



1. Project Data:		Date Posted : 10/17/2003	
PROJ ID: P040505		Appraisal	Actual
Project Name : Gz-water & San. Services/gaza	Project Costs (US\$M)	34.8	31.0
Country: West Bank & Gaza	Loan/Credit (US\$M)	31.0	31.0
Sector(s): Board: WS - Sewerage (48%), Water supply (47%), Central government administration (5%)	Cofinancing (US\$M)	0	0
L/C Number:			
	Board Approval (FY)		97
Partners involved : NA	Closing Date	12/31/2000	12/31/2002
Prepared by :	Reviewed by :	Group Manager :	Group:
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2. Project Objectives and Components

a. Objectives
The project objectives were simple and open ended : **to improve the quality, quantity and management of water and wastewater services in Gaza** (SAR 4.2).
Secondary objectives listed in the SAR and ICR were :

1. Improving water and sanitation services through a private sector Management Contract for water and wastewater operations;
2. Strengthening and restructuring the institutional framework for both service delivery and sector governance functions; and
3. Creating the operational, institutional and management conditions for priority rehabilitation, upgrading and extension projects by other donors.

b. Components
(a) **Management Contract Fees** : provision of an International Operator under a four-year Management Contract, with a performance incentive fee, to implement a Service Improvement Program (to help improve capacity and service delivery and with the creation of the Waste Water Company for Gaza (WWCG) (US\$11.8 million, 42 percent of planned total base cost);
(b) **Operating Investment** : provision of operating investment funds for the Operator, built into the Management Contract, to fund goods, works and services, and part of incremental operating costs, required for improving water and wastewater services. (US\$15.0 million, 54 percent);
(c) **Technical Assistance and Institutional Capacity Development** : provision of consultants including independent auditors to monitor the Operator's technical and financial performance, a Project Manager, and an accountant, and equipment to (i) strengthen the newly created PWA; and (ii) support implementation and monitoring of the project (US\$1.2 million, 4 percent).

c. Comments on Project Cost, Financing and Dates
Costs include a supplemental trust fund credit of US\$ 6.0 million to cover additional costs arising out of constraints imposed by heightened conflict; operating investments were on target and there were some savings (19 percent) on the Operator contract and technical assistance; there was a two year delay in closing the credit .

3. Achievement of Relevant Objectives:
After a slow start, the project achieved its objectives (details in Section 4) in difficult circumstances but with shortfalls in some important secondary areas as listed in Section 5. Water quality improved greatly, the quantity of water available and consumed increased, wastewater treatment was rehabilitated, the management of services improved, the Operator arrangement was successful, and sector institutions were strengthened, including to facilitate further

donor funding.

4. Significant Outcomes/Impacts:

Almost all component activities were completed as planned with the following notable results :

1. improved health attributable to better water quality, from (i) better management of water quality in the aquifer by a strengthened PMU, (ii) more reliable chlorination of all water compared with only half before, (iii) reduced turbidity after pipes were replaced, and (iv) improved operation and mainyenance of wastewater treatment plants);
2. per capita water consumption rose 43 percent before falling back with renewed hostilities to a 14 percent increase;
3. the management contract worked well (with one important shortfall - Section 5, #3) with almost all performance indicators being met, the Operator made good use of the investment funds and the auditing function confirmed generally excellent performance by the contractor;
4. rehabilitation of the sewerage works was quickly organized by the Operator resulting in reduced pollution of coastal areas and the aquifer;
5. institutional achievements were substantial :
 - a water law which established a new regional entity for service delivery - the Coastal Municipal Water Utility (CMWU), in place of WWCG;
 - improvements in services and achievement of objectives is attributed in large measure to the inputs which strengthened the PMU and bodes well for the management of future aid projects,
 - municipal service delivery functions were strengthened,
 - an appropriate legal and regulatory framework was established; and
 - creation of a framework within which future donors can operate, although hostilities have reduced such activities.

5. Significant Shortcomings (including non-compliance with safeguard policies):

1. Objectives were limited in long term developmental terms, possibly because this was in the nature of a relief operation for vital services. There was no explicit reference to financial efficiency, self-sufficiency or sustainability such that project operations were not guided by these important development criteria (indeed system sustainability seems to assume by design a continued flow of external funding);
2. the water and waste water subsector in Gaza is far from financially viable given a low and recently deteriorated collection rate, an ununified water tariff averaging about a fifth of the economic cost, a large number of illegal connections, and an operating efficiency of only 66 per cent - hence continued external subsidies provided by foreign assistance are critical;
3. the Operator was unable to consolidate all the municipal receivables such that the overall receivables position could not be tracked;
4. system performance improvements were below appraisal expectations (in a difficult operating environment): leakage reduction, physical loss reduction, reduced illegal connections and operating cost savings did not meet targets (the PWA left illegal connections for municipalities to resolve, but little was done despite the Operator identifying such connections);
5. "strengthening of sector governance functions was (only) partially achieved" (ICR, 4.1.2), but the ICR does not give further details;
6. CMWU was established but not yet operational and so had not taken over Gaza water sector services; and
7. Bank supervision ratings were inflated much of the time which shielded the project from further oversight (although the project was classified "At risk" during implementation, supervision ratings never varied from Satisfactory for both IP and DO).

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Satisfactory	Moderately Satisfactory	[the ICR's 4 point scale does not allow for a "moderately sat." rating]. The major objectives were achieved in very difficult circumstances but with major

			shortcomings (Section 5).
Institutional Dev .:	Substantial	Substantial	Although achievements were somewhat below plans, the eventual results were a significant improvement in sector institutions which should facilitate further investments and service improvements .
Sustainability :	Likely	Non-evaluable	The resilience to risk of project benefits is clearly low in the Gaza situation (suggesting Unlikely Sustainability), but high donor and political support for such critical services reduces the risks of service deterioration - hence unevaluable is appropriate.
Bank Performance :	Highly Satisfactory	Satisfactory	The absence of broader long term developmental objectives may have reinforced dependency rather than encouraged self-reliance. Inflated supervision ratings shielded the project from needed oversight (Section 5, point 7).
Borrower Perf .:	Highly Satisfactory	Satisfactory	Borrower/agency did not pursue major sector issues affecting financial viability and system sustainability, namely it did not act on a large number of known illegal connections contributing to low operating efficiency and reduced revenues, and the tariff was not unified .
Quality of ICR :		Satisfactory	

NOTE: ICR rating values flagged with '*' don't comply with OP/BP 13.55, but are listed for completeness.

7. Lessons of Broad Applicability:

Operator contracts for public utilities should give the contractor sufficient responsibility and authority to implement investments and manage operations efficiently, with built-in performance targets and incentives and periodic independent audit to confirm performance and monitor fiduciary aspects .

8. Assessment Recommended? ☐ Yes ☒ No

9. Comments on Quality of ICR:

The ICR is satisfactory, and did well to cover all the essential features in about the guideline length for ICRs (a rare occurrence). However, some ratings are on the generous side (as explained in Section 6) , notwithstanding difficult circumstances.