

Final Progress Report

1. Introduction

- (1) **Title of the project (according to the note verbal):** Construction of Gaza International Airport & Technical Assistance and Equipment.
- (2) **Project No. :**
00014161 - **Construction and Equipping of Gaza International Airport**
00014162 - **Technical Assistance and Equipment Gaza International Airport**
- (3) **Date of approval:** 1999
- (4) **Amount of the approved grant: USD\$ 4,420,000**

USD\$ 2,916,000 - **Construction and Equipping of Gaza International Airport**
USD\$ 1,504,000 - **Technical Assistance and Equipment.**
- (5) **Scheme of the Grant:** Emergency Grant
- (6) **Palestinian Authority Responsible to the Project:** Palestinian National Authority Civil Aviation.
- (7) **Date of the report:** 3 April 2012

2. Description of the project

(1) Introduction and Background

The Gaza International Airport began operation in December 1998. It is located in the south-eastern part of the Gaza Strip in the Rafah Governorate, near the Palestinian Egyptian boarder and one Kilometer from the Israeli border. The Gaza International Airport symbolized for the Palestinians a pillar of statehood, as Palestinians were rarely given permits to leave the Gaza Strip to Israel to use the Ben-Gurion Airport or to travel through the Allenby Crossing to Jordan.

The purpose of establishing the Airport was to open a gateway for the Palestinian people residing in the Gaza Strip and the West Bank to the International community. In order to further facilitate Palestinian movement the Palestinian Authority and the Government of Israel agreed to construct an additional southern wing terminal that would become a joint security terminal. This would improve the travel conditions by reducing the need for passengers to travel to the Rafah crossing point in the Egyptian border for security and passport checks.

The Government of Japan generously committed its support towards the newly established Gaza International Airport through a contribution to UNDP/PAPP in 1999 to construct the southern wing terminal. The contribution was to construct and equip the southern wing terminal building and provide training to the Civil Aviation Authority employees.



(2) Objectives, Activities and Expected Output

The project had two main outputs;

- a) **Construction of the South Wing Terminal and Power Station:** Improve travel conditions for Palestinians through the construction of the South Wing terminal that will be utilized as a joint security terminal by the Palestinian Authority and the Government of Israel. The construction of the terminal building included the following items:

- Civil works
- Electrical and mechanical works
- Equipment

- b) Capacity Building for the Civil Aviation Authority personnel and national expatriates and demilitarization training.

- The construction of the south wing terminal building and power station at Gaza International Airport included the following items:
 - Civil works
 - Electrical and mechanical works
 - Construction of Space Truss
- Provide training for the Civil Aviation Authority personnel and national expatriates.

(3) Budget Line:

00014161 - Construction and Equipping of Gaza International Airport

Approved Budget (according to the project document):

- Design	69,752.00
- Construction of South Wing	2,273,190.00
-Project Management Team	300,000.00
-Contingencies & Miscellaneous	57,057.00
-UNDP management &services	<u>216,000.00</u>
Total	2,916,000.00

00014162 - Technical Assistance and Equipment Gaza International Airport

Approved Budget (according to the project document):

- Project Management Team	771,593.00
- Demilitarization and civil aviation training	600,000.00
- Equipment and sundries	21,000.00
- UNDP management &services	<u>111,407.00</u>
Total	1,504,000.00

3. Implementation Process and Results

(1) Implementation process

The design stage for the South Wing Terminal took a lot of effort by UNDP/PAPP to coordinate the needs of the Palestinian side and the security requirements of the Israeli side. The detailed design for the terminal received the approval of all concerned parties and the tender documents were prepared by the consultant and reviewed by UNDP Engineers. Eleven local contractors were invited to participate in pricing the Gaza International Airport Tender in December 1999. In January 2000, the sealed tender envelopes were opened and the prices were declared. The contract was awarded to Messer's El Sdodi Company for a total of US\$ 2,273,190, excluding VAT. The contract was signed on 25 March 2000 and work started the following week.

A few months later, the second Palestinian Intifada started (i.e. by the end of September 2000) and by the end of the year 2000, the Israeli side closed the airport and prevented the passengers to travel through it.

Following the outbreak of the Intifada, the implementation of the Project began to face many obstacles, such as the lack of available raw materials, continuous closures, and increase in material prices. In addition the deteriorating security situation prevented access to the project site for both the contractor and UNDP engineers as the Israeli Army would regularly close the road to the project thus limiting access.

As the location of the Gaza Airport is close to the Israeli Border, where the security situation was very risky, access to the site needed coordination or permission from the Israeli Army (depending on the level of risk). Therefore, this further contributed to delays in project implementation. Although the project was subjected to several obstacles, the activities of the project continued on the ground however at a far slower pace than originally anticipated.

In 2002, the Israeli Defense Forces carried out a number of incursions that severely damaged the Airport facilities. The radar station and runways were heavily affected, but the main terminal and maintenance buildings were still intact. The incursions did not affect the southern wing terminal hall directly, but it affected the ability of the contractor to continue implementation on the project which resulted in recurring suspensions of project activities.

One month before the completion of works in the southern wing terminal hall, and after capture of the Israeli soldier on 27 June 2006, intensive incursions took place in the Gaza Strip especially in Rafah area which embodies the airport. The airport area was declared as a closed military zone by the Israeli forces which started to destruct the airport buildings and facilities. The southern wing terminal hall and complementary power station were one of the airport buildings attacked by the Israeli military forces. After the Israeli Army occupied the airport and declared it as a closed military zone, no one from UNDP engineers or the contractor staff was able to reach the site.

Despite the bad security situation, the UNDP project engineer jointly with the contractor had the chance to visit the site for barely an hour by the end of September 2006. Some pictures were taken, reflecting the mass destruction of the project. After that, the UNDP engineer could not make any official visits to follow up on the damages caused by the Israeli Army operations and looting activities.

Due to Israeli repetitive incursions after 27 June 2006, the area of the airport became unsafe, the site was no longer guarded by either the contractor or the Palestinian Authorities side. Consequently the airport premises and assets were exposed to looting. Looting was dramatically extended to all buildings of the airport including our project.

On 21 November 2006, UNDP representatives were able to make an official visit to the project site. Through the visit, there was an assessment to the damages volume as described below:

- **Mechanical and sanitary works:** Many equipment and fixtures like air conditioning system, toilets and kitchen fixtures, fans and ventilation system and boiler room were gradually destroyed then looted.
- **Electrical works:** Electrical circuits and distribution boards, stored electrical instruments and luminaries (burned as shown in the pictures below), installed lighting luminaries, all electrical cables and underground electrical network and external street lighting were also destroyed.
- **Fire fighting system** was completely damaged and the stored fire extinguishing materials were crushed.
- **Civil works:** Asphalt layers and sidewalks around the building were completely destroyed, curbstone partially damaged, false ceiling extensively damaged, etc.
- **Doors and windows:** All the wooden doors were exposed to breaking and burning, while all aluminum windows and immigration partitions were destructed and looted.
- **Metal works:** The space truss, steel protection for windows and steel fence around the terminal were completely destructed and looted.
- **Generator room and fuel tank:** All the items of the room, including electrical generator, transformers and fuel tank were completely destroyed or looted.

Because of these damages and inability to complete the project, a decision was taken by UNDP office and upon the contractor's request to make a final settlement of the project. An official letter was issued on 15 October 2006 to the contractor to confirm this settlement and asking him to submit the final payment accordingly.

(2) Technical Assistance and Equipment:

The training for the civil aviation authority took place in Jordan and Morocco and it was co-financed by the Government of Japan through funds from PAL10-00014162 and the Palestinian National Authority Civil Aviation.

TABLE 1: Place of Training, Subject and No. Of Trainees:

Place of training	Subject	No. of Trainees
Jordan	Engineers	60
Jordan	Pilots	9
Morocco	Air traffic control	19
	Electronic Technician	20
	Metrology	18

In addition to the regional training that took place in these countries, on the job training was provided through Palestinian nationals. Nine consultants were recruited for a period of nine months on the project.

The second component of training was the demilitarization training, which was conducted by an institution called MAQDIS, where a Memorandum of Understanding was signed for a total of US\$ 300,000. This component included construction, furnishing of a special center and training activities through local experts.

An MOU in the amount of US \$ 650,000 was signed with the Ministry of Finance in order to enable the ministry procure security equipment and furnishing for the new terminal. Tendering for the security equipment was finalized but put on hold due to the fact that the construction of the terminal was not finalized. Under this MOU no funds were transferred to the Ministry of Finance and the MOU was put on hold.

(3) Results of the Activities (Output of the Project).

Through executing the project, the project was planned to contribute to facilitation of the travel procedures and to alleviate agony for the Palestinian travelers through construction, furnishing and equipment of the south wing terminal at the Gaza International Airport, In addition to provide 126 of airport employee with the essential skills and knowledge to operate the airport. The civil works included Turnkey implementation of the South Wing Terminal, covered with space truss and insulated roofing sheets. The total area of the terminal building is 3,400 m2, power station building 300 m2, 4,000 m2 asphalt pavement, electromechanical installations, security fencing around the hall, and street lighting for the surrounded area. The hall has equipped with air conditioning, fire alarm & fighting system, security control system, telecommunication system, clock system and sound system.

4. Remarks

- After outbreak of Intifada, many obstacles faced the implementation of the Project, such as lack of raw materials, closures, rising of material prices, security situations preventing access to the project site by either the contractor or UNDP. As the location of Gaza airport is closed to the Israeli Border. Therefore, this has contributed to the long delay in project implementation and the progress was in a low pace.
- The contractor has asked to compensate all the damages/costs incurred during the whole project period that was interrupted several times due to political reasons, including the extra labor cost and main office expenses throughout the prolonged period of project implementation. In addition to that, he claimed for materials damaged by IDF incursions and a possible bank interest that might have been incurred if UNDP had made the payment on time to the contractor. The total amount for his claim was US\$ 2,679,748.55.
- On the 18th of June, a technical consultant was hired to support the procurement unit as well as the engineering unit in assessing the claims raised by the contractor. The consultant studied the case and submitted the report.
- A letter – stating the proposed final settlement of the contractor’s claim in accordance with the legal expert opinion and analysis report – was drafted and has been submitted to the United Nations Office of Legal Affairs (UNOLA) for review and endorsement before sending it to the contractor. UNDP/PAPP proposed an amount of US\$ 640,840.46 as final settlement for the contractor’s claim, which covers the amount in respect of contract obligation

(US\$ 322,987.79) and amount in respect of the contractor's claim as analyzed by the expert (US\$ 317,852.67).

- On the 24th of November 2009, a meeting was held between the contractor and UNDP/PAPP in which UNDP briefed the contractor about the analysis process of his claim in UNDP (PAPP and the UNDP HQ in NY), UNOLA, as well as the external consultant who was hired to study the case as mentioned above. UNDP made it clear to the contractor that UNDP is making effort to solve the case and trying to avoid arbitration.
- On the 7th of March 2010, a settlement and release agreement was signed between El Sdodi Company and UNDP/PAPP. UNDP/PAPP will pay sum of US\$730,000 within 45 days of the execution of the release (*see attachment*).
- On the 30th of March 2010, a letter was sent to the contractor asking him to specify his banking details so that the transfer can be made. The contractor failed to provide UNDP with such banking details.
- On the 23rd of August 2010 a meeting was conducted via video conference with the representative of Japan to the Palestinian Authority and it was agreed to obtain the approval of the EOJ before the release of the contractor's final payment in accordance with the claim settlement. The approval of EoJ regarding utilizing the remaining balance of the airport projects in settling the payment is still pending. UNDP/PAPP submitted a draft request letter seeking the approval of EoJ (*see annex 1*).

5. Conclusion of Consultant and UNOLA Missions:

- The contractor had submitted his claim on 19 April 2007 with total amount US\$ 2,679,748.55 excluding the contract obligation US\$ 322,987.79 (agreed and approved by UNDP)
- The independent international consultant, Poolman, studied the case and raised his report to UNDP in June, 2009 (attached). His recommendation was that the contractor is illegible to US\$ 203,860.00 out of US\$ 2,679,748.55 and amended to reach US\$ 317,852.67.
- On 5th of March 2010 the United Nations Office of Legal Adviser (UNOLA) had negotiated the contractor in Gaza and decided to pay extra amount against simple interest over detaining the claim amount for such period i.e. from April 2007 to March 2010.

Accordingly, a settlement and release agreement with total amount US\$730,000 was signed between the contractor, El Sdodi Company, and UNDP/PAPP on 7th of March 2010 in the presence of UNOLA. This amount comprises the contract obligation US\$ 322,987.79 plus amount approved by the consultant US\$ 317,852.67 plus interest against detaining the claim amount US\$ 89,159.54.

Project Completion Date:

Completion Date: 15 October 2006

UNDP/PAPP will close the project as soon as the final payment is issued to the contractor.

6. Financial report**PAL10-00014161 (PAL/99/J15)**

Budget items (according to the proposal)	A. Original budget (according to the proposal)	B. Revised budget (if the original budget is revised)	C. Disbursement	D. Balance (A-C)	E. Rate of disbursement (%) (C/B*100)
Project Management Team	300,000	N.A.	318,284	-18,284	106%
Construction	2,273,190	N.A.	2,251,856	21,334	99%
Design	69,752	N.A.	69,752	0	100%
Contingencies & Miscellaneous	57,058	N.A.	52,047	5,011	91%
Sub total Expenditure PAL/99/J15	2,700,000		2,691,939	8,061	100%
UNDP AOS	216,000		132,949		62%
Total Budget	2,916,000		2,824,888	91,112	97%

Based on project expenditures, the total AOS for the implemented activities should total \$215,335, however the AOS disbursement to date stands at \$132,949. The balance of \$82,386 (215,335-132,949) will be utilized to cover part of the settlement with the contractor Sdodi (\$730,000).

PAL10-00014162 (PAL/99/J16)

Budget items (according to the proposal)	A. Original budget (according to the proposal)	B. Revised budget (if the original budget is revised)	C. Disbursement	D. Balance (B-C)	E. Rate of disbursement (%) (C/B*100)
Project Management Team	771,593	N.A.	152,243	619,350	20%
Demilitarization and civil aviation training	600,000	N.A.	600,000	0	100%
Equipment and sundries	21,000	N.A.	48,787	-27,787	232%
Sub total Expenditure PAL/99/J16	1,392,593	N.A.	801,030	591,563	58%
AOS	111,407	N.A.	64,082	47,325	58%
Total Budget	1,504,000	N.A.	865,112	638,888	58%

Combined Budget for Pal10-00014161 & Pal10-00014162

Budget items (according to the proposal)	A. Original budget (according to the proposal)	B. Revised budget (if the original budget is revised)	C. Disbursement	D. Balance (B-C)	E. Rate of disbursement (%) (C/B*100)
Sub total Expenditure	4,092,593	N.A.	3,492,969	599,624	85%
UNDP AOS	327,407	N.A.	197,032	130,375	60% +
Total Budget	4,420,000	N.A.	3,690,000	730,000	83%




7. Publicity of the project

UNDP has taken all measures in cooperation with Palestinian Authority to make Japan's support to the project well known to the people through the following:

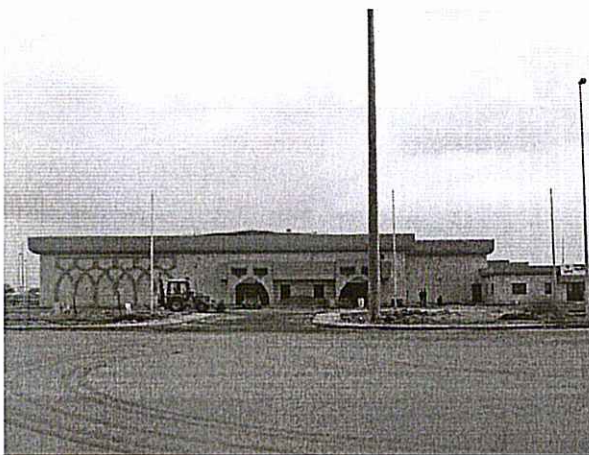
- Highlighting on the generous fund of Japan through media after signing the agreement.
- Inauguration Party was conducted in the presence of Japan ambassador, UNDP administrator, and President Yaser Arafat.
- Through tendering process the advertisement was declared in the local newspapers
- The project sign boards included the donor flag and project name during the construction phase.
- Within the training sessions has conducted for airport employees; a brief on the role of Japan donation was explained.

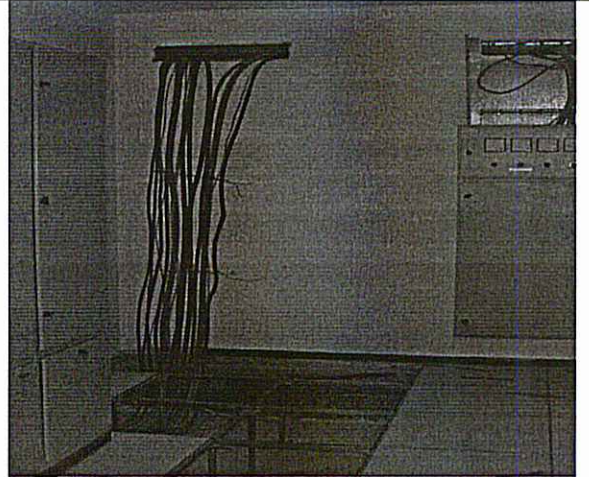
8. Pictures of project indicating before the project and progress of the project

During Construction March,2000-June,2006



During Construction March,2000-June,2006

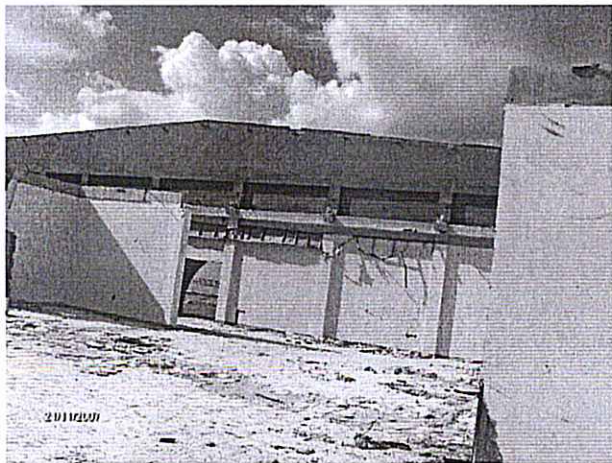




During Destruction After June 2006

During Destruction After June 2006





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9. Names of UNDP Officer in charge:

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