

# PROJECT INFORMATION DOCUMENT (PID) CONCEPT STAGE

Report No.: PIDC16803

<b>Project Name</b>	Senegal Urban Water and Sanitation Project (P150351)
<b>Region</b>	AFRICA
<b>Country</b>	Senegal
<b>Sector(s)</b>	Water supply (50%), Sanitation (50%)
<b>Theme(s)</b>	Water resource management (100%)
<b>Lending Instrument</b>	Investment Project Financing
<b>Project ID</b>	P150351
<b>Borrower(s)</b>	Government of Senegal
<b>Implementing Agency</b>	Office National de l'Assainissement du Sénégal - ONAS (Senegal National Sanitation Office), Programme Eau Potable et Assainissement pour le Miillenaire (PEPAM), Societe Nationale des Eaux du Senegal (SONES)
<b>Environmental Category</b>	B-Partial Assessment
<b>Date PID Prepared/ Updated</b>	13-Nov-2014
<b>Date PID Approved/ Disclosed</b>	22-Dec-2014
<b>Estimated Date of Appraisal Completion</b>	23-Apr-2015
<b>Estimated Date of Board Approval</b>	16-Jun-2015
<b>Concept Review Decision</b>	Track II - The review did authorize the preparation to continue

## I. Introduction and Context

### Country Context

Senegal is a sub-Saharan country with a population of 13.5 million inhabitants, 45 percent of whom live in urban areas, according to the 2014 demographic census. Senegal aspires to become an emerging country by 2035. However, it has been stuck in a low-growth equilibrium since 2006, and has not shared the rapid growth experienced by many other sub-Saharan African countries over the last decade. Compared to the average growth rate of 6% for the rest of sub-Saharan Africa (SSA), growth in Senegal has averaged only 3.3% since 2006. The country's gross domestic product (GDP) growth in 2013 was approximately 3% due in part to poor cereal harvests and low production rates in mining and industry. Currently, construction and the services sectors are the main drivers of economic growth. The most recent estimate of the country's poverty index is 46.7 percent. Poverty declined slightly over the last five years, but achievement of the first Millennium Development Goal (MDG) on halving poverty by 2015 is fast becoming a distant prospect.

Following the implementation of two generations of Poverty Reduction Strategies (PRSP) between 2003 and 2010, Senegal adopted in November 2012 a National Economic and Social Development Strategy (NESDS) that serves as the consensual coordination framework for public action. This strategy is rooted in the vision of the Emerging Senegal Plan (ESP) to achieve economic emergence by 2035. Apart from economic growth and governance framework improvements, the ESP's key focus areas are to achieve a quantum leap in the living conditions of the people, fight against social inequalities while preserving the resource base and fostering the emergence of viable regions. Achieving this vision will require the implementation of a major investment program with high added value that can trigger a cycle of strong and steady growth. Economic performance is expected to improve in 2014 with a growth rate of 4.5%; Senegalese authorities have high expectations for growth in the coming years predicting rates of 6.7% in 2015 and 8% by 2017.

### **Sectoral and Institutional Context**

The urban water and sanitation sector reform launched in 1996 helped establish a well performing institutional and contractual framework with: (i) the creation of a public holding company (SONES) in charge of managing the sector assets and the development of urban water services under a concession agreement with the Government; (ii) the recruitment of a private operator (SDE) to operate the urban water facilities and deliver water services under a lease agreement; and (iii) the establishment of ONAS, a public parastatal in charge of managing urban sanitation.

In 2005, the Government adopted a Water and Sanitation Sector Policy Letter (SPL) which sets out the strategy to achieve the water and sanitation MDGs by 2015, and establishes the unified framework of the Millennium National Water and Sanitation Program (PEPAM) as the steering and coordination instrument for all activities in the sector.

The Senegal urban water sector now ranks among the top performers in the business by international standard as witnessed by the following selected achievements in 2013:

- Population served: 5.9 million
- Water production: 155 million m<sup>3</sup> per year
- Unaccounted-for-water (UFW): 20%
- Access rate to piped water (global): 98%
- Access rate through household connections: 89%
- Number of service connections: 619,780
- Staff Productivity: 2.1 staff per 1000 connections
- Bill collection ratio: 97%
- Average water tariff (excluding taxes): 530 FCFA (US\$1.02) per m<sup>3</sup>
- Sector annual turnover: 65.8 billion FCFA (US\$130 million)'.

With an aggressive policy to promote subsidized household water connections and a large investment program underpinning the reforms over last two decades, near-universal access to safe water in urban areas (98 percent) have been achieved, thereby exceeding the initial target of 96 percent set for the MDGs.

Half of the urban water sector activity is concentrated in the Dakar region. With a rapid population growth in the capital area and the development of a new economic hub next to the future airport of Ndiass and the Diamniadio area, water demand has been growing faster than expected. This has led to a current peak hour water supply deficit in the Dakar region of 20,000 m<sup>3</sup>/day that is likely to

worsen to 60,000 m<sup>3</sup>/day by 2020 if nothing is done.

In response to this situation, the Guiers lake water production system (KMS3 Project), supported by donors including AFD and EIB, is expected to triple the production by 2020. However, the 2015-2020 period is looking extremely tight in terms of the ability to meet the water demand, and activities aimed at providing a quick response to the water shortage are needed in order to avoid a deterioration in the reliability of the service in the Dakar region. In addition, without a timely expansion of the water infrastructure, a significant portion of the urban poor and influx of new arrivals to the region would be excluded from basic services.

Amongst the water resources next to the Dakar region consumption areas, the Tassette zone south-east of Thiès, has been identified as a potentially appropriate groundwater resource for the construction of a series of boreholes that may deliver an average daily discharge of 20,000 m<sup>3</sup> for Dakar. The strategic location of the site would allow the water from boreholes to be pumped towards the water tanks in Thiès from where most of the Dakar region is supplied. SONES is also planning to implement by June 2015, a self-financed emergency program to produce an additional 40,000 m<sup>3</sup>/day from other groundwater sources. Combined these activities are expected to secure water supply to Dakar until 2020.

In diversifying the water supply resources for the Dakar region, the Government intends to turn to desalination of sea water as an additional resource to groundwater from boreholes and surface water purification plants. In fact, the most recent desalination technologies, especially with regard to energy consumption, enable desalination to be viewed as a credible and viable alternative to the transfer of water from the Guiers Lake located more than 250 km away from Dakar.

In rural water, steady investment programs in the sub-sector has resulted in an access rate to safe drinking water of 84.1 percent in 2013, exceeding the initial target of 82 percent set out for the MDGs. IDA's support through the ongoing PEPAM-IDA project (P109986) helped achieve significant reforms in rural water supply, marked by a greater involvement of the private sector in the management of rural water facilities, and the creation of OFOR, a public holding company playing a similar role as that of SONES in rural water.

The sanitation sub-sector did not witness the same progress as for water and the MDGs will definitely not be achieved. Despite substantial investments, the development of urban sanitation has been unable to keep up with the high demand of the growing urban population. The access rate to urban sanitation services reached only 61.7 percent in 2013, even though ONAS has offered diversified technology options ranging from conventional sewerage to condominium systems and on-site sanitation. In addition, ONAS revenues could not fully cover operating expenses due to an inappropriate tariff policy that has been reviewed recently but not yet applied. ONAS is currently carrying out various initiatives aimed at increasing private sector participation in the operation of urban sanitation facilities to reduce costs and improve the quality of service. In rural areas, the access rate to improved sanitation services was estimated at 38.7 percent in 2013, far below the 63 percent target set out for the MDGs. The high cost of the infrastructure hampers the development of sanitation facilities, whereas the population continues to express their preference for a higher service level than the basic sanitation options proposed to them.

### **Relationship to CAS**

The proposed project will contribute to achieving the goals of the Country Partnership Strategy

(CPS 2013-2017) whose second pillar aims to improve access to basic services, including water and sanitation. The project is fully aligned with the new development vision for Senegal, as set out in the Emerging Senegal Plan (ESP), whose second focus area seeks to meet basic social needs which will require improving access to water and sanitation services.

The project will contribute directly to the World Bank twin goals of eradicating poverty and fostering prosperity shared more equally to the benefit of the poor. Access to clean water and sanitation is a key health determinant. It is also the basis for many types of livelihoods that can turn the poor into local entrepreneurs for example home-based manufacturing (e.g. pottery) and services (e.g. laundries, hair salons). About 244,000 people would benefit from the proposed project; 200,000 additional people mostly from poor urban and peri-urban families will gain access to safe drinking water and 44,000 additional people would have access to improved sanitation services under the project. While the beneficiaries will be equal part men and women, the burden of water hauling - a time consuming and physically stressful task - mostly fall on women and the project will thus contribute to freeing up time for more productive activities particularly among women.

## II. Proposed Development Objective(s)

### Proposed Development Objective(s) (From PCN)

The proposed project development objective is to improve access to reliable water and sanitation services in selected urban areas in a financially sustainable manner.

### Key Results (From PCN)

The following key performance indicators will measure success in achieving the PDO:

- Number of people in urban areas provided with access to “Improved Water Sources” under the project (core);
- Number of people in urban areas provided with access to “Improved Sanitation” under the project (core);
- Number of direct project beneficiaries, of which female (core);
- Additional water production for the Dakar region (m<sup>3</sup>/day);
- Full cost recovery including debt service, in the urban water sector maintained (yes/no) and;
- Operational cost recovery rate in the urban sanitation sector (%).

## III. Preliminary Description

### Concept Description

The proposed project would comprise three components: (i) urban water supply; (ii) urban sanitation; and (iii) institutional support.

Component A - Urban water supply (USD 50 million).

This component that will be implemented by SONES would include the following activities: (i) increase the water production for the Dakar region by 20,000 m<sup>3</sup>/day from ground water boreholes located in Tasset (70 km away from the capital city); (ii) expand the water storage capacity by the construction of two reservoirs of 2X10,000 m<sup>3</sup> capacity at Thiès; (iii) construct a 5km water transmission main from the city of Mbour to the touristic zone of Mbodiène, (iv) rehabilitate the water distribution system of the city of Ngekhokh in view to incorporate this big town in the concession of SONES; (v) support the subsidized household water connections program by the construction of 20,000 social connections in the urban water concession area.

#### Component B - Urban sanitation (USD 17 million)

This component to be implemented by ONAS would include the following activities: (i) construction of a collective sewerage system in the city of Joal-Fadiouth including pipe networks, wastewater pumping stations and treatment plant, 2,000 household sewerage connections and 8 public sanitation facilities; (ii) expansion of access to sanitation services in the urban sanitation perimeter by installing 2,000 additional household sewerage connections; and (iii) update the Greater Dakar sanitation master plan.

#### Component C - Institutional support (USD 3 million).

This component will be implemented by PEPAM (the millennium water and sanitation coordination unit) PCU of the project. The component would support: (i) the preparation/implementation of the second generation reforms in the urban water and sanitation sector, (ii) the implementation of ongoing reforms in the rural water sub-sector, (iii) additional technical studies, (iv) social and environmental safeguards, (v) the PPP transaction of the desalination plant project, and (vi) operating costs of the Project Coordination Unit.

### 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:	70.00	Total Bank Financing:	70.00
Financing Gap:	0.00		
<b>Financing Source</b>			<b>Amount</b>
BORROWER/RECIPIENT			0.00
International Development Association (IDA)			70.00
Total			70.00

### VI. Contact point

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