

**PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.: PIDA34910

Project Name	Zimbabwe National Water Project (P154861)
Region	AFRICA
Country	Zimbabwe
Sector(s)	Water supply (80%), General water, sanitation and flood protection sector (20%)
Theme(s)	Rural services and infrastructure (60%), Municipal governance and institution building (20%), Water resource management (20%)
Lending Instrument	Investment Project Financing
Project ID	P154861
Borrower(s)	Republic of Zimbabwe
Implementing Agency	Zimbabwe National Water Authority
Environmental Category	B-Partial Assessment
Date PID Prepared/Updated	25-Sep-2015
Date PID Approved/Disclosed	06-Oct-2015
Estimated Date of Appraisal Completion	16-Oct-2015
Estimated Date of First Grant Approval	23-Nov-2015
Appraisal Review Decision (from Decision Note)	During the QER held on August 19, 2015, it was agreed that this project would continue under preparation under Track 1, with an appraisal mission planned for early October 2015.
Other Decision	<ul style="list-style-type: none"> • Lessons learnt and contribution to project design: During the Project Concept Note Review Meeting (held June 1, 2015), it was agreed that the PAD would include a fully prepared section on the lessons learnt from several years of technical assistance in Zimbabwe's water sector to prepare for this investment project, and how these lessons have contribute to this particular project design. The team has woven the various pieces of technical assistance into the section on "sectoral and institutional context", "lessons learned and reflected in the project design", and into the project's description. <p>However, several reviewers commented that these links were not coming out clearly in the PAD. The team will revise the document to more vividly state the lessons learned from analytical work, provide a long term vision for the sector's development and the institutional model the project is pursuing, including how the Bank fits into this longer term reform process.</p>

	<p>Reviewers also suggested that the PAD could better articulate the work being done by other development partners in the sector. The revised PAD will also include this, in particular the role of ZIMFUND in urban areas, and UNICEF and AfDB in rural areas. This narrative will also be used to further validate the targeting, under this project, of “growth centers”—currently seen by the Government as the “missing middle” between urban and rural where development partners are not active.</p> <ul style="list-style-type: none">• Scope of Technical Assistance under Component 2: The meeting underscored the importance of Component 2, while flagging that the resources allocated to this Component are perhaps spread too thin. The Government reaffirmed its commitment to developing the water resources master plan, and to establishing an independent regulator for the water sector. <p>It was agreed that the team would strengthen the description of this component by: (i) elaborating on how WSP funds will be leveraged, in particular for the technical assistance to local authorities and for the water sector regulator; (ii) as above, providing more information on the depth of technical assistance already carried out, and framing the TA packages under Component 2 as rolling out components that have already been prepared; (iii) amending the indicators to more accurately capture what is being done, and set realistic expectations (see below). The team will also plan to use only one disbursement category so the financing is fungible between components.</p> <ul style="list-style-type: none">• Project Development Objective: Several reviewers commented on the PDO, the importance of defining efficiency, and suggestions for making it less ambitious. The team clarified that the PDO was formulated with guidance from OAS, and agreed that it would: (i) clearly define what is meant by “efficiency”, and that this will be for the seven growth centers, rather than for ZINWA as a whole, and (ii) modify the PDO slightly to add capacity. The revised PDO will be: to improve access and efficiency in water services in selected growth centers and to strengthen planning and regulation capacity for the water and sanitation sector.• Results indicators: Reviewers provided several specific comments on the results indicators. The team was advised to include at least one indicator on gender. The team clarified that it has met with the ZIMREF gender consultant, and that the consultant’s suggestions will be reflected in the revised PAD (including indicators for gender). The team also was advised to ensure that the indicators and results framework for the Project are aligned with ZIMREF’s—the team has been in consultations with the ZIMREF M&E consultant, and will ensure that these are
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	<p>aligned. The team was also advised to reduce the number of PDO level indicators to five.</p> <ul style="list-style-type: none"> • Economic and financial analysis: Several reviewers commented on the need for more clarity on the methodology behind the economic analysis. The team will revise the PAD to provide more clarity and details on the methodology and inputs into the cost-benefit analysis. The team also agreed to include Gutu in the economic analysis, provided that information is now available to do so. The analysis will further consider the resources needs to sustain the investments, and clarify the tariff issues (including affordability) and linkage to operation and maintenance (it was agreed that this would also include a discussion on the history of tariff setting in Zimbabwe). • Risks: The team agreed to elaborate the risks section to: (i) include a discussion on how the service agreements will enhance sustainability by mitigating the risk that payments for water services are absorbed by local authorities rather than paid to ZINWA, and (ii) elaborate on the procurement issues (this will include revisiting the procurement thresholds which were deemed too high). • Phasing: The Country Manager suggested that potentially \$10 million will be available from ZIMREF for this first phase. The team will continue working with the FM and legal specialists to design the Legal Agreements in such a way that reflects the phased nature of the financing. • Retroactive financing: The team agreed to discuss with the Government the option of retroactive financing, for instance to move ahead with hiring members of the Project Implementation Unit. • Preparation under Track 1: It was suggested that the project preparation continue as Track 1.
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I. Project Context

Country Context

Zimbabwe is a low-income, fragile state with a population of 14 million. It suffered an economic reversal from 2000 to 2009; nearly a decade of negative growth and a 50% decline in Gross Domestic Product (GDP) per capita set the economy back to the level of development it had achieved in the late 1950s. Hyperinflation ended in 2009 with the adoption of multi-currency regime, and the economy experienced a rebound in 2010 and 2011. However, economic growth declined in 2012 and 2013; the 2014 GDP was US\$13.6 billion. An estimated 72% of Zimbabweans are poor—84% of rural dwellers and 63% of urban dwellers—and 16% of the population lives in extreme poverty.

Despite its fragility, Zimbabwe exhibits some characteristics of a middle-income country. It has solid backbone infrastructure and human capacity but has been drained of institutional capacity, especially in core government functions, service delivery to citizens, the private sector, and systems to resolve political and economic contests. The degradation of institutions has led to difficulty managing political, economic, and external stresses which, if not properly handled, could reignite political conflict and economic vulnerability.

The economic crisis severely affected infrastructure which is key to future growth and poverty reduction. Decades of deferred maintenance and lack of long-term financing have taken a heavy toll on Zimbabwe's infrastructure, which at one time was ranked at the top in Africa. It is estimated the US \$14 billion is needed to rehabilitate the countries' infrastructure, yet funding for infrastructure remains low.

Small towns and rural growth centers have been most affected, with revenue bases slower to recover than in large towns and cities. Service providers are unable to operate and maintain the infrastructure and there is an urgent need to revive the infrastructure and management systems in these areas to restore service delivery.

Sectoral and institutional Context

Water supply and sanitation services have deteriorated drastically over the last two decades. Zimbabwe used to have some of the highest access rates to water supply and sanitation (WSS) services in Africa; these rates have dropped to 46% for water supply and 30% for sanitation. In 2008–2009, the deterioration of WSS services resulted in a cholera outbreak that affected 100,000 people and claimed 4,300 lives.

Since the cholera outbreak, the Government has embarked on significant policy and institutional reforms to rehabilitate the WSS sector, and the Bank has played a pivotal role in supporting these. The Government initially requested the Bank coordinate a new national water policy. Together with the United Nations Children's Fund (UNICEF), the Bank developed a set of technical background papers, later transformed into a single policy paper: the National Water Policy. The policy was approved by Cabinet in 2013; it was the only policy approved by the Government of National Unity that was in power from 2009 to 2013. Sector institutions have been rebuilt under the Ministry of Environment, Water and Climate (MEWC).

The Bank has supported various technical assistance activities in addition to supporting the National Water Policy, with funds from the Analytical Multi-Donor Trust Fund (A-MDTF) and the Water and Sanitation Program (WSP). These TA activities have included: tariff study, dam safety study, water quality monitoring, water sector investment plan, review of the coordination and regulatory instruments and service level benchmarking of the urban local authorities. The Bank also supported the restoration of water services for the 40,000 people of Beitbridge, the town most affected by the cholera crisis of 2008–2009, through support to the Beitbridge Town Council and the Zimbabwe National Water Authority (ZINWA). This project targets and scales up some of the activities previously carried out by the Bank.

II. Proposed Development Objectives

The proposed project development objective is to improve access and efficiency in water services

in selected growth centers and to strengthen planning and regulation capacity for the water and sanitation sector.

III. Project Description

Component Name

Growth Center Water and Sanitation Improvements

Comments (optional)

Component 1 will finance investments in water supply and sanitation rehabilitation and upgrading in seven growth centers: (1) Guruve, (2) Gutu, (3) Lupane, (4) Madziwa, (5) Mataga, (6) Nembudzia, and (7) Zimunya. Detailed designs (including bills of quantities and tender documents) and preliminary Environmental Impact Assessments (EIAs) were completed for all seven growth centers in 2014 to address short, medium, and long term investment needs. These plans were further updated in May 2015 by ZINWA. Investments will include expanding and rehabilitating water treatment works, boreholes, transmission mains, storage and service reservoirs, distribution systems, connections, and meter installation and replacement. The works also include restoring wastewater treatment systems in some project

Component Name

Technical Assistance

Comments (optional)

Technical Assistance (TA) will be provided to strengthen the capacity of the relevant national and local institutions to ensure the sustainability of investments and improve the overall planning, regulation, and reform of the sector in line with the National Water Policy.

Component Name

Project Management

Comments (optional)

ZINWA will set up a PIU to manage the project. The PIU will directly manage component 1 and act as Secretariat to the various lead ministries for sub-component 2.1, 2.2, and 2.3. The PIU will be staffed with 5–7 staff, including a Project Manager and staff with expertise in engineering, procurement, financial management, safeguards, and monitoring and evaluation. The PIU may also have secondees (focal point officers) from other entities participating in the project.

IV. Financing (in USD Million)

Total Project Cost:	20.00	Total Bank Financing:	0.00
Financing Gap:	0.00		
For Loans/Credits/Others			Amount
Borrower			0.00
Zimbabwe Reconstruction Fund (ZIMREF)			20.00
Total			20.00

V. Implementation

There will be three legal agreements: (1) the Ministry of Finance and Economic Development (MoFED), representing the Government of the Republic of Zimbabwe, will sign a Financing Agreement for the ZIMREF Grant with the Bank, (2) a Subsidiary Agreement between MoFED and ZINWA through which funds and responsibility for project implementation will be passed on to

ZINWA, and (3) a Project Agreement between ZINWA and the Bank which will define eligible activities and implementation modalities.

The Government will establish the National Water Project Steering Committee (PSC)—a high level committee to oversee coordination and implementation of the Project. It will be chaired by the MEWC and draw members from ZINWA and relevant ministries (senior officers, preferably Directors). The PSC will report to Government through the Minister of MEWC. The PSC will be responsible for resolving any problematic issues related to policy, inter-departmental communication, coordination among entities, and any change in project design or reallocations.

ZINWA will implement the project through a PIU. The PIU will have direct responsibility for activities under Component 1 and Component 3. Component 2 will be administered by the PIU, but different agencies will be responsible for the technical leadership of various sub-components: 2.1, 2.2, and 2.5 by MEWC, 2.3 by MLGPWNH, and 2.4 by ZINWA.

The PIU will be responsible for project management, including monitoring the progress in each catchment, and procurement. The PIU will also be responsible for: (a) overall coordination of project activities; (b) managing the project's special account and ensuring proper and timely project accounting and reporting of project expenditures, and (c) preparing consolidated progress reports. The Project Manager will be the focal point for the World Bank, and will work closely with focal point officers from participating entities, the PSC, and each Project Implementation Team (see below). The PIU will also serve as the PSC's Secretariat and will coordinate and prepare minutes of the PSC meetings.

Project Implementation Teams (PITs) will be established in each catchment to implement sub-projects and coordinate Component 1 activities. The PITs will be made up of an Operations Engineer, and financial support staff. The PIU will also include secondees from the Local Authorities. The Operations Engineer will act as the PIT Team leader (and Resident Engineer) and will report to the Project Manager and the Catchment Manager via the Operations Manager. The Catchment Manager will be tasked with overseeing progress on works in the catchment. The PIT will be responsible for day-to-day activities related to the project and for supervising and certifying works, preparing payment certificates, receiving and verifying material specifications, and maintaining accurate project records (materials, work done, and labor and equipment returns).

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	x	
Natural Habitats OP/BP 4.04	x	
Forests OP/BP 4.36		x
Pest Management OP 4.09		x
Physical Cultural Resources OP/BP 4.11		x
Indigenous Peoples OP/BP 4.10		x
Involuntary Resettlement OP/BP 4.12		x
Safety of Dams OP/BP 4.37	x	
Projects on International Waterways OP/BP 7.50		x
Projects in Disputed Areas OP/BP 7.60		x

Comments (optional)

VII. Contact point

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