



Grant Agreement

Between

The UNDP Water Governance Facility at SIWI

And

United Nations Development Programme/Programme of Assistance to the Palestinian people

UNDP/PAPP

For the development of

Water Integrity Assessment of the Water Sector in the oPt

April (2011)



31/03/2011

Dear Sir:

I am pleased to inform you that the UNDP Water Governance Facility at SIWI (hereinafter referred to as the "Donor") has decided to make a contribution of Fourty thousand United States Dollars [US \$ 40,000], (hereinafter referred to as the "Grant") to the United Nations Development Programme (hereinafter referred to as "UNDP"), a subsidiary organ of the United Nations, an international organization established by treaty, represented by its Resident Representative, with offices at the occupied Palestinian territory, for the Water Integrity Assessment for the West Bank (details attached).

The contribution shall be deposited to the following Bank and account:

JP Morgan Chase
1166 Avenue of the Americas, 17th Floor
New York, NY 10036-2708
ABA# 021-000021
Swift Code: CHASUS33
Account# 015-002284

The Donor will inform UNDP when the contribution is paid via an e-mail message with remittance information to contributions@undp.org

UNDP shall receive and administer the contribution in accordance with UNDP's Financial Regulations and Rules, policies and procedures, and on the following terms and conditions:

- (1) The Contribution shall be paid in accordance with the following schedule:
US\$ 20,000 upon signature and submission of the first invoice
US\$ 20,000 upon submission of the consultants' reports and final invoice
- (2) The above schedule of payments takes into account the requirement that the payments shall be made in advance of the execution/implementation of planned activities. It may be amended to be consistent with the progress of project delivery.
- (3) This Grant will be used exclusively for the Project Integrity Assessment for the West Bank.
- (4) In accordance with the decisions and directives of UNDP's Executive Board reflected in its Policy on Cost Recovery from Other Resources, the Contribution shall be subject to cost recovery for indirect costs incurred by country office structures only in providing General Management Support (GMS) services. To cover this GMS cost, the contribution shall be charged a fee not higher than 5%. Furthermore, as long as they are unequivocally linked to the specific project, all direct costs of implementation, including the costs of executing entity or



implementing partner, will be identified in the project budget against a relevant budget line and borne by the project accordingly.

- (5) The contribution and activities financed there from shall be subject exclusively to internal and external auditing procedures provided for in the financial regulations, rules and directives of UNDP. Should an Audit Report of the Board of Auditors of UNDP to its governing body contain observations relevant to the contributions, such information shall be made available to the Donor.
- (6) (a) The Donor acknowledges that it is familiar with UNDP's ideals and objectives and recognizes that its name and emblem may not be associated with any political or sectarian cause or otherwise used in a manner inconsistent with the status, reputation and neutrality of UNDP.

(b) The Donor may make representations to its shareholders and internal budget officials as required about the fact of the contribution to UNDP. Any other use of the UNDP name or emblem, and any other form of recognition or acknowledgement of the contribution of the Donor are subject to consultations between the Parties, and the prior written agreement of UNDP.

(c) UNDP will report on the contribution to its Executive Board in accordance with its regular procedures regarding contributions from private donors. Other forms of recognition and acknowledgement of the contribution are subject to consultations between the Parties, but the manner of such recognition and acknowledgement shall be determined at the sole discretion of UNDP.
- (7) (a) The parties shall use their best efforts to settle amicably any dispute, controversy or claim arising out of, or relating to this agreement or the breach, termination or invalidity thereof. Where the parties wish to seek such an amicable settlement through conciliation, the conciliation shall take place in accordance with UNCITRAL Conciliation Rules then obtaining, or according to such procedure as may be agreed between the parties.

(b) Any dispute, controversy or claim between the Parties arising out of or relating to this agreement or the breach, termination or invalidity thereof, unless settled amicably under the preceding paragraph within sixty (60) days after receipt by one Party of the other Party's request for such amicable settlement, shall be referred by either party to arbitration in accordance with the UNCITRAL Arbitration Rules then obtaining. The arbitral tribunal shall have no authority to award punitive damages. The parties shall be bound by any arbitration award rendered as a result of such arbitration as the final adjudication of any such controversy, claim or dispute.
- (8) Nothing in this agreement shall be deemed a waiver, express or implied, of any of the privileges and immunities of the United Nations, including UNDP.



- (9) Any payments that remain unexpended after all commitments and liabilities have been satisfied shall be disposed of by UNDP in consultation with the Donor.

The Donor and UNDP will consult with each other in respect of any matter that may arise from or in connection with the Grant.

This letter and your acceptance of this contribution on the terms set forth herein shall constitute an agreement between the UNDP Water Governance Facility at SIWI and UNDP on the subject matter hereof.

Sincerely yours,

Acceptance:


Signature

Frode Moring

Special Representative to the Administrator
UNDP/PAPF

Date



Terms of Reference

Water Integrity Assessment of the West Bank

Background

One of the many challenges impeding progress in the water sector is the issue of inadequate governance. A large part of the problem can be explained by limited transparency and accountability in the implementation of water projects. Improving transparency and accountability in the water sector is therefore critical to good governance of water resources and services and is directly linked to development and poverty reduction. Taking a proactive stand against corruption has many advantages for a government. Not only does it contribute to the achievements of the MDGs by improving service delivery and accountability to citizens, especially to the poor, but also helps to attract new and retain existing financial resources in the sector. A government that is openly committed to reduce corruption also builds trust in the eyes of the public.

In the Middle East region, there is a growing realisation that corruption and lack of transparency constitute a fundamental challenge for the region's development and increased debate on the issue of corruption is driving slow but steady steps towards structural reform. In several countries, the issue of reducing corruption has gained momentum and legitimacy and is now being addressed openly as a principal obstacle to development.

In the occupied Palestinian territory (oPt), integrity reform has risen up the agenda as a result of widespread perceptions of corruption within Palestinian institutions. Opinion polls conducted by the independent Palestinian Center for Policy and Survey Research shows the percentage of Palestinians who believe there is significant corruption in Palestinian National Authority institutions jumped from about 50 per cent in 1996 to more than 85 per cent in 2005 (Aman 2007). However, Prime Minister Salam Fayyad's government is committed to the fight against corruption and credited for its efforts to increase transparency and accountability.

The Palestinian water sector is facing a number of challenges, partly as a result of constraints caused by external factors such as the Political Framework of the Oslo II Agreement but also due to a number of internal governance challenges related to policy and strategy development, suboptimal institutional set up with unclear and overlapping roles and responsibilities.

Other challenges include high levels of unaccounted for water due to poor water supply networks, inefficient water supply management and unlicensed wells and illegal connections. PWA has conflicting roles as it performs regulatory and policy related functions as well as it in many cases implement projects, such as through its Project Management UNIT that implements infrastructure projects on behalf of municipalities and utilities. Lack of a comprehensive internal framework within the PWA combined with needs for increased staff capacity development, transparency and accountability, means that governance challenges pose great integrity risks to the sector.

To address these and other challenges, the Palestinian Water Authority (PWA), the governmental institution responsible for the management of water, is leading a process of reform of the water sector in oPt. The reform of the water sector is composed of three main elements: an institutional review of the water sector; revision of the existing Water Law to reflect the preferred arrangement following the attainment of a consensus on the required institutional architecture; and the implementation of a programme of organizational reform and capacity building for each of the key institutions in the water sector. See Annex 1 for an overview of water key actors. In addition, the

PWA has identified a need to conduct a water integrity assessment which forms an integral part of ongoing water governance reform. The water integrity assessment will be a first step towards developing a long term water integrity programme that will include capacity development and potential applications of tools to strengthen integrity and accountability. The focus on governance is also in line with the National Water Plan (NWP) from 1998 which identified Institutional and Administrative Building including planning and management, legislative policy and standards, quality and environmental, financial and economic, and institution building actions as key for the development of the Palestinian water sector.

Partners

The water integrity assessment work is a joint initiative between the Palestinian Water Authority (PWA), UNDP Water Governance Facility at SIWI (WGF), UNDP/PAPP, RBAS Regional Water Governance Programme for the Arab States (WGP-AS). It will also draw on experiences from the UNDP Governance Centre in Oslo and the Water Integrity Network (WIN). The water integrity assessment is jointly funded by WGF and WGP-AS.

Main aim and scope

The over-arching aim of the activity is to contribute towards improving water services delivery and water resource management in oPt through the strengthening of integrity and accountability systems in the sector. Based on consultations with PWA and others the water integrity assessment will be done for the West Bank as it was considered too complex to apply it in the Gaza Strip. There may however be useful experiences to draw on from Gaza Strip such as customer service campaigns etc. that led to increase in cost recovery. An institutional overview of the water sector in the West Bank is found in Annex 1.

The scope is to assess water integrity in the West Bank with the following objectives:

- To “unbundle” corruption risks in the water sector, such as analyzing stakeholder interfaces (public - private sector, public – public, public - end-consumers, etc) in relation to service delivery, contracting out of services, procurements, water resources management etc.
- To identify particular areas and interfaces of high corruption risks in water sector and to the extent possible, measure the levels of corruption and associated costs
- To be a part of and inform the ongoing water governance reform process with regard to institutional development
- Lay the ground for developing a long term programme to promote water integrity

It is required that the activity is well anchored in required government bodies as well as with the PWA itself and ongoing water governance reform work. Previous experiences suggest that involving other government accountability actors outside the water sector can enhance the ownership and impact of activities. It is strongly recommended that the programme although led by the PWA already at the outset seeks broad ownership.

It is proposed that the PWA can anchor the water integrity assessment with the Steering Committee of the Water Sector Reform or equivalent entity based at PWA comprising government, water service providers, private sector, civil society and donors

Activity: Integrity Assessment of Water Sector in the West Bank

Good policy and good reform strategies to improve transparency and accountability to reduce the risk of corruption can only come from good diagnosis. Therefore, an initial component of a long term programme would be to carry out an integrity assessment based on 5 guiding principles.

1. **Evidence-based and Preventive** approach: To depersonalize & depoliticize the fight against corruption
2. Based on **multiple sources** of evidence (for triangulation), and mix of qualitative & quantitative research methods
3. Conducted in collaboration with both **water consumers & providers and other critical stakeholders**
4. Create **ownership** through partnership
5. Oversight by a **multi stakeholder steering committee** consisting of leading water sector stakeholders and representatives of key accountability sector organisations

The proposed assessment would complement the upcoming Institutional Review of the sector by identifying priorities and needs specifically related to water integrity. The assessment could also serve as a baseline on which to measure progress over time (through for example a time-bound anti-corruption action plan that can be monitored using concrete indicators).

In order to avoid duplication, the proposed assessment should build on already existing or planned studies by PWA (the Water Governance Programme and the Institutional Review) as well as studies on corruption (for example the NIR Reconstruction National Integrity System Survey). A study looking at the past financial management of PWA projects pointed to several challenges as well as a set of recommendations to strengthen the audit systems and transparency.

Tasks of consultant

The assessment will include the following:

- (i) Stakeholder mapping and Analysis (See for example the PWA Draft Report on WATER GOVERNANCE PROGRAMME, WGP Report Draft 1, 15/09/08 where detailed mapping has been done of water sector institutions). Complementary mapping needed for "governance" institutions.
- (ii) Review of policies, legislation and institutional set up to identify policy gaps/sector processes which provide avenues for increased corruption risks
- (iii) Mapping of ongoing processes to strengthen integrity and accountability from and outside the sector
- (iv) "Un-bundle" corruption in water sector and analysis of corruption risks both at central and local government level in different project phases; planning, project design, procurement, contract management/project implementation, monitoring/supervision and human resources.
- (v) Analysis of accountability relationships, incentive structures between different stakeholders and levels of transparency in decision making

- (vi) Baseline study identifying corruption risks at PWA and incentives and disincentives for promoting increased transparency and accountability. Work to include analysis of procurement and tendering processes and procedures.
- (vii) Survey of actual experiences of corruption by service providers and consumer interfaces in order to measure the levels and costs of corruption
- (viii) Analysis and recommendations developed for strengthening of institutional systems and incentive structures to promote water integrity and accountability
- (ix) Analysis and recommendations for developing a long term water integrity programme, including capacity development needs and potential applications of tools/methodologies to enhance accountability and integrity

Different methodologies will be used to collect required information:

1. Analysing secondary data, such as already compiled reports, studies etc.
2. Generating primary data through focus groups, interviews with key stakeholders etc at all levels (from local to national as well as relevant donors)
3. Survey to capture water consumer (end-users) and service provider experiences of corruption in the sector. Findings from such survey will be used to raise awareness among policy and decision-makers on citizen satisfaction with government services.

To ensure ownership of process and findings, inception and validation and action planning workshops for the sector stakeholders should be held.

Output deliverables

1. Brief inception report based on initial briefing and consultations with WGF, WGP-AS, and UNDP-PAPP, including work plan.
2. Report (1) on stakeholder mapping, mapping of ongoing initiatives to strengthen integrity and accountability and review and gaps analysis of policy, legislation and institutional set up. Identification and analysis of corruption risks in the water sector (such as procurements, water service delivery, water infra-structure development etc.), through semi-structured interviews to validate the outcomes of the desk study
3. Report (2) Baseline study identifying corruption risks at PWA and incentives and disincentives for promoting increased transparency and accountability. Work to include analysis of procurement and tendering processes and procedures.
4. Report (3), Quantitative survey of experiences of corruption by consumers and service provider.
5. Report (4), Final report based on reports 1, 2 and, including recommendations on priority elements of a PWA long term water integrity programme, such as training needs assessment, recommendations on water integrity tool application. The final report will in light of ongoing water governance reform also make recommendations on required policy and institutional development.

Time frame

Implementation will be initiated in January 2011. A first review on how to proceed for the long-term can be made in relation to the outcomes of the assessment report. The recruitment of consultants will start in December 2010.

See table below for suggested time table.

Activity/period	2011										
	Feb	Ma	Apr	May	June	July	August	September	OCT	Nov	
Water Integrity Assessment											
1. Recruitment of consultants by 30 April											
2. Inception report , including budget, on how to implement work by 10 May											
3. Inception workshop By 30 June											
4. Implementation of work First progress report by 30 July First draft reports by 30 September Final draft reports by 30 October											
5. Water Integrity Assessment validation and action planning workshop – Preparing next steps for long term water integrity programme. By 30 October											

Budget

The budget for the activity is USD 65,000. WGP-AS will contribute USD 25,000 and WGF will contribute USD 40,000.

Budget Description	Total Cost in USD
Consultants: Includes cost for lead consultant and team of under-consultants	50,000
Meetings/Learning: a) Inception workshop with key stakeholders = USD 4,000 b) Validation and action planning workshop = USD 5,000	9,000
Miscellaneous, including travel:	4,000
PAPP (cost recovery)	2,000
Total	65,000

Management and reporting requirements

UNDP-PAPP will function as the process facilitator for the Water integrity assessment and be responsible for hiring of research firm/consultancy team. UNDP-PAPP, WGF and WGP-AS will jointly select the most appropriate research firm/consultancy team.

UNDP-PAPP governance team is involved in a large governance programme. It is important to draw on their experiences. Mutual learning and knowledge sharing is expected between this programme and the development of Water Integrity Programme.

The lead consultant will report to Rima Abumiddain, UNDP-PAPP. Håkan Tropp, WGF, and the Director/Project Manager of the WGP-AS, will jointly with UNDP-PAPP and PWA do quality assurance of work progress and final products.

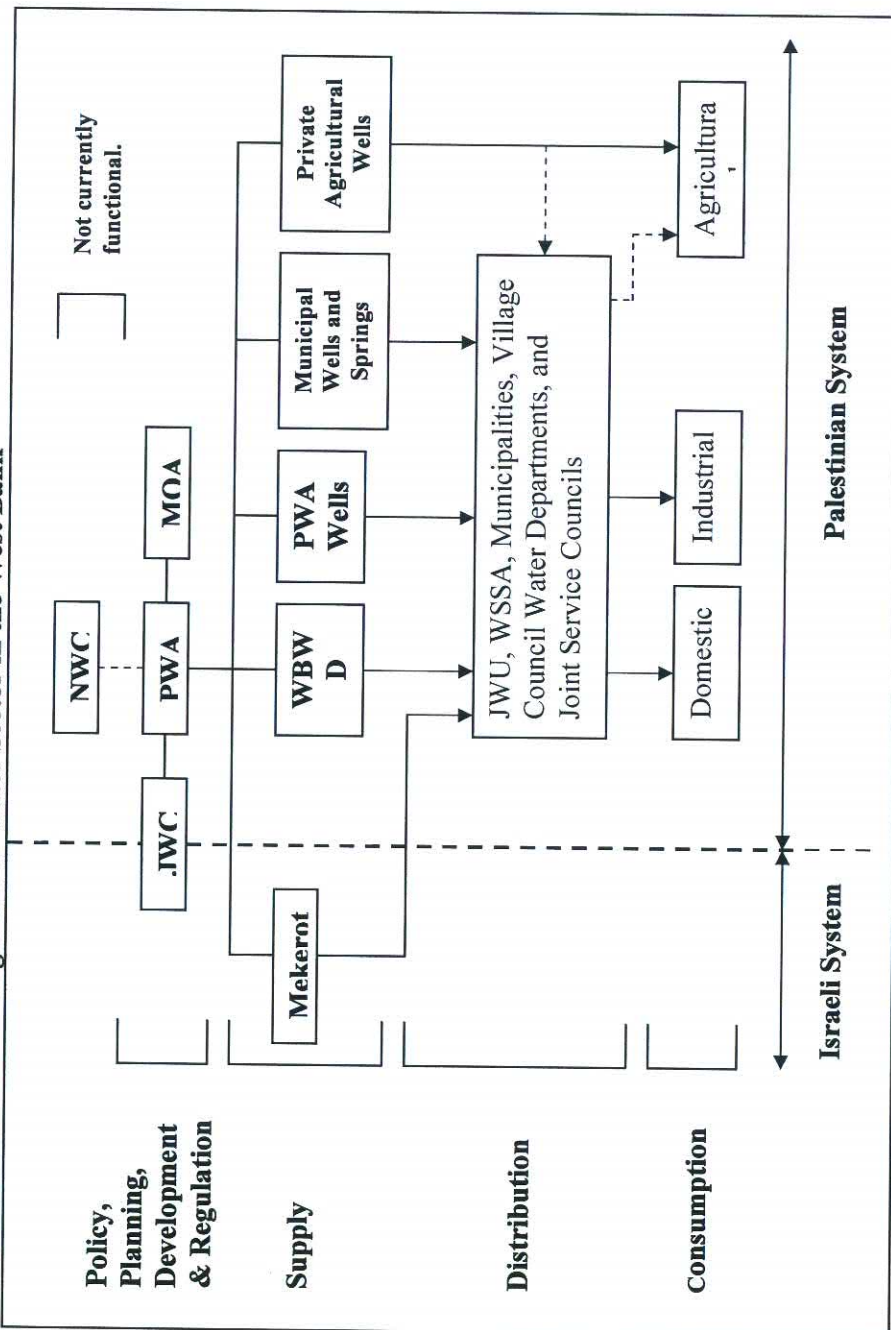
Research institution/Consultant team profile

UNDP seeks the services of competent, experienced independent research agency, social research institution or consultant team, preferably based in the West Bank including East Jerusalem that is specialized in governance/socio-economic issues to conduct this activity. The contractor and its manager should have experience working with water related issues in oPt and in conducting large surveys. Importantly, the team carrying out the tasks should have a mix of competencies, including governance and water. It is also critical that survey manager have ample experience in all phases of conducting survey research at the household, institutional and private sector level.

Specifically, the lead consultant should have the following skills and competencies

- (a) At least a Masters Degree in relevant natural and/or social science disciplines with expertise in the area of governance/anti corruption and experience working with water related issues in Palestine
- (b) At least 10 years of relevant professional experience in similar types of research assignments, particularly with regard to survey preparation, appraisal and management of information and knowledge and assessment aspects. Specific experience in facilitating meetings related to water governance will be an advantage. Experience working with public sector institutions, bi- and multilateral development institutions will be an added advantage;
- (c) Sound negotiation and diplomatic skills to interact effectively with senior government officials, representatives from other development partners, and civil society;
- (d) Familiarity with UNDP initiatives and publications including HDR, RCF, etc.
- (e) Ability to communicate and write effectively in English and Arabic

Annex 1. Institutional Arrangement of Water Sector in the West Bank



Source: From PALESTINIAN WATER AUTHORITY, WATER GOVERNANCE PROGRAMME, WGP Report Draft 1, 15/09/08 (Figure adapted from the World Bank Water and Wastewater Sector Update Report, World Bank, 2007)