

PROJECT INFORMATION DOCUMENT (PID) ADDITIONAL FINANCING

Report No.: PIDA12951

Project Name	Additional Financing for Water Supply & Sewage Systems Improvement (P151032)
Parent Project Name	GZ-Gaza Water Supply & Sewage System Improvement (P101289)
Region	MIDDLE EAST AND NORTH AFRICA
Country	West Bank and Gaza
Sector(s)	Water supply (50%), Sanitation (25%), Public administration-Water, sanitation and flood protection (25%)
Theme(s)	Urban services and housing for the poor (100%)
Lending Instrument	Investment Project Financing
Project ID	P151032
Parent Project ID	P101289
Borrower(s)	Palestine Liberation Organization (PLO) for the benefit of the Palestinian Authority (PA)
Implementing Agency	Palestinian Water Authority
Environmental Category	B-Partial Assessment
Date PID Prepared/Updated	16-Oct-2014
Date PID Approved/Disclosed	13-Jan-2015
Estimated Date of Appraisal Completion	24-Sep-2014
Estimated Date of Board Approval	30-Oct-2014
Decision	

I. Project Context

Country Context

1. 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 restrictions

on economic activity, in particular those on trade, movement and access substantially increased the cost of trade and make it impossible to import many production inputs into the Palestinian territories .

2. 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.

3. 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.

4. 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.

5. 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.

6. 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.

Sectoral and institutional Context

7. 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. 8 staff of the CMWU were killed while trying to perform emergency repairs on critical infrastructure.

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.

II. Proposed Development Objectives

A. Current Project Development Objectives – 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.

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

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.

III. Project Description

Component Name

Restoring and Improving Water Supply and Wastewater Facilities

Comments (optional)

Component Name

Utility Capacity Building and Operational Support and CMWU Recurrent Cost

Comments (optional)

Component Name

Project Management, Monitoring, Evaluation

Comments (optional)**IV. Financing (in USD Million)**

Total Project Cost:	15.00	Total Bank Financing:	0.00
Financing Gap:	0.00		
For Loans/Credits/Others			Amount
Borrower			0.00
Partnership for Water and Urban Development in the West Bank			12.00
Special Financing			3.00
Total			15.00

V. Implementation

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 Project Management Unit (PMU) that has been established. The PMU makes available to the CMWU consultants' services, goods, and works benefiting 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 them.

VI. Safeguard Policies (including public consultation)

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

Comments (optional)

VII. Contact point

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Borrower/Client/Recipient

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