

Document of
The World Bank

Report No: 65227-LB

RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
WEST BEKAA EMERGENCY WATER SUPPLY PROJECT
GRANT TF 058085-LE
TO THE
LEBANESE REPUBLIC

November 18, 2011

Sustainable Development Department
Middle East and North Africa Region

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ABBREVIATIONS AND ACRONYMS

BHWIA	Ba'albeck Hermel Water and Irrigation Authority
BRWA	Bekaa Regional Water Authority
CDR	Council for Development and Reconstruction
UfW	Unaccounted for Water

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Restructuring**Status: Archived****Restructuring Type: Level two**

Last modified on date : 11/18/2011

1. Basic Information

Project ID & Name	P103885: LB - Bekaa Emergency Water Supply
Country	Lebanon
Task Team Leader	Claire Kfoury
Sector Manager/Director	Francis Ato Brown
Country Director	Hedi Larbi
Original Board Approval Date	03/20/2007
Original Closing Date:	05/20/2010
Current Closing Date	11/20/2011
Proposed Closing Date [if applicable]	05/20/2012
EA Category	B-Partial Assessment
Revised EA Category	B-Partial Assessment-Partial Assessment
EA Completion Date	11/30/2006
Revised EA Completion Date	

2. Revised Financing Plan (US\$m)

Source	Original	Revised
BORR	0.00	0.00
SPF	15.00	15.00
Total	15.00	15.00

3. Borrower

Organization	Department	Location
Lebanese Republic	Ministry of Finance	Lebanon

4. Implementing Agency

Organization	Department	Location
Council for Development and Reconstruction		Lebanon

5. Disbursement Estimates (US\$m)		
Actual amount disbursed as of 11/16/2011		10.27
Fiscal Year	Annual	Cumulative
2010	0.00	10.27
	Total	10.27

6. Policy Exceptions and Safeguard Policies	
Does the restructured project require any exceptions to Bank policies?	N
Does the restructured projects trigger any new safeguard policies? If yes, please select from the checklist below and update ISDS accordingly before submitting the package.	N

7a. Project Development Objectives/Outcomes
Original/Current Project Development Objectives/Outcomes
The Project development objective is to improve health conditions of the population of the West Bekaa through the provision of non-contaminated water in increased quantities by completely rehabilitating the area's water network.

7b. Revised Project Development Objectives/Outcomes [if applicable]

LEBANON — WEST BEKAA EMERGENCY WATER SUPPLY PROJECT
P103885

Restructuring Paper

1. The closing date for *Lebanon, West Beka'a Emergency Water Supply Project (Grant TF 058085-LE), P103885* will be extended from November 20, 2011 until May 20, 2012 as per the request received from the Government of Lebanon in its letter dated September 19, 2011. There are no outstanding audits.

2. The Project's development objective is to alleviate the precarious conditions of the West Beka'a water supply systems, which were seriously aggravated by long-term neglect and Lebanon's 2006 conflict with Israel. Specifically, the Project will improve the health conditions of the West Beka'a target population through the provision of increased volumes of non-contaminated water by completely rehabilitating the area's water network. Project implementation is in advanced stages of completion and the development objectives continue to be achievable.

3. As of November 17, 2011, disbursements amount to 10.27 million USD. Committed funds under the project however amount to 14.31 million USD (equivalent to 95% of the Grant total). As discussed with GoL during the October 2011 supervision mission, the activities associated with the outstanding disbursements (4.091 million USD as per Table 1 below) are for works and purchases that have already been completed. These are thus expected to be fully disbursed within the coming months.

Activities/Description	USD
Total Grant Amount	15,000,000
Adjusted Works Contract Value including Comparison Table No 2	14,460,000
Disbursement as of November 17, 2011	10,240,000
Pending Activities and Associated Commitments	
Outstanding Approved Interim payments	28,247
Retention	1,450,000
Material On site for 13,080 house connections materials	800,000
Reinstatement works	1,000,000
Additional works and project management unit	750,000
Outstanding payments to construction supervision for work completed	91,753
Sub-total	4,091,753
Additional Works Proposed during Extended Project Period	
Works associated with approximately 11,000 house connections	100,000
Projected Balance at Project Closing	0

Table 1: Commitments and Disbursement Snapshot

4. As per the project design, a total of 13,080 new house connections will be made to the water network. Of these 13,080 potential subscriptions however, approximately 11,000 house connections are outstanding and have not subscribed to the Beka'a Regional Water Establishment (BRWE). The issues of non-subscription and non-payment for water services have been a consistent problem in the Beka'a area and are largely due

to historically inconsistent water and sanitation services, a lack of law enforcement and the particular characteristics of the overall politico-economic local environment.

5. With the full implementation of the network infrastructure and the availability of potable water on a 24-hour basis to the project affected areas however, the lags in subscriptions are now technically unjustified and pose a serious risk to the financial and operational sustainability of the BRWE in the medium and long term.

6. The BRWE has made serious attempts at improving the rate of subscriptions in the project area by: (i) significantly reducing subscription fees; (ii) designing and distributing effective awareness campaign materials and (iii) organizing community meetings with local project municipalities, and endorsed by local government, religious and social authorities.

7. As agreed with the Bank mission, the BRWE plans to continue and intensify these outreach activities over the next 6 months, in order to increase the number of subscriptions to the BRWE network. Based on international best practice and the Bank's experience in water sector reform, this action plan is likely to have a positive impact on the number of subscriptions.

8. A recently proposed World Bank PPIAF Grant to assist the BRWE in developing a communications campaign, business plan and improved awareness raising materials will also directly complement the BRWE's action plan to improve subscription rates.

9. While subscriptions increase and new households are connected to the network, it is thus essential that the works contractor (who is already engaged in the field), assist the BRWE in (i) making the physical connections between the network and individual households and (ii) continue to train BRWE engineers on the technical methodologies associated with house connections.

10. The extension to the Grant closing date by 6 months will thus allow CDR to extend the contract of the on-site works contractor (for a total estimated cost of 100,000 USD as per Table 1 above) to assist the BRWE in making the connections to the network. The extension to the Grant closing date will also allow the Bank to remain directly engaged on the project during the upcoming critical period that will significantly impact the sustainability of the project in the medium and long-term.

11. This will be the second extension of the project closing date.