COMBINED PROJECT INFORMATION DOCUMENTS / INTEGRATED SAFEGUARDS DATA SHEET (PID/ISDS) APPRAISAL STAGE

Report No.: PIDISDSA21043

Date Prepared/Updated: 13-Feb-2017

I. BASIC INFORMATION

A. Basic Project Data

Country:	Ethiopia	**Project ID:**	P156433
		Parent Project ID (if any):	
Project Name:	Second Ethiopia Urban Water Supply and Sanitation Project (P156433)		
Region:	AFRICA		
Estimated Appraisal Date:	06-Feb-2017	**Estimated Board Date:**	30-Mar-2017
Practice Area (Lead):	Water	**Lending Instrument:**	Investment Project Financing
Borrower(s):	Ministry of Finance and Economic Cooperation		
Implementing Agency:	Ministry of Water, Irrigation and Electricity		

Financing (in USD Million)

Financing Source	Amount
BORROWER/RECIPIENT	60.00
International Development Association (IDA)	445.00
Financing Gap	0.00
Total Project Cost	505.00

Environmental Category:	B - Partial Assessment
Appraisal Review Decision (from Decision Note):	The review did authorize the team to appraise and negotiate
Other Decision:	
Is this a Repeater project?	No

B. Introduction and Context

Country Context

1. Ethiopia has experienced strong economic growth over the past two decades and is in a positive trajectory to be middle income by 2025. Ethiopia➢(s economic growth averaged 10.7 percent per year between 2003/04 and 2011/12, compared to the regional average of 5 percent. High economic growth, with public finance focused on pro-poor spending on basic services has helped the country reduce poverty in both urban and rural areas.

2. Poverty incidence measured by the population living below the international extreme poverty line of US$1.25 PPP showed a declining trend falling from 55 percent in 2000 to 31 percent in 2015. The proportion of households living in poverty has fallen in both rural and urban areas, with stronger reductions in urban poverty since 2005. However as Ethiopia urbanizes so too does poverty. In 2000, 11 percent of Ethiopia➢(s poor lived in cities, but this rose to 14 percent in 2011. In Ethiopia, just as in other countries, poverty rates fall and inequality increases as city size increases, however poverty rates in Ethiopia➢(s two largest cities (Addis Ababa and Dire Dawa) are much higher than this trend would predict. Addressing poverty in large urban centers will thus become an increasingly important focus of development policy, with improvements to infrastructure and increases in access to services will be central to this.

3. Despite the impressive economic growth the country lags behind the regional average in some development indicators. Gross National Income per capita of US$ 570 in 2015 is still substantially lower than the regional average of US$ 1,257 and Ethiopia is ranked 173 out of 187 countries in Human Development Index. Despite the decline in the proportion of household living below poverty line, because of high population growth, the absolute number of poor has remained over 25 million over the past fifteen years.

4. The second Growth and Transformation Plan (GTP II) aims to achieve an annual average real gross domestic product (GDP) growth rate of 11 percent within stable macroeconomic environment, while at the same time pursuing rapid industrialization and structural transformation. The Ethiopian Government➢(s vision is to reach middle-income status with an estimated GNI per capita of US$1,560 by 2025. However, shortage of financial resource, vulnerability to drought due to climate variability, commodity price volatility in the global market, limitation in implementation capacity, and weak and less transparent marketing systems are among the major constraints that Ethiopia faces in realizing this target by 2025.

5. Rapid urbanization and an increase in urban population are both a challenge and an opportunity for the country➢(s economic growth and provision of sustainable water supply and sanitation services. Estimated at only 17.3 percent in 2012, Ethiopia➢(s urban population share is one of the lowest in the world, well below the Sub-Saharan Africa average of 37 percent. However, according to official figures from the Ethiopian Central Statistics Agency, the urban population is projected to nearly triple from 15.2 million in 2012 to 42.3 million in 2037, growing at 3.8 percent a year. Towns are growing horizontally and vertically and rural villages are also being clustered with small towns faster than ever before. Rapid population growth, fast growing infrastructure development, service sector growth, such as hotels, trade, and industrialization, as well as changes in way of life and awareness level of the residents have mounted pressure in the already inadequate WSS systems.

6. If well managed, urbanization could be an important catalyst to promote economic growth, create jobs, and connect Ethiopians to prosperity. Cities already play an important role in the economy, contributing 38 percent of GDP despite employing only 15 percent of the total

workforce, due to the high productivity of sectors located in urban areas. The growth in urban population offers significant opportunities to shift the structure and location of economic activity from rural agriculture to the larger and more diversified urban industrial and service sectors. Hence, through the implementation of GTP II the government of Ethiopia is expected to put an even stronger emphasis on structural transformation, industrialization and urbanization. However, if not managed proactively, rapid urban population growth may pose a demographic challenge as cities struggle to provide sufficient jobs, infrastructure, services, and housing.

Sectoral and institutional Context

7. Ethiopia has made considerable progress in WSS provision during the MDG periods and many of these gains can be attributed to the profound change the government has made in creating a more conducive enabling policy, legal and institutional environment, as well as allocation of more resources to the sector. The Government's key policy principles include; a commitment to gradually moving towards full cost recovery for urban schemes, no direct subsidy for construction of household latrine, and the integration of sanitation and hygiene promotion with water supply. In addition, specific strategy to address the challenges of urban sanitation and service delivery have been drafted recently, including the Integrated Urban Sanitation & Hygiene Strategy and the Urban Wastewater Management Strategy. However, gains in coverage is still below the SSA average and structural shifts have not been uniform across the sub-sectors and don't fully represent the fact that many urban water services have become increasingly unreliable, due to increasing demands placed on the infrastructure. In urban areas there has been a considerable shift from public water-points to on premise piped water supply, which has increased from 10 percent to 56 percent during the MDG period. In addition, the number of people accessing unimproved sources in urban areas has been more than halved from 18 percent to 7 percent.

8. Gains in urban sanitation coverage, while starting from a higher base, have been relatively modest compared to those in rural areas. While open defecation has significantly reduced in urban areas (from 39 percent in 1990 to 6 percent in 2015); this has not translated into a significant move up the sanitation ladder for most households. In 2015, the percentage of people with access to an improved latrine has increased to just 27% from 20% in 1990. A significant trend in urban areas has been the increase in the number of shared latrines, which has been driven by both increasing population density in urban areas and the high number of households who reside in rented accommodation. In addition, the numbers of public and communal latrines in urban areas are very limited compared to the demand, leaving a large segment of the low income neighborhood without service.

9. In recent decades urban sanitation interventions have focused on increasing access to improved toilet facilities, with little or no attention paid to ensuring that wastewater is adequately collected and treated prior to discharge into the environment. Access to modern sanitation facilities and water services remains low. Despite the availability of Health Extension Workers (HEW) in all Ethiopian towns, more than 60 percent of households in urban areas use traditional pit latrines and about six percent of urban residents are still practicing open defecation. Fecal sludge is often accumulated in poorly designed and built pits, and then discharged directly into storm drains, open water bodies, seep into the ground or is manually removed from the pit and dumped into the environment.

10. Addis Ababa remains the only urban center with sewer connections in Ethiopia, and

currently this sewer network covers about 10 percent of the population. Though not yet fully operational, construction of 15 decentralized waste treatment plants with conveyance and treatment capacity of 37,500 m3 per day have been completed. A World Bank Financed expansion of Kality sewerage system, that will add extra capacity of 90,000 m3 per day, is also under construction and expected to be completed end of 2017. As a residents, hence the proportion of urban population living in households whose excreta is safely managed is very low. Limited number of municipalities have vacuum trucks to desludge latrines and septic tanks, and where they exist their management and operation is not effective. While private vacuum trucks operate side by side government in some cities, in most cases the sludge is dumped and released into the environment without adequate treatment.

11. Addis Ababa Water and Sewerage Authority➢(s (AAWSA) current strategy is the construction and outsource mobile and fixed public and communal latrines in low income areas and public areas, but the roll out lags behind the vast demand in this rapidly growing city. Desludging services ➢(primarily pit emptying and transportation ➢(are provided through AAWSA➢(s own 104 vacuum trucks, while at the same time the Authority regulates a fleet of 58 private vacuum truck operators. The main challenge is management of these fleets including efficient maintenance of the trucks.

12. AAWSA is also managing one centralized and 15 decentralized wastewater and fecal sludge treatment plants, including two newly constructed fecal sludge treatment plants at Kotebe and Kality, with a daily capacity of 505 m3 and 475 m3 per day. However, the area coverage is limited, and AAWSA➢(s experience and capacity to operate and maintain these plants is inadequate.

13. The demand for improved sanitation services in the secondary towns is growing fast calling for action. None of the towns have a sewerage system. The Federal government strategy is that by 2020 towns and cities should be open defecation free and it has set out to improve existing latrines, improve access to fecal sludge management by 30 percent, construct 200 decentralized wastewater treatment plants, introduce reuse of waste, and achieve safe waste management in 30 percent of industries. To achieve this requires clearly defined and organized delivery mechanisms, and allocation of adequate fiscal resources, which is currently in short supply in most urban centers.

14. The service delivery gaps within and between stages of the sanitation service chain become more apparent as sanitation coverage increases without proper attention to collection, disposal and treatment of wastewater in poor urban areas. Failure to ensure strong links throughout the service chain results in untreated fecal sludge (FS) contaminating the environment, with serious implications for public health . According to WHO report on recent outbreak of Acute Watery Diarrhea (AWD) in Addis Ababa between June 8 and June 26, 2016 a total of 1,092 AWD cases were reported in the city. The major causes of the outbreak as reported by WHO is related to water consumption from unprotected source, water shortage due to interruption in supply, leakage and rusted pipes and pipes crossing sewer lines, effluent connected to river and ditches, open defecation, and poor solid waste collection and disposal.

15. MoWIE remains the lead institution responsible for policy, strategy and national program development and overall monitoring of the water sector at the national level. However, in each urban center the Water and Sewerage Authorities are responsible for provision of water supply.

While Utilities are directly accountable to an autonomous Water Board, which are in turn partly regulated by the Regional Water Bureaus. The Ministry of Works, Urban Development and Housing Construction (MOUDHC), in its effort to exercise its mandate of monitoring standards of municipal services , also plays a part in monitoring the performance of utilities. This accountability to multiple institutions has contributed to the utilities low performance. The lack of a single independent regulatory body to oversee the effective delivery of services by the utilities is holding the sector back from significant improvement in service coverage and efficiencies.

16. On the other hand urban sanitation suffers from institutional fragmentation and unclear responsibilities, which leads to gaps in service provision; inadequate communication and coordination of planning, design, implementation and supervision resulting in poor quality construction; delays in construction; incomplete asset and information handover; and unclear division of roles between local government and operators. MoWIE, MOUDHC, and Ministry of Health (MOH) share responsibilities for monitoring and oversight of the hygiene and sanitation services at the national level. While the Water and Sewerage Authorities in each municipality are legally mandated to provide sanitation services in the large cities, very few are exercising this mandate. In most of the cities, municipalities responsible for managing the collection, transporting and disposing of the domestic waste often allow these functions to operate in uncoordinated manner.

17. The recent policy dialogue and growing challenge faced by municipalities has placed urban sanitation improvement firmly on the national transformation agenda. The draft Integrated Urban Sanitation & Hygiene Strategy articulates the importance of improved sanitation for economic progress and quality of life, as well as calling for more integration of effort across ministries and levels of government. This commitment to urban sanitation needs to be met with a financing strategy and identified funding for a concerted investment program to meet the challenges faced. Infrastructure financing can reward cities that strengthen their institutional capacity for sanitation improvement through more integrated planning, improved coordination and enhanced implementation capacity.

18. Investment in sanitation infrastructure and behavior change has proven to be a pro-poor intervention, with analysis of global data demonstrating that the sanitation related burden of disease is substantially higher among poor households. This disparity in burden is significant with children in the poorest households bearing up to 20 times the sanitation-related health burden compared to children in the richest households. This differential is even more marked in urban contexts where children in the poorest households are exposed to poor household sanitation, local environments with high population densities without sanitation, and are often equally likely to be vulnerable to diarrheal mortality due to low weight-for-age, compared to their rural counterparts. This provides a strong justification for geographic and economic targeting of sanitation and water investments to poor urban households.

19. Inefficiencies in urban water utilities is undermining the effort to improve service delivery. Although access to water supply and sanitation in urban areas has improved significantly, reaching the unserved urban residents, maintaining sustainability of the service and improving the operational efficiency of the providers still remains a challenge. Inefficiencies in urban water utilities, largely due to underpricing and high non-revenue water (NRW), have significantly undermined the service levels. The growing demand for urban water utilities to engage in narrowing the service delivery gaps within and between stages of the sanitation service

require more coordinated, effective and efficient utilities.

20. Urban tariff structures for water supply are set based on a gradual move to full cost recovery. Flat rate is applied for communal service as a social tariff to ensure access by poor communities and for equity consideration. Tariff rates are set by each utility, endorsed by the respective management board and finally approved by the regional administration. This process provides little room for utilities to exercise flexibility and autonomy in setting adequate tariffs, which ultimately contributes to the lower than expected provision of the services. Tariffs for sanitation services in Addis Ababa and other secondary cities is not yet properly established. A well thought out tariff structure should be in place to ensure gradual cost recovery, affordability and economic uses of the service.

21. Public Private Partnership in the sector is very weak. To date the water supply and sanitation utilities have not harnessed the full potential of the private sector to improve the efficiency of service provision. This is in part because a conducive enabling environment for public private partnership is yet to be in place to facilitate the right incentives for both parties to see such partnerships materialize in practice. There are some examples in the sector of private engagement in the emptying and transportation of domestic wastes, and these can act as platforms to build on.

22. Despite the fact that public health proclamations and pollution control regulation are in place based on polluters pay principles, there are currently no mechanisms or institutional capacity to enforce them. Although regulations do exist, their enforcement is very low and they often do not support each other resulting in duplication of effort. The existing regulations fail to clearly define the minimum acceptable standard for waste management, hence most urban centers lack waste management (collection, treatment and disposal) systems.

23. The involvement of development partners in urban WSS is limited to few financers, of which the World Bank is the leading institution. Through completed and the ongoing urban WSS projects, the World Bank has brought international knowledge to the sector, initiated and promoted the creation of autonomous water utilities, and served as a platform to leverage resources from other development partners. The proposed project will be a continuation and expansion of the World Bank's long term engagement in the sector and support to the GoE's effort to improve sanitation services in the urban areas.

C. Proposed Development Objective(s)

Development Objective(s)

The objective of the project is to increase access to enhanced water supply and sanitation services in an operationally efficient manner in Addis Ababa and selected secondary cities.

Key Results

1. Project Beneficiaries

- The primary project beneficiaries are expected to be 3.38 million people (50 percent of them women) residing in Addis Ababa and the selected 22 towns, of which 2.76 million will benefit from improved sanitation facilities and 623,000 from access to improved water supply services.
- The project will facilitate the creation of job opportunities for women and youths through

the economic opportunities related to the management and operation of water and sanitation service delivery. The project will outsource the management of public sanitation facilities to local youth groups, providing job opportunities to the unemployed. Poor households, which in most cases represent the most vulnerable, will be particularly targeted to benefit from public and communal latrines.

2. PDO Level Results Indicators

The following indicators will be used to measure progress towards achieving the PDO:

i. Number of people in urban areas whose excreta are safely managed under the project;
ii. Number of people in urban areas with access to improved water supply services under the project;
iii. Proportion of operation cost as percent of utility revenue of participating utilities (percent);
iv. Savings from NRW interventions under the project (m3/day);
v. Direct project beneficiaries, of which female beneficiaries (core).

D. Project Description

1. To support the Government of Ethiopia and selected cities and towns to achieve their targets, the project will adopt six broad principles: (i) integrated city-wide sanitation improvement approach that caters for diverse needs, and that would offer a range of service options for different settlement types; (ii) a stepped or phased enabling approach that will offer the opportunity for towns to pursue infrastructure investment and for regions to build on lessons and scale up the intervention; (iii) the development of a chain of services in every city to collect, transport, treat and dispose of liquid waste safely; (iv) the promotion of public awareness and enhanced social engagement; (v) improving the efficiency of water and sanitation utilities; and (vi) encourage and facilitate the involvement of the private sector.

2. This will be realized through the following three components; (i) Addis Ababa Sanitation and Water Supply Services Improvement, (ii) Secondary Cities and Towns Sanitation and Water Supply Services Improvement, and (iii) Project management and institutional strengthening.

(I) Component 1: Addis Ababa Sanitation and Water Supply Services Improvements: (US$ 260 million)

Sub-component 1.1: Sanitation services improvement in Addis Ababa: (U $238.2 million). Under this sub-component, three interrelated interventions will be supported: (i) Sanitation situation assessments and analyses, feasibility studies, and the design and construction of a Wastewater Treatment Plant (WWTP) with sewerage networks for the Eastern catchment that will be implemented through Design Build and Operate (DBO) approach ; (ii) Improvement of operation and maintenance management of existing WWTPs, and (iii) Improvement of sanitation services in unserved and low income areas, including construction of communal and public latrines, as well as the procurement of appropriate desludging equipment for the fecal sludge treatment plants will also be funded from the project.

Sub-component 1.2: Operational efficiency improvements in Addis Ababa: (US$ 17.7 million). The project will support AAWSA to improve WSS services levels through modernizing the operational and management system. Such modernization will mainly focus on improving: NRW

reduction and management, customer care, financial management improvement, network management and improving the sewer connection and fleet management systems. The project will also support management contract to fill the O&M capacity gaps and establish effective management system, including performance based contracts for small scale leak detection and repair.

Sub-component 1.3: Project management and Institutional strengthening in Addis Ababa: (US$ 4.10 million). AAWSA has existing project management capacity, but for the purposes of the proposed project, additional staff will be needed before the start of the project, and during implementation. Funding will be provided to enhance the capacity of AAWSA Management Board and water utility staff to effectively manage the water supply and sanitation facilities. The allocated resource will cover the cost of staff training on project implementation and utility operation, regional or international exposure visits as well as learning exchanges within Ethiopia, procurement of office equipment, vehicles and miscellaneous expenses.

Component 2: Sanitation and water supply services improvement in secondary cities and towns: (US$ 241 million).

Sub-component 2.1: Sanitation improvement in secondary cities and towns: (US$ 196 million). The project will finance studies and design, technical assistance and infrastructure development. This support will include provision of improving fecal sludge management facilities and conventional sewer systems where feasible. To this end, the project will support the Urban Health Extension Program, the construction of communal and public latrines, development of MSEs to manage fecal treatment plants and public latrines, procurement of desludging equipment, and rehabilitation or construction of wastewater and fecal sludge treatment plants.

Sub-component 2.2: Water supply and operational efficiency improvement in secondary cities and towns (US$ 36.8 million) this sub-component will finance targeted interventions that will help the water & sanitation utilities to modernize service provision and management, and improve the management of NRW. The project will support: (i) establishment of performance based systems to incentivize the reduction of NRW; (ii) water supply provision to unserved and low income areas; (iii) technical assistance (TA) and studies for: situation assessment and development of NRW reduction and management interventions, development of billing and accounting system, customer care, financial management improvement, network management, and improving sanitation services provision; (iv) capacity building and training on billing and accounting, improving and handling the customer data base and citizen engagement, gender and management for town Water Boards; (v) piloting of modern meter reading and collection technologies and other efficiency improving interventions for possible scale up; and (vi) public awareness creation activities and communication strategy for proper demand management.

Sub-component 2.3: Project Management & Institutional Development in secondary cities and towns: (US$ 9.70 million) Funding will be provided to enhance the capacity of participating water board members and water utility staff to effectively manage their water supply and sanitation facilities. Capacity building that includes staff training, exposure visits and study tours, provision of equipment, awareness creation to the management team, boards, utilities, municipalities, and urban HEW. The project will also support the establishment of utility performance monitoring (bench marking), and support for the preparation of business plans. Project management cost will include communications, M&E, procurement, financial management, safeguards, and other

functions. The institutional development will also cover; (i) the establishment of work systems, and the development of guidelines and manuals; (ii) procurement of relevant instruments and tools; and (iii) training of staffs.

Component 3: Project management & institutional strengthening (Federal & Regional level): (US $ 4 million)

MoWIE will be responsible for overall coordination, monitoring and evaluation of the program, facilitation of capacity building, and policy formulation. Funding will be available to help the MoWIE to manage the project and strengthen its own institutional capacity for that purpose. The resources allocated to MoWIE will be used to build the capacity of staff through short term training, study tours, and through carefully planned acquisition of office equipment and vehicles. This component will also provide finance to undertake studies that will contribute to improvement of the sector performance.

Project Cost and Financing

3. The project is estimated to cost US$ 505 million to be financed by a combination of IDA credit (US$ 325 million), IDA Scale up Facility Credit (SUF 120 million) and US$ 60 million from Counterpart funding by AAWSA and Addis Ababa city Administration. The SUF is a one-off facility established to provide additional support to eligible IDA clients for the remainder of IDA17 period, which Ethiopia is deemed eligible. The proposed financing instrument is Investment Project Financing (IPF), which was selected in view of its flexibility and suitability for financing broad range of activities including large scale investments, technical assistance, and capacity building measures. The project will disburse over a period of six years starting in 2017.

4. The project is expected to finance project interventions in twenty two towns, including Addis Ababa. The proposed project intervention in Addis Ababa was estimated to cost US$ 260 million. However, as the resource allocated to Addis Ababa is only US$ 20 0 million, Addis Ababa city administration and AAWSA are expected to cover the financing gap. The total resource required for eac h town will be determined by the detailed design and feasibility studies.

Public Disclosure Copy

Component Name

Component 1: Addis Ababa Sanitation and Water Supply Services Improvements

Comments (optional)

Component Name

Component 2: Sanitation and water supply services improvement in secondary cities and towns

Comments (optional)

Component Name

Component 3: Project management & institutional strengthening (Federal & Regional level)

Comments (optional)

E. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

1. The project supports Addis Ababa city and 22 other secondary cities (Dire Dawa, Mekelle, Adama, Bahirdar, Hawassa, Jimma, Gonder, Sodo, Adigrate, Harar, Jigjiga, Gode, Gambella, Assosa, Semera Bishoftu, Dessie, Shashemene, Nekemte, Asela, Arbaminch, and Debrebirehan), including all the nine regional capital cities/towns and towns with a population size of 100,000 and above. Nonetheless, the specific locations of infrastructure to be financed under the project are not known at this stage. In spite of this, a potential list of infrastructure to be constructed and rehabilitated under the project have already been identified which include: (i) construction of public and communal sanitation facilities in Low Income Areas; (ii) construction of centralized sewerage systems, sludge drying beds, simplified decentralized sewerage systems where appropriate and feasible; and (iii) rehabilitation and replacement of old water supply distribution systems in residential areas etc., that would help to save wastage of t clean water and reduce the possible water contamination due to the prevalent 25-40% of leakage problems encountering in most of the project participating cities.

2. Ethiopia is located in the horn of Africa, between 3Âº and 15ÂºN latitude and 33Âº and 48ÂºE longitude and covers a land surface area (including water bodies) of 1,127,127 kmÂ² and has a population of over 90 million. It is a country of great geographical and climatic diversity, which has given rise to many and varied ecological systems. The altitude ranges from 4,620 m above sea level at the highest peak, Ras Deshen, to 110 m below sea level in the Danakil Depression. The East African Rift Valley separates the northern and south-western highland from the south-eastern highland. The country is currently divided into nine regional states and two city administrations.

3. One of the biggest challenges to Ethiopia➢(s achievement of its Growth and Transformation Plan-2 goals is the effective management of urbanization, which is taking place rapidly throughout the country, particularly in Addis Ababa and project participating secondary cities. There are about 935 urban settlements, (with population ➢❱¥ 2,000) throughout the country and almost 60% of the urban population is living in about 68 towns (majorities are in the 23 project participating cities). The growing demand generated by rapid population growth, fast growing infrastructure development, service sector growth as well as changes in way of life and awareness level of the residents have mounted pressure in the already inadequate services including Water Supply and Sanitation system in urban areas. According to UN-HABITAT, similar to other cities, Addis Ababa faces supply challenges related to water and sanitation with the majority of slums having no access to clean water. In Addis Ababa, 34% of residents use a public tap, which is frequently interrupted, 26% of the houses and the majority of slum dwellers do not have toilet facilities.

F. Environmental and Social Safeguards Specialists

Chukwudi H. Okafor (GSU07)

Ruth Jane Kennedy-Walker (GEN07)

II. Implementation

Institutional and Implementation Arrangements

1. Implementation arrangement: The projects implementation arrangements will largely follow the existing mechanisms for the ongoing Urban Water Supply and Sanitation Project (UWSSP) with

slight modifications to capture recent developments. A Project Implementation Manual (PIM) will be developed to provide detail implementation steps and procedures to be followed. The PIM will outline the institutional and implementation arrangements for the project and the rules of engagement for planning, appraisal, contracting, and implementation. Standard operating procedures, forms, bidding documents for works, and terms of reference for consultants are also being developed to streamline implementation; and these will be incorporated into the implementation manuals.

2. The project will introduce design-build and operate contracts to engage experienced operators, which will minimize interface risk between the design, construction and operation stages, bring innovation, and support the training utility staff. The project will also support the engagement of O&M firms and establishment of O&M systems.

3. To ensure that the project benefits the most disadvantaged, an appropriate targeting approach will include: (i) creating opportunities for groups of women and unemployed youth, organized under small and micro enterprises, to manage and operate public toilets; (ii) adopting affordable and simple technologies that can be replicated at community and household level; (iii) locating public toilets at strategic places with concentration of people (e.g. bus terminals, markets, public and religious festivity places.); (iv), investing in affordable and safely positioned public pay and use toilets and showers in low-income areas with limited space to be managed by women and youth-led community based organizations (CBOs). The targeting will be further elaborated in the PIM. While these are the general criteria to be used by the project, each region can include additional criteria to fit to the specific regional contexts.

4. Institutional arrangement: The highest governing body of the project is the National WaSH Steering Committee (NWSC) that constitutes MoWIE as Chair, MoH, Ministry of Education (MoE) and Ministry of Finance and Economic Cooperation (MoFEC). The NWSC leads the dialogue on the sector and service delivery standards, resources mobilization and financing and M&E. The Water and Sanitation Directorate and the Program Management Unit (PMU) within MoWIE will directly be responsible for the implementation of the project in the secondary cities outside Addis Ababa. The project office at AAWSA will be responsible for all activities in Addis Ababa.

5. The responsibility for development and provision of WSS services in urban areas is a task shared among the utilities and local governments. Generally, water utilities are responsible for provision of water and sewerage services while local governments are responsible for collecting and safely disposing of solid waste. Though MoH has the overarching shared responsibility on hygiene and sanitation (including guidance on approach, oversight role and the relevant methodological tools), the health departments in each project city/town are responsible for hygiene promotion.

III. Safeguard Policies that might apply

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	The projects supports infrastructure investments aimed at expanding access to water supply and sanitation services and will require environmental and social due diligence. Since the scope, nature of sub projects and specific investment locations cannot be determined prior to appraisal; the Borrower will prepare, consult and disclose a Environmental and Social Management Framework as a guide in precluding and

		managing any potential environmental and social risks.
Natural Habitats OP/ BP 4.04	No	Given the nature and complexity of the proposed project similar to that of the ongoing project; experience doesn➢(t show any significant conversion (loss) or degradation of natural habitats, whether directly (through construction) or indirectly (through human activities induced by the project). Hence, OP/BP 4.04 will not be triggered.
Forests OP/BP 4.36	No	From the previous & ongoing implementation practices of WaSH projects, the proposed project will not have potential impacts on the health and quality of forests or the rights and welfare of people and their level of dependence upon or interaction with forests.
Pest Management OP 4.09	No	The project may involve in the procurement and/ or use of chlorine and calcium/sodium hypochlorite for the purpose of drinking water disinfection. Otherwise, it doesn➢(t have any connection with the procurement of other types of pesticides or pesticide application equipment; neither will it have connections with pesticide use that might increase in health and environmental risks.
Physical Cultural Resources OP/BP 4.11	Yes	The country's cultural heritage sites are not with close proximity to cities or towns. This policy is triggered due to the possibility of chance finding during construction and rehabilitation activities. Any potential chance finds will be identified and dealt with in the context of the ESMF.
Indigenous Peoples OP/BP 4.10	No	The project is implemented in urban centers where the beneficiary communities lie within these urban areas, and there are no people who meet the policy criteria expected to be present in the project area.
Involuntary Resettlement OP/BP 4.12	Yes	This policy is triggered because of the potential adverse social impacts that might result from the need for land acquisition and/or the loss of access to economic assets and livelihoods due to planned rehabilitation and investment activities. Since specific investment locations cannot be identified at this stage, a Resettlement Policy Framework (RPF) has been prepared and consulted upon by the borrower.
Safety of Dams OP/ BP 4.37	No	Through development of the PAD, discussions with safeguard experts, the TTL, the counterpart, the RSA and the legal department deemed that the policy did not require triggering as the project does not support the construction of new dams or entail rehabilitation of existing dams or will it construct structures that will act like a dam.
Projects on International Waterways OP/BP 7.50	Yes	OP 7.50 is triggered because project interventions are expected to be spread across three river basins in Ethiopia which are classified as international waterways for purposes of OP 7.50. They include Blue Nile and Wabi Shebile Rivers and rift

		valley lakes. Riparian countries of international waterways expected to be impacted by this project include, Egypt, Kenya, Somali and Sudan. It is not anticipated that the project will cause appreciable harm to any of the riparian through water deprivation, pollution or otherwise. Neither is it anticipated that the implementation of project activities will adversely change the overall quantity or quality of water flowing to or from any of the riparian of the concerned international waterways. Nevertheless, the Bank notified riparian Governments on behalf of Ethiopia on December 30, 2016, regarding the relevant details of the proposed project.
Projects in Disputed Areas OP/BP 7.60	No	Since the project is implemented in urban areas; it will not have any connection with disputed areas.

IV. 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:
Significantly adverse and/or irreversible impacts are not envisaged in association with the development of the proposed project. However, the key environmental and social safeguards concerns that may arise as the result of construction and operational phases of the project may include: (i) possible soil and water contamination, air contamination, loss of vegetation, dust and noise nuisance, vibration, traffic congestion and soil erosion due to the planned construction and rehabilitation activities; (ii) potential adverse social impacts that might result from the need for land acquisition and/or the loss of access to economic assets and livelihoods due to planned rehabilitation and investment activities.
2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:
The proposed project is not expected to cause potential indirect and/or long term impacts due to anticipated future activities in the project area.
3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.
At this stage, the exact location and anticipated impacts of sub projects is not known. However, a project alternative that includes appropriate site selections, proper designs and selection of the right technologies will be considered prior to commencement of physical works of sub projects.
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.
Since the exact location of subprojects could not be identified prior to appraisal, the Borrower has prepared Environmental and Social Management Framework (ESMF) and Resettlement Policy Framework (RPF) and publically has disclosed within the MoWIE website (http://www.mowie.gov.et/home). The ESMF outlines the steps of the environmental and social screening process (environmental and social screening form; assignment of the appropriate environmental category to the sub-project; carrying out the appropriate level of environmental work based on the screening results; public consultations process; procedures for review and clearance of the environmental and social screening results as well as separate ESIA reports; and environmental monitoring and evaluation). The RPF outlines the principles and procedures to be followed in the event of land

acquisition, impact on assets and/or loss of livelihoods.

In order to engage citizens under the project, a customer forum will be established and the existing forums in the beneficiary water and sewerage utilities will be strengthened to include citizens that are in the utilities service areas, including the ones that are not directly connected to the water supply and sewer network. The forum, which will also serves as a monitoring tool, will meet on a quarterly basis and summary of the issues discussed in such meetings will be reflected on the quarterly reports submitted to the Bank. The forum among others is expected to discuss issues related to service coverage and quality, affordability of tariffs, consultation on selection of locations for potential on site sanitation facilities. In addition, the project will support the establishment and strengthening of websites in the utilities for customer feedback. This website can be expanded to have a specific section regarding the activities under the UWSSP and allow the customer and users to feedback. This can build on parallel initiatives by the Ministry with partners on improving citizen engagement.

While implementing various World Bank Financed infrastructure projects, the Borrower has gained experiences in preparing safeguards instruments (ESMF, RPF, ESS, ESIA and RAP documents) to identify and address potential environmental and social impacts. The Ministry of Water Irrigation and Electricity (MoWIE) is one of the few federal agencies to have an Environment Unit with a full mandate to review and approve environmental and social screening, ESIA and RAP study documents.

It is proposed that this new UWSSP will utilize the existing experience that has been built up with the ongoing UWSSP and One WaSH National Program- Consolidated WaSH Account (OWNP-CWA) safeguard implementation arrangements. MoWIE has the responsibility for overall coordination, monitoring and evaluation of the OWNP-CWA and the ongoing UWSS Project. While, Addis Ababa Water and Sanitation Authority (AAWSA) addresses any safeguards related issues for the ongoing UWSSP and other water supply projects under its implementation responsibility.

MoWIE currently has 4 safeguards experts (2 environmental and 2 social) dedicated for the OWNP-CWA and the ongoing UWSSP. Besides, AAWSA has a total of six environmental and social safeguards experts (3 environmental and 3 social) for all the projects they are implementing. Currently there are PMUs (with safeguard specialists) at MoWIE, AAWSA and at all nine regional water bureaus established for the implementation of the OWNP-CWA and ongoing UWSSP project. Secondary cities, like Dire Dawa and Gondar also have safeguards experts, while the remaining participating cities will be required to deploy safeguards experts before commencement of the proposed project.

Experience has revealed that proper implementation and documentation of safeguards related matters still remains a challenge that needs to be further strengthened, through ensuring adequate personnel and capacity at the ministerial and local levels, to ensure environmental and social safeguards compliance.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

In conformity to the requirements of OP 4.01 and OP 4.12, the draft ESMF and RPF have been consulted with stakeholders drawn from governmental and non-governmental organizations and with the local communities. Most of the consultation processes were made in the form of meetings

in Addis Ababa, Adama, Debre Birhan, Dire Dawa and Mekelle cities. Besides, stakeholder consultation has been conducted in the different public institutions at the federal level (ex. MoWIE, Ministry of Health, Ministry of Environment, Forest and Climate Change).
Finally, the respective stakeholders attending the meeting have come up with the following main recommendations:

⇨) Project Affected Persons (PAP) shall be entitled to all the reasonable compensation, including the provision of replacement land, jobs, and other resettlement assistances.

⇨) Since the project is expected to avail more employment opportunities to the local communities, the project owner shall ensure that the local communities are the primary beneficiary of such opportunities by conducting all the required follow-ups to that effect.

⇨) Such types of consultations are appreciated and should be done repeatedly with the community at large throughout the life cycle of the project.

B. Disclosure Requirements

Environmental Assessment/Audit/Management Plan/Other	
Date of receipt by the Bank	08-Dec-2016
Date of submission to InfoShop	13-Dec-2016
For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors	
"In country" Disclosure	
Ethiopia	13-Dec-2016
Comments:	
Resettlement Action Plan/Framework/Policy Process	
Date of receipt by the Bank	08-Dec-2016
Date of submission to InfoShop	13-Dec-2016
"In country" Disclosure	
Ethiopia	13-Dec-2016
Comments:	
If the project triggers the Pest Management and/or Physical Cultural Resources policies, 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

OP/BP/GP 4.01 - Environment Assessment	
Does the project require a stand-alone EA (including EMP) report?	Yes [×] No [ ] NA [ ]
If yes, then did the Regional Environment Unit or Practice Manager (PM) review and approve the EA report?	Yes [×] No [ ] NA [ ]

Are the cost and the accountabilities for the EMP incorporated in the credit/loan?	Yes [×] No [ ] NA [ ]
OP/BP 4.11 - Physical Cultural Resources	
Does the EA include adequate measures related to cultural property?	Yes [×] No [ ] NA [ ]
Does the credit/loan incorporate mechanisms to mitigate the potential adverse impacts on cultural property?	Yes [×] No [ ] NA [ ]
OP/BP 4.12 - Involuntary Resettlement	
Has a resettlement plan/abbreviated plan/policy framework/ process framework (as appropriate) been prepared?	Yes [×] No [ ] NA [ ]
If yes, then did the Regional unit responsible for safeguards or Practice Manager review the plan?	Yes [×] No [ ] NA [ ]
Is physical displacement/relocation expected? Provided estimated number of people to be affected	Yes [ ] No [ ] TBD [×]
Is economic displacement expected? (loss of assets or access to assets that leads to loss of income sources or other means of livelihoods) Provided estimated number of people to be affected	Yes [ ] No [ ] TBD [×]
OP 7.50 - Projects on International Waterways	
Have the other riparians been notified of the project?	Yes [×] No [ ] NA [ ]
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 [ ] No [ ] NA [ ]
Has the RVP approved such an exception?	Yes [ ] No [ ] NA [ ]
The World Bank Policy on Disclosure of Information	
Have relevant safeguard policies documents been sent to the World Bank's Infoshop?	Yes [×] No [ ] NA [ ]
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 [×] No [ ] NA [ ]
All Safeguard Policies	
Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?	Yes [×] No [ ] NA [ ]
Have costs related to safeguard policy measures been included in the project cost?	Yes [×] No [ ] NA [ ]
Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	Yes [×] No [ ] NA [ ]
Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in	Yes [×] No [ ] NA [ ]

the project legal documents?	

V. Contact point

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VII. Approval

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Approved By		
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