	1-Dec-14

	Khan Younis Governorate.						
2.	Construction and Equipping of Abassan Al Kabira Ground Water Reservoirs of 1800 m3 capacity in Khan Younis Governorate.	800	NCB	1	No	Post	15-Dec-14
3.	Repair & Rehabilitation of Water Tanks and Booster Stations in Middle and Southern Area. (Multiple Packages)	600	NCB	1	No	Post	10-Dec-14
4.	Rehabilitation of Water Mains, Networks and House Connections. (Multiple Packages)	650	NCB	1	No	Post	15-Dec-14
5.	Drilling, Construction and Equipping of Two new wells replace completely damaged Abu Hamam and Abu Naseer wells in Deir Al Balah Area (Multiple Packages)	300	NCB	1	No	Post	15-Jan-15
6.	Electromechanical Repair and Rehabilitation of Al Salam Brackish Water Desalination Plant of 50m3/hour production capacity in Rafah Area and rehabilitation of partially damaged well	200	NCB	1	No	Post	10-Jan-15
7.	Cleaning & Rehab of 6 anaerobic wastewater lagoons located at 3 treatment plants in North, Rafah and Khan Younis	260	NCB	1	No	Post	10-Dec-14

	Area(Multiple Packages)						
8.	Electromechanical rehabilitation of mechanical surface aerators located in both Khan Younis and North WWTP. (Multiple Packages)	200	NCB	1	No	Post	10-Jan-16
9.	Replacement and upgrading of various wastewater gravity pipelines of different sizes with all associated manholes requirements (Multiple Packages)	300	NCB	1	No	Post	10-Jan-15
10.	Electromechanical rehabilitation and repairs of 10 wastewater pumping stations including the replacement of damaged electrical switch boards, generators, pressure manifolds and its associates, pumps (Multiple Packages)	1500	NCB	1	No	Post	10-Dec-14
11.	Repair and maintenance of partially damaged water and wastewater vehicles (2 Lots)	150	NCB	2	No	Post	10-Nov-14
12.	Rehabilitate the Administration and Operation Buildings of the CMWU beside CMWU warehouse (Multiple Packages)	400	NCB	1	No	Post	05-Jan-15
13	Rehabilitation, reconstruction of water and wastewater networks and house connections	2,000	NCB	1	No	Post	01-Sep-15

	(Multiple Packages)						
	Total	8,160					

Goods:

1	2	3	4	5	6	7	8
Ref. No.	Description	Estimated Cost US\$ (,000)	Procurement Method	No. of lots	Domestic Preference (yes/no)	Review by Bank (Prior / Post)	Estimated BDs issue date
1.	Two leakage detection vehicles	200	NCB	1	No	Post	15-Jan-15
2.	Supply vehicles and heavy machinery loaders and excavators. (Multiple Packages)	1,350	NCB	1	No	Post	10-Apr-15
3.	Laboratory Equipment and Kits	140	NCB	1	No	Post	10-Apr-15
4.	Supply of maintenance vehicles with all associated spare parts	200	NCB	1	No	Post	15-Nov-14
5.	Procurement of 30 PC units, 10 printers, 5 photocopiers, 15 scanners, and other IT equipment	300	NCB	1	No	Post	01-Nov-14
6.	Supply Fuel for Water and Wastewater Facilities	200	NCB	1	No	Post	15-Dec-14
7.	Supply Chlorine and Chemicals (Multiple Packages)	800	NCB	1	No	Post	01-Mar-15
8.	Procurement of Pipes for water networks (Multiple Packages)	1,000	NCB	1	No	Post	02-Oct-14
9	Procurement of water meters in destroyed areas after debris removal (Multiple Packages)	500	NCB	1	No	Post	01-Nov-15
	Total	4,690					

III. Selection of Consultants

1. **Selection Methods and Prior Review Thresholds:** Selection decisions subject to Prior Review by Bank as stated in Appendix 1 to the Guidelines Selection and Employment of Consultants:

Category	Selection Method	Threshold (US\$ Equivalent)	Prior Review Threshold (US\$ Equivalent)
Consulting Services Firms	QCBS/QBS	No threshold	Contracts above \$1,000,000
	FBS/CQS/LCS	<300,000	None
	Sole Source	No threshold	All contracts
Individuals	IC	No threshold	Contracts above \$300,000
	Sole Source	No threshold	All contracts

2. **Short list comprising entirely of national consultants:** Short list of consultants for services, estimated to cost less than US\$300,000 equivalent per contract, may comprise entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

3. **Consultancy Assignments with Selection Methods and Time Schedule:**

1	2	3	4	5	6
Ref. No.	Description of Assignment	Estimated Cost US\$ (,000)	Selection Method	Review by Bank (Prior / Post)	Estimated RFP issue date
1.	Consultancy Service for Environmental Mitigation Measures and Monitoring	160	QCBS	Post	25 –Dec- 14
2.	Auditing Services	40	LCS	Post	10 Jan 15
	Total	200			

The procurement plan does not include staffing and recurrent costs.

ⁱ The Government of Israel claims that these restrictions are for the security of the Israel and its citizens