

REPUBLIC OF IRAQ
EMERGENCY WATER SUPPLY, SANITATION AND URBAN RECONSTRUCTION
PROJECT

Project Information Document (PID)

Project Name	IRAQ: Emergency Water Supply, Sanitation and Urban Reconstruction Project
Recipient(s)	Ministry of Municipalities and Public Works
Implementing Agency	Ministry of Municipalities and Public Works
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A. BACKGROUND

Country Background

17. Large oil reserves and abundant natural and human resources enabled Iraq to attain the status of a middle-income country in the 1970s. Income per capita rose to over US\$3,600 in the early 1980s. However, successive wars and a repressive, state-dominated economic system have stifled growth and development and debilitated basic infrastructure and social services. Iraq's human development indicators are now among the lowest in the region, and per capita income dropped to about US\$770-1,020 by 2001. Although there is a scarcity of reliable economic data, 2003 GDP is estimated at about US\$ 13-17 billion, or about US\$ 480-630 per person.
17. Since the mid-1980s, years of conflicts, misdirected resources, and the effects of Iraq's centralized command economy have stifled economic growth and development, curtailing Iraq's ability to invest in new infrastructure and maintain existing facilities. Conflicts, looting, and sabotage have also resulted in direct damage to buildings, pipelines, communication equipment, and transportation links. Billing systems and associated revenues that maintain operations have collapsed. Today most Iraqis have limited access to essential basic services, including electricity, water supply, sanitation, and refuse collection. Serious environmental and health risks associated with contaminated water supplies, inappropriate handling of solid waste, and disposal of sewage threaten to further burden the already stressed health system.
17. The Ministry of Municipalities and Public Works (MMPW) was recently created out of the Civil Services Division of the Iraq Interior Ministry. The MMPW is the chief national policymaker for the provision of all municipal services, except for electricity and telecommunications. It is responsible for delivery of safe drinking water, environmental sanitation (wastewater and solid waste) services, urban development, municipal road works, and public land management. The Ministry has offices in 266 municipalities in fifteen of the eighteen governorates in Iraq. The three Governorates of the Iraqi Kurdistan Region, Duhok, Erbil, and Sulaimaniyah, are affiliated but administered separately. More than 40,000 employees serve in the Ministry of Municipalities & Public Works working at over 600 locations. The national general directorates provide administrative, financial and technical

support to each Governorate and municipality. They are responsible for overseeing distribution systems for water, sewerage, and other municipal services, tasks that prove to be a serious challenge.

Water Supply and Sanitation Sector

17. Indeed, prior to the 1991 Gulf war, the population of Iraq enjoyed a relatively high level of water supply and sanitation services. The sector operated efficiently, utilizing then-current technologies. Over 95% of the urban population and over 75% of the rural population had access to safe potable water. Water quality was generally good as about 218 water treatment plants and about 1200 compact water treatment units were operating throughout the country. Sanitation services covered about 75% of the urban communities (25% connected to sewerage systems and 50% with on-site septic tanks) and about 40% in rural areas.
17. Since 1991, the water supply and sanitation sector has experienced a steady but devastating decline. Aging infrastructure, poorly maintained equipment, leaking water and sewer networks and low technical capacity and morale are some of the key problems of the sector. Diseases associated with poor sanitation, unsafe water and unhygienic practices had increased to alarming rates. It is estimated that water related diseases are responsible for about 25% of all deaths of children in Iraq. Only 9% of the urban population outside Baghdad is served by sewerage systems, while rural areas and the north do not have piped sewerage systems. Moreover, the unavailability of continuous power supply due to infrastructure damages has crippled the ability of the ministries and water and sanitation authorities to manage and to operate basic services.

Urban Rehabilitation and Management Sector

17. Iraq has been subjected to the classic symptoms and causes of urbanization trends usually experienced by developing countries and fuelled by an imbalanced distribution of spatial development. Most Iraqi cities have been developing in the absence of effective planning systems and urban areas have grown well beyond their planned limits. Spontaneous development of informal settlements in and around major urban areas grew mostly in the poorest parts. Some residential zones were established next to industrial sites, with potential risks for human health and safety. This rapid urbanisation, reaching 70% level has, in many cases, outpaced housing and service provision.
17. Furthermore, the consequences of wars, economic sanctions, internal conflict and mismanagement, coupled with the increasing urbanization, have resulted in a steady deterioration in urban services and the impoverishment of large parts of the urban population. This is having major repercussions for public services and infrastructure, long-term stabilization, and the human capital of Iraq.
17. Today, the majority of the population has limited or inadequate access to essential basic services. The majority of governorates suffer from insufficient and damaged urban roads and storm water drainage, street lighting and social facilities. According to the UN/WB assessment, only 20-30 percent of the secondary roads linking towns with the Governorates are in good condition, while, just 10 percent of the roads that provide villages and towns with access to the secondary network are considered to be in good condition. What had escaped destruction and looting operates at minimal capacity due to years of neglect and lack of maintenance. The deficiency of basic infrastructure services has added to the general lack of security in various parts of the country.

The International Response

17. Following the invasion of Iraq in 2003, the international community was quick to recognize the need for a multilateral approach to the reconstruction and development of Iraq. At the request of the international community, the World Bank and the United Nations Development Group worked closely to produce an assessment of Iraq's reconstruction needs. The [United Nations / World Bank Joint Iraq Needs Assessment](#) (October 2003) estimated total needs for the period 2004-2007 to be US\$55 billion, comprising US\$35.8 billion for the fourteen sectors covered by the Needs Assessment,¹ and US\$19.4 billion estimated by the then Coalition Provisional Authority (CPA) for other sectors including security and oil. The Joint Needs Assessment served as a basis for an international donors' conference held in Madrid in October of 2003, where donors pledged about US\$32 billion for the period 2004-2007. Two follow-up conferences were held in Abu-Dhabi and Doha in March and May of 2004, respectively, to review and approve the lists of priorities submitted by each ministry. The next donors' meeting will take place in Tokyo on October 13th, 2004, to assess the progress made one year after the Madrid meeting.

17. To ensure swift, flexible, and coordinated donor financing for priority investments identified in the Needs Assessment, the World Bank and the UN designed an International Reconstruction Fund Facility for Iraq, consisting of two trust funds—a World Bank Iraq Trust Fund (ITF) and a UNDG Iraq Trust Fund—with mechanisms for close coordination. About US\$1 billion have been pledged for the UN and the World Bank Trust Funds for 2004/2005. Projects presented for funding under the Trusts Funds are submitted for approval to the Iraqi Strategic Review Board (ISRB), chaired by the Ministry of Planning and Development Cooperation, to ensure projects are in-line with country priorities, and that no duplication occurs.

17. Most of the US\$32 billion pledged for Iraq's reconstruction will be channeled bilaterally. The US\$18.4 billion supplemental appropriation approved by US Congress in late 2003 included a little over US\$12 earmarked for 2004. Recently, about US\$3.4 billion of the US\$12 billion have been reallocated to other activities. The US has awarded several major contracts for physical and social infrastructure rehabilitation, leading to some improvement in basic infrastructure services. However, despite the US funding, Iraq faces a large gap in financing for emergency reconstruction and capacity building. Inadequate infrastructure service delivery remains a critical problem that lowers the quality of life in Iraq, contributes to poor security, and thwarts economic recovery and development.

17. The UN, which has experience working in Iraq under the Oil-For-Food program, is also expected to play an important role in addressing infrastructure needs. It currently has 23 agencies working in Iraq with local staff, and, like the World Bank, has established an operational presence in Amman for international staff. The UN and the World Bank sectors of intervention may overlap, making it essential that respective project teams work closely together to ensure that each institution capitalizes on its comparative advantages.

¹ The sectors are: education; health; employment creation; water and sanitation; transport and telecommunications; electricity; housing and land management; urban management; agriculture, water resources, and food security; finance; state-owned industries; investment climate; mine action; and government institutions. The cross-cutting themes are: gender, environment, and human rights.

17. RATIONALE FOR BANK INVOLVEMENT

17. The proposed project is fully consistent with the [World Bank's Interim Strategy Note for Iraq](#) (January 2004), which emphasizes the need for rapid rehabilitation of critical infrastructure and services, short-term employment generation, and institutional capacity building as prerequisites for long-term sustainable recovery.
17. There are important reasons for the Bank to be involved at this stage in rehabilitating Iraq's infrastructure:
- Despite relatively large amounts of financing for infrastructure from bilateral donors, there remains a huge financing gap for infrastructure rehabilitation, which remains one of the biggest obstacles to economic recovery. Bank financing can complement the ongoing large-scale infrastructure investments;
 - The Bank is in a position to share international experiences and best practices based on the Bank's considerable international experience with infrastructure reconstruction projects in conflict-affected areas (including Bosnia-Herzegovina, Ethiopia, West Bank and Gaza, and Afghanistan);
 - Bank financing, unlike the financing of many other donors, will be implemented by Iraq through the country's own institutions (ministries and agencies), which will ensure Iraqi ownership and build Iraq's institutional capacity, both crucial for the country's sustainable development; and,
 - The Bank will couple financing for rehabilitation with policy advice, assisting the Government with urgent policy decisions, while laying the ground for sector restructuring that is essential for long-term sustainability of infrastructure investments.

Applying Lessons Learned

15. The Bank's increased role in post-conflict reconstruction over the past decade has provided a wealth of experience on which to draw. Now guided by OP2.30 Development Cooperation and Conflict, the Bank's reconstruction efforts put a premium on early but selective engagement, flexibility in design and implementation, capacity building, coordination with donors and other partners, and close monitoring and evaluation. Notwithstanding the broadening into multi-sectoral assistance, OED has recognized the Bank's continued comparative advantage in rebuilding physical infrastructure².

16. On the question of working in insecure environments, OP2.30 recognizes that even in countries in conflict the Bank should "continue efforts at poverty reduction and maintenance of socioeconomic assets" and in developing a program for a country in transition from conflict may become involved incrementally. The Bank's recent experience in Afghanistan provides the clearest precedent where selective assistance was mobilized ahead of, and in support of, a fully-developed transitional support strategy.

17. In line with these lessons, the project will be kept flexible to permit a quick response to changing circumstances. In addition, the Bank has conducted generic training, including project management, procurement, financial management, and environmental and social safeguards, for staff members of ministries associated with infrastructure. Further capacity building will take place in the coming months to ensure client readiness in project implementation. Early and effective collaboration with other donor agencies has also proven vital in previous emergency operations, such as Afghanistan. Accordingly, the project team is in close contact with other external partners, including the United States, United Nations,

² OED, *The World Bank's Experience with Post-conflict Reconstruction* (1998)

EU, United Kingdom, and Japan. The project team is also in regular discussion through videoconferences with representatives of line ministries and CPA advisors; and several face-to-face meetings have taken place outside of Iraq.

C. THE PROJECT

18. The project represents the second phase of the Emergency Infrastructure Reconstruction Program, described in the PID of April 21, 2004 which intends to cover the five sectors of water supply and sanitation, electricity, urban rehabilitation, transportation, and telecommunications. In view of the limited availability of funds at the World Bank Iraq Trust Fund, and the expressed interest of donors for certain sectors, the project will focus on the urgent water supply, sanitation and municipal infrastructure needs of cities outside Baghdad. A companion water supply and sanitation project for Baghdad is being proposed given the Capital City's independent status, its historical responsibility for infrastructure services within its boundary, and the severity of the physical and environmental damages to its facilities during the last conflict.

Project Objectives

19. The principal objective of the project is to restore basic water supply, sanitation and urban services for urban areas outside Baghdad through (a) the reconstruction and rehabilitation of existing facilities, and (b) providing capacity building support through training and technical assistance. The project will complement support by other donors that focuses largely on the reconstruction of major treatment plants and supply of goods. The project will also create vitally needed short-term employment and help build Iraq's capacity to manage large-scale reconstruction.

Project Description

20. The project addresses the urgent sectoral needs of urban communities outside Baghdad including rehabilitation of water and sewer networks, pumping stations, small treatment plants, community roads and other urban facilities. It provides support to the MMWP to better manage projects at the design, supervision, operation and maintenance stages by building the capacity of its staff. It also includes the development of a few city development plans to ensure that future expansion of all utilities are in line with the overall urban development plan for the city. Project components and their estimated total costs³ are summarized in table 1 below.

³ The estimated total costs for components 1 through 13 include physical and price contingencies but exclude design and training costs, accounted for in component 14.

15. **Table 1: Grant Costs by Components**

Component	Total Cost	% of Total
1. Rehabilitation and Upgrading of Karbala Water and Sewerage Systems	19,841,000	18%
2. Rehabilitation and extension of Majar Water Supply System	3,135,000	3%
3. Rehabilitation of Beji Water Supply Systems	1,831,000	2%
4. Rehabilitation of Kena'an Water Supply Systems	1,890,000	2%
5. Rehabilitation of Al Hussainia Water Supply System	7,600,000	7%
6. Rehabilitation and extension of Al-Samawa Water Supply Systems	12,338,000	11%
7. Rehabilitation and upgrading of Erbil Water Supply System	5,100,000	5%
8. Rehabilitation and extension of Dohuk Water Supply and Sewerage Systems	4,930,000	4%
9. Rehabilitation and extension of Dukan Water Supply and Sewerage Systems	4,482,000	4%
10. Karbala Urban Rehabilitation	7,743,989	7%
11. Najaf Urban Rehabilitation	7,750,000	7%
12. Erbil Urban Rehabilitation	7,762,184	7%
13. Basra Urban Rehabilitation	7,780,500	7%
14. Capacity building and Technical Assistance	5,438,683	5%
Total Base Cost	97,622,356	88%
Price Contingencies (US\$)	4,603,111	4%
Physical Contingencies (US\$)	9,211,222	8%
TOTAL	111,436,690	100%
Financing:		
Ministry of Municipalities and Public Works	436,690	0.39%
World Bank Iraq Trust Fund	111,000,000	99.61%

21. This project will improve the quality of life of approximately 2 million Iraqi citizens. Nevertheless, the needs remain quite high. The UN/WB Joint Needs Assessment estimated at US\$ 6.8 billion the total rehabilitation needs of the Water Supply and Sanitation sector and at US\$ 384 million of the Urban Management sector. Based on these figures, this project will contribute to less than 1% and about 8% of the total needs, respectively.

Project Financing

22. The total cost of the above mentioned components of US\$ 111 million is greater than the proposed grant from the ITF of US\$ 90 million. The MMPW has been requested to identify priority components to be included within the proposed US\$ 90 million grant. A follow-up project could be considered to cover the cost of the components postponed, once additional funds are made available. The MMPW has agreed to cover the cost of Iraqi staff seconded to the Project Management Team (PMT), utility costs and other operating costs not specified above.

D. INSTITUTIONAL ARRANGEMENTS AND IMPLEMENTATION

23. The institutional arrangements for the project are similar to those adopted by the recently approved Education Project. The Ministry of Planning and Development Coordination is responsible for the coordination of the overall donors assistance to Iraq. The MMPW will be the implementing agency and the direct Recipient of the Grant. A few other Iraqi institutions, such as the Ministry of the Environment and the Ministry of Finance, would be associated indirectly with the project for clearances and reviews in accordance with national requirements.

Implementation Arrangements

24. Project works will be grouped into large sector contracts for equipment supply and civil works to simplify implementation and permit direct disbursement of funds. The preferred method of disbursing funds is direct payment by the World Bank to suppliers upon the instruction of the implementing agency and in accordance with the contract between the implementing agency and the supplier.

Procurement

25. Procurement for this Project will be carried out in accordance with the World Bank's "Guidelines: Procurement Under IBRD Loans and IDA Credits" dated May 2004; and "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004, and the provisions stipulated in the Legal Agreement. Also, procurement will be undertaken in conformity with the Master Implementation Manual, due for completion in October 2004.

26. The PMT will closely coordinate its daily activities with the different departments of the MMPW, particularly with the Water and Sewerage Authorities. It is critical that at least two qualified procurement staff members are selected for the PMT prior to the Grant signing. These recruits would be trained on and become well-versed in Bank procurement procedures within the first three months after Grant signing.

Financial Management and Disbursements

27. The Bank's strategy in Iraq is to implement projects through the Iraqi ministries, working together to strengthen the Ministries' controls, at the same time putting in place other measures to provide assurance that funds have been used for their intended purpose. The MMPW will maintain an appropriate

and adequate financial management system, including records and accounts, and prepare financial statements that reflect the operations, resources and expenditures. The Grant Agreement also commits the Recipient to have the accounts, records, and financial statements of the grant to be audited each fiscal year by a qualified auditor acceptable to the Administrator (Bank) with scope and standards accepted internationally. Lastly, the Trust Fund Agreement imposes the presence of an independent Monitoring Agent that will ensure that funds have been used for their intended purposes.

Environmental Aspects

28. The Project will be processed as an Emergency Recovery Project. The Project is rated as a category “B,” because it will be limited to the rehabilitation and reconstruction of existing damaged facilities, as opposed to category “A” projects with high environmental impacts. The project will be processed in accordance with the Environmental and Social Screening Assessment Framework (ESSAF) for Iraq, which should be disclosed by the Recipient before appraisal. This framework entails that: (a) all components be screened by the Recipient through a checklist attached in the ESSAF; (b) that a code of practice be included as part of civil work contracts as well as of purchase and installation of equipment contracts; (c) and that capacity building is undertaken on the environmental issues and on corrective environmental measures in order to enable the grant Recipient, and particularly the Ministry of Environment, to address any potential aspects that may arise during the screening and implementation of the components.

29. It is anticipated that land acquisition and resettlement will be kept to a minimum and all land acquisition and resettlement will be carried out in accordance with these guidelines set forth in the ESSAF. Component proposals that would require demolishing houses or acquiring productive land will be carefully reviewed to minimize or avoid their impacts through alternative alignments. Proposals that require more than minor expansion along rights of way will be reviewed carefully. No land or asset acquisition may take place outside of the ESSAF guidelines.

E. FINANCIAL AND ECONOMIC JUSTIFICATIONS

30. An estimated population of more than two million people will benefit from the improvement in water and sanitation, and other municipal services made possible by the project, which only covers part of the most urgent needs of towns and cities outside Baghdad. Length of service and the quality of water will improve. Raw sewerage will no longer be discharged in rivers and streams thus eliminating the risk of epidemics due to waterborne diseases (typhoid, etc..). The project will also eliminate the extensive leakages that cause sewerage to infiltrate water supply and will go a long way in addressing the problem of protecting the most vulnerable groups in society, which are the children and older people. Given the high positive externalities for investments of this type, the economic rate of return of the proposed water supply and sanitation activities is expected to be significant and largely exceed the financial benefit of the project.

31. In addition, the project will increase the labor productivity by reducing the burden of disease of the whole population, regardless of age, and particularly on the working population, thereby increasing productivity and raising the standard of living of the population and especially that of poor families. This enhances the level of protection and reduces the vulnerability of children and older people. To ensure sustainability in a troubled context, the project provides for capacity building with the support of consultants in accounting, financial management, information systems, billing and collection and tariffs.

F. POTENTIAL RISKS

32. The proposed project is subject to substantial risks, including: (i) security issues; (ii) political risks; (iii) limited institutional and implementation capacity; (iv) project sustainability (financial); and (v) unfamiliarity with Bank safeguards and procedures (accountability, financial management, and procurement). To mitigate these risks, the project design of each module would be kept simple and straightforward. The project would include training and capacity building components to minimize fiduciary risks. The project, which would consist mainly of reconstruction and rehabilitation works is not expected to impose major strains on the government's budget for maintenance. The project would be designed to assist Iraq to operate the rehabilitated facilities in a cost effective, efficient, and sustainable manner.

Monitoring and Evaluation

33. Annual reviews by the MOPDC and the MMPW will be carried out to track compliance with Grant conditions and highlight lessons from implementation. Furthermore, an independent Monitoring Agent will be appointed to assess compliance with the Grant Agreement, as stipulated in the Trust Fund Conditions. Performance indicators for each component of the project would be established during project appraisal and measured annually during supervision. Performance indicators will include, but not be limited to:

- Increase in access to safe potable water and adequate sanitation (number of household connections);
- Increase in quantity of supplied water (consumption per capita per day; frequency of water supply per day/week/month; installed water treatment capacity; installed wastewater treatment capacity);
- Reduction in incidence of water borne diseases (child mortality rate);
- Improvement in economic conditions of beneficiary population (cost of WSS services as a percentage of household income; increase in number of visitors / travelers);
- Improvement of living conditions (distance to water source; number / length of streets paved or rehabilitated);
- Increase of capacity within the Ministry and Governorates (number of staff trained); and,
- Creation of employment opportunities (number of staff involved in the project implementation).

G. PROPOSED PREPARATION SCHEDULE

34. The tentative processing schedule is as follows:

Appraisal Decision meeting	October 2004 (virtual)
Appraisal	October 2004
Negotiations	November 2004