

## Action Fiche for the West Bank and Gaza Strip

### 1. IDENTIFICATION

Title/Number	<b>Sustainable management of natural resources in Gaza (ENPI/2012/023-779)</b>		
Total cost	<b>EU contribution: EUR 11,000,000</b>		
Aid method / Method of implementation	Project approach – Direct centralised management – Indirect centralised management through the signature of a Delegation Agreement with Agence Française de Développement (AFD) - Partially decentralised management		
DAC-code	14020	Sector	Water supply and sanitation – large systems
	14050		Waste management/disposal

### 2. RATIONALE

#### 2.1. Sector context

With a population density of some 4,380 persons per km<sup>2</sup>, the Gaza Strip is one of the most densely populated areas on the planet. Suffering a blockade hampering economic development since 2006, the Gaza Strip suffered significant damage to its basic infrastructure during the Israeli attack of winter 2008-2009. In 2011, the population was estimated at about 1.6 million. This population is projected to increase to about 2.08 million by 2020, and to 3.2 million in 2040, if the current trends continue. Drinking water supply and solid waste management are among the most pressing needs to be addressed for political, social, environmental and health considerations.

Water supply in Gaza is intermittent<sup>4</sup>, the quantity of water available in Gaza (60-80 litres per capita per day) is below the optimum level established by World Health Organisation (WHO) (100 litres per capita per day<sup>5</sup>), but the main health concerns stem from its poor quality. Over 90 % of the water provided to the population is not suitable for drinking purposes because of high nitrate and chloride concentrations. Sea water intrusion, sewage and agricultural water infiltration are the main reasons for this water pollution.

A study conducted by the Palestinian Water Authority (PWA) in August 2011 laid down a strategy to address water supply issues based on two pillars: (i) slowing

<sup>4</sup> "48 per cent of households having running water four to seven days a week and 39 per cent of households have water just two to three days in a week"; *Water, Sanitation and Hygiene Household Survey, Gaza*, Palestinian Hydrology Group, UNICEF, April 2010.

<sup>5</sup> Water for health: WHO Guidelines for Drinking-water Quality (2010).

down the worsening trend in the groundwater aquifer by small interventions on the short-term, and (ii) introducing high-volume interventions, mainly large-scale desalination and additional water imports from neighbouring countries, to allow aquifer recovery on the medium and the longer terms.

The short term strategy is based on three pillars: (i) improve the efficiency of the Gaza water utility, reducing losses, and making best use of available resources by upgrading and rehabilitating the networks and reconfiguring the system to support an additional level of water supply (ii) adding around 13 million m<sup>3</sup> of desalinated water to the water supply network by introducing short-term low-volume desalination plants in the governorates where water quality has deteriorated most and seawater intrusion in the aquifer is advancing, and (iii) pilot and expand the schemes of treated wastewater reuse in agriculture.

For the solid waste management sector, the Gaza Strip population generated an estimated 1,500 tons/day in 2011. It is estimated that this figure will rise to 2,094 tons/day in 2020 and 3,383 tons/day in 2040. This poses a huge challenge to the waste sector in Gaza, not only taking into account the limited financial resources and underdeveloped levels of waste management services, but also the limited land availability in the Gaza Strip.

Collection and disposal are both highly problematic as both are fragmented and poorly managed and do not meet basic public health and environmental criteria. This situation is the result of (i) Israeli restrictions that have constrained economic development and do not allow the import of solid waste equipment into the Gaza Strip; (ii) weak management capacity of service providers; and (iii) poverty conditions in the entire Gaza Strip (33 % of the Gaza Strip population lives under the poverty line), with very high unemployment (25 % in 2009<sup>6</sup>) and a population that cannot afford to pay for basic collection and disposal services.

## **2.2. Lessons learnt**

For water supply, this intervention has been prepared in co-ordination with the World Bank's Gaza Water Supply and Rehabilitation and Expansion Project, which itself is built on the previous Gaza Emergency Water Project. In the past few years, the drinking water supply service provider (Coastal Municipalities Water Utility) has succeeded in meeting some targets on service provision performance in terms of access to water and sanitation, water supply disinfection, and the percentage of wastewater collected and treated. However its ability to consolidate all municipal water departments in Gaza Strip has been impaired by the internal political split between Fatah and Hamas. The ability to improve on-cost recovery and increase collection has been severely restricted by a disabling political and security environment, as well as widespread poverty and unemployment. The utility's dependence to a large extent on donor aid to cover a significant portion of its operational and running costs and improving its financial viability is a major concern. The infrastructure investments and the capacity building measures were designed to maintain and sustain the core functions and operations of the utility, provide enabling measures to improve the efficiency of the utility, provide incentives

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<sup>6</sup> Both poverty and unemployment figures from World Bank 2011 report, *Coping with Conflict, Poverty and Inclusion in the West Bank and Gaza*.

to increase collection and cost recovery, and build towards the financial sustainability of the utility.

For solid waste management, United Nations Development Programme (UNDP) has entered into a co-operation agreement with the Government of Japan for the financing of short term emergency measures to improve the sanitary conditions of three currently used central dump sites, and to test the options for improved resource recovery and composting of organic waste. In addition, the World Bank (WB), the Islamic Development Bank (IsDB) and the Agence Française de Développement (AFD) have expressed their interest to address integrated solid waste management issues in the Gaza Strip. The donors, including the EU, have carried out preparation for this project together, including the follow-up of a comprehensive feasibility study.

### 2.3. Complementary actions

For water supply, other EU actions include the ongoing EUR 10 million EU Instrument for Stability-funded desalination project<sup>7</sup>, which is a short term low-volume intervention to provide Southern Gaza with a desalination capacity of 6,000 m<sup>3</sup> per day. This programme is complementary to the Commission's humanitarian interventions targeting vulnerable households to have access to clean water. Several other interventions from the EU, its Member States or other major donors aim at improving water supply quantity and quality in Gaza and in the Palestinian Territory in general. The largest infrastructure projects in the Gaza Strip are the North Gaza Emergency Sewage Treatment (EU contribution: EUR 6 million, total budget: USD 75 million) as well as the Gaza Central Sewerage (EUR 70.6 million funded by the Kreditanstalt für Wiederaufbau (KfW)), which will both improve the aquifer protection from sewage intrusion, thereby improving the quality of water supply.

For solid waste management, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) supported the Deir el Balah Governorate in Gaza, which led to the creation of the *only existing sanitary* landfill in the Gaza Strip and the creation of a Joint Service Council. Furthermore, the EU and its Member States finance the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), which provides an essential source of funding for the primary collection staff in Gaza and is one of the most reliable clients of the solid waste management service providers.

### 2.4. Donor co-ordination

**For water supply**, the action has been prepared in co-ordination with the World Bank's Gaza Water Supply and Rehabilitation and Expansion Project (total budget: USD 18.3 million, WB contribution: USD 6.4 million), which includes the IsDB (USD 10.4 million) and the Austrian Development Co-operation (ADC) (USD 1.5 million).

**For solid waste**, the action has been prepared jointly with the World Bank and AFD, according to a Memorandum of Understanding signed by the WB, the EU, UNDP,

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<sup>7</sup> Under Financing Decision IFS-RRM/2011/023-391.

and AFD. Missions were planned jointly and the World Bank led the donor co-ordination. UNDP contracted the Feasibility Study and lead the co-ordination with the service providers in Gaza. Japan and the IsDB, as co-financers, have been involved in parallel in the project preparation. The total cost estimate for the project is estimated to USD 70 million, with estimated WB contribution of USD 10 million, AFD contribution of EUR 10 million, EU contribution of EUR 5 million, on top of IsDB and Government of Japan co-financement.

### **3. DESCRIPTION**

#### **3.1. Objectives**

Overall objective: Improve health and environmental conditions in the Gaza Strip.

Purpose (specific objective) of the EU support: improve water supply quality and quantity in Southern Gaza and improve solid waste management in the whole Gaza Strip.

#### **3.2. Expected results and main activities**

##### ***Component 1: Gaza water supply improvement***

For water supply, improvement in the quality and efficiency in water supply service provision will be measured using the following indicators:

- Reduction of salinity in water supply.
- Increased access and share of water supply.
- Improvement of utility tariff collection.
- Reduction in system losses.
- Reduction in unit operation cost of rehabilitated facilities.

##### ***Component 2: Gaza solid waste management***

For solid waste management, improvement in the quality and efficiency in solid waste management service provision will be evaluated by the effectiveness of the following measures (activities):

- Establishment of at least one engineered sanitary landfill and two transfer stations.
- Sanitary closure of the existing three landfills and other dumpsites.
- Provision of adequate collection facilities from waste generators.
- Provision of partial financial contribution for operating the new facilities in the first years.
- Expansion of the pilot-scale resource recovery facilities.

- Provision of technical assistance, capacity building for implementing bodies and public awareness to support the sustainability of the project.

### *Component 3: Capacity building and preparatory studies for future programmes*

For this component the main activities will 2: capacity building measures to improve the management, planning and implementation capacities of PA institutions and preparatory studies for future programmes in the water and sanitation sector in the occupied Palestinian territory (oPt).

### **3.3. Risks and assumptions**

For the water supply component of this action, the main risks are:

- the lack of resources and capacity of the service provider to operate and maintain the infrastructure;
- the capacity to improve bill collection.

To mitigate the above mentioned risk, the following pre-conditions are agreed by the service provider (Coastal Municipalities Water Utility - CMWU) and the water regulation authority (PWA) to be met prior to implementation:

- the CMWU's board approves a strategic plan to improve financial standing, improvement of cost recovery;
- the CMWU proposes a viable tariff structure which is approved by the PWA.

For the solid waste management component of this action, the main risks are:

- the lack of approval of the Israeli side of the import of needed material, mostly for primary collection improvement;
- the lack of resources of the solid waste service providers to operate and maintain the infrastructure and equipment provided by the action and to improve bill collection.

The following pre-conditions are agreed by the beneficiaries and the donors to be met prior to implementation:

- a written commitment from the highest level at Co-ordinator of Government Activities in the Territories (COGAT) that the necessary equipment will be allowed into the Gaza Strip;
- given the need to improve primary collection (visible service) in order to improve the bills collection, the second risk mitigation measure is linked to the first risk; additionally extensive capacity and institutional support for the reinforcement of service providers will enable better management and service provision.

### **3.4. Cross-cutting issues**

The action is expected to have positive impacts on the environment. Gender equality issues have been identified (i) through an Environmental and Social Impact Assessment (ESIA) study financed by AFD for the solid waste component of this action and (ii) in an ESIA for the World Bank, IsDB and ADC project for the water supply component; this project shares the same objectives, activities and target area with the water supply component of this action. The ESIA studies for both components have gathered disaggregated data and identified women and men stakeholders and their respective roles. For the solid waste management component of this action a resettlement action plan safeguard procedure has been activated by the World Bank. As for the impact of the project on waste pickers, it has also been studied and mitigation measures are planned.

### **3.5. Stakeholders**

For component 1, the Palestinian Water Authority, as sector regulator, is carrying out a comprehensive sector reform process that enables it to play its role as regulator of the water and sanitation sector correctly. CMWU, as service provider in Gaza and implementing body for the action, has extensive experience of project implementation with international donors. Additionally, in its Water Supply and Rehabilitation and Expansion Project (USD 18.3 million), the World Bank, with IsDB and ADC establish the Gaza Water Supply Programme Co-ordination Unit (PCU). This co-ordination unit aims at enhancing the PWA capacity to develop the water supply rolling programme in Gaza, advising PWA on the performance of the water utility, liaising with different donors and stakeholders, and co-ordinating the different investments under the programme.

For component 2, the existing Solid Waste Joint Service Councils (JSC) in Gaza are re-organising to include all the municipalities of the Gaza Strip, including Gaza Municipality. The JSCs are supported by the Municipal Development Lending Fund (MDLF) for fiduciary and procurement aspects related to solid waste management. Substantial public consultation has been carried out throughout the Environmental and Social Impact Assessment funded by AFD, which addressed particularly waste pickers and replacement of people affected by landfill construction.

## **4. IMPLEMENTATION ISSUES**

### **4.1. Method of implementation**

#### Components 1 and 3

Partial decentralised management for component 1 and direct centralised management for component 3 will apply through the signature of a Financing Agreement between the European Union represented by the Commission and the Palestinian Authority in accordance with Articles 53c and 56 of the Financial Regulation.

For decentralised management the contracting authority will be the Palestinian Authority. The Commission controls ex ante all the procurement procedures. Payments are entirely executed by the Commission.

## Component 2

For the solid waste management component of this action, indirect centralised management through delegation agreement with Agence Française de Développement (AFD) in accordance with Article 54(2)(c) of the Financial Regulation will apply. This is justified taking into account i) the objective of aid effectiveness on the basis of the Paris Declaration principles, ii) the specific solid waste sector related expertise of AFD, and iii) the status of leading donor as AFD will be allocating EUR 10 million to this programme. The action is justified in light of AFD's contribution to this component of the action. The AFD has positively completed the 6 pillars assessment and its procedures comply with the requirement of the Article 56(1) of the Financial Regulation.

The change of management mode constitutes a substantial change except where the Commission "re-centralises" or reduces the level of tasks previously delegated to the beneficiary country, international organisation or delegated body under, respectively, decentralised, joint or indirect centralised management.

For communication, audit and evaluation activities, direct centralised management will apply through service and grant contracts.

### **4.2. Procurement and grant award procedures**

#### Components 1 and 3

##### 1) Contracts

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.

Participation in the award of contracts for the present action shall be open to all natural and legal persons covered by the European Neighbourhood and Partnership Instrument (ENPI) Regulation (EC) No 1638/2006. Further extensions of this participation to other natural or legal persons by the relevant authorising officer shall be subject to the conditions provided for in Article 21(7) of the above mentioned regulation.

##### 2) Specific rules for grants

The essential selection and award criteria for the award of grants are laid down in the Practical Guide to contract procedures for EU external actions. They are established in accordance with the principles set out in Title VI 'Grants' of the Financial Regulation applicable to the General Budget of the European Union. When derogations to these principles are applied, they shall be justified, in particular in the following cases:

- Financing in full (derogation to the principle of co-financing): the maximum possible rate of co-financing for grants is 90 % of the total accepted costs of the action. Full financing may only be applied in the cases provided for in Article 253 of the Commission Regulation (EC, Euratom) No 2342/2002 of 23

December 2002 laying down detailed rules for the implementation of the Financial Regulation applicable to the General Budget.

### Component 2

In accordance with the results of the assessment of the compliance of AFD with the requirement of Article 56 of the Financial Regulation, AFD shall use its own rules and procedures for the implementation of Component 2, with the exception of grant award procedures. For grant award procedures, AFD shall use the European Commission procedures as defined above for component 1 and 3.

#### **4.3. Indicative budget and calendar**

The maximum contribution to this programme is EUR 11,000,000. The duration of the programme is estimated at 84 months after the signature of the Financing Agreement including an operational phase of 60 months and a closure phase of 24 months.

The indicative breakdown of the overall budget is as follows:

<b>Component</b>	<b>Management mode, (type of contract foreseen)</b>	<b>Amount (EUR)</b>
<b>1. Gaza water supply improvement</b>	<b>Partial decentralised management Works, supplies and service contracts</b>	<b>4,700,000</b>
<b>2. Gaza solid waste management</b>	<b>Indirect centralised management Delegation Agreement with AFD</b>	<b>5,000,000</b>
<b>3. Capacity building and preparatory studies for future programmes</b>	<b>Direct centralised management Service contracts</b>	<b>800,000</b>
<b>4. Communication and visibility</b>	<b>Direct centralised management Service contracts</b>	<b>50,000</b>
<b>5. Audit, evaluation</b>	<b>Direct centralised management Service contracts</b>	<b>50,000</b>
<b>6. Contingencies</b>		<b>400,000</b>
<b>TOTAL</b>		<b>11,000,000</b>

**The indicative breakdown and timetable for service contracts under component 3 is as follows:**

- (a) Feasibility Study/Design study for 1 major infra project to be launched in end 2012;
- (b) Technical Assistance to PWA – in 2013.

#### **4.4. Performance monitoring**

- (a) Continuous technical and financial monitoring is the Beneficiary's responsibility. The Beneficiary shall establish a technical and financial,



monitoring system to the project, which will generate progress reports and safeguard internal control.

- (b) The Commission may carry out Results Oriented Monitoring via independent consultants, starting from the sixth month of project activities, which will be finalised at the latest 6 months before the end of the operational implementation phase.

The key indicators indicated in 3.2 will be monitored during the implementation of the action.

#### **4.5. Evaluation and audit**

An external final evaluation, covering all the activities of the action, will be carried out in accordance with European Commission 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 European Commission. Each contractor will be responsible for implementing those guidelines in line with the relevant templates.