

Document of
The World Bank

Report No: NCO00001234

NOTE ON CANCELLED OPERATION
(P100568) (TF-57322)

ON A

GRANT

IN THE AMOUNT OF US\$ 10.0 MILLION

TO THE

WEST BANK AND GAZA

FOR AN

AVIAN AND HUMAN INFLUENZA PREVENTION AND CONTROL PROJECT

UNDER THE FRAMEWORK OF

GLOBAL PROGRAM FOR AVIAN INFLUENZA AND HUMAN PANDEMIC
PREPAREDNESS AND RESPONSE (GPAI)

September 30, 2009

Sustainable Development Department
Country Department 4
Middle East and North Africa Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective September 3, 2009)

Currency Unit = Israeli New Shekel (ILS)
3.79 ILS = US\$1.00

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

AI	Avian Influenza
FAO	Food & Agriculture Organization
GPAI	Global Program for Avian Influenza
HPAI	Highly pathogenic avian influenza
H5N1	Avian Influenza A-type virus
IDA	International Development Association
MOA	Ministry of Agriculture
MOF	Ministry of Finance
MOH	Ministry of Health
NCAIC	National Emergency Committee for Avian Influenza Control
NGO	Non Governmental Organization
NCO	Note On Cancelled Operation
PA	Palestinian Authority
PIU	Project Implementation Unit
POM	Project Operational Manual
PP	Procurement Plan
SA	Special Account
TFGWB	Trust Fund for Gaza and West Bank
UNDP	United Nations Development Program
WB&G	West Bank & Gaza
WHO	World Health Organization

Vice President: Shamshad Akhtar
Country Director: A. David Craig
Sector Manager: Luis Constantino
Project Team Leader: Lucie Tran
NCO Team Leader: Lucie Tran

WEST BANK AND GAZA
Avian and Human Influenza Prevention and Control Project

CONTENTS

Data Sheet

- A. Basic Information
- B. Key Dates
- C. Ratings Summary
- D. Sector and Theme Codes
- E. Bank Staff
- F. Ratings of Program Performance in ISRs

1. Context, Project Development Objectives, and Design.....	1
2. Post-Approval Experience and Reasons for Cancellation.	4
3. Assessment of Bank Performance	9
4. Assessment of Borrower Performance.....	10
5. Lessons Learned.....	11
Annex 1. Bank Lending and Implementation Support/Supervision Processes.....	12
Annex 2. List of Supporting Documents	14

MAP

A. Basic Information			
Country:	West Bank and Gaza	Project Name:	Avian and Human Influenza Prevention and Control Project
Project ID:	P100568	L/C/TF Number(s):	TF-57322
NCO Date:	09/01/2009		
Lending Instrument:	Emergency Recovery IDA Grant	Borrower:	The Palestine Liberation Organization (PLO) for the Benefit of the Palestinian Authority (PA)
Original Total Commitment:	US\$10.0 Million	Disbursed Amount:	US\$0.34 Million
Revised Amount:	US\$10.0 Million		
Environmental Category: B			
Implementing Agencies:			
Ministry of Health (MOH); Ministry of Agriculture (MOA)			
Co-financiers and Other External Partners:			

B. Key Dates				
Process	Date	Process	Original Date	Revised / Actual Date(s)
Concept Review:	05/11/2006	Effectiveness:	02/14/2006	03/14/2007
Appraisal:	07/24/2006	Closing:	01/31/2009	03/31/2009
Approval:	09/07/2006			

C. Ratings Summary	
Performance Rating by NCO	
Outcomes:	N/A
Risk to Development Outcome:	N/A
Bank Performance:	Moderately Unsatisfactory
Borrower Performance:	Unsatisfactory

D. Sector and Theme Codes	
	Original
Sector Code (as % of total Bank financing)	
General agriculture, fishing and forestry sector	5
General public administration sector	60

Health	31	
Other social services	1	
Solid waste management	3	
Theme Code (as % of total Bank financing)		
Natural disaster management	25	
Other communicable diseases	25	
Pollution management and environmental health	13	
Rural services and infrastructure	24	
Social risk mitigation	13	
E. Bank Staff		
Positions	At NCO	At Approval
Vice President:	Shamshad Akhtar	Christiaan J. Poortman
Country Director:	A. David Craig	A. David Craig
Sector Manager:	Luis F. Constantino	Luis F. Constantino
Project Team Leader:	Lucie Tran	Husam Abu Dagga
NCO Team Leader:	Lucie Tran	
NCO Primary Author:	Richard James	

F. Ratings of Project Performance in ISRs

No.	Date ISR Archived	DO	IP	Actual Disbursements (USD millions)
1	12/28/2006	Moderately Unsatisfactory	Moderately Unsatisfactory	0.00
2	04/16/2007	Moderately Satisfactory	Moderately Unsatisfactory	0.00
3	12/03/2007	Moderately Unsatisfactory	Moderately Unsatisfactory	1.18 ¹
4	12/11/2007	Moderately Unsatisfactory	Moderately Unsatisfactory	1.18
5	06/23/2008	Unsatisfactory	Unsatisfactory	1.18
6	11/15/2008	Moderately Unsatisfactory	Moderately Unsatisfactory	1.18
7	03/10/2009	Moderately Unsatisfactory	Moderately Unsatisfactory	1.18

¹ GBP 600,000 equivalent was deposited in the Special Account out of which GBP 518,431 (US\$1.04 million) was refunded on June 3, 2009.

1. Context, Project Development Objectives, and Design

Country and Sector background

1. The economic climate of WB&G has not changed much since the time the project was appraised in July 2006. All economic activities have been stifled because of volatile political and security situation and restrictions on the movement of people and goods. During project appraisal, the Palestinian Authority (PA) faced liquidity crisis because of several factors, including Israel's freeze on Palestinian clearance revenues, aid sanctions which took hold around January 2006 in the aftermath of Hamas' winning a majority in the Palestinian legislative Council elections, and the reluctance of commercial banks to lend to the PA. As a result, the PA was unable to pay most of its recurrent costs including civil servant salaries for most of 2006. After Hamas took control of Government and security positions in the Gaza Strip, the Palestinian President swore in a new Caretaker Government in June 2007 and declared the Hamas authority in Gaza illegal. Following this action, Israel and the international community endorsed the Government and financial and technical assistance began to be reinstated. However, since the Hamas takeover of Gaza, the crossings into the Strip remain sealed except for a limited amount of basic humanitarian goods. Karni, the only commercial crossing point between Gaza and Israel, has been sealed since June 2007, three months after the project became effective in March 2007.

2. The West Bank and Gaza (WB&G) is considered a high risk due to the proximity of outbreaks of Avian Influenza (AI) in the neighboring countries and the large volume of bird migrations through the area. WB&G and its neighbors are located in the middle of one of the main routes for migratory wild birds traveling between Asia and Africa and along which an estimated 550 million wild birds pass over WB&G twice yearly. The first outbreak of AI occurred in March 2006 in the Middle district and North district of the Gaza strip, affecting chickens and ducks. By the end of April 2006, the AI virus was confirmed across eight locations in Gaza. About 400,000 birds were culled. Poultry owners were compensated with an emergency grant provision from Russia.

3. A UN Interagency Framework for Avian Influenza Response was developed to assist the PA in containing the current AI epidemic and reducing the threat of a human influenza pandemic. The World Bank support was provided through two parallel grants: (a) a grant for emergency preparation activities implemented by the United Nations Development Programme (UNDP) and financed through the Avian and Human Influenza (AHI) Facility Grant for US\$3.0 million, of which the European Commission is the major donor; and (b) a US\$10.0 million grant, the Project, designed as a follow-up operation to the AHI grant, implemented by the Palestinian Authority (PA), and financed through the World Bank Trust Fund for Gaza and the West Bank (TFGWB).

4. The Project was provided based on the UN interagency plan, which provides a platform for a coordinated, multi-disciplinary and flexible response to AI outbreaks. The Bank's Rapid Assessment team, in accordance with the recommendations of the World

Bank Note on Approaches to Avian Influenza in Fragile States, concluded that an immediate implementation of critical activities through the UN System with Government approval would be the only effective solution. To this end, the Bank provided the UNDP with a US\$3.0 million Grant to implement emergency activities which would ensure the establishment of necessary measures for surveillance and minimizing the risk of HPAI in animal and human populations. This entailed the financing of the most critical start up activities as outlined in the UN Interagency AI Response Framework, and lays out the foundation for activities under the Bank's Global Program for Avian Influenza (GPAI) and Human Pandemic Preparedness and Response.

Rationale for Bank Involvement

5. The WB&G was eligible for the World Bank grant funding and had requested the Bank's assistance. However, at the time of preparation, it is noteworthy to add that there was strong pressure in the region (from Israel and Egypt) as well as from the World Bank which strongly advocated an AI project following the outbreak in Gaza.

6. The Bank has a comparative advantage in providing funding for financing gaps in support of the regional and global 'good' of containing Avian Flu and, according to the Global Program for Avian Influenza (GPAI) framework document, the WB&G was eligible as a "newly-infected country with an active outbreak of avian flu among poultry but no human infection, and the existence of an appropriate program of rapid response, detection and containment measures." The Highly Pathogenic Avian Influenza (HPAI) control programs require a multi-disciplinary approach to integrate socio-economic issues with technical and regulatory policies. Since the Bank's comparative advantage is its ability to mobilize financial resources as well as to introduce international best practices, it forged partnership with the UN technical agencies recognizing the key role these agencies were playing through UN Interagency Framework. The Bank worked with technical counterparts and the donor community to ensure that all activities complemented the 2005 National Avian Influenza Control and Eradication Plan, which formed the basis for dealing with AI nationally.

Original Project Development Objectives and Key Monitoring Indicators (as approved):

7. The purpose of the Project was to assist the Palestinian Authority in: (a) minimizing the threat posed to humans by HPAI infection and other zoonoses in domestic poultry; and (b) preparing for controlling, and responding to, avian influenza pandemic and other infectious disease emergencies among humans.

8. The project consisted of the following components:

Component 1: Animal Health and Veterinary Services (US\$5.86 million)

- (a) Surveillance and diagnostic capacity (US\$680,000): (a) training of field staff on surveillance and monitoring; (b) provision of personal protective equipment for field technicians directly exposed to the risk of contamination during surveillance;

- (c) purchase of vaccines; (d) equipping of a veterinary laboratory in Gaza including supply of reagents and laboratory disposables, as well as the upgrading of an existing laboratory in West Bank; (e) training for laboratory technicians; and (f) activities in community awareness and social mobilization.
- (b) Culling and disposal (US\$380,000): support culling and preparation and disinfection of disposal sites and poultry farms, and technical assistance to the PA counterparts on culling procedures and data collection.
- (c) Compensation for income loss (US\$4,800,000): provide technical support for the compensation committee and a proportion of the compensation funding.

Component 2: Human Health (US\$2.97 million)

- (a) Prevention & human safety (US\$482,000): (a) the protection of medical and field staff and other highly exposed groups involved in identification/surveillance of the disease, provision of protective clothing, prophylaxis treatment, disinfection materials, and vaccination against seasonal human influenza; and (b) social mobilization and raising public awareness in the community.
- (b) Strengthening public health surveillance systems (US\$75,000): This activity was to support strengthening the capacity of existing laboratories which included provision of equipment necessary for specimen collection, transportation, and testing. The activity was also to support upgrading of the diagnostic capacity of existing laboratories.
- (c) Health system response (US\$2,350,000): including vaccinations, drug therapy, medical services.

Component 3: Public Awareness and Environmental Management (US\$519,000)

- (a) Public awareness and information campaign targeting the general public, especially the rural population and areas of common backyard poultry breeding (high-risk areas). The MOH and MOA would be responsible for some of the activities on communications within their own components. The Project Implementation Unit (PIU) was to retain a communications specialist/agency to prepare a public awareness strategy in consultation with key UN agencies and NGOs.
- (b) Implementation and Environment Management Plan.

The **Operating Costs** were estimated at about 7% of the grant amount (**US\$713,100**).

Project Preparation and Design

9. The project was designed as an emergency operation, developed within the framework of the GPAI. The project was financed by a US\$10.0 million grant from the Trust Fund for Gaza and West Bank and was complemented by a US\$3.0 million grant from the Avian and Human Influenza Facility implemented by UNDP. Bilateral agencies provided parallel financing. The World Health Organization (WHO) and the Food and Agriculture Organization (FAO) provided technical assistance and guidance.

10. In terms of institutional arrangements, the UNDP was selected to implement the AHI Grant because of its presence on the ground (an office and personnel in both, the West Bank and in Gaza) and its mobility throughout the territories. On the other hand, the US\$10.0 million project was to be implemented by the PA and coordinated by a Project Implementation Unit (PIU) reporting to the National Emergency Committee for Avian Influenza Control (NECAIC) which had responsibility for overseeing and coordinating institutional and implementation arrangements.

11. The project's design requiring implementation to be carried out of the PA ministries in Gaza and, the PIU having to be established in the Ministry of Health (MOH) based in Gaza did not foresee the closing of borders in the Gaza Strip or the possibility of, not only a change in Government, but also a transfer of the responsible ministries out of Gaza. When this actually happened, the PA was unprepared for the rapid shift in location and in responsibilities for the project.

12. Although the project was prepared as an emergency project, it included some longer term investment activities. Therefore, the implementation timeframe of two years was not realistic and too ambitious considering the complexity of the design, the technical expertise and requirements needed, the absorptive capacity in the WB&G, and the country's inexperience (as in most countries of the world at the time of project preparation) in handling AI containment and in building capacity in this area.

13. The project was prepared rapidly, responding well to the emergency status of the outbreak and in full coordination with bilateral institutions and other UN organizations. The project was prepared under conditions with high health, political, and security risks. The AI outbreak coincided with the time when the newly elected Hamas government was forming in Gaza which led to an international boycott of the PA combined with a 'no contact' policy being imposed by the donor community restricted the interaction with the PA as well as limited access for the project team to any technical experts available.

14. In addition, and in hindsight, instead of being headed by the MOH, the NECAIC should have been chaired by a representative of the Prime Minister's Office with the Ministries of Health and Agriculture as equal partners and MOA taking the lead as first responder, given that almost US\$7.0 million of the US\$10.0 million total grant was for the Animal Health component. The amount of funds set aside for compensation payments under Animal Health component (about \$4.8 million) was overestimated for the size of the poultry population in WB&G. Similarly, no clear exit strategy was built into the project for using these funds in case no outbreak occurred by the end of the project.

2. Post-Approval Experience and Reasons for Cancellation

Implementation Issues

14. The NECAIC (Committee) is chaired by the Minister of Health and is composed of: the Deputy Minister of Agriculture as vice-chairman and Senior Representatives from

the Ministry of Finance, the Ministry of Local Government, Palestinian Environment Authority, and the Poultry Professional Association. The Committee was to: provide policy guidance and coordination at the national level on project implementation, ensure coordination and linkages across relevant agencies; guide and monitor project implementation at the central level. However, it met irregularly and faced its own coordination challenges while the project was struggling with start-up delays. The MOH and the MOA were the main implementers of the technical components and had appointed component coordinators (CCs) who were technical specialists from the ministries to represent them and coordinate their activities within the PIU. The UN agencies, local and international NGOs, and other public agencies and departments were also expected to carry out specific activities as required.

15. The signing date for the Grant was November 14, 2006. The original effectiveness date would have been 90 days after, or February 14, 2007. Effectiveness was delayed by a month because the following urgent activities had not yet started: (i) finalization of the Compensation Procedures Manual, launching of the public awareness campaign; and (ii) expediting the procurement process of urgently needed goods, tools, and equipment for the benefit of the ministries of Health and Agriculture. In addition, the other activities were incomplete: (i) one year work-plan outlining the implementation timeline for the animal and human health components; (ii) preparation of an Operation Manual for the Project; and (iii) finalization of the Environmental Management Plan for the Project. Effectiveness conditions were met and the Project declared effective on March 14, 2007.

16. A World Bank Country Portfolio Performance Review (CPPR) conducted in January 2008 found that the project's long-term institution and capacity building objectives were difficult to achieve, and that major effort would be required to turn the project around. By that time, seventeen months had elapsed since the project was approved, yet implementation had barely progressed. No PIU was established, leaving the project in violation of the grant agreement, and the Bank's project team with no counterpart to interact with during project implementation. The Project was rated a Problem Project, and the CPPR team recommended that the PA and the Bank team assess the situation and consider restructuring the project.

17. The Mid Term Review (MTR) was planned for January 30, 2008 but was postponed until October 2008 to allow time for the PIU to be established. The PIU was finally established in June 2008, with only seven months remaining in the life of the project. Withdrawal conditions were met and lifted on October 2, 2008.

18. The delays were primarily due to the: (i) relocation of the MOH from Gaza to the West Bank after Hamas took control of the Gaza strip in June 2007, prompting the government to move the MOH from Gaza to the West Bank, (ii) the appointment of a new Minister of Health based in Ramallah and a new Minister of Agriculture needing time to become familiar with the project and with their new government responsibilities; (iii) project management, coordination and collaboration challenges within the PA, the NECAIC itself, as well as with other project implementation partners (UNDP, WHO,

FAO programs); (iv) long delays in establishing the PIU once the MOH was relocated from Gaza, and in nominating the CCs; and (v) a diminishing interest in and ownership of the project on the side of the PA as the project implementation proceeded.

19. Apart from an initial deposit of GBP 600,000 into the Special Account, disbursements stagnated practically until three months before the project was closed (March 2009). By the time the project was cancelled only US\$0.34 million was disbursed out of the US\$10.0 million allocated (3.34 percent), expenditures which were made for seasonal flu vaccines and for staff salaries.

20. Although the AHI grant also experienced start-up delays, implementation and performance had improved substantially over time. By the time the MTR was conducted, achievements under the animal health component clearly outpaced those of the human health component. Taking into account the complexity of the design and the coordination and collaboration challenges to successfully implementing the project's activities, the overall progress and achievements under the AHI grant can be considered significant in preparing the project for outbreaks of avian influenza.

Steps Taken to Resolve Implementation Issues

21. At the MTR, the project team proposed and discussed the options for restructuring the project. These included:

- (a) aligning its Development Objectives fully with those of the Global HPAI Facility to broaden the response capabilities of the PA institutions to cover other, locally-significant, high-risk zoonoses and major infectious animal and human diseases, beyond HPAI, focusing on priorities and essential project activities;
- (b) aligning project activities with a revised implementation timetable, and reallocating resources to reflect the revised program of activities;
- (c) recalculating amount to be allocated for compensation payments, and the reallocation of such funds, if unused by the end of the project, into a permanent and sustainable Animal Disease Control and Compensation Facility which was to be established either at the national or at regional level;
- (d) strengthening the surveillance and diagnostic capacities in district veterinary offices and veterinary and hospital laboratories;
- (e) strengthening partnerships between public and private veterinary services, as well as building transnational and inter-sectoral collaborations;
- (f) enhancing program planning and coordination for human health including support to building the National Plan;
- (g) strengthening the public health surveillance system;
- (h) providing isolation units to strengthen the health system's response capacity;
- (i) extending the closing date by two years to allow for completion of project activities within a realistic timeframe.

22. As the two activities were seen as coordinated efforts, the project team reported together the UNDP grant's progress with the \$10.0 million grant's progress so that the project could be perceived as one intervention with two stages of funding. This attempt was captured in the MTR reporting and subsequent Implementation Status Reports (ISRs).

23. Although the Ministers of Agriculture and Health were in full support of the proposed restructuring, over the next two months, administrative delays and bottlenecks within the PA financial structure created unexpected difficulties in paying PIU staff salaries from the Special Account. As a result, after two months of working without pay, the key staff of the PIU, including the Project Coordinator, resigned one by one. By the time the project's closing date of January 31, 2009 approached, no PIU staff remained.

24. Following extensive discussions with the PA and internal consultation with Bank management, the Bank informed the PA that it could not extend an unsatisfactory project and proposed that non-performing activities be removed. This decision was made based on the progress made in completing the animal health activities and the lack of progress made on the human health component under the UNDP-implemented grant. Since the animal health component had completed many of its activities and was being implemented at a better pace, it was proposed that the human health component be closed in order to focus project activities on moving the Animal Health and Communications components to the next phase. Options for project coordination were also explored including retaining the UNDP-PIU to provide backstopping arrangements to the project in the interim, or the UNDP taking on a coordination role for the project if it was restructured.

25. In an effort to bring the Project back on track, the Bank agreed to an interim extension of the closing date from January 31, 2009 to March 31, 2009, following a request from the PA, to allow the task team time to discuss details and reach agreement with the PA on project restructuring details. During this period, the PA was to agree on institutional arrangements, reestablish a PIU, and propose an action plan for completing Project activities that included revised budget proposals, revised procurement plan, and performance indicators for Bank's review and comments.

26. The aftermath of the December 2008-January 2009 escalation of conflict in Gaza with Israel may have influenced the Government's reaction to the Bank's proposals, with efforts and priorities shifting towards the emergency needs for the reconstruction of Gaza. By March 31, 2009, when the Bank received no indication of agreement between the different ministries' proposals, the closing date was allowed to lapse and the project closed on the specified date. The undisbursed funds in the amount of US\$9.66 million were cancelled and an official letter from the Bank was sent to the PA Prime Minister/Minister of Finance on August 7, 2009.

27. Several factors outside the Bank's control contributed to the cancellation of the project: (i) unusually challenging operating environment and changing political situation which caused frequent fragmentation of government and blockades in the decision-making process; (ii) changes in the political leadership in the aftermath of the national

elections in January 2006; (iii) lack of clear ownership for the project among government authorities, partially due to the fact that the project was perceived as serving the interests and benefitting other countries in the region rather than the Palestinian people; (iv) restriction on mobility of goods and persons; (v) low capacity within the PA for implementing the project; (vi) difficulty in building needed political consensus in a complex institutional and political setting; and (v) shifting government priorities during the life of the project, especially towards the end when emergency reconstruction of Gaza became an international concern.

Project Successes and Achievements

28. Despite the challenges mentioned above, the project did, however, achieve the following:

- the compensation fund was established and compensation manual finalized and endorsed;
- all project manuals prepared under the AHI grant were endorsed by the Minister of Health as head of the NECAIC; these include the project operational manual, the Environmental Management Plan (EMP), the compensation funds manual, culling and vaccination guidelines, standard operating procedures;
- most activities under the animal health, and subsequently, human health components of the AHI grant were completed, laying the foundation for preparedness for AI outbreaks;
- component coordinators were nominated by the respective ministries, and the key staff for the PIU hired, albeit for only a short time; and
- training and workshop participation such as the sixth international conference on Avian Influenza in 2008 (Sharm-El-Sheikh) to exchange lessons and dissemination of lessons.

Implications of Project Closure and Cancellation

29. Clearly, the area which suffered because of cancellation was the public awareness and communications component. Although some activities along these lines were completed under the UNDP-implemented grant, the messages on the safety of poultry consumption in WB&G needed to be continued and disseminated by the government and the poultry industry with the assistance, financing and facilitation of a Committee set up by the Palestine Poultry syndicate. The project was not able to support further this area.

30. Open trade between countries in the region and the free movement of people into WB&G increases the risk of AI (and other disease) transmission. In the case of Egypt, tunnels to Gaza and proximity of infections increases the risk of transmission from an endemic country. Although no outbreaks of AI has occurred in the West Bank and Gaza nor in neighbouring Jordan since 2006, Egypt notified the World Organization for animal health (OIE) in 2008 that they consider the country's situation to be endemic (i.e., continuous outbreaks occurring which cannot be eradicated in the near future). The risk is that the threat still exists that the virus can be reintroduced from Egypt. Therefore,

even though the project is closed, building capacity for early detection is crucial, particularly in the veterinary services.

31. The central veterinary laboratory, hazardously located in the center of Ramallah, was proposed for relocation and construction under this project but due to the closure and cancellation of the project, this could not be carried out. Attempts were made to shift the funding for its relocation and construction to the UNDP-implemented grant, but due to time and resources constraints, this effort was also abandoned. Improvements were limited to minor repairs and equipping as much as possible the laboratories to build diagnostic capacity. With the complete closure of Gaza, the situation remains that the central veterinary laboratory, in Gaza could not be upgraded.

32. The closure of the project involved reputational risk for the recipients, the World Bank and the donors, should the disease spread. However, since the project was funded through two grants, the ongoing AHI grant was able to lay the foundation for preparedness and to continue some of the more urgent and important investment and capacity building activities which were to be funded under the project.

3. Assessment of Bank Performance

(a) Quality at Entry (i.e. performance through lending phase):

Rating: Moderately Satisfactory

33. Identification/Preparation: Based on the World Bank Operational Procedure OP 8.0 (Rapid Response to Crises and Emergencies), the identification process was correctly focused on the critical needs of the country and the active outbreak of avian influenza in Gaza, in 2006. However, the project was prepared under difficult circumstances during the donor-wide boycott of the PA leaving a limited team of PA technical civil servants to interact in project preparation. The Quality at Entry Review (in May 2006) noted that implementation arrangements were rightly kept flexible to respond to the changing realities on the ground, i.e., (i) the PIU to be housed within the UNDP to ensure smooth implementation of project activities in the event that implementation by the PA was not possible - in reality however, this did not materialize; (ii) to ensure that free flow of funds reach the beneficiaries, different possibilities were considered including opening two separate bank accounts to transfer funds from WB&G or to establish one account for both regions; and (iii) the project team discussed and agreed that procurement process be kept flexible following simplest allowable procedures, taking into consideration the emergency nature of the project and the emerging political and security context. A provision has been made by the team to ensure further strengthening of the PIU procurement capacity through “fiduciary backstopping” to be provided by the PIU of the AHI grant.

(b) Quality of Supervision (including fiduciary and safeguard policies):

Rating: Moderately Unsatisfactory

34. Initially the task team was stationed in the field (in WB&G) and therefore had the opportunity for daily interactions with all relevant stakeholders. Management of the project was later transferred to Washington (in 2007) where the new team also acted proactively in trying to find possible solutions to moving the project forward. The supervision teams carried out regularly two missions per year, with the appropriate skill mix including animal health specialist, social safeguards specialist, agriculture economist, environmental specialist, procurement and financial management specialists, disbursements analyst, as well as the Regional Coordinator for AHI projects. However, the animal health and human health specialists were brought in too late (at MTR) to provide technical guidance to the clients. The project team nevertheless alerted management of the problems and risks related to project execution and proposed remedies in a timely manner. The team also repeatedly wrote letters to the PA reminding them of serious consequences of implementation delays.

35. Although performance of the project was clearly unsatisfactory, the ISRs were somewhat unrealistically rated as 'Moderately Unsatisfactory' rather than 'Unsatisfactory' (except in June 2008 when it was reflected as Unsatisfactory). The available documentation points to the fact that the project team made every effort, including a series of visits, discussions with the line ministries, following up on the recommendations of CPPR and of MTR, to ensure greater understanding and ownership by the government to make up for the loss of momentum. The team was also responsive to the country's emerging needs and agreed on aligning existing development objectives with those of the Global HPAI Facility.

36. The Moderately Unsatisfactory rating is due to the fact that the project team was, to some extent, too optimistic in assuming PA's capacity to turn around the project especially when there was very limited progress visible on the ground. The team also relied too much on the new Minister of Health's verbal assurances of his continued commitment and his appeals of turning around the project. In reality the team was not able to gain enough political support for the much needed project restructuring. The project could therefore, have been closed earlier.

4. Assessment of Borrower Performance

Rating: Unsatisfactory

37. Significant shortcomings became obvious in the government's performance soon after the project was approved by the Board on September 7th, 2006. It was not until just a few months before the closing of the project when finally, for example, the compensation fund was set up, compensation manual adopted; and environmental management plan endorsed by the PA. Failure to advance further on various implementation issues showed limited government ownership and commitment to the project except for the Animal Health Component. Lack of ownership was apparent when the government was unable to decisively reach an acceptable consensus on where the PIU would be located. This led to the derailment of the whole restructuring process. Additionally, it was clear that NECAIC which had a major challenge to build consensus

between the two line ministries (MOH and MOA) had limited mandate to successfully resolve any stalemate that had occurred on project management/implementation issues. Based on the above, the performance of the Borrower is rated as Unsatisfactory.

5. Lessons Learned

- The avian influenza portfolio globally has been slow to implement due to its complexity of design and technical requirements. Global experience to date indicates that implementing such projects takes an average of five years. In fragile states the timeframe for successfully implementing such projects may require an even longer periods for successful implementation.
- Standard Bank implementation arrangements may not be the most suitable vehicle to apply in a volatile political environment and the use other channels such as the UN system proved to be much more effective (as for the emergency preparation activities grant).
- More time should be invested during Project preparation in building ownership, and the base for close collaboration and coordination between ministries and with the UNDP (responsible for emergency preparation activities). This would ensure proper ownership of the project by the PA during preparation. Counterbalance the cost of implementing a project in a volatile and fragile environment with implementation arrangements which are responsive and tailored to the country's particular environment, capacities, sensitivities and constraints. It is difficult to make a project work successfully in a volatile political environment, with limited or changing ownership by the government or shift in national priorities.
- The institutional arrangements could have been established differently to ensure ownership and collaboration, i.e., project implementation is the responsibility of each ministry - Ministry of Agriculture for Animal Health component, and Ministry of Health for the Human Health component; the project coordinator would be a mutually agreed selection from the ministries and may also be seconded from one of the ministries.
- All conditions should be met before Board presentation. This is particularly challenging for emergency grants due to time pressure created by the avian influenza outbreak in Gaza. Linking conditionalities to project effectiveness and to disbursements did not contribute to moving the project forward.
- Given the project's performance, the decision for project cancellation or restructuring should have been made earlier when it was evident that the PA showed a lack of interest and ownership in the project.

Annex 1. Bank Lending and Implementation Support/Supervision Processes

(a) Task Team members

Names	Title	Unit	Responsibility/ Specialty
Lending			
Supervision			
Lina Abdallah	Operations Officer	MNSUR	Operations
Husam Abudagga	Senior Country Officer, TTL	AFMLS	Operations
Gregorio Bettiza	E T Consultant	MNSSD	Social Development
Stefanie U.S. Brackmann	Consultant	AFTEN	Environmental Safeguards
Maya El-Azzazi	Program Assistant	MNSSD	Project Assistance
Stephane Forman	Livestock Specialist	AFTAR	Animal Health/Veterinarian
Jean-Jacques Frere	Sr Public Health Specialist	MNSHH	Public Health
Nedim Jaganjac	Sr Health Specialist	ECSH1	Public Health
Richard James	Consultant	ECSSD	Operations
Ahmed Merzouk	Senior Procurement Specialist	MNAPR	Procurement
Suhair J.D. Musa	Financial Management Specialist	MNAFM	Financial Mgmt.
Adel Fahed J. Odeh	Operations Analyst	MNC04	Disbursements
Suha Rabah	Program Assistant	MNC04	Project Assistance
Gotz A. Schreiber	Consultant	ECSSD	Operations
Colin S. Scott	Lead Specialist	MNSSD	Social Safeguards
Lucie H.G. Tran	Operations Officer, TTL	MNSSD	Operations
Jean-Philippe Tre	Senior Agriculture Economist	AFTAR	Regional AHI Coordination
Note on Cancelled Operation			
Lucie Tran	Operations Officer	MNSSD	TTL
Richard James	Operations Consultant	MNSSD	Primary Author

(b) Staff Time and Cost		
Stage of Project Cycle	Staff Time and Cost (Bank Budget Only)	
	No. of staff weeks	USD Thousands (including travel and consultant costs)
Lending		
FY06	15	58.28
FY07	33	88.96
FY08		0.00
Total:	48	147.24
Supervision/NCO		
FY06		0.00
FY07	7	24.53
FY08	41	148.88
FY09	18	0.00
Total:	66	173.41

Annex 2. List of Supporting Documents

1. Project Technical Annex, August 15, 2006 (Report No. T7680–WBZ)
2. Back to Office Reports and Aide-Memoires
3. Archived Implementation Status Reports – December 28, 2006 through March 10, 2009
4. Mid Term Review, October 13-31, 2008
5. Country Portfolio Performance Reviews - 2007 and 2008

