

**COMBINED PROJECT INFORMATION DOCUMENTS / INTEGRATED
SAFEGUARDS DATA SHEET (PID/ISDS)
CONCEPT STAGE**

Report No.: PIDISDSC14204

Date Prepared/Updated: 30-Oct-2015

I. BASIC INFORMATION

A. Basic Project Data

Country:	Liberia	Project ID:	P155947
		Parent Project ID (if any):	
Project Name:	Liberia Urban Water Supply Project (P155947)		
Region:	AFRICA		
Estimated Appraisal Date:	23-Nov-2015	Estimated Board Date:	24-Mar-2016
Practice Area (Lead):	Water	Lending Instrument:	Investment Project Financing
Sector(s):	Water supply (100%)		
Theme(s):	Other urban development (100%)		
Borrower(s):	Ministry of Finance and Development Planning		
Implementing Agency:	Liberia Water and Sewage Corporation		
Financing (in USD Million)			
	Financing Source		Amount
	BORROWER/RECIPIENT		0.00
	International Development Association (IDA)		10.00
	Total Project Cost		10.00
Environmental Category:	B - Partial Assessment		
Concept Review Decision:	Track II - The review did authorize the preparation to continue		
Is this a Repeater project?	No		
Other Decision (as needed):	An overall risk rating of "substantial" in light of LWSC's weak capacity and Liberia's political-economic macro environment. The need to reflect what is being done by others on sanitation in the sector		

	context in the revised PCN.
	Refine the processing timeline to reflect utility capacity.

B. Introduction and Context

Country Context

1. In August 2013 Liberia celebrated a decade of peace. Since the end of the civil war, a lot has been achieved – two peaceful elections have been held, US\$4.6 billion of debt relief have been negotiated and gross domestic product (GDP) per capita doubled, although it remains low at approx. US\$300 (World Bank, 2015).

2. The continued vulnerability of Liberian institutions, infrastructure and society, however, was highlighted by the Ebola Virus Disease (EVD) outbreak of 2014-15. The disease infected over 10,000 Liberians and claimed 4,806 lives. The human impact was aggravated by economic repercussions. The World Bank termed the economic impact on Liberia “crippling” and estimated forgone national income at US\$240 million in 2015, over 10% of its GDP (World Bank, 2015).

3. A post-Ebola recovery strategy has been prepared by the Government of Liberia (GoL) to strengthen resilience and development outcomes. The World Bank has pledged US\$1.62 billion to the three countries most affected by EVD i.e. Liberia, Guinea and Sierra Leone. Investments in the water and sanitation sector are a critical part of this strategy, for as a recent report on Recovering from the Ebola Crisis highlighted, the “lack of access to safe water [and] proper hygiene contributed to the propagation of the virus” and was even a “critical factor” in schools (UN / World Bank / EU / AfDB, 2015).

4. Liberia’s urban population in 2008 (recent national census) comprised of 47% of the total population of 3.5 million with an annual urban population growth rate of 4.7%. Estimates suggest that out of total population of approximately 4 million, more than half of the population (2.1 million) resides in urban areas. More than 40% of the Liberia’s urban population lives in the Greater Monrovia area. Unplanned urbanization has resulted in the proliferation of slums, with an estimated 70% of Monrovia’s population currently living in slum conditions with lack of basic services. The fragility of Liberia’s cities was exposed by the Ebola outbreak that devastated urban population, especially the vulnerable populations in Monrovia’s slum communities.

Sectoral and Institutional Context

5. After ten years of peace, access to clean water remains low at 56% in rural areas and 65% in cities, with only 8% of the urban population having access to piped water system in their premises. Access to improved (not-shared) sanitation facilities in rural areas is as low as 6%, and even in urban areas improved sanitation is below 30% (World Health Organization & UNICEF, 2014)

6. Overall financing of the Liberian Water, Sanitation and Hygiene (WASH) sector has remained weak. Domestic budget allocations and donor funding to the sector – currently around US\$ 25 million a year – are low compared to needs estimated at US\$110m in 2014 (Government of Liberia, 2013). In terms of the national budget, WASH activities were categorized as part of the Energy and Environment Sector in 2013-15, under the policy area of Water and Sanitation Services. Only US\$2.5m, or 0.4% of the national budget were allocated to the WASH sector in 2013-14. The 2015-16 budget, currently before the Legislature includes US\$4,953,612 for WASH

as part of the Ebola Response and Recovery WASH Plan, and Revised Water and Sanitation Expansion Plan.

7. As part of its budget allocation to WASH, the Government of Liberia has contributed an annual subsidy to help meet operational costs to the Liberia Water and Sewer Corporation (LWSC), the national water and sewer utility for urban centers with a population of above 5,000 inhabitants. The share of the subsidy in total revenues provided by the Government of Liberia fell to 23% in FY14, compared to an average of 39.5% in FY11-FY13. The subsidy rose by almost 50% in FY15 to help LWSC compensate a fall in revenue during the Ebola crisis, though remained below FY13 levels.

8. Donors have financed some key infrastructure improvements for LWSC. In particular, the African Development Bank (AfDB) is financing a rehabilitation of the White Plains water production plant to its pre-war capacity of 16 million gallons per day (mgd) from the current 6 mgd. These improvements have laid the basis for the proposed investment project to increase distribution capacity of and access to piped water system in the urban context (Government of Liberia, 2014).

9. The proposed focus on the urban water sector has a number of strategic advantages: it combines a concentration of need with already identified priority investments, and a reforming government counterpart with complementary projects that offer clear synergies.

10. Need is concentrated in the urban sector. Up to 75% of Liberians without adequate access to improved water are clustered within 10 miles of Monrovia or county capitals or 3 miles of a primary road (World Bank, 2011). Monrovia alone concentrates some 850,000 persons without access to piped water, and outside the capital most towns have no piped supply at all. Less than 15% of the population have access to piped water even in the capital Monrovia.

11. The majority of the urban population relies on “rural solutions”, that is, point sources such as wells, some of which may be “improved” in a technical sense, but are not providing safe water reliably. A 2011 World Bank water quality study in Monrovia found the majority of wells to be contaminated and unsafe to drink from (UHL & Associates, 2011). The Ebola Disease Outbreak (EVD) in 2014-2015 in Monrovia underlined that expanding safe piped water in urban areas is a critical priority to diseases prevention and control.

12. Liberia’s WASH Sector Investment Plan (SIP) has identified a rehabilitation of Monrovia’s distribution network as a top-priority (Government of Liberia, 2013, p. 17; p.23). Substantial operational planning has already occurred for the identified priority projects. In the case of Monrovia, a completed scoping study financed by the World Bank has developed the designs of planned network extensions, and an ongoing study is identifying the detailed rehabilitation plan for the existing network. Thus, in urban water, clear priorities and advanced planning will facilitate a rapid implementation of the proposed project.

13. The urban water supply sector also benefits from a reformist government counterpart. LWSC has gone through a long post-war crisis, but a new management team put in place after a World Bank financed audit in 2011-12 has made impressive improvements. LWSC has increased its revenues by 145% between FY11 and FY14, increased customers connected by 20%, and streamlined its staffing. The Ebola crisis in 2014-15 impacted revenues in fiscal year 2015, both

because collection efforts were temporarily interrupted due to widespread panic and quarantines in Monrovia, and due to the closure of many businesses such as hotels at the height of the epidemic (thus reducing water use). However, due to a determined effort by LWSC which saw collection efficiency on issued bills rise from 69% to 89%, LWSC still managed to collect US\$ 4,085,420 in revenue in FY15 (compared to US\$ 4,709,932 in 2014, US\$1,760,611 in 2010 and approx. US\$500,000 in 2005).

14. The Water Global Practice has been an active part of LWSC's ongoing reform process, funding a review of the billing system prior to its upgrade, guiding the enumeration of customers, helping to track illegal connections, and piloting an improvement to the customer contracting process. This has allowed the Global Practice to build a strong partnership and obtain detailed knowledge of LWSC's strengths and weaknesses. In view of the latter, the proposed project will establish a Project Implementation Unit (PIU) within LWSC to ensure full compliance with World Bank policies for the project.

15. In pursuit of institutional reform, the Government of Liberia is also entering into a Performance Contract Agreement with LWSC to provide water supply and sewerage services to the people of Liberia more efficiently and economically in the urban areas with clear roles, responsibilities and targets. In addition, LWSC is undertaking to create independent local LWSC outstations subsidiaries for all secondary cities with piped water systems via Outstation Management Contract (OMC) that provides water services to the City based on performance standards and targets. Furthermore, the Public Statutory Corporation under an Act – approved in 1973 and revised in 1976 that established LWSC is being revised to reflect these changes with a target date of June 2016.

16. Investing in the urban water sector promises considerable synergies with the ongoing AfDB Urban Water Supply and Sanitation Project (UWSSP) which aims to restore White Plains production capacity to its full pre-war potential of 16 mgd from approx. 6 mgd at present. The proposed investments by the World Bank into the distribution network will reduce non-revenue water (presently above 50%) and extend the network, thus distributing new water production more productively.

17. Although the need for investments in rural areas is also great, the key contextual advantages of the proposed urban project (concentrated need, identified projects with advanced planning, a clear institutional partner and direct project synergies) are less pronounced. Moreover, the discrete nature of rural interventions (e.g. construction of individual waterpoints; community led total sanitation in villages) means that other actors present in Liberia, such as the NGOs organized in the "WASH Consortium" (Action Contré la Faim, Concern Worldwide, Oxfam GB, Solidarités and Tearfund) can operate relatively effectively in rural areas, while the World Bank is one of few institutions with the scale and resources to invest in urban piped water. In the medium-term, rather than focusing solely on the capital, the World Bank could progressively expand its investments from the Monrovia to smaller urban centers such as Harper, Gbarnga and Greenville which are formally under LWSC's mandate, but currently lack functional piped water supply or sewerage systems.

18. Needs in the sanitation sector are great as the statistics in paragraph 5 highlight. In urban areas, JICA has completed a basic strategy for the rehabilitation and extension of Monrovia's sewerage system in 2009. As the JICA study noted, unlike the water supply system, "most parts

[of] the sewerage system constructed in the 1960s [...] are not operative at present...the Fiama sewage treatment plant has been out of use because all the mechanical equipment...[was] stolen during civil conflict”. Due to the reduced state of the sewerage system, it is likely that an investment which would make a significant impact on improving off-site sanitation in Monrovia would require significantly more resources than that of the project proposed here. A detailed feasibility study and costing for a phased rehabilitation and extension of the sewerage system in Monrovia (and possibly major secondary towns), similar to the one already prepared for the water supply system, would be a productive next step and could be supported under the complementary technical assistance of the World Bank’s Water and Sanitation Program (P155696).

19. At present, the AfDB is supporting a project with the objective of increasing access to sustainable and affordable on-site sanitation services with improved hygiene and livelihood for Monrovia’s urban poor. Moreover, the AfDB has commissioned a study on the National Rural Water and Sanitation Program for FY 16-21, which will need strong support for implementation once completed. Rural areas have also been targeted by a national community led total sanitation (CLTS) program supported by MPW, the ministry of Health and Social Welfare (MHSW) and NGOs has reached 666 communities and reportedly 320 have achieved open-defecation free status (Government of the Republic of Liberia, 2014). However, the project remains under-resourced and has not progressed sufficiently to reach targets. Other activities in the sector are carried out by individual NGOs which are building latrines and hand washing facilities.

Relationship to CAS/CPS/CPF

20. The proposed project strategically extends and reinforces the World Bank’s Country Partnership Strategy (CPS) 2013-17, in particular its second pillar on Human Development which seeks to achieve “improved outcomes in [...] health”. The proposed project builds on the “technical assistance to increase the commercial capacity of the Liberian Water and Sewage Corporation”, which the CPS expects the Water Global Practice to “continue to provide” (World Bank, 2013, p. 28).

21. The project is in line with Liberia’s national development plan (Agenda for Transformation) including the Economic Strategic Recovery Plan (ESRP), 2015 and specifically its goal of expanding “access to sustainable water and sanitation services”. The aim of the ESRP is to set out the actions that are needed to respond to the EVD epidemic, to stabilize the economy, and get Liberia on a path to inclusive growth.

22. The proposed project is a critical element of the ESRP and an important contribution to building resilience to shocks in the urban context. A recent joint-report on Recovering from the Ebola Crisis clearly stated that “lack of access to safe water [...] and the lack of proper hygiene contributed to the propagation of the virus” and even was a “critical factor” in schools (UN / World Bank / EU / AfDB, 2015). The WASH National Cluster Strategy agreed on in October 2014 by the Government of Liberia and international partners stressed ensuring essential WASH services as one of five core objectives, which this project would thus implement.

23. The proposed project promotes the World Bank’s twin goal of “Ending Extreme Poverty and Promoting Shared Prosperity” by directly benefiting tens-of-thousands of Liberians through cleaner, healthier, cheaper and more easily accessible water, as well as by strengthening the institutional capacity of LWSC to deliver such improved services in the long-term.

C. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)

The proposed project development objective (PDO) is to increase access to piped water supply services in the project area in Monrovia and improve the operational efficiency and customer orientation of the LWSC.

To achieve this objective, the project will include two components: (i) infrastructure improvements for Monrovia; (ii) Capacity Building for LWSC and development of improved Project Management and Monitoring & Evaluation systems.

Key Results (From PCN)

25. The following key results will be measured:

- (a) Direct project beneficiaries (of which female, %);
- (b) People provided with access to improved water sources under the project (number);
- (c) People provided with enhanced water supply services under the project (number, hours of supply);
- (d) Increase in collection efficiency (billings collected / billings issued, %);
- (e) modern metering- and customer care system in place and functional;
- (f) % of customer grievances recorded and addressed satisfactorily;
- (g) Metering ratio (active metered connections / active unmetered connections);

D. Concept Description

26. The project will provide a credit of US\$10,000,000 in Investment Project Financing to improve the piped distribution network of LWSC, as well as its institutional ability to provide efficient services and cover its costs. As described in the "Introduction and Context" section, the credit is well aligned with Government and World Bank priorities, builds on years of technical assistance to the client, ideally complements an ongoing AfDB intervention to raise water production capacity.

27. The project would invest an estimated US\$7,500,000 of the credit in infrastructure in Monrovia with a focus on improving the piped water distribution network, taking into consideration the aim of a reduction of non-revenue water and the use of existing reservoirs to balance pressures in the system. The focus on water distribution is strongly supported by the client and complements the expected increase in water production from 6 to 16 mdg from the ongoing, AfDB funded restoration of the White Plains treatment plant and transmission mains. The focus on water distribution will also maximize the number of direct project beneficiaries.

28. Component 1: The final, detailed sub-activities of the infrastructure component will be specified during project appraisal, but key priorities have already been identified in cooperation with the client during a detailed scoping study that assessed the technical and financial implications of rehabilitating Monrovia's piped network. The suggested infrastructure priorities include (i) investing an estimated US\$4.8m in targeted infrastructure improvements to address key bottlenecks in transmission lines and reduce physical losses; this will include the repair and reconditioning of the main Eastern transmission line in areas not targeted by AfDB (Red light to Sinkor), the installation of bulk meters including where the AfDB support ends around Redlight, and the laying of distribution lines to SKD Boulevard; to Roberts International Airport Highway, and Paynesville/Duport / Coca Cola Community; as well as targeted interventions to restore water

flows into existing reservoirs around Mamba Point in central/western Monrovia; (ii) investing an estimated US\$1m in extending branchlines in the areas of Clara Town, New Kru Town, Doe Community, Duport Road Area, and (iii) additional priority areas if technically and financially feasible for US \$ 1.6 million; (iv) Investing an estimated US\$0.1m in the refurbishment and construction of water kiosks and standpipes.

29. Infrastructure investments under the first project component will aim to balance LWSC's revenue needs against pro-poor targets by extending the distribution network in some particularly poor areas of Monrovia. While available data suggests that even poor households can afford recurrent water bills, relatively high initial connection fees have traditionally posed a barrier (see section on risks). To address this challenge, the project will design a strategy for poorer areas including the use of publicly accessible sources (e.g. kiosks), branchlines laid close enough to housing to reduce connection expenses, staggered payment options and possibly cooperation with donor partners to finance connection subsidies

30. Component 2: The second component of the proposed project will provide support for US\$ 2,500,000 to strengthen LWSC's capacity to sustain and expand services. The proposed sub-activities include: (a) reducing non-revenue water by improving the metering and leak detection management system, learning from best-practice examples in the region; (b) increasing the ability of LWSC to connect new customers from the currently inadequate rate of approx. 70 per month; this task will be informed by a successful pilot implemented by the Water and Sanitation Program in 2013-14 which managed to double connection rates by reducing the complexity of the process and actively marketing to customers; (c) improving customer service by opening a facility closer to customers outside central Monrovia, and introducing a modern complaint management system; (d) providing a functional citizen engagement channel for consumers to raise wider project- and LWSC related issues to the Government of Liberia; (e) support for developing and maintaining a network information system, hydraulic model and financial model; annual independent audit of the performance contract; and (f) finance the project implementation unit and assist other key staff with training and critical equipment (including office equipment, a small number of vehicles, training for PIU members and funds for other ad-hoc needs associated with project implementation).

31. The overall risk to achieving the development objective is substantial. This overall assessment is driven by the severe institutional capacity constraints of LWSC (skills, systems, equipment) which could impact the utility's ability to implement and manage the planned investments. This risk is alleviated by strong relationships of the team to the reformist LWSC management, which has already achieved meaningful operational improvements, and the institutional risk will be further addressed by a strong, carefully recruited project implementation unit (PIU) and targeted training for key staff. Further support is available to LWSC through a complementary World Bank technical assistance program (P155696).

32. Significant design work for the project is already completed, reducing the risk of planning delays. The White Plains refurbishment funded by AfDB is an important dependency, because the additional beneficiaries targeted under the expansion of lines under this project can only be supplied with sufficient water if the restoration is completed. This risk is moderate, limited by the fact that works contracts have now been awarded. The site hand-over by the client to the contractor was carried out on September 26, 2015. The contractor now has 12 months to complete and commission the sites to the client by September 26, 2016. A copy of the contractual

agreement was shared by the client on this September 15, 2015. A further risk is a renewed outbreak of Ebola, however, presently there are no cases in the country while capacities to contain a new outbreak have been greatly enhanced.

33. Moreover, a demand risk may exist within poor households living in the project areas who currently use their own well or handpump as their main water supply. These very poor households may not be willing to switch to a private connection requiring recurrent fees for water service, which could affect the envisaged connection program. While a 2013 survey of 12,400 households in the Paynesville neighborhood of Monrovia has shown widespread dissatisfaction with current water-supply (82%) and common interest in a piped connection (86%), and while a 2014 affordability analysis carried out in five poor neighborhoods of Monrovia concluded that “most households can pay regular water service bills”, there is particular concern that the initial connection fees (currently up to \$500) are unaffordable to many. To mediate this risk, the project will design a strategy for poorer areas including the use of publicly accessible sources (e.g. kiosks), branchlines laid close to housing to reduce connection fees, staggered payment options and possibly schemes developed with bilateral partners to finance connection subsidies.

34. Finally, the next Liberian presidential election in 2017 will fall into the project period. It is likely that this election will be competitive with candidates seeking to replace the two-term presidency Ellen Johnson Sirleaf. While spontaneous or local violence cannot be ruled out, Liberia has conducted two internationally recognized and by and large peaceful elections, and political stakeholders remain committed to the electoral process as of today. The risk of serious political disturbances is thus moderate.

35. The project will significantly expand the customer- and thus revenue-base of LWSC, and thereby reinforce the recent trend towards better cost recovery of the utility. Estimates in a recent scoping study suggest that the proposed project could realize more than US\$500,000 in additional annual water sales for LWSC. Profits may be significantly higher if planned technical support and device-assisted meter reading improves collection efficiency across existing customers, if tariffs were adjusted, or if current staff and energy costs could be further rationalized e.g. by connecting key pumping stations to grid-electricity instead of using diesel powered generators. The ongoing World Bank “Liberia Accelerated Electricity Expansion” Project has scheduled the connection of White Plains Treatment Plant during 2016, which is expected to significantly reduce energy costs.

36. The project will not only improve cash-flow of LWSC, but deliver significant social benefits by improving the living conditions of low-income communities in Monrovia, which have been growing rapidly since the 1980s due to population growth and armed conflict. These communities have been particularly badly affected by WASH related diseases (incl. major Cholera outbreaks) as well as Ebola Virus Disease. The project will alleviate living conditions by improving access to water services for up to 50,000 beneficiaries in areas of the capital where the population is predominantly poor.

37. LWSC is a public corporation which at present is not in a position to finance major infrastructure investments such as the one proposed in this concept note through commercial lenders. LWSC has not financed infrastructure through private lenders in the recent past, and consultations during a project scoping study showed that given LWSC’s still precarious financial situation, the corporation would struggle to raise sufficient funds commercially at acceptable interest rates. By contrast, public financing has significantly better characteristics in terms of

available scale and interest costs, and is thus more suitable to make critical investments that will help LWSC improve its performance and revenues. This may then allow LWSC to access private lending on affordable terms in the future.

38. The proposed project is also of high public interest, as it forms a critical element of the Ebola Economic Strategic Recovery Plan and an important contribution to building resilience to shocks in the urban context. The investment will also address priorities outlined in the national Sector Investment Plan (SIP 2012-2017) and is aligned with the Government's Agenda for Transformation (AfT) target for safe water supply improvements.

39. A sector reform project with Private Sector Participation was considered in the completed scoping study as an alternative to the proposed LWSC-centric implementation. However, the immediate participation of the private sector in the management of water either as a service provider and/or as a shareholder, appears unrealistic mainly due to enduring country risk, the lack of an adequate regulatory framework, and the dilapidated state of the utility's infrastructure. Once LWSC's finances and infrastructure are considerably improved, a solid regulatory framework is established, and a coherent and financially sustainable subsidy strategy is firmly in place to allow the very poor to be served, deeper changes in management and/or asset ownership could be considered in the medium- to long-term.

40. The particular value added by the World Bank goes beyond its ability to offer at-scale financing for this project at conditions superior to commercial lenders, and includes its ability to provide in-depth technical assistance to ensure that infrastructure improvements will translate into sustainable operational and financial gains.

41. The Water Global Practice has been an active part of LWSC's ongoing reform process, funding a review of the billing system prior to its upgrade, guiding the enumeration of customers, helping to track illegal connections, and piloting an improvement to the customer contracting process. This has allowed the Global Practice to build a strong partnership and obtain detailed knowledge of LWSC's strengths and weaknesses that put it into a unique position to add value to the infrastructure project.

42. From 17-23 August 2015, the project team completed an initiation mission to Liberia to (a) review the initial project proposal and relevant preparatory studies in cooperation with LWSC; (b) agree on the preliminary project development objective, components and main expected results; (c) visit the locations of proposed investments; (d) identify potential environmental and social safeguard policies that could be triggered; (e) identify risks to the project; (f) agree with the client on the project implementation arrangement and (g) initiate the due diligence activities needed in safeguards and fiduciary areas for the Bank to process the proposed credit.

43. The next steps include the following: (a) Site visit to Monrovia by engineering consultants (Hydroconseil) to develop detailed feasibility study of proposed infrastructure components including Environmental and Social Impacts Assessment Report, based on the prior scoping study and inputs from the project team and client; (b) LWSC to develop Environmental and Social Management Plan, Resettlement Plan Framework, Project Implementation Manuals and set-up Project Implementation Unit; (c) Project Appraisal Mission & Credit Negotiations.

44. LWSC spent much of the early post-war period in a state of crisis. Before the war LWSC

had supplied close to 18,000 connections, but by 2010-11 only a few thousand connections were active, annual losses were close to US\$600,000 even with a government subsidy, and staff per 1000 connections among the highest in Africa (World Bank 2014). As a 2011 audit put it, LWSC was in a “firefighting mode with almost all of its limited capacity dedicated to dealing with daily emergencies” (GBSI / Government of Liberia, 2012).

45. The 2011-12 audit proved to be a trigger for an ongoing reform process initiated by a new Managing Director. The new management has reduced overstaffing, improved operational discipline and increased revenues. An upgrade of the billing system, clamp-down on illegal connections, increase of connections to approx. 6,400 and tariff-raise has increased revenues from water sales by 145% since 2011. LWSC’s financial statements, compiled by international financial reporting standards, detailed revenues of US\$ 4,709,932 in fiscal year 2014 (Liberia Water and Sewer Corporation, 2014).

46. The Ebola crisis in 2014-15 impacted revenues in fiscal year 2015, both because collection efforts were temporarily interrupted due to widespread panic and quarantines in Monrovia, and due to the closure of many businesses such as hotels at the height of the epidemic (thus reducing water use). In spite of the impact of Ebola, LWSC collected US\$ 4,085,420 in revenue, a less than 15% reduction. The impact of Ebola was limited by a determined effort that saw an increase in collection efficiency on issued bills from 69% to 89% in the fiscal year. Including the government subsidy, LWSC achieved a profit of US\$298,734 in fiscal year 2015. While the Ebola epidemic impacted revenues negatively, and though the utility is still incurring a loss without the subsidy, overall LWSC's finances have been on an uptrend which the project would reinforce by reducing water losses, adding new customers and improving billing processes. This has been possible due to a variety of operational improvements and rationalizations, including a tariff adjustment, staff streamlining, customer enumeration, program to reduce illegal connections and so on.

47. A recent scoping study assessed LWSC’s production capacity in view of the planned doubling of customer accounts. While the present production of approximately 6mgd is insufficient, it found that if the ongoing AfDB project achieves its objective of restoring the White Plains Water Treatment Plant to its pre-war capacity, this would suffice to supply twice as many customers, even if no other operational improvements were achieved (World Bank, 2014, p. 67).

48. LWSC will be responsible for the implementation of the IDA project. In order to reinforce existing capacity gaps, a single project implementation unit (PIU) is expected to be established within LWSC to manage the project. The PIU will be responsible for the day-to-day management of project tasks including fiduciary, safeguard, procurement and technical responsibilities. The PIU staff are expected to consist of a project coordinator, a project finance officer, a safeguards specialist, procurement specialist and monitoring & evaluation specialist. Roles and responsibilities will be defined in close cooperation with LWSC to avoid overlaps or frictions with existing departments of the utility. The PIU will be recruited by LWSC but with substantial inputs by the project team and established prior to project effectiveness.

49. The PIU will receive financial support through the project’s component 2, thus ensuring that it has the technical and management resources necessary to oversee the technical studies as well as the technical and fiduciary aspects of project implementation.

50. The PIU will work in an integrated manner with LWSC in order to ensure the sustainability of project outcomes. LWSC will implement the project directly through its own staff, supported by financing for capacity building and with minimal participation by short-term consultants

51. The LWSC board will be strengthened with technical assistance to oversee utility performance, and play the role of an auditor to periodically verify LWSC's compliance with the agreed upon key performance indicator targets.

52. Bolstered by the documented performance improvements of LWSC over the past years, and the strong capacity building component embedded in the proposed intervention, the project effectively constitutes a strategic decision to work with the existing, reforming institutional structures to achieve improved access and enhanced services for the population of Monrovia without further delay, rather than making the infrastructure intervention contingent on prior achievement of further performance targets or institutional reorganization.

II. SAFEGUARDS

A. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

The project location is Monrovia, the capital city of the Republic of Liberia (coordinates: 6°18'48"N 10°48'5"W). The project area has a large lagoon from southern to central area. Surrounding this Mesurado lagoon, flat land is spread and distributed over the west side and northwest side, and low hills with gentle undulation are distributed on Monrovia's southern side along the coast of a narrow peninsula and watershed boundaries among the Mesurado river basin, the Warner creek basin and Du river basin. The St Paul river, which originates in the Republic of Guinea, empties into the Atlantic ocean in Monrovia and is the source of the water for White Plains treatment plant that supplies the city's piped network.

At least a quarter of Liberia's population lives in the Greater Monrovia area. Unplanned urbanization has resulted in the proliferation of informal settlements, with an estimated 70% of Monrovia's population currently living in slum conditions with lack of basic services. Such settlements and Industrial Areas have expanded into inland swampy areas, and the generally dense and informal settlements in Monrovia mean that road reserves are often not respected.

The geology of the project area mainly consists of Precambrian Melanocratic gneiss, Devonian Paynesville sandstone, Jurassic Diabase dike, Tertiary Edna sandstone and Quaternary Beach and Fluvial deposits. The Precambrian Melanocratic gneiss is widely distributed as a base rock in northern part of the study area such as New Kru Town, North part of Logan town, Caldwell, Barnesville, North part of New Georgia, North part of Gardnersville and Johnsonville. The Devonian Paynesville sandstone is distributed at central area of New Georgia and at every part of Paynesville. The formation is intruded by Jurassic Diabase at every area and covered by Tertiary and Quaternary deposit at low flat area. The Jurassic Diabase is distributed as a dike or intrusive rock with rather large rock body in Central Monrovia A and B, Congo Town and Paynesville. The rock bodies often form low-height hill. The Tertiary Edina sandstone is distributed at the front of Paynesville sandstone in central and southern east area of New Georgia, and in central and partly southern area of Paynesville. The Quaternary deposit is distributed at low flat land of all the study area and covers underlying other formations.

B. Borrower's Institutional Capacity for Safeguard Policies

LWSC has developed an Environmental and Social Management Plan for the ongoing AfDB project and thus has existing documentation and experience. In order to reinforce existing capacity gaps, a single project implementation unit (PIU) is expected to be established within LWSC to manage the project. The PIU for the IDA project will be built on the already existing PIU which is implementing the AfDB funded project. The PIU will receive financial support through the project, thus ensuring that it has the technical and management resources necessary to oversee the technical studies as well as the technical and fiduciary aspects of project implementation. The PIU will work in an integrated manner with LWSC in order to ensure the sustainability of project outcomes. LWSC will implement the project directly through its own staff, supported by financing for capacity building and with minimal participation by short-term consultants.

C. Environmental and Social Safeguards Specialists on the Team

Demba Balde (GSURR)

Sekou Abou Kamara (GENDR)

D. POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	The proposed intervention will rehabilitate and extend parts of the piped water supply network in Monrovia with a significant net positive social and environmental benefit through enhanced access to safe water and with few if any irreversible negative impacts. However, during construction some site-specific negative impacts may occur temporarily e.g. noise, dust, displacement of households or businesses or minor construction related accidents. The project is thus rated as category B.
Natural Habitats OP/BP 4.04	No	The project is located in urban Monrovia, where the ecosystems' bio-logical communities are not formed largely by native plant and animal species, and human activity has already essentially modified the area's primary ecological functions. Hence, the project area does not affect natural habitats as per the definition thereof in Annex A of OP/BP 4.04 and the policy is not triggered.
Forests OP/BP 4.36	No	The project is located in urban Monrovia and thus does not entail forest management and is not expected to impact on forests.
Pest Management OP 4.09	No	This policy is not triggered as the project will not be involved in helping the borrower manage pests that affect public health
Physical Cultural Resources OP/BP 4.11	TBD	The project will finance the construction and rehabilitation of pipelines in dense urban areas which may affect physical cultural resources adversely, though this unlikely. The project will review whether

		this is the case during appraisal.
Indigenous Peoples OP/BP 4.10	No	This urban project is located in Monrovia, the capital city of Liberia, there are no indigenous peoples expected to be present in the project area.
Involuntary Resettlement OP/ BP 4.12	Yes	The project will finance the construction and rehabilitation of pipelines in dense urban areas which will necessitate involuntary resettlements, esp. of shelters and income generating opportunities built onto road reserves.
Safety of Dams OP/BP 4.37	No	The project does not entail construction of dams, nor does it rely on dam structures.
Projects on International Waterways OP/BP 7.50	Yes	OP 7.50 is applicable to the proposed project since the water supply system to be supported by the project sources water from the St. Paul River shared between the Republic of Liberia and the Republic of Guinea and is therefore an “international waterway” for purposes of the policy. An Exception to Notification Requirements under OP7.50 has been sought because of the proposed rehabilitation and construction schemes will not adversely change the quality or quantity.
Projects in Disputed Areas OP/ BP 7.60	No	The project is not located in a disputed area.

E. Safeguard Preparation Plan

1. Tentative target date for preparing the PAD Stage ISDS

15-Jan-2016

2. Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing should be specified in the PAD-stage ISDS.

LWSC has developed an Environmental & Social Management Plan for the ongoing AfDB project. For this IDA project, a draft Environmental Management Plan following an Environmental & Social Impact Assessment and Resettlement Action Plan has have been prepared by the client. The draft outlines Liberia’s policy, legal and institutional framework, describes the projects and its impacts using a rating system, highlights risks, hazards and potential consequences and proposed mitigation measures.

III. Contact point

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V. Approval

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Country Director:	Name: Inguna Dobraja (CD)	Date: 04-Nov-2015

1 Reminder: The Bank's Disclosure Policy requires that safeguard-related documents be disclosed before appraisal (i) at the InfoShop and (ii) in country, at publicly accessible locations and in a form and language that are accessible to potentially affected persons.