

**INTEGRATED SAFEGUARDS DATA SHEET  
CONCEPT STAGE**

**Report No.:** 121665

**Date ISDS Prepared/Updated:** November 1, 2017

**I. BASIC INFORMATION**

**A. Basic Project Data**

Country: Tunisia	Project ID: P162957	
	Additional Project ID (if any):	
Project Name: Tunisia Sanitation PPP Support Project		
Task Team Leader: Jean-Martin Brault		
Estimated Appraisal Date: December 4, 2017	Estimated Board Date: March 29, 2018	
Managing Unit: GWA05	Lending Instrument: IPF	
Sector: Water		
Theme: Wastewater Collection and Treatment; PPP		
IBRD Amount (US\$m.): 130		
IDA Amount (US\$m.): 0		
GEF Amount (US\$m.): 0		
PCF Amount (US\$m.): 0		
Other financing amounts by source: 0		
Environmental Category: B		
Simplified Processing	Simple <input checked="" type="checkbox"/>	Repeater <input type="checkbox"/>
Is this a transferred project	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>

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

The proposed objectives of the Project are to: (i) provide improved sanitation services under the public-private partnership (PPP) contracts; and (ii) strengthen Tunisia's National Sanitation Office's (ONAS) capacity to manage PPP contracts in delivery of sanitation services.

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

ONAS faces severe capacity constraints to significantly and rapidly expand service coverage and quality. In that context, the World Bank Group (IBRD and IFC) agreed with the Government of Tunisia to pilot a comparative, performance-based private contract approach in which two private companies would be benchmarked against ONAS-managed expansion and service provision, as well as against each other. This would allow to demonstrate the option of ONAS developing largely as a manager of private sector implementation, as an alternative to ONAS expanding as a public sector service provider, with the longer-term objectives of helping ONAS:

- Comply with national effluent standards through contractual incentive mechanisms (performance);

- Curb the increase in operating costs through long-term efficiency gains brought by private operators;
- Improve asset management program by setting up an infrastructure upgrade program and annual “Major Maintenance and Renewal” programs;
- Fill the current and future gap in personnel by partnering up with international private operators capable of quickly mobilizing and training qualified personnel;
- Transfer certain responsibilities to private operators on a performance basis, and contribute to the development of a dynamic domestic private sector.

In addition, in order to assess ONAS’s institutional readiness to progressively transition into this potential new role of manager of private sector implementation, the World Bank mobilized the now closed “Support to ONAS to Develop a Sewerage PPP Program” PPIAF grant, and assisted ONAS in: (i) identifying the required competencies to ensure that it is properly organized, tooled and resourced to deal with the substantial challenges of implementing and supervising the progressive delegation of operation and maintenance (O&M) for a portion of its infrastructure to the private sector; and (ii) communicating in a proactive, professional and open manner about PPPs and its expected benefits, fostering maximum buy-out by both internal and external stakeholders, such as unions and the civil society.

The IFC’s C3P unit is currently involved in an advisory role to support ONAS in developing the PPP approach and structure, including associated feasibility studies and bidding documents. The IFC’s role is to oversee the private Transaction Advisor recruited to support ONAS with funds from the Arab Infrastructure Financing Facility (AFFI). As part of IFC’s support, such advisory projects are required to be consistent with IFC Performance Standards for Environmental and Social (E&S) Sustainability. Therefore, part of IFC’s advice included support and studies on this particular aspect, as described below.

With these elements in place, and to support this performance-based private contract approach, as well as the above-mentioned longer-term objectives, the Project will comprise the following components:

a. Component 1 – Sanitation Infrastructure Investment Fund. Through an Investment Fund (*Fonds de Travaux*) set up under the Project, the Bank will finance works to be executed by the private operators and by ONAS, over the course of the Project. Payments related to the O&M of pumping stations, wastewater treatment plants (WWTPs) and networks, as well as the installation of new household connections to the network by the private operators will not be financed by the Fonds de Travaux, but rather by the sewerage tariff, and these quarterly payments will be made per the performance-based terms described in the contract.

A detailed description of the activities and works to be executed by the private operators with different financing sources – the World Bank is only financing those activities that will be supported through the Investment Fund – is presented in Table 1 below.<sup>1</sup>

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<sup>1</sup> The PPP perimeters comprise 15 WWTPs, as well as related pumping stations and sewage networks, but does not include: (i) the stormwater collection networks of the roads that are geographically located in the project perimeter, and (ii) single-discharge points of sewage sludge owned by ONAS. The latter two facilities will remain under ONAS operation.

**Table 1. Activities and works to be executed under the PPP Contracts**

<b>Works</b>	<b>Execution</b>	<b>Source of financing</b>	<b>Payment mechanisms</b>
(1) Operation and maintenance of pumping stations, WWTPs and networks	Private operator, over the contract duration	ONAS revenues from the sanitation tariff	-Payments made every trimester per contract terms ( <i>performance-based and linked to the number of clients served and m3 of treated effluent</i> ) -Annual incentive mechanism combining bonuses and penalties based on achievement of contractual performance targets (up to 10 percent of total remuneration)
(2) Installation of new household connections to the network	Private operator, over the contract duration	ONAS revenues from the sanitation tariff	Payments made every trimester for every new household connection installed
(3) Instrumentation, control and automation, as well as health and safety works	Private operator, over the contract duration, with the exception of flowmeters which need to be installed by the end of the first month of the contract	ONAS revenues from the sanitation tariff	Payments made on basis of works progress. Corresponding technical specifications and budget are included in the operator's bid
(4) Initial rehabilitation and upgrade of existing pumping stations and WWTPs	Private operator, over the <b>first</b> year of the contract	Investment Fund (WB Loan)	Payments made on basis of works progress. Corresponding technical specifications and budget are included in the operator's bid
(5) Complementary works (nitrogen and phosphorus removal, disinfection, sludge and odor treatment)	Private operator, over the first <b>three</b> years of the contract	Investment Fund (WB Loan)	Payments made on basis of works progress. Corresponding technical specifications and budget are included in the operator's bid
(6) Major maintenance and renewal of pumping stations and WWTPs ( <i>GER</i> )	Private operator, over the contract duration, starting the <b>second</b> year	Investment Fund (WB Loan)	Annual allocation paid in equal amounts every trimester. Corresponding technical specifications and budget are included in the operator's bid
(7) Major maintenance and renewal of networks and civil works ( <i>GER</i> )	ONAS (or rather sub-contractors hired by ONAS), over the contract duration, starting the <b>first</b> year	Investment Fund (WB Loan)	Payments made on basis of works progress. Although the bidders estimate the annual GER needs in their financial bids, the exact technical scope of these works would be jointly identified at the beginning of each year by the operators and ONAS

During the PPP contract procurement process, interested bidders will develop the technical specifications and associated budget for (1)-(5), as well as define and estimate the budget needed over the duration of the contract for the planned maintenance and renewal works program under (6). These specifications and programs will constitute part of the bidders' technical and financial proposals and will be annexed to the selected operators' contracts. Works to be executed by ONAS under (7) include civil works and network maintenance and renewal over the contract duration, and according to a program developed and adapted annually in cooperation with the private operators. ONAS will launch the procurement process for these works and private operators will be required to participate in bid evaluation as well as to communicate any major reservation that they may have on the executed works.

b. Component 2 – Institutional Strengthening and Project Management. Under this component, the Bank will finance capacity building activities to strengthen ONAS's capacity to manage, monitor and develop PPP contracts in delivery of sanitation services. This would include, *inter alia*:

- Support in mobilizing additional staff in ONAS's Concession Unit, particularly along three key competencies: (i) Strategy and Planning; (ii) Project Management; and (iii) PPP Monitoring and Contract Supervision, while strengthening ONAS's regular functions such as customer relations. Training would be also needed for the Concession Unit's staff to ensure that they are well-equipped to monitor the PPP contracts;
- Exploring the use of exchange visits, twinning arrangements and on-the-job training to help bring about the shift from a traditional project implementation role, to one of monitoring contractors' performance, negotiating technical, financial and relational aspects and reporting on the progress of the PPPs. To develop future transactions, external expertise could also be brought in to develop feasibility studies, environmental and social impact assessments, E&S management systems and risk mitigation plans on ONAS's side, to structure new projects, prepare bidding documents, and bring support during the bidding process, including the evaluation of bids and negotiations with the private sector;
- Recruiting a Technical Auditor to assess and report on the private operators' progress. This will not only support ONAS in strengthening its ability to manage these contracts, but also, mitigate the risk of a conflict of interest when attempting to benchmark ONAS's performance in implementing sewerage infrastructure projects in other regions with that of the selected private operators in the selected regions. This is common practice in other countries that have undertaken similar water and wastewater PPPs;
- As part of the above, recruiting an Independent E&S Consultant to: (i) review compliance with the E&S obligations of the PPP contracts, and (ii) report the outcomes of the review, present all areas of compliance and non-compliance and, where applicable, advise on corrective measures to be undertaken by the relevant party (with timeline for their completion and report when completed);<sup>2</sup>

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<sup>2</sup> Other potential activities to be financed under this Component and that would help develop ONAS's capacity to manage E&S aspects under the PPP contracts could include: (i) on-site training to upgrade ONAS' capacity to obtain and manage WWTP/network data to monitor the performance of the WWTPs and make timely and informed decisions; and (ii) develop and manage an early warning system, in case of incidents and accidents, in collaboration with other agencies involved in the water quality management and water usage (Ministry of Health, CRDA, ANPE, etc.).

- Carrying out studies to prepare the other PPP lots, as well as to explore options for the potential institutionalization of the Investment Fund mechanism as a financing structure for sanitation that can enable blended financing arrangements;
- Carrying out studies to explore future financing opportunities for ONAS by engaging with commercial banks and identifying where the Bank can help address some of the existing bottlenecks to their increased participation in sanitation service financing;
- Financing project management-related activities, including for compliance with Bank fiduciary procedures, such as financing the carrying out of audits of project financial statements, and safeguards, monitoring and evaluation (M&E), while improving ONAS's capacity to engage in dialogue with the community and local governments. This component also could contribute to the acquisition of equipment and the project team's operating costs, including the recruitment of selected individual consultants, training, as well as consulting firms to ensure efficient project implementation and M&E by ONAS.

c. Component 3 – Payment Security Mechanism for the PPP. To mitigate the risk associated with the non-payment of the O&M part of the remuneration to the private operators, discussions with ONAS and the Government of Tunisia (GoT) are ongoing on the need to introduce a risk management mechanism in the concession contracts. As bidders will pay particular attention to potential delays related to payments for sanitation services, the attractiveness of the concession contracts as well as the risk premium that bidders will integrate into their financial proposals will strongly depend on their confidence in the capacity of ONAS to honor the quarterly payments for O&M as well as for the establishment of new connections. Several options are currently being discussed to cover expected O&M payments, including an IBRD Payment Guarantee, and the creation of an escrow account backed by a sovereign guarantee. During project preparation, the Team will help structure the appropriate mechanism and determine the level of sovereign support needed for this bidding process to be successful, based on further discussions with ONAS, GoT as well as market feedback during the bidding process.

#### **D. Project location and salient physical characteristics relevant to the analysis of environmental and social risks and impacts (if known):**

The Project focuses on financing upgrade, rehabilitation and maintenance works for WWTPs and related infrastructure, through a performance-based O&M PPP contract between ONAS and private sector concessionaires/operators. The first part of these works will be executed by the private operators as part of the PPP and include activities (1) to (6), as described in Table 1. The second part of these works will be executed by private sub-contractors recruited by ONAS separately from the PPP (i.e. private firm other than the PPP concessionaires), and include civil works and network maintenance and renewal works (number 7 in Table 1). In addition, since the installation of new household connections to the network are part of the PPP contracts, and hence the concession agreements that will be managed by ONAS in their entirety, it will not be considered as associated facilities.<sup>3</sup>

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<sup>3</sup> This will also make it easier for ONAS to manage as this is consistent with the advice the IFC has so far provided in terms of the preparation of the E&S requirements for the concession agreements. In line with WB Performance Standards, the E&S requirements will thus be applied accordingly through the full ESIA and management plans to be prepared by the concessionaires. No associated facilities have been identified at this stage of project preparation.

Two concession contracts are expected to be awarded for different areas of Tunisia according to the two lots that were selected for the PPP transaction, namely, (i) the Northern Tunis lot including the governorates of Tunis and Ariana (one WWTP in this lot), and (ii) the Southeast Tunisia lot including the governorates of Sfax, Gabès, Médénine and Tataouine (14 WWTPs in this lot).

The E&S risks and impacts are mainly related to the upgrade and maintenance works for WWTPs and pumping stations (see activities (4), (5) and (6) in Table 1) and their O&M over the ten-year PPP contract period, to be executed by the private operators. The main risks associated with the Project include:

- (i) Risks associated with wastewater discharges and reuse, such as:
  - a. If the concessionaires do not improve effluent quality as set in the bidding documents<sup>4</sup> and limited benefits on the reuse of treated wastewater in agriculture and limited improvements on sea water quality are observed at the points of discharge;
  - b. If pollution abatement results are lower than expected and the activities under the PPP contract contribute to deteriorating the current conditions of natural/critical habitats, including Ramsar sites and other International Biodiversity Areas (IBA).
- (ii) Labor-related risks (occupational health and safety, as well as some risks associated with the reassignment of ONAS personnel and ensuring no retrenchment of the current contractors' workers, as a result of the concession);
- (iii) Pollution risks related to the execution of works; and
- (iv) Community health and safety risks (e.g. traffic to sites while installing new equipment).

In addition, the installation of new household connections is also likely to have associated E&S risks and impacts, mainly related to labor/Occupational Health and Safety (OHS) issues and potential land-related issues, if network rehabilitation causes impacts on households or businesses. The latter could be related to physical/economic displacement and to the need for compensation and/or livelihood restoration due to the location of network pipes (the scope of rehabilitation/ maintenance will be jointly defined by the operators and ONAS).

A number of E&S studies have been carried out as part of the PPP feasibility studies ("Due Diligence" report) and more recent complementary ones (still under way), and E&S conditions for private operators have been included in the draft bidding documents, and will be refined pending the finalization of the ongoing E&S studies.<sup>5</sup> These studies aim to assist with the assessment of the overall E&S conditions and risk allocation related to the PPP contract (with a predominant focus on WWTPs). Information on these conditions is a helpful point of reference

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<sup>4</sup> WBG EHS Guidelines for Water and Sanitation apply, which refer to (i) national requirements or internationally accepted standards, such as the 91/271/EEC Directive, and (ii) water quality goals based on the assimilative capacity of the receiving water and the most sensitive end use of the receiving water.

<sup>5</sup> Key studies conducted to date are: (1) *Analyse préliminaire de la sensibilité du milieu récepteur des STEP à l'eutrophisation* (Artelia, December 2016); (2) *Document de travail: considérations sur les objectifs de traitement N et P* (Artelia, November 2016); (3) *Étude environnementale complémentaire* (Artelia, in progress); (4) Summary report of outcomes of the process / consultations conducted by ONAS with regard to the issues of retrenchment (completed at this stage).

not only for identifying and allocating E&S risks, but also for setting performance targets for ONAS and the private operators as part of overall project design, since the rehabilitation of WWTPs and related infrastructure, as well as private sector participation in O&M aim at improving the current environmental parameters (mainly the effluent discharge). Additional (albeit limited) information was collected during an initial WB preparation mission that included some site visits.

All risks described above are expected to be moderate, and with the available information to date, the Project is currently assessed as Environmental Category B. Specific risks and impacts under each Performance Standard, in line with this rationale, are described in Section II below. The risk associated with natural critical habitats mentioned above will need to be further characterized, and, depending on the outcomes of the ongoing study on receiving environments associated with the WWTPs to be included in the PPP contracts, the possibility of the need to change the Environmental Category (to A) will be assessed.

#### **E. Borrower's Institutional Capacity for Effective Environmental and Social Management System (ESMS):**

World Bank Operational Policy / Bank Procedure 4.03 (World Bank Performance Standards<sup>6</sup> for Private Sector Activities) will be applied to the Project in lieu of World Bank Safeguards. OP/BP4.03 serves as an umbrella policy for application of the technical World Bank/IFC Performance Standards. This approach will allow to optimize project preparation and build on the work supported by IFC to date, as described below.

Significant work has been already carried out by ONAS to assess E&S risks to the benefit of the forthcoming project as a result of the engagement through the Public Private Infrastructure Advisory Facility (PPIAF) and the AFFI. This engagement initially helped ONAS group its sanitation assets into lots and hire a Transaction Advisor to structure the first concession contract to delegate the rehabilitation and O&M of these assets to the private sector. As mentioned above, the Transaction Advisor is supervised by the IFC, and as a result, a number of E&S studies have been carried out (with some under development) and E&S conditions for concessionaires included in the bidding documents.

The PPP contracts would require the private operators to comply with the national law and the World Bank/IFC Performance Standards.<sup>7</sup> In addition, the contracts include provisions for third party certification under ISO 14001 for environmental management systems. Some of the WWTPs already have ISO 14001 certification, the soundness and validity of which would need to be verified. Additional third party auditing and monitoring of concessionaire performance would be conducted. Under the Project's Component 2, where technical assistance is expected to build the capacity of institutions in carrying out activities that have potentially significant social and environmental impacts, these activities will comply with relevant WB safeguard policies (unless these activities directly support management of PPP, concessionaire's performance, or

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<sup>6</sup> "World Bank Performance Standards" are, in effect, IFC Performance Standards on Environmental and Social Sustainability adopted as the "World Bank Performance Standards" in 2013 pursuant WB Operational Policy 4.03. IFC Performance Standards were first introduced in 2006 and updated in 2012.

<sup>7</sup> This will include relevant World Bank Group Environmental, Health, and Safety (EHS) Guidelines.

preparation of new PPP lots, in which case these will be in line with WB Performance Standards).

In preparation for the World Bank project, the capacity of ONAS to manage the concessions will be assessed in detail and measures will be recommended to close the gaps. ONAS would be expected to have the capacity to manage E&S aspects of the tendering processes and oversee subsequent contracts with the private operators. To do so, ONAS will prepare and execute a coherent Environmental and Social Management System (ESMS) to manage E&S impacts at its level, as well as require the operators to have an ESMS at their level (as described in the draft PPP contracts). To establish an effective and functional system, ONAS shall use all available tools and instruments such as fund management procedures; legal documents and contracts (including legal remedies for non-compliance); operator audits and other performance monitoring processes. These requirements will be in line with the requirements of World Bank OP/BP4.03.

Central to the ESMS at the level of ONAS will be the operating procedures for the management of the Investment Fund (see Component 1) which would be developed by ONAS and shall, among other things, include conditions of disbursement linked to clearly defined indicators with regards to achieving targets for E&S risk management, as will be integrated in the concessionaire's obligations as part of implementing an ESMS at the concessionaire's level. Such ESMS, as required under World Bank/IFC Performance Standard 1, will incorporate the following key elements: (i) an overarching E&S policy; (ii) organizational capacity and competency to implement the ESMS and process to build internal capacity on E&S matters; (iii) a process to identify the E&S risks and impacts associated with the project over the entire concession period; (iv) management programs to define mitigation and performance improvement measures and actions that address identified E&S risks and impacts; and (v) a process to engage with affected communities.

The capacity to effectively implement the ESMS will be key to successfully manage the E&S risks in this project. In addition to ONAS, key projects stakeholders would include (i) the two selected private operators; (ii) any existing or planned structure/entity involved in the management of the Investment Fund and the payment security mechanism to be set up under the World Bank project; (iv) relevant ministries and government agencies (e.g. those responsible for granting of relevant permits), (v) labor unions, and (vi) affected communities, NGOs and biodiversity conservation organizations. Key capacity considerations are outlined below.

ONAS should have adequate capacity to:

- Manage E&S aspects of the tendering processes and oversee subsequent contracts with the private operators/concessionaires;
- Prepare and execute a coherent system for managing E&S impacts, using all available tools and instruments such as fund management procedures; legal documents and contracts (including legal remedies for non-compliance); stand-alone action plans on



certain issues such as personnel reassignment, concessionaire audits and other performance monitoring processes;<sup>8</sup>

- Put in place sufficient internal capacity to ensure high quality of E&S impact assessment and risk mitigation measures to be undertaken by concessionaires, as well as ONAS itself with relevant agencies (e.g. management of retrenchment; management of interface between the WWTPs and stations in the concession and the rest of the network);
- In case of pollution generated by ONAS' past/present/future operation of interface points between ONAS-operated facilities and private operator-operated facilities, ONAS shall remain responsible for mitigation measures to enable the private operators to meet their agreed obligations, and should have capacity in place to manage the impacts;<sup>9</sup>
- Support capacity building plan for concessionaires and their workers and/or request such measures from the concessionaires themselves.

Concessionaires should have adequate capacity to:

- Fulfill all of their E&S obligations as included in their contracts, for the duration of such contracts;
- Develop, implement and maintain an ESMS in line with World Bank/IFC Performance Standard 1 no later than 30 days prior to start of the contract;
- Conduct high quality environmental and social impact assessment studies, to the satisfaction of ONAS and World Bank;
- Design and build the upgrade works and operate and maintain the project in accordance with the requirements of national legislation and the World Bank/IFC Performance Standards, and further guided by the applicable provisions of the WBG EHS Guidelines;
- Put in place and execute management programs to define mitigation and performance improvement measures and actions that address identified E&S risks and impacts, and define detailed timelines for implementation of specific measures. E&S risk mitigation measures shall be as per the outcomes of the E&S impact assessment studies for the upgrade and maintenance works (e.g. operate and maintain the sludge discharge points present at the sites of the WWTPs according to national legislation and World Bank/IFC Performance Standards);
- Define and implement a process to engage with affected communities around issues such as appropriate behavior in the event of an unplanned release beyond the plant boundaries due to irregular plant operation/accident, or during transportation of material to the plants as well as nuisances;

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<sup>8</sup>For example, it has been proposed that ONAS and the concessionaires engage an Independent E&S Consultant to review compliance with the E&S obligations of the Concession Agreement.

<sup>9</sup> At the interface points between ONAS and the concessionaires within WWTPs, ONAS shall coordinate with the concessionaires to ensure the relevant E&S procedures defined in the ESMS of the Concessionaire are adequately met.

- The concessionaires and their contractors, if any, shall develop/maintain written human resources (HR) policies and procedures in accordance with Tunisian labor laws and World Bank/IFC Performance Standard 2 (Labor and Working Conditions) requirements.

**F. Environmental and Social Safeguards Specialists on the Team:**

1. Ekaterina Grigoryeva, Environmental Specialist, GEN03
2. Antoine V. Lema, Senior Social Development Specialist, GSU05

**II. PERFORMANCE STANDARDS THAT MIGHT APPLY**

<b>Performance Standards</b> <i>(please explain why)</i>	<b>Yes</b>	<b>No</b>	<b>TBD</b>
<b>PS 1: Assessment and Management of Environmental and Social Risks and Impacts</b>	<b>X</b>		
<b>PS 2: Labor and Working Conditions</b>	<b>X</b>		
<b>PS 3: Resource Efficiency and Pollution Prevention</b>	<b>X</b>		
<b>PS 4: Community Health, Safety, and Security</b>	<b>X</b>		
<b>PS 5: Land Acquisition and Involuntary Resettlement</b>			<b>X</b>
<b>PS 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources</b>	<b>X</b>		
<b>PS 7: Indigenous Peoples</b>		<b>X</b>	
<b>PS 8: Cultural Heritage</b>			<b>X</b>

**PS1:** In preparation for the World Bank project, the capacity of ONAS to manage the concessions will be assessed in detail and measures suggested to close the gaps. ONAS would be expected to have the capacity to manage E&S aspects of the tendering processes and oversee subsequent contracts with the private operators. To do so, ONAS will prepare and execute a coherent ESMS for managing E&S impacts at its level, as well as require operators to have an ESMS at their level. To establish an effective and functional system, ONAS shall use all available tools and instruments such as fund management procedures; legal documents and contracts (including legal remedies for non-compliance); operator audits and other performance monitoring processes. The operators, as well as other contractors recruited by ONAS (e.g. for network maintenance) will also be required to prepare an ESMS at their level in line with PS1 as part of the requirements included in the contract. The contracts, among other things, will incorporate an Environmental and Social Action Plan (ESAP). Details identified to date are described in Section B above.

Regarding stakeholder engagement, the proposed PPP contracts will have an impact on different stakeholders, including the contractors currently operating ONAS's systems, and their workers. Failure to communicate and engage clearly with these contractors and their respective employees on this transition to a different type of private sector participation (particularly as related to the issue of perceived retrenchment), could affect the viability of the PPP and the achievement of the PDO.<sup>10</sup>

**PS2:** Since the Project is focused on financing various types of works, OHS has been identified as one of the principal risk areas. Care must be taken to ensure that operators as well as other contractors and sub-contractors involved in the works have OHS policies,<sup>11</sup> processes, and practices in place such as employee training, handbooks, warning signs, Personal Protective Apparel (PPA) available, etc. A grievance mechanism for workers will also need to be in place at the levels of ONAS and the operators. In addition to PS2, OHS-related provisions of the relevant EHS Guidelines will be applied.

The issue of reallocation of ONAS personnel was also identified as a potential risk. While no retrenchment as such is envisioned, ONAS will need to reallocate its own personnel from the WWTPs that will come under the concession to other locations. ONAS has committed to reallocate its personnel within no more than 30km from the current duty stations and retain the same conditions of work. In the case of staff engaged by contractors currently used by ONAS, the operator will be, in line with the Tunisian law and the requirements already included in the draft bidding documents, obligated to retain these employees with the same terms of employment. In both cases, to ensure smooth transition to the PPP, a plan for managing this process by ONAS (where operators will have certain obligations and roles to play), including a grievance mechanism, should be in place.

Additionally, PS2 requires that the concessionaire will need to comply with this standard, including instituting HR policies and procedures (which must also cover issues related to sub-contractors), as well as a grievance mechanism for workers.

**PS3:** Most WWTPs currently do not have processes in place that allow them to meet the national Tunisian effluent standards for phosphorus (P) and nitrogen (N), and currently discharge effluents that do not comply with the applicable national standards for other parameters as well (ex.: BOD, COD and TSS). Some of the equipment that is in place to meet these parameters, is also not functioning, thus contributing to this issue. New effluent discharge limits are being proposed with less stringent discharge limits for both P and N, but because the timeline for application of these new limits has yet to be clearly defined, there is uncertainty related to the legislative requirements that would be applicable to the Project, particularly as the private operators would be contractually required to complete upgrade and rehabilitation works in the

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<sup>10</sup> Contextual risks related to the overall situation in Tunisia about freedom of association and collective bargaining can potentially increase the project risk. For example, labor unions are quite strong in Tunisia, such as Tunisian General Labor Union (UGTT). Alleged antiunion practices among private sector employers, including firing union activists and using temporary workers to deter unionization, can be a contextual factor to take into account.

<sup>11</sup> General contextual risk that should be taken into account is that OHS standards exist in Tunisia, but their enforcement is often inadequate, and credible data are lacking on workplace accidents, injuries and fatalities, for example.

first year. Hence, there is a risk of the operators not meeting their obligations that will be stipulated in the contract.

Although ONAS has made investments in sludge management, sludge is stocked in single-discharge points on the site of many of the WWTPs or being disposed in nearby landfills, with currently unknown technical characteristics (e.g. impermeable layers). Hence, there is a need for more information to understand whether this constitutes an environmental risk (e.g., soil and groundwater contamination), before suggesting sludge management solutions that may be costly as part of the operators' obligations. Available options for sludge disposal (in general in the country or at discharge points operated by ONAS) may impact the extent to which the selected private operators will be able to do this in compliance with Performance Standards requirements, as this is outside of their control. Screening of contextual risks revealed that scarcity of adequate waste disposal sites and proper enforcement of labor law may affect the ability of the winning bidder(s) to meet these E&S obligations.

**PS4:** Moderate impacts on community health and safety are possible as a result of construction/rehabilitation activities during the Project. Although most activities will take place within the perimeters of WWTPs and pumping stations (which are normally adequately fenced), some impacts are possible due to increased traffic, noise, and construction waste generation. Security at stations is not armed and properly trained. The same should be required from the security personnel to be employed by the concessionaires. In addition, as there is currently no information on the most sensitive end use of the water bodies receiving WWTPs effluents, it is not possible at this point to further assess potential impacts on communities' health and safety.

**PS5:** Project activities are unlikely to induce land acquisition as project investments will take place in already enclosed wastewater treatment facilities. Furthermore, there is no expectation of encroachers/squatters on project sites. Use of land for equipment/machinery is expected to be within existing sites. However, land-related issues are possible if network rehabilitation causes impacts on households or businesses, i.e. physical/economic displacement and related need for compensation and/or livelihood restoration due to the location of network pipes that are to be rehabilitated/ maintained as part of the scope jointly identified by the operators and ONAS. It should be, however, noted that rehabilitation generally means that it will be on land already belonging to ONAS or in public domain. If there is a need to excavate (which won't necessarily be the case), there should be processes in place to consider, to the maximum extent possible, solutions that will help avoid consequences on nearby properties and fences. Should such issues be confirmed (even during project implementation), PS5 will be applied accordingly. Given that in this case, management of such land-related issues will be mainly the responsibility of ONAS,<sup>12</sup> ONAS will be expected to put in place a procedure/ framework for their management (as prescribed by PS5), which will also spell out the responsibilities of the operators (and their sub-contractors, if the case) in that regard. During the preparation of the E&S due diligence process, the Bank will further examine the likelihood of land acquisition including pumping stations and distribution networks related to the concession contract works, ONAS will be

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<sup>12</sup> It should be noted that sewage network works in Tunisia stop at the property line (i.e. ONAS is responsible for bringing the network at the edge of the property, and the household is responsible for connecting its facilities to the network).

requested to provide additional documentation. Some documents related to land titles have been already requested.

**PS6:** The lots under this proposed PPP contain areas of internationally recognized high biodiversity value (Ramsar sites and other recognized IBAs), including zones in/adjacent to points of discharge. There are uncertainties as to how these areas are currently affected by WWTPs. These uncertainties are related to the current effluent discharge performance of WWTPs and appropriate site-specific effluent discharge limits for these sites that would need to be set under the PPP contracts, based on the assimilative capacity of the receiving environment and the most sensitive end-use of the receiving water. Since the private operators are generally expected to improve the performance of WWTPs and the quality of effluents under the PPP contracts, it would be important to assess the baseline effluent discharge conditions (measured at the discharge point) at the start of the PPP to be able to measure performance/progress. However, it should be clarified that potential impacts on Ramsar and other IBA sites do not stem from the works that aim at, among other things, improving effluent quality to ensure compliance with national standards. The risk is rather linked to the potential failure/underperformance of the private operators to meet their agreed obligations, and to fulfill these obligations, additional assessments may be needed to be done by the operators (on top of the one currently under way on this issue, i.e. *Étude environnementale complémentaire* carried out by the Transaction Advisor). This would be carried out by the operators before the start of works in order to establish a credible baseline against which their performance can be assessed, and could include a Biodiversity Management Plan as part of their E&S Management Programs and as required by the Performance Standards, and would be included in the Environmental and Social Action Plan (ESAP) in line with PS1.

**PS7:** There are no indigenous people in the project investment areas.

**PS8:** Issues related to cultural heritage are possible if network rehabilitation impacts cultural values due to the location of pipes that are to be rehabilitated/ maintained as part of the scope jointly identified by the operators and ONAS (see activity (7) in Table 1). This would be particularly relevant if there is a need to excavate during network maintenance and renewal works (although this need could be negligible if trenchless technologies are used). Should such issues be confirmed (even during project implementation), PS8 will be applied accordingly. Given that in this case, the management of such issues would be a shared responsibility between ONAS, the operators, and any other private contractors and sub-contractors, ONAS will be expected to put in place a procedure for their management.

**OP/BP 7.50 Projects on International Waterways:** Given that some water bodies in which effluents are discharged may have transboundary connections (e.g. through groundwater), even though this possibility is small, the Team will work with LEGEN during preparation to confirm whether this policy is applicable.

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

A. Target date for the Quality Enhancement Review (QER), at which time the Environmental and Social Review Summary (ESRS) would be disclosed and the PAD-stage ISDS would be prepared:

November 23, 2017

B. For Category C or Category FI projects that do not require an ESRS, the target date for preparing the PAD-stage ISDS:

N/A

C. Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing<sup>13</sup> should be specified in the Appraisal-stage ISDS:

In line with OP/BP4.03 applied to this project, an ESRS will be prepared by the Bank to summarize the outcomes of Bank due diligence and describe the ESMS that will be put in place and maintained during project implementation by the main client/implementing agency (ONAS) and all other key stakeholders. The ESRS will be disclosed before appraisal. The Appraisal-stage ISDS will be prepared to serve as the cover page for the ESRS.

In addition, it is expected that the following E&S studies would be disclosed: (i) the complementary E&S study conducted by the Transaction Advisor (in progress); and (ii) the summary report of outcomes of the process / consultations conducted by ONAS with regard to the issues of retrenchment (completed at this stage). Results of these studies will be fully reflected in the bidding documents.

ONAS will also prepare the following to be disclosed before appraisal, which together would form the basis for the ESMS at its level: (i) an Operations Manual for the management of the Investment Fund that will include procedures to manage the E&S risks for the PPP, monitoring of the operators' performance on E&S issues, as well as evidence of the incorporation of E&S considerations in any other relevant documents (such as the PPP bidding documents); (ii) an action plan for the reassignment of personnel, covering both ONAS and current contractors' employees, including a grievance mechanism; (iii) a framework for managing displacement and livelihood restoration at the level of ONAS for the network maintenance works (see (7) in Table 1); and (iv) procedures for managing potential impacts on cultural heritage.

During project preparation, work conducted by ONAS with support of the Transaction Advisor (supervised by IFC) will be further evaluated and, if deemed necessary, additional E&S studies (e. g. E&S audits) may be conducted by ONAS to close any gaps needed to meet the World Bank requirements. In this case, the audit report(s) will be prepared and disclosed before appraisal. The scope of these studies will be agreed upon with ONAS and would focus on providing a more complete picture of the risks, focusing on the full scope of the risk areas (beyond PS3- and PS6-

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<sup>13</sup> Reminder: The Bank's Access to Information Policy requires that safeguard-related documents be disclosed before appraisal (i) at the Bank external website and (ii) in-country, at publicly accessible locations and in a form and language that are accessible to potentially affected persons.

related risks that have been the main focus of IFC studies so far). This scope would also cover the identification of any associated facilities, if any, that meet the definition of PS1 and any other E&S risks. In this regard it is to be noted that, to date, no apparent associated facilities have been identified beyond the potential sludge disposal areas outside of ONAS' facilities.

In terms of stakeholder engagement, ONAS will conduct community consultations around the proposed plans for the PPP, associated impacts, and the respective roles of the operators and ONAS in managing them. Consultations were held by ONAS on the general communications strategy around the PPP, and particularly with regards to potential retrenchment, with the following key outcomes:

- The following key four tasks have been completed: (i) the preparation of consistent communication arguments; (ii) the development of a brochure for internal and external communication; (iii) the organization of a workshop on communicating with the media (held in Tunis and Sfax, on November 8 and 10, 2016, respectively); (iv) consultations with members of the Northern Tunis and Southeast regions unions, between January 30 and February 16, 2017; and (v) the organization of a workshop on the role of civil society in supporting the management and monitoring of PPPs on May 22, 2017;
- The importance of internal communication within ONAS has been also confirmed as a way of supporting external communication with affected communities and general public.

#### IV. APPROVALS

<i>Signed and submitted by:</i>		
<b>Task Team Leader:</b>	Jean-Martin Brault	<b>November 1, 2017</b>
<i>Approved by:</i>		
<b>Regional Safeguards Coordinator:</b>	Nina Chee	<b>November 2, 2017</b>
<b>Comments:</b>		
<b>Practice Manager</b>	Steven Schonberger	<b>November 2, 2017</b>
<b>Comments:</b>		
<b>Country Director</b>	Marie Françoise Marie-Nelly	<b>November 16, 2017</b>
<b>Comments:</b>		