

**INTEGRATED SAFEGUARDS DATA SHEET  
CONCEPT STAGE**

Report No.: AC2292

**Date ISDS Prepared/Updated: 09/27/2006**

**I. BASIC INFORMATION**

**A. Basic Project Data**

Country: Swaziland	Project ID: P095232
Project Name: Local Government Project (SLGP)	
Task Team Leader: David G. De Groot	
Estimated Appraisal Date: April 30, 2007	Estimated Board Date: July 31, 2007
Managing Unit: AFTU1	Lending Instrument: Specific Investment Loan
Sector: Sub-national government administration (100%)	
Theme: Decentralization (P); Access to urban services and housing (S)	
IBRD Amount (US\$m.):	25.00
IDA Amount (US\$m.):	0.00
GEF Amount (US\$m.):	0.00
PCF Amount (US\$m.):	0.00
Other financing amounts by source:	
<u>BORROWER</u>	<u>2.50</u>
	2.50

**B. Project Objectives [from section 2 of PCN]**

The overall objective of the project is to strengthen the capacity and resource mobilization functions of Swaziland's local governance system to deliver and sustain basic services for residents of existing and new local jurisdictions and in particular, to benefit the poorer sections of the population.

**C. Project Description [from section 3 of PCN]**

The objective will be achieved through the flexible financing of demand-driven, dedicated development funding through the nascent GOS intergovernmental fiscal system addressing: (a) the rapidly growing peri-urban areas of the Kingdom, currently administered under traditional systems; (b) the gazetted urban local governments (primarily the so-called secondary towns); and (c) leveraging private sector financing for municipal services administered by creditworthy local governments and utility companies.

The project includes the following proposed components (estimated cost US\$27.50 million)

Component 1: Peri-Urban Upgrading and Investment Component. This component will provide technical assistance and financing to "rapidly growing centers" to plan and manage

infrastructure within their areas. Conditional grants will be provided to qualified communities in rapidly growing centers against a series of conditions including consultative planning and demonstrated ability to operate and maintain. The project will involve all local governments. Given the recently adopted constitution, this component will be designed to be demand responsive as new local jurisdictions are organized, and will be highly consultative in nature building on the precedents of SUDP, MUFPP, and the peri-urban upgrading study carried out by PADCO. An investment fund will be established (financed by GOS, donors, and the World Bank), coupled with technical assistance to enable traditional leaders and communities to implement and manage small scale improvements. The rules of accessing the funds and accountability will be detailed in an Operational Manual, to be developed and adopted by all stakeholders. Demand for this component is strong within GOS, communities, and the traditional leadership system. With funding from the Norwegian TFESSD (Contract 7123839) feasibility studies were carried out in 9 traditionally administered, rapidly growing centers in 2002-3. Extensive consultations with traditional leaders and communities revealed a high degree of willingness to plan, implement and manage small scale public works required to support growth and alleviate poverty in these non-municipal areas. Part of the conditions to access financing under the program will be the need for all proponents to have in place an active and well conceived policy and program on HIV/AIDs prevention and mitigation.

Component 2: Local Government Capacity Building. This component will finance restructuring and sustainable service and infrastructure delivery in up to ten municipalities (excluding the cities of Mbabane and Manzini). It will scale up the lessons learned from the recently completed Bank-supported SUDP. The component will provide resources for technical assistance to the local authorities for retooling, training and improvement of planning, budgeting and financial management systems and restructuring of the local staff establishments. It will also provide conditional intergovernmental grants that will be made through the budget to all local governments (14 now exist) that meet performance conditions. The access criteria and accountability requirements will be defined in the Operational Manual. This component will support extension of the intergovernmental fiscal system to include towns and town boards.

Component 3: Municipal Finance Component. This component will provide technical assistance to the two cities (Mbabane and Manzini) and the Swaziland Water Services Corporation (all three of which undertook credit rating exercises under the UDP evidencing their commitment to entering the municipal finance market) in the preparation of bond issues, and possibly a matching investment fund to encourage private sector participation. The matching fund would be used to blend interest rates, lengthen the terms of an issue, and reduce the exposure of private investors thereby reducing market premiums. Assistance would also be provided to MOF in a) finalizing the intergovernmental fiscal transfer system and b) defining and implementing appropriate systems for monitoring sub-sovereign debt. It is anticipated that this component will contribute significantly to GOS efforts to manage the fiscal deficit by reducing/removing central liabilities for city and utility capital investments and debt service. Strong demand for sub-national debt in Swaziland is evident among South African financial institutions, and this component will draw upon, as appropriate, IFC's Municipal Fund facilities. In addition, the Swazi Central Bank is very supportive of the development of municipal capital markets and is already taking steps to eliminate restrictions.

**D. Project location (if known)**

Peri-urban areas, secondary towns and cities all over the country.

**E. Borrower's Institutional Capacity for Safeguard Policies [from PCN]**

An Environmental Management Act (EMA) and an Environment Audit Assessment and Regulation is in place. The Swaziland Environment Authority oversees the implementation and enforcement of the EMA. The Ministry of Housing and Urban Development (MoHUD) implemented the Bank-financed Urban Development Project (UDP) which closed on March 2005. The UDP involved the rehabilitation and expansion of citywide roads, policy and institutional reforms, rehabilitation and expansion of water and sewerage services, and residential housing sites and on-site infrastructure. The major achievements of the UDP are the introduction of 99 year leaseholds over Swazi Nation (communal title) Land and mainstreaming of environmental management and use of comprehensive mitigation plans into the implementing agencies. During project implementation, MoHUD demonstrated adequate capacity to monitor compliance of the environmental policy and other safeguards issues. However, there will be a need to strengthen the capacity to implement the proposed Environmental and Social Management Framework (ESMF).

**F. Environmental and Social Safeguards Specialists**

Ms Edeltraut Gilgan-Hunt (AFTS2)

Ms Kristine Schwebach (AFTS1)

**II. SAFEGUARD POLICIES THAT MIGHT APPLY**

<b>Safeguard Policies Triggered</b>	<b>Yes</b>	<b>No</b>	<b>TBD</b>
<b>Environmental Assessment (OP/BP 4.01)</b>	<b>X</b>		
<p>The investments under this project will focus on the improvement of the delivery of basic services and will result in improved living conditions. The investments under the project would be sectorally varied given that they will be determined by local level priorities which will differ from one local government to another. The investments will be demand driven and thus, their exact location and potential impacts will not be known prior to appraisal. An Environmental and Social Management Framework (ESMF) will be prepared by the Borrower. The ESMF outlines an environmental and social screening process for the identification, assessment, and mitigation of potential adverse environmental and social impacts of future investments.</p> <p>There is no need for the preparation of a medical waste plan because the project will not be directly financing any specific investments related to HIV/AIDS. The project will support the intergovernmental fiscal transfer systems through conditional grants related to good governance.</p>			
<b>Natural Habitats (OP/BP 4.04)</b>		<b>X</b>	
<b>Forests (OP/BP 4.36)</b>		<b>X</b>	
<b>Pest Management (OP 4.09)</b>		<b>X</b>	
<b>Physical Cultural Resources (OP/BP 4.11)</b>		<b>X</b>	
<b>Indigenous Peoples (OP/BP 4.10)</b>		<b>X</b>	
<b>Involuntary Resettlement (OP/BP 4.12)</b>	<b>X</b>		
<p>The investments will be demand driven so their exact location and potential localized impacts will not be known prior to appraisal. The Borrower will prepare an Resettlement Policy Framework (RPF).</p>			

<b>Safeguard Policies Triggered</b>	<b>Yes</b>	<b>No</b>	<b>TBD</b>
<b>Safety of Dams (OP/BP 4.37)</b>		<b>X</b>	
<b>Projects on International Waterways (OP/BP 7.50)</b>		<b>X</b>	
<b>Projects in Disputed Areas (OP/BP 7.60)</b>		<b>X</b>	

**Environmental Category:** B - Partial Assessment

### **III. SAFEGUARD PREPARATION PLAN**

A. Target date for the Quality Enhancement Review (QER), at which time the PAD-stage ISDS would be prepared: 02/12/2007

B. For simple projects that will not require a QER, the target date for preparing the PAD-stage ISDS: N/A

C. Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing<sup>1</sup> should be specified in the PAD-stage ISDS.

The preparation of the Environmental and Social Management Framework (ESMF) and the Resettlement Policy Framework (RPF) will commence in December 2006 and it is expected that the first draft will be submitted to the Bank in February 2007. The tentative date for public disclosure is April 2007 prior to appraisal. The SMU has agreed to accept transfer of the safeguard responsibilities.

### **IV. APPROVALS**

<i>Signed and submitted by:</i>		
<b>Task Team Leader:</b>	<b>Mr David G. De Groot</b>	<b>09/27/2006</b>
<i>Approved by:</i>		
<b>Regional Safeguards Coordinator:</b>	<b>Mr Warren Waters</b>	<b>09/27/2006</b>
<b>Comments:</b>		
<b>Sector Manager:</b>	<b>Mr Jaime M. Biderman</b>	<b>09/27/2006</b>
<b>Comments:</b>		

<sup>1</sup> Reminder: The Bank's Disclosure Policy requires that safeguard-related documents be disclosed before appraisal (i) at the InfoShop and (ii) in-country, at publicly accessible locations and in a form and language that are accessible to potentially affected persons.

