PROJECT INFORMATION DOCUMENT (PID)
APPRaisal STAGE

Report No. AB3514

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<tr>
<th>Project Name</th>
<th>RY-TAIZ MUNICIPAL DEVELOPMENT &amp; FLOOD PROTECTION PROJECT – ADDITIONAL FINANCING</th>
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<tr>
<td>Region</td>
<td>MIDDLE EAST AND NORTH AFRICA</td>
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<tr>
<td>Sector</td>
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<td>Project ID</td>
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<td>Borrower(s)</td>
<td>GOVERNMENT OF REPUBLIC OF YEMEN</td>
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<td>Implementing Agency</td>
<td>Ministry of Public Works and Highways, Project Management Unit</td>
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<tr>
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<td>[ ] A   [X ] B   [ ] C   [ ] FI   [ ] TBD (to be determined)</td>
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1. Country and Sector Background

1.1 Rapid urban growth places severe pressures on Yemen’s cities to deliver services. Yemen’s estimated average annual urban population growth rate over the past decade of 5.1% is the highest in the MENA Region and one of the highest in the world. Urban growth is being fueled by both a high natural population growth rate and in-migration from rural areas. Urban growth translates into new pressures on cities to expand services. Yet delivery of infrastructure and services in Yemeni cities is constrained by weak local revenue generation capacity and correspondingly low levels of capital investment. Cities finance most local infrastructure investments through own-source revenues, while the central government assumes responsibility for covering most local administration recurrent expenditures, particularly civil servant wages. As a consequence only an average of 10-15% of total local expenditures are devoted to capital investments, which represents about $6 per capita.

1.2 Urban Poverty in Taiz. One of the main challenges confronting Taiz today is the high incidence of poverty at the governorate and city level. Taiz governorate contains the largest share of population living in poverty in Yemen (13.2%), mostly concentrated in rural areas. Over 10% of the country’s total urban poor reside in Taiz city. In 2006, 37.8% of Taiz’s population was determined to be below the poverty line (World Bank Poverty Assessment, 2007). According to the 2005-6 household survey, 23.66% of urban households in Taiz Governorate (over 90% of which live in Taiz city) are under the nationally defined average poverty line of US$0.76 per person per day).

1.3 Challenges arising in Taiz due to its demographics and geophysical characteristics. Taiz is the second largest urban settlement in Yemen, located in the interior highlands at altitudes ranging between 1,100m and 1,600m above sea level, at the foothills of Sabir Mountain (altitude 3,000m). The city is the administrative capital of Taiz Governorate, the most populated of Yemen’s 20 governorates with close to 16% of the total population. Taiz city’s population is estimated today to be around 540,000 inhabitants, out of a total population in the Governorate of 3 million. Due to its location at the base of Mt. Sabir, Taiz City is subject to severe seasonal flash flooding that annually claims at least one life, injures scores of city residents, and inflicts significant damage and financial losses on the residences and businesses of the city. In response
to this daunting challenge, the World Bank-financed Taiz Municipal Development and Flood Protection Project was designed with the main aim of erecting flood protection structures to protect the City’s residents and businesses by channeling the flood waters through open and closed flood structures to a catch basin south of the city.

1.4 **Decentralization experience in Yemen has been slow due to implementation challenges.** At the national level, the Government of Yemen (GOY) launched a decentralization initiative in 2000 with the issuance of the Local Authorities Law (Law No. 4, of 2000). This process is intended to devolve greater authorities to local administrations and is part of a political process that has taken root since reunification in 1990. Yemen has a strong, historical tradition for local self-governance through the system of local cooperatives in the North and elected local councils in the South. This tradition includes community contribution to local development projects and service schemes, a practice which is maintained, also because of the often insufficient transfers from central government to the local sector ministries. The broad political acceptance of decentralization reform can, in part, be attributed to this tradition.

1.5 The Local Authorities Law (LAL) provides local councils direct responsibility for planning, development, finance, services and social affairs. Under the Law, local councils, which are locally elected for the first time, are assigned responsibilities for budget preparation and accounting; preparation of their own physical and economic plans; raising local revenues and executing local public works. Implementation of the new Law has been a slow and piecemeal process. Some key challenges still remain from the period prior to the law. For the foreseeable future, therefore, the urban sector will continue to face the following challenges:

(a) **Decentralization has been a slow but persistent process.** Since unification in 1990, Yemen has been governed under a three-tiered system of a Central Government, Governorates at the provincial level, and districts at the local level. Responsibilities for the development and management of Yemeni cities were spread across several districts and overlapping mandates of Central Ministries through their branch offices operating at the local level. Until recently, the Ministry of Public Works and Highways (MOPWH) had the mandate for most urban services and physical planning in the country. It was represented in Taiz by its own staff and executed duties normally associated with a municipality including street lighting, storm water drainage, road construction, solid waste collection and disposal, and basic planning responsibilities (e.g., issuing building permits). Following issuance of the Local Administration Law in 2000, these responsibilities were formally shifted to local councils at the Governorate and District level, and the local branch office of the Ministry was charged with executing these functions at the discretion of the local council and consistent with the Law. This realignment of authorities and functions allowed Taiz City to prepare its masterplan for the first time (with IDA-financing under TMDFPP) rather than having it issued by the Capital. Over time, this local level ownership should improve local planning efforts, but it also will require a sustained focus on local capacity building.

(b) **Weak institutional capacity at the local level.** Even with nominal transfer of central government deconcentrated staff to local governments, their capacities are still weak and inadequate for a significant expansion in role in the short term. Human capacity at the local level has been built through TMDFPP and other donor-supported initiatives. However, it will take some time before local administrations are able to carry out all of their mandated city services.

(c) **Inadequate contribution of local revenues.** Public finance in Yemen has historically been within the preview of central government. Governorates and Districts prior to the new Law
were simply administrative units and did not have their own financial base. While the new
Law provides for retaining some local revenues, many aspects of revenue generation remain
undeveloped and are characterized by: the fragmented structure of local tax administration;
the limited tax base; and in efficiency in collections. Local revenues provided for in the Law
are in the form of either low yield fees collected from business and individual activities or
originate from surcharges on electricity bills. More sustainable and substantive sources of
local revenue, such as direct taxes for local public services or property taxes, are not
specifically provided for (but also are not excluded) in the Law. Putting in place a sustainable
and adequate revenue base to support needed improvements in city service will be a major
challenge in the years to come.

(d) Poor levels of infrastructure provision and maintenance. Current levels of local
infrastructure provision and maintenance reflect an equilibrium of low revenues and low
expenditures. In many cities the provision of urban services cannot keep pace with population
and spatial growth. Budget allocations to Governorates are normally inadequate and confined
to covering local recurrent expenditures meaning that execution of programs and investments
proceeds at an irregular pace. Rarely is there a correlation between incremental investments
and an increase in maintenance budgets. In sum, it will take a focused and prolonged effort at
the local level to achieve the substantial increase in investment and maintenance required to
deliver adequate city services.

2. Objectives

2.1 The original Project has three development objectives: (i) Taiz local government
develops its capacity to carry out a major part of their responsibilities under the country’s new
Local Authorities Law; (ii) to protect city residents, businesses and infrastructure from seasonal
destructive flash flooding; and (iii) initiate support for Yemen’s decentralization program. All of
these objectives would remain valid under the proposed additional financing.

3. Rationale for Bank Engagement

3.1 IDA is in a unique position to assist the government to implement its decentralization
strategy. As a donor, it is involved in virtually every key sector in the country and an active
participant in assisting the government to reform and re-engineer its governance structure. IDA
assists the government in the areas of civil service reform, public expenditure reviews,
macroeconomic policy formulation, improving line ministry efficiency, providing urban
strategies and infrastructure and assisting with donor coordination. All of these activities are
impacted by and, in turn, impact the Government’s decentralization agenda and this places IDA
in a key position to act as the government's knowledgeable partner during implementation.
Recent Bank-financed technical assistance in the areas of land management, investment
promotion, poverty assessments, and urban planning have made significant contributions in
shaping the policy agenda. In addition, under the original TMDFPP, support has been provided
through establishment of 15 local council buildings and local level capacity building to support
the Government’s broader decentralization initiative.

4. Description

4.1 The proposed additional financing retains essentially the same project structure of the
original project. Of the original three components, two will be utilized, as follows: (i) Flood
damage protection infrastructure and related public sector infrastructure; (ii) Resettlement (no
longer necessary as there will be no resettlement under the additional financing) would not be
financed under the additional financing; and (iii) Local Council capacity building program. A forth component is added to cover the budget for project management by the Project Management Unit (PMU). Although Component 2 will no longer be financed under the project, as there would be no resettlement, IDA is working with Government and City counterparts to define a program of continued support to the Resettlement Village and to several NGOs working with the residents of Birara to ensure sustained impact and integration of the resettled community. A detailed description of each component is given below:

4.2 Component 1- Flood Damage Protection Infrastructure (US$18.30 Million Equivalent).
Component 1 entails the construction of about: (i) 5.1 kilometers length of flood damage protection channels to protect populated areas, (ii) 22 kilometers length of street paving in tributary areas to the flood damage protection structures to improve rainfall surface drainage and prevent soil erosion to minimize maintenance of flood structures while improving pedestrian and vehicular access; (iii) 1.5 kilometers length of retaining walls to protect built-up areas and nearby flood damage protection structures from potential risk of landslides; (iv) 2.4 kilometers length of footpaths in steep walkways to control erosion while providing safe pedestrian access; and (v) 13.8 kilometers length of sewage collection pipes, and about 2,000 house connections to reduce water pollution caused by sewage discharges onto the flood channels. This component would be executed through ten contractual packages. The size of each contract has been determined by grouping the works within the same geographic area, or by the type of work to be carried out, the duration of each contract not to exceed eighteen months, and by limiting the cost of each contract to sizes suitable for competition among medium and larger size contractors.

4.3 Component 2- Resettlement. (Not financed under the Additional Financing)
This component would no longer be financed under the additional financing, as no resettlement would be required under the project. The proposed set of civil works projects noted in Component 1 above are identified and have been reviewed by an independent social specialist and determined not to require any resettlement. However, careful monitoring during the implementation phase will be carried out by a full-time social officer to ensure compliance with OP 4.12 concerning involuntary resettlement. Furthermore, the work of the task team will be complemented by a parallel assignment carried out by the Bank’s social team in which specially targeted technical assistance and capacity building would be provided to the Resettlement Village developed under the original project and to the NGOs providing services to residents in the village. This assistance is proposed to be supported by a JSDF (Japan Social Development Fund) grant and would be intended to ensure sustainability of the village and integration of the residents into local society, provide access to employment opportunities, and help to engender broader social acceptance.

4.4 Component 3- Capacity Building for Local Councils (US$3.37 Million Equivalent).
Component 3 consists of scaling-up the capacity building program for local councils and administrations in support of the government’s decentralization agenda through assisting the city of Taiz in fulfilling its responsibilities under the Local Administration Law of 2000. This component also includes construction of two Local Council buildings in Taizieh and Salw Districts (both within Taiz Governorate) and equipping such buildings with furniture and office equipment necessary for Local Councils to fulfill their mandate under the Law. This component would consist of the following programs:

a. Traffic system management study (US$0.30 Million equivalent). A consultant would study and recommend options for addressing traffic flows in the expanded road network alongside the flood damage prevention channels aiming at reducing congestion and identifying strategic sites suitable for parking areas in the vicinity of commercial areas
and markets, which would be designed to enhance vehicular and pedestrian safety and access within the city;

b. **Street Addressing and Parcel Numbering (US$0.44 Million equivalent).** This program would complement the new Taiz GIS system developed under the masterplan to enhance local tax collection and improve delivery of public services. The assignment would be undertaken jointly by the Taiz public works and finance departments, under the guidance and direction of the Taiz Local Council. This activity would consist of: (i) a study carried out in consultation with the Local Council and an already-established Street Addressing City Committee, including survey work, system design, and implementation plan. In addition, bidding documents would be prepared for the supply and installation of signs and postings of street names and parcel numbers (US$0.12 Million equivalent); and (ii) the supply and installation of street names and parcel numbers (US$0.315 Million equivalent).

c. **Strategy for strengthening civil defense response capacity (US$0.20 Million equivalent).** This activity entails developing a civil defense strategy and provision of basic equipment for initial implementation of a program for future expansion and coordination among all concerned stakeholders. The support would be aimed at improving the response time and capacity of service providers to flood-affected victims in all parts of the city.

d. **Master Plan detailed designs (US$0.30 Million equivalent).** This activity would develop additional detailed maps of Taiz (five in total) to expand the already developed system under the original project, including technical assistance and capacity building of technical staff to enhance detailed planning efforts at the city level.

e. **Municipal Service Delivery Study (US$0.23 Million equivalent).** This activity would consist of a set of assignments in support of the city’s efforts to consolidate its services and administrative structures into a municipal management framework. The study would look into various options such as establishing a position of city manager, local tax administration study for consolidating all municipal revenues and expenditures into a single budgetary framework and developing a new organization chart with functional departments and corresponding operations manuals. This activity would also support the review of the Government’s proposed amendments to the Local Administration Law.

f. **Strengthening Land Management (US$0.50 Million equivalent).** This activity would assist the Government in formulating a viable national and local level framework for public land management and land registration following establishment of the General Authority for Land, Survey and Urban Planning (GALSUP).

g. **Studies and Design for Sanitary Solid Waste Disposal (US$0.25 Million equivalent).** This activity includes undertaking: (i) a study to implement the solid waste management strategy carried out under phase 2 project; (ii) design of a sanitary landfill and drafting of bidding documents of a selected site for construction under a separate program; and (iii) undertaking an Independent Environmental and Social Impact Assessment (IESIA) for the proposed solid waste management project to be executed under a separate program.

h. **Construction and Equipping Local Government Administration Buildings (US$1.13 Million equivalent).** This activity would construct and equip two Local Council (LC) buildings and equip the local office of GALSUP.
4.5 Component 4- Project Management (US$0.41 Million equivalent).

This activity includes the IDA-portion of the financing of the Project Management Unit (PMU) staff and related operating expenditures (US$0.38 Million equivalent) and a provision for monitoring compliance with the Environmental Management Plan (EMP) required under the proposed additional financing project (US$0.03 Million equivalent). In addition, it will cover the costs of a full-time Social Officer and Monitoring and Evaluation Specialist, two positions that would be added to the original PMU staff to strengthen social and overall project monitoring.

5. Financing

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<tr>
<td>International Development Association (IDA)</td>
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<td><strong>Total</strong></td>
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6. Implementation

The proposed additional financing would remain under the supervision of the Minister of Public Works and Highways (MOPWH) and implemented by the existing Project Management Unit (PMU) under the leadership of the same experienced Project Director as the original project. Minor modifications would be introduced to the staffing and project implementation oversight function. Specifically, a dedicated procurement specialist would be recruited locally to support the Project Director and strengthen the procurement capacity within the PMU, a social officer would monitor social impacts, facilitate community outreach, and liaise with beneficiaries in the project areas, and an M&E/GIS specialist would track project achievements.

In response to the lesson learned under the original project that there is a need for enhanced coordination among ministries at the central level and strengthened communication between the central and local departments within the line ministries, an inter-ministerial steering committee would be established with the dual objective of facilitating project implementation and ensuring that policy reforms stimulated by the project are adequately vetted, discussed, and integrated at the central and local levels. The steering committee would be comprised of leadership from the MOPWH which would chair the committee, the Ministry of Local Administration which has a key role in policies related to decentralization, the Ministry of Water and Environment which has the mandate to coordinate activities to reduce risks from environmental emergencies, the Ministry of Finance for budgetary and consultative purposes, the Governor of Taiz, and Local Council Chairs.

7. Sustainability

Under the Governor of Taiz Decree No. 3 of 2007, the maintenance of the flood protection infrastructure in Taiz was assigned to the Cleaning and Improvement Fund (CIF), which is fully funded by a tax on services fees (e.g. a 5% tax on electricity bills) and administered at the Governorate level. All cleaning equipment and storage facilities acquired under the original project were also handed over to the CIF for use in maintaining the infrastructure.

The additional financing to the Project includes scaled-up support for the city’s efforts to develop a consolidated municipal management system that would promote the efficient provision of services and improve collection of local tax revenue. With a strong financial foundation, the City
of Taiz would be more capable of carrying out the decentralized responsibilities prescribed in the
Local Authorities Law.

8. Lessons Learned from Past Operations in the Country/Sector
A key lesson learned in the original project is that commitment from all ministries or government
entities expected to play a role in project implementation should be established during project
preparation. To address this issue, an inter-ministerial steering committee would be established
under the oversight of MOPWH to bring together all ministries whose input and involvement is
critical to the success of the project, especially the Ministry of Local Administration.

Given the significant positive environmental and social impacts resulting from the original
project, a lesson learned is that under the additional financing there would be a need for a
dedicated M&E specialist within the PMU to track performance and impact in a systematic
manner.

9. Safeguard Policies (including public consultation)

The original project had an Environment Category “A” classification with the most significant
issue identified in the Project Appraisal Document (PAD) as the resettlement of 70 families from
areas where construction works were planned to take place. Under the additional financing, no
involuntary resettlement is envisaged or would be undertaken. As such, the additional financing
integrated social and environmental classification is proposed to be downgraded to Category B
according to the World Bank’s Operational Policy on Environmental Assessment (OP 4.01).

Environmental. As an Environmental Category “B” Project, a Partial Environmental Assessment
is required. An environmental impact assessment report (EIA) was prepared, following OP 4.01
guidelines. An Environmental Management Plan (EMP) is included with the EIA, and it
addresses potential environmental and social impacts, the necessary mitigation measures and
monitoring plan, and the capacity building requirements for the EMP implementation.

An additional issue that was not explicitly addressed in the original project environmental
assessment is the matter of illegal piping of domestic wastewater from households surrounding
the wadis/flood structures into the structures. Provision has been made under the original and the
proposed additional financing to correct this problem by installing wastewater collection pipes
along the flood structures to channel the effluent to the Al-Burayhi treatment ponds downstream.
The Al-Burayhi Wastewater Treatment Plant is currently undergoing cleaning and capacity
upgrading carried out under the Bank-financed Urban Water and Sanitation Project; this work is
expected to be completed by February 2008. The EIA carries out a review of the wastewater
treatment facility.

Some farmers have been observed drawing some of the untreated wastewater from the collection
system downstream for use in agriculture. Although not directly related to the project, the
downstream risk of some farmers potentially misusing untreated wastewater passing through the
network installed under the project would be addressed by organizing on a periodic basis for the
duration of the project public awareness sessions concerning the inherent health risks in using this
water prior to appropriate treatment. This assistance is specified in the project EMP and would
be the responsibility of the consultant providing capacity building support on solid waste
management and environmental health awareness.

Social. Operational Policy on Cultural Property (OP 4.11) may be triggered during construction,
if chance finds of archeological or cultural significance is encountered. This issue is not expected
to be significant, however, as the construction of the drainage channels, boulder traps, and sewers is done in wadis, whereas the development of Taiz city is predominantly at high grounds and on hill tops. Nonetheless, OP 4.11 should be evaluated during construction. The construction contracts should include a Chance Find procedure according to OPN 11.03.

A detailed social assessment (SA) was carried out by an independent social scientist during the preparation stage of the project and confirmed that no resettlement would take place and that no land acquisition would therefore be required for implementation of this operation.

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