

**INTEGRATED SAFEGUARDS DATASHEET
APPRAISAL STAGE**

I. Basic Information

Date prepared/updated: 12/09/2013

Report No.: AC7039

1. Basic Project Data

Original Project ID: P109961	Original Project Name: Second National Water Supply and Sanitation Project	
Country: Azerbaijan	Project ID: P147378	
Project Name: Second National Water Supply & Sanitation Project - AF		
Task Team Leader: Hadji Huseynov		
Estimated Appraisal Date: March 10, 2014	Estimated Board Date: May 22, 2014	
Managing Unit: ECSUW	Lending Instrument: Investment Project Financing	
Sector: Water supply (60%);Wastewater Collection and Transportation (20%);Wastewater Treatment and Disposal (19%);Central government administration (1%)		
Theme: City-wide Infrastructure and Service Delivery (67%);Pollution management and environmental health (33%)		
IBRD Amount (US\$m.):	150	
IDA Amount (US\$m.):	0	
GEF Amount (US\$m.):	0	
PCF Amount (US\$m.):	0	
Other financing amounts by source:		
<u>Borrower</u>		84.00
		84.00
Environmental Category: A - Full Assessment		
Simplified Processing	Simple <input type="checkbox"/>	Repeater <input type="checkbox"/>
Is this project processed under OP 8.50 (Emergency Recovery) or OP 8.00 (Rapid Response to Crises and Emergencies)	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>

2. Project Objectives

The objective of the original project is to improve the availability, quality, reliability, and sustainability of water supply and sanitation (WSS) services in selected regional centers (rayons) in Azerbaijan. This objective will be achieved through rehabilitation and reconstruction of water supply and sanitation infrastructure in 8 rayons outside the Greater Baku Area.

The purpose of the Additional Financing requested by the Government is to cover the costs associated with the increased scope of works under existing civil works contracts to ensure that more population in the selected 8 rayons would benefit from 24-hour water supply and sanitation services.

3. Project Description

The Additional Financing will not involve any change in the nature of project activities, thus, the description remains the same as for the original project:

Component A: Rayon Investment Component

This component finances the rehabilitation and reconstruction of water supply and sewerage systems in 8 rayons, as well as water, wastewater and septic sludge treatment facilities in these rayons. Rayons covered under the project include: Siyazan, Shabran, Aghsu, Ismayilli, Masalli, Jalilabad, Yardimli, and Lerik. The project covers the rayon centers and the villages located in close proximity of the urban centers or along the transmission mains supplying the centers.

Component B: Institutional Modernization Component

This component further supports development and implementation of activities needed for capacity building and modernization of Azersu and its subsidiary companies to improve the efficiency and sustainability of WSS services. It will assure that modernization measures already included in the NWSSP can be extended to cover the additional rayons and to also cover the time after the closing of the NWSSP. It specifically includes training in management, financial management, customer service, procurement, preventive maintenance and other subjects pertinent to effective and efficient management of the utilities, as well as provide continued support to activities such as development of performance monitoring, preventive maintenance and leak detection and repair. It also finances costs of technical support for construction management including procurement support and contract supervision for the investments.

Component C: Project Implementation and Management

This component supports project implementation by financing project management activities including incremental operating costs and project audits.

4. Project Location and salient physical characteristics relevant to the safeguard analysis

The project is implemented in Siyazan, Shabran, Aghsu, Ismaili, Lerik, Yardimli, Masalli and Jalilabad rayons of Azerbaijan, including urban centers and villages located in close proximity of the urban centers and along the transmission mains supplying the centers. The location of several rayons under the project within the catchment areas of some international waterways including: (i) the Kura River, which flows to the Caspian Sea through Azerbaijan from Turkey and Georgia; ii) the Araz River which flows from Turkey and Armenia, and along Azerbaijan's border with Iran, joining the Kura River near the town of Sabirabad in Azerbaijan; and (iii) the Samur River, which flows along Azerbaijan's border with Russia to the Caspian Sea, triggers the Bank's international Waterways Operational Policy. Azerbaijan is, however, located at the downstream end of the above rivers.

5. Environmental and Social Safeguards Specialists

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6. Safeguard Policies Triggered	Yes	No
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

II. Key Safeguard Policy Issues and Their Management

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts: Since no change in the project activities is associated with the AF, the safeguard issues remain the same as those considered for the original project. No new safeguard policies, besides those already triggered for the original project will be triggered because of the AF.

The project falls under Category A for Environmental Assessment (EA) since it may provide financing for one or more wastewater treatment plants of considerable size and potential impact. Most sub-project investments in water supply, rehabilitation of infrastructure, and smaller wastewater treatment plants pose less risk. Prior to appraisal of the original project the client prepared an Environmental Assessment document which set out an environmental framework for screening, due diligence, mitigation and monitoring. The specific utility and sites locales have been determined during the implementation of the original project, and site-specific EIAs prepared and approved for each selected site, which provide for the assessment of the associated environmental risks and put in place mitigation and monitoring mechanisms. Likewise, the possibility of small scale land acquisition was reflected in the existing Resettlement Policy Framework, and site-specific RAPs are being prepared for relevant sites. Details are provided in the subsequent sections on OP 4.12.

Once operational, most of the impacts of the Project are assessed to be positive. The environmental assessment indicated that the implementation of the project would have long-term environmental impacts in terms of reducing pollution of natural resources, generation of significant economic, social and public health benefits, and would enable the government to enforce existing environmental regulations and standards. Specific impacts are outlined below:

Potential Positive Impacts

a) Improved WSS Services: Repair and improvement of WSS systems, especially, distribution system, while decreasing fear of pollution, will provide high quality potable water to a larger population. Improved WSS is also expected to result in reduced operation and maintenance (O&M) costs to the utilities and higher efficiency through decreased water losses and pumping costs.

b) Improvement of public health and environmental quality: The provision of wastewater collection and treatment facilities will have a strong long term positive effect on the overall environment and on public health conditions. There will be an improvement in the water quality in the streams and rivers that flow throughout the project area. Another major benefit expected from the project is the protection of groundwater resources from contamination by untreated sewage, and the reduction of untreated sewage discharge to the Caspian Sea from Kura and Araz. This will decrease negative impacts on water quality consumed by other users from those rivers. In addition, pollution of ground, surface water and underground water caused by flowing of polluted water directly onto the relief in project areas will be prevented, and salination and erosion problems which are problematic in some rayons will be avoided.

c) Improvement of natural habitats: The project will not cause any direct threat to natural habitats in the project area as the project components are far away from them. Indeed, through improvements in water quality as a result of the project, the ecological conditions of the respective surface water bodies are expected to improve and to assist in the restoration of the degraded water quality of wetlands. These improvements are expected to contribute positively to the conservation of natural habitats.

d) Additional economic benefits: As a result of the project, economic benefits will occur in terms of decreased water volume to be pumped (because of leakage reduction and demand management), and of increased water volume of good quality available to consumers, increased tourism activities, and lower medical costs associated with treating water-borne diseases.

Potential Negative Impacts

Negative environmental impacts may entail temporary loss of access during physical works, however they are only temporary. Typical impacts include:

- (i) The potential for increased abstraction of water from some individual sources (although at the rayon level no net increase in water abstraction is expected);
- (ii) Dust raised from the roads in the construction sites and from material carrying trucks;
- (iii) Waste water from construction/renovation sites;
- (iv) Disposal of solid wastes;
- (v) Use of materials that may damage health (i.e. heavy-metal (lead) containing paints, asbestos-cement tiles, pipes, copper pipes, inflammable and toxic materials etc.);
- (vi) Noise generated by the construction machinery;

(vii) Traffic disruption and disturbance to the residents of the area. Impacts associated with increased traffic concern issues such as public safety, congestion of roads and disruption of regular traffic;

(ix) Contamination/pollution of soils and water resources by construction, human wastes, including fuel & oil, hazardous wastes, wastewater, etc.;

(x) Business activity might suffer during construction from loss of pedestrian and vehicular access. Interference with water and electrical power supplies might occur in some urban areas, inconveniencing the public;

(xi) Loss of visual amenities as construction materials are stockpiled and trees and natural vegetation cut down.

International Waterways (World Bank OP 7.50)

The Project triggers the World Bank's Operational Policy on International Waters OP 7.50 (the Operational Policy) and but after consultation with LEGEN was deemed to fall within the exception to the notification requirement under Paragraph (7a) of the Operational Policy. Several of the rayons under the Project are dependent on canals linked to the Kura River or its tributaries for their drinking water supply, and raw wastewaters from some of them are discharged untreated into receiving water bodies, including canals ultimately linked to the above mentioned Rivers and the Caspian Sea. The works to be carried out under the project are not expected to have adverse impacts on the quality and quantity of water to the riparians, and will not be affected by the other riparians water use. It is expected that the water intake from the rivers will actually be reduced because of the reduction in leakages and improved demand management under the project. Proposed investments are also expected to improve the quality of wastewater discharged into the relevant waterways, resulting in overall improvements in their water quality. The Bank determined in its memo, cleared by the Regional Vice President, dated November 27, 2007 that the exception to the external notification requirement set forth in paragraph 7a) of OP 7.50 is applicable.

Involuntary Resettlement (World Bank OP 4.12)

Operational Policy (OP) 4.12 is triggered since the project might involve land acquisition of either fallow land, used agricultural land, and/or pasture areas used for sheep and cattle, for specific infrastructure investments such as wastewater treatment plants and water and sewage investments mainly outside the urban centers. As the specific locations, land type and size were not fully determined at appraisal, a Resettlement Policy Framework (RPF) was developed for this project.

The RPF sets out the policies, principles, institutional arrangements, schedules and funding mechanisms for any land acquisitions that may occur in the project rayons as the result of the project. The RPF also provides guidelines to stakeholder participation in the mitigation of adverse social impacts of the project, in order to ensure that the social and economic well-being of project affected persons (PAP)s will not be worsened as a result of the project.

One of the key objectives of the RPF guidelines is to restore the income earning capacity of project-affected people, i.e., in the case of the WWS, this will be farmers and shepherds. The aim is to improve or at least sustain the living conditions of the PAPs prior to project operations. No resettlement of persons is anticipated, and the project does not foresee any demolitions of commercial or private buildings.

Safety of Dams (OP 4.37)

The Safeguards Policy OP 4.47 (Safety of Dams) has been triggered for the original project even though the project does not finance the construction or rehabilitation of any dams or other large control structures, because in some of the rayons rehabilitation of water supply schemes which are supplied from small existing dams may take place. Anchor or Regional Dam Safety Specialists will be consulted as to the appropriate means for ensuring that this OP is met, and if deemed necessary investigations of the safety of the dams might be carried out by an independent dam safety expert in accordance with OP 4.37. Since all detailed designs for 8 cities are prepared it has been identified that Jalilabad and Masalli rayons will be supplied with water from existing Vilashchay Dam located in Masalli rayon. It was agreed with implementing agency that the Dam Safety expert would be provided by the Construction Management Company and appropriate Dam safety report will be submitted to and cleared by the Bank prior to start of construction of adjacent Water Treatment Plan. The water supply solutions proposed in the detailed designs for remaining rayons do not involve the use of existing dams other than Vilashchay Dam.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:

Please see positive impacts outlined in Section 1 above.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.

The 'no project' alternative which would maintain the status quo with respect to WSS systems and associated conditions including environmental conditions in the project area was considered. It would however result in a worsening situation in terms of not only the quality of service delivery, but also additional operations and maintenance (O&M) costs. The continued failure to effectively collect, treat and dispose of sewage would also adversely affect the environment. Implementing the project, through the combination of rehabilitation and reconstruction of water supply and sanitation infrastructure in the rayons; and implementation of a comprehensive Institutional Modernization Component to strengthen the WSS sector's capacity to manage services in an efficient, effective, and sustainable manner, was found to be the best alternative.

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.

a) Environmental Assessment: Because details of site selection and technology to be used are determined during project implementation, an Environmental Impact

Assessment Framework (EIAF) and Environmental Management Plan (EMP) were prepared prior to the appraisal of the original project. The EIAF and EMP detailed the procedure, form and contents for specific EAs and EMPs prepared and approved for investments in each Rayon. These are outlined in the EIAF and EMP, as are the applicable standards and monitoring indicators and procedures. The implementation of activities carried out under the project conforms to relevant laws in Azerbaijan and sound environmental and construction management principles. The short-term negative environmental impacts, which are mostly expected to occur during construction or rehabilitation works are minimized by proper planning and application of preventive measures, and are mitigated by restorative actions after the civil works are completed.

Site-specific EAs and EMPs have been prepared for all 8 sites identified for financing under the project. The Borrower arranged for two round public consultations for each site and properly disclosed the documents. The main environmental issues addressed by site-specific EAs and EMPs include: (i) selection of siting and technology for wastewater treatment facilities; (ii) the potential for increased abstraction of water from some individual sources (although at the rayon level no net increase in water abstraction is expected); (iii) ecological disturbance associated with the construction phase of rehabilitation and extension of the water supply and sewer networks and wastewater treatment plants; and (iv) the potential for bacteriological contamination if water or sludge from the wastewater treatment plants are used for agricultural purposes.

Overall, mitigation of any environmental effects is the responsibility of the Project Implementation Unit for the project (PIU under the Azerbaijan Amelioration and Water Management JSC (AAWM). In addition, it is the responsibility of the contractors to ensure that mitigation is carried out successfully during construction/renovation works as it is required. The specific mitigation measures are implemented by the contractor under the supervision of the construction supervision manager. The provisions described in each site-specific EMP are incorporated in the relevant contract with construction companies selected to perform the works. The cost of mitigation measures are included in the cost of the contracts and borne by contractors, who are required to make the necessary provisions for implementation of mitigation measures as part of their contractual obligations.

The contractors are also required to take all necessary precautions for the types of civil works involved, especially in residential areas and those with high circulation of persons and vehicles. All construction and rehabilitation works should be carried out with keeping the safety equipment rules, and health and safety regulations. Safety measures will be adopted to protect the personnel involved in the works. Public access to construction sites will be properly restricted. Internationally accepted practices and active regulations should be assisted regarding restoration of construction, health and safety. The construction contract document incorporate all requirements to minimize disturbance from construction activities, which are monitored by the Supervision Engineer and the PIU staff (Environment Specialist) to ensure compliance and implementation of the required provisions by the contractors.

The contractors are required to provide suitable and reliable equipment for construction, with a formal maintenance program to ensure efficient operations. The WSS utilities develop and establish appropriate safety procedures for the operation and maintenance of the water and wastewater treatment plants. All employees of the contractors and the WSS utilities should get suitable training in occupational health, safety, and emergency preparedness procedures for earthquakes. Safety equipment also needs to be provided.

The site-specific EIAs are being amended by the PIU Environmental Specialist to accommodate the increased scope of work associated with the increased number of potential beneficiaries. Those EIAs will be amended and duly re-disclosed by the AF Appraisal currently scheduled for February 2014.

b) Resettlement Policy Framework: A Resettlement Policy Framework (RPF) has been prepared for this project. The RPF sets out the policies, principles, institutional arrangements, schedules and funding mechanisms for any land acquisitions that may occur in the project rayons as the result of the project. The RPF also provides guidelines to stakeholder participating in the mitigation of adverse social impacts of the project, in order to ensure that the social and economic well-being of project affected persons (PAP)s will not be worsened as a result of the project.

One of the key objectives of the RPF guidelines is to restore the income earning capacity of project-affected people, i.e., in the case of the WWS, this will be farmers and shepherds. The aim is to improve or at least sustain the living conditions of the PAPs prior to project operations. The Loan Agreement includes a clause requiring the Resettlement Process Framework to be followed in project implementation should any issues arise in this regard. In addition, the RPF is drafted to ensure that siting of facilities to be built under the project will not cause displacement of people, demolishing of illegal structures, or loss of income to illegal or non-titled inhabitants. It also requires that initial social screening be carried out in line with Bank policies so that all potential issues that may trigger OP 4.12 are spotted and addressed.

c) Safety of Dams: The project will not finance any new large dams, but in some of the rayons rehabilitation of water supply schemes which are supplied from small existing dams might take place and trigger the Banks OP/BP 4.37 on Safety of Dams. Investigations of the safety of these dams will be carried out by an independent dam safety expert in accordance with OP 4.37 (see the status in sub-section 1 above).

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people. Public consultations with regard to EIAF were held with local stakeholders in Azerbaijan in December 2007 in accordance with Bank Guidelines for EA. The Final EIAF has been disclosed publicly. It was published through the Bank's Infoshop on January 4, 2008, and in-country through the Azersu Website on December 17, 2007. Site-specific EIAs have been prepared in the course of project implementation and duly disclosed at public consultation meetings as well as on the web-site of the implementing agency and Bank's

Infoshop. The Resettlement Policy Framework was also duly disclosed 'in-country' and in the Bank's Infoshop in 2008.

B. Disclosure Requirements Date

Environmental Assessment/Audit/Management Plan/Other:

Was the document disclosed prior to appraisal?	Yes
Date of receipt by the Bank	01/04/2008
Date of "in-country" disclosure	01/04/2008
Date of submission to InfoShop	01/04/2008
For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors	01/10/2008

Resettlement Action Plan/Framework/Policy Process:

Was the document disclosed prior to appraisal?	Yes
Date of receipt by the Bank	02/05/2008
Date of "in-country" disclosure	02/29/2008
Date of submission to InfoShop	02/29/2008

Indigenous Peoples Plan/Planning Framework:

Was the document disclosed prior to appraisal?	
Date of receipt by the Bank	
Date of "in-country" disclosure	
Date of submission to InfoShop	

Pest Management Plan:

Was the document disclosed prior to appraisal?	
Date of receipt by the Bank	
Date of "in-country" disclosure	
Date of submission to InfoShop	

*** If the project triggers the Pest Management and/or Physical Cultural Resources, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP.**

If in-country disclosure of any of the above documents is not expected, please explain why:

C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting)

OP/BP/GP 4.01 - Environment Assessment

Does the project require a stand-alone EA (including EMP) report?	Yes
If yes, then did the Regional Environment Unit or Sector Manager (SM) review and approve the EA report?	Yes
Are the cost and the accountabilities for the EMP incorporated in the credit/loan?	Yes

OP/BP 4.12 - Involuntary Resettlement

Has a resettlement plan/abbreviated plan/policy framework/process framework (as appropriate) been prepared?	Yes
If yes, then did the Regional unit responsible for safeguards or Sector Manager review the plan?	Yes
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OP/BP 4.37 - Safety of Dams	
Have dam safety plans been prepared?	No
Have the TORs as well as composition for the independent Panel of Experts (POE) been reviewed and approved by the Bank?	No
Has an Emergency Preparedness Plan (EPP) been prepared and arrangements been made for public awareness and training?	No
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OP 7.50 - Projects on International Waterways	
Have the other riparians been notified of the project?	No
If the project falls under one of the exceptions to the notification requirement, has this been cleared with the Legal Department, and the memo to the RVP prepared and sent?	Yes
Has the RVP approved such an exception?	Yes
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The World Bank Policy on Disclosure of Information	
Have relevant safeguard policies documents been sent to the World Bank's Infoshop?	Yes
Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?	Yes
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All Safeguard Policies	
Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?	Yes
Have costs related to safeguard policy measures been included in the project cost?	Yes
Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	Yes
Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?	Yes
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D. Approvals

<i>Signed and submitted by:</i>	<i>Name</i>	<i>Date</i>
Task Team Leader:	Mr Hadji Huseynov	10/24/2013
Environmental Specialist:	Ms Gulana Enar Hajiyeva	10/24/2013
Social Development Specialist	Mr Aly Zulficar Rahim	10/07/2013
Additional Environmental and/or Social Development Specialist(s):		
<i>Approved by:</i>		
Sector Manager:	Mr Pier Francesco Mantovani	11/01/2013
Comments: Concurred with no comments by acting SM on Nov 1, 2013		