

**ACTION FICHE FOR OCCUPIED PALESTINIAN TERRITORY / ENPI / PUBLIC
INFRASTRUCTURE DEVELOPMENT**

1. IDENTIFICATION

Title	PEGASE: PRDP-related Public Infrastructure Development		
Total cost	€ 37,000,000		
Aid method / Management mode	Project approach – <i>decentralised</i>		
DAC-code	73010	Sector	Reconstruction, Relief and Rehabilitation

2. RATIONALE

2.1. Sector context

After years of conflict and economic stagnation public infrastructure networks and systems do not offer full coverage, are poor in quality and often unaffordable for the most vulnerable groups of the population. Whilst household connection rates to utilities are high compared to the regional average, actual consumption rates are low due to a combination of supply shortages and inefficient distribution systems. In addition to these structural deficiencies, the low rate of collection of utilities bills (electricity, water) by municipalities and other service providers represents a significant drain on government financial resources. Accordingly, substantial investment in public infrastructure is required as highlighted in the Palestinian Reform and Development Plan (PRDP).

2.2. Lessons learnt

Support to public infrastructure has been provided in recent years until 2004 through a multi-donor financed programme directed to local government units and subsequently in 2005 through the Infrastructure Facility aiming at supporting service provision and infrastructure financing at both national and local levels. Within the prevailing political and security situation, the flexibility of the approach has proven to be a key element of success.

2.3. Complementary actions

The available funds under the ongoing Infrastructure Facility, which have all been allocated, will complement the action in 2008. Several donors, including EU Member States, the United States, Norway and the World Bank are also supporting the infrastructure sector at national and local levels.

2.4. Donor coordination

High level donor coordination takes place at the level of the Ad Hoc Liaison Committee (AHLC). At the local level donor coordination takes place in various forums including the Local Development Forum (LDF) and the four “Strategy

Groups” (governance, economy, social and humanitarian affairs, infrastructure). Moreover, the Ministry of Planning and relevant line Ministries created sector working groups (SWG) which are technical and strategic forums of discussion for main international and local stakeholders.

The European Commission and individual Member States play a leading role in these forums. The principal relevant forum is the recently formed infrastructure strategy group, chaired by the US in which the EC plays a very active role. In addition EU policy is coordinated through regular meetings of EU Heads of Cooperation. Implementation will also be closely co-ordinated with the work of the Quartet Representative, Mr Blair.

3. DESCRIPTION

3.1. Objectives

The specific objective of the action is to support governmental institutions at both national and local levels for infrastructure financing and sustainable, high-quality service delivery. The priority will be given to interventions ensuring that public infrastructure and utilities are managed on a commercially-oriented and financially viable basis and, as far as possible, increasing the level of private sector investment and participation in the sector. Another very important objective is employment generation through project implementation.

3.2. Expected results and main activities

The choice of specific projects will be made in coordination between the Palestinian Authority and donors on programme selection, as decided within the framework of the local coordination forums.

Under the various PRDP programmes in the infrastructure sector, precedence will be given to the electricity sector (which addresses the problem of net lending and is linked to the EC payment of fuel for the Gaza Power Plant) and to the water and waste water management sector. In addition, infrastructure projects will be developed to support other PRDP priorities including actions in the sectors of solid waste, upgrading of electricity networks and substations, Muqataa, court construction, trade infrastructure and schools refurbishment among others.

The choice of public infrastructure programmes will be guided by employment generation considerations. The upgrading of small and medium sized infrastructure, solid waste management systems, for instance, can have a significant effect on the labour market and the daily subsistence of large number of recipients, while meeting an important infrastructure priority as set out in the PRDP. Finally, the action will contribute to support the Quartet Representative Quick Impact Projects, which are also fully integrated into the PRDP.

3.3. Stakeholders

The direct beneficiary of the action will be the Palestinian population. The National Authorities: Government Authorities, such as Palestinian Water Authority, Palestinian Energy and Natural Resources Authority, Regional Utilities such as

Electricity or Water distribution companies, and similar bodies, as well as Local utilities, Village Councils, Joint Service Councils will benefit from capacity building as main basic service providers and/or implementing agencies. PEGASE will provide technical assistance to these bodies to assist in the identification, design and implementation where appropriate.

3.4. Risks and assumptions

Internal PA stability and the balance between the national and local levels is an issue for the success of the action, which will require political support at all levels. A worsening political situation resulting in continued closures, curfews and incursions which would limit or prohibit project implementation is a crucial issue. This risk can be mitigated i) by donors' intervention at a political level ii) by building on appropriate delivery mechanisms. The inclusion of infrastructure projects in the Gaza strip is highly desirable.

3.5. Crosscutting Issues

Environmental sustainability will be taken into consideration as most projects will address problems related to energy, water and waste water or solid waste management. Environmental impact assessment of projects will be performed where necessary within feasibility studies. Good governance principles will guide the implementation mechanisms.

4. IMPLEMENTATION ISSUES

4.1. Implementation method

Decentralised management through the signature of a financing agreement with the PA Government will apply to the action. Centralised management will apply for evaluation and audit. Procurement, contracts award procedures and payments will be decentralised. The Commission controls ex ante the contracting procedures for procurement contracts >50.000 EUR and ex post for procurement contracts ≤50.000 EUR. Through the programme estimates, payments are decentralised for operating costs and contracts up to the following ceilings:

The Authorising Officer ensures that, by using the model of financing agreement for decentralized management, the segregation of duties between the authorising officer and the accounting officer of the decentralized entity will be effective, so the decentralization of the payments can be carried out within the limits specified below.

Works	Supplies	Services	Grants
< 300.000 EUR	< 150.000 EUR	< 200.000 EUR	• 100.000 EUR

The action can also be implemented through investment grants, interest rate subsidies and technical assistance among others.

The West Bank and Gaza are territories facing a crisis situation, as defined in Article 168(2) of the Implementing Rules of the Financial Regulation. As a result, negotiated contracting procedures or grant direct award may be used in accordance with applicable provisions.

4.2. Procurement and programme estimates

All contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question.

All programme estimates must respect the procedures and standard documents laid down by the Commission, in force at the time of the adoption of the programme estimates in question.

4.3. Budget and calendar

The budget of the action, which is 100% financed by the Commission, includes (on an indicative basis):

- project activities worth €32,000,000
- identification and studies €4,500,000
- audit and evaluation worth €500,000.

The implementation of the project will last 60 months (5 years) from the European Commission's Signature of the Financing Agreement.

The areas identified for financing will follow the priorities of the PRDP as indicated above (3.2) and include actions in the sectors of solid waste, upgrading of electricity networks and substations, Muqataa, court construction, trade infrastructure and schools refurbishment among others.

4.4. Performance monitoring

The action will be monitored with reference to standard performance indicators relevant to the action. An adequate day-to-day project monitoring will be carried out.

4.5. Evaluation and audit

An external final evaluation of the action will be performed.

An external final audit, covering all the activities of the action, will also be carried out in accordance with the EC procedures. Where appropriate, external audits of specific projects will be undertaken.

4.6. Communication and visibility

The action will follow the visibility guidelines of the Commission and will be included in the specific PEGASE communication strategy.