



**The World Bank**

GZ-Gaza Electricity Network Rehabilitation Project (P116199)

REPORT NO.: RES33566

RESTRUCTURING PAPER  
ON A  
PROPOSED PROJECT RESTRUCTURING  
OF  
GZ-GAZA ELECTRICITY NETWORK REHABILITATION PROJECT  
APPROVED ON MARCH 6, 2012  
TO  
PALESTINE LIBERATION ORGANIZATION

ENERGY & EXTRACTIVES

MIDDLE EAST AND NORTH AFRICA

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## ABBREVIATIONS AND ACRONYMS



**BASIC DATA**

**Product Information**

Project ID P116199	Financing Instrument Investment Project Financing
Original EA Category Partial Assessment (B)	Current EA Category Partial Assessment (B)
Approval Date 06-Mar-2012	Current Closing Date 31-Mar-2019

**Organizations**

Borrower Palestine Liberation Organization	Responsible Agency Palestinian Energy and National Resources Authority
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**Project Development Objective (PDO)**

Original PDO

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

Current PDO

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

**Summary Status of Financing**

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net Commitment	Disbursed	Undisbursed
TF-18207	07-Dec-2014	07-Dec-2014	16-Feb-2015	31-Mar-2019	15.00	14.69	.31
TF-11639	23-Mar-2012	23-Mar-2012	18-Jun-2012	31-Mar-2019	8.00	6.46	1.54

**Policy Waiver(s)**

Does this restructuring trigger the need for any policy waiver(s)?

No



## I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

### A. Project Status and Rationale.

1. The project is under an advance stage of implementation and has disbursed around 93% (US\$ 21.15 million) under the original and additional financing. The AF component is substantially complete, except for the contracts for installation and civil works, which are targeted for completion by September 2018. The original financing of US\$ 8.00 million has disbursed US\$ 6.46 million with all the activities completed, except the Gaza Master Plan and Supply & Installation of meters.
  - (a) The contract for Gaza Master Plan was signed by PENRA on May 6, 2018 and is under implementation with target completion by end of February 2018.
  - (b) The supply and installation of pre-paid meters has not taken place despite multiple efforts over several years.
2. Given the deteriorating electricity supply conditions in the Gaza strip, the objective for deployment of meters has been changing over the past few years. Load management has emerged as a higher priority as GEDCO continues to implement different mechanisms to improve revenue collection. In April 2018, GEDCO prepared a new metering plan in line with the current electricity supply and economic situation. While this new plan would also require financing support, it first requires further analysis and discussion before an adequate procurement package can be prepared. As the project closes in March 2019, there is not enough time to complete procurement and installation of the meters. Furthermore, GEDCO's identified need for improved load management and control can be supported by expanding the SCADA system, which has been implemented through this project. Given the above issues, PENRA has decided to replace the sub-component for procurement of pre-paid, smart meters with the expansion of the SCADA system. This replacement will continue contributing to the PDO that focuses on improving the reliability and performance of electricity supply. This would also enable utilization of the remaining GENRP funds within the limited time available before the project closure on March 31, 2019.
3. Under original financing the SCADA system was procured for the part of the GEDCO's network at a cost of US\$ 0.662 million. Under the current proposal, PENRA will procure and install the SCADA system comprising of 86 pole-mounted 24 kV auto reclosers and 102 units of remote access wireless modems in the areas of Gaza. PENRA will provide remaining ancillary equipment needed for completing the scale up from its own resources. This will lead to completion of the second stage of implementation of SCADA in Gaza Governorate and the first stage of implementation in Khanyounus Governorate. The proposed scale-up of SCADA will be part of the SCADA expansion over the entire GEDCO network across the Gaza strip, which will require a capital investment of US\$ 11.00 million. GEDCO's staff has adequate in-house experience to enable installation and commissioning of the SCADA equipment. PENRA will be asked to make provisions for spares and material and ensure that warranties remain available for the equipment procured for the scale-up. PENRA will initiate tendering, contracting and installation in coordination with the Bank.
4. There are no outstanding audit reports. As per the latest Implementation Status Report (ISR), the current rating of progress towards PDO and safeguards is considered satisfactory; the overall implementation progress. As outlined in the ISDS, PENRA will be required to provide written documentation to confirm that all works pertaining to implementation of the SCADA system, even if there are design changes, will be done on public



land and will not result in relocation or loss of shelter, loss of assets or access to assets, or loss of income sources or means of livelihoods.

- 5. The GENRP has disbursed US\$ 6.46 million out of the total commitment of US\$ 8.0 million. The GENRP AF has disbursed US\$ 14.69 million out of the total commitments of US\$ 15.0 million. Thus, the overall disbursement ratio of the GENRP and GENRP AF is at 92%. It is estimated that an amount of around US\$ 2.04 will remain available, considering the savings from existing commitments and budget allocation for procurement of pre-paid smart meters. PENRA has proposed to allocate the entire available amount for scaling up of SCADA in the Gaza strip. The bidding documents and technical specifications have been finalized. The procurement and delivery are planned to be completed within 4 to 5 months, enabling installation and commissioning to be completed by March 31, 2019.

**II. DESCRIPTION OF PROPOSED CHANGES**

**B. Proposed Changes**

- 6. The Project Development Objectives (PDO) remains unchanged and will be achieved as originally agreed.
- 7. Component 1 of the Project ‘Electricity Network Rehabilitation and Expansion’ is modified by replacing sub-component 1.3 pertaining to procurement of pre-paid (smart) meters, as per the first restructuring paper, with procurement of equipment for expansion of SCADA system. This will entail the following changes:
  - (a) Dropping the PDO Indicator ‘Re-establishment of collection’. The installation of pre-paid meters for 6,000 customers was expected to improve collection of revenues, as the customer would have to pay for any electricity consumption in advance.
  - (b) Dropping the Intermediate indicator ‘Procurement of prepaid meters (with smart functionality)’
- 8. A legal covenant under the Grant Agreement (TF-11639) ‘Finance Agreement: PEA to Provide Prepaid Meters to GEDCO | Description: PEA to provide GEDCO with 10,000 prepaid meters for a metering pilot in Gaza based on a technical and social assessment including public consultation and an action plan to improve billing collection | Due Date: 30-Jun-2013 will be dropped.

**III. SUMMARY OF CHANGES**

	Changed	Not Changed
Results Framework	✓	
Components and Cost	✓	



Legal Covenants	✓	
Implementing Agency		✓
DDO Status		✓
Project's Development Objectives		✓
Loan Closing Date(s)		✓
Cancellations Proposed		✓
Reallocation between Disbursement Categories		✓
Disbursements Arrangements		✓
Disbursement Estimates		✓
Overall Risk Rating		✓
Safeguard Policies Triggered		✓
EA category		✓
Institutional Arrangements		✓
Financial Management		✓
Procurement		✓
Implementation Schedule		✓
Other Change(s)		✓
Economic and Financial Analysis		✓
Technical Analysis		✓
Social Analysis		✓
Environmental Analysis		✓

**IV. DETAILED CHANGE(S)****COMPONENTS**

<b>Current Component Name</b>	<b>Current Cost (US\$M)</b>	<b>Action</b>	<b>Proposed Component Name</b>	<b>Proposed Cost (US\$M)</b>
Electricity Network Reconstruction, Rehabilitation, and Expansion	28.32	Revised	Electricity Network Reconstruction, Rehabilitation, and Expansion	28.32



Utility Capacity Building and Technical Assistance to PEA	2.68	No Change	Utility Capacity Building and Technical Assistance to PEA	2.68
<b>TOTAL</b>	<b>31.00</b>			<b>31.00</b>

**LEGAL COVENANTS**

Loan/Credit/TF	Description	Status	Action
TF-11639	Finance Agreement :Subsidiary Agreement   Description :A Subsidiary Agreement is signed between the PLO and PA   Due Date :28-Jun-2012	Complied with	No Change
TF-11639	Finance Agreement :PEA Arrangements with GEDCO for Goods and Services   Description :PEA is to enter into arrangements satisfactory to the Bank, to ensure that goods and services financed out of the proceeds of the Grant for the benefit of GEDCO shall be made available to GEDCO   Due Date :28-Jun-2012	Complied with	No Change
TF-11639	Finance Agreement :Operations Manual   Description :PEA shall submit to the Bank a Project Operational Manual for the project   Due Date :28-Jun-2012	Complied with	No Change
TF-11639	Finance Agreement :PEA to Provide Prepaid Meters to GEDCO   Description :PEA to provide GEDCO with 10,000 prepaid meters for a metering pilot in Gaza based on a technical and social assessment including public consultation and an action plan to improve billing collection   Due Date :30-Jun-2013	Partially complied with	Marked for Deletion
TF-11639	Finance Agreement :Audit Report   Description :The PA shall submit audited project financial statements and shall cause GEDCO to carry out each year financial audits of their financial statements by independent auditors acceptable to the Bank   Frequency :Yearly	Complied with	No Change











Indicator Name	DLI	Baseline 2012	Intermediate Targets									End Target 2019	
			1	2	3	4	5	6	7	8	9		
the project (Kilometers)													
Transmission lines constructed under the project (Kilometers)		0.00										157.00	
Incremental increase in MVA capacity of MV Feeders (Number)		0.00							40.00	20.00	0.00	40.00	
Grievances registered related to delivery of project benefits addressed (%) (Percentage)		0.00										100.00	
Grievances related to delivery of project benefits that are addressed- (number) (Number)		0.00										80.00	
<b>GEDCO Capacity Building and Technical Assistance to PEA and PMU (Action: This Component is New)</b>													
Electricity Master Plan for Gaza (Text)		Consultant recruited									Final master plan complete	Consultant mobilized	Final master plan complete



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