PRO

UNCLASSIFIED

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

WEST BANK AND GAZA

GAZA HOUSING PROJECT

294-0006

PROJECT PAPER

DATED SIGNED: 01/03/94

UNCLASSIFIED

USAID

U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

DEC 30 1993

ACTION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR, BUREAU FOR ASIA AND THE NEAR EAST

FROM: Satish Shah, Chair
Infrastructure Development Working Group

SUBJECT: West Bank/Gaza Strip: Gaza Housing Project
(Project No. 294-0006)
Request for Project Authorization

ACTION REQUESTED: That you authorize the subject Gaza Housing Project, a new project with a funding level not to exceed $25,500,000 in Economic Support Funds (ESF) and Development Assistance (DA) Funds and a Project Assistance Completion Date (PACD) of September 30, 1997 (the Authorization is Attachment A).

BACKGROUND: On September 13, 1993 the State of Israel and the Palestine Liberation Organization signed a Declaration of Principles concerning the extension of autonomy to the Gaza Strip and West Bank. As a result of this agreement, the U.S. Government made a commitment to provide $500 million in assistance to the Palestinians over the next five years. Palestinian officials requested assistance in the area of housing on an urgent basis. In his initial description of U.S. Government plans for assistance to the peace process, Vice President Gore stated that housing would be one of the sectors that would receive immediate assistance. The proposed Gaza Housing Project (GHP) is part of the initial phase of the housing effort which has again been endorsed in principle by the White House. Subsequent phases will involve housing guaranty loans, institutional strengthening and longer-term support.

A technical assessment team from PADCO, Inc., was fielded from October 18 through November 18, 1993 in order to develop the GHP. One of the major objectives of the team in conducting its assessment was identifying housing activities that could begin construction in February, 1994. The GHP represents the project proposed by PADCO as modified by the USAID review process.

The purpose of the Gaza Housing Project is to improve shelter conditions in the Gaza Strip and West Bank (although at this point, Jericho and the West Bank will benefit only from the GHP's TA element -- see below). The GHP will be authorized at a funding level of $25.5 million and will commence with an initial FY 1994

planned obligation of $20 to $22 million. The project has two basic elements. The first is an "emergency program" to provide new housing, upgrading of existing housing and neighborhoods and serviced sites. The second is technical assistance to aid the Palestinians and their governing entity in developing housing and urban environment policies and in formulating a national housing strategy. The GHP's authorized Project Assistant Completion Date (PACD) will be September 30, 1997. The GHP is considered a pilot project, and current ANE Bureau plans are to increase the project's authorized funding level to a total of $45 million, providing that satisfactory progress is made in implementation of the initial project activities.

The four components of the GHP's "emergency program" are as follows:

1. Palestinian Housing Council (PHC): New construction consisting of 192 apartments in six high-rise buildings in Jabalya Municipality, Gaza and one water well to augment the water supply to the site at a total estimated cost of $7.0 million. The apartments will be sold to residents of Gaza who are in the lower income range which is defined as being less than $700 per month per household. The beneficaries will be required to pay the market interest rate for the maximum cost recovery and with a limited subsidy upfront for the capital costs.

2. Home Improvement Loans and Vouchers: Approximately 670 private homes in Gaza will be improved with loan financing for those whose total family income does not exceed $700 per month, and "vouchers" or grants to certifiably Special Hardship Cases (i.e. families without any income) at a total cost of $4 million;

3. Private Housing: Construction of new apartments for 58 employees of the Gaza Community Mental Health Program, a Palestinian NGO, at a total cost of $1.9 million; and,

4. Neighborhood Upgrading: This will include financing for improvements to 145 existing private houses (with loans and vouchers program as described in 2. above) and upgrading of sites and services in two low- and moderate-income municipalities of Gaza at a total cost of $1.4 million.

The "quick-start" activity will be PHC new construction, with groundbreaking for the new apartments scheduled for February, 1994. The apartments will be constructed by Gaza or West Bank contractors or U.S. contractors working in the region, under the supervision of an experienced U.S. architectural and engineering firm (which also will provide other engineering and environmental services to GHP activities at a total estimated cost of $3.2 million), through USAID direct contracting. The remaining emergency program activities will be started as quickly as possible thereafter.

From a development standpoint, one of the most important elements of the GHP will be Technical Assistance [with an estimated cost of $6.0 million]. Significant amounts of technical assistance and training will be required to help Palestinian authorities develop a housing strategy, establish an institutional framework and new institutions, and analyze and implement policy reforms to improve the functioning of housing and land markets and urban environmental service delivery. Technical assistance and training for strategy and policy development is estimated to require a level-of-effort of 318 person-months. Technical assistance will be provided by a U.S. firm selected on a competitive basis. In addition, USAID funds will be utilized to finance up to $500,000 of first-year PHC recurrent costs associated with administration of GHP activities, including training. Further details of both the "emergency program" and the planned TA under GHP are provided in the Project Paper, which is attached (Attachment B).

IMPLEMENTING DETAILS: Final review of the GHP project by the Core Group of the West Bank/Gaza Task Force Committee was held on December 9, 1993 and resulted in Core Group (CG) recommendation for project approval. Decisions on critical aspects of project implementation resulting from CG review are laid out below (the record of other issues discussed during CG review is included in the PP Annex A).

1. Memorandum of Understanding for Apartment Construction. USAID will sign a Memorandum of Understanding with the Palestinian Housing Council (PHC) which has been identified by PLO/Tunis with the responsibility of preparing and implementing housing policies and programs. The MOU, to be signed by the AAO/Tel Aviv under a delegation of authority from you, sets forth the PHC's role and responsibilities with regard to the USAID-financed construction of new apartments, particularly provision of a 2.2 hectare building site in Jabalya, sale of houses to deserving beneficiaries on a schedule and pursuant to terms to be agreed upon between USAID and the PHC, which shall include market rate interest terms and a limited subsidy policy to make the units affordable to families in the lower-income range which is defined as being less than $700 per month. The World Bank's Emergency Assistance Program report, issued in early December 1993, notes that "a subsidy system that is well targeted, transparent and sustainable should be developed to assist the poor". The report also recommends "supporting the PHC in developing appropriate and sustainable policies and expanding housing construction for low and moderate income households". The PHC will be responsible for managing the reflows which shall be applied for agreed-upon uses including, inter alia, home-improvement loans, subsidizing of loans or grants to deserving beneficiaries, PHC recurrent costs, or other program-related purposes as agreed between USAID and the PHC.

2. PHC Recurrent Costs. The PHC has requested that USAID finance their recurrent costs associated with implementation of the GHP. USAID has decided in principle to provide recurrent costs of appropriate PHC activities up to an amount of $500,000 during the first year of PHC implementation. Eligible costs will be those directly related to PHC administration of the GHP "emergency program" and to GHP TA-related training. While the PHC currently has no sources of financing, reflows from USAID-financed GHP activities should begin to become available to PHC early in GHP implementation (with receipt of the payments due upon signature of sales agreements for the new apartments) and USAID anticipates that one of their uses by PHC will be to cover appropriate recurrent costs. The exact terms and conditions for USAID financing of PHC recurrent costs directly from GHP funds have yet to be negotiated; it is anticipated that they will be spelled out fully in a separate cooperative agreement between USAID and PHC. The Core Group, which met on Dec. 22, noted that making GHP funds available for PHC initial recurrent costs conforms with a policy recommendation emerging from the recent World Bank-chaired Consultative Group meeting in Paris that donors would provide recurrent cost support to the Palestinians through discrete projects.

3. Co-Financing. (Not applicable for ESF) If DA funds are used, the question arises of possible application of Section 110(a) of the Foreign Assistance Act which, unless waived as to relatively less developed countries, requires that DA beneficiary countries provide from their own resources at least 25 percent of the cost of each DA-funded activity. General Counsel (GC) advises on this point that 110(a) has traditionally been interpreted so as to apply only to assistance to a government provided through a bilateral project agreement and not to assistance provided through other obligating mechanisms, such as grants (the latter is of course the model we propose for this project). It would also be anomalous, GC believes, to consider WB/G as a "country" for 110(a) purposes since the area is not yet recognized as such, and there is not yet a functioning Palestinian government. For these reasons, GC concludes that 110(a) is inapplicable to this partially DA-funded project.

4. USAID Project Management and Monitoring. The GHP represents the largest single element of a planned significant and relatively rapid increase in U.S. assistance to the West Bank/Gaza Strip after the signature of the Declaration of Principles between the PLO and Israel. Effective GHP management and monitoring will require the attention of two USAID direct-hire personnel, an engineer and a housing officer. Because of the necessity of utilizing USAID direct contracts for the GHP "quick-start" activity of PHC new apartment construction, the early presence of a USAID engineer is necessary to meet Agency management requirements. Until an engineer can be permanently assigned, arrangements are being made for this requirement to be satisfied by a monthly TDY assignment to Gaza ranging for periods of one to two weeks of a

USAID engineer currently stationed in Oman. The current AAO/Tel Aviv, an experienced housing and urban development expert, will cover the function of the housing officer. AAO/Tel Aviv, with appropriate assistance of ANE and G/OG/H staff, will be responsible for monitoring the project activities. The ANE Bureau will be responsible for the overall management of the project, with assistance from G/OG/H in its non-engineering aspects (housing and urban policy, strategy, etc.) until the management of the project is delegated to the field.

5. Environmental Determination. The Initial Environmental Examination (IEE) recommended, and the ANE Bureau Environmental Coordinator has approved, a "negative determination", provided that the GHP's construction elements are properly monitored and documented. Such monitoring and documentation preparation is included in the Scope of Work for the U.S. firm selected to provide construction management, design and other engineering services to the GHP (the IEE is Annex D of the Project Paper).

6. Eligible Source/Origin/Nationality. It is anticipated that services (construction, technical assistance and training) will be procured primarily from the U.S. or the West Bank/Gaza. Geographic Code 000 and procurement from West Bank/Gaza and Israel will apply for all commodities procured under this project unless specific source/origin waivers are approved by the delegated authority. Local procurement only of eligible items from geographic code 935 will be allowed up to $5,000 per transaction. The Agency's updated guidelines on "Buy America" will prevail for this project.

7. Evaluations and Audits. Adequate provision for evaluations and audits has been provided in the GHP design. Performance audits will be scheduled by the Office of the Inspector General. Financial audits will be carried out according to OMB Circular A-133.

8. Reports. All contractors and other organizations involved in GHP implementation will be required to provide appropriate reporting to USAID on GHP progress.

9. Congressional Notification. A Congressional Notification for obligating $22 million of ESF in FY 94, with the life-of-project funding of $45 million, was forwarded on November 18, 1993 and expired on December 3, 1993 (if DA funds are used, a separate technical notification will be required).

10. Waivers. In order to get the GHP "quick-start activity" (the PHC new apartment construction) underway as quickly as possible, a waiver of the Federal Acquisition Regulations requirements for "full and open" competition was necessary. Such a waiver has been accorded by the Director, FA/OP (Annex G of Project Paper). Expediting this activity also will require an ad

hoc redelegation to the Regional Contracting Officer/Amman to increase the amount of his contract authorization for this purpose; this redelegation has been requested from FA/OP and is expected momentarily. While the exact details of the GHP procurement plan have yet to be finalized, it is anticipated that contracts and grants for GHP activities other than the PHC new apartment construction will be awarded under "full and open" competition.

DELEGATION OF AUTHORITY: Pursuant to General Notice No.1 of October 1, 1993, the AA/ANE has been delegated all authorities held by the Associate Administrator for Operations (AA/OPS). Pursuant to DOA No. 400, dated August 16, 1991, the AA/OPS was designated project approval authority. Therefore, you may approve the action now proposed.

RECOMMENDATION: That you authorize the Gaza Housing Project at a life-of-project funding level of $25.5 million and with a PACD of September 30, 1997, and that you approve the GHP Project Paper, by signing the attached project authorization and the PP facesheet.

Approved: April Lunkes

Disapproved: _____

Date: Jan 3 1993

Attachments:
A. Project Authorization
B. Project Paper

PROJECT AUTHORIZATION

Name of Country/Entity: West Bank/Gaza Strip

Name of Project: Gaza Housing Project

Number of Project: 294-0006

1. Pursuant to Sections 106 and 531 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the "Gaza Housing Project" (GHP) to be implemented in the West Bank/Gaza Strip. The authorized funding level is not to exceed $25.5 million (with an anticipated initial obligation in FY 1994 of $20 to $22 million). The Project Assistance Completion Date is September 30, 1997. The project will improve shelter conditions in the West Bank/Gaza Strip.

2. The GHP consists of two basic elements. The first is an emergency program to provide new housing, upgrading of existing housing and neighborhoods and serviced sites for low- and moderate-income Palestinians in the Gaza Strip. The second is technical assistance to assist the Palestinians and their governing entity in developing housing and urban environment policies and in formulating a national housing strategy.

3. Contracts, grants and other documents necessary to implement the project, which may be negotiated and executed by the officer(s) to whom such authority is delegated in accordance with USAID regulations and Delegations of Authority, shall be subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as USAID may deem appropriate:

a. Source and Origin of Commodities, Nationality of Services

Commodities financed by USAID under this project shall have their source and origin in the West Bank/Gaza Strip, Israel or the United States except as USAID may otherwise agree in writing. The suppliers of services shall have the West Bank/Gaza Strip or the United States as their place of nationality. Except as USAID may otherwise agree in writing, ocean shipping financed by USAID under the project shall be only on flag vessels of the United States.

Margaret Carpenter
Assistant Administrator,
Bureau for Asia and the Near East

Jan 3, 1993
Date

Project Authorization
West Bank/Gaza Strip
Gaza Housing Project (294-0006)

Clearances:

D-DAA/ANE:	GLaudato		Date:
ANE/SC:	DChandler		Date: 12/30/93
PRE/H:	MLippe	(Draft)	
GC/ANE:	KO'Donnell	(Draft)	
ANE/NE/DP:	VMolldrem	(Draft)	
ANE/ME:	RMachmer	(Draft)	
ANE/NE/DR:	SShah	(Draft)	

Draft: ANE/DR/NE: ZHahn; GC/ANE: KO'Donnell

[GHP-AMAU.D22]

GAZA HOUSING PROJECT

(294-0006)

PROJECT PAPER

PROJECT DATA SHEET

C = Change
D = Delete

2. COUNTRY/ENTITY
WEST BANK / GAZA

3. PROJECT NUMBER
294-0006

4. BUREAU/OFFICE
ANE/NE

5. PROJECT TITLE *(maximum 40 characters)*
Gaza Housing Project

6. PROJECT ASSISTANCE COMPLETION DATE (PACD)
MM 09 DD 30 YY 97

7. ESTIMATED DATE OF OBLIGATION
(Under 'B.' below, enter 1, 2, 3, or 4)
A. Initial FY 94 B. Quarter C. Final FY 96

8. COSTS ($000 OR EQUIVALENT $1 =)

A. FUNDING SOURCE	FIRST FY			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total	10,000	12,000	22,000	10,450	15,050	25,500
(Grant)	(10,000)	(12,000)	(22,000)	(10,450)	(15,050)	(25,500)
(Loan)	( )	( )	( )	( )	( )	( )
Other U.S. 1.						
Other U.S. 2.						
Host Country						
Other Donor(s)						
TOTALS	10,000	12,000	22,000	10,450	15,050	25,500

9. SCHEDULE OF AID FUNDING ($000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1)						25,500		25,500	
(2)									
(3)									
(4)									
TOTALS						25,500		25,500	

10. SECONDARY TECHNICAL CODES *(maximum 6 codes of 3 positions each)*

11. SECONDARY PURPOSE CODE

12. SPECIAL CONCERNS CODES *(maximum 7 codes of 4 positions each)*

A. Code							
B. Amount							

13. PROJECT PURPOSE *(maximum 480 characters)*

To improve shelter conditions in the Gaza Strip and the West Bank

14. SCHEDULED EVALUATIONS
Interim MM 10 YY 94 MM 02 YY 95 Final MM 03 YY 97

15. SOURCE/ORIGIN OF GOODS AND SERVICES
[X] 000 [ ] 941 [X] Local [ ] Other *(Specify)* Israel

16. AMENDMENTS/NATURE OF CHANGE PROPOSED *(This is page 1 of a _____ page PP Amendment.)*

17. APPROVED BY
Signature
Title: Assistant Administrator, ANE
Date Signed: Jan 31 1993 (MM DD YY)

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION
MM DD YY

AID 1330-4 (8-79)

GAZA HOUSING PROJECT

Table of Contents

FACESHEET

PAGE

I. EXECUTIVE SUMMARY 1

II. PROJECT BACKGROUND AND RATIONALE 2
- A. Background 2
- B. Rationale 3
- C. Housing and Infrastructure Sector Characteristics in the Gaza Strip 5

III. PROJECT DESCRIPTION 7
- A. Project Description 8
- B. End of Project Conditions 8
- C. Project Components 9
  - 1. Palestinian Housing Council New Construction . . 9
  - 2. Home Improvement Loan and Home Improvement Voucher Component 11
  - 3. Private Housing Component 12
  - 4. Neighborhood Upgrading Program Component 14
  - 5. Technical Assistance and Training Component . . 16
    - A. Institution Building 16
    - B. Construction Management Consultant 21

IV. PLAN OF ACTION 25
- A. Management and Administrative Responsibilities . . . 25
- B. Eligible Source/Origin/Nationality 29
- C. Waivers 29
- D. Evaluation and Audit 29
- E. Environmental Determination 30
- F. Implementation Schedule 30

V. ANALYSIS OF KEY ASSUMPTIONS AND RISKS 32

VI. FINANCIAL PLAN 34

ANNEXES

A. ISSUES RESOLUTION
B. USAID/PHC MEMORANDUM OF UNDERSTANDING
C. LOGICAL FRAMEWORK
D. INITIAL ENVIRONMENTAL EXAMINATION
E. PADCO REPORT
F. HASSAN REPORT
G. WAIVERS
H. SECTION 611(E) CERTIFICATE

Gaza Housing Project (294-0006)

I. EXECUTIVE SUMMARY

The purpose of the Gaza Housing Project (GHP) is to improve shelter conditions in the Gaza Strip and West Bank. The GHP will be authorized at a funding level of $25.5 million and will commence with an initial FY 1994 planned obligation of $20 to $22 million. The project has two basic elements. The first is an "emergency program" to provide new housing, upgrading of existing housing and neighborhoods and serviced sites. The second is technical assistance to monitor construction activities and aid the Palestinians and their governing entity in developing housing and urban environment policies and in formulating a national housing strategy. The GHP's authorized Project Assistant Completion Date (PACD) will be September 30, 1997. The GHP is considered a pilot project, and current ANE Bureau plans are to increase the project's authorized funding level to a total of $45 million, providing that satisfactory progress is made in implementation of the initial project activities.

The four components of the GHP's "emergency program" for the Gaza Strip are 1) Palestinian Housing Council (PHC) new construction (192 apartments in six high-rise buildings in Jabalya Municipality, Gaza and one water well to augment the water supply to the site) [at a total estimated cost of $7.0 million]; 2) Home Improvement Loans and Vouchers (loan financing for private housing improvements of households with income less than $700 per month, "vouchers" or grants to certifiably Special Hardship Cases) [$4 million]; 3) Private Housing consisting of 58 apartments for employees of the Gaza Community Mental Health Program, a Palestinian NGO, [$1.9 million]; and 4) Neighborhood Upgrading (improvements of private housing and upgrading of sites and services in two low- and moderate-income municipalities of Gaza) [$1.4 million].

The "quick-start activity" will be PHC New Construction, with groundbreaking for the new apartments scheduled for early February, 1994. The apartments will be constructed by Gaza or West Bank contractors or U.S. contractors working in the region, under the supervision of an experienced U.S. architectural and engineering firm (which also will provide other engineering and environmental services to GHP activities with an estimated cost of $3.2 million), through USAID direct contracting. The remaining emergency program activities will be started as quickly as possible thereafter.

From a development standpoint, one of the most important elements of the GHP will be Technical Assistance [with an estimated cost of $6 million]. Significant amounts of technical assistance and training will be required to help Palestinian authorities develop a housing strategy, establish an institutional framework and new institutions, and analyze and implement policy reforms to improve the functioning of housing and land markets and urban environmental service delivery. Technical assistance needed immediately will be provided by IQC firms until a U.S. firm is selected on a competitive basis and contracted with.

II. PROJECT BACKGROUND AND RATIONALE

A. BACKGROUND

On September 13, 1993, the State of Israel and the Palestine Liberation Organization signed a Declaration of Principles concerning the extension of autonomy to the Gaza Strip and West Bank. As a result of this agreement, the US Government made a commitment to provide $500 million in grants and aid to the Palestinians over the next five years. Palestinian officials requested assistance in the area of housing on an urgent basis. In his initial description of US Government plans for assistance to the peace process, Vice President Gore stated that housing would be one of the sectors that would receive immediate assistance. The proposed Gaza Housing Project is part of the initial phase of the housing effort which has again been endorsed in principle by the White House, especially as a "quick-start" activity showing early and tangible U. S. commitment to helping Palestinians and the Middle East peace process. Subsequent phases will involve Housing Guaranty Loans, institutional strengthening and longer term support.

A technical assessment team from PADCO, Inc., was fielded from October 18, 1993, through November 18, 1993, in order to develop the Gaza Housing Project (GHP). In conducting its assessment the team was governed by the key objective of identifying housing activities that could begin construction in February 1994. The proposed project, as modified by the USAID review process, is presented herein.

The GHP will commence its four-year life-of-project funding of $45 million (subject to availability of funds) with an initial FY 1994 authorization of $25.5 million. It is an emergency program to provide immediate new housing, improvements to existing housing, upgrading of services to housing sites for families in the lower-income range, defined as being less than $700 per month, in Gaza, and technical assistance and training to implement the project components and develop housing policies. An important output of this program will also be the number of new jobs it will create. These will occur in the construction

sector, which is currently suffering from a very high rate of unemployment due to the difficulties of working in Israel, and in activities related to new housing and improvements such as furniture, building materials and other suppliers of housing inputs.

B. RATIONALE

USAID has a responsibility to respond rapidly to existing housing and infrastructure conditions in Gaza and Jericho to improve those conditions and help the Palestinian leadership demonstrate to its constituents tangible benefits from peace. We are in a unique position to assist Palestinians develop their approaches and strategies for housing and environmental infrastructure. The housing and infrastructure sectors are important sectors for assistance, which create significant effects on overall economic growth and development.

The current USAID strategy for assistance to West Bank and Gaza, drafted about 18 months ago, does not include housing and infrastructure as one of the strategic objectives since when the strategy was drafted the Palestinians did not want donor assistance in the housing sector. However, the strategy is being revised in response to immediate needs of Palestinians, and a strategic objective to increase the availability of improved housing and urban environmental services for low and moderate income Palestinians will be included in the overall strategy for Gaza and the West Bank.

The institutional framework in Gaza and the West Bank is obviously in a state of transition from occupation to self-government. Many of the institutional and political root causes of constraints to a better-functioning housing and infrastructure sector are amenable to policy reform and will be reduced after the transition. These constraints include scarce urbanized land, high construction costs, inadequate infrastructure services, a poorly-functioning system of land titling and transfer, and the absence of an organized system of housing finance.

The longer-term strategy is to assist Palestinian authorities with technical assistance and training to alleviate these and other constraints. The more immediate strategy, in order to address the pressing needs for improved housing and urban environmental services, is to concentrate USAID technical and capital assistance on project activities that do not exacerbate the existing constraints. USAID will therefore concentrate a significant proportion of its assistance on improving and expanding existing housing and upgrading urban environmental infrastructure services to housing development that already exist. In order to show visible, tangible benefits to the peace process, however, USAID in the short-term will also finance a

limited amount of new finished housing. Assistance to an active, market-driven housing finance system will help to meet the existing demand for finance of housing improvements and prepare for additional demand in the next few years as land and construction costs decline in response to policy changes in the sector.

To summarize the strategy, USAID will assist central and local Palestinian government authorities to:

- <u>in the short term, until additional serviced land becomes available, construct housing on the land available to the Palestine Housing Council and the Gaza Community Mental Health Employees, encourage home improvement loans, additions to existing housing, and urban upgrading projects as the best solutions to housing shortages</u>: costs for construction of housing on newly-acquired land are high currently in large measure due to an inadequate supply of serviced land. This situation should be relieved by the new Palestinian government;

- <u>develop and reach consensus on a national housing strategy</u>: the Palestine Housing Council is the principal NGO involved in housing and is likely to become the nucleus of a Ministry of Housing under a Palestinian government. USAID will provide substantial amounts of technical assistance and training to the new Palestinian government, to NGOs such as the PHC, and to financial institutions to help the new authorities find the appropriate role for government and NGOs;

- <u>analyze and modify policies related to housing and urban environmental infrastructure</u>: substantial technical assistance and training will be required to assist Palestinian authorities reform policies related to urban land titling and transfer, housing finance, infrastructure finance, building permits, building and infrastructure standards, and local government financial management and service cost recovery; and

- <u>support a private sector, market-driven, housing finance system</u>: the strategy and assistance will build on the current private sector nature of the existing housing supply system, with its reliance on individual initiative and private sector finance and construction to supply housing.

C. HOUSING AND INFRASTRUCTURE SECTOR CHARACTERISTICS IN THE GAZA STRIP

The Gaza Strip has a very high average population density of more than 2,000 persons per square kilometer. The area is overwhelmingly urban with the majority of the population concentrated in a single major center and almost 80% of the population living in the Gaza-Khan Yunis-Rafah conurbations. Only about 20% of the total population lives in rural areas. Within the Gaza Strip there are 4 municipalities, 8 refugee camps and 9 villages.

Contrasted with the West Bank, where the social structure is characterized by relative social homogeneity, the Gaza Strip's social stratification reflects sharp class and social disparities due to the large number of refugees. Privately-owned land, for example, is generally held in large parcels by a limited number of owners. Given the current rapid escalation in land prices, anyone now owning a piece of land is in possession of a very valuable asset. The most deprived of the social segments are the urban poor who constitute a significant section of the urban population living in refugee camps.

The Palestinian housing sector has been characterized by high occupancy densities and inadequate housing facilities and infrastructure. It is currently estimated, for example, that approximately 27% of the households in Gaza City suffer from occupancy densities that exceed three persons per room. At the same time, roughly 39% of households in Gaza towns and villages and 42% of households in Gaza camps have three or more persons per room.

Although almost all households in Gaza have running water, electricity and inside flush toilets, the quality of urban services and infrastructure is in serious decline. The over-exploitation of the Gaza aquifer for at least the last two decades has resulted in declining water levels, increased salinity and permanent damage to existing reserves of fresh water. Similar deterioration has occurred for other urban infrastructure networks including electricity, sewerage, and solid waste collection.

Residential construction throughout the Occupied Territories is almost entirely done by private sector owner-builders and a small number of real estate developers. Many of the buildings in Gaza are small apartment buildings inhabited by kinship-related households. Some 13% of the households in Gaza live in what are called "mansion block" apartments, another 20% in apartments in larger buildings, 4% in apartments in high rise buildings and 3% in apartments above shops. This results in a total of about 40% of the population living in apartment units.

17

In recent years, rapidly deteriorating economic conditions have encouraged many Palestinian households to alleviate the increasing problems of overcrowding and declining housing conditions through the rehabilitation and upgrading of abandoned or old buildings and/or the vertical or horizontal expansion of existing buildings.

In Gaza and the coastal region, new construction is built mostly of cement blocks and/or reinforced concrete. Only about 30% of the dwellings are detached units with another 30% camp-like units and 40% multi-story buildings. This is largely the result of the scarcity and costs of land that is allowed by the government for residential construction.

Owner-occupied dwellings account for the vast majority of housing units in Gaza. Around 89% of all housing units outside the refugee camps are owner-occupied. It should be noted that the status of dwelling ownership in the refugee camps is not clearly determined. Housing units in the camps are generally considered as temporary shelter constructed on land leased by UNRWA. For all practical purposes, however, these units are owned by their residents as long as the camps exist and the final status of the refugees has not been determined.

Current land prices in residential zones of major urban towns vary widely from US$20 to more than US$300 per square meter. Land prices in Gaza are reputed to be among the highest in the Occupied Territories and rising very rapidly.

The prices of construction materials, most of which are imported, are subject to frequent fluctuations influenced by local and international market conditions, and variations in the exchange rates between the three currencies used in the local market.

The cost of construction labor has generally been influenced by the migration of skilled laborers to neighboring markets (Israel, Jordan and other Arab markets), by the fluctuations in the levels of local construction activities in the neighboring markets, particularly the Israeli market, and by the restrictions imposed by the prevailing political conditions in the region.

The country has suffered from an almost total absence of an effective public institutional framework for financing and delivering housing units during the long period of occupation. There were no public agencies in charge of planning, implementing and delivering housing units to meet the needs of various income groups and occupation authorities closed down all commercial and real estate banks. The Bank of Palestine, which reopened only a few years ago, has been limited to working only in Gaza. Cooperative housing activities have ceased almost entirely since 1986 when the flow of Joint Committee funds was interrupted.

The development of the Palestinian housing sector has been severely restricted by the policies and practices of the military occupation authorities. These have included: confiscating and expropriating land and water resources; preventing the much-needed expansion of land development in towns and villages through arbitrary refusal to issue building permits or approve town planning schemes; restricting the development of building materials industries; preventing the opening of banks and other financial and credit institutions; and limiting the transfer of money into the country in the form of remittances by Palestinians working abroad or aid from Arab and international donor organizations. In short, housing delivery systems that respond to market demand have been thoroughly stifled.

Among the other major constraints to housing development is the lack of a national housing strategy adequately addressing issues related to land tenure and settlement policy in conformity with an adopted national structural plan. Such a plan is necessary to identify areas for housing development, priority groups to be targeted for housing programs, the level of disposable income of various groups available for expenditure on shelter and services, and the institutional capacity at the national and local levels to finance and execute housing programs and the most appropriate housing solutions.

Another major constraint is the lack of adequately staffed and experienced financial institutions capable of mobilizing local savings and funds from other sources, as well as providing credit to individuals using a revolving fund. The absence of implementing agencies at the national and local levels is also a constraint.

The limited availability of raw and basic building materials is an additional constraint. A large proportion of inputs to the construction industry are imported using up scarce foreign exchange. Non-availability, shortage or high costs of building materials can lead to bottlenecks in the construction process and result in serious interruptions of housing delivery programs.

Finally, the lack of adequate and appropriate building codes, regulations, and standards places another constraint on the large amount of housing construction that is anticipated in the immediate post-independence period.

III. PROJECT DESCRIPTION

A. PROJECT DESCRIPTION

USAID's overall goal in Gaza and the West Bank is to improve the economic and social well-being of Palestinians. In support of this goal, the proposed project is directed at achieving USAID's

proposed strategic objective of increasing the availability of improved housing and urban environmental services for Palestinians. USAID's program strategy for the West Bank and the Gaza Strip is currently being revised accordingly.

The purpose of the Gaza Housing Project is to improve shelter conditions in the Gaza Strip and West Bank. It is an emergency project intended to provide immediate new housing, improvements to existing housing, upgrading of services to housing sites, and technical assistance. The project consists of five components: Palestinian Housing Council (PHC) New Construction, Home Improvement Loans and Vouchers, Private Housing, Neighborhood Upgrading, and Technical Assistance. All components of the program have been designed as pilot activities with the potential of becoming important future activities within a sustainable shelter delivery system for Gaza and the West Bank. The proposed level of funding for each component is presented in Table 1 of the Financial Plan.

Other project components proposed in the PADCO Report which will not be included in the FY 1994 authorization are the upgrading of services to a site in Jericho, Waqf Rental Housing, Municipal Lease/Purchase, and the Rental Vouchers components. These components will not be undertaken at this time because it is felt that their sustainability is questionable once the USAID assistance for rental payments terminates. While there is no question that these proposed components would meet a real need for rental housing, they would lead to a continuing need for subsidies to low-income renters, and not more permanent solutions to affordable housing.

B. END OF PROJECT CONDITIONS (EOPS)

The project will lead to the following End of Project Status (EOPS):

- The PHC, strengthened through practical experience, training and technical assistance, will have defined new housing policies, programs and regulatory systems which will improve housing conditions, especially for low and moderate income Palestinian households;

- The Bank of Palestine and/or other financial institutions strengthened through practical experience, training and technical assistance, will have developed the necessary banking skills, systems and procedures that will be required to sustain the housing sector in the future;

- Accelerated construction and rehabilitation of housing units for Palestinian households in Gaza;

- Upgraded potable water supply and sewerage services, especially in low- and moderate-income neighborhoods.

C. PROJECT COMPONENTS

1. Palestinian Housing Council New Construction Component

The objective of this project component is to assist the Palestinian Housing Council (PHC), the principal implementing agency, in stimulating new housing construction in the Gaza Strip. USAID will finance and contract directly for the construction of six apartment buildings with a total of 192 apartment units (48 units of 100 m^2 and 144 units of 115m^2) on the Al Karama site in Gaza City, one of the three sites recently purchased by the PHC using grant funds from the EEC. The design of the units is similar to the EEC-financed 700 units which are already under construction. Because of the political imperative for a "quick-start" activity, there was very little scope for changes in the design.

USAID will contract with a construction management firm to supervise construction and approve vouchers for payment received from the construction contractors. USAID will also contract technical assistance and training to assist the PHC and the owners of the housing units with the start-up and management of the buildings.

Construction will be undertaken in two phases. Phase one to be initiated early in 1994 will comprise 192 units. Phase two, involving construction of the remaining 224 units in 1995, will be evaluated by USAID after project technical assistance has been offered to the PHC to determine whether the housing units' costs can be reduced to make them more affordable to low-income households without subsidies and after a more complete profile of beneficiaries is available based on the sale of the first 192 units.

The roles and responsibilities of the PHC under this project component are described in Section IV of this document and in the Memorandum of Understanding (Annex B) that will be signed between the PHC and USAID.

A financial institution or the Bank of Palestine (BOP) will act as general depository and financial intermediary providing banking and loan management services to the PHC. The BOP will administer the PHC accounts holding the reflow funds from the beneficiary downpayments and mortgage payment; appraise and approve beneficiary applicants for loans as referred by the PHC, including investigating their creditworthiness and verifying their income; and service the beneficiary mortgage loans.

Beneficaries: The PADCO report describes the mortgage financing proposal to be a 20 year loan at 5% interest, with a 30% downpayment. With the terms currently proposed by the PHC, annual household incomes between $9,648 and $10,800 (monthly incomes between $804 and $900 depending upon the size of the units) will be required to service the loan if the full cost of the unit is passed on to the buyer. Household income estimates prepared by PADCO indicate that this level of income represents the upper 25% of the income distribution in the Gaza Strip.

The PHC has already received over 5,000 applications for the 1,116 apartment units it plans to contract for on the three sites, including the 192 apartments proposed for USAID funding. The PHC used an application evaluation system which evaluates applicants based on their existing housing condition, their income, and their family size. Analysis of the income data for the potential beneficiaries provided by the PHC shows that the profile of potential beneficiaries is lower income than the general population in Gaza and the West Bank. Although estimates vary, the World Bank has estimated median household income in Gaza and the West Bank to be about $900 per month. Income levels are lower in Gaza than in the West Bank. Converting Gross Domestic Product per capita of $1,310 in Gaza into an average household income results in an average household income of $7,860 or $655 per month. The median income of the PHC applicants is approximately $420, well below the Gaza/West Bank median and less than the estimated average household income in Gaza alone. Ninety percent of the PHC applicants, or 1,530 families, report incomes less than $700 per month, and virtually all--about 97 percent--have incomes less than $900 per month. Approximately 50 percent, or 850 families, have incomes between $400 and $700 per month. Through the use of well-targeted capital subsidies or cross subsidies designed with USAID technical assistance, this project component will benefit lower income families, with monthly incomes of $700 or less.

To assure that the beneficiaries are lower income families, households which cannot afford to pay the full cost of the units will receive a "write-down" in the sales price of the unit depending upon the total income, in order to keep the purchase price of the units and market-rate loan payments affordable to the project's targeted beneficiaries. Targeted and transparent subsidies such as write-downs, when it is concluded that they are required, are widely considered to be the most effective, least market-distorting form of subsidy for housing. The World Bank's Emergency Assistance Program report for Gaza and the West Bank, issued in early December 1993, notes that "a subsidy system that is well targeted, transparent and sustainable should be developed to assist the poor". The report also recommends "supporting the PHC in developing appropriate and sustainable policies and expanding housing construction for low and mod rate income households". The Memorandum of Understanding (MOU, Annex B) with

the PHC will stipulate that market rates of interest be used for the housing loan financing under the project.

Technical assistance will be applied to design well-targeted subsidies to the sales price of the apartments and indexed or graduated payment loans to keep the housing loans affordable to the project beneficiaries while protecting the investors' capital. The recommendations of the technical assistance team will be reviewed by the PHC and USAID and agreed upon by both.

Component Inputs: USAID will provide a grant of approximately $6,687,000 for direct contracting of 192 apartment units in 6 buildings. In addition, USAID will provide $300,000 for the construction of a water bore hole to augment water supply to the housing site. USAID will also procure construction supervision services through a construction management contract.

The PHC will provide the 2.2 hectare site for the apartment building development and services (such as water supply and sewage connections).

Component Outputs: The outputs of this component will be 192 apartment units, 48 units of 100 m^2 and 144 units of 115 m^2 in 6 apartment buildings in Jabalya, Gaza Strip; and up to $13,000,000 in payment reflows to the PHC from beneficiaries, for use in low-income home improvement loans, vouchers, and neighborhood upgrading programs.

2. Home Improvement Loan and Home Improvement Voucher Component

This project component is comprised of two activities: a home improvement loan program and a home improvement voucher program. The objective of the home improvement loan program is to provide loan financing to increase the quality and quantity of existing housing by adding sanitary facilities, kitchens, extra living space, or additional completed housing units on upper floors of existing units. The objective of the home improvement voucher program is to provide a one-time housing grant for the same uses to "Special Hardship Case" families. Special Hardship Case is a classification used by UNRWA to define the lowest income (usually a family without an adult capable of earning income), most-needy households who are unable to afford loan financing. Both of these components' programs will have the ancillary benefit of utilizing abundant construction skills in the Gaza Strip for home improvements, creating an estimated 700 person-years of jobs during the life-of-project.

Both loans and vouchers can be used to either purchase building materials and hire a contractor or to use "self-help" (the families themselves constructing the improvements) with the building materials. UNRWA building designs for roof construction

and core building will be made available for loan and voucher recipients. The UNRWA list of pre-qualified contractors will be supplied to families that receive home improvement loans and vouchers.

Based upon UNRWA experience and practice within the refugee camps with home improvement programs, and PADCO's own analysis, home improvement loans will be available for amounts up to $8,000 per loan, with an average loan amount of $6,000. The loans will apply market interest rates. Their design will be subject to USAID technical assistance similar to the loans for the PHC housing component, to make them affordable while keeping them market-driven. The home improvement vouchers will be available for up to $8,000 per voucher, with an average voucher amount of $6,000.

Beneficiaries. Eligible applicants for the Home Improvement Loan program must have incomes of less than $700 per month. The hardship cases have already been certified by the UNRWA as extremely needy and with no means to repay a loan. There are 3,600 special hardship cases that live outside of the refugee camps. This group will be the major target group for the voucher program. All applicants will need to have clear ownership of the unit that will be improved.

Inputs. For the FY 1994 authorization, USAID expects to provide up to $4 million in home improvement loans and home improvement vouchers. The life-of-project may go as high as $24 million if the program is successful.

Outputs. The outputs of this project component will be approximately 670 home improvement loans vouchers in FY 1994; approximately $2,000,000 in payment reflows from the home improvement loans, to be applied to more low-income home improvement lending; and increased local financial institutional capacity in housing finance targeted to lower-income households.

3. Private Housing Component

The objective of the private housing component is to assist private sector, non-profit entities and neighborhood groups to develop new housing or improve existing substandard housing conditions.

At the start of its assessment, PADCO placed an advertisement in the local newspapers in Gaza, soliciting information from private developers about housing project proposals. In response to this advertisement there were 55 private developers or individuals who expressed interest in the program. Of these only 17 actually submitted any projects. Many of the submittals were lacking in cost details or sites. The projects submitted ranged in quality

24

from comprehensive, virtually complete, and well-thought-out projects to some which were incomprehensible in terms of the information provided.

Several difficulties and constraints were responsible for the weak response in terms of the submissions, on the one hand, and the inadequacy of the submitted proposals in terms of completion and appropriateness for the GHP, on the other. Among them were the general lack of housing developers; the short time period that was available to submit proposals; the undefined financial terms of participation in the project; and the continuing political uncertainty.

Once time is available to define more fully the terms of private housing projects, and greater political stability is achieved, USAID may decide it is desirable to amend the GHP to add other private sector projects.

During the first year of the GHP, one private housing project has been evaluated to be sound and ready for inclusion in the project. It is the Gaza Community Mental Health Program (GCMHP) Employees Housing Project. This project will provide low- to medium-cost accommodation for employees of the GCMHP, an indigenous non-governmental organization (NGO), most of whom currently live with their families in refugee camps or in rented accommodations. The provision of housing is seen as part of a package of benefits designed to encourage a stable and enthusiastic core of staff as the basis for expansion of the much needed GCMHP throughout Gaza.

The project is located on a site purchased by the employees in Deir El Balah. Formal documentation transferring title of the land to GCMHP is being drawn up at present. The site has unpaved road access, water mains, and electricity supply. The housing will be three buildings of five-story walk-up apartments.

The financing terms for loans to the GCMHP employee beneficiaries will be the same as for the PHC apartment units. Under the loan terms proposed by the PHC as presented in the PADCO report--30% downpayment, 20 year loans, at 5% interest rates--monthly payments range between $200 and $245 per household. Based on the income reported by the 55 employees, about 40 percent of the employees report income sufficient to service the loans. Technical assistance will be applied to design indexed or graduated payment loans using market rates of interest, while keeping the housing loans affordable to the GCMHP beneficiaries and protecting the capital investment. It is recommended that before USAID makes a commitment to finance the GCMHP housing, the design should be reviewed to assure that the apartments are affordable by the proposed beneficiaries. This could mean that apartments of varying sizes and standards of finish would have to be designed.

Beneficiaries. The beneficiaries will all be employees of the GCMHP and will range from doctors to maintenance staff who currently live in refugee camps. The income of the beneficiaries (GCMHP employees) ranges from $300 per month for maintenance staff to $1,400 per month for doctors. The project will be a cooperative and the income deficit on the part of the low income employees will be compensated for by higher payments from the doctors and by rent receipts from the three proposed rental units.

Employees of the GCMHP will occupy all of the cooperative sale units and the GCMHP will market the rental units. The total number of units is 58, three of which will be for rental or future expansion.

Inputs. Inputs from USAID are comprised of a grant for construction of apartment units for the GCMHP employees; construction supervision from the construction management contractor.

Inputs from the GCMHP employees are the 0.3225 hectare land site for the housing construction.

Outputs. The outputs from this project component will include 58 apartment units, including 3 rental units, for the GCMHP Employees Housing Cooperative; establishment of the housing cooperative; and approximately $3,385,000 in payment reflows for use by the PHC in other low-income housing project purposes.

4. Neighborhood Upgrading Program Component

The objective of the Neighborhood Upgrading Program component is to improve the living conditions of low-income and hardship families presently living outside of the refugee camps, by improving or extending municipal infrastructure services (such as water and sewerage) and rehabilitating and repairing housing in poor condition. The initial activities will be a model for local governments and community organizations in the delivery of affordable shelter and minimum standards of infrastructure through an integrated neighborhood upgrading approach.

Two pilot project areas have been identified in the GHP within Gaza at Nusseirat and Jabalya Village Council (VC) areas. Both areas have been settled by refugees and have a high incidence of low-income owner occupier families and Special Hardship Cases (SHC). Both areas lie outside the UNRWA refugee camps and within the jurisdiction of the local Village Councils.

Upgrading of municipal infrastructure and services (access roads, water supply, drainage, sanitation, and solid waste management services) in the selected neighborhoods will be undertaken on the

basis of need determined through a survey of existing conditions to be carried out by the construction management consultant in coordination with the respective Local Government Engineers Department.

The rehabilitation of dwellings will be based on an identification of need derived from a house-to-house survey of existing conditions which will include consideration of occupancy ratios, structural conditions, roofing materials, toilet and washing facilities. This will be undertaken by the same local design teams in coordination with the local UNRWA social services officers.

In addition to the physical works to be undertaken in the course of the upgrading projects, a further key aspect will be the formation and development of robust community organizations or residents' association in both areas. This will be required not only to support the upgrading effort during the life of the project but in relation to subsequent post-project development of the areas.

Participation of the communities during the project will be required in terms of a timely and unified response to project proposals as these evolve and also, where appropriate, in assisting in arrangements for temporary rehousing, site clearance and self-help building inputs. Community involvement at the post-project phase will be concerned with aspects of local maintenance and upkeep and also in helping to raise the basic minimum standards of provision achieved in the project to more acceptable levels in the future. This will involve the training of selected residents in organization management. Given that more than 40% of Gaza's population live in poorly serviced camp-like areas, the community development aspects of these two pilot programs will develop model approaches that can be developed on a broad scale.

Even though direct UNRWA involvement in the projects is not foreseen (other than in terms of the proposed TRC and general advice and assistance on the socio-economic conditions of beneficiaries), the recommended approach to the rehabilitation and repair of structures is, with UNRWA's concurrence, based on the standard UNRWA model currently used in its ongoing Shelter Rehabilitation Program (SRP).

For Special Hardship Cases, this project component will follow the UNRWA SRP model and make grants up to $8,000. Beneficiaries that are not classified as Special Hardship Cases in communities requiring upgrading will be eligible for home improvement loans up to $8,000, under the home improvement loan program.

<u>Beneficiaries</u>. Beneficiaries will be identified as the residents of dwellings in poor condition. They will include 100 households in the Nusseirat upgrading project community and 45 households in

the Jabalya upgrading project community. The allocation of finances to beneficiaries will be loans to those who do not qualify as Special Hardship cases and whose family income does not exceed $700 per month, and grants or "vouchers" to Special Hardship Case (SHC) (as supplied by UNRWA). All neighborhood residents in both project areas will benefit from the upgrading and extensions of municipal infrastructure and services included in the project.

Inputs. Inputs from USAID include grants and loans for rehabilitation and repair of housing and grants for new infrastructure services to the project communities.

Outputs. Outputs will include improved housing and infrastructure services for 145 low-income households, and neighborhood socio-economic and housing surveys in the targeted communities.

5. Technical Assistance and Training Component

A. Institution Building:

Apart from the technical assistance and training that will be required to implement each project component, significant amounts of technical assistance and training will also be required to help Palestinian authorities develop a housing strategy, establish an institutional framework and new institutions, and analyze and implement policy reforms to improve the functioning of housing and land markets and urban environmental service delivery. The assistance required for construction supervision is addressed in a separate USAID procurement action. The estimated budget for the construction management contract, approximately $3.2 million, is, however, included in the total technical assistance and training budget of the Gaza Housing Project, which totals $9,200,000.

It will be important to expose key persons involved in the housing sector, including members of the Palestinian Housing Council, to successful housing policies and programs, particularly in the Middle East. This will include, for example, sending working groups to other countries in the region to study sites and services and upgrading projects, housing finance institutions, private sector housing development and/or municipal involvement in neighborhood upgrading and the provision of infrastructure.

A "Housing Forum" will be established to analyze and propose a housing strategy and new policies for housing and land development in Gaza and the West Bank. The Housing Forum will be comprised of the Palestinian Housing Council, other NGOs identified to be active in housing and urban development, and

Palestinian government authorities once they are identified. Among other activities, a series of in-country workshops on housing will be held with the Forum to begin to build the necessary degree of consensus about the problems, priorities, and programs to be considered in attempting to improve the current housing situation. Housing delivery systems will be reviewed and the differentiated roles of private sector housing producers will be identified and discussed. This will improve coordination in undertaking the large amount of housing construction that is likely to occur over the next few years.

A comprehensive analysis of the broad trends and priorities in the housing sector will be carried out in order to establish a better understanding of housing delivery systems and how they can be organized to function more effectively. Project technical assistance and training will also help Palestinian authorities to establish new planning and regulatory mechanisms related to land development, housing construction and revision of the legislation that governs housing and urban land development.

The technical assistance and training provided by USAID for strategy and policy development, estimated to require a level-of-effort of 183 person-months of foreign specialists and 330 person-months of local specialists, will, among other activities, help to establish a "Housing Forum" of Palestinian authorities and housing and infrastructure-related NGOs, including the Palestine Housing Council, to analyze and develop a national housing strategy, prepare sector analyses and monitoring databases, and to identify and implement needed policy reforms in urban land development and markets, land titling and transfer, building standards and permit procedures, and urban environmental infrastructure standards and policies. Once Palestinian government authorities are established and named to lead housing and urban policies, they will become the principal audience for the Project's strategy and policy technical assistance and training.

Tables 5.1, 5.2, and 5.3 present the proposed technical assistance requirements for each of the five program components currently included in the GHP. Both start-up and project implementation assistance is presented for the five program components.

As indicated in Table 5.1, getting the first four programs underway on time will require a considerable amount of immediate technical assistance, 22 person-months of foreign experts and 39 person-months of local experts. USAID will procure this immediate assistance through the Housing and Urban Development Indefinite Quantity Contracts managed by the Office of Housing and Urban Programs. The long-term technical assistance for each of the project components will be provided by one U.S. contractor

with expertise in housing and urban development who will be selected through the competitive RFP process.

The total cost of this component is estimated at $9,200,000 including the construction management contract.

PHC Component Technical Assistance and Training

Technical assistance and training will be provided to PHC offices in both Jerusalem and Gaza concerning:

- basic construction management including accounting practices, procurement and bidding, loans, etc.;

- planning and housing research related to project programming, definition of target groups and affordability analysis, site planning and housing design;

- upgrading of substandard neighborhoods and collaboration with community groups and local authorities (eg., village councils and municipalities); and

- definition of a market interest rate for housing loans and loan instruments that maintain affordability to beneficiaries while protecting the lender's capital.

A Memorandum of Understanding between USAID and the PHC will be signed setting forth the scope of work and responsibilities of the Parties.

The PHC is currently an NGO registered in Jerusalem and directed by a voluntary committee with a full-time salaried director. Until the reflows from apartment sales begin, it will require support to cover recurrent costs associated with the implementation of the project. The recurrent costs include salaries of a project director, financial managers, community development specialists, support staff; rent for additional office space, and procurement and operation of equipment. Assistance to the PHC with these recurrent costs is considered to be critical to project implementation. The project will provide up to $500,000 to support PHC recurrent costs associated with the project for the first year of the project; the needs for the second and third year will be reviewed before the end of the first year and if additional assistance is needed and fully justified, the PP will be amended.

Financial Institution (Bank of Palestine)

The GHP contains several programs requiring the services of a lender. Housing loans are called for under the PHC Housing component and home improvement loans are required under the Home Improvement Loan and Voucher component. One of the institutions

that will be considered is the Bank of Palestine. The bank is well situated to provide these services assuming appropriate technical assistance is given to set up the programs. The experience the Bank will gain by running them will be an important element in the long term growth and viability of the Gazan housing market.

The bank has expressed a desire for on-site technical assistance. In addition to professional advisors, at least one bank staff member will be sent to another successful bank for approximately one month, perhaps the Jordan Housing Bank or the Tunisian Housing Bank.

A Memorandum of Understanding between USAID and the financial institution will be signed setting forth the scope of work and responsibilities of the Parties.

Private Housing (GCMHP)

In addition to the TA outlined above, USAID will provide assistance to the GCMHP in the formation and operationalization of what is in effect the first housing cooperative in Gaza. This TA would be focussed on assisting GCMHP in:

- forming a responsive, legal entity to assume its obligations with PHC under the loan agreement;

- making satisfactory internal arrangements to provide the necessary subsidy to lower income GCMHP employees' families requiring financial assistance in purchasing their unit;

- setting-up an effective management system and fund to cover all aspects of maintenance and operations of the completed project;

- determining rental policy and rates for non-GCMHP employee units; and

- determining policy in respect of GCMHC cooperative members families who are unable to meet their repayment obligations (as a result of death, dismissal or redundancy); also in determining standard policy in respect of employees leaving GCMHC, or wanting to move from or sell their units.

Cooperative Specialist TA inputs will be directed in the first instance to organizing GCMHP's effective participation in the GHP. They will also subsequently be utilized as the catalyst for the formulation of general policies and procedures needed to develop a wider cooperative network throughout Gaza and Jericho, which would facilitate the development of similar employees' housing projects in the future.

The time frame within which the first range of GHP projects were to be identified and prepared for construction in early 1994 was inadequate to develop a real private developer program that would have sustainability in the future. Other issues mitigating against developing a private developer component to the program included the number of contracts and bidding procedures of the USAID direct contracts.

Through the TA component associated with the private housing project component, USAID will establish a program to assist private developers to improve their capacity to work in the market. A certain amount of technical and institutional assistance will be necessary, for example, to establish an association of homebuilders, similar to the existing engineering and contractors association.

A Memorandum of Understanding between USAID and the GCMHP will be signed setting forth the scope of work and responsibilities of the Parties.

Home Improvement Loan and Voucher Program

The Home Improvement Loan and Voucher program will be implemented by a U.S. PVO. The T. A. team will develop program policies in coordination with the PHC and UNRWA. The longer-term technical assistance and training will help the PHC, the Bank of Palestine/ other financial institution(s), and most importantly Palestinian government authorities, once-named, to establish policies, program management, beneficiary criteria, and loan instruments for the program.

Neighborhood Upgrading Program Component

A US PVO will be selected to implement the neighborhood upgrading component with the PHC, municipal governments, and central governmental authorities once they are named.

The technical assistance and training will be built upon the need to develop community management, organization and livelihood skills as part of a comprehensive approach to neighborhood upgrading and improvement. The T.A. team will assist the PVO in the following tasks:

1. Apart from their physical objectives of upgrading and rehabilitation, the projects will involve a significant component of ongoing community development and training; and

2. Periodic review of the projects during preparation and implementation will be undertaken by a Technical Review Committee, comprising (inter alia) representatives of PHC, UNRWA, and municipal governments.

38

Because of the relative lack of experience (outside of UNRWA) of the neighborhood upgrading approach within Gaza, strong TA support is recommended. This will be used to develop local experience and capability within both the local government and private sector, to help initiate further similar projects in the future.

This component is estimated to cost $6,000,000 as per the following Tables 5.1 and 5.2

B. Construction Management Services

The construction management contractor (CMC) will provide construction management services for the construction of all facilities financed under the project. The CMC will supervise the construction of the six apartment buildings in Jabalya township. The CMC will also assist in planning and will supervise the construction of additional units at that site, supervise construction of the housing under the Gaza Community Mental Health program at Deir El Balah, and supervise construction under the Private Sector housing program. Additionally the CMC will monitor site improvements and upgrading at Nusseirat and Jabalya and monitor work under the low income housing program.

The CMC will provide miscellaneous design, engineering, surveying and drafting services for all components of the project as required. The CMC will provide on-the-job training programs for engineers from the PHC and other entities involved in the project. The CMC will develop training materials and provide appropriate classroom instruction and as required.

Construction management services will be provided by a U.S. firm selected under limited competition in order to field the team in the shortest time possible. Five firms will be short listed and requested to respond to a Request for Proposal. The contract will be structured as an A.I.D. direct contract with a requirement for 10% minority contracting. The contract is expected to be awarded early 1994 in time to allow the team to review the bids for the construction of the PHC housing. The contract will be awarded for a 24-month period but will include provision for extension for second and possibly more phases. See Table 5.3 for details.

This component is estimated to cost $3,200,000.

Table 5.1
Start-Up Technical Assistance and Training

Program Component	Person-Months or Events	
	Foreign	Local
1. PHC Housing		
• Architect	1	-
• Engineer	-	3
• Study Tour	1	-
• Bank of Palestine	3	3
2. Home Improvement Loans/Vouchers		
• Housing Finance	3	-
• Architect/Engineer	-	4
3. Private Housing (GCMHP)		
• Architect	2	7
• Civil Engineer	-	4
• Cooperative Development	2	5
• Surveyor	-	-
• Draftsmen	-	-
4. Neighborhood Upgrading		
• Architect	-	-
• Civil Engineer	-	-
• Community Development	4	7
• Surveyor	-	-
• Draftsmen	-	-
5. Sector Strategies and Policies		
• Housing Finance	3	-
• Land Policies	3	6
Total Person-Months	22	39

Cost Estimate:

22 person-months U.S. @$20,000 per person-month = $440,000
39 person-months local @$5,000 per person-month = $195,000
TOTAL **$635,000**

Table 5.2
Long-term Implementation Technical Assistance and Training

Program Component	Person-Months or Events	
	Foreign	Local
1. PHC Housing		
• Architects	2	-
• Engineers	-	8
• Misc. services	6	12
2. Home Improvement Loans/Vouchers		
• Program Coordination	9	36
• Community Development	9	36
• Misc. services	6	12
• Training events	3	6
3. Private Housing (GCMHP)		
• Cooperative Development	8	8
• Misc. services	4	8
4. Neighborhood Upgrading		
• Community Development	4	8
• Misc. services	4	8
• Training events	6	12
5. Sector Strategies and Policies		
• PHC Program Management	36	36
• Sector Analyses/Monitoring	24	48
• Housing Strategy	12	24
• Housing Policies	18	24
• Urban Land Policies	18	24
• Building Standards	8	16
• Training Events	6	12
Total Person-Months	183	330

Cost Estimate:

183 person-months U.S. @ $20,000 - $3,660,000
330 person-months local @ 5,000 = $1,650,000
Equipment = 55,000
TOTAL = $5,365,000

Table 5.3
Construction Management Contract
Phase I (24 months)

Program Component	Person-Months or Events	
	Foreign	Local
Overall Management		
• Chief of Party	24	-
• Construction Supervisor	24	-
1. PHC Housing		
• Inspectors	-	100
• Misc. Engineering	16	
2. Home Improvement Loans/Vouchers		
• Architect/Engineer	1	-
• Inspectors	-	72
3. Private Housing (GCMHP)		
• Architect	2	7
• Civil Engineer	1	4
• Inspectors	-	48
4. Neighborhood Upgrading		
• Architect	1	1
• Civil Engineer	3	7
• Inspectors	-	36
Total Person-Months	72	275

Cost Estimate:

72 person months @ $20,000 per person month = $1,440,000
275 person months @ $ 5,000 per person month = $1,375,000
Equipment, testing and other costs = $ 385,000
TOTAL = $3,200,000

IV. PLAN OF ACTION

A. Management and Administrative Responsibilities

The field office for the West Bank and the Gaza Strip has only two USDH officers: an AID Affairs Officer (AAO) for the West Bank, working from the Consulate in Jerusalem, and an AAO for Gaza, working from the Embassy in Tel Aviv. Given the enormous workload involved with programming $375 million over the next five years, and the AID field representatives' intensified coordination and participation with other donors, the ANE Bureau is requesting that a USAID Mission be established for the West Bank and the Gaza Strip. The action memorandum for the Administrator requesting this action is currently being reviewed. The responsibilities of each of the principal parties involved in the project at this time are described below.

1. Role of A.I.D.

The current AAO/Gaza, an experienced housing and urban affairs expert, will have overall responsibility for monitoring the project and will be assisted by a USAID direct-hire engineer to be assigned to the West Bank/Gaza. These officers will meet as necessary with contractors and implementing agencies to review project plans and progress, and will assist in official logistical matters such as country clearances.

USAID Amman will continue to provide legal and contracting services to the AAO/Gaza. USAID Amman will also continue to provide financial management services until a controller position is established in the proposed USAID Mission.

The ANE Bureau, with support from the office of Housing and Urban Programs, will be responsible for the overall management of the project until a fully staffed USAID mission is established in the field. AID/W will coordinate the application of USAID's functions at likely planning points, particularly the review and approval of semiannual plans, quarterly progress reports and scopes of work.

2. Role of Contractors

USAID direct contracts will be competitively awarded for all procurements except for the construction of the water bore-hole. Construction of the 192 apartment units under the PHC New Construction Project Component will be carried out by pre-qualified local construction firms with the possibility of approved subcontracting. Fixed amount reimbursement (FAR) will be used for the construction of the water bore-hole.

A U.S. architectural and engineering firm will be selected from a short list of six pre-qualified firms to provide a

design/engineer construction manager (CM) to monitor construction of all activities. The design/CM's services will cover a wide gamut, ranging from review and approval of designs and contracting documents through supervision of contracting activities and recommendations to the PHC and USAID on acceptance of completed work. The contractor will serve in an advisory capacity to the PHC and will endeavor to impart maximum training possible to PHC staff. A single contract will be let on a cost-plus-fixed-fee basis.

The construction management contractor will also set up a building quality technical review capability under the Home Improvement Loan/Voucher Project Component. The purpose of the review will be to ensure that the funds are spent for home improvements and that a specified level of quality is maintained in the home improvements. The contractor will perform quality checks on each of the loans.

3. Role of U. S. PVOs

Both the Home Improvement Loan and Voucher Program and the Neighborhood Upgrading Program will be implemented by U.S. PVOs. One U. S. PVO had submitted an unsolicited proposal in 1992 for a job creation and home improvement program. This PVO will be asked to submit a revised proposal for the proposed Home Improvement program. Additional U.S. PVOs will be asked to submit proposals for both programs through the PVO newsletter. One or more PVOs will be selected. The intent is to have more than one PVO to implement the programs.

4. Role of Palestinian Housing Council

The Palestinian agency charged with working to resolve housing sector issues is the Palestinian Housing Council (PHC). The PHC is a commercial, non-profit organization established in August 1991 and registered in Jerusalem. It was created to prepare and implement housing policies and programs that are aimed at improving the housing situation for all Palestinian families. Although the PHC initially was set up to be a conduit for the European Economic Community (EEC) housing grant, it has subsequently been identified by the PLO leadership as the principal Palestinian agency for housing. The PHC is envisioned to be the primary channel through which international financial resources will be provided to address housing problems. The PHC currently has a Board of Directors of 26 Palestinian professionals and an executive committee of 13 members who have been selected from the board.

The PHC will be the primary implementing agent for the PHC New Construction Project Component. The PHC will provide the site at Jabalya for construction of the housing units; obtain all approvals and permits necessary relative to the site; ensure that

the site is environmentally suitable and fit for habitation; inspect the completed housing units to certify that they meet occupancy requirements; receive custody and control of the completed and accepted housing units from the USAID-financed construction contractor; identify and designate beneficiaries; sell units to those beneficiaries pursuant to terms to be agreed upon between USAID and the PHC which shall include market rate interest terms and limitation of capital subsidies to low income groups or equivalent; and ensure that the reflow funds received from down payments and mortgage payments are maintained in a separate account to be used for project purposes as agreed between the PHC and USAID.

The PHC will also use the GCMHP employees' payments reflows for project purposes as agreed between the PHC and USAID to benefit low income households.

To build up the PHC capacity to successfully implement and manage the USAID financed activities, it will be provided a grant for an amount not to exceed $500,000 to cover its recurrent costs for the first year (requirements for the following years will be determined before the end of the first year). This grant will be executed by the Regional Contracting Officer after reviewing the PHC's financial and administrative procedures by the USAID/Amman Controller or a CPA firm.

5. Financial Institution (Bank of Palestine)

The Bank of Palestine (BOP) is the only non-Israeli bank operating in the Gaza Strip, and is a prime candidate for becoming a leader in providing housing finance to the Palestinian population. The BOP is a small community bank with approximately $40,000,000 in total assets having multiple branches distributed throughout the Gaza Strip. The Bank is currently in the process of opening a branch in Jericho.

The successful operation of this bank and its growth to date speak well of its management's capabilities given the severe restrictions imposed on Palestinian banks by the Israeli government. The Bank appears to be a well managed, conservative operation with a strong financial condition and simple, yet effective, systems. Management has been cautious with their lending practices, and have, up to now, limited their lending to commercial loans because of the unstable nature of the housing market and the uncertainties of long term land ownership under the Israeli occupation.

The services of a lender are called for under the PHC New Construction, Home Improvement Loans and Private Housing Project Components. Not only is the Bank of Palestine well situated to provide the services, but also, the experience the Bank will gain

by providing the services will be an important element in the long term growth and viability of the Gaza housing market.

The Bank will administer the PHC accounts and hold the reflows from the beneficiary downpayments and mortgage payment; appraise and approve beneficiary applicants for mortgage loans referred by the PHC, including investigating their creditworthiness and verifying their income; and service the beneficiary mortgage loans.

Under the Home Improvement Loan/Voucher Project Component, the BOP will receive the application and check the income of the applicant to ensure that the applicant qualifies for the loan. The BOP will also check and certify the income of families and provide loan collection services over the life of the loans.

6. Role of Gaza Community Mental Health Cooperative

A number of preparatory tasks are needed to ensure that implementation of the GCMHP project begins, by mid-1994. These include completion of land title documentation; finalization and verification of detailed designs; and preparation of contract documents by the GCMHP architect/engineering firm with appropriate TA support and supervision. These tasks are based on the assumption that project preparation will by a local architectural/engineering firm contracted by GCMHP and that the work's implementation contract will be let by local competitive bidding.

GCMHP, an indigenous NGO, has already appointed a local (Gaza) firm of architects and engineers to prepare architectural designs and contract drawings and documents. This involvement will reportedly extend to site supervision and contract works management. The requirement for USAID funded TA to the project therefore will be to:

1. review preliminary designs to ensure compliance with USAID design criteria, cost estimates and standard project preparation requirements;

2. review contract drawings/documents and proposed tender procedures to ensure that these conform to standard USAID contracting procedures; and

3. oversee and provide direction in the supervision and monitoring of contract works, completion and hand-over of project.

A Memorandum of Understanding between USAID and the GCMHP will be signed setting forth the scope of work and responsibilities of the Parties.

B. Eligible Source/Origin/Nationality

It is anticipated that services (construction, technical assistance and training) will be procured primarily from the U.S. or the West Bank/Gaza. Geographic Code 000 and procurement from West Bank/Gaza and Israel will apply for all commodities procured under this project unless specific source/origin waivers are approved by the delegated authority. Local procurement only of eligible items from geographic code 935 will be allowed up to $5,000 per transaction. The Agency's updated guidelines on "Buy America" will prevail for this project.

C. Waivers

In order to get the GHP "start activity" (the PHC new apartment construction) underway as quickly as possible, a waiver of the Federal Acquisition Regulations requirements for "full and open" competition was necessary. Such a waiver has been accorded by the Director, FA/OP (Annex G of Project Paper). Expedition of this activity also will require an ad hoc redelegation to the Regional Contracting Officer/Amman to increase the amount of his contract authorization for this purpose; this redelegation has been requested from FA/OP and is expected momentarily. While the exact details of the GHP procurement plan have yet to be finalized, it is anticipated that contracts and grants for GHP activities other than the PHC new apartment construction will be awarded under "full and open" competition.

D. Monitoring, evaluation and audit

Direct responsibility for the monitoring of project activities will be included in technical assistance (TA) contracts. The design/CM contractor will submit detailed monthly progress and financial reports to USAID. The contractor will also submit quarterly progress reports which will summarize project highlights and progress. The quarterly reports will focus on costs, schedules and problems. The technical assistance contractor will have similar reporting requirements.

An outside evaluation of the PHC New Construction Component will be conducted in October 1994. This evaluation will provide the information necessary to make a decision as to whether A.I.D. will finance a second phase of this project component. The same type of evaluation will be conducted in February 1995 for the Home Improvement Loan/Voucher Project Component. Annual project implementation reviews will be held and a final project evaluation conducted at the end of the project.

Funds will be set aside to audit all contracts or grants exceeding $25,000.

E. Environmental Determination

The Initial Environmental Examination (IEE) recommended, and the ANE Bureau Environmental Coordinator has approved, a "negative determination," provided that the GHP's construction elements are properly monitored and documented. Such monitoring and documentation preparation is included in the Scope of Work for the U.S. firm selected to provide construction management, design and other engineering services to the GHP (the IEE is Annex D of the Project Paper).

F. Implementation Schedule

Implementation of this phase of the project is expected to take five years. The following is an illustrative time line of activities through project completion.

Action	Action Agent	Month
1. PP approved/ authorized	AID/W	12/93
2. PIO/T for construction management (CM) approved	AID/W	12/93
3. PIO/T for PHC housing construction services approved	AID/W	1/94
4. Issue RFP to pre-qualified A & E firms	AID/W	12/93
5. Issue IFB for construction of PHC housing	RCO	1/94
6. Receive proposals for construction mgt.	AID/W	1/94
7. Evaluate Proposals for CM	AID/W	1/94
8. Negotiate/sign CM contract	RCO	1/94

9. Receive bids for PHC housing construction	RCO	1/94
10. Negotiate/sign construction contract	RCO	1/94
11. Construction of PHC housing begins	Contractor	2/94
12. PIO/T to study mortgage rates prepared	PRE/H	1/94
13. Mortgage rate study completed and agreement reached between USAID and PHC	Contractor	3/94
14. PIO/T for TA approved	AID/W	1/94
15. TA proposals received	AID/W	3/94
16. Evaluate TA proposals	AID/W	3/94
17. Negotiate/sign TA contract	AID/W	5/94
18. PVO proposal for home improvement program received	AID/W	1/94
19. PVO proposal approved and PIO/T sent to OP	AID/W	2/94
20. Home improvement program starts	PVO	3/94
21. Home improvement and upgrading program advertised in ACTION for U.S. PVOs.	AID/W	1/94
22. Additional PVO proposals received, reviewed and approved	AID/W	3/94
23. Additional PVOs start home improvement/upgrading program	PVOs	5/94
24. Planning for GCMHP completed	GCMHP	3/94

43

25. Bids for GCMHP invited	RCO	5/94
26. PHC starts construction of water bore hole	PHC	3/94
27. GCMHP construction begins	Contractor	6/94
28. PHC component evaluated	AID/W,AAO	9/94
29. Home improvement/upgrading mid-term review	AAO	2/95
30. PHC housing (Phase I) completed	Contractor	8/95
31. Construction of GCMHP housing complete	Contractor	12/95
32. TA completed	Contractor	6/97
33. Project Evaluation	AAO	6/97

V. ANALYSIS OF KEY ASSUMPTIONS AND RISKS

Like any other USAID project that attempts to achieve developmental objectives, assumptions are made about project conditions and risks exist that project objectives will not be achieved. The Gaza Housing Project must operate under a number of assumptions and risks.

Assumptions must be made of a political nature in order for the project to achieve its goals. The negotiation process must continue so that governing authority is transferred from the Israelis to the Palestinians in Gaza and Jericho. The internal conflicts among Palestinian groups favorable and opposed to the peace process with Israel must be manageable enough by the governing authorities not to interfere with project implementation. The new authorities need to name their government authorities for the housing sector, so that the project can begin the process of identifying strategies, new policies, and the actions and resources to implement them.

With the exception of the last assumption stated above, the political assumptions are beyond the control of the project. They represent risks run by most new projects involving new

public policies for the Palestinians, risks that the US Government acknowledges and is willing to accept at this time.

A true housing finance system, in which formal financial institutions channel household savings into loans for housing investment, does not now operate in Gaza and the West Bank for Palestinians. With GHP technical assistance, a housing finance system will be developed[1]. With project technical assistance, it is assumed that a market-determined interest rate can be determined that creates and maintains a market for housing loans. That technical assistance will help Palestinian authorities design loan instruments that which not only maintain the value of the principal of the loan but which are affordable to low and moderate income households who need loans for purchase of new housing or for improvements to existing housing. It is also assumed that it will be possible to create the policy framework which protects property rights and provides security to lenders, whether the framework is based on U.S., Israeli, or other Middle Eastern models. This too will be the subject of substantial technical assistance.

At the level of project outputs, it is assumed that acceptable bids will be received by USAID and the PHC for the construction of the PHC apartment buildings and the Gaza Community Mental Health Program housing, and that sufficient demand for the PHC apartment units exists to fully occupy the buildings. The work of the PADCO consultants indicates that there are builders available in Gaza to do housing projects at the scale being called for, and a contract was completed and construction commenced already on one block of PHC apartments finance by the EC. As for the level of demand for the finished units, the PHC has screened and ranked applicants for PHC apartments based on employment, family size, and current housing condition, and has approximately 30 percent more applicants than available apartments. With regard to the home improvement loan component, the Cooperative Housing Foundation, which conducted a Housing Needs Assessment in the West Bank and Gaza in 1992, found that demand exists among low and moderate income households for small-scale, quick-disbursing loans, and the construction sector in the West Bank and Gaza is well-suited to this type of building activity.

What evidence is there that project risks can be overcome and assumptions can be realized? Perhaps one of the best pieces of evidence is the fact that even now, under enormous obstacles, Palestinians in the Occupied Territories through individual

---

[1] There was a recent survey of banking institutions for investment guarantees conducted by two USAID/Washington experts who were optimistic about such possibilities and banking sector developments.

initiative have found a way to build and to house themselves. There is much pent-up demand for improved housing conditions, and with Palestinian control over housing, land, and infrastructure policies, many obstacles to improved housing will soon be removed. Even with delays in the transfer of political authority, the Project's assistance to the housing sector will still be able to benefit the project's targeted households. The experience of UNRWA in home improvements and urban upgrading activities supports achievement of GHP objectives for these types of assistance. UNRWA is currently implementing home improvement and upgrading activities successfully in the refugee camps. Project technical assistance will adapt the UNRWA approach to community settings outside the camps, with much the same profile of beneficiaries.

VI. FINANCIAL PLAN

The total cost of this phase of the project is estimated to be $25.5 million. Table 1 provides an overall summary cost estimate broken down by foreign exchange and local currency costs.

Table 1
Summary Cost Estimate and Financial Plan
(A.I.D. Funding: U.S. $ Thousands)

Project Component	FX	LC	TOTAL
1.PHC Construction	-0-	6,687	6,687
Water bore-hole	-0-	300	300
Subtotal	-0-	6,987	6,987
2.Home Improvement Loans/vouchers	-0-	4,000	4,000
3.Private Housing (GCMHP)	-0-	1,873	1,873
4.Neighborhood Upgrading			
Nusseirat	-0-	934	934
Jabalya	-0-	500	500
Subtotal	-0-	1,434	1,434
5.PVO administration for above 2 and 4 (15% of 2 + 4)	850	-0-	850
6.Technical Assistance	9,200	-0-	9,200
7.PHC Support	-0-	500	500
8.Audit and Evaluation	400	-0-	400
9.Contingency		256	256
10.Grand Total	**10,450**	**15,050**	**25,500**

Table 2

Implementation and Financing Methods

Approximate Method	Method of Contract/Grant Cost ($ 000)	Implementation	Financing
1. Construction Management (U.S. firm)	Direct AID Contract	Direct Payment	3,200
2. Construction Services (Local firms)	Direct AID Contract	Direct Payment	6,687
3. Technical Assistance (Short-term)	IQC	Direct Payment	635
4. Technical Assistance (Long-term)	Direct AID Contract	Direct Payment	5,365
5. Construction of Water bore hole (Local firms)	FAR (PHC)	Direct Payment	300
6. Private Housing GCMHP (Local firms)	Direct AID Contract	Direct Payment	1,873
7. Home Improvement Loans/Vouchers (US PVO)	Cooperative Agreement	Direct Payment	4,000
8. Neighborhood Upgrading (US PVO)	Cooperative Agreement	Direct Payment	1,434
9. PHC Support (Local NGO)	Cooperative Agreement	Direct Payment	500
10. Audit and Evaluations	Direct AID Contracts	Direct Payment	400

U:\nedrmena\docs\ghp.pp1:12/30/93

48

Annex A

Gaza Housing Project
Issues Resolution

(The following section presents the major issues discussed by ANE Bureau West Bank/Gaza (WB/G) Infrastructure Development Core Group (CG) during their Gaza Housing Project (GHP) issues meeting held on December 9, 1993. Each issue is presented as it appeared in the original Issues Paper and is followed by two sections: the first with the highlights (only) of the Core Group discussion and the second with the CG's decision.)

Overall Conclusion of CG Meeting: Approval to proceed with GHP on the basis of decisions set out below.

Issue No. 1: The [PADCO] report proposes to use an interest rate of five percent for the loan components of the program. How was this interest rate determined? Is it a market interest rate? Is it sustainable?

CG Discussion: Brief clarification that the "five percent interest rate" discussed in the PADCO Report was not really considered to be a true interest rate. The PADCO Team felt that they could not determine any interest rate because of the lack of a money market (and, particularly, of a mortgage system and market) in the Occupied Territories (OT -- it was observed that the monetary and lending systems of the West Bank and Gaza are markedly different). Thus, the report's five percent "interest rate" was considered conceptially by the PADCO Team to represent a combination of lending fees and a "symbolic interest rate."

Discussion of difficulties in establishing a mortgage system ab initio. Basic requirements are a well-regulated financial system and an effective legal system which provides a means of foreclosure in the event of mortgate nonpayment. Establishing such systems can take (and has taken) years to complete. Establishment of such systems is one of the major long-term goals of the GHP which the project will be working toward constantly.

Despite the lack of such systems, certain factors permit the Palestinian Housing Council (PHC) to establish a real estate lending system for apartments proposed to be built under the GHP. PHC will retain title to all apartments until all payments are completed. Experience in WB/G indicates that all purchasers will make a maximum effort to pay off the outstanding debt for their apartments in the shortest possible time, as a sort of "cultural imperative." In addition, the list of eligible apartment

purchasers developed by PHC includes only those families "well known" (but only informally) in the community to be creditworthy.

The terms and prices for purchasing the apartments are not considered established yet by either PHC or the prospective purchasers, and this applies to both the proposed USAID-financed apartments and those financed by the EEC -- i.e., there is still scope to establish a more market-related interest rate for the financing plans for purchasing both the USAID- and EEC-financed apartments. The EEC has indicated that it is amenable to working with USAID on housing policy issues and, thus, probably would follow USAID lead in establishing such an interest rate.

Given the relative lack of comparator markets, there is no "direct" way of establishing a market interest rate. But the basic principle on which such a rate should be established is clear: essentially, the rate should provide no disincentive to invest in Gaza, and thus the "prime rate" established for the PHC financing plans ought to be above viable alternative investments, e.g., the Jordanian "prime rate" or U.S. T-Bill rates. And there should be enough financial activity in Gaza for a housing finance expert to use the most relevant current commercial rates to recommend a market-related rate to PHC for this purpose.

If a more market-related interest rate turns out to be higher than the report's five percent rate (which is considered highly probable), it will have negative effects on affordability. While the CG would like to avoid the introduction of subsidy elements into the apartment financing packages if at all possible, some subsidy element might be necessary for affordability reasons. The CG agreed that if a subsidy were judged necessary, it should apply to the financing packages' principal amounts, and not to the interest rate. The CG noted the congruence of a "nonsubsidy policy" for PHC financing packages with high-level PLO policy of "clear endorsement of full cost recovery, avoidance of interest rate subsidies and limitation of capital subsidies to genuine hardship cases" (page 1-2 of PADCO Report).

<u>CG Decision:</u> USAID will negotiate an appropriate interest rate for apartment financing packages (and other GHP "loan elements") with PHC based on recommendations of USAID-financed housing finance specialist, whom USAID will undertake to field as soon as possible. The general policy will be not to provide subsidies for GHP financing to beneficiaries. In those cases where subsidies are judged necessary (e.g., for genuine hardship cases or to increase affordability), they will be in the form of grants to reduce principal requirements and will not be used to reduce the interest rate. USAID will attempt to harmonize financing terms for EEC-supported housing activities to accord with those established for USAID-supported activities.

Issue No. 2: Is there sufficient demand from lower and moderate income Palestinians for the proposed apartment unit complexes, including the proposed initial 192 USAID-financed PHC apartment units to be constructed in Jabalya Municipality?

GC Discussion: Apprehension was expressed by a number of CG members that the PHC apartment units were large and relatively expensive and, thus, affordable to only the upper twenty-five percent of Gaza Palestinians. The fear was expressed of the perception of a USAID project benefitting only the well-off, with the ultimate result a very visible embarassment to the JSG.

As a counter to such apprehension, it was noted that despite the fact that the apartments may be affordable to only the upper one-fourth of Gaza Palestinians, there is no detected perception among Gazans that they are ostentatious or exclusive. While the income levels required for apartment affordability appear high when compared to Gazan averages, most Gazans consider these levels to represent only "moderate" incomes -- it must be remembered that even relatively well-off Gazans are generally "poor" in absolute terms and that the Gaza income averages include refugees, who are considered particularly disadvantaged, even among Gazans.

The PHC apartment purchaser selection process has been underway for some time now. The PHC has screened close to 2000 applicants in a process that considered not only income level, but also verified, inter alia, that the applicants are employed, that they do not own other property, that they are family heads. Many Gazans are aware of this process and and it generally is regarded as having been fully transparent, with no indication to date that public opinion regards it as unfair or unduly favoring the wealthy.

In making the decision to support the PHC apartment building program with the GHP, USAID is attempting to balance a number of disparate -- and sometimes conflicting -- policy desiderata. First, it must be remembered that the PHC apartment construction activity represents only one of a number of GHP activities and that much of the GHP program is targeted specifically toward low to moderate income Gazans (particularly the home improvement activity). The PHC apartments have the potential of meeting the imperative of getting USG assistance under implementation in a very short time and of providing highly visible proof of tangible USG support to the Middle East Peace Process. The apartments are the only "tangible" (i.e., non-TA) GHP activity for the PHC, which is seen as the nucleus of the future Palistinian housing ministry.

GC Decision: Continue with plans for USAID-financed construction of an initial group of 192 PHC apartments. Make clear in project approval documentation the reasons for continuing this support and bring out the GHP elements which will benefit low to moderate income Gazans.

Issue No. 3: Will the proposed project activities in direct housing construction undermine the sustainable objective of a private sector-led housing sector with a supporting housing policy framework?

CG Discussion: While this issue was not directly addressed as separate topic by the CG, it was often referred to during discussions of the other issues. These references make it clear that USAID considers the major focus of the GHP to be establishment of an enabling environment which will lead to "a private sector-led housing sector with a supporting housing policy framework." It was noted that the PLO continues to maintain the position that the PHC's current construction effort (i.e., the apartment project) is a one-time, start-up activity necessitated by the lack of alternative Gazan institutions at this time.

CG Decision: (No decision *per se,* but clear understanding among all that USAID's basic GHP goal is housing sector institution building and enabling environment creation, and not "bricks and mortar.")

Issue No. 4: Should residential housing beneficiaries assume full responsibility for loan repayments? Should grants be limited to the neediest of the poor and for urban infrastructure and TA in support of institutional and policy reform?

CG Discussion: A brief discussion established general agreement on the basic principle that no subsidies in the form of grants should be accorded except in the neediest cases and for "public goods" for which it is difficult to assign benefits to individuals (which is another reflection of the "anti-subsidy" decision on interest rates, per Issue No. 1 above). (It was noted, as an example, that in the case of the construction management TA, which is being U.S.-sourced at USAID insistance, the costs to be passed on to beneficiaries should not be the full cost to USAID but rather the local cost for similar services.)

CG Decision: Maintain the "no subsidy" policy by passing all costs on to beneficiaries to the extent reasonable and possible, with appropriate exceptions for extreme need and misfortune. Make sure that Memorandum(s) of Understanding between USAID and PHC, and others as appropriate, reflect this position.

This issue was further reviewed by the Core Group on December 22 and it was agreed that the technical assistance team will examine two options: (a) up-front subsidy to the low- and moderate-income group; and (b) "cross susidy", i.e. selling units at different prices to different income groups. The team's recommendations will be reviewed by the PHC and USAID and agreed upon.

Issue No. 5: Each of the program components will generate reflows from payments to the PHC or to the Bank of Palestine. How should the reflows be used to advance the purposes of the program?

CG Discussion: Only discussion was how to deal with issue of "reimbursing" PHC for land provided under EEC grant. It was agreed that USAID could not finance land costs, but noted that PHC is not barred from utilizing USAID program reflows for its overall housing program costs, including land.

CG Decision: USAID will negotiate criteria for the use of USAID program reflows with PHC and an agreement providing auditing and evaluation rights vis-a-vis the reflows and their use during USAID project LOP. USAID will require reporting on reflow accounts and their uses from PHC on a "program level" only, i.e., not on a detailed accounting basis of use.

Issue No. 6: What should be the initial authorized level of the GHP?

CG Discussion: The full PADCO report proposes activities with an initial estimated cost of $58 million (over an approximate five-year implementation period). Preliminary analysis by PRE/H and ANE/NE has resulted in a list of activities judged suitable for USAID funding with an estimated total value of $45 million over the five-year period. Currently, the planned first-year activities are estimated at $20 to $22 million. Given the "pilot" nature of the project and its activities, there is reluctance to authorize at a level any higher than that needed to finance activities definitely settled on (i.e., about $20 to $22 million), particularly since the authorized level can be increased easily at any time. On the other hand, there is a belief that authorizing at around $22 million when it is known by a number of WB/G administrators and planners that the PADCO team was designing a program in the $60 million range would send a "wrong signal" by giving the impression that USAID in not committed to a longer-term housing activity in WB/G.

CG Decision: Overall, maintain a "conservative" authorization policy, authorizing at no more that planned obligation level, with the exception of Technical Assistance account, for which authorized amount should "lead," or exceed, the amount immediately available for obligation -- thus indicating an initial authorization about $3.5 to $4 million above planned obligation amounts. This does not preclude discussing current USAID plans to continue activities in the housing sector above the authorized amount, assuming that good progress is being made with GHP and all other factors (e.g., funding availabilities) permit. Initial authorized life of project will need to be four or five years.

Issue No. 7: Will the proposed loan terms to the beneficiaries who will purchase apartments in the buildings to be constructed by the PHC be sustainable and consistent with the terms extablished by the European Community (EC) program with the PHC?

CG Decision: (Per the discussion/decision sections under Issue No. 1 above, USAID will attempt to negotiate uniform terms for the EC- and USAID-financed apartments.)

Issue No. 8: The PHC has requested that USAID pay approximately USD 200,000 in building permit fees and USD 65,000 in architect fees for the apartment blocks to be financed by USAID. A VAT charge of 17 percent will also presumably be due on building materials. Are these suitable costs to be financed from the GHP?

CG Discussion/Decision: The AAO/Tel Aviv will take the lead in negotiating and justifying the appropriate level of architect fees to be paid from the GHP. The building permit costs should be included in the bidding package for the construction as costs to be covered by the building contractors. It appears that there is no immediate way to preclude inclusion of VAT in the amounts which construction contractors will claim for work on the initial 192 USAID-financed apartments under GHP (other donors currently are paying VAT required under their projects). In accordance with general USAID policy, however, we will attempt to negotiate relief from VAT (and reimbursement for VAT already paid) with appropriate authorities (it was noted that American Embassy in Tel Aviv is prepared to take this issue up with both Isreali and Palestinian authorities). (The AAO/Tel Aviv also clarified the fact that VAT usually is charged on all goods and services [emphasis added], so that USAID-contracted construction firms apparently will be including VAT charges -- at a reported 17% -- essentially on all billable items.)

Issues Nos. 9 through 13 and No. 16: (Not discussed at 12/9/93 CG meeting -- see note after Issue No. 15 below.)

Issue No. 14: How will USAID insure adequate monitoring of GHP activities?

CG Discussion: Brief discussion of the options for USAID monitoring, with final result the recognition of the imperative need for a DH USAID engineer and a DH USAID housing officer on site, particularly the former to act as "client's representative" for what will be a direct USAID contract. CG recognized need to do further thinking about staffing and management responsibilities for GHP and, indeed, the entire WB/G program and recognized that it is USAID's task to come to conclusions vis-a-vis WB/G staffing, and, once those conclusions are reached, to formulate an official

position and submit it for the "NSD 38 procedure."

CG Decision: Confirmation that staffing decisions for monitoring and management of GHP must be an integral part of the GHP approval process.

Issue No. 15: Will a source/origin waiver be necessary to allow contractors to procure items necessary to complete USAID-financed GHP construction contracts, particularly the 192 PHC apartment units?

CG Discussion: Limited discussion of the possibility and desirability of a policy of opening source/origin in Middle East beyond WB/G and Israel.

CG Decision: Because of possible complications given the current political environment, Middle East source will be limited to WB/G and Israel.

NOTE: Issues Nos. 9 through 13 and No. 16 were not discussed during the 12/9/93 CG meeting, essentially because of perceived concensus on their respective recommendations in the original Issues Paper. Thus, these six issues were not presented above and, instead, are repeated below as they appeared in the original Issues Paper, with their recommendations or decisions considered as CG decisions.

9. What is the status of land procurement for the proposed Gaza Community Mental Health Program (GCMHP) Employees Housing project?

Discussion: Page 4-2 of the PADCO Report discussion of this project notes (in paragraph 2), "GCMHP have reportedly now purchased the site utilizing funds collected from employees." The cost estimations on page 4-3, however, show an amount of $129,000 for "land."

Decision: Seek clarification of this apparent contradiction from GCMHP.

10. Should the Rental Vouchers Pilot Program (full description in Chapter 8 of PADCO Report) be dropped from consideration for the USAID-financed project?

Discussion: While there is no question that this proposed program would met a real need (i.e., increasing housing affordability for some of the Gaza Strip's most deprived residents), a question has been raised as to whether the activity is appropriate for the proposed USAID GHP. The perceived problem with the activity is

that it would do nothing per se to increase the amount, or quality, of housing in WB/G but rather only would underwrite a housing subsidy program which would be unsustainable in the longer run (this perception implies skepticism about the underlying program assumption that rising family income would permit program discontinuation within five years [page 8-1]). While this activity is not scheduled to begin until year three of the GHP, if USAID decides that it is not supportable under the GHP, it is preferable to inform PHC of this decision now.

Recommendation: USAID should inform PHC that we are not willing to support the Rental Vouchers Pilot Program as presented in the PADCO Report. Also, that USAID inform PHC that we would be amenable to inclusion in the proposed GHP TA program studies and other activities designed to produce recommendations for the most constructive way to increase housing affordability in WB/G.

11. The voucher program and the components requiring loans are described as mutually exclusive components; i.e., beneficiaries of these components will either receive a loan or a voucher. Would it be possible to design the voucher program to be used in conjunction with a home improvement loan or a mortgage, to increase the affordability of housing to the program's low income beneficiaries?

Discussion: The voucher program in Chapter 8 of the report is described as a program directly linked to the rental housing and lease/purchase housing components of the proposal, to make them affordable to low-income households and to provide funding for additional construction by the Waqf and the municipalities. It would appear that the voucher program, when means-tested, and combined with loans, would provide a greater stimulus to housing construction and greater housing choice to project beneficiaries if it was not linked to only these rental and lease/purchase projects but was instead made applicable to any housing for rent or purchase anywhere in Gaza that meets standards set by the GHP.

Recommendation: Technical assistance provided by the GHP should design a voucher program with expanded and broader objectives that support both purchase and rental of new or existing housing.

12. In its preliminary review of the GHP, the Core Group requested that a US PVO participate in the home improvement loan and housing voucher component. The report does not describe such a role.

Discussion/Recommendation: The Cooperative Housing Foundation is currently revising their unsolicited proposal to determine how they can support the PHC and the Bank of Palestine in their implementation of this component. The GHP implementation plan will call for efforts to find other U.S. PVOs who have the capability and interest in participating in implementation of various of the

GHP components.

13. How broad should be the scope of work (SOW) for the "Construction Management Contract" (CMC) to be negotiated with a U.S. firm?

Discussion/Recommendation: While considerations of management simplicity might argue that the CMC SOW should include only design and oversight responsibilities involved with the 192 PHC apartment units, the Infrastructure Committee determined that the only way to insure that all required GHP design and construction oversight services (i.e., for activities other than the 192 apartment units) are available when needed is to include responsibility for them in the CMC SOW. In addition, the only way to insure that USAID environmental requirements are met is to include responsibility for monitoring all GHP activities for environmental impact (i.e., to insure that the conditions of the IEE threshold decision are met) in the CMC contract. The CMC SOW will encourage local subcontracting by the prime U.S. contractor to the extent practicable in an effort to maximize WB/G training and skill development (and the CMC contract will call for a minimum 10% of Gray Amendment subcontracting).

16. How will payments to contractors be made? This will have to be managed by Controller, USAID/Jordan.

ANNEX B

MEMORANDUM OF UNDERSTANDING
BETWEEN
THE GOVERNMENT OF THE UNITED STATES OF AMERICA
AND
THE PALESTINIAN HOUSING COUNCIL
FOR GAZA KARAMA (JABALYA) APARTMENT BUILDINGS

ARTICLE I - PURPOSE:

The Government of the United States of America, acting through the Agency for International Development (USAID), and the Palestinian Housing Council (PHC), acting as the principal Palestinian implementing organization with regard to housing, hereinafter referred to as the Parties, wish to cooperate in a mutual effort to construct and provide housing for deserving Palestinian beneficiaries. More specifically, USAID wishes to furnish, and the PHC wishes to receive, in-kind assistance for this general purpose. Accordingly, the Parties have concluded the following Memorandum of Understanding, which constitutes an agreement between the Parties and is hereinafter referred to as the "Agreement", to set forth their undertakings in support of the stated purpose.

ARTICLE 2 - UNDERTAKINGS OF THE PARTIES:

Section 2.1. USAID wishes in principle to provide, through USAID direct-contracting, assistance in the form of construction materials and supplies, construction supervision, technical assistance, and related goods and services necessary for the construction of approximately 192 housing units for a site located at Gaza/Jabalya, together with other construction and services as may later be agreed upon, including the completion of the full utilization of the remaining land at the Gaza/Jabalya site for deserving Palestinian beneficiaries, over a period of approximately two (2) years from the date of this Agreement,that is, to December 31, 1995, or such later date as the Parties may agree upon in writing.

Section 2.2. In the event USAID furnishes assistance described above, the PHC shall, at no cost to USAID, or to any USAID-financed contractor, and except as the Parties shall otherwise mutually agree in writing:

(a) provide the site at Gaza/Jabalya (herein after referred to as "the site") for the construction of the aforementioned housing units, together with evidence satisfactory to USAID of PHC's ownership of the site, and together with assurance by the PHC, that the site has not been conveyed, transferred, or assigned to another legal entity, and is not subject to claims or rights to ownership by other person(s); and it is understood by

both parties that the PHC shall retain ownership of the site until such time as it may be transferred to the program beneficiaries or put to other mutually agreed uses.

(b) ensure that the site is accessible by and available for USAID-funded contractor(s) to begin work during February 1994 and that the site will remain accessible and available for such purpose through the entire period necessary to complete construction of the housing units;

(c) obtain any and all approvals and permits necessary from any governmental or other authorities relative to the site, the infrastructure, services and housing units in sufficient time before construction commences;

(d) ensure and so advise USAID, with supporting information satisfactory to USAID, that the site is environmentally clean and suitable and fit for habitation including, but not limited to, freedom from toxic wastes and substances, heavy metals, and radiation and that adequate water supplies[1] and sewage connections are available when the construction of houses is completed;

(e) provide at all times during contractors' working hours two (2) PHC engineering coordinator(s) at the site(s) to liaise with the USAID-provided construction management contractor;

(f) promptly inspect completed housing units with particular attention to the quality of the finishing of each unit and certify that they meet occupancy requirements, codes, and standards imposed by relevant authority;

(g) identify and designate those beneficiaries, based on PHC eligibility criteria[2] to be agreed upon with USAID, who are to receive housing units; ensure that the recipients do not own another residence at the time of occupancy; and provide USAID, quarterly, a list of approved beneficiaries describing how each meets the eligibility criteria;

(h) receive custody and control of the completed and accepted housing units from the USAID-financed construction contractor; sell these units to deserving beneficiaries on a schedule and pursuant to terms to be generally agreed upon

---

[1] Since there is no adequate water supply to the site at this time, the PHC will manage construction of a well to be financed by USAID within the Jabalya township. This will be the subject of a separate MOU.

[2] Such criteria shall at a minimum include a requirement that household income of eligible applicants shall be in the lower-income range, defined for this purpose as being less than $700 per month, expressed in 1993 dollars.

between USAID and the PHC which shall include market rate interest terms in order to obtain maximum full cost recovery and limitation of capital subsidies to low income groups (LIG) or their equivalent; and by such sales, through deeds and other appropriate documents, transfer ownership, custody, control, and all rights necessary for the use, habitation, and alienation of such housing units; and, through regulations and policies to govern homeowners' associations or by other means, ensure that (other than in extraordinary and compelling situations with the approval of the PHC) units once sold are neither owned nor occupied by other than the original purchaser and family for a period of at least five years from the date of original purchase.

(i) ensure that all fees, taxes, and other charges or costs to be paid by the beneficiaries related to the use of the housing units are in accord with applicable laws and regulations and do not exceed amounts charged with respect to similar housing units;

(j) ensure that reflow funds from down payments and mortgage payments are maintained in a separate interest-bearing account and used, based on criteria to be agreed between the PHC and USAID, for the financing of home-improvement loans, subsidizing of loans for low income groups or their equivalent and grants for special hardship cases, or other program-related purposes as agreed between the Parties and furnish USAID with quarterly reporting on actual uses of reflow funds for a period commencing with PHC's first receipt of such reflows and ending with such date, to be subsequently agreed between the Parties and periodically adjusted between the Parties, as the last of such reflows is expected to be spent;

(k) take all steps and actions necessary to resolve any and all matters arising that would delay implementation of this project.

ARTICLE 3 - <u>ROLE OF THE FINANCIAL INSTITUTION</u>

It is understood that the PHC will enter into an agreement with a bank or equivalent financial institution, with USAID's prior approval, which will act as the PHC's implementing agent with respect to the above-described PHC functions of (a) appraisal and investigation of credit-worthiness of beneficiary applications for loans; (b) monitoring service on loans; (c) depository of the reflow account referenced in Section 2.2 (j) above; and (d) administration of payments from the reflow account. It is further understood that the agreement shall include the requirement that the bank or equivalent financial instituion shall afford authorized representatives of USAID, or their designees, the opportunity, at reasonable times, to inspect the records relating to the project as described in Section 4.5 below. Should the PHC wish, at a later date, to substitute another financial institution for these purposes, it may do so with USAID's prior approval.

ARTICLE 4 - GENERAL PROVISIONS:

4.1 Third Party Instruments and Availability of Funds: In order to provide the in-kind assistance described above, USAID may enter into such contracts and other instruments with public and private parties as USAID deems appropriate. All undertakings of USAID, pursuant to the Agreement, are subject to the availability of funds and to further agreement between USAID and such public and private parties, regarding the provision of in-kind assistance. This Agreement is not intended to effect an obligation of funds by USAID.

4.2. Compliance with U.S. Laws and Regulations: USAID shall obligate, commit and expend funds to carry out operations pursuant to this Agreement only in accordance with the applicable laws and regulations of the United States of America.

4.3 Method of Payment: USAID intends to make remunerations under this project directly to the contractor(s), as follows:

- the voucher/payment process shall be:

(1) from the contractor(s);
(2) to the construction management engineer (for approval); and
(3) to USAID for payment processing to the contractor with a simultaneous information copy to the PHC for coordination purposes.

4.4. Use of Property: Any property financed by USAID shall be used effectively for the purposes described above and, upon completion of the assistance, shall be used so as to further the objectives of the Agreement.

4.5. Records, Audit and Inspection: The PHC shall maintain or cause to be maintained, as appropriate, records relating to the Agreement, including use of reflow funds pursuant to Section 2.2 (j) above, adequate to show compliance with its undertakings pursuant to this Agreement. Records shall be maintained for a period of three years after completion of the USAID-furnished assistance (turnover to PHC of the 192 housing units) or for a period one year beyond the date agreed to pursuant to Section 2.2 (j) above, which ever is the longer. The PHC shall afford authorized representatives of USAID, or their designees, the opportunity, at reasonable times, to inspect the site of the project and records relating to the project.

4.6. Publicity and Evaluation: The PHC will give appropriate publicity to the assistance of the program to which the U.S. Government has contributed/financed. In addition, the Parties will subsequently agree on arrangements for outside evaluation of

the project, including possible mid-term evaluation.

4.7. Information and Implementation Letters: USAID and the PHC shall provide each other with such information as may be needed to facilitate provision of the assistance and to evaluate the effectiveness of this assistance. In addition, either party may from time to time issue proper communication to provide additional information on matters discussed in the Agreement. The Parties may also use jointly agreed upon letters to confirm their mutual understanding with respect to implementation of this Agreement. Implementation letters shall not be used to amend the text of the Agreement.

4.8. Authorized Representatives: the Parties shall be represented by those holding or acting in the offices held by the signatories to this Agreement. Each Party may, by written notice to the other, identify additional representatives authorized to represent that Party for purposes other than executing formal amendment to this Agreement. Each Party shall notify the other, in writing, of changes in its authorized representatives.

4.9. Amendments and Modifications: This Agreement may be amended or modified by written agreement of the Parties.

4.10. Suspension and Termination:

(A) Suspension. In the event that:

(i) USAID determines that an extraordinary situation has occurred which makes it improbable either that the purpose of the Agreement will be attained or that PHC will be able to comply with one or more its undertakings under the Agreement;

(ii) USAID determines that a combination of assistance would result in a violation of U.S. laws or regulations.

Then USAID may, as its option, take steps to suspend, in whole or in part, provision of assistance under this Agreement and provide written notice of such suspension to the PHC. In the event of partial suspension, such notice shall specify affected activities. If, after sixty (60) days from the date of such notice, USAID determines that the causes for suspension have not been corrected, then USAID may terminate assistance and provide written notice of its action to the PHC.

(B) Termination. Either party may terminate this Agreement, upon giving the other Party thirty (30) days written notice. Termination of this Agreement will terminate the responsibilities of Parties to provide further financial or other resources for the project, except for payments which they are

committed to make pursuant to noncancellable commitments entered into with third parties prior to the termination of the Agreement. Obligations of the PHC set forth in sections 4.4 and 4.5 above shall remain in force after termination.

4.11. Nonwaiver of Remedies: No delay in exercising any right or remedy accruing to a Party in connection with the Agreement will be construed as a waiver of such right or remedy.

4.12. Effective Date: This Agreement shall be effective on the date of signature by both parties, as shown below.

In witness whereof, the Parties, each acting through their duly authorized representatives, have caused this Agreement to be signed in their names and delivered as of this _____ day of January, 1994.

Harry Birnholz **USAID Affairs Officer**	**Ibrahim Sha'ban** **Director, Palestinian Housing Council**

U:\nedr\docs\ghpphc.mu1\12.29.93

GAZA HOUSING PROGRAM
LOGICAL FRAMEWORK

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Program or Sector Goal:	**Measures of Goal Achievement:**		
Increased availability of improved housing and urban environmental services for low and moderate income Palestinians.	1. Increase in percentage and average amount of housing loans from private sector financial institutions to low and moderate income households.	1. Monitoring data of Palestinian Housing Council and other Palestinian housing authorities.	1. Israel and PLO peace process continues and authority for governing the Gaza Strip and Jericho is transferred to Palestinian authorities.
	2. Decline in the average cost of minimum standard, 100 square meter housing unit.	2. Monitoring data of Palestinian financial sector authorities in charge of banking supervision.	2. Urban land prices and housing construction costs decline as a result of policy reforms and regulatory changes.
	3. Increase in percentage of low and moderate income households serviced by urban environmental infrastructure services.	3. Data of PEDRA (PECDAR)	3. Financial institutions put own capital at risk to make loans to low and moderate income households.
			4. Palestinian authorities are able to achieve and maintain macroeconomic stability.

ANNEX C

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Project Purpose: To improve shelter conditions in the Gaza Strip and West Bank for Palestinian households.	**End of Project Status:** 1. Palestinian housing policy-makers will have defined new housing policies, programs, and regulatory systems which will improve housing conditions especially for low and moderate income Palestinian households. 2. The Bank of Palestine and other financial institutions will be strengthened and have developed necessary banking skills, systems, and procedures to sustain housing finance in the future. 3. Approximately 4,000 jobs created in the construction sector and in other activities related to new and rehabilitated housing. 4. Improved potable water supply and wastewater disposal infrastructure, especially in low and moderate income neighborhoods.	1. PHC documents and government legislation. 2. Bank records and manuals. 3. Government records. 4. Municipal government or regional authority records.	1.1 Palestinian authorities continue to support housing sector goals of program and place high priority on affordable housing for low and moderate income groups. 1.2 Land titling and transfer policies and laws will be rationalized and made effective. 2. Banks will accept normal lending risks for housing loans. 3. Central, regional, and local governments have sufficient resources to invest in new infrastructure.

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Outputs:	**Magnitude of outputs:**		
1. PHC Construction a) 6 blocks of buildings constructed b) Revolving loan fund established	1. PHC Construction a) 104 units of 100m2; 312 units of 115m2 b) Reflows total $26,720,588 over 22 years	1. PHC and Construction Management Contractor records.	1. Acceptable bids are received by PHC, and Contractors complete work in accordance with specifications and costs.
2. Home Improvement a) Loans made b) Vouchers processed c) Jobs created d) Revolving loan fund established	2. Home Improvement a) Approx. 2,000 b) Approx. 2,000 c) Approx. 4,000 d) Reflows total $13,183,559 over 8 years	2. Bank of Palestine and PHC records.	2. Sufficient demand exists among low and moderate income households for loans at market rates of interest.
3. Private Housing a) GCMHP Housing i. 3 blocks of buildings constructed ii. Reflow account established	3. Private Housing a) GCMHP Housing i. 3 5-story units containing 58 units of 100m2 and 120m2 ii. Reflow account total $3,385,420 over 22 years	3. PHC and Construction Management Contractor records.	3. GCMHP employees complete steps to form a housing cooperative.
4. Neighborhood Upgrading Program a) Rehabilitated housing and improved environmental services in	4. Neighborhood Upgrading a) 100 housing units rehabilitated in Nusseirat and improved water and	4. PHC, Nusseirat and Jabalya Village Council, and Construction Management Contractor records.	4.1 Village Councils have the capacity to extend and maintain infrastructure

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Inputs:			
1. Grant for construction and site improvements for 192 apartment units in six buildings.	1. US$6,987,000	1. USAID records.	1. PHC and USAID sign Memorandum of Understanding.
2. Grant for construction of 58 apartment units in 3 buildings for housing cooperative.	2. US$1,873,000	2. USAID records.	2. PHC and USAID sign Memorandum of Understanding.
3. Grants for rehabilitation and upgrading of infrastructure services to 145 houses in two low-income neigborhoods (including PVO admin.)	3. US$1,684,000	3. USAID records.	3. PHC and USAID sign Memorandum of Understanding.
4. Grants for home improvement loans and home improvement grants (including PVO admin.)	4. US$4,600,000	4. USAID and US PVO records.	4. Cooperative Agreement signed between USAID and US PVO.
5. Grants for technical assistance and training (incl. PHC support)	5. US$9,700,000	5. USAID, PHC, and Contractor records.	5. Sufficient USAID funds available in project out-years to complete technical assistance and training contract.
6. Audits and Evaluations	6. US$ 400,000	6. USAID records.	
7. Contingency	7. US$ 256,000	7. USAID records.	

THRESHOLD DECISION BASED ON INITIAL ENVIRONMENTAL EXAMINATION

Project Location: Gaza and Jericho

Project Title/ID: Gaza Housing and Infrastructure Program (GHIP)

Funding (Fiscal Year and Amount: FY94 - FY96 $45 million

IEE Prepared By: Date:

Anne E. Patterson
Environmental Advisor, ANE/DR/ENR

Oct 30, 1993

Environmental Action Recommended: Negative Determination as per 22 CFR 216.3(a)(2)(iii)

Mission Director's Concurrence: Date:

11/22/93

Decision of Environmental Coordinator, Bureau for Asia and Near East

Approved: Dwight L. Wolcott

Date: 12-1-93

Clearances:

_____ _____ Date: _____

_____ _____ Date: _____

_____ _____ Date: _____

INITIAL ENVIRONMENTAL EXAMINATION

1. Project Location: Gaza and Jericho
2. Project Title/ID: Gaza Housing and Infrastructure Program (GHIP)
3. Funding (Fiscal Year and Amount): FY94 - FY96 $45 million
4. IEE Prepared By: Date:

Anne E. Patterson
Environmental Advisor, ANE/DR/ENR

Oct 30, 1993

5. Action Recommended: Negative Determination as per 22 CFR 216.3(a)(2)(iii)
6. Discussion of Major Environmental Relationships of Project Relevant to Attached Impact Identification and Evaluation Form

Background:

GHIP is an emergency program intended to provide immediate housing, serviced sites, and/or neighborhood upgrading for low-income Gaza families. Three basic types of assistance will be made available through this program: Basic Housing Construction is aimed at moving families from existing overcrowded housing into newly-built low-rise (3 to 5 story) apartment buildings; Urban Upgrading will finance water and sewerage connections to existing houses; and Home Improvement Loans of up to $4,000 will be used to finance improvements and additions to existing houses. During the course of the three year Life-of-Project, the goal of the GHIP program is to create 1,200 units of newly built low-income housing, upgrade 100 existing lots, and provide 2,000 home improvement loans at sites throughout the Gaza Strip and, possibly, Jericho on the West Bank. GHIP is expected to have a positive impact on living conditions, and consequently public health, for numerous low-income Palestinians.

Due to the extremely small scale of activities for the urban upgrading and home improvement components of this project, no significant negative environmental impacts are anticipated. However, both temporary and longer-term negative environmental and public health impacts are possible as a result of the basic housing construction component of the GHIP program unless careful safeguards are instituted and maintained.

Environmental and Public Health Impacts:

The construction phase of GHIP will result in temporary slight increases in urban air pollution (combustion by-products, noise, and dust) and the creation of building site debris. Each building-contractor will be required to protect workers on-site by the use of standard safety practices and to provide standard personal safety equipment (eyeglasses, safety shoes, earplugs). All debris generated by site preparation or construction will be removed from the site and disposed of in a municipal approved land-fill. The contractor will be instructed to minimize noise and dust and to schedule activities for daylight hours whenever possible.

Constructing additional housing may result in the overtaxing of existing utilities, especially water and sewerage. No construction of housing will take place at sites where adequate piped water cannot be supplied. A U.S. registered Professional Engineer will evaluate each site for municipal services. Where sewage connections are not available or already overloaded, the engineer will design a proper septic-tank and infiltration pit for each housing unit. Sites subject to severe flooding will not be selected as eligible sites until such time as proper drainage is installed. Contractors will be required to fully comply with this U.S. expert's design for sewerage and water. During construction USAID staff or US expert consultants will monitor implementation of water and sewerage designs at each site.

Concurrent with the development of the GHIP program, USAID is developing other assistance programs which will identify municipal needs for: construction/rehabilitation of water supply, sewerage, stormwater systems; technical assistance; and additional municipal equipment such as trucks for collecting solid wastes or septage.

Discussion:

Pursuant to 22 CFR 216.3(a)(2)(iii), the originator of the proposed project amendment has reviewed the potential environmental impacts of the action summarized in the foregoing IEE, and has determined that the basic housing construction component of the proposed project, if implemented as described, will not have a significant negative impact on the environment, and that the newly provided housing as well as upgraded existing housing, would only have beneficial effects on the living conditions and environment of Gaza and Jericho. To ensure compliance with A.I.D. environmental procedures, all construction activities will be monitored and documented. The environmental status of the project will be reviewed periodically during implementation by means of routine site visits by USAID/WB/G staff. Any required corrections in implementation will be made on the basis of these findings.

Pursuant to 22 CFR 216.3(a)(2)(iii), the originator of the proposed project recommends a negative determination of significant environmental effect for the Gaza Housing and Infrastructure Program and requests ANE Bureau approval of a negative threshold decision for these activities.

ENVIRONMENTAL IMPACT IDENTIFICATION AND EVALUATION FORM

ENVIRONMENTAL IMPACT INDICATOR AREAS/ENVIRONMENTAL CONSIDERATIONS*

A. Land Use

1. Changing the character of the land through:	
a. Land Clearing	N
b. Construction (roads, buildings, piping)	M
c. Extraction of minerals/natural resources	N
d. Creation of deposits of unwanted materials (waste spoils)	L
2. Alteration of natural barriers (dunes, marshes)	N
3. Foreclosing important future uses	N
4. Potential for endangering populated areas	N
5. Other factors: None	

B. Surface and Ground Water

1. Effects on Quality	
a. Introduction of industrial pollutants	N
b. Introduction of agricultural pollutants	N
c. Introduction of urban/sewage wastes	M
d. Introduction of biomedical wastes	N
e. Potential for transnational impacts	N
2. Effects on Quantity	
a. Changes in water flow rates	N
b. Increasing probability of floods	N
c. Potential for changing demand/supply relationship	L
d. Potential for transnational impacts	N
e. Potential for evaporation losses	N

C. Air

1. Potential for increased NOx, SOx, HC, CO2/CO emissions	L
2. Potential for increased particulate emissions	L
3. Potential increase of noxious odors, vapors, pathogens	N
4. Noise pollution	L
5. Other factors: None	

* N = No perceived environmental impact
L = Little environmental impact
M = Moderate environmental impact
H = High environmental impact
U = Unknown environmental impact

D. Energy

1.	Potential for increased energy demand	L
2.	Use of renewable energy sources	N
3.	Plans for energy efficient/conservation	N
4.	Other factors: None	

E. Coastal and Marine Resources

1.	Introduction of biological/chemical pollution	N
2.	Introduction of agricultural runoff	N
3.	Mineral extractions	N
4.	Impacts on fish/shellfish harvests	L
5.	Potential for algal blooms	N
6.	Potential for erosions (wind, sand, water)	N
7.	Other factors: None	

F. Biota

1.	Introduction of exotic/pathogenic organisms	N
2.	Destruction/alteration of critical habitat	N
3.	Potential for impact to endangered species	N

G. Antiquities Protection

1.	Potential for harm to historic sites	N
2.	Increased access/use of historic sites	N

H. Pesticide Use

1.	Will Pesticides be used?	NA
	a. Are they USEPA registered?	
	b. Are they "Restricted-Use", Canceled, or under "Special Review"?	
	c. Are complete plans in place to train and fully protect applicators?	
2.	Impacts on wildlife and aquatic organisms	NA

I. Other Possible Impacts

1.	Potential for overloading existing municipal services	
	a. Drinking water supplies	L
	b. Sewers/Sewage Treatment Facilities	L
	c. Electricity	L

Prepared by: Anne E. Patterson, ANE/DR/ENR Date: 10/30/93

Project Location: Gaza and Jericho

Project Title/ID: Gaza Housing and Infrastructure Program

ANNEX E

The PADCO Report entitled, "Gaza/Jericho Rapid Start Housing Program," (PADCO, Washington, D.C.; Oct.-Nov. 1993) is hereby incorporated as Annex E to the GHP Project Paper by reference (as of the time of PP completion, the PADCO Report was still in draft form). Copies are available in ANE/NE/DR.

USAID RAPID START HOUSING PROJECT
FOR GAZA AND THE WEST BANK

REVIEW OF ENGINEERING AND IMPLEMENTATION ISSUES

Prepared by
CENTER FOR FINANCIAL ENGINEERING AND DEVELOPMENT

November 1993

Draft Report

15

Introduction

The detailed scope of work for this review, including elaboration on the scope and specific guidance from AID/W, are included in this report as ANNEX 1. The scope includes 7 specific tasks and an eighth one which provides for general assistance as may be needed. Following is a brief statement of the substance of each task, and how that task was carried out, for easy reading.

1. Review construction plans, specifications and cost estimates and suggest modifications until these are ready for bidding.

I reviewed the plans, specifications, bill of quantities, and cost estimates for the first six buildings to be constructed at the Jabalia housing site in the Gaza strip and which are called "Karama Towers." The different components of the bid package had been prepared by different firms. The construction plans had been completed by the architect Mohy Farra of Gaza. Farra and his team, which included structural, electrical, mechanical, and sanitary engineers, had won the competition held by the Palestine National Council (PHC) for the design of the 13 buildings at the Jabalia site.

I reviewed the plans immediately upon my arrival and compiled a list of suggested modifications to be incorporated to provide sufficient detail suitable for bidding. This list is shown as Annex 2. I also made spot checks of the structural adequacy of concrete columns, beams, floor slabs, and spread footings (foundations) based on accepted minimum requirements stipulated in codes, e.g. the minimum area of reinforcing steel required as a percentage of the total cross-sectional area of a column. In each case, I found the sections adequately designed. The Palestinian engineers I consulted with told me that there is no seismic requirements in the West Bank and Gaza, and doubted that there are in Israel, for nine story buildings. Because of the limited time available, I could not investigate this matter further. I did mention it to Dr. Rami Abdulhadi, head of Center for Engineering and Planning (CEP), whose firm had assisted the PADCO team, and will continue to provide the AAOs with engineering support for the short term, and he promised to look into it before the plans are finalized.

One of the engineers of CEP, Daoud Abu-Ghannam, and I also marked a set the plans with a red pencil where such marking was more clear than the written word. I also found out that the PADCO team had given the architect a three page list of suggestions to improve the plans. PADCO's list, however, focused more on conceptual design modifications that would have resulted in some savings (e.g. a rectangular instead of circular fire escape staircase, three exposed walls instead of four, etc.)

76

The Regional Contracting Officer (RCO) Ken Kennedy, FSN (Morocco) Taher Barrata, Salah Sakka, the USAID engineer in Gaza, and I met with the architect and some of his team on 11/15/93 in Jerusalem at the offices of the PHC. The chairman of the PHC, Dr. Ibrahim Shabaan, also attended the meeting. The purpose of the meeting was to review the status of the architect's agreement with PHC after he had won the competition. (We also discussed the direct USAID contracting mode during this meeting about which the PHC had some reservations.) We found out that the architect's team had been entitled to a contract as follow-up to the competition in order to finalize the plans. The contract was valued at $63,000 and nothing had been done about it and provide architectural services during construction. The architect's team had been reluctant to continue with the development of the plans because the PHC did not have funding for their contract. The RCO stated that USAID would consider funding the development of the plans, subject to the approval of the AAO/Gaza. The architect agreed to proceed actively with developing the plans further until they become suitable for bidding.

We made an appointment with him and his team to meet in Gaza on 11/18/93 and go over the plans sheet by sheet to incorporate our comments. The RCO, Ken Kennedy, Daoud and I traveled to Gaza as planned and spent most of the day going over the plans. We also left behind the set of plans that we had marked in red for the architect team's reference. Daoud and I returned to Gaza on 11/22/93 to review the modified plans. We again met with the architect's team and found that the bulk of our suggestions had been incorporated in the plans. We suggested further refinements which the architect's team will incorporate by 11/26/93. Dauod is to follow up after my departure. With the inclusion of these minor refinements, I believe that the plans will meet USAID's requirements. (Discussion of the specifications and cost estimates is included in Task #3 below.)

2. Identify the source and origin of materials to be used in the construction of the first six buildings at the Jabalia site and determine the need for waivers. Also determine the practicality of importing materials from Jordan and Egypt, their value, and the advantages and constraints of such action.
Provide justification of waiving U.S. source and origin where applicable. (Israel is an eligible source and origin.)

1. Summary of Source and Origin of Materials: All materials to be used in the construction of the six buildings will be either manufactured in Gaza and the West Bank or in Israel. Based on my cursory investigation within the limited time available, the origin of these materials is either the West Bank, Gaza, Israel, Europe or other 935 countries. I understand that Israel imports raw materials for its factories such as aluminum ingots for window frames, copper for electric fixtures, steel ingots for reinforcing

steel, lumber for woodwork and so forth. It manufactures cement, paint, plastics, light weight construction bricks, and glass. The West Bank and Gaza manufacture stone, cement brick, floor tiles and some electrical fixtures. All of these materials have their source and origin in the West Bank and Gaza, Israel or code 935 countries. It appears that, with the exception of the elevators and related hardware, and the generators and related hardware, there would be no need for a waiver.

2. Elevators and Generators: These could attract U.S. suppliers. There are 12 elevators and 6 generators required for the first six buildings, with an estimated value of $600,000. It is doubtful that such a small package would attract U.S. suppliers directly, but it certainly would attract their agents in Israel, if these agents exist. I would therefore recommend that the source of these two items be Israel and the origin be the U.S. I did not have time to investigate whether elevators and generators manufactured in the U.S. are available in Israel.

3. Materials from Jordan and Egypt: I concluded that it would be possible to realize some savings if two construction items were imported from either Jordan and Egypt: cement and reinforcing steel. I computed the required cement and steel for the six buildings at the Jabalia site to be 4,500 tons of cement and 200 tons of steel. The prices of these two commodities are substantially less in the two countries than in Israel. For example, steel in Jordan costs about $255 per ton as compared with $485 per ton in Israel. Cement costs $70 per ton delivered to the site, and in Jordan it is about half that. There is a potential savings of about $100,000 if these two items were imported from either Jordan or Egypt.

But Israel does not permit the importation of these or any other materials into the West Bank and Gaza from Jordan or Egypt. To import them for the project would require the Embassy and the AAOs to approach the CIVAD for permits which could be time-consuming and could delay the project. Additionally, importing and storing these materials may be a cumbersome task for the PHC and could result in losses and damage while in storage. Another fact that argues against importing these commodities at this time is that most construction jobs in the West Bank and Gaza buy the concrete they need from Israeli companies. These companies design the mix, protect its integrity while in transit and assist in placing it. This is an efficient and economical method and I recommend that it be used for the first six buildings at least.

3. Assist the RCO in finalizing the bid packages and in obtaining a list of potential contractors.

1. Conditions of Contract and General and Particular Specifications: I reviewed three sets of specification and general

18

conditions prepared. The first set was prepared by the PHC in Arabic. The other two were prepared by the CD Middle East and by Technical Engineering and General contracting Company of Gaza (both in English). I reviewed the specifications proposed by the PHC using the other two sets as a reference. I found the PHC volumes complete and easy to follow, but lacked a few minor items that the other two sets contained. Daoud, the engineer from the CEP in Ramallah, the firm which will provide engineering back-stopping until the construction manager come on board, will incorporate these minor refinements to the contract conditions, general specifications and particular specifications. With these refinements by the CEP, these documents are complete and meet USAID's requirements.

2. Bill of Quantities: I reviewed the Bill of Quantities prepared by the PADCO team in collaboration with the CEP. I spot-checked a couple of concrete and masonry items and found the quantities accurate. I also made some minor editorials which were incorporated. I found, however, one major item missing, the generators that will provide standby power for the elevators and common areas of the first six buildings of the Jabalia site. Apparently there has been a question regarding including these generators in the bid package and, although the PADCO team mentioned the generators in their report, they did not include them in the Bill. I recommended that the generators be included in the upcoming construction contracts and that a place for them be identified on the plans, including a well-ventilated area for the storage of fuel. The cost of one 35KVA generator per building will increase the estimate by $25,000 per building, or a total of $150,000 for the six buildings. Otherwise the Bill is well organized and includes all of the materials that will go into the buildings. I believe that the Bill of Quantities meets the requirements of USAID.

3. Engineer's Cost Estimate: I reviewed the cost estimate prepared by PADCO and the CEP. I questioned the unit prices assigned some items when compared with similar or related work units. For example, the price of (structural) excavation and compacted back-fill were the same. In each case, Daoud, who had taken the lead in developing the estimate, allayed my concerns by showing me backup data and explaining the logic of a particular price level that may appear high or low. The prices included in the estimate conform to those unit prices used by the PHC in Gaza. The price of the generators and associated costs should be added to the estimate. With that, the engineer's estimate meets USAID requirements

4. Pre-qualification Questionnaire: I revised the standard USAID host country contracting questionnaire (from Handbook 11) to reflect a direct USAID contracting mode. Also ,I helped translate the questionnaire from English to Arabic, maintaining meanwhile the substance.

5. Construction Manager Draft RFP: I reviewed and provided comments to the RCO on the draft scope of work to be included in the RFP to be sent to potential construction management firms.

6. Scope and Budget for the Services of the Architect's Team: I developed a detailed scope of work and a budget estimate for the use of the RCO in securing the services of the architect's team to develop the plans further until they become suitable for bidding.

The remaining documents that will be included in each bid package are boiler-plate item that the RCO will provide. Harry Birnholz has asked the CEP to continue to provide engineering support to the RCO until the Construction Management Consultant is on board. I endorse this action and believe it vital to the successful completion of the project.

I discovered that the PADCO team had compiled a list of potential contractors for the housing project based on a list provided to PADCO by PHC. The list includes 33 contractors from the West Bank and Gaza. I believe that the list reflects the best available information at this time. I asked for an independent list from Salah Sakka from Gaza and he provided a list that contained many of the same names. PADCO's and Salah's lists are shown in annex 3.

4. Review the status of the site development contract.

I first approached the subject of plans and specifications for this contract in our first meeting with the PHC and with the architect's team. I found that nothing had been done. After consulting with the architect's team, and after thoroughly inspecting the site, I am of the opinion that there is no need for a site development contract for the Jabalia housing site because:

1. The site is relatively flat with a gentle slope and there would be no need for earthwork prior to the entry of the building contractors on the site.

2. There is a need for a retaining wall on the north boundary of site to extend partly into the east boundary, but constructing it before the building contractors come on the site may restrict their operations and the wall may be damaged during their work.

3. Access to the site exists. It is traditional in Gaza for contractors to worry about site fencing and security arrangements, and the Bill of Quantities includes a site preparation pay item for each of the building contracts. That should be adequate at this time.

In my judgement, it would make a lot more sense to award a finishing and landscaping contract later on when the building contractors complete their work. The retaining wall could be part

of the landscaping contract. The landscaping contract could also include paving of access roads and other work for which the need may become clear after the buildings are constructed.

I therefore recommend that the AAO/Gaza, after consulting with PHC, instruct the architect's team to stop working on such plans. This would give the RCO more time to devote to the building and construction management contracts.

5. Review the status of the well that is to be bored at the Jabalia Housing site to augment the city water supply.

In brief, nothing has been done toward boring this well. The PHC has a vague idea that USAID would be willing to fund such a well, but no one had taken the initiative to consult with the municipality, apply for permits, or do any planning at all. I recommend that the AAO/Gaza take this matter up with the PHC and urge them to begin planning for boring the well.

The modified Fixed Amount Reimbursement (FAR) method of financing may be a suitable way for sinking this well. I believe that the PHC would like this method where USAID would be out of the contracting process. A sizable advance, however, would have to be made to the PHC in order to begin work in order to relieve their liquidity situation.

I inquired about the costs, and found, based on recent experience in the Gaza Strip, that such a well would have to be sunk to the depth of about 80 meters at a cost of approximately $100,000. Pumps, wiring, standby generators and a transformer would cost an additional $130,000. The pump house and other civil works would cost an additional $70,000 or a total of $300,000. I consulted with the AAO/Gaza regarding the ability of the PHC or the Municipality of Jabalia to provide a local contribution toward sinking the well. He was of the opinion that neither had resources at the levels needed.

I, therefore, recommend that USAID fund the total amount of $300,000 in order to insure the well will be sunk before the buildings are completed.

6. Review the management and administrative capabilities of implementing agencies based on PADCO's report.

I reviewed the relevant chapters and annexes of the PADCO report in order to determine the management and administrative capabilities of the respective implementing agencies:

1. PHC: The PADCO report does not include an institutional Analysis of the PHC nor an organizational chart. Although the RCO did share

an organizational chart of PHC with me, it is not clear how many of the positions on the chart are currently filled and how many of the positions are part time positions. I did not have adequate time to seek the information needed to conduct even a cursory review of the PHC's capabilities. I have the impression, however, from talking with some of the PHC's engineers in the field and the brief meeting with its leadership, and from being exposed to its program, that the PHC has the management and administrative capability to implement its project.

2. The Gaza Community Mental Health Cooperative (GCNHC): The PADCO report states that the GCNHC is yet to be established as a cooperative. The report recommends an extensive technical assistance (TA) package to the GCNHC to help it establish itself as a legal entity, set up management, operational and maintenance systems, set policy and implement it. In addition to engineers and architects, the TA package would include a contract specialist, a contract manager, and a cooperative development specialist. It is not clear whether the GCNHC has any permanent staff or with whom such a team of engineers and TA specialist would work. I believe that the GCNHC lacks the management and administrative capability to implement its $2.0 million housing program.

3. The Jericho Suburb Cooperative Housing Society (JSCHS): The PADCO report contains descriptive analysis of the JSCHS. It was established in 1960 and has had its ups and downs since then. The weak point of the JSCHS seems to be the lack of resources to improve infrastructure, particularly water, but it has obtained a permit to dig a well. Its membership pays $100 a year to repair its roads. I believe that the JSCHS has the capability to implement its $569,000 infrastructure improvement project.

4. Community Development Organizations in Nusseirat and Jabalia: The institutional structure of the implementing agencies for the Neighborhood Upgrading program (NUP) in these two areas is not clear in the PADCO report. UNRWA, the Village Councils, the Nusseirat and Jabalia Municipalities, and Community Organizations would play a part in selecting hardship cases that would be given priority and in implementing the work. Close coordination between these organizations would be required. The PADCO report recommends a sizable TA package that includes, in addition to architects engineers and planners, legal experts, community relations development specialists, contract managers and work supervisors. It is not clear who would be the counterparts for these TA personnel. I believe that the roles of the different players need to be clarified before the NUP could be implemented.

7. Check and comment on the PADCO implementation schedules.

1. The PHC's first six buildings in Jabalia: The report projects that the invitation for bids (IFB) would be issued to pre-qualified

contractors by 1/15/94, contracts would be awarded by 2/1/94, and contractors would be mobilized and working by 3/15/94. By contrast, the RCO and I projected a slightly more ambitious schedule where the IFB would be issued to pre-qualified contractors by 12/22/94, bids would be received by 1/20/94, analysis of bids completed and contracts awarded by 1/26/94, and contractors mobilized and working by 2/15/94. I believe these are ambitious schedules, and persistent follow-up with the PHC would be needed to avoid slippage. The PADCO report projects substantial completion by 6/30/94. I believe that USAID should not realistically expect that this target would be met, but the target date should remain as is in order to introduce a sense of urgency and avoid unreasonable slippage.

2. Private Housing Program in Gaza: The PADCO report projects that the Gaza (mental health workers) program would start by mid-1994, but the report is silent on the time for completion. I believe that the target starting date is too ambitious; the report includes a long list of demanding actions that would have to be accomplished in the next six months. Based on my limited exposure to the proposed activities, I believe it would take substantially longer, perhaps a whole year, to complete these tasks. Intensive follow-up by USAID and the PHC will be required.

3. Private Housing Program in Jericho: PADCO projects that it would take three months to prepare the bid package and select a construction contractor, and an additional 10 months to complete construction. Because the infrastructure package is rather modest and straight forward, I believe this schedule is reasonable.

4. Neighborhood Upgrading Program: The PADCO report projects completion of infrastructure upgrading plans would be completed by 6/30/94 and actual upgrading of infrastructure in the two target areas, Nusseirat and Jabalia, would be completed by 3/31/95. Simultaneously, rehabilitation plans for dwellings would begin 3/15/94 and rehabilitation would be completed by 10/31/95. I believe that these projections are rather ambitious and probably not achievable even with intensive follow-up by USAID because of the institutional arrangements of this project.

ANNEX1

HASAN A. HASAN SCOPE OF WORK
WITH NOTES FROM THE BRIEFING MEETING IN AID/W

The scope consists of eight tasks. Guidance from the AID/W briefing meeting was that if time was not enough to carry out all tasks, then to carry the tasks in the order of priority listed below:

"Consultant shall provide an engineer experienced in USAID construction procedures including contracting, construction management, inspection monitoring and reporting to assist the Regional Contracting Officer (RCO), the AID/AAO/Gaza and the AID/AAO/Jerusalem in developing the final construction contracting and monitoring plans.

Background: A PADCO team is presently preparing a report which will identify housing projects in Gaza and the West Bank that could be initiated immediately. after reviewing the PADCO team concept paper, the Bureau has decided to finance four major projects in the fiscal year as per the attached list. All these activities will be implemented using the direct USAID contracting mode except for the loan/voucher system program which may be implemented under a cooperative agreement with a U.S.-based PVO. The target date for initiating construction for the PHC component is February 1, 1993.

TASK #1

Text:
"Review architectural and engineering plans, specifications and general conditions of contracts for the Palestine Housing Council (PHC) component consisting of 6 blocks of apartments, each 9 stories high, to be on a site in Jabalia, Gaza Strip. The documents have been prepared by the PHC. Preliminary architectural plans and specifications have been reviewed by the PADCO team, therefore, the consultant's main responsibility is to confirm whether the plans have sufficient details to proceed to contracting now, if they require more detail, how long would it take the PHC to complete them?

(a) Review structural drawings to assure structural soundness including capability to withstand earthquake forces normally experienced in the region.

(b) Review electrical and mechanical drawings.

The above review should be in sufficient details to meet USAID requirements for the approval of plans and bid documents. Any deficiencies identified shall be discussed with PHC and the report should note actions the PHC would take."

Notes and elaborations:
--assure reasonableness of construction packages; is proposed two contracts, three buildings each, reasonable? Is three buildings too much given the capacity of local contractors?

-- Construction to begin on 2/1/94; do everything possible to meet that target date.

-- Pre-qualification of contractors is going to be the way to go; help begin the pre-qualification process as soon as possible.

-- Sit with PADCO in order to se what they plan to produce in terms of bidding documents.

-- Help define role of PHC given that the AID/W Core Group had decided on the direct AID contracting mode for construction.

-- Keep in mind that the construction management firm will be also a direct AID contract.

-- Also check the reasonableness of the engineer's cost estimate(s).

TASK #2

Text:
"Identify the source and origin of materials to be incorporated in he the buildings, including their value, for each component of the project. Identify materials which are normally imported from Israel and the origin of materials imported from Israel that do not meet USAID's source/origin and componentary rules. Recommend the source and origin of the materials that do not meet the USAID rules (U.S. is the preferred source but if other code 935 countries are desirable sources (e.g. availability of services or spare parts in Gaza/West Bank or Israel) then provide detailed justification for a waiver of USAID's source and origin rules.

(a) If Jordan is made an eligible source for materials, identify materials (including their value) which would be competitive with materials from Israel source assuming normal business practices of importers in Gaza and West Bank. Identify any special concessions (such as imports of goods without duty or taxes) required.

(b) If Egypt is made an eligible source for materials, undertake the analysis described in (a) above."

Notes and Elaborations:
-- Source and origin of materials: Israel is an eligible source, distinguish between what is Israeli source and origin and what is Israeli source but 935 origin.

-- For possibility of making Jordan eligible source of materials, identify possible materials, their cost and potential cost savings, and the constraints to importing such materials from Jordan, e.g. permits from CIVAD. Materials include cement, rebar, hardware fixtures, electrical components, etc. Identify which materials Israel permits to be imported from Jordan in the normal course of events and how these may be utilized in the project.

-- Do the same thing for Egypt.

TASK #3

Text:
"Assist USAID Regional Contracting Officer (RCO) in finalizing contract documents for the PHC component as requested by the RCO.

(a) If requested by the RCO assist in finalizing Pre-qualification Questionnaire for construction contractors and in the review of completed forms if they are received prior to Nov. 24. If they are delayed, review capabilities of contractors in West Bank and Gaza (eligible contractors) based on information available with PHC and other organizations such as Municipalities, UNDP, United Nations Relief and Works Agency in Gaza and Jerusalem or any other sources (to the extent that the organizations would share the information) and identify potential contractors for the PHC components.

(b) Review capabilities of contractors for site and services for at the Jabalia site and other components and identify potential contractors for other components."

Notes and Elaborations:
-- Informal survey of contractors to see if there are enough large contractors in Gaza and West Bank to handle three buildings each at Jabalia site. (Israeli firms can't be prime contractors.) Ask all prime contractors to list their subcontractors. If enough Israeli, Jordanian, and Egyptian subs appear on the primes' lists, then they may have to be included.

-- See if the PHC has a qualified list of contractors for construction and also for site development and preparation.

TASK #4

Text.
" Review the status of the plans for the site and services contract at the Jabalia site. If PHC cannot complete the design in a timely manner, recommend a mechanism for completing the design and bid documents including specifications."

Notes and Elaborations:
-- If PHC is not able to complete plans within time-frame, ideas for helping them complete them on time.

TASK #5

Text:
"Review the status of drilling a water bore hole in Jabalia to augment the water supply to the PHC housing site. It is vital that the bore hole is drilled as soon as possible to assure adequate water supply when the buildings are completed. Recommend an appropriate mechanism for USAID's financing of the construction. (e.g. if PHC and the Municipality plan to undertake the construction, should USAID use the fixed amount reimbursement mechanism for disbursing the funds?)"

Notes and Elaborations:
-- Need adequate water supply. USAID has $200,000 budgeted for the well. How could Municipality handle? Can they contract? Can PHC contract? Can we use the FAR method?

TASK #6

Text:
"Review the management and administrative capacities of the sponsoring agencies as required by the RCO.

Notes and Elaborations:
-- Review what PADCO has done in terms of institutional analysis of the institutions that will implement the Private Housing Program and the Neighborhood Upgrading Program.

TASK #7

Text:
"Prepare implementation schedule for starting construction for three activities identified in the attachment."

Notes and Elaborations:
-- Review what PADCO has done, if disagree then just put in report.

TASK #8

Text:
"Provide other engineering/construction assistance as time permits to the AAOs and the RCO."

COMMENTS ON THE PLANS ANNEX 2

A. GENERAL COMMENTS

1. Number and title all sheets--a list of the titles and numbers of all drawings in the package shown on the first or second sheet of the set.

2. The following sheets should be added to the plans:

a. A topographic map of the site with existing and finished contours.

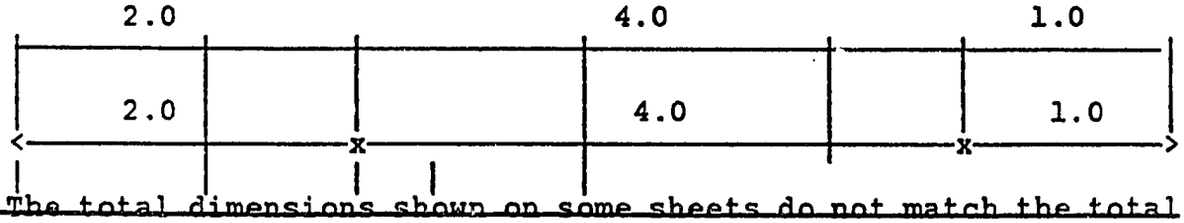
b. A sheet showing all borings and boring logs taken by Beir Zeit University. Such a sheet should include a clear note that the subsurface information shown is being provided to the contractors as received from the University and that the owner cannot guarantee accuracy.

c. A sheet showing the location of the site within the cities of Gaza and Jabalia. The site falls within the city of Jabalia, at the Gaza city line and access to it is through Gaza.

d. A sheet showing a glossary of terms, symbols and abbreviations used on the plans. For example the symbol shown for floor elevations could be confused with the locations of borings. The abbreviation "G.R." is used on the plans to indicate "guest room" on sheet #1-8-A4 and to mean "guard room" on sheet #A3. Other abbreviations used that raise a question include S.H., T.B., M.D.P.E., and G.S.H. Including such a sheet would provide an easy reference and would avoid confusion.

3. All lines shown on the plans have roughly the same consistency so that the lines indicating edges of buildings, dimensions, grids, and even individual parking space limits appear the same. Please vary the consistency of the lines so that they would be distinguishable from one another.

4. Dimensional lines do not appear to have limits (see the upper line below); please correct all dimensional lines to indicate the distances that correspond with the figures (see lower line below):



5. The total dimensions shown on some sheets do not match the total of the smaller dimensions that the larger dimension includes. For example, sheet #A3, the total dimension at the bottom of the sheet is shown as 31.2 meters and yet when the smaller dimensions included within the 31.2 are added they total 31.0 meters. Another example is sheet # 1-8-A4; the smaller dimensions between the grid

lines B-C add up to 3.4 meters but the over-all dimension is shown as 3.5 meters. Similarly between grid lines D-E. Please review all dimensions on all sheets to assure consistency between dimensions.

6. Where plans, sections and details are typical for all six buildings please so indicate.

7. Please cross-reference sections and details taken on one sheet but shown on another sheet, e.g. for section A-A please see sheet 15. For example, all windows (W1, W2, W3, etc.) and doors (D1, D2, D3, etc.) are marked on sheets #1-8-A4 and #AR4, but all window and door details are shown on sheet #A8. But there is no indication on sheets #1-8-A4 and #AR4 that the details are on sheet A8 and vice versa. Another example, on sheet #A5 detail C is identified but is not shown nor referenced.

8. Please show all column and beam reinforcing details, including typical cross sections for all floors, together on one sheet instead of on different sheets.

B. SHEET-SPECIFIC COMMENTS

1. Sheet #A2: The elevations on the bottom floors shown on sheet #A2 indicate a fill section. This implies either that the spread footings (foundations) are going to be placed on fill sections, or that there would be long columns and substantial fill, the deepest about four meters, under these slabs. All foundations are to be placed on undisturbed earth. Ground floor slab elevations on this sheet should be adjusted downward to indicate the finished floor elevations roughly at existing elevations. All (deep) fills are to be eliminated.

2. Sheet # A2: All septic tanks and leaching pit locations should be shown on this general plan sheet.

3. Sheets #A5 and #AR5: Concrete thickness dimension is not shown on detail "E."

4. Sheets #A6-BB and #AR6-BB: "Section H" on both sheets should be labelled "Detail H" instead. The detail is of the fire escape. It should be so marked and all of the elements identified.

5. Sheet #A8: This sheet should be titled "Window and Door Details" instead of "Details." Also many sections are shown but are not marked-although some are obvious because of their location, others are not. Please identify all sections. Also "Detail I" is marked but not shown nor referenced. Please correct as necessary.

6. Sheet A9: Section 1-1, it is not clear if this section is taken from the kitchen plan or not. Please indicate by adding the arrows

to show the direction of the section and mark them 1-1. Also, the details of the kitchen are shown to the same scale as the general plans (1:100). Instead, the details should be shown to a larger scale, e.g. 1:20.

7. Sheet #A11: Change name of this sheet to read "Expansion Joint and Retaining Wall Details" to reflect what is shown on the sheet. Also, the dimension showing the height of the retaining wall is marked "varies"-should add "not to exceed ... meters" in order to avoid interpreting "varies" to mean "unlimited."

8. Sheets #C2 and #CR2: Details of the fire walls and elevator shafts are crowded, confusing, and hard to follow. The reinforcing steel details for the foundation (marked F3) and for the walls are shown in too small a scale. Please redo this sheet to provide clear and adequate detail.

9. Sheets #S1 and #SR1: These sheets should be renamed "Ground floor Drainage Plan" instead of "Drainage Layout" and should show all finished contours. Also should show details of storm water and wastewater lines. Water supply lines should be clearly indicated and distinguishable from wastewater lines.

10. Sheets #S2 and #SR2: The drainage details should include more information such as distances between manholes, slopes of drainage lines, and similar details.

11. Sheet #S4: This sheet, which contains typical septic tank and leaching pit details, should include more information as per Fred Zobrist's sketch and recommendations.

12. Sheet #E2: The typical apartment will have two air-conditioning outlets and two TV antenna outlets. Perhaps one outlet per apartment would be adequate. Also the guest "eastern" bathroom does not have an electrical outlet; it should have at least one.

13. Standby Generators: The location of the standby generator for each building is not shown on the plans. It should be located on the ground level of each building in a closed area near the main switch of the city's incoming power supply. An automatic switching mechanism should included. A well-ventilated fuel storage area for the standby generator should be shown.

14. Mechanical Plans: The plans contain no mechanical details to speak of. Even the elevators are not shown or mentioned on the plans. Mechanical details to the extent required for the guidance of the construction contractor should be provided.

90

ANNEX 3

LIST OF QUALIFIED CONTRACTORS FOR PHC HOUSING PROJECTS PREPARED BY PADCO

1. Ahmad Hassan Abu-Dughaim
2. Arabic Company for General Contracting
3. Mushtaha and Hassunah for Trading and Contracting
4. Keshta Specialty for Construction and rehabilitation
5. Jaffa Engineering Office
6. Abu-Laila for Contracting and Tiles Manufacturing
7. Abdullah Ali Alfarra
8. Office of Architectural Engineering and Contracting
9. Shakhsa and Sons Limited
10. Mohammad Nafeth Abu-Zaida
11. Arabic Construction Company
12. Kamel Hamdan for Contracting
13. Al-Ashqar for Contracting and Architecture
14. Masood and Ali for Engineering and Contracting
15. Tahya Sons
16. Engineers Company for Industry and Trading
17. Shehada for Contracting and General Trading
18. Al-Thafer Company for Contracting and General Trading
19. The Golden Company for Contracting and General Trading
20. Al-Aqsa Company for Contracting
21. Al-Arab Contractors Company
22. Mohammad Khalil Al-Yazouri for Contracting
23. Al-Majayda Company for Construction and Rehabilitation
24. Abu-Wardeh Company for Contracting
25. Abu-Samak Company
26. Asia Company for Engineering and Contracting
27. Ibrahim Muhanna Company
28. Sami Daoud Contracting Company
29. Reihan and Abu-Dayyah Company
30. Washah Contr cting Company
31. Maghari Contracting Company
32. Ali Hussein Company for General Contracting

LIST OF GAZA CONTRACTORS PROVIDED BY SALAH SAKKA

1. Mushtaha and Hassunah Co. (on PADCO list)
2. Sakka and Khodary Co.
3. Osama Al-Khodary Co.
4. The Golden Contracting Co. (on PADCO list)
5. Omar Muhanna and Co.
6. Aamer Muhanna and Co.
7. Sakka and Zummo Co.
8. Arab Construction Company, Hatem Abu-Shabaan
9. General Construction Company, Abdul-Aziz Muhanna
10. Jawad Shehab
11. Jawad Khail
12. Mohammad Wishaa
13. Abdul-hakim Ismael
14. Abdul-Nasser Diab

ISAID

NCY FOR
ATIONAL
OPMENT

DEC 02 1993

ACTION MEMORANDUM FOR THE DIRECTOR, OFFICE OF PROCUREMENT, FA/OP

FROM: Dennis M. Chandler, Special Coordinator
for the Middle East Peace Process, ANE Bureau

SUBJECT: West Bank/Gaza Strip: Gaza Housing Project
(Project No. 294-0006)
Justification for Other than Full and Open Competition

ACTION REQUEST: That, based on the justification set out below for other than "full and open" competition, you approve procurement from a limited number of sources of certain design, construction management and construction services, all necessary for successful implementation of the Gaza Housing Project (GHP).

BACKGROUND: The Declaration of Principles (DOP) signed between the State of Israel and the Palestinian Liberation Organization (PLO) on September 13, 1993 set in motion a five-year transition to "a permanent settlement" of the PLO/Israeli conflict. This transition has come to predominate events of the Middle East Peace Process (MEPP), which began in Madrid about two years ago. he USG hosted the DOP signing ceremony in Washington and ubsequently has been a leader in the effort to marshal nternational donor assistance to support the MEPP, which esulted in the pledging by the international community of about $2.1 billion in development assistance to the West Bank/Gaza (WB/G) over the five-year transition period.

During the process of establishing the parameters of international support to the MEPP, the U.S. joined others in the donor community in making commitments with regard to the nature of their supporting assistance. Thus it was mutually agreed that, in general, such assistance should have a direct effect in improving the living conditions of Palestinians in the WB/G, should manifest this effect in the shortest possible time and should employ Palestinians to the maximum possible extent. The judgment that assistance to the housing sector would provide USAID the best potential for fulfilling these commitments vis-a-vis the nature of USG assistance was among a number of considerations (detailed elsewhere) which led to a decision to emphasize the housing sector for USAID's MEPP support program, at least during its initial phase. The President has made explicit commitments that USG assistance to support the MEPP would be

93

initiated in the shortest possible time and has directed that appropriate steps be taken by USAID (and others involved) to fulfill these commitments.

In response to these decisions, the ANE Bureau, in cooperation with the Office of Housing and Urban Programs in the PRE Bureau, has in recent days completed design of a $45 million, five-year housing sector program designed to provide rapid assistance to the Palestinian Housing Council (PHC) to attack the WB/G's most immediate housing problems. Major components of this program are construction of 416 apartments in Jabalya Municipality (Gaza), private sector housing construction in both Gaza and the West Bank, improvements to existing dwellings, and upgrading of sites and services. It is estimated that $35 million of the total $45 million program will be used directly for housing construction.

The current, FY 1994 program includes five major "start activities" comprising the subject Gaza Housing Program (GHP). The Bureau has developed an implementation plan for the GHP which we believe will permit groundbreaking by February 1, 1994 for its initial and most significant and visible activity, namely, the construction of 192 apartment units (part of the 416 units discussed in the previous paragraph) having an estimated construction cost to USAID of $7.2 million. This initial activity will be followed by commencement of the remaining GHP activities as shortly thereafter as possible (the GHP Implementation Plan is Attachment 2 to this memorandum).

DESCRIPTION OF SERVICES REQUIRED:

USAID-financed construction of 192 apartment units in Jabalya Municipality in the Gaza Strip for PHC will require up to six procurement actions (contracts). After careful consideration of all relevant factors, ANE decided that all procurements will be through direct USAID contracts[1]. Following is a description of the anticipated service contracts for (a) construction services, and (b) design/construction management:

-- Construction of 192 Apartment Units. Activities will include all those required to complete the units according to designated plans and specifications (provision will be made for the possibility of approved subcontracting). Contracts will be for local procurement (West Bank/Gaza Strip). Total estimated cost for 192 units is $7.2 million. Considerations of the need for earliest possible completion

[1] A fundamental consideration is that, as yet, there is no Palestinian entity in place with the necessary experience and capability to undertake the procurements and monitor the activities through the host country contracting mode.

and local construction contractors' capabilities led to plans for four contracts (two for single apartment blocks of 32 units each, estimated to cost $1.2 million each and two for double apartment blocks -- total of 64 units each -- costing an estimated $2.4 million each).

-- Provision of Construction Management Services. Activities will involve a wide gamut, ranging from review and approval of designs and contracting documents through supervision of contracting activities and recommendations to PHC and USAID on acceptance of completed work. Contractor will serve in an advisory capacity to PHC and will endeavor to impart maximum training possible to PHC staff. Single contract will be to a U.S. firm on a cost-plus-fixed fee basis. Total estimated cost is $3.5 million.

REQUEST AND JUSTIFICATION FOR WAIVERS

In order to allow implementation of the above-described GHP activities in the most expeditious manner possible, the following waivers of "full and open competition" as normally required per FAR 6.101 are hereby requested:

(1) Design and Construction Management Services. In order to ermit the start of construction activity by February 1, 1994, it s necessary to have a design engineer/construction manager under ontract and mobilized by early January of 1994. (The role of he design/CM firm will be to review specifications and then to eview bids submitted by construction companies.) Time is learly too short to permit the normal waiting period[2] for eceipt of proposals from all possibly interested engineering irms under "full and open" procedures. Instead, we propose to imit the competition to a fair number of capable U.S. firms with iddle East experience. In this regard, we have identified the ollowing six U.S. firms as meeting basic requirements: Black & veatch; Dalton, Dalton, Little and Newton; Louis Berger; Morrison Knudsen; Overseas Bechtel; and Stanley Consultants. (Attachment 1 is the Selection Committee's memorandum providing a detailed rationale and basis for the selection of six firms. It should be noted that the selected firm will be required to subcontract at least 10% of contracted work to Gray Amendment entities.)

(2) Construction Services. The analysis is similar. We are working against the political necessity of a start-up date of construction by February 1, 1994; see below. We are currently

---

[2] FAR 5.203 requires 15 days' notice prior to availability of the solicitation and, thereafter, 30 days for preparation and submission of proposals or bids.

95

working on an Invitation for Bids (IFB) document but do not expect this to be ready for release to pre-qualified construction contractors until approximately December 27, 1993. In this regard, the Bureau and the Regional Contracting Officer (RCO) in Amman, in order to gain time, have informally sought to pre-qualify Palestinian construction contractors for the near-term work (the four contracts to get underway in February); the Bureau has also requested that the RCO -- again informally -- seek to determine possible interest of a representative sampling of U.S. contractors active in Middle East construction works in bidding on this near-term work, either alone or in partnership with Palestinian firms[3]. In any case, however, we will need to have construction contracts signed by late January and this schedule cannot be met if we are held to the 45 day waiting period required under the Federal Acquisition Regulations[4]. Also, a U.S. firm would require more time for mobilization and this would make it practically impossible to meet the February 1 deadline (Attachment 2, GHP Implementation Plan, includes scheduled dates for completion of all activities).

For each of the above two categories, we offer the following justification, based on "unusual and compelling urgency", per FAR 6.302-2, for waivers of "full and open competition":

Given the importance to U.S. foreign policy (and regional peace) of the success of the MEPP, as reflected in the leadership position taken by the USG in supporting the MEPP and the President's commitments and directives concerning the U.S.' MEPP support program, and as reconfirmed by USAID Administrator Atwood in designating the WB/G Program as the Agency's highest priority, there exists an "unusual and compelling urgency" that the GHP, as a pre-eminent indicator of USG support to the MEPP, be implemented in the shortest possible time. Virtually all observers -- internal and external to the Middle East -- agree that failure to show significant actual improvement in the lives of Palestinians resident in the WB/G will markedly increase the chances for failure of the MEPP. Rapid implementa ion of the GHP, on the other hand, will represent a strong element of confirmation of U.S. resolve to follow through with its commitments to support the MEPP; conversely, any delay in its

---

[3] It is rare that U.S. construction contractors are interested in bidding on contracts valued at less than $5 million; see HB 11, Ch. 2, Sec. 2.5.2.4 (8). In this case, we are talking about two contracts, each valued at about $3 million. The requirement for expedited submission of bids as well as the fact that the work would be done in a new and unstable environment are further deterrents to serious interest on the part of the U.S. construction industry in these two procurements.

[4] See footnote 2 above.

96

implementation easily could be used as evidence of lack of U.S. resolve in supporting the MEPP, perception of which easily could contribute to its failure. Failure of the MEPP, in turn, would entail extremely serious injury to the overall interests of the U.S. Waiver of the FAR requirements for full and open competition[5] is for all these reasons necessary to ensure the most rapid initiation possible of the GHP.

We would emphasize that, although "full and open" competition would not apply to these procurements, we would nonetheless intend very significant limited competition procedures to apply; thus, as required by FAR 6.303-2(a)(7), the anticipated cost to the Government will be a "fair and reasonable" one. Further, we consider that the means described above to determine a reasonable "competitive universe" -- that is, knowledge of AID employees as supplemented by newspaper advertisements and other means -- constitute an appropriate "market survey"[6] for these procurements. We would also note our expectation that, other than the critically needed start-up procurements discussed herein, future procurements under this project will be subject to "full and open" procedures[7].

AUTHORITY:

For waivers of the FAR requirements concerning full and open competition, FAR 6.304(a)(2) states that the "head of the procuring activity" will be the approving official for procurements falling (as do all the procurements discussed above) in the $1 million to $10 million range. Pursuant to AIDAR Subpart 702.170-10, the Director of the Office of Procurement is "head of contracting activity" for this purpose[8]. For your

---

[5] In addition, pursuant to FAR 5.202 (a) (2), the normal "synopsizing" requirement of FAR 5.203, which ca[illegible] another 45 days to the procurement process, is inapplica[illegible] in cases of "unusual and compelling urgency" where the Gover[illegible]nt "would be seriously injured" were it to comply. The above justification clearly supports, in our view, the conclusion that "synopsizing" is inapplicable in this case.

[6] As defined at FAR 7.101, a "market survey" can range from formal to informal means of determining which sources can best meet the Government's needs for given goods or services..

[7] Reference: FAR 6.303-2 (a) (11).

[8] GC advises that the terms "head of procurement activity" and "head of contracting activity" are synonomous. It should also be noted that, under the same section of the AIDAR, the AID Affairs Officer in Gaza could technically be considered a "head of

91

information, we have cleared this memo in draft with the RCO/Amman who has executed and forwarded a certificate (Attachment 3) that to the best of his knowledge and belief the presentation is accurate and complete[9]; we and the RCO both agree that, should this memo be approved by you, it would acceptably meet, standing alone, the procedural standards of "requirements" per FAR 6.301-1 and "contents" per FAR 6.301-2. For your further information, and again assuming your approval of the waivers herein sought, we intend to seek from the Procurement Executive an ad hoc increase in the RCO/Amman's warrant (now limited to $1 million) of not to exceed $5 million per procurement to permit the RCO reasonable flexibility to carry out the above-described procurements, and to execute the resulting contracts, from the field.

RECOMMENDATION: That, by signing below, you concur in the above-proposed waivers of "full and open competition" on the grounds of "unusual and compelling urgency." Exercise of this authority would be subject to the condition that all covered procurements will be carried out through solicitation of bids or offers from as many prospective contractors as is practicable under the circumstances.

Approved: _____

Disapproved: _____

Date: 12-3-93

Attachments:
1. Memorandum of Selection Committee for Construction Management Contract
2. Gaza Housing Program Implementation Plan
3. Contracting Officer's Certification under FAR 6.303-2(a)(12)

---

contracting activity" for purposes of approving the waivers herein sought; however, since the WB/G program is, for now anyway, administered from AID/W, we believe significant actions such as those now proposed should appropriately be approved by an AID/W official.

[9] Reference: FAR 6.303-1 (a) (1) and 6.303-2 (a) (12).

West Bank/Gaza Strip Infrastructure Development Program
Gaza Housing Program (Project No. 294-0006)

Action Memorandum for Director, FA/OP: Request for Waiver

CLEARANCES:

M/FA/OP/B/HNE:	TBeans		Date: 12/03/93
GC/NE:	KO'Donnell		Date: 12/1/93
GC/CCM:	KFries		Date: 12/1/93
PRE/H:	MLippe		Date: 12/1/93
NE/DP:	TO'Keefe		Date: 11/30/93
NE/ME:	FMachmer		Date: 12/1/93
NE/DR:	SShah		Date: 11/30/93
NE/DR/ENG:	HBlank		Date: 11/30

Drafted by: GC/NE: KO'Donnell; NE/DR/MENA:ZHahn

[U:\ZHAHN\DOCS\GRSHP-WV.KO2]

Attachment 1

CY FOR
TIONAL
PMENT

November 29, 1993

MEMORANDUM

TO: Files

FROM: NE/DR/MENA, Herb Blank

SUBJECT: Gaza/Jericho Rapid Start Housing Program:
Selection of Construction Management Contractor

This memo documents the procedure used to identify and select a short list of Architect and Engineer (A&E) firms to conduct the construction management services for the Gaza/Jericho Rapid Start Housing Program. The draft scope of work for this activity is attached.

The project is being designed on a "fast track" with the intent of obligating funds in early December and commencing construction activities by the end of January. This schedule has necessitated a modification of USAID's normal procurement procedures.

Because of the limited time, advertisement was not possible. Rather, the procedure was to identify potential A&E firms from a list of firms having experience with USAID funded construction management of related work in the Middle East. A list was developed of firms having current or recent experience in Egypt and elsewhere in the Middle East with USAID funded contracts for construction management services for housing or other facilities.

Based on the foregoing criteria a list of 12 firms was prepared. This list was based on a review of Project Implementation Reports (PIRs) from the Egypt Mission and from the knowledge of committee members. Ten of these firms have experience in Egypt, 2 from elsewhere in the region. The committee then requested USAID/CAIRO to identify those firms, based on their performance, that they would recommend for consideration for the current procurement. Of the 10 firms with Egypt experience, the USAID Mission recommended three. The committee identified three additional firms which have relevant experience in the region.

The short-listed firms are the following:

Morrison Knudson
Overseas Bechtel
Black and Veatch
Stanley Consultants
Louis Berger
Dalton, Dalton, Little, Newton

Subject to approval of a waiver, the short-listed firms will be requested to respond to a request for proposals. A technical committee will then evaluate the proposals based on the technical evaluation criteria contained in the RFP.

Attachment 2

Revised 11/16/93

IMPLEMENTATION PLAN FOR THE GAZA HOUSING PROJECT:

ACTION	TARGET DATE	RESPONSIBLE OFFICER	REMARK
COSULTANT SCOPE OF WORK FOR PLANS AND MATERIALS	11/12/93	SHAH	CFED CONSULTANT ARRIVES JERUSALEM 11/13
ISSUE PREQUALIFICATION QUESTIONNAIRE FOR CONSTRUCTION OF PHC COMPONENT	11/19/93	KENNEDY	RECEIVE COMPLETED FORMS BY 11/29. COMPLETE REVIEW BY 11/30.
PREPARE CN	11/17	HOWELL/ STEIN	REQUIRE A HALF-PAGE PROJECT DESCRIPTION. CN SENT ON THE HILL - 11/18. CN EXPIRES 12/2
REQUEST FUNDS	11/15	DP AND ME	$22 MILLION
RECEIVE PADCO REPORT	11/19	LIPPE/ PATRICK	PATRICK DISTRIBUTES REPORT AND ARRANGES REVIEW BY WORKING GROUP ASAP (11/23)
PREPARE WAIVER FOR ADVERTISEMENT OF CONSTRUCTION CONTRACT IN THE U.S. AND A&E SERVICES FOR A CONSTRUCTION MANAGEMENT FIRM	11/19	SHAH/HAHN	
CORE GROUP REVIEWS REPORT	11/30	PATRICK/ HAHN	HAHN AND STEIN CONVERT REPORT INTO A PP
PP AUTHORIZED BY AA/ANE	12/2	SHAH/HAHN	
PREPARE PIO/T FOR CONSTRUCTION MANAGEMENT SERVICES	12/3	BLANK/ GISIGER	
PREPARE PIO/T FOR CONSTRUCTION SERVICES PHC HOUSING	12/3	HAHN/STEIN	

102

IDENTIFY 4 TO 5 U.S. A A & E FIRMS FOR CONSTRUCTION MANAGEMENT	11/18	BLANK	OTHER MEMBERS: MATHUR, HAHN, GISIGER, KUHN
ISSUE RFP TO PREQUALIFIED FIRMS	11/26	OP/KENNEDY	DEADLINE FOR RECEIPT OF PROPOSALS 12/21
COMPLETE REVIEW PROPOSALS	12/23	BLANK AND COMMITTEE	
CONTRACT NEGOTIATED WITH CONSTRUCTION MANAGEMENT FIRM	12/29	KENNEDY/OP	
ISSUE IFB FOR CONSTRUCTION OF PHC HOUSING	12/27	KENNEDY	
RECEIVE BIDS	1/22/94	KENNEDY	CONSTRUCTION MANAGEMENT ASSISTS IN THE REVIEW OF BIDS AND MAKES RECOMMENDATIONS FOR AWARDS
NEGOTIATE AND SIGN CONSTRUCTION CONTRACT	1/26/94	KENNEDY	
CONSTRUCTION OF PHC HOUSING BEGINS	2/1/94		
DRILLING OF BORE HOLE BEGINS			

Housing.004/11-16-93

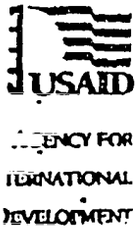
Attachment 3

SUBJECT: Contracting Officer's Certification Under FAR 6.303-2(a)(12) for Gaza Housing Project

The undersigned Contracting Officer hereby certifies that the justification for other than full and open competition, as contemplated by the Action Memorandum for the Director, Office of Procurement, FA/OP, from Dennis M. Chandler, Special Coordinator for the Middle East Peace Process, ANE Bureau, is accurate and complete to the best of my knowledge and belief.

Ceophus Kennedy
Regional Contracting Officer
December 2, 1993

ANNEX H



AGENCY FOR
INTERNATIONAL
DEVELOPMENT

FAA 611 (E) Certification

1) Gaza Housing Project:

The ANE Bureau, in cooperation with the office of Housing and Urban Programs in the PRE Bureau, has in recent days completed design of a $45 million, five-year housing sector program designed to provide rapid assistance to the Palestinian Housing Council (PHC) to attack the WB/G's most immediate housing problems. Major components of this program are construction of 416 apartments in Jabalya Municipality (Gaza), private sector housing construction in both Gaza and the West Bank, improvements to existing dwellings, and upgrading of sites and services. It is estimated that $35 million of the total $45 million program will be used directly for housing construction.

The current, FY 1994 program includes five major "start activities" comprising the subject Gaza Housing Program (GHP). Groundbreaking of the GHP is expected by February 1, 1994 for its initial and most significant and visible activity, namely, the construction of 192 apartment units in Jabalya having an estimated all-inclusive cost to USAID of about $10.9 million. This initial activity will be followed by commencement of the remaining GHP activities as shortly thereafter as possible.

A MOU between USAID and the Palestinian Housing Council (PHC), discussed below, in para 2, will be entered into covering maintenance and utilization of the GHP infrastructure. The PHC will act as the main channel/organization for the Palestinians with respect to housing. The PHC will, among things, receive custody and control of the completed GHP housing units, sell those units to deserving beneficiaries, ensure that all fees, taxes and other changes or costs are paid by the beneficiaries relating to the use of the housing and ensure that reflow funds from down payments and mortgage payments are maintained in a separate account to be used for additional units.

2) Emerging Government Arrangements:

The PHC, a registered NGO, is the counterpart implementing agency for this program. The PHC was created in 1991 to implement the USD 31 million EEC financed housing program. The PLO in a meeting held in Tunis on October 28, 1993, advised AID to deal with the PHC on all housing related

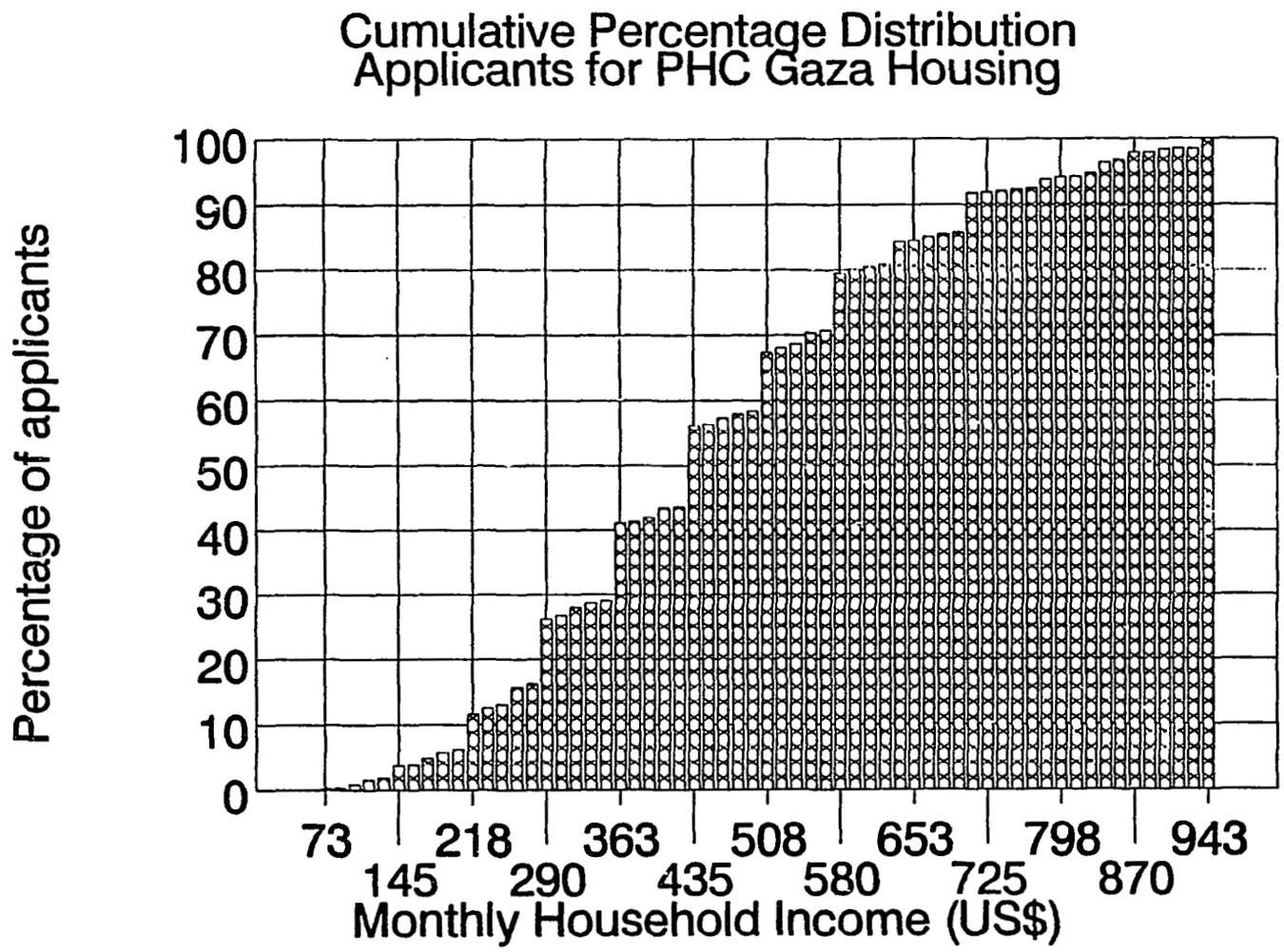
15

matters. The PHC is run by a volunteer executive board with a paid full-time managing director. The PHC may, in the medium term, be transfused in a quasi or governmental Palestinian Department of Housing.

3) Conclusion:

The infrastructure to be financed by USAID under the GHP stands a reasonable chance of being effectively maintained and utilized by the Palestinians.

Harry F. Birnholz
AAO, Tel Aviv
December 1, 1993


Cumulative Percentage Distribution
Applicants for PHC Gaza Housing
Percentage of applicants
100
90
80
70
60
50
40
30
20
10
0
73
145
218
290
363
435
508
580
653
725
798
870
943
Monthly Household Income (US$)

Gaza Housing Project

Income Profile of PHC Housing Applicants

Monthly Income (US Dollars)	Number of Applicants	Percentage of Applicants	Cumulative Percentage
$73 - $100	18	1%	1%
$100 - $200	89	5%	6%
$200 - $300	374	21%	27%
$300 - $400	303	17%	44%
$400 - $500	428	24%	68%
$500 - $600	232	13%	81%
$600 - $700	196	11%	92%
$700 - $800	36	2%	94%
$800 - $900	71	4%	98%
$900 - $943	36	2%	100%
Total:	1,782	100%	

Note: The above analysis is based on data provided by the Palestine Housing Council in Jordanian Dinars. An exchange rate of JD 1.45 = USD 1.00 was used to convert income figures into dollars. Numbers of PHC applicants in each income category are approximations based on analysis of graphical data.

U:\NEPUB\DOCS\PHCPROF.TBL