

**INTEGRATED SAFEGUARDS DATA SHEET
APPRAISAL STAGE**

Report No.: ISDSA15147

Date ISDS Prepared/Updated: 07-Oct-2015

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I. BASIC INFORMATION

1. Basic Project Data

Country:	Macedonia, former Yugoslav Republic of	Project ID:	P154464
Project Name:	Second Municipal Services Improvement Project (P154464)		
Task Team Leader(s):	Toshiaki Keicho		
Estimated Appraisal Date:	20-Oct-2015	Estimated Board Date:	22-Dec-2015
Managing Unit:	GSU09	Lending Instrument:	Investment Project Financing
Sector(s):	Water supply (30%), Wastewater Collection and Transportation (15%), Solid waste management (15%), Energy efficiency in Heat and Power (20%), Sub-national government administration (20%)		
Theme(s):	City-wide Infrastructure and Service Delivery (60%), Municipal finance (25%), Municipal governance and institution building (15%)		
Is this project processed under OP 8.50 (Emergency Recovery) or OP 8.00 (Rapid Response to Crises and Emergencies)?			No
Financing (In USD Million)			
Total Project Cost:	28.97	Total Bank Financing:	28.97
Financing Gap:	0.00		
Financing Source			Amount
Borrower			0.00
International Bank for Reconstruction and Development			28.97
Total			28.97
Environmental Category:	B - Partial Assessment		
Is this a Repeater project?	Yes		

2. Project Development Objective(s)

The proposed Development Objective of MSIP2 Project (PDO) is to improve transparency, financial sustainability and inclusive delivery of targeted municipal services in the participating municipalities.

3. Project Description

The proposed Second Municipal Services Improvement Project (MSIP2) of EUR25 million presents the second phase of the on-going Municipal Services Improvement Project (MSIP, P096481) with an aim to respond to the strong demand by the municipalities for the local infrastructure financing. It will be built on the experience of MSIP and its lessons learned to enhance the impact of a well-performing project.

MSIP aims at improving the transparency, financial sustainability, and delivery of targeted municipal services. Its implementation is progressing well, and the sub-project results so far demonstrate good progress towards achieving its PDO. To date, a total of 51 sub-loan agreements have been signed with eligible municipalities under the MSIP component of Municipal Investments (loan component), out of which 33 sub-projects were completed and 11 are under implementation, while others are either at the tendering stage or about to start the tendering process. Furthermore, 22 sub-projects are currently under preparation by the respective municipalities with support from the Project Management Unit (PMU). In addition, 19 municipalities submitted applications to access funds under the MSIP component of Performance-based Investment Grants, with six performance grants agreements signed, and four grant activities already successfully completed. Some of the MSIP accomplishments to date include: more than 11,000 households with new water connections; about 240,000 people with access to regular solid waste collection; and all participating municipalities/ utilities publish their budget information on their websites.

The original IBRD Loan for MSIP (approved on March 26, 2009) was in the amount of US\$25 million equivalent. It was followed by Additional Financing loan of US\$50 million equivalent approved by the Board on May 10, 2012. More recently, a new Component introducing the EU IPA-financed Rural Investment Window of EUR15.5 million, Recipient Executed Trust Fund (RETF), was added on December 22, 2014 to provide grants for priority rural infrastructure investments in eligible municipalities through the existing MSIP implementation mechanism.

To date, more than 40 percent of MSIP total loan amount (including both original loan and AF funds) has been disbursed. In addition, about EUR47.2 million have already been committed for municipal investments under the existing sub-projects pipeline. This represents 98 percent of all available MSIP investment funds, excluding the IPA-financed window. Thus, the MSIP funds are now fully committed and the project cannot respond to new applications from the municipalities. At the same time, municipalities continue to express growing interest and demand in using MSIP financing.

Given a persisting needs for improving municipal infrastructure and based on the positive experience in implementation of MSIP, the Government of FYR Macedonia requested the Bank for a new project or additional financing to MSIP in the amount of EUR25 million. Since the on-going MSIP already has two additional financings, including the recently approved IPA window, it was decided to proceed with preparation of a new operation that would present the second phase of MSIP. This is also a good opportunity to take stock of implementation experience under MSIP and bring in the needed adjustments if any.

MSIP2 will continue to focus on improving the transparency, financial sustainability, and delivery of targeted services under the responsibility of participating municipalities and their CSEs, such as water supply, sanitation, and solid waste management, as well as energy efficiency, urban transport, and other services delivered by municipalities. It will adopt the implementation arrangements and mechanisms that proved to be effective under the MSIP with some adjustments introduced based on

the MSIP experience and lessons learned. In addition, MSIP2 aims to enhance inclusive service delivery by targeting poorer and marginalized communities for infrastructure improvements through the grant component. The positive aspects of MSIP experience, which the new project will adopt, include the access to loans affordable to municipalities (sub-loans), demand-driven process with participating municipalities selecting priority investments out of the wide variety of municipal investments, support for municipalities throughout sub-project cycle contributing to capacity building, and increased transparency and disclosure of information by participating municipalities as an eligibility condition. The lessons learned include the need to improve construction supervision and quality of technical documentation prepared by the municipalities.

MSIP2 will have a composition of the components similar to MSIP, with the several adjustments, as follows:

Component A - Municipal Investments (Euro 18.5 million): will provide sub-loans to municipalities for investments in (i) revenue-generating public services, and (ii) other projects of high priority for the municipalities and with cost-saving potential.

Component B - Poverty/Social Inclusion Investment Grants (Euro 5 million): will provide investment grants to municipalities as an incentive for them to invest in infrastructure improvements in poorer and marginalized communities within their jurisdictions.

Component C - Project Management, Monitoring and Evaluation, and Capacity Building (Euro 1.5 million): supports operational costs of the PMU and assists with project implementation and monitoring, as well as finance consultancy services and technical assistance for (i) sub-project preparation/implementation and local capacity building for municipalities and CSEs to improve service delivery, and (ii) national level institutional strengthening.

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

The Project activities will be located throughout the country. Location of sub-projects are 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 First Municipal Services Project were located in municipalities of Vinica, Berovo, Bosilovo, Kriva Palanka, Rankovce, Petrovec, Cashka, Shuto Orizari etc, about 40 rural and urban municipalities and have included activities such as: 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

Bekim Imeri (GSURR)

Cesar Niculescu (GENDR)

6. Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	The design of this project follows that of the first except the grant component is not conditional; grants will now go to the poorest neighborhoods without condition of having

		<p>achieved certain goals with loan support. Physical works are expected to be small scale rehabilitation (of water supply networks, schools, heating pumps, streets and sewerage), for which EMP Checklist will likely be sufficient. The Environmental Assessment and Management Framework (EAMF) for the first project will be updated as needed; it includes screening criteria and processes for land acquisition and environmental aspects. The EAMF will present 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 EAMF will list potential negative environmental impacts for each type of project activities and will provide list of environmental mitigation and monitoring activities in order to mitigate and neutralize the relevant impacts. This will provide a framework outlining how Environmental Management Plans (EMPs) will be developed for each type of sub-project, and when site-specific EA/EIA are needed.</p> <p>Sub-projects which would qualify for Category A rating according to OP 4.01 will be ineligible for financing under the project.</p>
Natural Habitats OP/BP 4.04	No	
Forests OP/BP 4.36	No	
Pest Management OP 4.09	No	
Physical Cultural Resources OP/BP 4.11	No	
Indigenous Peoples OP/BP 4.10	No	
Involuntary Resettlement OP/BP 4.12	Yes	<p>The project has programmatic nature of design, it will finance sub-projects proposed by municipalities. Implementing agency has sent the draft Resettlement Policy Framework. The project will finance demand driven municipal infrastructure available to any municipality and some sub-projects may require temporary access to land, possibly land acquisition. Sub-projects are not likely to require resettlement. The PMU will check potential for this trigger in all investments and</p>

		ensure: (i) whether land acquisition or access to land is required; (ii) if private land acquisition can be avoided; and (iii) where land acquisition or resettlement is required, that it is done in accordance with agreed procedures in RPF.
Safety of Dams OP/BP 4.37	No	
Projects on International Waterways OP/BP 7.50	Yes	<p>The project will support activities that could take place on trans-boundary waterways as defined in OP 7.50. Macedonia is a small country and has several rivers that flow trans-boundary. Nevertheless, it is anticipated that investments supported under MSIP2 will not (i) adversely change the quality or quantity of water flows to the other riparians; and (ii) will not be adversely affected by the other riparians' possible water use. Project investments are expected to support the rehabilitation, improvement or minor additions or minor expansions of existing schemes.</p> <p>Like the ongoing MSIP, however, the MSIP2 consists only of rehabilitation and improving efficiency of water use, and it aims to contribute substantially for reducing extremely high water consumption rates. Based on this, the exemption from the notification requirement under OP 7.50, Para 7a, was requested to be applied for this project which was approved by RVP on October 6, 2015.</p>
Projects in Disputed Areas OP/BP 7.60	No	

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:

Although there is a demand driven nature of project Component A (Municipal Investments) and Component B (Poverty/Social Inclusion Investment Grants) the list of sub-projects to be financed throughout the project life is not known ex-ante. The safeguards issues and impacts are associated with the activities under Components A and B of the project, but if properly executed, are not expected to generate significant or irreversible adverse environmental effects.

No significant land acquisition or resettlement is expected under the proposed or likely subprojects, although there may be temporary land acquisition during period of civil works.

Sub-projects which would qualify for Category A rating according to OP 4.01 will be ineligible for financing under the project. The procedure for determining whether subprojects are eligible or not is outlined in the Project Operational Manual (POM). Similarly, 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 POM.

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

None expected.
3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.
Project alternatives will be evaluated for any proposed investment, including the alternative of doing nothing. The project will seek to avoid the involuntary acquisition of land and subsequent impacts as detailed in OP 4.12. Where involuntary acquisition of land cannot be avoided, the project will seek to minimize impacts by adopting such changes as shifts in alignment, reductions of site footprints, etc.
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.
<p>In accordance with the Bank's Operational Policy 4.1, an Environmental Assessment and Management Framework (EAMF) has been prepared for the project. The draft EAMF was completed in September 2015, and disclosed in country on October 7, 2015.</p> <p>The EAMF and POM of the ongoing project 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.</p> <p>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 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.</p> <p>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.</p> <p>In addition to the environmental safeguard above, the ongoing project triggered involuntary resettlement safeguard policy (OP 4.12). 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 land acquisition/resettlement is required, that it is done in accordance with agreed procedures. The procedures will continue to be the same also for the new project, given to the same nature of the sub-projects.</p> <p>The borrower has knowledge and capacity to comply with the World Bank requirements for Environment and Social Safeguards.</p>
5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.
The project is highly participatory and demand-driven. Key beneficiaries of the subprojects are 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. In case the rehabilitation works will pass through private properties, requiring temporary land acquisition during the execution, the Resettlement Policy Framework (RPF) that has been prepared explains how temporary land acquisition will be treated in such cases.

Public consultations on general EAMF and RPF were held in the week of October 5, 2015, and the finalized safeguards documents were disclosed at Infoshop and in Country on October 7, 2015.

B. Disclosure Requirements

Environmental Assessment/Audit/Management Plan/Other	
Date of receipt by the Bank	24-Sep-2015
Date of submission to InfoShop	07-Oct-2015
For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors	00000000
"In country" Disclosure	
Macedonia, former Yugoslav Republic of	07-Oct-2015
<i>Comments:</i>	
Resettlement Action Plan/Framework/Policy Process	
Date of receipt by the Bank	25-Sep-2015
Date of submission to InfoShop	07-Oct-2015
"In country" Disclosure	
Macedonia, former Yugoslav Republic of	07-Oct-2015
<i>Comments:</i>	
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:	
n.a.	

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 [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
If yes, then did the Regional Environment Unit or Practice Manager (PM) review and approve the EA report?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
Are the cost and the accountabilities for the EMP incorporated in the credit/loan?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
OP/BP 4.12 - Involuntary Resettlement	
Has a resettlement plan/abbreviated plan/policy framework/process framework (as appropriate) been prepared?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
If yes, then did the Regional unit responsible for safeguards or Practice Manager review the plan?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
Is physical displacement/relocation expected?	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>] TBD [<input type="checkbox"/>]
Provided estimated number of people to be affected	

Is economic displacement expected? (loss of assets or access to assets that leads to loss of income sources or other means of livelihoods)	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>] TBD [<input type="checkbox"/>]
Provided estimated number of people to be affected	
OP 7.50 - Projects on International Waterways	
Have the other riparians been notified of the project?	Yes [<input type="checkbox"/>] No [<input type="checkbox"/>] NA [<input checked="" type="checkbox"/>]
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 [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
Has the RVP approved such an exception?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
The World Bank Policy on Disclosure of Information	
Have relevant safeguard policies documents been sent to the World Bank's Infoshop?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
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 [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
All Safeguard Policies	
Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
Have costs related to safeguard policy measures been included in the project cost?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]

III. APPROVALS

Task Team Leader(s):	Name: Toshiaki Keicho	
Approved By		
Practice Manager/ Manager:	Name: Nina Bhatt (PMGR)	Date: 07-Oct-2015