

IDA - TRUST FUND 'W-1-GZ

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**Report No. P-6247-~~00~~ GZ**

**MEMORANDUM AND RECOMMENDATION**  
**OF THE**  
**PRESIDENT OF THE**  
**INTERNATIONAL DEVELOPMENT ASSOCIATION**  
**ACTING AS TRUSTEE FOR THE TRUST FUND FOR GAZA**  
**TO THE**  
**EXECUTIVE DIRECTORS**  
**ON A PROPOSED CREDIT TO THE**  
**OCCUPIED TERRITORIES**  
**IN AN AMOUNT EQUIVALENT TO US\$30 MILLION**  
**FOR AN**  
**EMERGENCY REHABILITATION PROJECT**

**MAY 2, 1994**

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## **CURRENCY EQUIVALENTS**

(As of March 29, 1994)

Currency Units in use = New Israeli Shequalim (NIS) and Jordanian Dinar (JD)

US\$ 1.00 = NIS 2.96

US\$ 1.00 = JD 0.701

JD 1.00 = NIS 4.22

## **WEIGHTS AND MEASURES**

Metric System

### **ABBREVIATIONS**

|        |   |   |
|--------|---|---|
| AHLC   | = | Ad Hoc Liaison Committee  |
| CA     | = | Civil Administration  |
| CBS    | = | Central Bureau of Statistics                                    |
| CG     | = | Consultative Group  |
| DOP    | = | Declaration of Principles                                       |
| EAP    | = | Emergency Assistance Program                                    |
| ERP    | = | Emergency Rehabilitation Project                                |
| GDP    | = | Gross Domestic Product  |
| GNP    | = | Gross National Product  |
| HV     | = | High Voltage  |
| ICB    | = | International Competitive Bidding                               |
| IEC    | = | Israeli Electric Company  |
| JD     | = | Jordanian Dinar   |
| JEDCO  | = | Jerusalem Electric Company                                      |
| JWU    | = | Jerusalem Water Undertaking - Ramallah District                 |
| kV     | = | Kilovolt  |
| kVA    | = | Kilovolt ampere   |
| kWh    | = | Kilowatt Hour   |
| LCB    | = | Local Competitive Bidding                                       |
| LV     | = | Low Voltage   |
| MC     | = | Managing and Procurement Consultant                             |
| MCM    | = | Million Cubic Meter   |
| MVA    | = | Megavolt ampere   |
| MW     | = | Megawatt  |
| NGO    | = | Non-Governmental Organization                                   |
| NIS    | = | New Israeli Shequalim   |
| OT     | = | Occupied Territories (West Bank and Gaza)                       |
| PAC    | = | Program Advisory Committee                                      |
| PECDAR | = | Palestinian Economic Council for Development and Reconstruction |
| PEPA   | = | Palestinian Environmental Protection Authority                  |
| PLO    | = | Palestine Liberation Organization                               |
| PMO    | = | Project Management and Monitoring Office                        |
| PNA    | = | Palestinian National Authority                                  |
| RPIU   | = | Road Project Implementation Unit                                |
| SIC    | = | Sector Implementation Consultants                               |
| TAF    | = | Technical Assistance Trust Fund                                 |
| TAP    | = | Technical Assistance Program                                    |
| UAE    | = | United Arab Emirates  |
| UNICEF | = | United Nations Children's Fund                                  |
| UNDP   | = | United Nations Development Programme                            |
| UNRWA  | = | United Nations Relief and Works Agency                          |
| USAID  | = | United States Agency for International Development              |

### **FISCAL YEAR**

(January 1 to December 31)

## OCCUPIED TERRITORIES

## EMERGENCY REHABILITATION PROJECT

## Credit and Project Summary

|  |  |
|--|--|
| <b><u>Borrower:</u></b>                | Palestinian Economic Council for Development and Reconstruction (PECDAR)                             |
| <b><u>Beneficiaries:</u></b>           | Municipalities in Gaza and the West Bank; the Successor to the Gaza Civil Administration; and PECDAR |
| <b><u>Amount:</u></b>                  | US\$30 million equivalent  |
| <b><u>Terms:</u></b>                   | IDA credit terms with 40 years maturity, including 10 years grace                                    |
| <b><u>Financing Plan:</u></b>          | Co-financing: US\$ 98 million<br>IDA: <u>US\$ 30 million</u><br>Total: <u>US\$128 million</u>        |
| <b><u>Economic Rate of Return:</u></b> | Not Applicable   |
| <b><u>Staff Appraisal Report:</u></b>  | None; a Technical Annex is attached  |
| <b><u>Map:</u></b>                     | IBRD No. 25562   |

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This report is based on the findings of three missions, two of which visited the Occupied Territories in October-December 1993, and the third in February 1994. The Appraisal Mission (which took place in October/November simultaneously with the Emergency Rehabilitation Program preparation mission) comprised of Messrs/Mmes. Kingsley Robotham (mission leader), Frederick Golladay (economist), Leonardo Concepcion (implementation specialist), Rama Skelton (power specialist), Andrew Macoun (sanitary engineer), John Hayward, Jeremy Berkoff (water resources specialists), Terje Wolden (transport engineer), Nail Yucel (transport economist), David Howarth, Gultekin Yuksel (procurement advisors), Aly Abu-Akeel (legal specialist), Steven Lintner (environmental specialist), Elmo Fernando, Sandra Cointreau, Sonia Hammar, Edwin Moore and Douglas Diamond (consultants). The project documents were reviewed by peer reviewers: Messrs. Alberto Harth (AFIIN), Michel Pommier (OPRPG), Ian Christie (AFIIE), Michael Cohen (TWURD) and Nimrod Raphaeli (OPRPG). The documents were also reviewed by Anil Sood, Prem Garg, and Tariq Husain. Secretarial support was provided by Mmes. Blanche Williams, Terri North and Priscilla Few (MN2IN). The Managing Division Chief is Alastair McKechnie and the Department Director is Ram Chopra. The Regional Vice President is Caio Koch-Weser.

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ACTING AS TRUSTEE FOR THE TRUST FUND FOR GAZA  
TO THE EXECUTIVE DIRECTORS  
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THE OCCUPIED TERRITORIES  
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FOR AN EMERGENCY REHABILITATION PROJECT**

1. I submit for your approval the following memorandum and recommendation on a proposed credit to the Occupied Territories (OT) in the amount of US\$30 million equivalent to help finance an Emergency Rehabilitation Project (ERP). The proposed credit would be on IDA terms, with 40 years maturity, including 10 years grace. Cofinancing is expected from at least 5 donors.
  
2. **Background.** The historic September 13, 1993 Agreement between Israel and the Palestine Liberation Organization (PLO), the Declaration of Principles (DOP), and the prospect of significant development assistance from the international community provide a window of opportunity for addressing some of the most critical social and economic needs of the Palestinian population. They also provide an opportunity for laying a foundation for addressing the many structural ills of the economy. Under DOP, it is planned that Palestinian authorities will assume control of internal affairs in Gaza and Jericho; in the West Bank they will have significantly increased responsibilities. In preparation for exercising these new responsibilities, the PLO and its policy-making arm, the Palestinian National Authority (PNA), have been elaborating plans to rehabilitate the economy. Also, on October 31, 1993, they established the Palestinian Economic Council for Development and Reconstruction (PECDAR) as the main vehicle for economic policy making, programming, management, administration and aid coordination during the period of transition, a period of uncertain duration.
  
3. The economy of the OT is under severe strain, and in almost every respect conditions in Gaza are far worse than in the West Bank. Incomes have stagnated; unemployment and underemployment levels have risen rapidly; public infrastructure and social services are grossly overstretched and often uneconomically provided; many local institutions are weak and in financial crisis; and the fragile natural resource base is threatened with irreversible damage. Between 1968 and 1980, the economy grew rapidly. However, growth started slowing down with the end of the regional boom in the early 1980s, and since the beginning of the *Intifada* in 1987 decline has set in. Per capita GDP did not grow in Gaza, and grew at an average annual rate of 3 percent in the West Bank. On average, disposable income grew even less: on a per capita basis, incomes rose by about 2.5 percent a year in the West Bank and declined by over 2 percent a year in Gaza. In 1993 incomes fell to their pre-*Intifada* levels. This has had a considerable impact on living standards. Recent estimates indicate that about 17 percent of the population of the West Bank and 33 percent of that of Gaza now live in poverty.
  
4. Economic and political dislocation, the concomitant underinvestment in the public sector, and the absence of appropriate and effective institutions have all contributed significantly to the present grossly inadequate level of infrastructure and services provision. Currently, these are far below the levels in countries with comparable per capita GNP (OT:US\$1,715 in 1991). For example, average urban water supply is only about 60 liters per capita per day (compared to 115 in Tunisia and 137 in Jordan), and few municipalities have adequate wastewater collection, treatment or disposal systems. Electricity consumption (680 kWh per capita per year) is low compared to Egypt and Jordan; street lighting is almost non-existent; and some 138 villages have no services or are dependent on isolated diesel-generated supplies. The road network, while typical of countries at similar income levels, has deteriorated to the point where, without immediate rehabilitation, past investments may be completely lost; and solid waste collection and disposal

are poorly organized, raising serious health and environmental concerns. The above economic, political and institutional factors have also contributed to inadequacies in the provision of social services. In most parts of the OT educational facilities are in poor condition, and breakdowns in discipline and low student achievements are common. In the case of health services, the inappropriate policies and operational inefficiencies have contributed to waste and less-than-expected benefits from the resources allocated to the sector.

5. In sum, the problems are deep, multiple and mutually reinforcing, leading to a sense of hopelessness and despair among large segments of the population. These deeply embedded problems can only be solved if they are addressed urgently, together, and in a coordinated way. Also, the prospects for lasting peace and sustainable development in the region will depend upon their early resolution. This will require resource inflows that will enable sustainable economic activity to improve the living conditions of all Palestinians, particularly those of the poor. Providing productive employment for the Palestinians within the OT will be among the most challenging issues in the coming years, and stimulating growth in the productive sectors and services will be essential for facing this challenge. Moreover, significant improvements in basic infrastructural facilities and services are needed to improve living conditions, to support private sector activities and to avoid further environmental degradation.

6. To help mobilize international support for the OT, a donors conference was held in Washington, D.C. on October 1, 1993. Participants in the conference felt strongly that unless the Agreement was followed by signs of rapid economic and social improvement for broad segments of the Palestinian population, political support for the Agreement may wither, undermining the entire peace process and with incalculable consequences. In order to provide effective support to the OT, donors: a) pledged over US\$2 billion in financial assistance; b) established an Ad Hoc Liaison Committee (AHLC) to help coordinate donor assistance, with the Bank as secretariat; c) established a US\$35 million Technical Assistance Trust Fund (TAF) to help finance studies for program and project preparation and institution building, and to be managed by the Bank; and d) requested the Bank to provide a programmatic framework for effective use of the planned assistance.

7. **IDA Assistance Strategy.** IDA has been in the forefront of efforts to help Palestinian authorities define a feasible rehabilitation and development strategy, and its six-volume study, prepared jointly with Palestinian counterparts during 1993 and entitled **Developing The Occupied Territories: An Investment in Peace**, September 1993 (the Study), provided the technical and policy underpinnings for the deliberations of the October 1993 Donors conference. Also, in September 1993 the Bank decided to set aside US\$ 50 million from its profits into a special trust fund (the Trust Fund for Gaza) to help finance priority rehabilitation projects in Gaza. Further, responding to the urgency expressed by all parties, IDA missions were dispatched to the OT during October 11 to November 22, 1993 and again during December 6 to 14, 1993, to prepare an Emergency Assistance Program (EAP, or "the Program"), a supporting Technical Assistance Program (TAP), and a complementary Emergency Rehabilitation Project (ERP). The EAP, TAP and an outline of ERP were presented at a Consultative Group (CG) meeting held in Paris on December 16, 1993. These were discussed and agreed by donors, and pledges of financial support were obtained. At the December 1993 meeting, IDA and donors agreed on the need to establish a mechanism to help finance start-up costs, and in January 1994 it was decided to establish the Johan Jørgen Holst Peace Trust Fund for this purpose. This fund will also be managed by the Bank.

8. Underlying the Bank's efforts is a strategy which seeks to achieve a delicate balance between the provision of relief, the rebuilding of critical infrastructure and institutions, and laying the foundation for long-term sustainable growth. The EAP, this proposed ERP (which is part of EAP) and TAP, complement each other and together embody this strategy. All were developed in close consultation with Palestinian counterparts, and reflect a jointly agreed approach. Also, within each of the main subsectors tackled under

EAP both short (1-3 years) and long (3-7 years) term strategies were jointly developed with Palestinian counterparts. Since EAP and TAP are presented in separate, companion documents--respectively, the **Emergency Assistance Program For The Occupied Territories**, and the **Technical Assistance Program For The Occupied Territories**, both dated December 1993--they are only briefly summarized below. (Further details on EAP and TAP are presented in the appendices of the Technical Annex and in the Project file.)

9. **The Emergency Assistance Program (EAP).** The Program comprises a three-year set of priority investments in both Gaza and the West Bank. It includes ERP and other donor-assisted projects and programs, and would provide support for: (a) public investments in ten sectors; (b) private sector investments; and (c) start-up expenditures for the central administration, municipalities and existing NGOs. The **public infrastructure investment component** focusses on quickly removing the most critical developmental bottlenecks and creating productive employment through the rehabilitation, reconstruction and improvement of basic infrastructure in ten sectors: education; health and welfare; power; telecoms; water, wastewater and sanitation; solid waste; inter-urban roads and transport; municipal roads and facilities (markets, abattoirs, etc.); housing; and agriculture. The housing sub-component focusses on limited and selective rehabilitation of the refugee camps; construction of middle and moderate income housing on a commercial basis; and development of private sector financing mechanisms. The **private sector investment component** focusses on creating an enabling environment for private investment through supporting the development of the financial system, including the strengthening of credit institutions. This also includes supporting the establishment of apex bank facilities to channel long-term funds to local credit institutions for onlending on a commercial basis to support private business activity in key sectors of the economy (agriculture, industry, tourism and housing). The **start-up expenditure support component** would provide temporary assistance to four main activities: (i) strengthening the implementation capacity of municipalities and villages; (ii) providing support to the central governmental institutions to strengthen administration and finance essential employment and relief; (iii) providing incremental operating support for UNRWA's planned activities (within its mandate); and (iv) providing incremental operating support for the similarly planned activities of the NGOs.

10. The Program is estimated to cost a total of about US\$1.2 billion, and would be implemented over a three-year period. The expenditure requirements in the first year are estimated at US\$0.4 billion, and commitments and pledges to date amount to US\$0.6 billion, including proposed credits of US\$50 million. PECDAR would have the overall responsibility for program management, aid coordination, monitoring and reporting. (PECDAR's role and structure are described in the Technical Annex.) To the extent possible, the program would be implemented through the following existing institutions: (a) municipalities (water and sanitation, municipal roads and facilities, and solid waste components); (b) UNRWA (education, welfare, physical infrastructure and housing components within the refugee camps); (c) UNDP (water and sanitation components, mainly technical assistance and support); and (d) NGOs (higher education, health, welfare, women, children's and rural infrastructure components).

11. **The Technical Assistance Program (TAP).** The TAP would help to prepare and support implementation of investment activities; provide support for the development of much of the policy framework required to ensure the sustainability of the investment program; and lay the institutional basis for interim self-government. The TAP activities include: (a) immediate assistance to ensure effective implementation of the Emergency Assistance Program, including the **Emergency Rehabilitation Project** to be financed by IDA and donors; (b) training and institutional development to enhance Palestinian capacity for planning, coordination and implementation of development policies, programs and projects over the medium term, including studies which will assist the Palestinians to prepare for the transfer of authority

in designated areas; (c) policy studies and technical analysis for priority macro and sectoral issues confronting the OT; and (d) feasibility studies, including environmental reviews, and preparation work for priority investments likely to be taken up during the next 3-5 years.

**12. Emergency Rehabilitation Project (ERP) Objectives and Strategy.** The proposed ERP is a core component of the Bank's assistance strategy for the OT. Its main objective is *to help alleviate the current crisis by delivering widespread and tangible benefits to broad sections of the Palestinian population as quickly, equitably and effectively as possible. This would be done by removing the most critical infrastructural bottlenecks, improving essential facilities services, and creating productive employment.* In order to maximize its impact and carefully husband its resources under ERP, IDA in coordination with donors would focus on a limited number of sectors where: (a) needs are greatest; (b) employment and other widespread benefits can be quickly generated; (c) subprojects are ready for implementation or can be quickly prepared; (d) policy and environmental issues are not contentious; and (e) donors are not very active or there is an urgent need to provide policy leadership and guidance. Singly and/or in combination, these criteria eliminated health and welfare, solid waste, housing, and telecom components from consideration for inclusion in ERP. In these sectors donors, UN agencies and NGOs are already very active, and it is anticipated that telecoms and agriculture would be taken up by the private sector. The remaining sectors are included in ERP, and are the ones in which IDA's technical, policy and supervisory skills and capacities can be most effectively employed in support of EAP's objectives.

**13. Project Description.** The proposed Trust Fund credit would help finance: (a) the rehabilitation, reconstruction and/or improvement of priority infrastructural services in four sectors: (i) education; (ii) power, (iii) water, wastewater and sanitation; and (iv) roads; and (b) institutional support, capacity building and project management to effectively implement both the project and EAP. The **infrastructure rehabilitation component** (US\$119.7 million, 94 percent of the project cost) would include: improvements to structures (including school buildings and road and drainage structures), networks, systems, plant and facilities; provision of essential vehicles, equipment and supplies (including laboratory equipment and text books), and spares; and technical assistance for project preparation and implementation. The **institutional support component** (US\$8.3 million, 6 percent of the project cost) would include support for identifiable priority expenditures of central levels of government for: the establishment and operating costs of PEC DAR; incremental operating costs associated with the implementation of the project (project/contract review, evaluation, monitoring, accounting, auditing, reporting); essential vehicles, equipment supplies, and spares; and such other activities and expenditures as IDA and PEC DAR may from time to time mutually agree are essential for the effective execution of the project.

**14. Project Cost and Financing Plan.** The total cost of ERP is estimated at US\$128 million including physical contingencies (10 percent of base cost), and price contingencies (11 percent of base cost). In accordance with the September 1993 Board decision (para. 7), the Trust Fund credit of US\$30 million (23 percent of project costs) would finance components in Gaza only. Financing would be on IDA terms. The balance of the Trust Fund (US\$20 million) would be used to finance a second project to be agreed with PEC DAR. Donor cofinancing of US\$18 million on a joint basis, and US\$80 million on a parallel basis would support components in both Gaza and the West Bank (see Schedule A). A portion of the cofinancing for the project is tied. According to IDA operational procedures (OD 11.00), IDA cannot manage or supervise procurement on partially or wholly tied funds from bilateral donors without the specific approval of the Executive Directors. Given the practical difficulties at the present time for some donors to undertake by themselves the administration of their contributions to the project, to relieve the administrative burden on PEC DAR during the start-up period, and to ensure effective coordination by IDA in its financing the program of assistance, we seek approval: (a) to administer a Danish grant (in the amount of US\$20 million), even though one-half of the grant would be reserved for procurement of Danish goods and services; and (b) to administer a Saudi Fund grant in all of its aspects, save for decisions with

respect to procurement which will be made by the Saudi Fund according to its eligibility requirements. Similar considerations and actions would apply in respect of some other cofinancing (Kuwait Fund and United Arab Emirates, see para. 20 of the Technical Annex), for which approval is also sought. The amounts and methods of procurement and a disbursement breakdown are shown in Schedule B. Selection of subprojects for Danish and Saudi Fund financing has been on the basis of economy and efficiency. The Trust Fund credit (and donor funds) would finance 100 percent of local and foreign expenditures because PECDAR is not in a position to provide project funding. This is an exceptional situation and not expected to apply to future projects. A timetable of key project processing events is provided in Schedule C. Since there has been no previous IDA or Bank group lending to the OT, Schedule D has been omitted. A map is also attached.

15. **Project Implementation.** The project would be implemented over a three-year period beginning July 1, 1994, and draw upon the capacity being established in PECDAR for overall program management. Responsibility for policy guidance would lie with PECDAR's Board of Governors. However, responsibility for overall infrastructure investment program management, project implementation, monitoring and reporting would lie with the management of PECDAR, primarily with the Director of the Program Management and Monitoring Office (PMO). This responsibility would be exercised within a framework established by, and in consultation with the Economic Policy Office of PECDAR. In order to ensure that PECDAR can mobilize quickly and yet remain a lean organization capable of responding effectively to changing circumstances, PMO would rely on the services of competent managing and procurement consultants (MC). This would be a firm recruited internationally on terms and conditions consistent with IDA procurement guidelines. Appointment of these consultants by PECDAR would be a **condition of effectiveness of the Trust Fund credit**. PMO would also employ sector implementation consultants (SIC) to help prepare and supervise the implementation of the power and inter-urban roads components. In order to avoid the danger of over-centralization and ensure that local needs and priorities are effectively attended to, while the PMO (and PECDAR) would have its headquarters in the West Bank it would establish a sub-office in Gaza (the Gaza office). Further, to the extent possible, PMO would rely on existing institutions and agencies--mainly the municipalities--to execute subprojects; and in order to expedite project implementation, municipalities would be provided with technical support and given considerable autonomy in contracting for works costing US\$0.25 million or less. This limit would be reviewed periodically by PECDAR and adjusted upwards as municipalities demonstrated effective managerial capacity.

16. The project would be implemented under highly unusual, difficult and risky circumstances and has been designed with this fact in mind. The political and economic situation is in flux, institutions are weak, the number and range of potential subprojects is great, and the quality and level of preparation is variable. Thus, **a high degree of flexibility has been built into project design**. Accordingly, no attempt was made to elaborate every component in detail. Instead, a strategy was adopted to identify and appraise a core, first-year set of priority subprojects, while putting in place institutional capacity, selection processes and a set of selection criteria which would ensure effective subproject identification, preparation and implementation for the remaining years. These processes and criteria would also help ensure objectivity and transparency. Reinforcing these arrangements would be technical assistance in the form of competent managing and procurement consultants (para. 15). Underpinning these arrangements would be intensive IDA support during the first year and one-half. This would include stationing IDA advisory and supervisory staff in Jerusalem for at least the first six months of the project. Implementation and supervisory arrangements would be reviewed continuously during the life of the project and, where necessary, changes made (including the reallocation of funds between sectors and revisions of institutional arrangements) by mutual agreement to achieve project objectives. Such reviews would be a core part of proposed formal half-yearly consultations between IDA and PECDAR.

17. **Project Sustainability.** While the focus of the ERP would be on rehabilitation, project components have been selected with a view to sustainability. A key step in project design was the joint development with Palestinian counterparts of a short and medium term strategic framework (see Technical Annex, Appendix 3), and the utilization of this framework for subproject identification. Also, the project selection criteria (para. 16) include consideration of recurrent cost implications and would help to rule out subprojects involving significant and unsustainable future recurrent costs. In addition, to the extent possible reliance would be placed on local capacity and existing institutions, and technical assistance would be provided under the project and through the TAP to strengthen the capacity of these institutions, further aiding sustainability. Finally, in designing the project all feasible steps were taken to ensure local ownership--a critical aspect of sustainability.

18. **Lessons from previous Bank/IDA Involvement.** Since 1967, there has been no Bank or IDA involvement in the OT. However, the Bank and IDA have together financed some 130 emergency projects worldwide. The key "success" lessons are the following: (a) clarity of project objectives--avoid confusing emergency objectives with longer term policy reform objectives; (b) project simplicity; (c) use of existing organizations and procedures to the maximum extent possible; and (d) local ownership. These lessons have all been incorporated into the design of ERP. For example, out of a potential ten, the number of sectors have been limited to four; subproject selection criteria have been established which focus on short-term rehabilitation objectives, readiness, and ownership; existing municipalities and municipal procedures would be relied upon to the maximum extent possible and strengthened where necessary; and every aspect of the project has been developed in close consultation with Palestinian counterparts and reflects their priorities. However, the situation in the OT cannot be considered a "normal" emergency. Higher-level political and administrative institutions which can be taken for granted in a "normal" state do not exist and have to be created as part of the institutional support and capacity-building process. This fact alone means that while the lessons from previous projects should be (and are being) observed, they cannot be followed blindly.

19. **Rationale for IDA Involvement.** There is a consensus within the donor community that it is vital to assist the Palestinian people in coming to grips with their critical economic, institutional and infrastructural problems as quickly as possible during this period of transition. There is also a consensus among donors that IDA can, and should play a central intellectual, financial and coordinating role in this endeavor. Further, without this assistance it is doubtful whether the peace can hold and the preconditions for development be established. The ERP supports the OT's longer term economic stability and development objectives and is consistent with IDA's assistance strategy for the OT. Given IDA's development mandate, its capacity and its long experience with similar undertakings in other countries (see para 18 above), it is in a good position to assist the OT with this difficult undertaking. This fact has been acknowledged by the confidence placed in IDA by the donor community, and was reaffirmed at the December 1993 CG meeting in Paris.

20. **Actions Agreed.** The Palestinian leadership has taken initial actions to ensure effective project implementation by announcing the establishment of PECNDAR. Also, the general structure and operating modalities of PECNDAR (including the modalities for detailed subproject selection, design and implementation) and the terms of reference for consulting assignments were discussed and agreed prior to negotiations. The following were discussed and agreed at negotiations: (i) the detailed implementation arrangements for the first-year core program (para. 16); (ii) details of the cofinancing, procurement, disbursement, accounting and reporting requirements; (iii) the scope, content and modalities of the formal half-yearly joint project reviews (para. 16); (iv) appointment of the department heads and key staff of PECNDAR, including the director of PMO and the deputy director for Gaza (para. 15); (v) elaboration and operationalization of the basic operating systems of PECNDAR, including particularly the accounting and financial management, payment and personnel systems of the Operational Support Office, and the operating

systems of PMO (para. 15); (vi) recruitment and appointment of sector implementation consultants, on terms and conditions acceptable to IDA to assist PMO in preparing and implementing the power and inter-city transport components (para. 15); (vii) recruitment and appointment of the Consultants Panel, comprising 12-15 competent local engineering/architectural/building consulting firms, on terms and conditions acceptable to IDA, to assist municipalities and villages to prepare detailed designs and contract documents, and supervise water and sanitation and municipal roads and facilities subprojects (paras. 15 and 16); (viii) issuance of request for proposals for the managing and procurement consultants, on terms and conditions acceptable to IDA, to assist PMO (para. 15); (ix) ratification of PECDAR's bylaws by the PNA (para 2). The Credit Agreement will be signed after confirmation of the function and responsibilities of the Borrower by the Palestinian authorities which will take control of Gaza/Jericho under the agreement to be reached through the ongoing negotiation between Israel and the PLO for withdrawal and transfer of authority. The selection and appointment of the managing and procurement consultants on terms and conditions acceptable to IDA is a **condition of effectiveness**.

21. **Environmental Aspects.** The proposed project has been placed in environmental screening category "B" consistent with the provisions of Operational Directive 4.01, "Environmental Assessment." Proposed sector programs have been subject to field-based review by IDA and consultant environmental specialists. Currently, there are no known project proposals whose implementation would require extensive land acquisition or result in involuntary resettlement. No known archaeological or historical sites would be affected by activities to be supported. Implementation of the proposed project would result in significant improvements in the management of water and wastewater in both the West Bank and Gaza. Because of past experiences, the project would not support construction of new wastewater treatment plants or sludge disposal facilities prior to a detailed environmental examination of the interventions in this area. Activities under the project would reduce the risk of pollution of the highly sensitive Gaza groundwater aquifer. Rehabilitation of the road network would include improvements to drainage, thus reducing flooding in municipalities and erosion; in addition, the resulting efficiencies in travel operations would reduce air pollution. All activities would be subject to environmental review by the environmental specialist in the PMO of PECDAR, the Palestinian Environmental Protection Authority and U.A. Environmental mitigation and monitoring measures would be included as appropriate. Under the complementary TAP, institutional development programs would be funded to support development of the Palestinian environmental and cultural resources management authorities, including the preparation of environmental assessment procedures and an environmental monitoring system.

22. **Program Objective Categories.** The project would support the Palestinians' program to alleviate poverty, build institutional capacity, improve and protect the environment, preserve public assets and create an enabling environment for sustainable private sector development.

23. **Benefits.** The project would also have a particularly positive impact on employment: an estimated 10,000 man-years of direct employment in construction would be created. Further, by helping to improve the delivery of essential infrastructural services, the project would provide other significant and widespread social and economic benefits. Specifically, it would help: improve public health and education services; protect and conserve sensitive and limited water resources, and reduce the losses due to network inadequacies and inefficient utility operations; make a start in improving roads, reducing traffic congestion, travel time, and vehicle operating costs; and improve the general quality of life for broad segments of the population as well as overall economic efficiencies. The project would also help build consumer and investor confidence, strengthen local institutions, and open up opportunities for private sector participation and development through consulting, contracting, and manufacturing inputs. The benefits would accrue to virtually all citizens of the OT, and particularly to low income families in Gaza and in the camps and villages. Specific direct and indirect benefits would accrue approximately as follows: (a) Gaza: i) water and sanitation - 460,000 persons; ii) municipal roads - 550,000 persons; iii) education - 150,000 children;

and (b) West Bank: i) water and sanitation - 60,000 persons; and ii) municipal roads - 300,000 persons. (Note: benefits cannot be summed as this would result in double counting).

24. **Risks.** ERP faces considerable risks, many of which cannot be avoided. These risks fall into three broad categories: (a) **Political Risks:** the success of the project requires stability in the OT, steady progress in the bilateral and multilateral negotiations, and a maturation of internal political processes. Instability and/or Israeli/Palestinian negotiation delays could significantly slow activities which depend on their outcome and increase project costs. (b) **Managerial and Technical Risks:** Effective and timely implementation of the project requires the early consolidation of PECDAR, including the appointment of key staff; the early establishment of efficient operating systems and procedures and the appointment of key consultants. (c) **Program Risks:** ERP is designed to support EAP, thus implementation of program activities with a questionable technical or economic merit could undermine donor confidence and hence program and project viability. Furthermore, the capacity of the local consulting and contracting industry and the extent of foreign contractor interest is not known with precision, and contracting bottlenecks could delay implementation. Political risks would be significant and difficult to manage. On the other hand, success in providing tangible benefits to the Palestinian population through EAP and ERP could be expected to reinforce the momentum for peace and thereby facilitate the success of the negotiations. Managerial and technical risks would be minimized by providing technical assistance to ensure that PECDAR is established on a sound operational basis (the latter being a condition of Board presentation), by allocating as much responsibility as possible to existing institutions and supporting these institutions with competent local consultants. Program risks would be minimized by establishing effective project selection, screening and review mechanisms in PMO, and by employing competent local and foreign consultants to weed out badly conceived or designed subprojects. Also, the project has been specifically designed to permit flexibility during implementation including the restructuring of key components, if necessary. Finally, risks would be minimized by establishing appropriate monitoring, reporting and control mechanisms, intensive IDA support during the first year and a half of PECDAR operations, and by formal, half-yearly joint project reviews (para. 16).

25. **Recommendation.** I am satisfied that the proposed Trust Fund credit would comply with the provisions of the Resolutions of the Executive Directors of the IBRD and IDA (Resolution No. 93-11 and Resolution No. IDA 93-7) establishing the Trust Fund for Gaza, and recommend that the Executive Directors approve it.

Lewis T. Preston

Attachments  
Washington, D.C.  
May 2, 1994

**OCCUPIED TERRITORIES  
EMERGENCY REHABILITATION PROJECT (ERP)**

**Estimated Costs and Financing Plan<sup>a</sup>  
(US\$ million)<sup>b</sup>**

| <b>A. <u>Estimated Costs</u></b>   | <b>Local</b> | <b>Foreign</b> | <b>Total</b> |
|--|--------------|----------------|--------------|
| <b>Infrastructure Rehabilitation</b>                                     |              |                |              |
| Education  | 9.1          | 7.9            | 17.0         |
| Power  | 3.0          | 5.3            | 8.3          |
| Water, Wastewater & Sanitation   | 15.0         | 17.6           | 32.6         |
| Roads  |              |                |              |
| Inter-Urban Roads  | 5.9          | 6.7            | 12.6         |
| Municipal Roads & Facilities   | 15.7         | 13.1           | 28.8         |
| <b>Sub Total</b>   | <b>48.7</b>  | <b>50.6</b>    | <b>99.3</b>  |
| <b>Institutional Support, Capacity Building &amp; Project Management</b> |              |                |              |
| PECDAR   | 3.2          | 3.7            | 6.9          |
| <b>Base Costs:</b>   | <b>51.9</b>  | <b>54.3</b>    | <b>106.2</b> |
| <b>Contingencies</b>   |              |                |              |
| Physical Contingencies   | 5.2          | 5.4            | 10.6         |
| Price Contingencies  | 5.5          | 5.7            | 11.2         |
| <b>Total Project Cost</b>  | <b>62.6</b>  | <b>65.4</b>    | <b>128.0</b> |
| <b>B. <u>Financing Plan</u></b>  |              |                |              |
| IDA  | 14.6         | 15.4           | 30.0         |
| Cofinancing  | 48.0         | 50.0           | 98.0         |
| <b>Total</b>   | <b>62.6</b>  | <b>65.4</b>    | <b>128.0</b> |

**a/** All costs are net of taxes and duties.

**b/** Figures have been rounded.

**OCCUPIED TERRITORIES  
EMERGENCY REHABILITATION PROJECT (ERP)**

**Cofinancing Plan  
(US\$ million)<sup>a</sup>**

| <b>Region &amp; Sector<sup>b</sup></b> | <b>IDA</b>  | <b>Denmark</b> | <b>Switzerland</b> | <b>Saudi Fund</b> | <b>Arab Fund</b> | <b>Kuwait Fund</b> | <b>Total</b> |
|--|-------------|----------------|--------------------|-------------------|------------------|--------------------|--------------|
| <b>GAZA</b>                            |             |                |                    |                   |                  |                    |              |
| Education                              | 6.4         |                | 4.5                |                   |                  | 1.1                | 12.0         |
| Water, Wastewater & Sanitation         | 4.4         | 8.8            |                    | 3.5               | 3.1              |                    | 19.8         |
| Inter-Urban Roads                      | 7.7         |                |                    | 2.8               |                  |                    | 10.5         |
| Municipal Roads                        | 8.0         |                |                    | 5.7               | 4.9              |                    | 18.6         |
| Sub Total                              | <b>26.5</b> | <b>8.8</b>     | <b>4.5</b>         | <b>12.0</b>       | <b>8.0</b>       | <b>1.1</b>         | <b>60.9</b>  |
| <b>WEST BANK</b>                       |             |                |                    |                   |                  |                    |              |
| Education                              |             |                |                    |                   |                  | 8.5                | 8.5          |
| Power                                  |             |                |                    |                   | 10.0             |                    | 10.0         |
| Water, Wastewater & Sanitation         |             | 5.3            | 1.8                | 7.8               | 4.7              |                    | 19.6         |
| Inter-Urban Roads                      |             | 4.7            |                    |                   |                  |                    | 4.7          |
| Municipal Roads                        |             |                | 1.2                | 9.0               | 6.0              |                    | 16.2         |
| Sub Total                              |             | <b>10.0</b>    | <b>3.0</b>         | <b>16.8</b>       | <b>20.7</b>      | <b>8.5</b>         | <b>59.0</b>  |
| <b>TOTAL</b>                           |             |                |                    |                   |                  |                    |              |
| Education                              | 6.4         |                | 4.5                |                   |                  | 9.6                | 20.5         |
| Power                                  |             |                |                    |                   | 10.0             |                    | 10.0         |
| Water, Wastewater & Sanitation         | 4.4         | 14.1           | 1.8                | 11.3              | 7.8              |                    | 39.4         |
| Inter-Urban Roads                      | 7.7         | 4.7            |                    | 2.8               |                  |                    | 15.2         |
| Municipal Roads                        | 8.0         |                | 1.2                | 14.7              | 10.9             |                    | 34.8         |
| PECDAR                                 | 3.5         | 1.2            | 0.5                | 1.2               | 1.3              | 0.4                | 8.1          |
| Total                                  | <b>30.0</b> | <b>20.0</b>    | <b>8.0</b>         | <b>30.0</b>       | <b>30.0</b>      | <b>10.0</b>        | <b>128.0</b> |

a/ Figures have been rounded.

b/ The cofinancing allocation by sector and region are subject to change, in consultation with donors and PECDAR.

## SCHEDULE B

Page 1 of 3

**OCCUPIED TERRITORIES  
EMERGENCY REHABILITATION PROJECT (ERP)**

**A. Procurement Methods and Arrangements  
(US\$ million)<sup>a</sup>**

| Project Elements  | Procurement Method <sup>b</sup> |                        |                           |                  |                         |
|---|---------------------------------|------------------------|---------------------------|------------------|-------------------------|
|   | ICB                             | LCB                    | Other                     | NIF <sup>f</sup> | Total                   |
| <b>1. Works</b>   |                                 |                        |                           |                  |                         |
| a) Gaza   | 4.0<br>(7.7)                    | 33.4<br>(15.0)         | 3.0<br>(2.3) <sup>g</sup> | 9.4              | 49.8<br>(25.0)          |
| b) West Bank  |                                 |                        |                           | 39.5             | 39.5                    |
| <b>2. Vehicles, Equipment Supplies and Spares<sup>e</sup></b>       |                                 |                        |                           |                  |                         |
| a) Gaza   | 0.9<br>(0.6)                    | 0.2<br>(0.1)           | 0.2<br>(0.1) <sup>h</sup> | 6.5              | 7.8<br>(0.8)            |
| b) West Bank  |                                 |                        |                           | 16.1             | 16.1                    |
| c) Institutional Support & Project Management (PECDAR)              | 0.1<br>(0.1)                    |                        | 0.1<br>(0.1)              |                  | 0.2<br>(0.2)            |
| <b>3. Consultancies, Studies &amp; Training<sup>d</sup></b>         |                                 |                        |                           |                  |                         |
| a) Gaza   |                                 |                        | 2.1<br>(1.7)              | 1.3              | 3.4<br>(1.7)            |
| b) West Bank  |                                 |                        |                           | 3.3              | 3.3                     |
| c) Institutional Support & Project Management                       |                                 |                        | 2.5<br>(1.8)              | 2.4              | 4.9<br>(1.8)            |
| <b>4. Incremental Operating Expenses<sup>e</sup><br/>    PECDAR</b> |                                 |                        | 1.5<br>(1.5)              | 1.5              | 3.0<br>(1.5)            |
| <b>Total:</b>   | <b>5.0<br/>(8.4)</b>            | <b>33.6<br/>(15.1)</b> | <b>9.4<br/>(7.5)</b>      | <b>80.0</b>      | <b>128.0<br/>(30.0)</b> |

a/ Figures have been rounded.

b/ IDA contribution shown in parenthesis.

c/ Includes provision for participating municipalities as well as PECDAR.

d/ Includes subprojects as well as the consultants employed to PECDAR.

e/ Includes salaries, office rents, utilities and vehicle operating costs for PECDAR for 3 years.

f/ NIF: Non-IDA finance. Represent amounts to be cofinanced in parallel by the Saudi, Kuwait and Arab Funds and half of the Danish contribution.

g/ Force account.

h/ International and local shopping.

**OCCUPIED TERRITORIES  
EMERGENCY REHABILITATION PROJECT (ERP)**

**B. Disbursements**

| Category   | Amount of<br>Credit<br>(US\$M) <sup>a</sup> | Percent of<br>Expenditures to be Financed |
|--|---|---|
| 1. Works<br>Gaza   | 20.9  | 100 percent of expenditures               |
| 2. Vehicles, Equipment, Supplies, and Spares <sup>b</sup><br>a) Gaza | 0.7   | 100 percent of expenditures               |
| b) Institutional Support & Project Management                        | 0.1   | 100 percent of expenditures               |
| 3. Consultants' Services, Studies & Training <sup>c</sup><br>a) Gaza | 1.9   | 100 percent of expenditures               |
| b) Institutional Support & Project Management                        | 2.0   | 100 percent of expenditures               |
| 4. Incremental Operating Expenses <sup>d</sup><br>PECDAR             | 1.4   | 100 percent of expenditures               |
| 5. Unallocated   | 3.0   |   |
| <b>Total Credit Amount:</b>  | <b>30.0</b>                                 |   |

a/ Figures have been rounded.

b/ Vehicles, equipment, etc. includes provision for implementing agencies and PECDAR

c/ Consultancies, studies and training include provisions for implementing agencies and PECDAR.

d/ Incremental operating expenses includes salaries, rent, utilities and vehicle operating costs for PECDAR for 3 years.

**SCHEDULE B**  
**Page 3 of 3**

**OCCUPIED TERRITORIES**  
**EMERGENCY REHABILITATION PROJECT (ERP)**

**B. Disbursements<sup>a</sup>**  
**(Quarterly Disbursement Schedule)**

| <b>FY<sup>b</sup></b> | <b>Quarter</b> | <b>Disbursement<br/>(US\$M)</b> | <b>Cumulative<br/>Disbursement<br/>(US\$M)</b> | <b>Cumulative<br/>Disbursement<br/>Percentage</b> |
|-----------------------|----------------|---------------------------------|--|---|
| 94 <sup>c</sup>       | 4              | 1.0                             | 1.0  | 3   |
| 95                    | 1              | 0.6                             | 1.6  | 5   |
| 95                    | 2              | 1.2                             | 2.8  | 9   |
| 95                    | 3              | 1.8                             | 4.6  | 15  |
| 95                    | 4              | 2.4                             | 7.0  | 23  |
| 96                    | 1              | 3.0                             | 10.0   | 33  |
| 96                    | 2              | 3.6                             | 13.6   | 45  |
| 96                    | 3              | 4.2                             | 17.8   | 59  |
| 96                    | 4              | 4.5                             | 22.3   | 74  |
| 97                    | 1              | 3.6                             | 25.9   | 86  |
| 97                    | 2              | 2.3                             | 28.2   | 94  |
| 97                    | 3              | 1.8                             | 30.0   | 100   |

<sup>a/</sup> Figures have been rounded.

<sup>b/</sup> FY: July 1 to June 30

<sup>c/</sup> One month only. Includes establishment of Special Account.  
 June 1, 1994 effectiveness assumed.

**SCHEDULE C****OCCUPIED TERRITORIES  
EMERGENCY REHABILITATION PROJECT (ERP)****Timetable of Key Project Processing Events**

|          |                                       |  |
|----------|---------------------------------------|--|
| <b>A</b> | <b>Time taken to prepare</b>          | <b>Six months</b>                        |
| <b>B</b> | <b>Prepared by:</b>                   | <b>PECDAR with the assistance of IDA</b> |
| <b>C</b> | <b>First mission:</b>                 | <b>October 10, 1993</b>                  |
| <b>D</b> | <b>Appraisal mission departure:</b>   | <b>October 10, 1993</b>                  |
| <b>E</b> | <b>Negotiations:</b>                  | <b>March 16, 1994</b>                    |
| <b>F</b> | <b>Planned date of effectiveness:</b> | <b>July 1, 1994</b>                      |

**OCCUPIED TERRITORIES  
EMERGENCY REHABILITATION PROJECT**

**TECHNICAL ANNEX**

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**PROJECT FILE**

1. Developing The Occupied Territories: An Investment in Peace, World Bank, Five Volumes (September, 1993)
2. Emergency Assistance Program for the Occupied Territories, World Bank, December 7, 1993
3. Technical Assistance Program For The Occupied Territories, World Bank, December 7, 1993

# OCCUPIED TERRITORIES EMERGENCY REHABILITATION PROJECT

## TECHNICAL ANNEX

### I. BACKGROUND

1 Detailed descriptions and proposed strategies for each of the sectors included in EAP are provided in **Emergency Assistance Program for the Occupied Territories** (World Bank, December 7, 1993), a summary of which is presented in Appendix 1 of this Annex. Thus, only a very brief summary of issues and strategies in the four sectors included in the project is presented here. A summary of the complementary Technical Assistance Program (TAP) is presented in Appendix 2, a sector background and strategy note in Appendix 3, and a note on environmental aspects in Appendix 9. The urban and institutional context is briefly outlined below.

2 **Population and Urbanization.** The Occupied Territories (OT) consists of the West Bank and Gaza, and has a combined area of about 6,000 sq. kilometers; its population in 1991 was about 1.7 million (Gaza 0.7 million, West Bank 1.0 million). The Territories are highly urbanized. In the West Bank there are 25 municipalities and some 87 village councils. In 1991, the population of the two largest municipalities, Nablus and Hebron, was 100,000 and 80,000 persons respectively. In Gaza, there are 4 municipalities and 9 village councils, with Gaza City (population 0.5 million in 1992) being the largest. Refugees comprise 50 percent and 10 percent, respectively, of the population of Gaza and the West Bank. In addition to the local population, it is estimated that about 5.5 million Palestinians live outside the OT. Some of these have maintained rights of residency and in principle are free to return; others could only return with Israeli consent.

3 **Existing Institutions.** All powers of government in the OT are vested in two Israeli Area Commanders (one each in Gaza and the West Bank). The Civil Administration (CA) in each area provides the institutional framework within which these powers are exercised. They are responsible for administering economic and political matters including, inter alia, granting licenses and permits, regulating trade, collecting taxes, organizing public education, public health, infrastructure and services, and supervising the operations of local government. Municipalities, though weak, still play an important role. They are responsible for power, water and sanitation, solid waste, urban roads, drains and facilities, and other local infrastructural services, while the CA retains direct responsibility for education, health and inter-urban roads.

4 Two other sets of institutions play vital roles in the social and economic life of the OT: the UN agencies and the NGOs. Since 1967 the United Nations Relief and Works Agency (UNRWA) has played (and continues to play) a critical role in providing housing, health, education, welfare and infrastructural services to refugee families. UNDP and UNICEF, respectively, help deliver water and sanitation, and children's services. And some 900 to 1000 local and foreign (but mostly Israeli NGOs) responding to the

---

1/ The population of East Jerusalem in 1991 was estimated at about 1,000,000, including about 150,000 Jews settled there since 1967. In addition, approximately 135,000 Jewish settlements have been built in the OT over the past 25 years.

2/ Under the DOP, it was anticipated that Palestinians would assume full responsibility for internal affairs in Gaza and partial, but significant responsibility for internal affairs in the West Bank on April 10, 1994. It is expected that the role of the CA's will be changed when Palestinian Authorities assume control, but no firm plans seem to exist.

existing political and institutional vacuum, provide a vast array of services. While the procedures and practices of these NGOs require strengthening, they are generally well regarded and dominate the health, housing and higher education sectors.

### Sector Issues and Strategy

5. From the analyses undertaken by IDA during 1993, it was concluded that the economy of the OT was in crisis: income levels have stagnated for over a decade; unemployment and underemployment were rising rapidly; the natural resource base was threatened; and public infrastructure and social services were grossly inadequate. It was further concluded that the resulting deep sense of despair among broad segments of the population was a major impediment to achieving peace and stability in the region, and that without the latter the prospects for economic development were bleak. Thus, the cycle of despair, violence and worsening economic conditions that has recurred over the last 10 years seemed unending. However, the signing of the September 1993 Declaration of Principles with Israel offers the possibility of breaking the cycle. The EAP and this ERP, which is one of its key components, seeks to exploit this opportunity. It seeks to provide much needed relief while helping to lay a sound foundation for sustainable development.

6. The EAP identified 10 sectors in which great need and opportunity were both clearly present: education; health and welfare; power; telecommunications; water, wastewater and sanitation; inter-urban roads and transport; municipal roads and facilities; solid waste; housing; and agriculture. Accordingly, the Program sought to address these sectors on a priority basis, involving many donors in a massive three-year assistance effort. By focussing jointly with PECDAR and a group of donors on four sectors (education, power, water and roads) which are critical to long term economic and social development and not currently being effectively addressed by other donors and international agencies,<sup>3</sup> this project seeks to make a significant contribution to the OT's development by addressing some of the most urgent social needs and relieving the most critical infrastructure bottlenecks.

7. A review of the key issues and proposed short and long-term strategies for the four sectors included in ERP is presented in Appendix 3. A short summary of issues is presented below:

**Education:** Preserving the private preschool and university systems during the current funding crisis--one due to the sharp drop in foreign assistance to the education system in recent years; improving the quality of the formal education system; establishing a Palestinian authority with responsibility for integrating and developing the education system; increasing investment in vocational and technical education in order to reduce the scarcity of key technical skills and more closely match supply to demand; improving the currently low educational outcomes, particularly of children whose education has been interrupted by events during the *Intifada*.

**Power:** Improving service to consumers by reducing network overload and the consequent damage to consumer equipment due to low voltages and frequent outages; improving sector efficiency through improved training and operating systems and practices, and through consolidating existing fragmented utilities into larger units to take advantage of economies of scale; and reducing dependence on Israel for bulk supplies.

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3/ The UN agencies, USAID and the EU are involved in housing; Norway is focussing on power in Gaza; the NGOs are involved in health, welfare and preschool and higher education; European donors and the EU are involved in solid waste and sanitation; agriculture and telecoms is being left to the private sector.

**Water, Wastewater and Sanitation:** Improving water resource management and environmental health conditions--particularly management of the Gaza aquifer; improving water supply delivery systems; improving the sewerage collection, treatment and disposal system; improving wastewater resource management; strengthening the institutional, financial and regulatory framework for the management of water and wastewater.

### **Roads**

- a) **Inter-Urban.** Arresting the deterioration and improving the quality of the existing inter-urban road network; relieving congestion on key sections of the network, thereby reducing air pollution, travel time and travel costs; improving accessibility to villages; and strengthening institutional capacity to plan, manage and maintain the network.
- b) **Municipal Roads and Facilities.** Reducing urban transport costs and travel times; increasing accessibility and safety; improving surface water drainage, thus reducing the incidence of flooding and flood damage; preserving existing investment in infrastructure and services; improving municipal facilities and preserving existing municipal assets (markets, slaughter houses, offices, recreation facilities, etc.); and strengthening municipal capacity to plan, finance, manage and maintain urban services and facilities.

In almost every sector, the core short-term issue is one of rehabilitating and/or rebuilding existing physical structures and improving facilities and services, while beginning to rationalize existing institutions and build longer-term institutional capacity. The basic strategy (and the strategy adopted by ERP) is to address the worst of these problems while trying to quickly generate productive employment and laying the basis for long-term development.<sup>4</sup> Given the weakness of existing institutions and the uncertainty of the situation, a key part of the strategy is to be flexible while providing support, and to use the feedback from initial implementation efforts to refine project design. At the core of this strategy is a process of close monitoring and review, and success will require very intensive IDA support during the first year, far greater than is the norm.

## **II. DETAILED PROJECT DESCRIPTION**

### **Project Components**

8. The proposed project would help finance: (a) **rehabilitation, reconstruction and/or improvement of priority infrastructural services in four sectors:** (i) education; (ii) power; (iii) water, wastewater and sanitation; (iv) roads; and (b) **institutional support, capacity building and project management at local and central levels.** The project components are briefly described below.

#### **A. Infrastructure Rehabilitation**

- i) **Education (US\$20.5 million, 16 percent of total project cost).** The immediate objectives of this component are to sustain the current education system; reduce overcrowding; and upgrade the quality and/or availability of teaching material,

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<sup>4/</sup> This would be supported through TAP.

facilities and plant in existing CA-managed primary and secondary schools in Gaza and the West Bank.<sup>5</sup> The project would include the following sub-components:

- a) **Rehabilitation and Improvement of Existing School Plant and Equipment:** i) physical improvements to classrooms, laboratories, libraries, gymnasia, administrative areas, playgrounds and school boundary walls and fencing; and ii) construction of new classroom blocks, libraries, laboratories and gymnasia for existing schools;
- b) **Provision of Essential Teaching Materials and Equipment:** purchase of books and essential laboratory and other teaching equipment and supplies for primary and secondary schools (for two years); and
- c) **Technical Assistance for Project Preparation and Implementation:** employment of suitably qualified local and foreign consultants to help school authorities: i) complete project preparation, contract documentation and bidding, and supervise construction; and ii) supervise the specification, ordering, delivery and effective utilization of teaching materials and supplies;

Technical assistance would be provided through TAP to: study options for developing an authority for the education sector and a pedagogic institute, and strengthening of financial management in the education sector; develop a remedial education program for children of the *Intifada*; conduct school mapping studies; improve vocational education; and initiate tracer studies of vocational, technical, and university graduates.

- ii) **Power (US\$10.0 million, 8 percent of total project cost).** The objectives of this component are: to effect immediate improvements to existing supply and distribution networks and systems in the West Bank<sup>6</sup> in order to ensure more reliable power supply to customers; and to initiate steps to improve the efficiency, reliability and sustainability of future supplies. The project would include the following sub-components:
  - a) **Networks and Systems:** the rebuilding of about 50 kms of low voltage lines; reinforcing the 22 kV system by adding about 20 km of 22 kV lines; adding 40 MVA of distribution transformer capacity; installing 5 MVAR of static capacitors;
  - b) **Essential Vehicles, Equipment, Supplies and Spares for Power Utilities:** purchase of vehicles, radios, billing equipment, tools, and operating supplies such as transformer oil (for 2 years);

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<sup>5/</sup> This excludes the UNRWA-run schools in the refugee camps which would be funded separately through EAP. Responsibility for the school system in Gaza is about evenly divided between the CA and UNRWA.

<sup>6/</sup> Gaza is to be financed on a bilateral basis by Norway. Norway would also assist with studies and project preparation in the West Bank.

- c) **Existing Buildings and Furnishings:** repairing and improving existing buildings including new furnishings and support facilities;
- d) **New Buildings:** constructing, by turnkey contract, a prefabricated building to serve as the project implementation headquarters for the emergency project, on land that is already available; and
- e) **Technical Assistance:** employment of a highly qualified and experienced international engineering firm (Project Engineers) to: i) complete program preparation and bidding documents for the procurement of economically-sized packages to repair, replace and upgrade the current distribution system; and ii) supervise project implementation.

**Note:** Contractors recruited on the basis of international competitive bidding would be employed to undertake the rehabilitation and reconstruction of the HV and LV system with support from the existing electricity departments of the municipalities. An important aspect of this effort would be to quickly effect technology transfer to Palestinian counterparts. Also important is the availability of central sites with suitable buildings for the contractors implementing the sector program. These would serve as a staging area to: receive, store, assemble, and maintain equipment; house specialized tools; fuel and maintain vehicles; and provide for centralized communications. This would permit works to proceed efficiently during project implementation, and, equally importantly, serve as the nucleus of a future regional electric distribution utility. Many of the systems that the contractors would have to put in place to implement the emergency program, such as a computerized stores control system, would be available for transfer to a future regional utilities.<sup>7</sup>

- iii) **Water Supply, Wastewater and Sanitation (US\$39.4 million, 31 percent of total project cost).** The objectives of this component are to: support the rehabilitation, upgrading and extension of high priority works for water supply, stormwater and sewage collection/distribution networks in the municipalities and camps of Gaza and the northern West Bank districts; and meet the immediate O&M equipment needs of all municipalities and utilities operating in the sector. The project would include the following sub-components:
  - a) **Water Supply Distribution Networks:** upgrading of existing wells, reticulation networks and storage facilities in municipalities, villages and camps;
  - b) **Stormwater and Sewerage Networks:** (i) limited improvements to existing stormwater collection networks; (ii) upgrading and extension of existing sewerage systems and limited upgrading of treatment plants;
  - c) **New Wells:** installation of a limited number of new wells to meet basic demand requirements;

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<sup>7/</sup> The long-term plan calls the consolidation of the current fragmented and inefficient municipal system.

- d) **Village Water Supplies:** support to village water supply improvements in 27 villages in the West Bank are expected to be funded from other sources. If not, they would be considered for high priority substitute subprojects;
- e) **Essential Vehicles, Equipment, Spares and Supplies:** acquisition of vehicles, equipment, spares, tools and supplies to meet the basic O&M needs of water, wastewater and sanitation utilities (for 2 years);<sup>8</sup> and
- f) **Technical Assistance:** employment of qualified and experienced locally recruited civil engineering firms to assist municipalities to prepare and implement subprojects.

Limited upgrading of sewage treatment plants would be considered for support under the project, but major investments would be deferred until more detailed technical, environmental and economic studies to establish the viability of wastewater reuse are completed. Also, investment in new wells would be delayed if detailed hydrological and environmental studies have not been completed and permits for drilling cannot be obtained.<sup>9</sup>

#### iv) **Roads**

- a) **Inter-Urban Roads (US\$15.2 million, 12 percent of total project cost).** The objectives of this component are to: strengthen and rehabilitate the main road network; establish a capability to undertake routine and periodic maintenance; and provide all-weather access to villages. The focus would be on implementing the first half of a five-year highway rehabilitation and maintenance program in Gaza and the West Bank.<sup>10</sup> The project would include the following sub-components:
  - i. **Inter-Urban Road Network:** rehabilitation of and improvements to about 100 km of main roads;
  - ii. **Village Access Roads:** rehabilitation of and improvements to about 50 km serving a total of some 15 villages;

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<sup>8/</sup> More substantial items would be delayed until detailed technical, economic and environmental analyses have been completed. These, together with the more specific needs of municipalities and villages would be considered for financing in a follow-up project.

<sup>9/</sup> The above would be considered for financing in a follow-up project.

<sup>10/</sup> The size of the program is constrained by the initial institutional capacity and lack of designs. Furthermore, demands on contractors in other sectors, particularly municipal roads, will limit what can be achieved under the inter-urban road program. The roads program has, therefore, been designed to expand gradually during the first year.

- iii. **Inter-Urban Road Maintenance by Contract:** development and implementation of a program of routine and periodic maintenance on the main road network;
  - iv. **Vehicles, Equipment, Materials and Spares:** the purchase of a limited quantity of guard rails and reflective posts for mountainous and dangerous sections of the main road system in the West Bank; essential vehicles and equipment for road program supervision and maintenance; essential laboratory and office equipment, training materials and equipment; and of essential spares (for 2 years);
  - v. **Office Rental:** the rental for a two-year period of office space to house the inter-urban and village access road rehabilitation and maintenance project staff; and
  - vi. **Technical Assistance:** employment of qualified and experienced international engineering consultants to assist PECDAR and the highways department of the Gaza CA to: i) complete program preparation and bidding documents for the procurement of economically-sized packages; ii) supervise project implementation; iii) train the Gaza CA's highway planning and maintenance staff; and iv) lay the foundation in the Gaza CA for the development of a Highway Authority for both Gaza and the West Bank.
- b) **Municipal Roads and Facilities (US\$34.8 million, 27 percent of total project cost).** The objectives of this component are to: arrest the deterioration of the most critical (highly trafficked) sections of the municipal road network; preserve urban assets; improve traffic circulation; reduce travel time and cost; and generally improve the cleanliness of the environment and the efficiency of the urban system. The project includes the following sub-components:
- i. **Municipal Road Network:** rehabilitation of and improvements to about 250 km of main and secondary roads in Gaza and the West Bank, including refugee camp roads;
  - ii. **Village Roads:** rehabilitation of and improvements to about 50 km of main internal roads in about 15 villages in Gaza and the West Bank;
  - iii. **Urban Road Maintenance by Contract:** development and implementation of a program of routine and periodic maintenance of the main and secondary road network in Gaza and the West Bank;

- iv. **Municipal Facilities:** completion of and improvements to parks, playgrounds, fire protection services, markets, slaughter houses, municipal workshops, etc.; <sup>11</sup>
- v. **Municipal Clean-Up Campaign:** development and implementation of short-term (3-month) program to remove accumulated debris from the main streets and prominent sites in selected municipalities and villages, and to dispose this debris in environmentally safe areas and in an environmentally responsible manner;
- vi. **Vehicles, Equipment, Materials and Spares:** the purchase of:
  - i) essential vehicles, equipment, tools supplies and spares (for 2 years) for road program supervision and maintenance; essential office equipment; and
  - iii) training materials and equipment; and
- vii. **Technical Assistance:** employment of qualified local engineering firms to assist municipalities and villages to:
  - i) complete program preparation and bidding documents;
  - ii) supervise project implementation; and
  - iii) train municipal road planning, management and maintenance staff.

#### **B. Institutional Support, Capacity Building and Project Management**

The objective of this component is to help strengthen the municipalities, support the establishment operations and development of PEC DAR, and ensure that the proposed project is efficiently and effectively implemented. The component (US\$8.1 million, 6 percent of total project cost) would help support PEC DAR's setup and operating costs and the full costs of PEC DAR's managing and procurement consultants. It includes the following sub-components:

- i) **Incremental Operating Expenses:** support for i) employment of essential staff; ii) rental of essential office space; iii) utilities, including, *inter alia*, water, power and communications; and iv) vehicle operating and servicing costs;
- ii) **Training and Studies:** support for training courses, seminars, workshops and studies essential for establishing effective planning, management and operating systems for PEC DAR's staff and the staff of municipalities, for ensuring effective project coordination at central and municipal levels; and

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<sup>11/</sup> Many municipalities have concept plans and even detailed designs, for projects such as parks, playgrounds, fire protection services, markets, slaughter houses, municipal workshops, etc., which are presently lacking. It is necessary for each of these proposals to be subjected to detailed analysis and/or review before they can be accepted for funding. TA for this purpose would be included in the ERP and TAP. However, a few of these projects are partly completed (e.g., municipal building, El Bireh) and need funds to be completed and put to beneficial use. This sub-component would therefore provide funding for such projects, on a case-by-case basis, after clear justification and screening.

- iii) **Vehicles, Equipment, Supplies and Snares:** support for the purchase of essential vehicles, office equipment (including, *inter alia*, computers, copying machines, and fax machines), supplies (including, *inter alia*, office supplies ) and spares.
- iv) **Consultants' Services:** support for the employment of: i) Managing and Procurement Consultants to assist PMO with, *inter alia*, detailed project preparation, planning, programming, monitoring, reporting, with bulk purchasing of goods and selective procurement of goods, works and services for cofinanced subcomponents; and ii) auditors for the project and PECDAR itself.

### **Project Design and Selection Criteria**

9. The project has been designed and would be implemented under difficult and unusual circumstances, including, *inter alia*: a) high political, economic and institutional uncertainty; b) absence of effective or appropriate existing state institutions; and c) extremely short project identification and preparation time. Also, although a set of core, first year subprojects have been identified and appraised (para. 11), other potential projects need to be reviewed. In order to respond to these and other constraints and opportunities that may arise during implementation, the project has been designed to be both flexible and open-ended. Thus, during implementation and with the prior approval of IDA, already identified subprojects may be replaced with other feasible high-priority subprojects and new subprojects included.

10. To facilitate this flexibility while ensuring objectivity, transparency, and that only high priority subprojects qualify for support, a screening process and a set of selection criteria have been agreed. In order to be eligible for funding, new projects and projects identified by IDA and Palestinian authorities as requiring further detailed design, costing and evaluation, projects would first be screened and approved on the basis of the following agreed criteria:

- a) economic and technical feasibility;
- b) readiness for implementation;
- c) environmental impact;
- d) consistency with program and project objectives and short-term sector strategies;
- e) community social and/or economic priority;
- f) economic and social impact;
- g) distributional equity; and
- h) avoidance of unaffordable recurrent cost commitments.

These criteria would be elaborated and operationalized by the managing and procurement consultants (MC) after consultation with PECNDAR and IDA (see para. 15), and would be fairly, explicitly and transparently applied.<sup>12</sup> The evaluation of subprojects would be clearly documented in quarterly reports to IDA (see para. 27 below).

### **First Year Core Subprojects**

11. On the basis of the criteria outlined above (para. 10), about 89 priority subprojects estimated to cost US\$37.8 million have been identified as capable of being implemented during the first year of the project. Contract documents are available for about 10 subprojects. Documents for the rest of the core can be finalized in the next 3-6 months. Of the 89 core subprojects, 46 are in the water and wastewater subsectors (Gaza: 37; West Bank: 9), at an estimated cost of US\$14.2 million (Gaza: US\$8.4 million; West Bank: US\$5.8 million); 43 are in the municipal roads subsectors (Gaza: 30; West Bank: 13) at an estimated cost of US\$23.6 million (Gaza: US\$13.4 million; West Bank: US\$10.2 million). Further details on these subprojects are presented in Appendix 7 and in the Project Files. While the above subprojects constitute a solid basis for project implementation, they are not all expected to be implemented in year one. Also, these are not the only subprojects which could be implemented in the first year. For example, the Salah El-Din inter-urban road in Gaza could begin implementation in year one if detailed engineering studies are expedited. Similarly, a number of rehabilitation subprojects in the education sector could also be implemented if preparatory studies are expedited.

## **III. INSTITUTIONAL ARRANGEMENTS AND IMPLEMENTATION**

### **Implementation Arrangements and Responsibilities**

12. The institutional arrangements for the proposed project would be similar to those for EAP; both would depend heavily on PECNDAR. Project implementation arrangements are outlined below. Summaries of EAP and TAP are presented in Appendices 1 and 2, respectively; a more detailed description of the project and program implementation arrangements, including organizational charts, in Appendix 4;<sup>13</sup> and an implementation schedule in Appendix 5.<sup>14</sup>

13. The project would be implemented over a three-year period beginning July 1, 1994 and ending June 30, 1997. The closing date would be December 31, 1997. Overall responsibility for policy and program guidance would lie with PECNDAR's Board of Governors. However, responsibility for project implementation, monitoring and reporting would lie with PECNDAR's management, primarily the Director of the Program Management and Monitoring Office (PMO) of PECNDAR.

14. In order to ensure that PECNDAR can mobilize quickly and yet remain a lean and effective organization, PMO would rely on the services of competent managing and procurement consultants (MC), a firm recruited internationally on terms and conditions acceptable to IDA. And to avoid the danger of over-centralization and ensure that local needs and priorities are effectively attended to, the PMO would establish a sub-office in Gaza (the Gaza office). In addition to its director and a deputy director

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<sup>12/</sup> PECNDAR would establish a small subcommittee for this purpose (see para. 15 below).

<sup>13/</sup> EAP and ERP share institutional arrangements. Thus, for economy of exposition, the description presented in Appendix 4 covers the implementation arrangements for both program and project.

<sup>14/</sup> Summary cost estimates are presented in Appendix 6.

for the Gaza office, the PMO would be staffed by about 11 sector specialists<sup>15</sup> who would assist the director and deputy director on policy, technical and institutional matters related to effective project identification, preparation, evaluation and implementation. PMO would also employ the services of a qualified procurement officer who would assist the director and deputy director with routine procurement matters, and would liaise with the MC. The appointment of the MC on terms and conditions acceptable to IDA is a condition of effectiveness.

15. The MC would report to the director of PMO, and would assist the director and deputy directors of PMO with, *inter alia*, the following: <sup>16</sup>

- a) overall programming and budgeting--including periodic (at least quarterly) revision and updating to ensure attainment of program and project objectives;
- b) developing, instituting and operating effective manual and computer-based operating procedures and systems for project management, including, *inter alia*, project information systems and systems for critical path analysis;
- c) project screening,<sup>17</sup> evaluation and recommendation for selection (see para. 10);<sup>18</sup>
- d) reviewing contract preparation, evaluation and award;
- e) project, sub-project and contract monitoring;
- f) reviewing contract claims and payment certification;<sup>19</sup>
- g) project and sub-project data processing and accounting;<sup>20</sup>
- h) preparation of disbursement requests;
- i) ensuring compliance with financial, audit and other project covenants;
- j) project monitoring and reporting;
- k) liaison with implementing agencies on other issues necessary for ensuring cost-effective and timely implementation; and

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15/ This number includes specialists for EAP as well.

16/ The terms of reference for the MC have been discussed and agreed.

17/ PECDAR would establish a small (4-5 person) screening sub-committee comprised mainly of technical specialists from PMO, representatives of the economics department and the MC. The latter would act as a Secretariat.

18/ Responsibility for final selection would lie with the deputy managing director of PECDAR, on the recommendation of the PMO director and the director for Economic Policy.

19/ All payments would be made by the accounts department of PECDAR's Support Services Office.

20/ The preparation of consolidated project accounts would be the responsibility of PECDAR's Accounts Department. The PMO/MC would prepare and provide the inputs for these accounts.

- 1) the bulk procurement of goods and selective procurement<sup>21</sup> of works and services required for the effective implementation of the project.

16. Responsibility for sub-sector and subproject implementation is summarized below:

| Sector                           | Primary Implementation Responsibility | Preparation and Supervision Support |
|----------------------------------|---------------------------------------|-------------------------------------|
| Education                        | Gaza CA Successors/<br>PECDAR         | Local Consultants Panel             |
| Power                            | PECDAR                                | Sector Implementation Consultants   |
| Water, Wastewater and Sanitation | Municipalities                        | Local Consultants Panel             |
| Roads                            |                                       |                                     |
| - Inter-Urban                    | PECDAR/Gaza CA Successors             | Sector Implementation Consultants   |
| - Municipal Roads and Facilities | Municipalities                        | Local Consultants Panel             |

To the extent possible, PMO would rely on existing institutions and agencies--mainly the municipalities--to execute subprojects. In order to expedite project implementation, municipalities would be given considerable autonomy in contracting for works costing US\$0.25 million or less<sup>22</sup> in the water, waste water, sanitation, and municipal roads and facilities subsectors. But because most municipalities are weak and/or need assistance with project preparation and supervision, PECDAR, on the basis of requests for proposals and on terms and conditions acceptable to IDA would select a panel of 12-15 qualified and experienced local civil/structural/mechanical engineering and architectural firms (the local consultants panel). This panel of firms would be pre-approved to assist municipalities and villages on a self-selecting basis to identify, prepare, contract, and supervise infrastructure rehabilitation and improvement projects suitable for financing under the project.<sup>23</sup> To expedite the preparation of the first year core subprojects, a number of local consultants, and/or joint ventures of local and international consultants, would be appointed by PECDAR, on terms and conditions acceptable to IDA, to prepare these projects for tendering.

<sup>21/</sup> Procurement financed on a parallel basis by donors, using their own procedures.

<sup>22/</sup> This limit would be reviewed periodically by PECDAR and adjusted upwards as municipalities demonstrated capacity to effectively manage subprojects.

<sup>23/</sup> The terms of reference for these local consultants have been discussed and agreed with PECDAR.

17. Because the interventions involved are complex and/or inter-jurisdictional, in the power and inter-urban roads subsectors PMO would take more direct responsibility for project preparation and implementation. In these cases, PMO would employ the services of sector implementation consultants (SICs) who would be recruited internationally on terms and conditions acceptable to IDA.<sup>24</sup> These consultants would be given relatively wide authority by PMO to prepare and supervise the implementation of projects in these subsectors, and they would liaise closely with municipalities and the CAs in doing so. PMO would also take direct responsibility for preparing and implementing inter-municipal<sup>25</sup> subprojects and for major subprojects (costing more than US\$3 million). It would similarly recruit and contract consultants for these purposes.

18. **Flexibility and Semi-Annual Project Reviews:** Finally, to ensure flexibility in the face of uncertain circumstances, while also ensuring effective project implementation, PECDAR's role, structure and performance and the structure and progress of the project and subprojects would be re-examined periodically. This would be done in formal, joint half-yearly project reviews by IDA and PECDAR's senior management (including, *inter alia*, managing and deputy managing directors, and director of PMO).<sup>26</sup> At these joint reviews, any revisions necessary<sup>27</sup> to improve project implementation and to attain essential project objectives would be made on the basis of mutual consent and duly recorded in the minutes of the review meeting.

### **Project Costs and Financing**

19. The total project cost is estimated at US\$128 million<sup>28</sup> with a foreign exchange component of US\$ 65.6 million or about 51 percent of total costs. The estimated total project cost is net of taxes and duties, a waiver from which has been sought from the Israeli Government. Base cost estimates are calculated using January 1994 prices. The physical contingencies represent 10 percent of base costs. Price contingencies are derived from expected foreign price increases of 3.1 percent per annum over the three-year implementation period beginning on July 1, 1994. The proposed Gaza Trust Fund credit of US\$30 million equivalent on IDA terms would finance 23 percent of total costs.

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24/ The terms of reference for the inter-urban roads SIC has been discussed and agreed with PECDAR.

25/ Interpreted to mean projects outside the jurisdiction of individual municipalities, rather than those spanning jurisdictions. In the latter case, PECDAR would only play a direct coordinating role if the municipalities are unable to cope.

26/ The political and institutional situation in the OT is in considerable flux. Thus, PECDAR's likely role beyond the project and the program is not known. It is possible that, as things stabilize, sections of PECDAR could become the core of entire new ministries and PECDAR disbanded in whole or in part. Another scenario is that PECDAR could become a "ministry of economy and planning." In any case, it seems certain that its role will have to be revisited during the life of the project as circumstances warrant. During implementation, the project would provide for consultation on and, if necessary, the adjustment of PECDAR's role. For these and the other reasons stated above, it is desirable that the number of PECDAR's core staff be kept as small as possible.

27/ Including revisions to project structure as well as reallocations of funds within and between categories.

28/ All cost estimates exclude provisions for taxation, a waiver from which has been sought from Israel.

## Cofinancing

20. Cofinancing of US\$98 million has been pledged by donors.<sup>29</sup> The financing plan for the project is shown in Schedule A, page 2 of the Memorandum and Recommendation of the President. Additional cofinancing pledges have been voiced by donors.<sup>30</sup> These have not been confirmed however. If confirmation of these pledges is received prior to Board presentation, consideration would be given to increasing the project size, and the cofinancing plan and arrangements would be modified accordingly.<sup>31</sup>

## Procurement

21. Procurement methods for works, goods and services to be financed under the proposed loan are summarized in Schedule B of the Memorandum and Recommendation of the President. It was agreed that all procurement under the project would be coordinated and monitored by PEC DAR. The municipalities, assisted by consultants (para. 16) would be responsible for subproject preparation, bidding and evaluation. In addition, the successor to the Gaza CA would be assisted by PEC DAR in any procurement. Detailed procurement arrangements are set out in Appendix 8. Because of the emergency nature of the project, part of the procurement would be undertaken using simplified competitive bidding procedures in accordance with IDA Guidelines. All equipment and materials, works and services to be financed under the project jointly, or solely, by IDA would be procured in accordance with IDA's Guidelines for Procurement (May 1992) with the two exceptions of (a) one-half of the Danish grant would be reserved for procurement of Danish goods and services, and (b) IDA would administer a Saudi Fund grant (and potential Kuwait and UAE grants, see para. 14 of MOP) in all aspects save for decisions with respect to procurement which will be made by the Saudi Fund according to its eligibility requirements. A procurement notice advertising the project has been published in the United Nations Development Business, and PEC DAR would publish the same notice in the local press and to local representatives of eligible countries that are potential suppliers of the goods and works required.

## Disbursements

22. Given the emergency nature of the proposed project, the implementation period would be 36 months, and the credit would be disbursed through PEC DAR. Disbursements are expected to begin on July 1, 1994 and be completed by December 31, 1997, which will be the closing date. Schedule B of the Memorandum and Recommendation of the President shows the estimated credit disbursements by quarter.

23. The proposed credit of US\$30 million equivalent would be disbursed against the categories stated below at the rate of 100 percent of expenditures:<sup>32</sup>

- (1) Works: Gaza

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<sup>29/</sup> Joint: Denmark - US\$10 million; Switzerland - US\$8 million; Parallel: Denmark - US\$10 million; Arab Fund - US\$30 million; Saudi Fund - US\$30 million, and Kuwait Fund - US\$ 10 million.

<sup>30/</sup> Japan - US\$8 million; and United Arab Emirates (UAE) - US\$25 million.

<sup>31/</sup> A number of small pledges (less than US\$5 million each) involving tied funds have been made, but it was decided that inclusion of these would greatly encumber implementation. Donors would be encouraged to make separate bilateral arrangements with PEC DAR.

<sup>32/</sup> This very high rate is determined by the fact that this is an emergency situation, and that PEC DAR is in no position financially to bear a share of project costs.



In preparation for these reviews, PECNDAR would submit annual and mid-year project reports to IDA no later than four weeks before the date of the half-yearly joint reviews.

### **Supervision Plan**

28. The project is both complex and politically sensitive. Existing implementing institutions are weak; a key new institution (PECNDAR) has been created to manage the project; and the entire political and economic environment is in flux. In addition, a considerable amount of cofinancing is involved, necessitating constant donor coordination. The implementation arrangements need to be monitored closely and quickly revised, if necessary. Careful attention will therefore have to be paid to supervision, particularly during the first year and one half when the basic legal, institutional, fiscal and financial framework are being elaborated. The deployment of IDA supervision staff in the field for extended periods, at least during the first year and one half (and continuously during the first six months) of the project, is proposed. This deployment would be essential and could make the difference between success and failure in the current uncertain circumstances. After year two, supervision requirements should decrease considerably, except for the formal joint half-yearly review. Supervision will be aided by the monitoring and reporting framework that would be developed and implemented by PMO, assisted by the managing consultants (para. 15).

29. **IDA Supervision Input:** Staff input into supervision will take the following form:

- (a) **Portfolio Management Operations.** Review at headquarters of work programs/schedules, reports, detailed sub-project proposals, contracts and financial statements and correspondence and internal reporting related to such activities are estimated to require 40-60 staffweeks in the first two years of project implementation, reducing to about 20-30 staffweeks in the third year.
- (b) **Field Supervision.** Apart from a continuous presence during the first six months, supervision of the project in the field will generally involve three missions per year, tied to key project stages as indicated in the Field Supervision Plan in Appendix 10. Supervision would comprise four broad areas:
  - i) Review of the institutional arrangements for the project, including the role, structure, systems and performance of PMO and consultants;
  - ii) Review of project preparator including the progress and quality of the work of the consultants;
  - iii) Review of cofinancing, procurement, disbursement, project costs and financial and physical performance and projections; and
  - iv) Review of coordination with other program components and with EAP and TAP; and review of complementary activities of donors and donor coordination.

### **Agreements Reached**

30. The Palestinian leadership has taken initial actions to ensure effective project implementation by announcing the establishment of PECNDAR. Also, the general structure and operating modalities of PECNDAR, including the modalities for detailed sub-project selection, design and implementation (paras. 9-11) and the terms of reference for the MC and SIC (para. 15) were agreed prior to negotiations. The following were agreed at negotiations:

- i) the detailed implementation arrangements for the first year core subprojects (para. 11);
- ii) details of the cofinancing, procurement, disbursement, accounting and reporting requirements, including the operations of the Special Accounts (paras. 20-27);
- iii) the scope, content and modalities of the formal half yearly joint project reviews (para. 18);
- iv) appointment of the department heads and key staff of PECDAR, including the director of PMO and deputy director for Gaza (paras. 13-16);
- v) the elaboration and operationalization of the basic operating systems of PECDAR, including particularly the accounting and financial management, payment and personnel systems of the Operational Support Office, and the operating systems of PMO (paras. 12-16);
- vi) the recruitment and appointment of a sector implementation consultants, on terms and conditions acceptable to IDA to assist PMO in preparing and implementing the power and inter-city roads components (para. 17);
- vii) the recruitment and appointment of a Consultants Panel comprising 12-15 competent local engineering/architectural/building consulting firms, on terms and conditions acceptable to IDA, to assist municipalities and villages to prepare detailed designs and contract documents, and supervise water and sanitation and municipal roads and facilities subprojects (para. 16);
- viii) issuance of requests for proposal for the MC, on terms and conditions acceptable to IDA, to assist PMO (para. 14); and
- ix) the ratification of the bylaws of PECDAR by the PNA.

**The Credit Agreement will be signed after confirmation of the function and responsibilities of the Borrower by the Palestinian authorities which will take control of Gaza/Jericho under the agreement to be reached through the ongoing negotiation between Israel and the PLO for withdrawal and transfer of authority.**

**31. Conditions of Effectiveness.** The appointment of the MC on terms and conditions acceptable to IDA is a condition of effectiveness.

## APPENDIX 1

### THE EMERGENCY ASSISTANCE PROGRAM (EAP)<sup>1</sup>

#### Program Objectives and Components

1. The overarching objective of the EAP is to deliver tangible benefits to the Palestinian population quickly, equitably and effectively while laying the foundation for sustainable development over the long term. The Program has three broad components; it provides support for: (i) investment in public infrastructure; (ii) private sector investments; and (iii) start-up expenditure support for the central administration, municipalities, NGOs and UNRWA. The choice of these components reflects the overriding importance of enhancing the impact of the program in terms of time and distributional impact. While the public infrastructure component would provide benefits to most Palestinians, its impact in terms of employment would become significant only in the latter part of the program. Over the longer-term, the private sector would have to be the main engine of growth for the OT economy. However, over the short-term, because of inadequacies of the financial system, support to the private sector will remain modest, and its impact will not emerge until later in the program. Hence, the need for fast-disbursing budget support in the initial years of the program. Hundreds of NGOs generally perform a useful function, although many have recently lost traditional sources of support. Additional support to NGOs is proposed under the program, with a major focus on women and children, the Council of Higher Education (which has been most heavily affected by the loss of financial support) and selected health care facilities. With implementation capacity of the municipalities being limited, the program uses implementation capacity available in NGOs and UNRWA to expand the program impact, and to reach the large population of refugees, notably in Gaza.

2. **Public Sector Investment.** The core of the program would focus on infrastructure and human resources, where the public sector is expected to play a major role for some time to come. The poor current state of infrastructural services needs immediate remedial attention. The immediate focus would be on upgrading, repair and maintenance of existing facilities; however, new construction, particularly during the later stages of the program would also be important. This initial focus reflects the broad impact of such investments and their impact on employment. In some sub-sectors (power, water, telecommunications) with long-term needs for institutional restructuring, implementation arrangements would plant the seeds for adjustment. In others, the analytical basis for institutional and policy decisions would be prepared through TA. Preparation of longer term plans and policies would be supported by technical assistance for strategic planning, institutional development and investment implementation.

3. Future economic growth and human well-being in the OT will depend significantly upon development of its human resources. The strategy is to maintain essential services while initiating institutional, policy and structural reforms. In the health sector, the availability of generally ample services suggests that the existing infrastructure should be maintained until more fundamental decisions can be made to adjust the sector structure. In the education sector, the key issue of quality would begin to be addressed, while fundamental institutional changes should be analyzed and prepared.

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<sup>1/</sup> Details are presented in "Emergency Assistance Program for the Occupied Territories", World Bank, December 7, 1993. This document is in the project file. The cost data have been revised to reflect current estimates.

4. **Support to the Private Sector.** Stimulating private sector investment and growth in the productive sectors and services is essential for sustainable development in the OT and, particularly, for generating employment opportunities. In view of the current uncertainty that characterizes the investment and general business climate, investor confidence is low and interest in term investment (with the exception of investment in real estate), subdued. Private sector investment is limited primarily to equity flows with some investors able to obtain loans under bilaterally-supported credit programs channelled through a small number of new and relatively inexperienced credit institutions. The challenge of increasing private sector investment, starting from this base, is significant and must rely, *inter alia*, on the development of the financial system and related expansion of credit and other financial services.

5. The strategy of the emergency assistance program would be to support the development of the financial system including the strengthening of credit institutions. In parallel, the program includes long-term funds support to be channelled for private sector activities. Such support is proposed to be provided through an Apex bank facility which would channel long-term funds to local credit institutions for on-lending to support private investment. Such on-lending would support development of various sectors including agriculture, housing, industry and tourism. In some of these sectors, existing credit institutions (e.g., in agriculture) need to be strengthened, and in other sectors, key policy issues (e.g., zoning laws in housing) remain to be addressed before lending can take place on any significant scale. Consequently, progress in on-lending funds for private investment can be expected to build up in the later years of the program.

6. In the Agricultural Sector, the combination of expanding production and declining external markets within a highly constrained regulatory and natural resource framework is clearly unsustainable. The key issue is that the agricultural sector produces more than it can sell, and uses unsustainable amounts of water in Gaza and to a lesser extent in the West Bank.

7. Other related issues concern internal transport restrictions, modest technology improvement, the need for adjustment of the regulatory framework, and the need for natural resource management. The trade, regulatory and natural resource management issues are directly related to ongoing bilateral negotiations. Lack of funding is also a problem in public services provided by the CA and NGOs. As in other sectors, the future shape and role of public institutions and NGOs and policy in the sector needs to be clarified. The short-term strategy would be to prepare for the transfer of authority, to initiate steps for future adjustment of the production patterns, to maintain essential sector support services and to improve existing infrastructure. In addition, support to the private sector through the funding arrangement elaborated above would assist the sector. Most of the health component and a significant part of the education component of the program would be implemented through NGOs.

8. **Start-up Expenditure Support.** The program would provide support to four categories of activities: (i) expansion of the implementation capacity of the municipalities and villages; (ii) central administrative support; (iii) UNRWA's planned incremental program; and (iv) incremental planned activities of the NGOs.

9. **Central Administration.** Current support for the ongoing relief works program of the CA would stop following the transfer of authority. The program has had a major impact on local employment (estimated at some 15,000 people), and has been a major factor in dealing with the explosion of unemployment, especially in Gaza, during the past year. Its discontinuation at the critical juncture of the transition would have major implications. While funding of the program would be a legitimate function of the Palestinian CA, it appears unlikely that the projected tax effort for the first year would be able to support such program. Given the critical impact on employment, the emergency program would support the relief program for the first year, after which it is expected that the impact of the overall emergency

program on local employment would provide adequate alternative employment opportunities and allow for a phasing down of the relief program. The budgetary support required by the Palestinian administration for current expenditure is estimated at US\$108 million in 1994, and no such support is envisaged for either 1995 or 1996.

10. In addition to the expenditures of the central administration, there are two other current expenditures of the public sector that need to be financed from new commitments (i.e., over and above on-going programs). One of these would be support for the current expenditures of the municipalities to help strengthen their implementation capacity as they attempt to implement a higher level of investment under the Emergency Assistance Program. Second, is additional support to the NGOs whose finances had been strained after the Gulf War with the reduction in Arab aid, as well as to the NGOs dealing with women and children issues. During the past 25 years, Palestinian society has developed a broad spectrum of institutions and organizations which supplement the services provided by the public sector. Over 900 NGOs exist at present. Many are affected by reduced budgetary support. While receiving substantial resources in the past, NGO accountability and transparency of funding have often been lacking. Most disbursement have gone to social activities in health, education and welfare. Given their important role, and despite abuses of the past, the NGO sector is an immensely valuable resource worth preserving. The program would facilitate this process by providing support for worthwhile activities of NGOs (in education, health, agriculture, as detailed before), and for general welfare activities, but under conditions which enforce economic accountability, transparency and minimum professional standards. Requiring registration and audits, the program would encourage the continuation of the traditional channel of direct funding to the NGOs, while applying new 'rules of the game' in terms of selection of activities, monitoring of implementation and enforcement of accountability. Immediate steps are needed to establish a fund for the support of youth and women programs through agencies experienced in administrating such support (e.g., UNICEF).

11. The total cost of the EAP, summarized in the following table, is estimated at US\$1.2 billion, of which about 41 percent would be spent in Gaza. Public investment support would constitute 50 percent of the program, support to the private sector 25 percent, and incremental recurrent expenditure support 21 percent. About 40 percent of the program would be implemented by the municipalities or newly established sector implementation units working in collaboration with the municipalities, about 12 percent by UNRWA, 13 percent by NGOs and 23 percent by the private sector. Five percent would support central administration budget support and the remainder would support the Housing Council.

12. The overall size of the program has been determined in relation to the likely external and internal financial resources available during the three-year program period, but also to the likely overall implementation capacity to handle foreign-financed projects. Although assessment of the impact of implementation capacity and finance on the program size is largely judgmental, a size in excess of the proposed program is likely to create considerable administrative bottlenecks, especially if many projects were financed in parallel by a multitude of donors. Since much investment is dependent on engineering studies carried out through technical assistance, the implementation of technical assistance may well be another constraint. (Program components and costs are summarized in the table below.)

## EMERGENCY ASSISTANCE PROGRAM

### SUMMARY COST<sup>a</sup> (US\$ million)

|   | Year         |              |              | Area         |              | TOTAL         |
|---|--------------|--------------|--------------|--------------|--------------|---------------|
|   | 1            | 2            | 3            | GAZA         | WB           |               |
| <b>INFRASTRUCTURE</b>                     |              |              |              |              |              |               |
| Transportation                            | 19.1         | 28.3         | 25.5         | 26.5         | 46.4         | 72.9          |
| Water and waste water                     | 22.3         | 39.0         | 49.8         | 44.3         | 66.8         | 111.1         |
| Solid Waste                               | 13.0         | 18.2         | 25.8         | 25.1         | 31.9         | 57.0          |
| Power                                     | 33.2         | 37.3         | 37.1         | 31.5         | 76.1         | 107.6         |
| Municipalities                            | 16.5         | 31.0         | 36.0         | 31.5         | 52.0         | 83.5          |
| Housing                                   | 10.0         | 10.0         | 10.0         | 25.0         | 5.0          | 30.0          |
| Telecommunications <sup>b</sup>           | 13.2         | --           | --           | 5.0          | 8.2          | 13.2          |
| Education                                 | 27.0         | 25.0         | 28.0         | 35.0         | 45.0         | 80.0          |
| Health                                    | 8.0          | 6.5          | 3.0          | 5.6          | 11.9         | 17.5          |
| Agriculture <sup>c</sup>                  | 5.0          | 10.5         | 11.0         | 3.5          | 23.0         | 26.5          |
| <b>Total Public Investment Program</b>    | <b>167.3</b> | <b>205.8</b> | <b>226.6</b> | <b>233.0</b> | <b>366.3</b> | <b>599.3</b>  |
| <b>START-UP EXPENDITURE SUPPORT</b>       |              |              |              |              |              |               |
| Start-up Central Administration           | 108.0        | --           | --           | 50.0         | 58.0         | 108.0         |
| Incremental Support NGOs                  | 50.0         | 40.0         | 27.0         | 50.0         | 67.0         | 117.0         |
| <b>Total Start-up Expenditure Support</b> | <b>158.0</b> | <b>40.0</b>  | <b>27.0</b>  | <b>100.0</b> | <b>125.0</b> | <b>225.0</b>  |
| <b>PRIVATE SECTOR SUPPORT</b>             |              |              |              |              |              |               |
| Telecommunications                        | 15.0         | 35.0         | 50.0         | 50.0         | 50.0         | 100.0         |
| Housing                                   | 10.0         | 25.0         | 45.0         | 30.0         | 50.0         | 80.0          |
| Agriculture                               | 1.0          | 7.0          | 12.0         | 5.0          | 15.0         | 20.0          |
| Industry                                  | 24.0         | 33.0         | 43.0         | 40.0         | 60.0         | 100.0         |
| <b>Total Private Sector Support</b>       | <b>50.0</b>  | <b>100.0</b> | <b>150.0</b> | <b>125.0</b> | <b>175.0</b> | <b>300.0</b>  |
| <b>TECHNICAL ASSISTANCE</b>               |              |              |              |              |              |               |
| Technical Assistance Program              | 17.7         | 33.2         | 24.8         | 34.0         | 41.7         | 75.7          |
| <b>GRAND TOTAL</b>                        | <b>393.0</b> | <b>379.0</b> | <b>428.0</b> | <b>492.0</b> | <b>708.0</b> | <b>1200.0</b> |

a/ These estimates are based on the latest available data (April 4, 1994). They differ somewhat from the December 1993 estimates and include the Technical Assistance Program.

b/ This assumes that investment in telecoms will be mostly financed by the private sector, possibly with donor support in some cases.

c/ This only includes investment in infrastructure; budget support is included in the category Incremental Budget Support for NGOs. Support for private sector investment is included in the allocation for the private sector.

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## APPENDIX 2

### THE TECHNICAL ASSISTANCE PROGRAM (TAP)<sup>1</sup>

#### Program Components

1. The Technical Assistance Program is an integral part of IDA's strategy to support the OT and complements EAP and ERP. It includes: a) measures to quickly enhance administrative capacity and begin to build Palestinian institutions; b) funding for policy studies; and c) feasibility studies to prepare longer-term investments for international support. The activities in each sector (infrastructure, human resources, economic management and private sector) and subsector being supported are described in the TAP report. The TAP activities which support ERP are summarized in the following paragraphs,<sup>2</sup> and a summary of priority TAP tasks and estimate of costs is presented in the accompanying table.

2. **Education.** The current system is unbalanced and has major quality problems. It is biased toward university, rather than vocational and technical education. The long-term strategy needs to focus on the core issues of quality and relevance. Technical assistance would assist completion of a school mapping study to plan investments in new schools and begin the planning and design of long-term curricular and pedagogic reforms. It includes professional analysis and training to improve the financial management of educational institutions and the financial sustainability of the educational system as a whole. Finally, it would begin to reverse the current imbalance between university and vocational and technical education by support to a vocational education task force. The estimated cost of the five TA activities in the sector is expected to total US\$3.4 million over the next three years. Three TA activities are planned to begin in the period through June 1994.

3. **Electric Power.** The proposed power sector investments, totalling US\$121 million, to improve the distribution networks in Gaza and the West Bank will only be fully effective and sustainable if parallel steps are taken to: (i) improve the capacity of Palestinians to manage and maintain the distribution networks; (ii) develop an institutional and regulatory framework; and (iii) reduce losses due to technical factors and theft. TA is available to help complete project preparation so that there is an early 1994 start to the investments to be financed under the ERP, to recommend institutional consolidation to provide an improved regional basis for efficient and safe utility operations and to plan longer-term investments. The cost of the three TA activities is expected to total US\$3.3 million over the next three years, excluding a contract to provide project implementation management over 27 months. This contract is to be financed under the ERP and other projects, and is not included in the TA Program. In addition, an institutional and regulatory study is to be carried out jointly for electric power, telecommunications and post. One TA activity is planned to begin in the period through June 1994.

4. **Water and Sanitation.** TA would be provided to meet four broad objectives of the sector strategy: (i) initiate institutional reform at the center and develop coherent water conservation policies and practices; (ii) establish a unified water and sewerage utility for Ramallah District, as a model utility, and

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1/ Details are presented in "Technical Assistance Program for the Occupied Territories", World Bank, December 7, 1993. This document is in the project file.

2/ A summary of the environmental component is included. This component provides support to the infrastructure components.

develop proposals for creating comparable agencies in Gaza and other regions of the West Bank; (iii) review wastewater treatment and re-use technologies and develop investment proposals consistent with local constraints and conditions; and (iv) support implementation of the recommended Emergency Assistance Program through advisory consulting services, training and project preparation facilities. During the next three-year period, the TA would meet priority rehabilitation and network requirements while laying the basis for long-term institutional reform. Ten technical assistance activities are proposed during the next three years, five of which are expected to be carried out by UNRWA or UNDP. The estimated cost is US\$4.7 million. This estimate does not include several sewerage and drainage studies in Gaza and West Bank which are being proposed by UNDP and UNRWA with an estimated cost of at least US\$1.3 million. Three TA activities are planned to begin in the period through June 1994. In addition, TA is to be provided under ERP to cover the cost of preparation and supervision implementation of municipality-managed water and urban road projects.

**5. Inter-Urban Roads and Transportation.** The most urgent task is to begin preparation of a short-term road rehabilitation program for investment in 1994. Technical assistance is also provided to establish a Road Project Implementation Unit (RPIU) to manage final preparation and implementation of an emergency program of inter-urban road maintenance and rehabilitation to be financed under ERP. The RPIU would be established, under contract to the Palestine Economic Council for Development and Reconstruction (PECDAR) and would be linked initially to the Gaza CA. This unit would also identify priorities and design a program for the systematic rehabilitation of the main road network, based on an assessment of long-term transport requirements, and design a village access road program. This unit is expected to evolve gradually into a highway authority or road administration for the OT. Technical assistance would also be made available to carry out traffic management studies for the four most congested urban centers in the West Bank and Gaza and, once bilateral negotiations reach a mutually satisfactory point, feasibility studies of major medium- to long-term transport projects considered as high priority by local planners. The activities of the RPIU are expected to cost about US\$3.5 million over three years and would be financed as part of ERP. The other priority TA activities for the sector are also expected to cost US\$3.5 million. One TA activity is planned to begin in the period through June 1994.

**6. Urban Roads and Municipal Development.** The EAP provides an opportunity to reactivate municipal services and harness the potential of existing municipal management and service units to commence a planned program of maintenance and rehabilitation of urban infrastructure. The municipalities require a combination of short- and long-term assistance to help them cope with the sudden burst of contracts they must manage. In the short term, training will not quickly replace the shortage of skilled technical staff capable of preparing and implementing the volume of works envisioned. To bridge this gap during the next three years and complement the work of the RPIU mentioned in the previous paragraph, the TA Program would provide funds to enable municipalities to engage up to 200 man-months of short-term consultants to help them review, plan and design projects; carry out feasibility studies; or otherwise complete the preparation of the many projects of deferred maintenance and rehabilitation works proposed by the 29 municipalities in the West Bank and Gaza. The cost of this assistance is estimated at US\$450,000. One TA activity is planned to begin in the period through June 1994.

**7. Environment.** Successful economic recovery requires the effective integration of environmental issues in economic management. In order to achieve this objective the Palestinian Environmental Protection Authority (PEPA) was established in January 1994 to provide an institutional structure for environmental management. Data are generally lacking, but experienced Palestinians are not. Serious environmental problems exist in agriculture, water, wastewater and solid waste; environmental conditions in Gaza appear to be the worst in the Middle East. The strategy would be to focus efforts over the next three years on the establishment of administrative frameworks and practical plans to manage the environment; support environmental education and public awareness programs; and prepare an

environmental action plan and monitoring framework, and a ground water management and monitoring system for Gaza. The estimated cost of these activities is US\$2.6 million over the next three years, excluding an estimated US\$4.0 million in equipment and technical assistance to implement the Gaza groundwater monitoring plan and environmental standards, monitoring and other facilities. It also excludes US\$0.9 million of other activities which donors have already agreed to finance on a bilateral basis. These estimates assume that a significant amount of the work would be undertaken by Palestinian institutions and experts working on a collaborative basis with foreign specialists as required. A TA activity for preparation of environmental assessment procedures is planned to begin in the period through June 1994.

## HIGHEST PRIORITY TECHNICAL ASSISTANCE ACTIVITIES

December 1993 - June 1994

| Item         | Sector | Description   | Dates        | US\$ M        |
|--------------|--------|---|--------------|---------------|
| IB           | EM     | Aid Management Information System   | 12/93 - 2/94 | 0.190         |
| IB           | EM     | Establish PECDAR Accounting System and Disbursement Procedures              | 12/93 - 2/94 | 0.050         |
| PI           | EP     | Gaza and West Bank Project Preparation - Electric Power *                   | 12/93 - 5/94 | 1.300         |
| PI           | SW     | Translation & Environmental Reports for 5 Landfill & Transfer Stations      | 12/93 - 1/94 | 0.085         |
| PI           | TL     | Prepare Bidding Document for Jericho Exchange                               | 12/93 - 1/94 | 0.015         |
| IB           | WS     | Institutional Development Specialist - Jerusalem Water Undertaking          | 12/93        | 0.020         |
| PI           | WS     | Project Preparation Facility including Well Rehabilitation *                | 12/93 - 5/94 | 0.320         |
| PS           | ED     | Organizational Options for a Palestinian Education Authority                | 3/94 - 12/94 | 0.200         |
| PS           | ED     | School Mapping Study  | 3/94 - 9/94  | 0.180         |
| FS           | ED     | Prefeasibility Study for Remedial Education for Children                    | 5/94 - 9/94  | 0.050         |
| IB           | EM     | Advisors: Budget, Tax, Treasury, Public Investment, Aid Coordination        | 1/94 - 12/95 | 2.100         |
| IB           | EM     | Training in international Procurement                                       | 3/94 - 4/94  | 0.075         |
| IB           | EM     | Palestinian Bureau of Statistics - Organizational Support                   | 1994         | 0.250         |
| PS           | EM     | Public Administration Task Force  | 1994         | 0.400         |
| PS           | EM     | Civil Service Task Force  | 1994         | 0.350         |
| PS           | EM     | Macroeconomic Studies: Palestinian Development Institute                    | 1994 - 1996  | 0.550         |
| IB           | EN     | Environmental Assessment Procedures   | 4/94 - 12/94 | 0.100         |
| IB           | FM     | Uniform Accounting System for Municipalities & Financial Situation at 12/93 | 2/94 - 7/94  | 0.125         |
| IB           | FS     | Creation of Unified Legal and Regulatory Framework for the Financial Sector | 3/94 - 12/94 | 0.250         |
| PI           | FS     | Creation of Palestinian Development Bank                                    | Early 1994   | 0.100         |
| IB           | HT     | Harmonize UNRWA & Civil Administration Public Health Services               | 4/94 - 3/95  | 1.000         |
| IB           | LG     | Clarification & Harmonization of Laws                                       | 1994         | 0.500         |
| IB           | LG     | Procedures for Business Entry   | 1994         | 0.100         |
| PI           | SW     | Protect Management Implementation Support - Solid Waste                     | 6/94 - 6/96  | 1.500         |
| IB           | TC     | Tourism Development Authority & Development Plan                            | 4/94 - 12/95 | 0.500         |
| IB           | TL     | Training for Telecommunications Operations and Maintenance                  | 1/94 - 4/94  | 0.330         |
| PI           | TL     | Management Contract - Palestinian Telephone System                          | 4/94 - 4/96  | 2.000         |
| PI           | TR     | Preparation of Immediate Road Rehabilitation Program *                      | 1/94-4/94    | 0.300         |
| PI           | UD     | Short-term Specialist Consultants for Urban Project Implementation *        | 4/94 - 12/95 | 0.450         |
| FS           | WS     | Wastewater Treatment & Re-use Strategy-Study (A) & Implementation (B)       | 2/94 - 12/94 | 0.405         |
| <b>Total</b> |        |   |              | <b>13.795</b> |

### Items

PI: Inst. Building  
 PI: Project Impl.  
 PS: Policy Study  
 FS: Feas. Study

### Sectors

ED: Education  
 EM: Economic Management  
 EN: Environment  
 EP: Electric Power  
 FM: Financial Management

FS: Financial Sector  
 HT: Health  
 LG: Legal Issues  
 SW: Solid Waste  
 TC: Tourism & Cult & Nat. Res.

TL: Telecommunications  
 TR: Transportation  
 UD: Urban & Municipal Development  
 WS: Water & Sanitation

\* ERP Related

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## APPENDIX 3

### SECTOR BACKGROUND AND STRATEGY

1. The ERP comprises, *inter alia*, priority interventions in three infrastructural sectors: education; water, wastewater and sanitation; and roads. A brief description of each of these sectors including issues and proposed strategies is presented here. The accompanying matrices summarize key issues and strategies.<sup>1</sup>

#### Education

2. **Background.** Education is provided to Palestinians by the private sector, UNRWA, and the Civil Administration. The Civil Administration dominates primary and secondary education, enrolling about 60 percent of all students. UNRWA educates about a quarter of all students at these levels. The remaining 13 percent of students attend private schools. Nearly all secondary schools are operated by the Civil Administration; they enroll about 40 percent of the age-relevant cohort. Secondary-level vocational schools train a very small fraction of age-eligible students - only about 2.6 percent in recent years. Most preschools and universities are operated by private, voluntary organizations; the preschools enroll 20-30 percent of the relevant age group. The higher education system consists of 8 universities (two in Gaza and 6 in the West Bank) with a total enrollment of 20,484 students. The twenty community and technical colleges (4 in Gaza and 16 on the West Bank) together have 7,364 students.

3. In general, the system of education has been designed to transmit knowledge rather than to develop capacities for critical thinking and skills in solving complex problems; fails to provide sufficient access to female students, particularly at the secondary level; is deficient in curricula, teaching methods and modern educational inputs--particularly library books, laboratory equipment and computer facilities; is plagued by overcrowding--a problem that is particularly acute in UNRWA schools; has been subjected to frequent and prolonged interruption of instruction because of the Intifada and has denied a generation of students a sound education; has failed to impart high priority technical and professional skills. General academic education has been over-expanded relative to vocational relevant instruction--roughly two-thirds of university students are enrolled in programs in the humanities, the social sciences other than economics, and education while labor market data indicate an under-investment in high quality vocational and technical training in particular occupations.

4. **Issues and Strategy.** The key issues are: preserving the private preschool and university systems during the current funding crisis--one due to the sharp drop in foreign assistance to the education system in recent years; improving the quality of the formal education system; establishing a Palestinian authority with responsibility for integrating and developing the education system; increasing investment in vocational and technical education in order to reduce the scarcity of key technical skills and more closely match supply to demand; improving the currently low educational outcomes, particularly of children whose education has been interrupted by events during the Intifada.

5. The short-term strategy is to: a) sustain the current system by allocating resources to meet the immediate recurrent expenses of the preschool and university systems; by undertaking a careful assessment of the current financial condition of education institutions; by formulating a financial plan for

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1/ The issues and strategies noted here are identical to those identified and elaborated in EAP.

each; and by developing skills in the financial management of education institutions--particularly universities and colleges; b) begin a multi-pronged attack on quality by increasing the availability and improving the quality of books, teaching materials and equipment; upgrading physical plant, facilities and equipment; reducing overcrowding by building additional classrooms, laboratories and gymnasias; improving curricula; raising the standards of the exit examinations; and improving teacher training and performance standards; c) strengthen vocational education and improve the link between vocational training and employment through such mechanisms as tracer studies of graduates, studies to identify the demand for skills, and curricula improvement; d) prepare for the transfer of authority over education from the Civil Administration by creating a Palestinian institutional framework capable of developing education policy and integrating operational systems and procedures--including developing minimum teacher qualifications and reviewing salaries, fringe benefits and administrative costs; e) devise remedial education programs for the children negatively affected by the intifada; and f) strengthen the links between schools and communities in order to increase public involvement in the education process and help re-knit communities--especially those negatively affected by the intifada--by encouraging the use of school facilities as centers of community activity. The long-term strategy is to: a) introduce cost-cutting measures, increase student fees, diversify funding sources; b) revise the curricular framework, prepare or purchase new texts and teaching materials, revise and upgrade teacher training and update the exit examinations; c) merge the educational systems now operated by the CA and UNRWA; d) develop a market-responsive vocational and higher education system by establishing closer links between employers and schools, and establishing mechanisms for the rapid design and introduction of new training activities; e) develop a remedial education program for those who have suffered significant deficits due to the intifada; and f) replace obsolete and inadequate schools.

## Power

6. **Background.** While almost all households in the OT have access to power,<sup>2</sup> consumption (estimated at about 679 kWh per capita) is low in comparison to other countries at similar levels of income (for example: Egypt at 815, Jordan at 1054, Tunisia at 615 and Syria at 699 kWh per capita). If political and economic conditions improve, demand could grow by 10% to 15% per year through the end of the decade.

7. Except for the diesel electric capacity operated by the Nablus municipality, the Israeli Electric Company (IEC) supplies all of the OT, including the Israeli settlements. However, responsibility for distribution is divided between some 114 municipal undertakings--17 in Gaza and 97 in the West Bank, serving respectively between 400 and 33,000, and 400 and 92,000<sup>3</sup> consumers each--operated mainly as municipal departments. With the exception of the Jerusalem Electric Company and perhaps one or two others, these municipal undertakings are too small to be efficient. They lack suitably qualified staff; have inadequate billing, collection, accounting and data processing systems; have tariffs which, after deducting operating expenses, are insufficient to cover even the cost of electricity purchases from IEC; and are incapable of preserving existing investments, much less efficiently planning or managing large scale programs of development.

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2/ At the end of 1990 only about 7.0% of the OT population did not have access to electricity. Another 71 communities (population of 221,000) received limited service (6-12 hours/day) from a number of relatively small diesel generation units.

3/ The Jerusalem Electric Company (JEDCO).

8. In the Gaza Strip the total load drawn by the 79,000 consumers is about 80,000 kVA. Bulk power is supplied from 3 transformer stations located in Israel. Feeders emanating from these stations are limited in capacity and are equipped with load limiting circuit breakers located inside Gaza. These feeders supply some 196 municipally-owned distribution transformers. Demand exceeds transformer capacity, and overloading at times of peak loads is evidenced by the high burn-out rate of some 15 transformers per year. In the West Bank bulk power is supplied from 5 IEC 161\33 kV transformer stations located outside the main cities of Jerusalem, Hebron and Nablus and by a 13.5 MW medium-speed diesel station, running on heavy fuel, located in the city of Nablus. Sixteen main 33 kV IEC transmission lines (some of which are dedicated to Israeli settlements) and a low voltage network cover almost the entire geographical area. As in Gaza, distribution feeders emanating from the IEC substations are equipped with load limiting devices.

9. The distribution network, in general, has been neglected. In Gaza, at least 100 km of the existing 400 km of low voltage lines are in poor condition due to lack of maintenance, overloading, and aging (20 or more years old), and need to be rebuilt. System technical losses are in the range of 17% to 20% due to the long low voltage lines and overloading of transformers. Such loss levels are about three times the norm for comparable well-run systems. In addition, non-technical losses (theft of electricity) may be as high as 35% of input electricity in some areas. These abnormally high levels of illegal connections are a result of weak capacity to collect electricity billings, but also have political foundations.<sup>4</sup> In the West Bank at least 380 km of the existing 2300 km of low voltage lines are in poor condition and also need to be rebuilt. In addition, some 100 km of obsolescent 6.6 kV distribution circuits also need to be upgraded.

10. Generating capacity is adequate but, as noted above, is almost wholly Israeli owned and controlled. IEC's bulk power supplies fully dedicated to the Occupied Territories (including the Israeli settlements) is stated at approximately 420 MVA.<sup>5</sup> The 1993 coincident peak for the OT, including supply of the Israeli settlements, was 290 MW. IEC's near-term (1993-1998) plans to meet the approximately 50% forecasted growth in demand in the OT during in this period envisages an investment of about US\$140 million. This sum excludes investment at the generation level, but includes programmed expansion of the high voltage transmission and step-down transformer capacity and the 33 kV sub-transmission network. IEC's investment program is currently "on hold" pending the resolution of the future electricity supply arrangements in the OT. It involves relatively long lead-time construction with siting and environmental issues. Without a re-oriented investment program in bulk transmission in the near future, supplies to the OT may become constrained and unreliable near the end of the decade. On the Palestinian side, plans also exist for: the construction of a 10 MW medium-speed diesel plant (2 x 5MW) in Jericho estimated at US\$ 12.0 million (bilatéral funding is being negotiated); and a rural electrification program involving supply to 115 villages in the northern and southern regions at an estimated cost approximately US\$10.0 million.

11. **Issues and Strategy.** The key sector issues are: improving service to consumers by reducing network overload and the consequent damage to consumer equipment due to low voltages and frequent outages; improving sector efficiency through improved training and operating systems and practices, and through consolidating existing fragmented utilities into larger units to take advantage of economies of scale; and reducing dependence on Israel for bulk supplies.

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4/ As part of the protest against the occupation, at least since the Intifada.

5/ Others, not fully dedicated transmission facilities are located within Israel.



programs. Moreover, an enhanced JWU could provide a model for other regional agencies. In total, five such agencies are envisaged of which priority should be given to Gaza where fragmented management amongst municipalities, camps and villages has been particularly detrimental. Such regional agencies would operate subject to regulation by the central water management authority, but would be financially autonomous, owned by the municipalities served, and accountable to the local community.

16. Most water supply networks are in urgent need of rehabilitation. Sewerage networks are of more recent origin but their coverage is limited and appropriate treatment and reuse technologies have yet to be developed. Most municipalities have prepared investment proposals both for exploitation of new water sources and for rehabilitation and expansion of their networks. These are of variable quality and in various stages of readiness. Investments in new sources are subject to strict controls by the CA. Moreover, the municipalities have very limited financial resources. Water charges differ widely, delinquency rates are high, and revenues at best cover (inadequate) O&M expenditures. As a result, municipalities have been dependent on ad hoc donor support for their investment requirements. This has tended to favor the larger towns and contributed to fragmented development programs. The poor state of the networks, high unaccounted for-water and weak O&M practices have also limited the potential for instituting systematic water conservation measures. Rotation of supplies is widely adopted as a means of adapting to water shortages. Though effective in constraining consumption, intermittent supply is destructive of agency morale and customer cooperation, and leads to contamination as a result of intrusion of polluted water.

17. **Issues and Strategy:** The key sector issues are: improving water resource management--particularly, management of the Gaza aquifer; improving water supply delivery systems; improving the sewerage collection, treatment and disposal system; improving wastewater resource management; strengthening the institutional, financial and regulatory framework for the management of water and wastewater.

18. The **short-term strategy** is: a) to focus on Gaza, and to: strengthen regulatory controls over the Gaza aquifer, institute effective conservation practices to reduce losses and manage demand; and develop contingency plans to guarantee basic potable supplies; and b) in Gaza and West Bank municipalities to: implement a program of priority water network rehabilitation; expand piped water coverage to selected villages; lay the basis for long term institutional reform; undertake review of institutional and financial problems and options, review technical and financial reasons for poor operation of existing waste water treatment plants, and implement program of priority sewage network and treatment plant rehabilitation. The **long-term strategy** is to: a) develop and implement a coherent water resource management policies for the OT as a whole, including particularly a wastewater re-use policy for Gaza; b) develop regional water resource management policy with Jordan and Israel; c) extend and consolidate program of priority network rehabilitation, expand piped water coverage to all villages; d) develop new wells in the context of an overall water resource management strategy; e) consider desalinization subject to determination of economic feasibility; f) develop and implement long-term OT-wide program of improvement to sewage networks and treatment plants, and wastewater collection and reuse; g) create regional utilities by rationalizing and consolidating individual city utility departments; h) establish effective data collection and cost recovery policies and systems; i) establish an effective regulatory framework, in coordination with other utilities and services, and j) establish a national human resource development program for the sector.

**Roads: (a) Inter-Urban Roads and Transport<sup>6</sup>**

19. **Background:** The inter-urban transport system of the OT consists of 2000 km of road network in the West Bank and 168 km in the Gaza Strip. Except for sections serving Israeli settlers, the network is generally in poor condition. Since 1967, there has only been limited extension to the paved road network, and the ratio of road length to population is lower than any country in the region, except Egypt. Congestion is particularly severe on the Gaza inter-urban network, and on the Ramallah/Al Birah/Jerusalem/Hebron corridor.

20. The main network serving the major population centers--largely constructed before 1967--is about 700 km in total length. On the West Bank, it consists of two main north-south corridors, but also includes major east-west corridors. The regional network, about 500 km in total length, is also oriented to north-south and east-west. The local roads link smaller communities and villages and provides access to the main and regional road networks. In addition, an 880-km agricultural road network serving West Bank farming communities requires selective rehabilitation and improvement. In Gaza the main road system consists of the main north-south road connecting the four larger cities (Gaza, Jaballah, Khan Younis, and Rafah). It is severely deteriorated but still passable for traffic. There is also a coastal road that can serve through traffic but it is in need of reconstruction, upgrading and repairs.

21. The inter-urban road system is under the jurisdiction of the Civil Administration. Here, the chronic lack of expenditure on maintenance has left key highways serving Palestinian areas in poor condition, with pavements in some places on the brink of disintegration. Annual expenditure on roads is not known with any precision. It may be as high as US\$15 million per year, but a significant portion of this is spent on roads leading to Israeli settlements in the West Bank and Gaza or for resurfacing of main roads in the vicinity of such settlements. Some is also spent on municipal roads, leaving little for maintenance of the inter-urban road network.

22. Road Transport is the only mode available for passenger movements in the OT and is completely in the private sector. It consists of buses; shared taxis; and unlicensed private cars, mini-vans and pick-ups which provide services mainly in remote areas and densely populated centers as licensed vehicles cannot adequately meet the demand. Due to the lack of a formal financial sector in the OT, term financing is not generally available to bus companies, placing a constraint on fleet renewal and proper maintenance. Also, due to ease of entry and lax regulation, competition from private cars providing unlicensed passenger services further reduces the revenues of the bus companies and contributes to the weakening their financial position. All road freight movements are carried out by privately owned trucking companies, and about 20,000 trucks of various sizes are in operation. Trucking enterprises face financial problems similar to those facing bus companies. Most of the trucking fleet is old and costly to operate. The industry is not well organized and lacks modern terminal facilities. Delays caused by security concerns of the Israeli Authorities add to the financial burdens of the trucking enterprises.

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<sup>6/</sup> The focus here is on road transport. Independent OT ports and airports do not exist, are contentious, are not included in EAP or the project, and are thus not discussed here. Railways are non-existent, and due to the small size of the territories are unlikely to play a significant role in the near future. It should be noted, however, that studies to establish the feasibility of developing port facilities in Gaza and an international airport at Qualandia near Jerusalem could be considered for study under TAP once the political issues are settled.

23. **Issues and Strategy:** The key sector issues are: arresting the deterioration and improving the quality of the existing inter-urban road network; relieving congestion on key sections of the network, thereby reducing air pollution, travel time and travel costs; improving accessibility to villages; and strengthening institutional capacity to plan, manage and maintain the network.

24. The **short-term strategy** is to: (a) develop and begin implementation of a 5-year road stabilization program to establish regular routine maintenance and to eliminate the backlog of road maintenance; (b) provide villages with improved road access and expand the current rural roads network where justified; (c) design and implement traffic management schemes to relieve congestion in key cities; (d) undertake studies to determine the appropriate structure for planning, managing and regulating transport subsectors and, on the basis of these, establish the nucleus of a highways administration; (e) develop and launch training programs to enhance the capacity of (i) local consultants to undertake highway planning and design, and (ii) contractors to undertake road maintenance and rehabilitation; and (f) undertake studies to improve the passenger and freight transport system, including developing better linkages between the West Bank and Gaza. The **long-term strategy** is to: (a) establish institutions to develop effective sector policy and planning, and mechanisms to manage and adequately fund preservation of inter-urban road system assets; (b) implement projects to improve inter-urban passenger and freight transport, including connections between the West Bank and Gaza; and (c) continue the program to upgrade and extend the rural road network. Subject to further political agreements with Israel and demonstration of their technical, economic and environmental feasibility, the development of the Gaza port and Qalqilya airports would also be core elements of the long-term strategy.

#### **Roads: (b) Municipal Roads and Facilities**

25. **Background:** Municipalities are generally weak, and have become progressively weaker since the *Intifada*. This is due partly to social and economic dislocation, and the lack of representative political leadership. Municipal elections have not taken place for many years, thus most municipalities: lack a popular mandate; have had to manage with inadequate funding due to the limitations of the municipal finance system administered by the CA; and have been unable to effectively collect taxes, fees or user charges. The consequent shortages of funds and lack of opportunities to recover budget deficits through taxation and user charges, borrowing, or from the CA, has severely curtailed municipal operations. On the other hand, it has also limited over-staffing. Despite the unfavorable environment, local governments have managed to provide a basic level of services. Thus municipal roads and facilities (office and service buildings, markets, slaughterhouses, recreation areas, etc.) in the OT are often in poor condition—and conditions are generally far worse in Gaza than they are in the West Bank. These conditions contribute to environmental degradation, increase urban travel times and costs, and lower the efficiency, health and safety of the cities.

26. Planning is also problematic. While regional and city land-use plans have been prepared by the CA, municipalities and Palestinian professionals, there is no agreed or widely accepted long-term planning framework for assessing land development and investments in major infrastructure and facilities. This is most acute in the Gaza strip where several municipalities and refugee camps run by UNRWA share common borders and facilities, and where there are issues concerning the future disposition of state land. In addition, land markets are severely distorted, with consequent pressures to expand municipal boundaries. The latter have been severely constrained by Israeli regulations.

27. **Issues and Strategy:** The key issues are: reducing urban transport costs and travel times; increasing accessibility and safety; improving surface water drainage, thus reducing the incidence of flooding and flood damage; preserving existing investment in infrastructure and services; improving municipal facilities and preserving existing municipal assets (markets, slaughter houses, office, recreation

facilities, etc.); and strengthening municipal capacity to plan, finance, manage and maintain urban services and facilities.

28. The short-term strategy is to: (a) focus initially, but not exclusively, on improving conditions in Gaza; (b) develop and implement a coordinated program to rehabilitate, improve and systematically maintain existing main and secondary roads and drains; (c) remove major traffic bottlenecks through better traffic planning, signalization, channelization, road signage and marking; and (d) develop and implement a coordinated program to rehabilitate, improve and systematically maintain existing municipal buildings and facilities. In preparation for the future, studies would be undertaken in 4-5 representative "pilot" municipalities. These studies would include: (i) management audits--i.e, audits of existing institutional arrangements, systems and practices (including administrative, personnel, benefits, planning, budgeting, accounting, cost recovery, taxation, billing, collection, data processing, information, and infrastructural services maintenance and management); and (ii) preparation of municipal structure, investment, development, and institutional restructuring plans; f) prepare regional investment, institutional and structure plans for Gaza; and g) to the extent possible, involve all important community groups in the process of determining municipal priorities and preparing municipal investment and development plans. The long-term strategy is to implement a national program of municipal reform and capacity building, drawing on the lessons learned in the "pilot" cities. It also includes establishing a system of regional planning; preparing and implementing regional investment, structure and municipal development plans for Gaza; and preparing and beginning to implement similar plans for the West Bank.

Table 1: Education Sector Strategy

| Issue   | Short-Term Strategy   | Long-Term Strategy   | Immediate Actions (Program, Project, TA).   |
|---|---|--|---|
| Financial crises in the private preschool and university systems due to sharp drop in foreign assistance. | Provide funding to support assistance to the recurrent budgets of the university and pre-school system.   | Introduce cost-cutting measures; increase student fees; diversify funding sources.   | <p><b>Program/Project:</b> Provide funding assistance to universities and pre-schools;</p> <p><b>TA:</b> Develop financial plans, strengthen capacity for financial management of education institutions.</p>   |
| Unsatisfactory quality of formal education  | Provide books, library materials, laboratory equipment sports facilities; improve examinations; and increase pre-service training of teachers.  | Revise the curricular framework; prepare or purchase new texts and teaching materials; revise and upgrade teacher training; and update the exit examinations.  | <p><b>Program/Project:</b> Purchase books, laboratory equipment, computers and teaching aids to enrich education;</p> <p><b>TA:</b> Provide funding to create an institute for the review of educational objectives, prepare a curricular framework, develop teaching materials, upgrade pre-service teacher training, and prepare exit examinations.</p> |
| Degraded education infrastructure.  | Emergency school maintenance program.   | Replace obsolete and inadequate schools.   | <p><b>Project:</b> Rehabilitate and improve existing school buildings and facilities, and add new classrooms where essential.</p> <p><b>TA:</b> Prepare a school mapping study to support a master plan for development of education infrastructure.</p>  |
| Assumption by the Palestinian authority of responsibility for the government education system.            | Analyze the operational policies of the CA education system, elaborate options for the integration of teacher qualifications, personnel practices, and compensation policies.                             | Establish Palestinian institutions to make policy for, and develop the sector; merge the educational systems now operating under CA and UNRWA control.   | <p><b>TA:</b> Conduct a study of institutional options and develop capacity to collect and analyze education statistics.</p>  |
| Underinvestment in vocational education, leading to scarcities of selected technical skills.              | Conduct a tracer study of graduates of vocational schools and universities; review the offerings of vocational schools; identify skill shortages; develop new vocational curricula and train instructors. | Develop a market-responsive vocational and higher education system by establishing closer links between employers and schools, and establishing mechanisms for the rapid design and introduction of new training activities. | <p><b>TA:</b> Develop a program for the routine assessment of employment successes of graduates of vocational training programs; create task forces for the selection and development of vocational training programs, and the training of instructors.</p>   |
| Low educational outcomes of children whose education has been interrupted by events during the intifada.  | Assess the magnitude of the learning deficit and its distribution among groups of children.   | Develop a remedial education program for those who have suffered significant deficits due to the intifada.   | <p><b>TA:</b> Carry out a study of the magnitude of the learning deficit; identify and evaluate options for rectifying these deficits.</p>  |

\* References to project denotes specific inclusion in ERP.

Table 2: Power Sector Strategy

| Issue   | Short Term Strategy  | Long Term Strategy  | Immediate Actions (Program, Project,* TA)  |
|---|--|---|--|
| Sector organization fragmented in many small municipal departments of an uneconomic size with inadequate coverage of core management and operational functions. | Study future institutional options with a view to consolidation into two to four regional distribution companies; begin process of consolidation through centralizing management of network rehabilitation at regional level - Gaza Strip, and three operating centers in W.B. | Consolidate of distribution; establish institutional capability for managing transmission (bulk power purchases) and any generation; promote private sector investment in generation where feasible, and in distribution. | <p><b>Program/Project:</b> Create central operating centers for managing network rehabilitation that could serve as nuclei of regional distribution companies.</p> <p><b>TA:</b> Undertake study of institutional and regulatory options for public utilities that would include power sector and potential for private sector participation. Agree on options and prepare implementation program.</p> |
| Distribution networks overloaded, leading to high losses and burnout of transformers. Low voltages damages consumers equipment. Frequent supply outages.        | Rehabilitate distribution networks, increase transformer capacity and reduce inefficient reactive power flows; strengthen capacity for distribution planning and management of networks.   | Implement program of least-cost regional sub-transmission and distribution reinforcement that is responsive to local demands and provides utility-grade service quality.  | <p><b>Program/Project:</b> Investment in network rehabilitation, replenishment of stores, communications equipment, SCADA system, vehicles and computers.</p> <p><b>TA:</b> Undertake consulting services for design and supervision of distribution investment program; and distribution planning study that involves training of local staff.</p>  |
| Inadequate financial performance caused by high technical losses, theft of electricity, uncollected revenues and management constraints.                        | Implement program to reduce both technical and non-technical losses; begin sector reorganization; and train management.  | Complete reorganization of sector and ensure that it enables power utilities to operate on a commercial basis.  | <p><b>Project:</b> Finance distribution rehabilitation and computers for customer and network management.</p> <p><b>TA:</b> Undertake sector reorganization study (see above); loss reduction study; and management/staff training.</p>  |
| Sector bulk power supplies dependent on single supplier.  | Prepare least-cost bulk power expansion program that includes Regional interconnections.   | Participate in regional bulk-power pool that provides for reliable supplies at least-cost.  | <p><b>TA:</b> Undertake power generation/power interconnections study - that takes into consideration the ongoing Multilateral Working Group Regional Power Interconnection Study.</p>   |

\* References to project denotes specific inclusion in ERP.

**Table 3: Water Supply, Waste Water and Domestic Sanitation Sector Strategy**

| Issue  | Short-Term Strategy  | Long-Term Strategy   | Immediate Actions (Program, Project,* TA)  |
|--|--|--|--|
| <p>Poor water resources management; imminent danger of permanently damaging the Gaza aquifer</p>                               | <p>Focus on Gaza; strengthen regulatory controls over aquifer; institute effective conservation practices to reduce losses and manage demand; develop contingency plan to guarantee basic potable supplies.</p>  | <p>Develop coherent water resource management policies for OT as a whole, including waste water reuse policy for Gaza; develop regional water resources management policy with Jordan and Israel.</p>  | <p>TA: Define coherent water resources policy; develop coherent water conservation policies and practices; support improved O&amp;M practices;<br/>Project: give priority to Gaza immediate needs.</p>   |
| <p>Weak water supply service delivery.</p>   | <p>In Gaza and selected W Bank municipalities, implement program of priority network rehabilitation; expand piped water coverage to selected villages.</p>   | <p>Extend and consolidate program of priority network rehabilitation; expand piped water coverage to all villages; develop new wells in the context of an overall water resources management strategy; consider desalinization subject to determination of economic feasibility.</p> | <p>Program: Rehabilitation/selective extension of municipal and village water networks (Gaza, Rafah, Hebron, Ramallah, Qabatia, Betunia, and Jenin among others, and selected villages); construction of new wells in select municipalities and villages where resource, institutional and political conditions permit.<br/><br/>Project: Provide urgently needed tools and equipment to support improved O&amp;M.</p> |
| <p>Weak institutional, financial and regulatory framework for improving the management of water, sewerage and waste water.</p> | <p>In Gaza and selected W Bank municipalities, lay basis for long-term institutional reform; undertake review of institutional and financial problems and options.</p>   | <p>Create regional utilities by rationalizing and consolidating individual city utility departments; establish effective cost recovery policies and systems; establish regulatory framework.</p>   | <p>TA: Develop planning and regulatory framework, and initiate institutional reform at center; establish unified water and sewage utility in Ramallah district; develop proposals for creating similar agencies for Gaza and elsewhere in West Bank.<br/><br/>Project: support JWU-Ramallah as a model regional utility.</p>   |
| <p>Weak sewerage collection, treatment and disposal; and weak waste water resource management.</p>                             | <p>In Gaza and selected W Bank municipalities, implement program of priority network and treatment plant rehabilitation; review technical and financial reasons for poor operation of existing waste water treatment plants and develop wastewater reuse strategy.</p> | <p>Develop and implement long-term OT-wide program of improvement to networks and treatment plants, and waste water collection and reuse.</p>  | <p>Project: Rehab./extend existing sewerage networks and treatment plants (Nablu, Salfit, Dir Dibwan, Qaqilia, N. Gaza, Biet Hanoun, Al Bireh, Tulkarem, Anapta, among others.<br/><br/>TA: Review waste water treatment and reuse technologies and develop proposals consistent with local environmental financial, and social constraints.</p>   |

\* References to project denotes specific inclusion in ERP.

**Table 4: Inter-City Roads and Transport Sector Strategy**

| Issue  | Short-Term Strategy   | Long-Term Strategy  | Immediate Actions (Program, Project,* TA)  |
|--|---|---|--|
| Parts of existing intercity road infrastructure severely deteriorated. | Develop and begin implementation of a 5-year program to eliminate the backlog of road rehabilitation, while providing urgently needed routine road maintenance by local contractors and consultants.                    | Develop institutions to manage an adequately funded road system.  | <p><b>Program/Project:</b> Execute contracts for maintenance and reconstruction of roads and equipment for road safety and analysis.</p> <p><b>TA:</b> Set up program implementation unit that would be nucleus of transport authority; develop multi-year program for road expenditures.</p>  |
| Significant section of road system is congested.                       | Undertake traffic studies in worst areas and develop relief strategies.   | Prepare transport system development strategy.  | <p><b>TA:</b> Undertake long-term transport development strategy (to be completed in 1995).</p>  |
| Some villages lack all-weather access to highway system.               | Upgrade connection of selected villages to road network.  | Extend village access road program; develop rural roads program.  | <p><b>Program/Project:</b> First stage of village roads access program.</p> <p><b>TA:</b> Undertake design/supervision of village roads access program.</p>  |
| Lack of institutions for sector strategic planning and management.     | Set up road maintenance organization and determine structure for planning, managing and regulating transport subsectors; begin preparation of transport system development strategies and evaluation of major projects. | Establish institutions for sector policy and planning. Decide on whether to implement major projects. Develop the road maintenance organization into a Highway Authority. | <p><b>Program/Project:</b> Equipment for program implementation unit.</p> <p><b>TA:</b> Establish program implementation unit and carry out studies to determine organizational structure and financing of the road sector. Long-term transport (and regional) development strategy and feasibility and environmental studies of major roads, airstrips and Gaza port (to be completed in 1995).</p> |
| Lack of Financing arrangements for transport sector.                   | Prepare a financing plan for the 5-year program consisting of a combination of grants, loans and recurrent funds.   | Develop arrangements to provide uninterrupted funding for the road sector through a system of road user charges (fuel tax) and establishment of a dedicated Road Fund.    | <p><b>Program/Project:</b> Provide preliminary financing plan for the road and transport program over 2 years and marshal further support from aid donors.</p> <p><b>TA:</b> Undertake the maintenance study which include a review of and recommendations on long-term financing of the road sector.</p>  |
| Lack of financing for the transport sector.                            | Encourage competitive development of the banking system.  | None at this time.  | <p><b>TA:</b> Support studies for the developing of the banking system.</p>  |

\* References to project denotes specific inclusion in ERP.

**Table 5: Municipal Roads and Facilities Sector Strategy**

| Issues  | Short-Term Strategy  | Long-Term Strategy  | Immediate Actions (Program, Project,* TA)   |
|---|--|---|---|
| <p>High urban transport costs and travel times; poor accessibility and safety; high incidence of flooding; destruction of existing investment in infrastructure and services.</p> | <p>In selected municipalities, focussing initially on Gaza, undertake coordinated program to rehabilitate, improve and systematically maintain existing main and secondary roads and drains; remove major traffic bottlenecks through better traffic planning, signalization, channelization, road marking and signage.</p>  | <p>Same as short term, but involving more municipalities widened system coverage.</p>   | <p><b>Program/Project:</b> In selected municipalities, focussing initially on Gaza but including main W.Bank towns and villages, undertake repairs/rehabilitation of main and secondary roads and drains; undertake short studies to improve traffic flow and implement recommendations;</p> <p><b>TA:</b> Support from project preparation ; studies to inventory and classify roads and drains, and to improve traffic circulation.</p> |
| <p>Improving municipal facilities (markets, slaughter houses, office, recreation facils. , etc.); preserve existing municipal assets.</p>   | <p>In selected municipalities, focussing initially on Gaza, under take coordinated program to rehabilitate, improve and systematically maintain existing municipal buildings and facilities.</p>   | <p>Same as short term, but involving more municipalities and widened coverage.</p>  | <p><b>Program/Project:</b> In selected municipalities and villages, focussing initially on Gaza but including main W.Bank towns and villages, rehabilitate street lighting; rehabilitate key markets, abattoirs and other key municipal buildings.</p> <p><b>TA:</b> Support from project preparation.</p>  |
| <p>Strengthening municipal capacity to plan, finance, manage and maintain urban services and facilities.</p>  | <p>In selected municipalities (4-5 representative pilots), focussing initially on Gaza, undertake management audit of existing institutional arrangements, systems and practices (including administrative, personnel, benefits, planning, budgeting, accounting, cost recovery, taxation, billing, collection, data processing, information, and infrastructural services maintenance and management); prepare and implement municipal investment and development plans; to the extent possible, involve all important community groups in the process of determining municipal priorities and preparing municipal investment and development plans; prepare regional investment, institutional and structure plans for Gaza.</p> | <p>Same as short term, but involving more municipalities and widened coverage, drawing on the lessons learned in undertaking reforms in pilot cities; implement regional investment, institutional and structure plans for Gaza. Prepare regional, institutional and structure plan for W Bank.</p> | <p><b>TA:</b> Management audit of selected pilot municipalities; preparation of investment, institutional reform, and development plans for selected pilot cities; prepare regional investment, institutional and structure plans for Gaza.</p>   |

\* References to project denotes specific inclusion in ERP.

## APPENDIX 4

### INSTITUTIONAL ARRANGEMENTS AND PROJECT IMPLEMENTATION

1. The project would be implemented over a three-year period beginning July 1, 1994. Implementation arrangements are outlined below and organizational charts and a responsibility matrix are included.

#### **Program and Project Responsibility and Policy Guidance<sup>1</sup>**

2. Overall responsibility for policy-making and guidance would lie with the Board of Governors of PECDAR. However, responsibility for project formulation, implementation, monitoring and reporting would lie with the Director of the Program Management and Monitoring Office (PMO) of PECDAR. In order to avoid the danger of over-centralization and ensure that local needs and priorities are effectively attended to, the PMO would establish a sub-office in Gaza (the Gaza office). The latter would be responsible for overseeing development and coordination of the program and project components in the Gaza Strip would be headed by a Deputy Director.

3. While the PMO would have overall responsibility, to the extent possible it would rely on existing institutions and agencies--mainly the municipalities and the successor to the Gaza Civil Administration--to execute the project. PMO itself would only be directly involved in project implementation where no other appropriate agency is available, or where projects are large or span municipal jurisdictions. Also, to the extent practicable, PMO would rely on the services of competent consultants (including managing and procurement consultants, sector implementation consultants, and a panel of local engineering consultants), recruited in accordance with IDA guidelines, to assist it in undertaking its tasks. This use of consultants would help ensure that PMO itself remains a lean and agile entity, capable of responding effectively to the challenges of managing a complex program in a complex and changing environment.

#### **PMO's Organization and Staffing**

4. Apart from its Director and a Deputy Director of the Gaza office, the PMO itself would be organized and staffed as follows:<sup>2</sup>

##### **a) Main Office:**

- i) Sector Specialists (7 no.--education, health, power and telecoms, water and sanitation, roads and transport, solid waste, and environment), reporting to the Director: These would be qualified, experienced (min. 5-10 years) and reputable individuals, recruited locally and internationally on a contract basis for the duration of the program/project. Their roles would be to: assist the Director in ensuring, for each of the program/project subsectors, that proposals are technically and economically sound and justified; liaise

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<sup>1/</sup> Since PECDAR and its PMO would play essentially the same roles in both EAP and ERP, and since ERP would support PECDAR's entire operation for the duration of the project, fine distinctions are not made here between EAP and ERP arrangements.

<sup>2/</sup> See also organograms and responsibility matrix attached.

with and advise the project implementing agencies on subproject identification, selection and "best practices" in specific sectors; monitor and report on subprojects implementation to the director, deputy director and the MC; help expedite sub-project preparation and implementation; help define, draft terms of reference for review, and supervise TA proposals and projects; and undertake other general tasks essential for successful sector and project development; and

- ii) Procurement Officer (1 no.), reporting to the Director: This would be a qualified, experienced (min. 10 years) and reputable individual, recruited locally on a contract basis for the duration of the program/project. He/she would: liaise with the MC and implementing agencies on all matters involving procurement of goods; help define the procurement requirements of the project; help draft and review specifications and contracts; help expedite and ensure delivery of goods to final destination.

**b) Gaza Office**

Sector specialists (4 no.--education and health, water and sanitation, municipal roads and drains, and solid waste), reporting to the Director: These would be qualified, experienced (min. 5-10 years) and reputable individuals, recruited locally and internationally on a contract basis for the duration of the program/project. Their role would be similar to those of the specialists in the main office.

Both offices would be assisted by the managing and procurement consultants (see paras. 5-7 below) and support staff.

**Program Management and Procurement Consultants (MC)**

5. To help attain its objectives quickly and effectively, PMO would contract the services of a reputable, competent, and internationally recruited firm of program management consultants (MC or managing and procurement consultants) for the duration of the project. The MC would report to the Director of PMO, and their role would be to assist PMO with the following tasks:

- a) overall programming and budgeting--including periodic (at least quarterly) revision and updating to ensure attainment of program and project objectives;
- b) developing, instituting and operating effective manual and computer-based operating procedures and systems for project management, including, *inter alia*, project information systems and systems for critical path analysis;
- c) project screening,<sup>3</sup> evaluation and recommendation for selection;<sup>4</sup>

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3/ The MC would help PMO operationalize the screening criteria outlined in para. 17 below.

4/ The MC would not have the final say on subproject selection. Having screened projects on the basis of agreed criteria, MC would recommend selection to the Director of PMO and the Deputy Director, Gaza. These two, with the advice of the sector specialists would have responsibility for preliminary subproject selection. This would be subject to the advice of PMO's Director for Economics and Finance and the final authority of the Deputy Managing Director. The Directors of PMO and Economic Policy would establish a small (4-5 persons) committee for subproject selection.

- d) reviewing contract evaluation and award;
- e) project, subproject and contract monitoring;
- f) reviewing contract claims and payment certification;
- g) project and subproject data processing and accounting;<sup>5</sup>
- h) preparation of disbursement requests;
- i) ensuring compliance with financial, audit and other program/project covenants;
- j) program, project and subproject monitoring and reporting;
- k) liaison with implementing agencies on all matters necessary for ensuring the effective implementation of the program/project; and
- l) bulk procurement of goods, and selective procurement<sup>6</sup> of goods, works and services required for effective project implementation.

For the reasons stated above, the MC would also maintain a branch office in Gaza.

6. In order to undertake its task, the MC would provide a qualified team leader with strong project finance, management and coordination experience and skilled, and about 6-7 qualified and experienced specialists in the following areas:

- a) programming/budgeting (1-2 no.);
- b) data processing (1 no.);
- c) accounting (1-2 no.);
- d) project financial and economic evaluation (1 no.); and
- e) civil engineering project management and supervision (1-2 no.).

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5/ The Accounting Department of PECNDAR would be responsible for all payments, overall consolidation of PECNDAR's accounts and commissioning PECNDAR's audit. The MC would be responsible for payment certification, project accounts and audits.

6/ Procurement financed on a parallel basis by donors, using their own procurement guidelines.

7 In addition, the MC would provide (possibly on a sub-contract basis) the services of experienced and reputable, internationally recruited procurement sub-consultants to assist in undertaking the task of the procurement of goods and selective procurement of goods, works and services on a para. 19 required for the effective implementation of the project.

**Subproject Implementation**

8 **Consultants' Panel:** Because some implementing agencies are weak and will require a high level of project preparation and supervision<sup>7</sup> support would be provided through PECDAR under the program/project. In providing this support PECDAR would, on the basis of the criteria outlined below, invite a number of proposals, review and select a panel of 12-15 qualified, experienced, cost-effective, professional and reputable local civil structural mechanical engineering and architectural firms. The role of these firms would be to assist implementing agencies to identify, prepare, execute and complete a number of rehabilitation and improvement projects suitable for financing under the program/project. The decision on which consultants from the panel to employ would be left to the implementing agencies and their consultants would be hired on the basis of competitive procedures acceptable to IDA. Funding for the employment of consultants would be supported under the program/project.

9 **Role of Municipalities:** The municipalities and villages would be responsible for financing the municipal roads and facilities, and the water and wastewater systems. This would be financed by local consultants selected from the consultants' panel (see para. 8). In undertaking these responsibilities, municipalities and villages would be required to identify, prepare, execute, finance and supervise projects which would be executed by qualified contractors selected on the basis of competitive procedures acceptable to IDA. Funding support would be provided for applications made by PECDAR.

10 Detailed procedures acceptable to IDA would be developed by the MC. The implementing agencies, municipalities would: (a) identify individual projects and a program of related works, (b) prepare and submit to PECDAR technical data, costing, timing and cash flow requirements, (c) PECDAR forward proposals and applications to PECDAR for approval and for permission and funding to proceed, (d) obtain approval and receipt of funding from PECDAR, (e) contract their contractors, (f) with technical assistance prepare detailed designs and project documentation, (g) submit to PECDAR for approval and contract award, (h) submit project documentation to PECDAR for approval and contract award, (i) submit project documentation to PECDAR, and seek funding and approval for execution of contracts, (j) execute contracts and approval, execute contracts, (k) undertake to be available for a regular (monthly) progress and financial reports to PECDAR, (l) submit to PECDAR any information that PECDAR may reasonably request from time to time for the effective execution of the program/project.

7/ The terms of reference of the MC have been discussed and agreed with IDA. A total of 300 person months will be required. The MC will be appointed for a period of three years, renewable for a third year. The scope and content of MC services will be reviewed periodically, in consultation with IDA. This would be done jointly by the MC, PECDAR and IDA.

8/ This applies particularly to municipalities and villages of BARWA, MUDUNYA, KAYI and KIZILIRMAK.

### Section 1: Introduction

The following text discusses the importance of maintaining accurate records in a business setting. It highlights the various benefits that come with proper record-keeping, such as improved decision-making and legal compliance. The text also touches upon the challenges associated with managing large volumes of data and the role of technology in streamlining these processes.

Records are essential for a business to operate effectively. They provide a clear history of transactions, which is crucial for financial reporting and tax purposes. Additionally, they serve as evidence in legal proceedings and help in identifying trends and opportunities for growth. In today's digital age, leveraging software solutions can significantly reduce the risk of human error and ensure that all data is securely stored and easily accessible.

### Section 2: Data Management

This section focuses on the strategies for efficient data management. It covers topics such as data collection, storage, and analysis. The text emphasizes the need for a structured approach to data handling to ensure its integrity and availability. It also discusses the importance of data security and the implementation of robust backup and recovery protocols.

Effective data management is the cornerstone of a successful business. It involves not only gathering data but also organizing it in a way that makes sense. Regular audits and updates are necessary to keep the data current and accurate. Furthermore, investing in secure storage solutions and training staff on best practices can protect sensitive information from loss or theft.

### Section 3: Financial Reporting

The text in this section provides an overview of financial reporting requirements. It details the various types of financial statements, including the balance sheet, income statement, and cash flow statement. It also discusses the importance of transparency and accuracy in these reports for stakeholders and regulatory bodies.

Financial reporting is a critical component of a business's operations. It provides a snapshot of the company's financial health at a given time. By presenting clear and concise information, businesses can build trust with investors and creditors. Consistent and accurate reporting is also essential for meeting legal obligations and identifying areas for financial improvement.

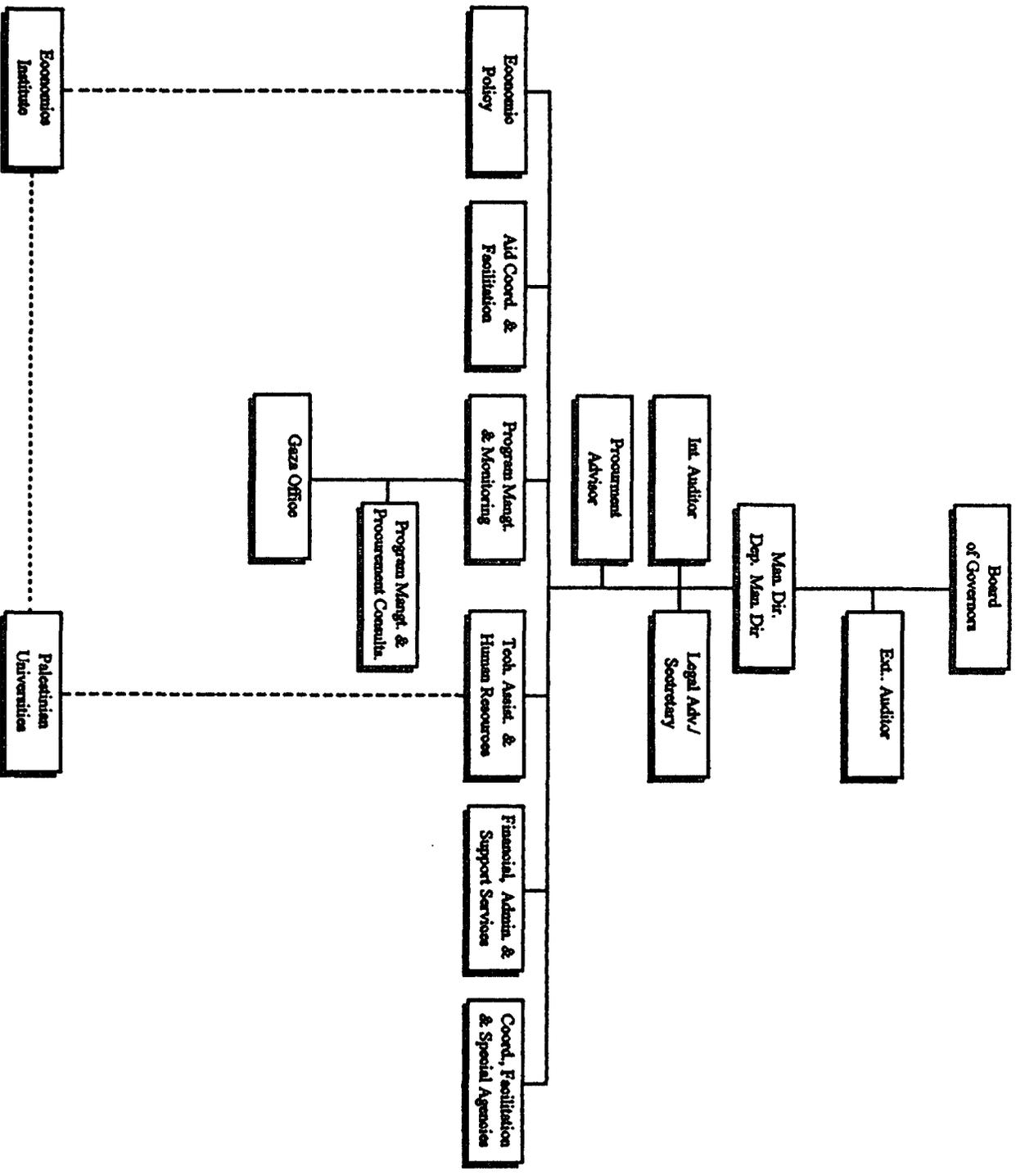
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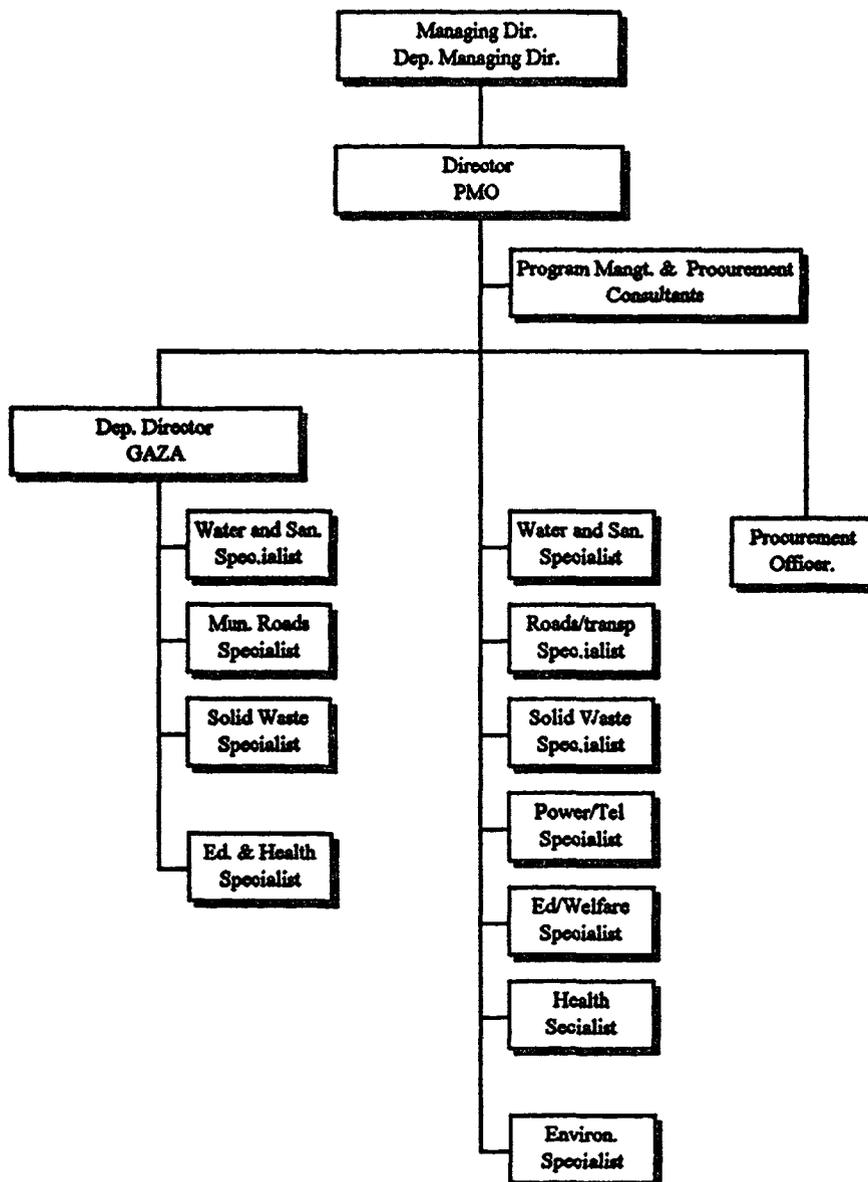




Occupied Territories  
Emergency Assistance Program & Emergency Rehabilitation Project  
Organization Chart II  
PECDAR: General Organization



**Occupied Territories**  
**Emergency Assistance Program & Emergency Rehabilitation Project**  
**Organization Chart III**  
**PECDAR: Program Management and Monitoring Office**



## PROJECT RESPONSIBILITY MATRIX

| ACTIVITY   | RESPONSIBILITY  | GROUP COMPOSITION AND REPORTING   |
|--|---|---|
| <b>Policy</b>  |   |   |
| * Overall policy direction and guidance.   | PECDAR's Board  | PNA appoints Bd. and Bd. Chairman.  |
| <b>Program/Project Preparation Implementation and Monitoring</b>   |   |   |
| * Overall Emergency Assistance Program design, development and management.   | Deputy MD   | Highly qualified and widely experienced economist/financial specialist, reporting to Bd. through MD and Chairman; supported by internal auditor and legal and procurement advisor.  |
| * Economic policy formulation, management and monitoring; tax policy; public finance and budgeting; program review.  | Director, Dept. of Economic Policy  | Group of 8-9 professional economists headed by a Director who is also a highly qualified and experienced macroeconomist; Dir. reports to MD.  |
| * Overall project development, management and monitoring, including liaising with and reporting to IDA and donors with donor project agencies; overseeing <u>major</u> (> US\$ [5m]) program and project bulk procurement of needs; overseeing projects of national significance or involving complex negotiations with Israel and/or donors).           | Director, Dept. of Program Management and Monitoring Office (PMO)                     | A highly qualified economist/engineer/finance specialist, with at least 10 yrs. experience in managing complex, internationally-funded projects; reports to MD; supported by managing and procurement consultants, sector specialists, and procurement officer. |
| * Overall implementation of Gaza subprojects, including detailed project preparation, contract award, accounting, procurement (< US\$ [5] m), monitoring and reporting; liaising Gaza UNRWA and NGOs.  | Dep. Director, Gaza Office (GPMO)   | A highly qualified engineer/project manager/ economist/finance specialist, with at least 10 years experience in managing complex projects; assisted by a procurement officer and quantity surveyor; Dep. Dir. reports to Dir. PMO.                              |
| * Project and subproject screening, programming, budgeting, project financial management, coordination, monitoring, reporting, including liaising with consultants, implementing agencies, contractors, municipalities, and CAs on plans permits, budgets, physical progress, claims & payments review & certification, an other sector specific issues. | PMO/Managing Consultants (MC); (Economic Policy Office for screening major projects). | MC: Firm/Group of about 8 internationally recruited specialists (financial analysts, engineers, systems analysts, data processing, project accountants) under the guidance of team leader; reports to Dir. and Dep. Dir. PMO;                                   |

| ACTIVITY  | RESPONSIBILITY  | GROUP COMPOSITION AND REPORTING   |
|---|---|---|
| * Subproject evaluation and selection.  | PMO/Econ Policy Offices; (Economic Policy Office plays major role for large projects) | 4-5 persons committee reporting to both Directors.  |
| * Bulk procurement of goods and selective procurement of goods, works and services required for the project; selective procurement of goods, works and services on behalf of donors.                | PMO/MC (Procurement Subconsultants).  | Firm/Group of subconsultants recruited internationally; reports to Dir. PMO   |
| * Project and subproject identification, technical advice, review, TA coordination, monitoring, reporting, including liaising with consultants, implementing agencies, contractors, municipalities. | Sector Specialists.   | A group of qualified internationally/ locally-recruited technical specialist (education, power, water and sanitation, transport & municipal roads and environment); report to Dir. & Dep Dir. PMO and advise on technical, sector specific issues |
| * Overall project accounting, commissioning of audits, financial reporting; payment of certificates.  | Manager, Finance and Accounting section of Support Services Office of PECDAR          | A qualified locally internationally recruited professional, with at least 7 years professional experience, assisted by two graduate accountants, Mgr reports to Dep Dir for support services  |
| <b>Subproject Implementation</b>  |   |   |
| * Education, Gaza and West Bank.  | Gaza CA Successor PECDAR  | Director of education and buildings department head in Gaza CA assisted by local consultants panel  |
| * Power, West Bank  | PECDAR  | PMO Director assisted by internationally recruited sector implementation consultants  |
| * Water, Wastewater and Sanitation subproject   | Municipalities  | Chief Municipal Engineer assisted by local consultants panel  |
| * Inter-Urban Roads   | PECDAR Gaza CA successor  | PMO director assisted by internationally recruited sector implementation consultants and in association with transport department director of Gaza CA   |
| <b>Aid Coordination</b>   | Dir. of PECDAR's Aid Coord. Department in association with PMO Dir.                   | Project & Impact Mgr of PECDAR  |
| <b>Technical Assistance</b>   | Dir. of PECDAR's TA Department in association with PMO Dir.                           | Project & Impact Mgr of PECDAR  |



**APPENDIX 6**

**OCCUPIED TERRITORIES**

**EMERGENCY REHABILITATION PROJECT**

**SUMMARY OF PROJECT COSTS,<sup>a</sup> TOTAL**

| COMPONENT <sup>b</sup>                        | Local       | Foreign     | Total        | Total %    | Foreign % |
|---|-------------|-------------|--------------|------------|-----------|
|   | (US\$m)     |             |              |            |           |
| <b>SOCIAL INFRASTRUCTURE REHABILITATION</b>   |             |             |              |            |           |
| <b>EDUCATION</b>                              |             |             |              |            |           |
| Works   | 6.6         | 2.8         | 9.4          | 9          | 30        |
| Materials and Equipment                       | 1.7         | 4.9         | 6.6          | 6          | 75        |
| Technical Assistance                          | 0.8         | 0.2         | 1.0          | 1          | 20        |
| Subtotal                                      | 9.1         | 7.9         | 17.0         | 16         | 47        |
| <b>PHYSICAL INFRASTRUCTURE REHABILITATION</b> |             |             |              |            |           |
| <b>POWER</b>                                  |             |             |              |            |           |
| Works   | 2.8         | 2.7         | 5.5          | 5          | 50        |
| Materials and Equipment                       | 0.1         | 2.2         | 2.3          | 2          | 95        |
| Technical Assistance                          | 0.1         | 0.4         | 0.5          | 0          | 80        |
| Subtotal                                      | 3.0         | 5.3         | 8.3          | 8          | 64        |
| <b>WATER SUPPLY AND SANITATION</b>            |             |             |              |            |           |
| Works   | 13.7        | 11.0        | 24.7         | 23         | 45        |
| Materials and Equipment                       | 0.3         | 5.7         | 6.0          | 26         | 90        |
| Technical Assistance                          | 1.0         | 0.9         | 1.9          | 2          | 50        |
| Subtotal                                      | 15.0        | 17.6        | 32.6         | 31         | 54        |
| <b>ROADS</b>                                  |             |             |              |            |           |
| <b>Inter-City and Village Access</b>          |             |             |              |            |           |
| Works   | 5.8         | 5.7         | 11.5         | 11         | 50        |
| Materials and Equipment                       | 0.0         | 0.4         | 0.4          | 0          | 90        |
| Technical Assistance                          | 0.1         | 0.6         | 0.7          | 1          | 80        |
| Subtotal                                      | 5.9         | 6.7         | 12.6         | 12         | 53        |
| <b>Municipal Roads and Facilities</b>         |             |             |              |            |           |
| Works   | 13.9        | 8.6         | 22.5         | 21         | 38        |
| Materials and Equipment                       | 0.5         | 4.1         | 4.6          | 4          | 90        |
| Technical Assistance                          | 1.3         | 0.4         | 1.7          | 2          | 20        |
| Subtotal                                      | 15.7        | 13.1        | 28.8         | 27         | 45        |
| Subtotal Roads                                | 21.6        | 19.8        | 41.4         | 39         | 48        |
| Subtotal Physical Infrastructure              | 39.6        | 42.7        | 82.3         | 78         | 52        |
| <b>PROJECT MANAGEMENT</b>                     |             |             |              |            |           |
| Incremental Operating Expenses                | 2.4         | 0.2         | 2.6          | 2          | 8         |
| Vehicles, Equipment, Materials and Spares     | 0.0         | 0.2         | 0.2          | 0          | 90        |
| Consultants                                   | 0.8         | 3.3         | 4.1          | 3          | 80        |
| Subtotal                                      | 3.2         | 3.7         | 6.9          | 6          | 54        |
| <b>TOTALS</b>                                 |             |             |              |            |           |
| Base Cost                                     | 51.9        | 54.3        | 106.2        | 100        | 51        |
| Physical Contingencies                        | 5.2         | 5.4         | 10.6         | 10         | 51        |
| Price Contingencies                           | 5.5         | 5.7         | 11.2         | 11         | 51        |
| <b>TOTAL PROJECT COST</b>                     | <b>62.6</b> | <b>65.4</b> | <b>128.0</b> | <b>121</b> | <b>51</b> |

a/ All costs are net of taxes and duties.

b/ Figures have been rounded.

**OCCUPIED TERRITORIES  
EMERGENCY REHABILITATION PROJECT**

**SUMMARY OF PROJECT COSTS,<sup>a</sup> GAZA**

| COMPONENT <sup>b</sup>                        | Local       | Foreign     | Total       | Total<br>% | Foreign<br>% |
|---|-------------|-------------|-------------|------------|--------------|
|   | (US\$m)     |             |             |            |              |
| <b>SOCIAL INFRASTRUCTURE REHABILITATION</b>   |             |             |             |            |              |
| <b>EDUCATION</b>                              |             |             |             |            |              |
| Works   | 3.8         | 1.6         | 5.4         | 11         | 30           |
| Materials and Equipment                       | 1.0         | 3.0         | 4.0         | 8          | 75           |
| Technical Assistance                          | 0.5         | 0.1         | 0.6         | 1          | 20           |
| Subtotal                                      | 5.3         | 4.7         | 10.0        | 20         | 47           |
| <b>PHYSICAL INFRASTRUCTURE REHABILITATION</b> |             |             |             |            |              |
| <b>WATER SUPPLY AND SANITATION</b>            |             |             |             |            |              |
| Works   | 8.1         | 6.3         | 14.4        | 29         | 44           |
| Materials and Equipment                       | 0.1         | 1.0         | 1.1         | 2          | 95           |
| Technical Assistance                          | 0.7         | 0.2         | 0.9         | 2          | 20           |
| Subtotal                                      | 8.9         | 7.5         | 16.4        | 33         | 46           |
| <b>ROADS</b>                                  |             |             |             |            |              |
| <b>Inter-City and Village Access</b>          |             |             |             |            |              |
| Works   | 4.1         | 4.1         | 8.2         | 16         | 50           |
| Materials and Equipment                       | 0.0         | 0.0         | 0.0         | 0          | 0            |
| Technical Assistance                          | 0.1         | 0.4         | 0.5         | 1          | 80           |
| Subtotal                                      | 4.2         | 4.5         | 8.7         | 17         | 46           |
| <b>Municipal Roads and Facilities</b>         |             |             |             |            |              |
| Works   | 8.1         | 5.0         | 13.1        | 26         | 38           |
| Materials and Equipment                       | 0.1         | 1.3         | 1.4         | 3          | 90           |
| Technical Assistance                          | 0.7         | 0.2         | 0.9         | 2          | 20           |
| Subtotal                                      | 8.9         | 6.5         | 15.4        | 31         | 42           |
| Subtotal Roads                                | 13.1        | 11.0        | 24.1        | 48         | 46           |
| Subtotal Physical Infrastructure              | 22.0        | 18.5        | 40.5        | 80         | 46           |
| <b>TOTALS<sup>c</sup></b>                     |             |             |             |            |              |
| Base Cost                                     | 27.3        | 23.2        | 50.5        | 100        | 46           |
| Physical Contingencies                        | 2.7         | 2.3         | 5.0         | 10         | 46           |
| Price Contingencies                           | 2.9         | 2.5         | 5.4         | 11         | 46           |
| <b>TOTAL PROJECT COST</b>                     | <b>32.9</b> | <b>28.0</b> | <b>60.9</b> | <b>121</b> | <b>46</b>    |

a/ All costs are net of taxes and duties.

b/ Figures have been rounded.

c/ Excludes project management.

**OCCUPIED TERRITORIES  
EMERGENCY REHABILITATION PROJECT  
SUMMARY OF PROJECT COSTS, \* WEST BANK**

| COMPONENT <sup>a</sup>                        | Local       | Foreign     | Total       | Total %    | Foreign % |
|---|-------------|-------------|-------------|------------|-----------|
|   | (US\$m)     |             |             |            |           |
| <b>SOCIAL INFRASTRUCTURE REHABILITATION</b>   |             |             |             |            |           |
| <b>EDUCATION</b>                              |             |             |             |            |           |
| Works   | 2.8         | 1.2         | 4.0         | 8          | 30        |
| Materials and Equipment                       | 0.7         | 1.9         | 2.6         | 5          | 73        |
| Technical Assistance                          | 0.3         | 0.1         | 0.4         | 1          | 25        |
| Subtotal                                      | 3.8         | 3.2         | 7.0         | 14         | 46        |
| <b>PHYSICAL INFRASTRUCTURE REHABILITATION</b> |             |             |             |            |           |
| <b>POWER</b>                                  |             |             |             |            |           |
| Works   |             | 2.7         |             |            |           |
| Materials and Equipment                       | 2.8         | 2.2         | 5.5         | 11         | 50        |
| Technical Assistance                          | 0.1         | 0.4         | 2.3         | 5          | 95        |
|   | 0.1         |             | 0.5         | 1          | 80        |
| Subtotal                                      | 3.0         | 5.3         | 8.3         | 17         | 64        |
| <b>WATER SUPPLY AND SANITATION</b>            |             |             |             |            |           |
| Works   | 5.6         | 4.7         | 10.3        | 21         | 46        |
| Materials and Equipment                       | 0.2         | 4.7         | 4.9         | 10         | 95        |
| Technical Assistance                          | 0.3         | 0.7         | 1.0         | 2          | 80        |
| Subtotal                                      | 6.1         | 10.1        | 16.2        | 33         | 63        |
| <b>ROADS</b>                                  |             |             |             |            |           |
| <b>Inter-City and Village Access</b>          |             |             |             |            |           |
| Works   | 1.7         | 1.6         | 3.3         | 7          | 50        |
| Materials and Equipment                       | 0.0         | 0.4         | 0.4         | 1          | 90        |
| Technical Assistance                          | 0.0         | 0.2         | 0.2         | 0          | 80        |
| Subtotal                                      | 1.7         | 2.2         | 3.9         | 8          | 56        |
| <b>Municipal Roads and Facilities</b>         |             |             |             |            |           |
| Works   | 5.8         | 3.6         | 9.4         | 20         | 38        |
| Materials and Equipment                       | 0.4         | 2.8         | 3.2         | 6          | 90        |
| Technical Assistance                          | 0.6         | 0.2         | 0.8         | 2          | 20        |
| Subtotal                                      | 6.8         | 6.6         | 13.4        | 28         | 49        |
| Subtotal Roads                                | 8.5         | 8.8         | 17.3        | 36         | 51        |
| Subtotal Physical Infrastructure              | 17.6        | 24.2        | 41.8        | 86         | 58        |
| <b>TOTALS</b>                                 |             |             |             |            |           |
| Base Cost                                     | 21.4        | 27.4        | 48.8        | 100        | 56        |
| Physical Contingencies                        | 2.2         | 2.7         | 4.9         | 10         | 56        |
| Price Contingencies                           | 2.3         | 3.0         | 5.3         | 11         | 56        |
| <b>TOTAL PROJECT COST</b>                     | <b>25.9</b> | <b>33.1</b> | <b>59.0</b> | <b>121</b> | <b>56</b> |

<sup>a/</sup> All costs are net of taxes and duties.

<sup>b/</sup> Figures have been rounded.

**APPENDIX 7**  
**FIRST YEAR CORE SUBPROJECTS<sup>a</sup>**  
**SUMMARY**

|                      | No. of Subprojects | Cost of Subprojects (US\$M) <sup>b</sup> | Approx. No. of Contracts | No. of Implemt. Agencies <sup>c</sup> |
|----------------------|--------------------|--|--------------------------|---------------------------------------|
| <b>GAZA</b>          |                    |  |                          |                                       |
| Water and Wastewater | 37                 | 8.4                                      | 21                       | 8                                     |
| Municipal Roads      | 30                 | 13.4                                     | 12                       | 8                                     |
| Sub Total            | 67                 | 21.8                                     | 33                       |                                       |
| <b>WEST BANK</b>     |                    |  |                          |                                       |
| Water and Wastewater | 9                  | 5.8                                      | 9                        | 7                                     |
| Municipal Roads      | 13                 | 10.2                                     | 12                       | 9                                     |
| Sub Total            | 22                 | 16.0                                     | 21                       |                                       |
| <b>TOTALS</b>        |                    |  |                          |                                       |
| Water and Wastewater | 46                 | 14.2                                     | 30                       | 15                                    |
| Municipal Roads      | 43                 | 23.6                                     | 24                       | 17                                    |
| <b>TOTAL</b>         | <b>89</b>          | <b>37.8</b>                              | <b>54</b>                |                                       |

**a/** Subprojects which will provide the core of the first year implementation program.

**b/** Excluding VAT (17%).

**c/** The number of implementing agencies (municipalities) cannot be summed since most agencies are involved in more than one sector.

**GAZA - FIRST YEAR CORE SUBPROJECTS**

**WATER SECTOR**

| Implementing Agencies       | No. of Subprojects | Cost (US\$M) | Estimated No. of Beneficiaries <sup>a</sup> | Comments  |
|-----------------------------|--------------------|--------------|---|---|
| Gaza City Municipality      | 4                  | 2.23         | 100,000                                     | New well, booster pump, network, sewage pump station maintenance.           |
| Jabalia Village Council     | 5                  | 1.15         | 39,000                                      | New well, new water and sewer network.                                      |
| Beit Lahia Village Council  | 6                  | 1.10         | 20,000                                      | 2 new wells, rehabilitate water network. New sewers and pump station.       |
| Beit Hanoun Village Council | 3                  | 0.49         | 15,000                                      | New well, water network improvements.                                       |
| Central Villages            | 9                  | 1.33         | 65,000                                      | New well, water tower, reservoir, rehabilitate water network, storm drains. |
| Deir El Balah Municipality  | 3                  | 0.62         | 35,000                                      | New well, reservoir, rehabilitate water network.                            |
| Khan Yunis Municipality     | 4                  | 0.69         | 105,000                                     | New well, standby generators, network maintenance.                          |
| Rafah Municipality          | 3                  | 0.80         | 100,000                                     | Rehabilitate well, new booster pump.  |
| <b>TOTAL (excl. VAT)</b>    | <b>37</b>          | <b>8.41</b>  |   |   |

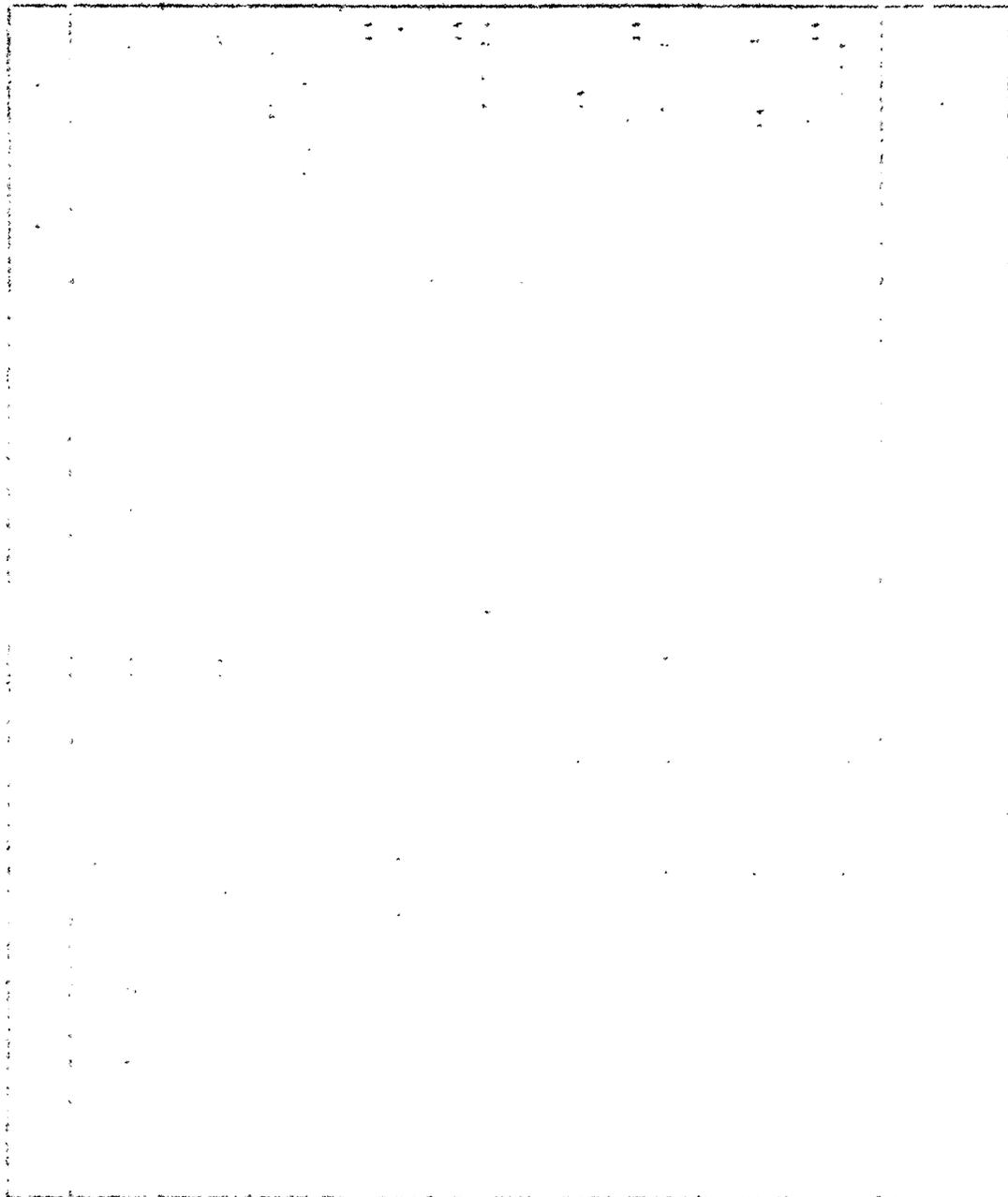
<sup>a/</sup> Estimates are approximate and include direct and indirect beneficiaries. Totals cannot be summed as this would result in double counting.

**GAZA - FIRST YEAR CORE SUBPROJECTS**

**MUNICIPAL ROADS SECTOR**

| Implementing Agencies       | No. of Subprojects | Cost (US\$M) | Estimated No. of Beneficiaries <sup>a/</sup> | Comments  |
|-----------------------------|--------------------|--------------|--|---|
| Gaza City Municipality      | 3                  | 4.50         | N/A  | Upgrade Jaffa, Khatat Roads<br>Resurfacing                    |
| Jabalia Village Council     | 3                  | 1.80         | 120,000                                      | North and south entrance roads, El Mahader Street             |
| Beit Lahia Village Council  | 3                  | 1.06         | 80,000                                       | El Marsha Street, Asfar Road, El Atatra Road                  |
| Beit Hanoun Village Council | 1                  | 0.25         | 5,000  | Expand and pave of new paving                                 |
| Central Villages            | 8                  | 2.18         | 40,000                                       | Expand and pave of new paving                                 |
| Deir El Balah Municipality  | 5                  | 0.96         | 16,000                                       | Abu Salem, Abu Meshal, Al Hadaba, Al Barouk, Salim, El Balah  |
| Khan Yunis Municipality     | 2                  | 1.67         | N/A  | El Amal Square - Pave new and existing roads                  |
| Rafah Municipality          | 5                  | 0.93         | 100,000                                      | City center roads, Road 76, El Sultan Road, Salah El Din Road |
| <b>TOTAL (excl. VAT)</b>    | <b>30</b>          | <b>13.35</b> |  |   |

<sup>a/</sup> Estimates are approximate and include direct and indirect beneficiaries. Totals cannot be summed as this would result in double counting.



WELEDAWO FIRST YEAR CORE SUBPROJECTS

MUNICIPAL ROADS

| Project ID        | Project Name | Priority | Project Details         |                      | Remarks |
|-------------------|--------------|----------|-------------------------|----------------------|---------|
|                   |              |          | Area (km <sup>2</sup> ) | Estimated Cost (USD) |         |
| 1                 | ...          | 1        | 1.00                    | 10,000               | ...     |
| 2                 | ...          | 1        | 1.00                    | 10,000               | ...     |
| 3                 | ...          | 1        | 1.00                    | 10,000               | ...     |
| 4                 | ...          | 1        | 1.00                    | 10,000               | ...     |
| 5                 | ...          | 1        | 1.00                    | 10,000               | ...     |
| 6                 | ...          | 1        | 1.00                    | 10,000               | ...     |
| 7                 | ...          | 1        | 1.00                    | 10,000               | ...     |
| 8                 | ...          | 1        | 1.00                    | 10,000               | ...     |
| 9                 | ...          | 1        | 1.00                    | 10,000               | ...     |
| 10                | ...          | 1        | 1.00                    | 10,000               | ...     |
| 11                | ...          | 1        | 1.00                    | 10,000               | ...     |
| 12                | ...          | 1        | 1.00                    | 10,000               | ...     |
| 13                | ...          | 1        | 1.00                    | 10,000               | ...     |
| 14                | ...          | 1        | 1.00                    | 10,000               | ...     |
| 15                | ...          | 1        | 1.00                    | 10,000               | ...     |
| 16                | ...          | 1        | 1.00                    | 10,000               | ...     |
| 17                | ...          | 1        | 1.00                    | 10,000               | ...     |
| 18                | ...          | 1        | 1.00                    | 10,000               | ...     |
| 19                | ...          | 1        | 1.00                    | 10,000               | ...     |
| 20                | ...          | 1        | 1.00                    | 10,000               | ...     |
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| 88                | ...          | 1        | 1.00                    | 10,000               | ...     |
| 89                | ...          | 1        | 1.00                    | 10,000               | ...     |
| 90                | ...          | 1        | 1.00                    | 10,000               | ...     |
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| 92                | ...          | 1        | 1.00                    | 10,000               | ...     |
| 93                | ...          | 1        | 1.00                    | 10,000               | ...     |
| 94                | ...          | 1        | 1.00                    | 10,000               | ...     |
| 95                | ...          | 1        | 1.00                    | 10,000               | ...     |
| 96                | ...          | 1        | 1.00                    | 10,000               | ...     |
| 97                | ...          | 1        | 1.00                    | 10,000               | ...     |
| 98                | ...          | 1        | 1.00                    | 10,000               | ...     |
| 99                | ...          | 1        | 1.00                    | 10,000               | ...     |
| 100               | ...          | 1        | 1.00                    | 10,000               | ...     |
| TOTAL (incl. VAD) |              | 13       | 10.21                   |                      |         |

8. Estimate of beneficiaries not available for all projects

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**APPENDIX 8****PROCUREMENT ARRANGEMENTS**

1. The project elements and their estimated costs, and the procurement arrangements for the components to be financed by IDA (and jointly with other donors) are summarized in Schedule B of the MOP. Recurrent and other local costs financed by the Palestinian Economic Council for Development and Reconstruction (PECDAR) and by other donors are shown under the heading NIF (non-IDA financed).
2. The General Procurement Notice would be published in the UN Development Business. Because of the emergency nature of the project, no further international advertising of the project procurement would be required.
3. All equipment and materials, works and services to be financed under the project jointly, or solely, by IDA would be procured in accordance with IDA's Guidelines for Procurement (May 1992) with the two exceptions of (a) one-half of the Danish grant would be reserved for procurement of Danish goods and services, and (b) IDA would administer a Saudi Fund grant in all aspects save for decisions with respect to procurement which will be made by the Saudi Fund according to its eligibility requirements (refer para. 8).<sup>2</sup> Occupied Territories (OT) manufacturers competing under International Competitive Bidding (ICB) would receive a preference in bid evaluation of 15 percent of the CIF price or the prevailing customs duty applicable to non-exempt importers, whichever is less, provided they can prove that the value added to the product in the Occupied Territories exceeds 20 percent of ex-factory bid price. OT contractors competing under ICB for civil works contracts would receive a preference in bid evaluation of 7.5 percent.
4. Vehicles, equipment and materials required for the project will consist of computer systems and peripherals, software systems, telecommunications, office and classroom equipment, several laboratory equipment, books, training aids and related supplies, vehicles for project management and supervision and tools equipment and spares for project sub-components. Contracts for equipment and materials estimated to cost more than US\$250,000 equivalent each will be procured through ICB, using IDA's Standard Bidding Documents modified to suit the requirements of individual project packages. Contracts for office and classroom equipment and supplies, and electrical fixtures are likely to be won by local suppliers. International shopping (IS) with at least three quotations from three eligible countries will be used for contracts estimated to cost less than US\$250,000. Local shopping with at least three quotations will be used for off-the-shelf items costing less than US\$25,000 per package. Direct Contracting (DC) will be allowed for items of a proprietary nature or items required to ensure compatibility with the already installed equipment.
5. Civil works contracts will be packaged taking into account such factors as the nature of the works, state of preparation and implementation capacity of local contractors and implementing agencies. Works contracts costing less than US\$3 million, with the exception of those requiring special construction and installation expertise, are not expected to be of interest to foreign contractors because they are many

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2/ Cofinancing from the Kuwait Fund is confirmed. Cofinancing from UAE is probable but has not yet been confirmed. Similar procedures would be adopted with respect to the administration of these funds (see para. 14 of MOP).

(250-300) relatively small and widely dispersed geographically, with a multitude of implementing agencies, mainly the municipalities. Therefore, specialized contracts and works contracts costing more than US\$3 million per contract will be procured through ICB using IDA's Standard Bidding Documents for Civil Works modified to suit the requirements of individual works. All other works contracts will be awarded under LCB procedures following the implementing agencies' normal procurement procedures. Very small works, such as street cleaning, trench rehabilitation, etc., will be done using the municipalities' existing work force. The pre-1967 procurement laws of Egypt (with some elements of the Palestine Mandate Law and Israeli Civil Administration regulations) and Jordan are in force in Gaza and the West Bank, respectively. The procurement procedures described by these laws are being followed by the municipalities and local administrative units. These are satisfactory to IDA with the following provisos: (i) tenders will be advertised for at least two consecutive days in a local newspaper of wide circulation; (ii) prospective bidders will be allowed a minimum of 30 days between the first appearance of notification and bid submission; (iii) bidding documents will follow the formats of IDA's Standard Bidding Documents or those used by UNRWA or UNDP in OT; (iv) if interested, foreign bidders will be allowed to submit bids, and will not be required to have local agents to be able to participate in bidding; (v) bids will be submitted in sealed envelopes, and both mailed and handcarried bids will be accepted; (vi) all bids will be opened at the same time in public; (vii) contracts will be awarded to the lowest evaluated bidder; (viii) bidders will not be asked, nor allowed, to change the substance of their bids after the bid closing date, and price negotiations with the lowest evaluated bidder will be confined to those cases listed in IDA's Procurement Guidelines; and (ix) in the absence of prequalification, postqualification criteria will be explicitly stated in the bidding documents.

6. Consultancy assignments will involve both individual consultants and consulting firms, mostly those hired to support the Palestinian Economic Council for Development and Reconstruction Agency (PECDAR) or municipalities. The selection of consultants will be in accordance with the *Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency* (August 1981), using IDA's standardized Letter of Invitation (LOI) and Sample Form of Contract for Consultants' Services [or the standard form of contract used when IDA is the Executing Agency]. There will be a total of about 30-40 assignments. Major assignments will be for managing and procurement consultants, inter-city roads implementation consultants, preparation of first year core projects in water and municipal roads sectors, preparation of an immediate road rehabilitation program, and numerous consultancy assignments directly with municipal governments (and other implementing agencies) to prepare second and third year projects. Training services will be obtained mostly through consulting organizations associated with the project or through specialized UN agencies, such as ILO. There are several local consultants with the requisite experience and background. Therefore, their expected participation in the project assignments is expected to be high.

7. Due to PECDAR's recent establishment and the project implementing agencies' lack of international procurement experience, the knowledge in international commercial practices and IDA's procurement procedures is almost non-existent. Therefore, all procurement activities under the project will be coordinated by PECDAR, which will establish a Procurement Unit responsible for (i) coordinating and monitoring all procurement activities of the implementing agencies; (ii) taking actions required by the Grant Agreement's prior or post review provisions; (iii) conducting all ICB and Technical Assistance related procurement; (iv) maintaining the records required for accountability in the use of grant funds. In these endeavors PECDAR's Procurement Unit will be assisted by procurement consultants satisfactory to IDA. To ensure compliance with IDA's procurement guidelines, all contracts awarded through ICB, as well as all civil works contracts above US\$250,000 and all consultant appointments above US\$100,000, and the first two contracts of each implementing agency will be subject to prior IDA review. These limits would result in prior review of a sufficiently large number of contracts to ensure

that IDA's Procurement Guidelines are followed. All other contracts will be subject to selective ex-post review by IDA.

8. The procedure for procurement of goods and services financed by the Saudi Fund grant would be essentially as follows: (i) the MC and PEC DAR will define parallel procurement procedures in accordance with the Saudi Fund requirements and inform IDA; (ii) IDA will review all engineering, implementation and cost studies and agree contract packages with PEC DAR/MC (excluding actual bid packages); (iii) IDA and PEC DAR/MC consult with the Saudi Fund and agree packages for Saudi Fund financing; (iv) PEC DAR/MC undertakes all procurement steps in accordance with the defined procedures and informs the Saudi Fund and IDA of bid evaluation results and recommendations for award of contracts; (v) the Saudi Fund approves or otherwise and informs PEC DAR and IDA; and (vi) PEC DAR submits withdrawal requests to IDA only with respect to contracts cleared by the Saudi Fund for financing from its resources.

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## APPENDIX 9

### OCCUPIED TERRITORIES

### EMERGENCY REHABILITATION PROJECT

### ENVIRONMENTAL ASPECTS

#### I. APPLICABLE ENVIRONMENTAL PROCEDURES AND REVIEW PROCESS

1. **Introduction.** An IDA environmental team participated in the IDA mission to the Occupied Territories from October 16 to November 5, 1993. The objectives of the mission, which were undertaken in cooperation with Palestinian counterparts, were: (a) to prepare a proposed environmental element for the Emergency Assistance Program; (b) to review environmental aspects of activities included in the proposed Emergency Recovery Project; and (c) to develop a proposed environmental element for the proposed Technical Assistance Program. During this period they conducted a series of site visits, institutional visits, and conducted an extensive series of meetings with parties concerned with environmental management issues in the Occupied Territories. The work of the environmental team was complemented by a water team which reviewed water resources, water supply and wastewater management, and a solid waste team which reviewed solid, hazardous and toxic waste management issues.

2. **Applicability of Environmental Procedures.** The following environmental procedures would apply to the review and implementation of the proposed project, in addition to those of IDA as outlined in its Operational Directives and Environmental Assessment Sourcebook: (a) for Gaza, the pre-1967 legislation of the Government of Egypt concerning water quality inspections by health authorities and provisions for the protection of antiquities and historical monuments; and (b) for the West Bank, the pre-1967 legislation of the Government of Jordan concerning water quality inspections by health authorities and provisions for protection of antiquities and historical monuments.

3. **Development of New Procedures.** The procedures of Egypt and Jordan would be phased out of use as environmental procedures and guidelines are developed and issued for use by the Interim Self-Government Authority. The complementary Technical Assistance Program would support development of an environmental management capacity including development of a Palestinian Environmental Protection Authority (PEPA) as agreed to in the Declaration of Principles. This process would include assistance for establishment of environmental management units, environmental standards and environmental assessment procedures. The Program would also support the development of procedures for management of archaeological, historical and vernacular architectural values.

4. **Environmental Screening Category.** The activities to be supported under the proposed project have been reviewed with regard to the provisions of applicable Egyptian legislation, Jordanian legislation and IDA, Operational Directive 4.01, "Environmental Assessment." The activities to be included in the proposed project have been placed in environmental screening category "B" due to their limited scope and the restricted nature of their potential impacts. It should be noted that feasibility studies for subprojects to be included in the ERP, will include the preparation of environmental reviews and environmental assessments consistent with IDA guidelines.

5. **Applicability of Other Directives**—A review was conducted concerning the possible application of Operational Directive 4.30 (Involuntary Resettlement) to activities to be supported under the proposed project. At present, there are no known project proposals whose implementation would result in involuntary resettlement; however, a number of activities will require the purchase by local authorities of privately held land from its owners. No known archaeological or historical sites would be affected by activities to be supported under the proposed project. However, given the high density of archaeological and historical sites in Gaza and the West Bank, provisions will be made in construction contracts for the use of "chance find" procedures should archaeological or historical materials be discovered in the course of project implementation.

6. **Activity Review Process**—IDA environmental assessment procedures would be used for the review process until the Palestinian environmental assessment procedures are available. For a short time both sets of procedures would be in effect for project activities. Proposed activities to be supported under the project would be subject to an environmental screening and review process which would be coordinated by the environmental specialist assigned to the staff of the Palestinian Economic Council for Development and Reconstruction (PECDAR), in coordination with PEPA and IDA. Proposed project activities, as appropriate, would be subject to the preparation of environmental reviews consistent with category B project activities. Pre-feasibility studies and feasibility studies supported under the proposed project or complementary Technical Assistance Program, proposed, for future support under projects supported by IDA or other donor organizations, would include the preparation of environmental assessments or environmental reviews consistent with the requirements of PEPA (when available) and IDA. PECDAR would be responsible for supervision of the implementation of required mitigation and monitoring activities which would be monitored by PEPA and IDA.

## II. REVIEW OF ENVIRONMENTAL ISSUES AND ACTIONS

### A. Programs with Environmental Concerns

#### **Water and Wastewater Sector Program.**

7. **Overview**—Activities to be supported under the proposed project would be focused on the rehabilitation and completion of existing water and wastewater facilities. The project would not provide for the construction of new wastewater treatment plants or sludge disposal facilities prior to a detailed examination of interventions in this area, including their potential beneficial and adverse environmental impacts. The project would support the establishment of environmental monitoring systems to routinely monitor the quality of water and wastewater at the level of the water and wastewater utility.

8. **Water Interventions**—The proposed program of interventions in the water and wastewater sector would have significant benefits to environmental health, environmental quality and support the conservation of limited water resources. Improvements to water supply, including the rehabilitation of wells and chlorination systems, would result in more reliable access to safer water and reduce contamination at source. Rehabilitation of distribution systems would allow for conservation of water resources which are presently lost due to leaks in the distribution systems. Asbestos cement pipes have been widely used but are proposed to be replaced only in locations where structural damage has occurred or is likely, not on the grounds that they represent a significant risk to public health. Improved pressure and reliability of water supplies would reduce infiltration of wastewater into water pipes during periods of negative pressure. Establishment of facilities for the routine testing of water quality should reduce the frequency with which water of inadequate quality is distributed.

9. **Wastewater Collection Interventions.** Rehabilitation and expansion of the wastewater collection networks would improve collection and conveyance of wastewater. Improved and regular collection of sewage from vaults in larger buildings and homes in unsewered areas would improve the degree of treatment of wastes presently leaching into the ground. Both these interventions would reduce the periodic flooding of streets with untreated wastewater and reduce public health risks resulting from contact with these materials. Actions to reduce water use would in most locations result in a reduced volume of wastewater being discharged. However, on an interim basis in some locations, the discharges of wastewater to surface drainage could increase as the result of expanded collection networks and more frequent pumping of vaults. This would be offset by reductions in the present direct discharges to the groundwater table from vaults, abandoned cesspits and leakage from poorly maintained collection systems. Establishment of facilities for wastewater testing would allow for the more accurate characterization of wastewaters which would be especially important in the long-term given their potential for reuse.

10. **Wastewater Treatment and Reuse Studies.** The proposed support program would also include review of existing and proposed investments in new and/or expanded wastewater treatment facilities. For this purpose specialized consultants would be retained to review existing and proposed wastewater treatment facilities concerning their design standards, reliability of operation under local conditions and possibilities for reuse of treated wastewater for groundwater recharge, irrigated agriculture and other beneficial uses. They would be responsible for the preparation of modified or new process designs which would include provisions for sludge treatment and monitoring of wastewater from the plants and within reuse schemes. These interventions would be implemented as priority steps to address control of pollution now resulting from the discharge of partially treated and/or untreated wastewaters to surface discharge points such as seasonally wet river beds ("wadis"). The consultants would also develop, on a collaborative basis, a coherent strategy for wastewater treatment which recognizes properly treated wastewater as a potential resource rather than as a waste product for disposal.

11. **Environmental Review of Proposed Wastewater Treatment and Reuse Activities.** Provisions have been made in the terms of reference for the consultants to include the preparation of environmental reviews, as required by IDA, Operational Directive, 4.01, "Environmental Assessment." The reviews would address environmental concerns in an integrated manner as a key element of treatment technology evaluation, site selection, plant design, system operation and monitoring. Environmental reviews would be prepared with reference to the guidance provided in the IDA Environmental Assessment Sourcebook, Volume II, "Wastewater Collection, Treatment, Reuse and Disposal Systems," pages 231-244. Contractors would be briefed concerning measures to be taken should they have "chance finds" of archaeological or historical materials.

## **B. Programs with Minor Environmental Issues**

### **Educational Facilities Upgrading Programs**

12. The proposed programs would address environmental issues through the use of standard design practices and guidelines which would include provisions for the supply of water, safe disposal of wastewaters, and collection of solid waste. Educational facility wastewaters would be collected and discharged to rehabilitated vaults and/or municipal wastewater collection systems. Provisions would be made for the routine collection and disposal of solid wastes.

### **Power Sector Program**

13. The investment portion of the first phase of the power sector program is largely restricted to the rehabilitation and upgrading of the existing power distribution system. This would be anticipated to have minor environmental impact provided good design, safety and supervision practices are implemented and routinely monitored. An environmental review would be prepared as part of the design process for the proposed 20 km extension of 22-kV lines. Other concerns to be addressed include the proper disposal of waste materials associated with rehabilitation activities and use of guidelines to avoid the installation of high voltage power lines over settlements or individual houses. Future power sector projects, proposed for support in later stages of the program, would be evaluated by pre-feasibility and feasibility studies supported by the complementary Technical Assistance Program. These studies would include the preparation of environmental reviews and environmental assessments consistent with the potential impacts of the proposed project. General guidance for these studies would be provided from various chapters of Volume III of the IDA Environmental Assessment Sourcebook.

### **Inter-Urban Roads and Transport**

14. Proposed activities would focus on rehabilitation of the existing road network which is in serious disrepair. Potential direct environmental impacts would be limited to the proper disposal of construction wastes from road repair and resurfacing operations. Measures would be required to ensure that the proper disposal of these materials is monitored as an element of project supervision. Contractors would be briefed concerning measures to be taken should they have "chance finds" of archaeological or historical materials. Environmental issues and concerns with regard to archaeological and historical sites would be addressed in a training program proposed under the Technical Assistance Program for local road contractors and consultants.

15. Future transportation sector projects proposed for potential support in later stages of the program would be evaluated by pre-feasibility and feasibility studies supported by the complementary Technical Assistance Program. These studies would include the preparation of environmental reviews and environmental assessments consistent with the potential impacts of the proposed project. General guidance for these studies would be provided from various chapters of Volume II of the IDA Environmental Assessment Sourcebook.

### **Municipal Roads and Facilities**

16. The proposed program would support the rehabilitation of roads within municipalities. It would also support rehabilitation of existing service facilities and a limited amount of construction of new service facilities to include garages, workshops, service yards, fire houses, slaughterhouses, markets, etc. The road rehabilitation program would be anticipated to have minor environmental impact provided good design, safety and supervision practices are implemented. Provisions would be made in the design of garages and workshops for the collection of oil and lubricants and of solid waste. Environmental review would be required for slaughter houses and markets which would include evaluation of their location, access routes, storage areas and liquid and solid waste management facilities. Contractors would be briefed concerning measures to be taken should they have "chance finds" of archaeological or historical materials.

**C. Special Issue - Construction Materials Industry**

17. Implementation of the proposed project would require the extensive use of locally prepared construction materials. In particular, inadequately supervised sand and gravel operations could result in locally significant air pollution from dust, water pollution from improper disposal of lubricants from heavy equipment, and localized flooding during storms due to the transport of poorly controlled sediment from excavation sites into surface drainage features. While the proposed project would not directly fund these operations, measures would be taken with local authorities and contractors to attempt to minimize these problems. It is proposed that project representatives of producers and PEPA would receive training in environmental management and regulatory practices for this industry.

**APPENDIX 10**  
**OCCUPIED TERRITORIES**  
**EMERGENCY REHABILITATION PROJECT**

**FIELD SUPERVISION PLAN**

| Approx. Date<br>(month/year) | Activity                  | Expected Skill Requirements  |
|------------------------------|---------------------------|--|
| 06/94                        | Project Launch Workshop   | procurement and disbursement offs.; education, water, and roads sector spec.; lawyer; environmental specialist; task manager |
| 09/94                        | Progress                  | education, power, water, roads and environmental sector spec.; task manager  |
| 01/95                        | First Half-Yearly Review  | procurement and disbursement offs.; education, water, power, roads and environmental sector spec.; lawyer; task manager      |
| 03/95                        | Progress                  | education, power, water and roads sector spec.; task manager   |
| 07/95                        | Second Half-Yearly Review | procurement and disbursement offs.; education, power, water, roads and environmental sector spec.; task manager              |
| 09/95                        | Progress                  | education, power, water, and roads sector spec.; task manager  |
| 01/96                        | Third Half-Yearly Review  | procurement and disbursement offs.; education, power, water, roads and environmental sector spec.; lawyer; task manager      |
| 03/96                        | Progress;                 | task manager plus consultant;  |
| 07/96                        | Fourth Half-Yearly Review | procurement and disbursement offs.; task manager; consultant;  |
| 09/96                        | Progress;                 | task manager plus consultant;  |
| 01/97                        | Fifth Half-Yearly Review  | task manager; consultant;  |
| 03/97                        | Progress;                 | task manager plus consultant;  |
| 07/97                        | Final Half-Yearly Review  | procurement and disbursement offs.; task manager; consultant;  |

# OCCUPIED TERRITORIES WEST BANK AND GAZA STRIP EMERGENCY REHABILITATION PROJECT

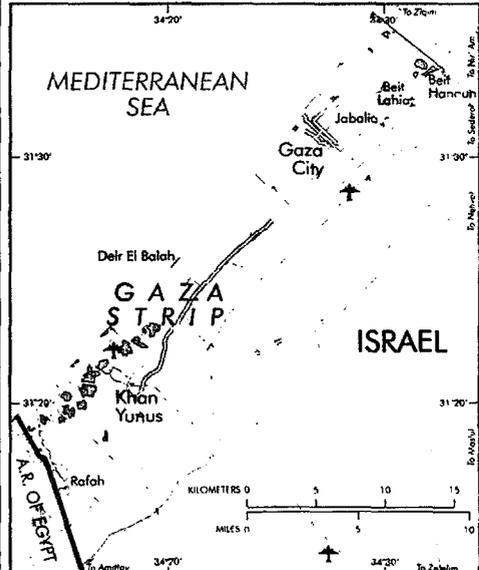
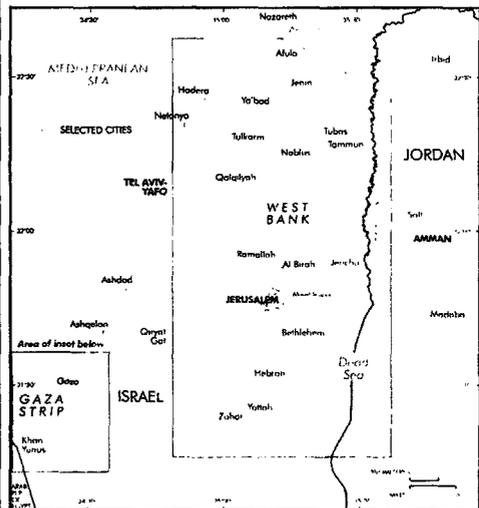
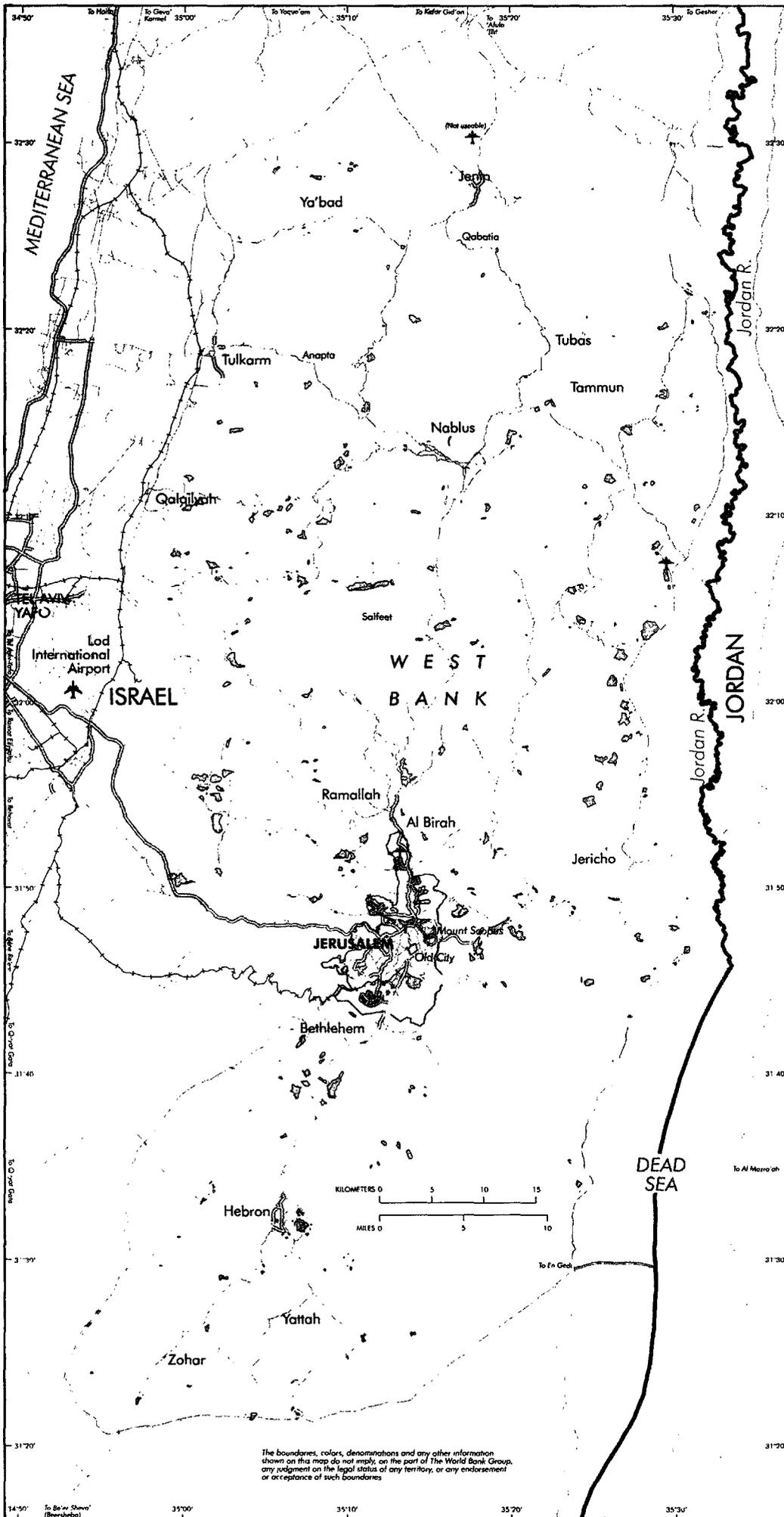
-  AIRPORTS / AIRFIELDS
-  MAJOR HIGHWAYS
-  TWO OR MORE LANES,  
HARD SURFACED ROADS
-  RAILROADS
-  BUILT-UP AREAS
-  UNRWA REFUGEE CAMPS
-  ISRAELI SETTLEMENTS

ARMISTICE DEMARCATION LINES, 1949

NO-MAN'S LAND AREAS,  
ARMISTICE DEMARCATION LINE, 1949

JERUSALEM CITY LIMIT, UNILATERALLY  
EXPANDED BY ISRAEL JUNE 1967;  
THEN ANNEXED JULY 30 1980

INTERNATIONAL BOUNDARIES



The boundaries, colors, denominations and any other information shown on this map do not imply, on the part of the World Bank Group, any judgment on the legal status of any territory, or any endorsement or acceptance of such boundaries