

PROJECT INFORMATION DOCUMENT (PID) CONCEPT STAGE

Report No.: PIDC27353

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	17-Jun-2015
Date PID Approved/ Disclosed	20-Jul-2015
Estimated Date of Appraisal Completion	22-Sep-2015
Estimated Date of Board Approval	15-Oct-2015
Concept Review Decision	Track I - The review did authorize the preparation to continue

I. Introduction and Context

Country Context

Zimbabwe is a low-income, fragile state with a population of 14 million. The country suffered an economic reversal in the period 2000 to 2009, with nearly a decade of negative growth and a 50% decline in per capita GDP. The economy experienced a rebound in 2010 and 2011; however, economic growth subsequently declined in 2012 and 2013. The 2013 GDP estimate (at PPP) is US \$12.80 billion, with a Gross National Income per capita of US\$820. Economic growth is forecast at 2% in 2014. An estimated 72% of Zimbabweans are poor, 84% of rural dwellers and 63% of urban dwellers, with 16% living in extreme poverty.

However, despite its fragility, the country exhibits some characteristics of a middle-income country. Zimbabwe is unique in that it has the characteristics of both a middle-income country and a typical fragile state. It has solid backbone infrastructure and human capacity but has been drained of

institutional capacity, especially in core government functions,

The economic crisis has 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 that at one time was ranked at the top in Africa. It is estimated the \$14 billion is needed to rehabilitate the countries' infrastructure; however funding for infrastructure remains low. Government has been unable to meet budgetary requirements, including those required to support parastatals and councils that run and provide basic services. High levels of unemployment have reduced consumers' ability to pay for service, and funding to operate and maintain infrastructure and effectively deliver services is limited. Poor infrastructure has been cited as one of the key constraints to investment in the Doing Business reports, and is key to future growth in agriculture, mining and tourism.

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 rates of access to water and sanitation in Africa; however, access to adequate water supply has dropped to 46% and to adequate sanitation to 30%. The deterioration of water and sanitation services resulted in a cholera outbreak in 2008-2009 that affected 100,000 people and caused 4,300 deaths.

The Government has been re-building the sector since the cholera crisis. The Government approved the National Water Policy in 2013 that clarifies the institutional and financial framework for the sector, including the need for a water services regulator. Sector institutions have been rebuilt under the Ministry of Environment, Water and Climate (MEWC).

The Zimbabwe National Water Authority (ZINWA) has responsibility for water resources management and water supply to 538 stations. These stations range in size significantly, and service around 3 million people, both through bulk supply and through direct supply to customers. While the National Water Policy places the responsibility for urban water supply and sanitation with the Urban Local Authorities (ULAs) and rural water supply and sanitation with the Rural District Councils (RDCs) water service provision can be given to an appropriate water service provider. Local authorities lack the capacity to improve services in small towns, a capacity that ZINWA has.

However there is a need to build capacity ZINWA's capacity to become a commercially viable, customer-focused utility. ZINWA has evolved from an engineering department in the national government to an autonomous utility; however, it still has a long way to go to be fully cost recovering and to adopt a modern customer focus. The Government's position on state commercial enterprises, including ZINWA, is that they should be reformed to fund their own operations and achieve full cost recovery. ZINWA lacks commercial and customer orientation: tariffs generally cover operation and maintenance, but are inadequate for funding capital costs and low revenue collection and poor commercial functions further deplete ZINWA's finances.

The Bank has supported the Government to rebuild the water sector over the past 5 years through technical assistance. As the Government is in arrears to the Bank (and other International Financing

Institutions) IDA funding is not available to Zimbabwe, and there have been no investment operations for over 15 years. However, with funds from the Analytical Multi-Donor Trust Fund (A-MDTF) and the Water and Sanitation Program (WSP), the Bank supported a number of technical assistance activities. The Bank also supported the restoration of water services for the 40,000 people of Beitbridge, the town most affected by the cholera crisis. The Bank financed the ZINWA needs assessment of 50 ZINWA stations under the A-MDTF. The assessment estimated that \$100 million is needed to restore water services in the 50 stations and address all immediate, medium and long term investment needs.

Zimbabwe Reconstruction Fund: The Bank has established a new multi-donor trust fund termed the Zimbabwe Reconstruction Fund (ZIMREF) which has the possibility to provide investment support in addition to technical assistance. ZIMREF sets out to contribute to strengthening Zimbabwe's systems for reconstruction and development through three thematic windows, each of which may fund investments, technical assistance and/or analytical work related to that area: (a) Private Sector Growth, (b) Systems and Capacity Development, and (c) Resilience and Livelihoods Support. The Fund was approved by the Bank's Board in 2014 and is now ready for operations. This proposed project will be submitted to ZIMREF for funding.

Relationship to CAS

The project is consistent with the Bank priorities as stated in the Interim Strategic Note. Bank priorities are guided by the Interim Strategy Note 3 (ISN3) for the period July 2013 to June 2015. ISN3 focuses on measures needed to ensure the Bank's readiness for eventual re-engagement, and lists infrastructure, and water and sanitation in particularly, as a focus sector. The project addresses core public health risks from inadequate water and sanitation, especially against the background of the recent cholera epidemic, consistent with the Bank's and donor priorities in Zimbabwe.

II. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)

The proposed project development objective is to strengthen the capacity of water sector institutions to improve the access to and the quality of water and sanitation services in selected growth centers and to improve water resources planning.

This will be achieved through strengthening the capacity of ZINWA and the Ministry of Environment, Water and Climate through investments in seven growth centers and technical assistance. The project is expected to directly benefit about 50,000 people living in the seven growth centers and indirectly benefit the seven local authorities, national government and ZINWA through technical assistance

Key Results (From PCN)

The key results for the project are:

- a. Improved access to water supply for 50,000 people
- b. Sanitation plans for 7 growth centers
- c. Water Service Agreements signed between ZINWA and 7 Local Authorities
- d. ZINWA collection rates improved
- e. National Water Resources Master Plan completed
- f. Water regulator established
- g. Improved customer satisfaction

III. Preliminary Description

Concept Description

The project will have three components with indicative costing as below:

- Component 1: Growth Center Water and Sanitation Improvements (\$14 million)
- Component 2: Technical Assistance (\$5 million), including (2.1) National Water Resources Master Plan; (2.2) TA for a Water Services Regulator; (2.3) TA to Local Authorities; (2.4) Institutional Strengthening of ZINWA; and (2.5) Training
- Component 3: Project Management (\$1 million)

Component 1: Growth Center Water and Sanitation Improvements (US\$ 14 million): This component will finance investments in water supply and sanitation rehabilitation and upgrading in 7 growth centers. Detailed designs (including bills of quantities and tender documents) and preliminary Environmental Impact Assessments (EIAs) were completed for all 7 growth centers in 2014 (with funding from the A-MDTF) in order to address all short, medium and long term investment needs. Investments will include expansion and rehabilitation of water treatment works, boreholes, transmission mains, storage and service reservoirs, distribution system, connections and meter installation and replacement. The works will also include minimal works to restore operation of the wastewater treatment systems in the project areas. The works planned on wastewater treatment systems will include clearing and desludging, repairs of inlet works and fencing and operators facilities. The investments are estimated at about US\$ 14 million.

The seven highest priority stations for the purposes of this Project are all termed “Growth Centers” were selected by ZINWA from the 50 stations, one per water catchment area based the number of beneficiaries and the expected economic benefit of the Project.

Component 2: Technical Assistance (US\$ 5 million): Technical Assistance (TA) will be provided to strengthen the capacity of the relevant national and local institutions needed to ensure the sustainability of the investments and improve the overall planning, regulation and reform of the sector in line with the National Water Policy and Government’s current thinking. There will be five sub-components of TA:

Sub-component 2.1: National Water Resources Master Plan: The Government has requested TA under the Project to develop a national water resources master plan. The Master Plan will build on the National Water Master Plan of the early 1990s and the subsequent Catchment Outline Plans developed in the mid-2000s.

Sub-component 2.2: TA for a Water Services Regulator: The Government has decided to set up a water and wastewater services regulatory authority and has approved a Cabinet Memorandum in April 2015 to this effect. Bank support will be through the proposed Project and through TA from the Water and Sanitation Program. The following areas of support were proposed: (i) developing a roadmap for the establishment of the regulator based on international good practice detailing: institutional options; required legislative amendments; a business and financial plan for the regulator; (ii) south-south learning exchange; (iii) integrating or interfacing Service Level Benchmarking (SLB) currently being practiced by 32 municipal councils into the regulatory process; and (iv) office setup costs as appropriate.

Sub-component 2.3: TA to Local Authorities: Two activities have been proposed by the Ministry of

Local Government, Public Works and National Housing (MLGPWNH) for consideration under this sub-component: (1) TA to support Local Authorities and ZINWA formalize water service agreements and (2) promoting sanitation improvements in small towns.

Sub-component 2.4: Institutional strengthening of ZINWA: In 2014, at the request of ZINWA, the Bank financed a skills audit and strategic gap analysis to identify key areas to strengthen ZINWA. Three key areas were identified as priorities: (i) a need to separate the utility and water resources function of ZINWA – as identified in the National Water Policy; (ii) a lack of commercial orientation and (iii) a lack of customer focus and poor stakeholder management, and will be the areas of focus for institutional strengthening.

Sub-component 2.5: Training: MEWC will develop a training plan, together with ZINWA and other relevant agencies, for support under the Project. The training plan will include training needs of all project implementing entities, such as MEWC, MLGPW, and Local authorities in the project areas, but will focus on the operational training needs required by ZINWA to implement the project and ensure sustainability of the investments.

Component 3: Project management (US\$ 1 million): ZINWA will set up a Project Implementation Unit (PIU) to manage the project. The PIU will be staffed with 5-7 staff, including a Project Manager and will include competence in engineering, procurement, financial management, safeguards and monitoring and evaluation.

Project Implementation Team: A Project Implementation Team (PIT) will be established at catchment level to implement the sub-project in the catchment and coordinate all other project activities that will involve the catchment.

Project Steering Committee: The project will establish a high level Project Steering Committee (PSC) chaired by MEWC and consisting of ZINWA, and senior officers (preferably Directors) from relevant ministries.

Monitoring and Evaluation: The project will play close attention to M&E as this is the first Bank investment project in Zimbabwe in over a decade, and can inform future investments in the water sector and other sectors. ZINWA will set-up an M&E system in the PIU that will report to the Project Steering Committee and the Bank.

IV. Safeguard Policies that might apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
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	

V. Financing (in USD Million)

Total Project Cost:	20.00	Total Bank Financing:	0.00
Financing Gap:	0.00		
Financing Source			Amount
Borrower			0.00
Zimbabwe Reconstruction Fund (ZIMREF)			20.00
Total			20.00

VI. Contact point

World Bank

Contact: Michael John Webster
 Title: Sr Water & Sanitation Spec.
 Tel: 5391+3225 /
 Email: mwebster@worldbank.org

Borrower/Client/Recipient

Name: Republic of Zimbabwe
 Contact:
 Title:
 Tel:
 Email:

Implementing Agencies

Name: Zimbabwe National Water Authority
 Contact: Ms. Ndiweni
 Title: Acting CEO
 Tel: 2634797614
 Email: gdhlandhlara@zinwa.co.zw

VII. For more information contact:

The InfoShop
 The World Bank
 1818 H Street, NW
 Washington, D.C. 20433
 Telephone: (202) 458-4500
 Fax: (202) 522-1500
 Web: <http://www.worldbank.org/infoshop>