PROJECT INFORMATION DOCUMENT (PID)
CONCEPT STAGE

Report No.: AB1214

Project Name	IR-Northern Cities Water Supply & Sanitation Project
Region	Middle East and North Africa
Sector	Sewerage (60%); Water supply (30%); Central government administration (10%)
Project ID	P076884
Borrower(s)	Islamic Republic of Iran
Implementing Agency	NWWEC, Guilan and Mazandaran, Water and Wastewater Companies
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Environment Category	[X] A [ ] B [ ] C [ ] FI [ ] TBD (to be determined)
Safeguard Classification	[X] S_1 [ ] S_2 [ ] S_3 [ ] S_F [ ] TBD (to be determined)
Date PID Prepared	November 9, 2004
Estimated Date of Appraisal Authorization	February 15, 2005
Estimated Date of Board Approval	May 31, 2005

Comment [w1]: The project has significant, cumulative and/or irreversible impacts; where there are significant potential impacts related to several safeguard policies.

Comment [w2]: One or more safeguard policies are triggered, but effects are limited to their impact and are technically and institutionally manageable.

Comment [w3]: No safeguard issues

Comment [w4]: Financial intermediary projects

1. Key development issues and rationale for Bank involvement

Sector Development Issues

Most of its land area of 1.6 million square kilometers is arid or semi-arid due to the low average precipitation of 250 mm main rivers and basins, while the eastern and southern parts are mostly desert. Total water resources per capita has fallen from 5,800 m^3 per year in 1965, to about 2,000 m^3 per year in 1998 and is projected to decline to below 1,000 m^3 by 2025. Water scarcity is compounded by growing pollution from fertilizers, pesticides and municipal and industrial waste. Agricultural use accounts for more than 90 percent of total water withdrawal, whereas potable water uses account for about 8 percent.

About 96 percent of the urban population in Iran is connected to public water supplies. By contrast, only about 16 percent are connected to public sanitary sewerage, and only part of the collected sewage is treated before disposal. The bulk of sewage is discharged untreated and constitutes a major source of pollution to groundwater and a risk to public health. In a number of cities without sanitary sewerage, households discharge their sewage through open rainwater drains. Service is provided by 33 water and sewerage companies across the country (in Tehran the water and sewerage services are provided by two independent utilities). These companies – established in early 90s– have a large degree of administrative and financial autonomy and have to a large extent be able to cover their operational costs through tariffs.

The main issues affecting the water sector in Iran have been identified through various assessments, and include:

- Large needs for rehabilitation and development of hydraulic infrastructure for sustainable water usage.
- Problems of pollution caused by the discharge of untreated wastewater into public waterways and aquifers.
- Weak institutions involved in the sector and limited coordination among stakeholders.
- Low water use efficiency in urban and rural uses.
- Limited participation by water and wastewater companies in development planning and management.

Rationale for Bank Involvement

This project is a follow-on operation of two previous projects: the Tehran Sewerage Project and the Ahwaz and Shiraz Water Supply and Sanitation Project.[1] The Bank is also preparing the Alborz Integrated Land and Water Management (AILWM) Project to demonstrate the benefits of integrated water resources management on a basin scale in the Mazandaran Province, and a Country Water Resources Strategy has been prepared jointly by the Government of Iran and the Bank, aiming at improving overall land and water use efficiency in urban and rural uses.

In addition, the Bank has prepared and disseminated a Water Supply and Sanitation Sector Note in 2002, which focused on reviewing the sector's structure and providing strategic recommendations on institutional reforms to be undertaken. This note was endorsed by the government in September 2003, in the context of ongoing discussions of water-related issues as part of the Country Assistance Strategy and specific discussions on the Water Supply and Sanitation Sector.

In these discussions, it was agreed that the Bank will continue lending in water and sanitation to support the implementation of an agreed sector strategy with monitorable indicators, and that further investment projects are expected to be prepared, as Iran makes further progress on the implementation of its strategy.

2. Proposed objective(s)

The ultimate goal of the project is to enhance the quality of life in the main cities in the provinces of Gilan (Rasht and Anzali) and Mazandaran (Sari and Babol). The specific objectives are:

a) Improving access to adequate water supply and increasing coverage of sanitation services.

b) Improving environmental, hygiene and health conditions, as well as promoting reuse of treated effluents.

c) Strengthening and developing the capacity of the Mazandaran and Gilan Water and Wastewater Companies (WWCs), improving their efficiency, sustainability and financial autonomy.

3. Preliminary description

The proposed project covers four urban areas (the project cities) and two WWCs: (i) the provincial WWC for Gilan responsible for the two project cities of Rasht and Anzali, and (ii) the provincial WWC for Mazandaran, responsible for the two project cities of Sari and Babol.

For the four cities mentioned above, the project would finance:

[1] The original scope of the Ahwaz and Shiraz Water Supply and Sanitation Project was to include the Northern cities. However, due to delays in the finalization of the feasibility and environmental studies for these cities, it was decided that they would be covered under a separate operation.

1. The rehabilitation and extension of the existing water supply networks including water production facilities, transmission mains and additional storage capacity and extension/rehabilitation of distribution systems and storage and pumping facilities.

2. The extension of wastewater collection and disposal facilities including trunk mains, lift stations and treatment and discharge facilities.

3. Provision of operation and maintenance equipment and consumer water meters for the WWCs.

4. Capacity building, technical assistance, training and consulting services, to include:

   a. Establishment of technical support units at each WWC to provide capacity building and improved operational and financial performance of the WWCs.
   b. Provision of consulting services for detailed engineering design, construction supervision, and other studies to be identified in the course of project preparation.
   c. Leak detection program, including equipment, particularly for Rasht.
   d. Training program for WWCs' staff.
   e. Support on the implementation of the environmental and health monitoring program and capacity building to the regional Departments of Environment.

4. Safeguard policies that might apply

The project is an Environmental Category A. As such, a comprehensive Environmental and Social Impact Assessment is underway to ensure that any adverse environmental and social impacts can be mitigated.

5. Tentative financing

Source:	($m.)
BORROWER	50
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT	150
LOCAL SOURCES OF BORROWING COUNTRY	50
Total	250

6. Contact point

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