

**INTEGRATED SAFEGUARDS DATASHEET
APPRAISAL STAGE**

I. Basic Information

Date prepared/updated: 10/22/2014

Report No.: AC7146

1. Basic Project Data

Original Project ID: P096481	Original Project Name: Municipal Services Improvement	
Country: Macedonia, former Yugoslav Republic of	Project ID: P150342	
Project Name: ADDITIONAL FINANCING - MSIP (EU-IPA)		
Task Team Leader: Toshiaki Keicho		
Estimated Appraisal Date: October 30, 2014	Estimated Board Date: December 1, 2014	
Managing Unit: GSURR	Lending Instrument: Investment Project Financing	
Sector: Sub-national government administration (30%);Water supply (30%);Sanitation (20%);Solid waste management (20%)		
Theme: Decentralization (20%);Rural services and infrastructure (60%);Municipal governance and institution building (20%)		
SPF Amount (US\$m):	0	
GEF Amount (US\$m.):	0	
PCF Amount (US\$m.):	0	
Other financing amounts by source:		
Borrower		5.17
<u>Free-standing TFs for ECA CU4 Country Unit</u>		<u>21.37</u>
		26.54
Environmental Category: B - Partial 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 type="checkbox"/>

2. Project Objectives

The Project Development Objective (PDO) 'to improve transparency, financial sustainability and delivery of targeted municipal services in the participating municipalities' remains relevant and will not be changed.

3. Project Description

The proposed project additional financing will introduce a new component for the rural investment window. The additional finance funds will mainly target rural municipalities, but urban municipalities with rural settlements will also be eligible if such urban municipalities consider infrastructure investments in rural settlements within their jurisdictions. The project would continue (i) financing investments in basic local infrastructure and municipal services; (ii) providing technical assistance (TA) to municipalities and Communal Service Enterprises (CSEs); (iii) supporting institutional

reforms in municipalities through performance grants; (iv) supporting operation of the Project Management Unit (PMU) responsible for project implementation (v) additional component E will finance same type of projects as in component A with the difference that eligible municipalities will be rural ones and urban with limit to their rural settlements.

Component A (Municipal Investments) – This component provides loans to municipalities that are eligible to borrow. Investments financed under this component are mainly for revenue-generating services and other investment projects of high priority to municipalities and with cost saving potential. Sub-projects are not limited to certain sectors. However, revenue-earning investments are primarily for services and infrastructure provided by CSEs, while cost-saving projects are either under CSEs or under the direct provision of municipalities.

Component B (Capacity Building and Institutional Reform) – This component includes consultancy services and technical assistance for:

1. Sub-project preparation: feasibility studies and required financial, environmental and social assessments; support preparation of final designs and bidding documents; and provide support for bidding procedures for the kinds of investments funded under Component A.

2. Local capacity building: finance technical assistance, training and consulting services for municipalities and CSEs to improve performance in service provision and meet the reform objectives of the Project. Capacity-building activities and institutional strengthening would be related in particular to helping the municipalities and CSEs meet criteria for Component C. The TA would also support communications and public outreach activities.

3. National level Institutional strengthening: support to national agencies through study of policy issues and strategy development related to the financial sustainability of services.

Component C (Performance-based Investment Grants) – This component provides grants to municipalities as an incentive and reward for implementation of reform initiatives aimed at performance improvements in service delivery. Performance grants are awarded according to simple and objective criteria based on the enforcement of legal and regulatory requirements currently in place in FYR Macedonia (outlined in the Project Operational Manual, POM). Performance criteria are formulated as a menu for municipalities to prioritize their own reform agenda. The performance grant can be awarded anytime up to one year before the close of the Project, whenever the measures are verifiably implemented. The grants can be used for new investment of the same type funded by the MSIP, including extension of the original investment funded by the subloan. The municipality needs to present to the PMU a subproject proposal meeting all the same appraisal criteria as for Component A investments. The Performance Grant is subject to a separate Grant Agreement.

Component D (Project Management and Operating Cost) – This component supports operation of a project management unit (PMU) and assists with project implementation and monitoring, as well as preparation of new sub-projects. The component finances incremental operating costs incurred by the PMU, which is responsible for overall project management and reports to the Ministry of Finance. The project management services assist with project implementation in municipalities and CSEs, provide guidance and support to local project entities, and ensure that the Bank fiduciary (procurement and financial management) and safeguard (environment, social/land acquisition or other) guidelines are observed. The PMU is also responsible for appraisal of sub-projects that become eligible during the course of project implementation. In addition, the PMU will establish a project portal website as central forum for stakeholder dialogue and feedback.

Component E (IPA-Rural Investment Window): This component will provide grants for municipalities to develop rural infrastructure. The grant will finance works, goods and technical assistance associated with rural infrastructure sub-projects in eligible municipalities. Eligible municipalities are all rural municipalities. Urban municipalities will be eligible with condition that investment will be for a rural settlement.

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

The Project activities are located throughout the country. Location of sub-project is not known at present, as it will be determined on eligibility basis based on multiple criteria analysis. The sub-projects are likely to be located in all regions of the country. Until now, sub-projects prepared for additional financing are located in municipalities of Vinica, Berovo, Bosilovo, Kriva Palanka, Rankovce, Petrovec, Cashka, Shuto Orizari etc and include activities related to: improvement of public street lightning; rehabilitation and energy efficiency measures in public buildings (schools, kindergartens, municipal administration buildings); reconstruction of municipal roads; rehabilitation of water supply networks; construction and/or rehabilitation of storm water drainage systems; provision of basic equipment and vehicles for communal waste management.

5. Environmental and Social Safeguards Specialists

Mr Bekim Imeri (GSURR)

Mr Nikola Ille (GENDR)

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: Due to the demand driven nature of project Component A (Municipal Investments) and Component C (Performance-based Investment Grants), the list of sub-projects to be financed throughout the project life is not known at present. However, there will be no significant change of scope of the Project activities as compared to the existing, ongoing Project, which is classified as environmental category B. Due to nature of activities and scale of the sub-projects, which are financed by municipalities, if properly executed the sub-projects, will not have large scale, significant and/or irreversible impacts. Activities under Components A, C and E, if properly executed, are not expected to generate significant adverse environmental effects. Sub-projects that belong to environmental category A according to OP 4.01, or negatively affect trans-boundary rivers are not eligible for financing under the Project. The Additional Financing part of the Project may include financing of a small-scale wastewater treatment plants (capacity up to 10 thousands e.p.). Sub project requiring permanent land acquisition are unlikely but eligible and the LARPF prepared for the original project is relevant as the same nature of the activities under the component E, IPA additional finance are foreseen as in component A. Social safeguard due diligence practice will be the same as in the original project. The procedure for determining whether subprojects are eligible or not for Project funding is outlined in the Project Operational Manual (POM). The procedure for determining whether an EA/EMP or EMP alone is required for a subproject, depending on its nature, is laid out in the Environmental Assessment and Management Framework Document, which has been disclosed in August 2014.

The expected environmental impacts are closely related to the nature of sub-projects, but are generally associated to health and safety of construction workers and general population alike; management of construction waste; prevention of water and soil pollution from construction activities; dust and noise management; and management of hazardous waste (mostly asbestos panels and related material). Mitigation of these negative impacts will be undertaken using already widely applied and known methods

contained in the code of good construction practice, which will be enforced on all construction sites.

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

Provided that the environmental mitigation actions, which will be specified for each specific sub-project, are implemented – there are no indirect and/or long term impacts anticipated. The Project implementation team is already experienced in design and implementation of relevant measures, through the ongoing Project.

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

Project alternatives for each sub-project are evaluated in sub-project PADs that are prepared for any proposed investment, including the alternative of doing nothing. However, in most cases, doing nothing would not be an option, as the municipal infrastructure would deteriorate to the point where provision of even the minimal municipal services in respective area would not be possible.

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. In accordance with the Bank's Operational Policy 4.1, an Environmental Assessment and Management Framework (EAMF) Report has been prepared for the project and disclosed in the country on October 28, 2008. The final report was submitted to the Bank in November 2008. The EAMF Report presents an overview of the legal framework of environmental and local-self government sectors in Macedonia; procedures for environmental assessment for the project development required under national legislation; procedures for environmental assessment for project development under World Bank procedures, and analysis of potential environmental impacts caused by sub-projects during implementation of different types of activities. The Report lists the potential negative environmental impacts for each type of project activities and provides lists of environmental mitigation and monitoring activities in order to mitigate and neutralize the relevant impacts. The Report provides a framework outlining how Environmental Mitigation Plans and Environmental Monitoring Plans (EMPs) are developed for each type of sub-project, and when site-specific EA/EIA is needed. The EAMF has been updated in June 2014 to include subsequent development and revisions of the legal framework in the country and to include generic EMPs for all sub-project activities (per type of activity) which are funded by the existing Project. EAMF has been re-disclosed in country in August 2014 and final version provided to the Bank in September 2014.

The EAMF and POM detail the implementation roles of the Borrower and the Bank in preparation, approval and execution of EMPs for each sub-project.

As part of sub-project identification, the Project Management Unit (PMU) undertakes environmental screening for each proposed sub-project and develops respective environmental management and mitigation plans (EMPs), which are subsequently included in bidding documents. Environmentally-related activities and procedures are

carried out by the Borrower as designed, with due diligence and sufficient attention to details. Compliance with measures prescribed in sub-project specific EMPs is reviewed by PMU staff at regular intervals and written reports on findings prepared and filed in the PMU.

Contracts for civil works under the project are subject to screening for environmental impacts by the Ministry of Environment in the Borrower country. All studies and bidding documents related to civil engineering works include measures to minimize and/or mitigate potential environmental damage. Separate EMPs alone or site-specific EA/EIAs and EMPs are prepared for each sub-project; even if EA/EIA studies are not required by the national legislation, the Borrower observes requirements set in the EAMF Report and respective EMPs prepared for this project. Those EMPs/EAs/EIAs are reviewed and endorsed by both the responsible environmental entity in the Borrower country and the World Bank.

Monitoring compliance in accordance with the findings of the Environmental Assessment Report and requirements of relevant EMPs, including progress monitoring on EMP implementation, is undertaken by the Ministry of Finance and reported to the World Bank twice per year in the semi-annual progress reports.

In addition to the environmental safeguard above, the project triggered involuntary resettlement safeguard policy (OP 4.12) because some subprojects may require temporary access to land, possibly land acquisition. However, subprojects are not likely to require resettlement. The PMU checks potential for this trigger in all investments and ensures: (i) whether land acquisition or access to land is required; (ii) if private land acquisition can be avoided; and (iii) where resettlement is required, that it is done in accordance with agreed procedures. Chance finds might be discovered during civil works, and these should be reported to the appropriate authorities and dealt with accordingly. The procedures will continue to be the same also for the component E, given to the same nature of the sub-projects, with the difference that the sub-projects will be financed as a grant.

A land acquisition and resettlement policy framework (LARPF) has been developed for the project to be used for sub-projects to be appraised. For appraised sub-projects, all land acquisition and resettlement issues are clarified and, if needed, a land acquisition and resettlement action plan (LARAP) would be developed accordingly. The LARPF was disclosed on October 28, 2008. Any subsequent LARAPs, if required, would have to be reviewed by the Bank and publicly disclosed. To date, there was no need for LARAPs. The Operational Manual includes the environmental and land acquisition frameworks as well as instructions on how to handle chance finds. The POM also includes the Bank OPs 4.01 and 4.12 requirements dealing with these safeguards, as well as FYR Macedonia laws and regulations. These are provided to participating municipalities and consultants/contractors.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people. Key beneficiaries of the subprojects are citizens, benefitting from improved local government services, the customers of the communal service enterprises (CSEs) owned by the municipalities; in cases of services managed directly by the municipalities, such as greenmarkets, the beneficiaries are all users including vendors and consumers.

B. Disclosure Requirements Date

Environmental Assessment/Audit/Management Plan/Other:

Was the document disclosed prior to appraisal?	Yes
Date of receipt by the Bank	09/11/2014
Date of "in-country" disclosure	08/26/2014
Date of submission to InfoShop	09/24/2014
For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors	

Resettlement Action Plan/Framework/Policy Process:

Was the document disclosed prior to appraisal?	Yes
Date of receipt by the Bank	09/01/2008
Date of "in-country" disclosure	10/28/2008
Date of submission to InfoShop	12/18/2008

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:

Not applicable.

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)	Yes

review and approve the EA report?
 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

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

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

D. Approvals

<i>Signed and submitted by:</i>	<i>Name</i>	<i>Date</i>
Task Team Leader:	Mr Toshiaki Keicho	10/14/2014
Environmental Specialist:	Mr Nikola Ille	10/14/2014
Social Development Specialist Additional Environmental and/or Social Development Specialist(s):	Mr Bekim Imeri	10/14/2014
<i>Approved by:</i>		
Regional Safeguards Coordinator: Comments:		
Sector Manager: Comments:	Ms Sumila Gulyani	10/15/2014