



Request for Second Instalment Payment

Date: 06 December 2017

Attention: Ms Alessandra Viezzer

Reference: ENI/2016/374-421

Title of the agreement: Rehabilitation and reconsolidation of the Gaza Industrial Estate.

Name and address of the organization: United Nations Development Programme/ Programme of Assistance to the Palestinian People(UNDP/PAPP), 3 Yakubi St., Jerusalem, 91191, P.O. Box: 51359.

Request for payment number 2.

Period covered by the request for payment: November 2017 to March 2018.

Dear Ms Viezzer,

I hereby request payment of the second interim payment under the agreement mentioned above.

The amount requested is EUR 1,357,370 (one million three hundred and fifty-seven thousand and three hundred and seventy Euros) and in accordance with Article 4 of the special conditions of the agreement.

Please find attached the following supporting narrative and financial annual progress report.

The payment should be made to the following bank account:

Bank name	ING Belgium SA/NV
Branch address	60 Cours St. Mitchel
Town	Brussels – Post code:1040
Country	Belgium
Account number	301-0186139-77
IBAN	BE 80301018613977



I hereby certify that the information contained in this request for payment is full, reliable and true, that the costs incurred can be considered eligible in accordance with the Agreement and that this request for payment is substantiated by adequate supporting documents that can be checked.

Sincerely Yours,

Roberto Valent

Special Representative of the Administrator
UNDP/PAPP

Attached:
Progress report - Rehabilitation and Consolidation of the Gaza Industrial Estate

Ms Alessandra Viezzer
Principal Administrator
Head of Cooperation
European Commission, DG enlargement
Jerusalem

Ref: UNDP/ PAL10-00099398
06 December 2017

Dear Ms Viezzer

**Subject: Progress Report – Rehabilitation and Consolidation
of the Gaza Industrial Estate (RCGIE)**

Reference is made to the delegation agreement ENI/2016/374-421 between the European Union (EU) and UNDP's Programme of Assistance to the Palestinian People for the **Rehabilitation and Consolidation of the Gaza Industrial Estate** project, effective 18 October 2016.

I am pleased to submit herewith the first narrative and financial progress report.

The report summarizes the progress of the project as of November 2017 and provides an overview of the achievements, challenges, lessons learned, financial status and way forward.

I thank the European Union (EU) for its contributions to UNDP and look forward to strengthening our partnership in support of the Palestinian People.

Sincerely Yours,



Roberto Valent

Special Representative of the Administrator
UNDP/PAPP

Attached:

Progress report - Rehabilitation and Consolidation of the Gaza Industrial Estate

Ms Alessandra Viezzer
Principal Administrator
Head of Cooperation
European Commission, DG enlargement
Jerusalem

Progress Report 6

RCGIE – Rehabilitation and Consolidation of the Gaza Industrial Estate

Reporting Date: October 2017

Reporting Period	November 2016 to October 2017
Donor	The European Union (EU)
Country	Occupied Palestinian territory
Project Title	RCGIE – Rehabilitation and Consolidation of the Gaza Industrial Estate
Project ID (Atlas Award ID) Outputs (Atlas Project ID and Description)	PAL10-00099398 1. Rehabilitate GIE transformer rooms. 2. Repair out-of-order power cables. 3. Rehabilitate GIE wastewater collection system. 4. Rehabilitate one water wells. 5. Replacement and upgrading of the GIE Desalinisation unit.
Implementing Partners	Palestinian Industrial Estates and Free Zones Authority(PIEFZA), Palestinian Energy Authority(PEA) and Gaza Electricity Distribution Company (GEDCO).
Project Start Date	September 2016
Project End Date	July 2018
Annual Work Plan Budget	€ 2,373,884.00
Total Resources Required	€ 2,373,884.00
Revenue Received	<ul style="list-style-type: none"> • Regular USD • Other <ul style="list-style-type: none"> ○ Donor 2,373,884.00 € ○ Trust Fund Cost Sharing USD ○ Thematic Trust Fund C/S USD ○ Special Activities USD ○ EU funding USD • Total € 2,373,884.00
Unfunded budget	USD 0.0
UNDP Contact Person	Roberto Valent Special Representative of the Administrator UNDP/PAPP Email: roberto.valent@undp.org Tel.: 02-6268200

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I. Executive summary

Gaza Industrial Estate (GIE) is the first Palestinian industrial zone that has been established and managed by the Palestinian Industrial Estates and Free Zones Authority (PIEFZA) through a private operator (Palestinian Industrial Estate Development Company - PIEDCO) since 1997. The Gaza Industrial Estate then received support from the Palestinian government and the international donor community.

The Gaza Industrial Estate was severely destroyed during the 2014 hostilities. The desalination plant was damaged and was out of order, 16 out of 24 transformer rooms were demolished, one water well was targeted, the sewage treatment plant was also destroyed in addition to most of the lighting poles and cables.

UNDP, in close cooperation with PIEFZA, and with funding from the EU, launched a programme to rehabilitate and consolidate the GIE infrastructure. To complement the programme, UNDP also produced an incentives manual to support PIEFZA and the transfer of industries to GIE. The aim of the programme is to enable the GIE to become fully operational and contribute to the national economy.

During the reporting period, UNDP carried out the detailed needs assessment for the targeted interventions and developed detailed works' description and technical specifications for the works. The tendering stage was finalized for four packages designed to implement the planned scope of activities. All activities are progressing with 20% overall progress, but is expected to receive a boost of 70% by the first quarter of 2018 subject to entry of materials into Gaza. The main challenge faced by the programme is the access of electromechanical materials especially pumps and electrical cables.

The planned intervention includes the development of the Palestinian manual for the Gaza incentives programme to different industrial enterprises. Currently, the programme is under final review and approval by the Ministry of Economy.

II. Background

Gaza has gone through three devastating hostilities that followed many years of border closures and have left people isolated, impoverished, and vulnerable. Gaza was already in the grip of a humanitarian and environmental crisis and an eleven-year blockade had already suffocated the private sector, creating widespread dependency. The United Nations estimates that around 1.2 million people in Gaza are in need of humanitarian assistance, with 80% of Gaza residents are dependent on aid, 47% are food insecure, and over 40% unemployed.

United Nations Development Programme

Programme of Assistance to the Palestinian People

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The National Consensus Government has developed the “Palestinian National Early Recovery and Reconstruction Plan” to provide a roadmap through the current humanitarian crisis to long-term development. The Gaza Early Recovery and Reconstruction Rapid Needs Assessment formed the backbone of the plan that was conducted by Palestinian ministries and agencies, with the support of local and international partners. The assessment uses the situation prior to the 2014 hostilities as a baseline but contextualizes it within Israel’s long and continuing blockade of Gaza.

The Gaza Strip has a very low level of industrialization and high level of unemployment. The industrial sector contributes to only 8% of the GDP, and currently faces many serious obstacles. Movement of goods and services is often blocked by border closures. Serviced land and physical infrastructure for industry are also in short supply and prohibitively expensive.

The Gaza Industrial Estate (GIE) is designed to provide the investors with the necessary infrastructure, and support facilities and services since it has its own power plant, national grid system and advanced water and sewage system. GIE is the first Palestinian industrial zone that has been established and managed by PEIFZA through a private operator; the Palestinian Industrial Estate Development Company PIEDCO since 1997.

The programme outcome is in line with UNDP’s strategic plan for 2014–2017, contributing to the achievement of:

- Outcome 1: Growth and Development are inclusive and sustainable, incorporating productive capacities that create employment and livelihoods for the poor and excluded. Through this programme UNDP/PAPP seeks to alleviate poverty through the rehabilitation of the Gaza Industrial Estate and the creation of job opportunities and economic empowerment.

Project activities include:

1. Rehabilitate GIE transformer rooms
2. Repair out-of-order power cables
3. Rehabilitate GIE wastewater system
4. Rehabilitate one water well
5. Rehabilitate the GIE Desalination unit
6. Establish and incentive programme for the private sector

III. Achievements Review

UNDP initiated a task team to survey the rehabilitation needs for the GIE within the scope of works approved by the EU. The team carried out many site visits to consolidate the requested works needed for the rehabilitation and to produce some detailed bills of quantities for tendering and procurement. Hence, four packages were produced:

- I. Transformers' rooms
- II. External lighting
- III. Sewage pump station and water well
- IV. Desalination plant

In the meantime, UNDP uploaded the lists of materials for the four project components and provided all the requirements needed for COGAT's approval.

Four complete tendering packages were produced and reviewed by UNDP senior engineers and rechecked on the ground. The packages were announced for local contractors through UNDP site and the Contractors' Union. Three contractors were identified to carry out the transformers rooms, external lighting, sewage and well rehabilitation project. The fourth package, which includes the desalination plant, was signed later following the approval of budget reallocation by the EU.

The four contractors started the implementation process under UNDP's direct supervision and quality assurance. All activities are in close coordination with PEIDCO in order to facilitate the movement of labours and engineers within the GIE premises, within well-planned security measures.

Following the UNDP procurement process, two budget amendments were made and approved by the EU for reallocation of funds between the activities. The four contracts were signed with local contractors and works commenced. It is important herewith to note that the anticipated delays are under control in case the approval for the access of materials is granted during the first quarter of 2018.

UNDP set the Terms of Reference for a national consultant to develop the manual of development services for Partnerships for Regional Investment, Development and Employment (PRIDE) in the GIE. The consultant was hired and developed the draft Gaza PRIDE manual for the GIE along with the needs assessment.

PROGRESS TOWARDS PROJECT OUTPUTS

OUTPUT 1: Reconstruction of 8 transformers' rooms			
Output Indicators	Baseline	Target	Status
The GIE electrical infrastructure is operational and serves the existing facilities and future extension	8 medium voltage transformers working out of 24 that were damaged	8 transformers rooms complete with new transformers and their related accessories	80% of the civil works for the rooms is completed, all the materials were approved and the contractor replaced an order for supply of transformers and their related accessories. The materials are expected to enter into Gaza in January 2018

OUTPUT 2: Rehabilitation of Sewage pump and water well			
Output Indicators	Baseline	Target	Status
The GIE water supply and Wastewater Collection System is operational	<ul style="list-style-type: none"> ▪ 2 wells are operational out of 3 ▪ 1 pump partially operating out of 2 ▪ Destroyed sewage station building without fencing 	<ul style="list-style-type: none"> ▪ Complete rehabilitation of 1 water well ▪ 2 new pumps with bar screen and external fence added • Rehabilitation of 2 sewage pumps 	<ul style="list-style-type: none"> • The old well's pump was dismantled and delivered to PIEFZA and the new pump was installed in the well after pump testing and cleaning • The substation manifold was replaced by a new one and the wet pit was evacuated • Progress estimated at 25%

OUTPUT 3: Repair out of order cables and External lighting			
Output Indicators	Baseline	Target	Status
Basic and essential external lighting of the GIE operational	<ul style="list-style-type: none"> ▪ 36 lighting poles destroyed out of 109 poles ▪ 90 lighting lanterns destroyed/out 	<ul style="list-style-type: none"> ▪ 40 new lighting poles complete with lanterns and cables 	<ul style="list-style-type: none"> ▪ Excavation of all needed trenches between electrical poles in north side of GIE ▪ Supply and casting of all needed concrete

	of order from 109 lanterns	▪ 90 new lighting lanterns installed	foundations of electrical poles in northern side of GIE ▪ Progress at 12%
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OUTPUT 4: rehabilitation and upgrading of the Desalination Plant			
Output Indicators	Baseline	Target	Status
The GIE desalination water supply is operational and meets the demand	<ul style="list-style-type: none"> ▪ The desalination plant is out of order ▪ Damaged building 	<ul style="list-style-type: none"> ▪ Complete rehabilitation of the existing desalination plant ▪ Add new desalination unit with 40 cubic meters capacity per hour ▪ Restoration of the building 	<p>All parts of the existing desalination unit were reassessed to evaluate the planned intervention for the parts to be rehabilitated and the parts that need replacement. All items that are evaluated for replacement are carefully dismantled and sent to PIEDCO stores.</p> <p>All pumps were dismantled and maintained.</p>

IV. Project Risks and Issues

All stainless-steel items (pipes and rods), which are used for desalination and sewage rehabilitation activities were prevented from entering Gaza due to the blockade and access restrictions on materials entry.

a. Updated project risks and actions

Project Risk 1: Access to materials

Actions taken:

After receiving COGAT's approval, the Israeli Authorities prevented the stainless-steel items that will be used for the desalination plant's rehabilitation and sewage pumping station, including stainless-steel rods for pumps, steel bars for the sewage bar screen and all sewage steel pipes. This has severely affected the progress of the programme and resulted in a delay in implementation. On the other hand, the contractor claimed that this is a coordinated project and the delay is not his responsibility. UNDP, thus, agreed that the contractor will supply the materials from the local market.

b. Updated project issues and actions

Project Issue 1:

Actions taken: UNDP conducted the necessary market survey to assess the submitted claim. The difference in market prices versus coordinated prices were considered according to procurement standard processes.

V. Lessons Learned

- Management, communications skills, cooperation of all concerned parties and quality assurance are the key factors for the success of this project.
- The working environment in Gaza is very harsh especially when it comes to electromechanical works. Denial of access for people and materials as well as power shortages are the main obstacles that cause delay in the implementation of any projects in the Gaza Strip.
- Despite developing materials lists and preparing the necessary documents for the different activities as a first step for initiating project activities with the Israeli authorities; certain materials such as SS pipes, motors were suspended by the Israeli authorities. Such materials require more time for implementation to obtain, and thus a modified framework must be considered.

VI. Conclusions and Way Forward

Rehabilitate and Consolidate the Gaza Industrial Estate, will:

- Ensure it is fully operational and works as a catalyst for industrial development.
- Increase direct and indirect employment in the Gaza Strip.
- Contribute to Gaza's GDP by creating conditions conducive to private sector industrial investment, including appropriate physical infrastructure.
- Enable Palestinian utilities and agencies to provide necessary services to the GIE, including water, wastewater, sewage and storm water disposal, electric power, and access roads.

The new eight transformers rooms will increase the capacity of the GIE to provide power to double the current commercial and industrial facilities, and will serve to distribute the future power supply through the planned solar power project. In addition, the main switch gear of the Israeli power supply will be transferred to the western side of the GIE away from the borders to provide more safety and ease for control and maintenance.

Through the rehabilitation of the main sewage pumping station, the sewage collection efficiency for the GIE will be improved and will handle the current and future discharge of waste water. The intervention will include the construction of a fence around the upgraded pumping station to provide security.

Finally, the rehabilitation of the water well and the desalination plant will provide potable water, with acceptable quality, for all the food and beverage factories.

VII. Financial Status¹

Budget Main Items (According to Proposal)	A. Original budget According to PD EUR	B. Disbursement EUR	C. Balance (A-B) EUR	D. Rate of Disbursement (%) (B/A*100)
1. Human Resources	255,500.00	116,123.19	139,376.81	45.45%
2. Equipment and supplies	4,000.00	-	4,000.00	0.00%
3. Local office	19,100.00	644.00	18,456.00	3.37%
4. Other costs, services	46,000.00	-	46,000.00	0.00%
5. Project activities	1,861,196.08	399,033.74	1,462,162.34	21.44%
6. Contingency	32,786.94	-	32,786.94	0.00%
Sub -Total	2,218,583.02	515,800.93	1,702,782.09	23.25%
GMS (7%)	155,300.81	36,106.07	119,194.74	23.25%
Grand Total	2,373,883.83	551,907.00	1,821,976.83	23.25%

Note: 71.72 % of the pre-financing instalment (EUR **769,549**) has been disbursed.

¹ Disclaimer: Data contained in this financial report section is an extract of UNDP financial records. All financial provided above is provisional.

Disclaimer: UNDP adopted IPSAS (International Public-Sector Accounting Standards) on 01 January 2012; cumulative totals that include data prior to that date are presented for illustration only.

VIII. Annex Project Photos:



Casting ribbed slab for transformer room



Casting of foundation of transformer room



Installing underground 3" PVC flexible for poles in northern side of GIE



Casting concrete foundations for electrical poles in northern side of GIE



Installation of Vertical Turbine Pump for water well



Installation of new manifold for sewage substation works



Dismantling the existing RO membranes



Dismantling the existing High-Pressure pump for maintenance



Dismantling the high-pressure pumps for the desalination



Sign board

Report Authorization by the UNDP/PAPP:

Reporting personnel and title: Majed Ghannam, Programme Manager

Reviewed and cleared by: Iman Al Hussein, Infrastructure Specialist

Approved by: Basil Nasser, Head of Gaza office