



Appraisal Environmental and Social Review Summary

Appraisal Stage

(ESRS Appraisal Stage)

Date Prepared/Updated: 11/14/2019 | Report No: ESRSA00347



BASIC INFORMATION

A. Basic Project Data

Country	Region	Project ID	Parent Project ID (if any)
North Macedonia	EUROPE AND CENTRAL ASIA	P170267	
Project Name	North Macedonia: Local Roads Connectivity Project		
Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
Transport	Investment Project Financing	11/14/2019	12/18/2019
Borrower(s)	Implementing Agency(ies)		
Ministry of Finance	Ministry of Transport and Communications		

Proposed Development Objective(s)

The project development objectives are to improve government capacity to manage local roads and improve access to markets and services.

Financing (in USD Million)	Amount
Total Project Cost	77.78

B. Is the project being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?

No

C. Summary Description of Proposed Project [including overview of Country, Sectoral & Institutional Contexts and Relationship to CPF]

The project will finance rehabilitation of municipal roads, estimated at about 450 km, to provide better connectivity to market and services for municipal beneficiaries, and support both central and local government to build their capacity to better manage their local road assets. The project will also finance implementation support, CERC component, and front-end fee.

D. Environmental and Social Overview

D.1. Project location(s) and salient characteristics relevant to the ES assessment [geographic, environmental, social]

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The project will finance rehabilitation of regional and local roads across 80 municipalities in North Macedonia. The project will build local government capacity to manage local road networks and promote citizen engagement in management of local road networks. This will support Focus Area II of the CPF by enhancing the quality and responsiveness of public services and skills development. The project pilot municipal programs will support gender- and Roma-differentiated transport needs will further support CPF Focus Area II by facilitating development of human capital and skills to boost labor productivity and more inclusive labor market participation and align with the World Bank's corporate priorities on gender and citizen engagement. Finally, ensuring more sustainable use of public budgets for transport sector and improving the climate resilience of the resulting infrastructure and services directly support the sustainability objectives of the CPF Focus Area III. The project will be implemented all across the country. At this stage of project preparation there is an indicative list of investments (but not finalized) that would be supported, and four, which are most advanced in preparation (Kocani, Berovo, Cheshinovo-Obleshevo, Krusevo) will serve as examples for preparation of due diligence documents prior to appraisal. When identified, project roads will be appraised using a Cost Benefit Analysis or the Road Economic Decision (RED) model, which is most appropriate for road classes with relatively low traffic volumes. Construction works will mainly occur within the existing right-of-way, and the estimated cumulative length of project road is 450 km. The nature of interventions will be mostly rehabilitation (no new construction), reconstruction of existing regional and local roads in both rural and urban settings, as well as upgrade from dirt to asphalt local rural roads. Rehabilitation means changing of the asphalt layer and substitution with the new layer, re-pavement, pothole repairing, patching and any other road surface fixing. Reconstruction work would be intervention into the road body, structure, in addition to substituting of the pavement whereby upgrade works will intervene in reinforcing of the road body and installing of new pavements. The types of interventions do not foresee significant widening of local roads. There might be a need for land acquisition, mostly linear and narrow strips of the land by the road. Improving the safety standards of the roads will be important and this project could be used as opportunity to improve the safety standards, especially for the roads and streets within inhabited settlements. The works most probably will be carried out by domestic companies and thus the project could support generation of the road maintenance related jobs especially given that the labor will mostly be hired locally and not imported. North Macedonia is a country in the Balkan Peninsula in Southeast Europe. This landlocked country with a total area of 25,713 km², has borders with Kosovo to the northwest, Serbia to the northeast, Bulgaria to the east, Greece to the south, and Albania to the west. The country is geographically clearly defined by a central valley formed by the Vardar river and framed along its borders by mountain ranges. The terrain is mostly rugged, located between the Šar Mountains range and Osogovo range, which frame the valley of the Vardar river. Three large lakes — Lake Ohrid, Lake Prespa and Dojran Lake — lie on the southern borders, bisected by the frontiers with Albania and Greece. Ohrid is considered to be one of the oldest lakes and biotopes in the world. The region is seismically active and has been the site of destructive earthquakes in the past. The capital and largest city, Skopje, is home to roughly a quarter of the nation's 2.06 million inhabitants. The country is further divided into 80 municipalities, and consists primarily of rural country towns, with only 45% of the population concentrated in the larger towns and cities.

D. 2. Borrower's Institutional Capacity

The project will be implemented by the Ministry of Transport and Communication (MoTC). This will be the first World Bank project directly implemented by MoTC. MoTC does not have sufficient experience in implementation of large projects; those services were usually outsourced as its role until now was more on policy making and sector monitoring than project implementation. Ongoing EIB financed program is implemented by MoTC with the substantive external help. There are neither environmental nor social specialists employed by MoTC. This suggests that the current capacity at MoTC is not sufficient for project preparation and implementation given the scope of activities. Majority of municipalities that will directly implement the project also do not have sufficient capacity for the implementation of WB Environmental and Social Standards, however are familiar with the requirements of IFIs



including the World Bank (through the Ministry of Finance, there is an investment program financed by World Bank and EU Trust Fund, implemented in all municipalities. The program finances any local government infrastructure services where local roads account for about 30% of the projects. The MoTC, since recently also implements the Water and Sanitation program financed by EIB and earlier EBRD financed program), but further enhancement of capacity and hand holding is needed. Given the lack of capacity, MoTC is since recently supported by environmental and social consultant for the preparation of the Environmental and Social Management Framework (ESMF), Resettlement Management Framework (RMF) and Stakeholder Engagement Plan (SEP). The project, MoTC will bring on board a full-time environmental and social specialist in the PIU, who will be responsible for implementation of ESMF and the day-to-day environmental and social management of the project and help build capacity of municipalities. In order to increase the capacity for project implementation, WB environmental and social specialist will organize training for the MoTC, MoTC PIU environmental and social specialist and those municipalities that are most advanced in preparation so that project environmental and social risks could be addressed properly. Training will continue throughout of the project. The E&S staff is expected to be hired before the start of the project. The hiring procedures has been initiated during the project preparation.

II. SUMMARY OF ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS

A. Environmental and Social Risk Classification (ESRC)

Substantial

Environmental Risk Rating

Substantial

The project activities, related to reconstruction and rehabilitation of roads are not likely to have significant adverse risk or impacts on human populations and/or the environment. Impacts are expected to be site-specific and can be addressed through conventional mitigation and management measures. It is also not expected that the project will have adverse impacts to environmentally or socially sensitive areas. As such, the potential risks and impacts and issues are predictable and expected to be temporary and/or reversible; low in magnitude; site-specific, without likelihood of impacts beyond the actual footprint of the Project. These impacts most commonly include possible temporary disruption of current traffic circulation, traffic safety, damage to access roads, dust nuisance, and gaseous emissions, potential pollution of soil and water resources, brief disturbance to biotope, and momentary interference to neighboring settlements through various operation activities. Off-site activities include quarry, burrow pit and asphalt plant operations, which if not managed properly, may cause localized adverse impacts. Nonetheless given neither MoCT nor majority of participating municipality do not have sufficient capacity to manage the project in accordance to ESS, environmental risk is rated as substantial.

Social Risk Rating

Moderate

Given that the investments will be in local rural roads (connecting two settlements) and streets (with in a settlement) and local urban roads only, rehabilitation, reconstruction and probably upgrade of dirt roads to asphalted roads the impacts on land will most probably be linear narrow strips. For the rehabilitation/reconstruction in the road sections outside the settlements the impacts if any, will be mostly in land classified as non construction land, whereby if the investments are in the streets (within the settlements), than most probably impacts of land will be in land classified as construction land. Investments within settlement will be allowed only for rural areas, whereby the difference between land classified as agriculture or construction is not much emphasized. It is highly unlikely that there will be impact in either residential or any other structure nor any impact on informal vendors or squatters. Works will be on local urban roads and local rural streets and roads and thus not complex and large construction operations are not

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foreseen. Most probably the works will be implemented by local firms and local labor either as direct contractors or sub-contractors. No labor influx issues are foreseen. No major community health related risks (minor ones) are envisaged, but issues with noise, dust and traffic related the project for the sub-projects in the settlement . The Ministry of Transport through externally hired staff implements similar project on Water and Sanitation , financed by EIB, whereby other project that is multisector is implemented through Ministry of Finance have made municipalities familiar with the IFI requirements to certain level. Thus the proposal that social risk classification is moderate. The moderate social risk level at appraisal stage remains moderate

B. Environment and Social Standards (ESSs) that Apply to the Activities Being Considered

B.1. General Assessment

ESS1 Assessment and Management of Environmental and Social Risks and Impacts

Overview of the relevance of the Standard for the Project:

ESS1 applies to the project due to the environmental and social risks associated with project activities more specifically reconstruction, rehabilitation and maintenance of local roads planned under component 1 and 2. Potential environmental risks and impacts are predictable, expected to be temporary and reversible, low in magnitude, and site specific. These impacts most commonly include possible temporary disruption of current traffic circulation, traffic safety, damage to access roads, dust nuisance, and gaseous emissions, potential pollution of soil and water resources, brief disturbance to biotope, and momentary interference to neighboring settlements through various operation activities. Off-site activities include quarry, borrow pit and asphalt plant operations, which if not managed properly, may cause localized adverse impacts. The contractor's site offices and possibly but highly unlikely workers' camp can be potential sources of temporary adverse impacts. In most cases such impacts can be mitigated readily through good construction practice, environmental permitting process and through implementation of site-specific environmental due diligence instruments. Given that location of most road segments to be rehabilitated will not be known before the project appraisal, the MoTC has prepared Environmental and Social Management Framework (ESMF) prior to appraisal to facilitate screening, assessment, and management of environmental and social issues of activities / sub-projects during project implementation. The ESMF guides the preparation of the appropriate instruments to be used for specific sub-projects. The instruments to be prepared when the sub-project locations are identified and defined include site-specific Environmental and Social Management Plans (ESMPs) and Environmental and Social Management Plan Checklists (ESMP Checklists) all prepared in compliance with the World Bank Group's Environment, Health, and Safety (EHS) Guidelines. The screening criteria for sub projects are defined in ESMF. It is expected that ESMP checklist will be used for plain, less risky sub projects that usually only involve change of asphalt or drainage on exiting road, while site specific ESMPs would be used in more complex rehabilitation when locations of segments are more sensitive (e.g. passing through natural habitats) or involve works on existing structures (bridge rehabilitation). More specifically, upgrading work of the local roads and reconstruction (intervention into the road body, structure, in addition to substituting of the pavement whereby upgrade works will intervene in reinforcing of the road body and installing of new pavements) requires preparation of ESMP for specific sub-project. The rehabilitation of the existing local roads/streets (improving the condition of the road without changing the basic functional characteristics – changing of the asphalt layer and substitution with the new layer, re-pavement, pothole repairing, patching and any other road surface fixing, etc.) and road safety activities require preparation of ESMP Checklist. Rehabilitation projects in protected areas would instead of EMP Checklist require preparation of ESMP. At this stage of project preparation four roads sub projects, ,ore specifically for Kocani, Berovo, Cheshinovo-Obleshevo, Krusevo, are defined and designed, therefore in addition to ESMF, environmental and social



due diligence documents are prepared. As the project will also include Contingent Emergency Response Component (CERC), the ESMF respectively provides for environmental and social guidelines for such emergency cases. For the cases with impacts on land take over the course of the project implementation site specific Resettlement Action Plans (RPs) will be prepared. Usually during the ESMPs, prepared between concept designs and final designs of the sub-projects, impacts on land take will be foreseen and RAPs as measure will be proposed to be prepared and implemented once the technical designs for the respective sub-project will be completed. By the appraisal sample of first year projects would be known. For these sub-projects if there will be land take impacts, site specific RAPs will be prepared. In addition, Resettlement Policy Framework RPF is prepared to guide land take impacts for all program. The land take impacts will not be complex and substantive, because the program will finance local rural road and street rehabilitation and reconstruction as well as same intervention for urban areas with exception that in urban areas local streets will be excluded. Given that the project will be a local road program the project will hire contractors and most probably sub-contractors to carry out civil works. Labor Management Procedures will be prepared based on the assessment of the Law on Labor Relations and Law on Health and Safety at work, which laws regulate the employments for the contractors as well as for the project. LMP will propose measures to overcome the gap between the Law on Labor Relations and the Labor and Working Conditions Standard. During the works especially for the works on rural local streets project related traffic could cause disruption and increased risk for the areas of work. For all sub-project traffic management plans will regulate sub-project related traffic and address traffic safety risks because of the sub-project. It is not foreseen any impact or disruption of ordinary activities for the vulnerable. Usually the poorest segments in the local governments live in the are with least infrastructure area. It is most likely that those living near non paved streets would have biggest chance to benefit given that dirt streets are eligible for investment. Stakeholder Engagement Plan (SEP) will be prepared and manage the project relations/dialogue with the beneficiary communities as well as relevant institutions such as local governments. As the project will provide support to road maintenance, guidelines on environmental best practices for road maintenance activities will be developed during implementation. An Environmental and Social Commitment Plan (ESCP), drawn and agreed upon with the borrower, will set out the substantive measures and actions that will be required for the project to meet environmental and social requirements over the project's lifetime. These measures shall be implemented within specified time-frame and the status of implementation will be reviewed as part of project monitoring and reporting. The site-specific documents will constitute an integral part of bidding documents for contractors. ESMF and site-specific environmental and social assessment documents (ESMPs and ESMP checklists) will be timely and appropriately disclosed, specifically on November 4 and 5, 2019 and discussed with public in November 2019.

ESS10 Stakeholder Engagement and Information Disclosure

Direct beneficiaries of the sub-projects will be the communities using the respective local roads. Local governments are the beneficiaries on the institutional dimension as they are directly responsible for the maintenance of the infrastructure roads that will be improved with the project. The stakeholder engagement plan will define the institutional stakeholders direct and indirect and will propose how the communication on the institutional level will be managed during the preparation and implementation of the project. These will be communication between local governments with the Ministry of Transport, Public Enterprise for State Roads as well as non state actors relevant for local government such as ZELS - Association of Units of Local Governments. The direct beneficiaries are communities using relevant roads for access to social services, business or any other activities. The stakeholder engagement plan will assess and provide strategies for the engagement of the communities into local government decision bodies for three phases: (i) for the selection of the local roads to be rehabilitated (ii) engagement during the implementation -



works period and (iii) also the Engagement Plan will assess and provide proposal for the community engagement in the post reconstruction - maintenance phase. The project will be used to strengthen capacity of the local government in the dialogue with the communities in local road network maintenance.

B.2. Specific Risks and Impacts

A brief description of the potential environmental and social risks and impacts relevant to the Project.

ESS2 Labor and Working Conditions

The project will have direct workers and these will be hired project staff for the PIU. The term of the hiring will be on the consultancy basis whereby for each position the no objection of the Bank team will be obtained. Other workers involved in the project will be contracted workers hired by the contracting companies, as well as their subcontractors, to carry on civil works. Most important aspect for application of the Labor and Working Condition Standard will be applying of the standards for the contracted and subcontracted companies for the road rehabilitation works. The Labor Management Plans will be prepared based on the assessment of how compliant is Macedonian law on Labor Relations as well as Law on Safety and Health at work with the Labor and Working Condition Standard. The plan will propose how to overcome aspects that does not meet the objectives of the Standard. The LMP will be included in the procurement package as a way to implement.

ESS3 Resource Efficiency and Pollution Prevention and Management

The ESS3 is relevant to the project. Road reconstruction and rehabilitation works will include the use of a range of materials like asphalt, cement and others. In addition, the project might be a significant user of material resources like gravel and stone from borrow pits and quarries. The project will not be a significant user of energy or water resources. Large quantities of construction and demolition waste are expected, as asphalt might be removed from current roads and replaced. Ideally construction waste would be reused where feasible, while unusable fractions will be disposed at dedicated sites agreed with the Municipality and Ministry of Environment and Physical Planning. Through the implementation of procedures and measures stated in ESMF, site-specific ESMPs and ESMP checklist, MoTC and municipalities will avoid or minimize the release of pollutants into air, water and soil and assure compliance with the Environmental, Health and Safety Guidelines and Good construction practice. Mitigation measures will also ensure the appropriate handling; storage, use and disposal of hazardous and non-hazardous materials and wastes; those measures are already included in the ESMF and four site specific ESMPs and ESMP Checklist prepared prior to appraisal as well as in the management plans of work camps and work sites. Only legal, licensed quarries would be considered for supplies of material needed for rehabilitation. Guidelines for choosing quarries' management and selection are set in ESMF. The site-specific ESMPs will be part of the tendering documentation and civil works contracts.

ESS4 Community Health and Safety

ESS4 is relevant to the project. Given the linear character of the sub projects, full partition or fencing of construction sites might not be possible, therefore, signaling will be installed and mitigation measures to control excessive noise and dust levels will be ensured through a robust mitigation and management plan in the proposed ESMPs or site-specific ESMP Checklists. Traffic/Road Safety Management Plans with measures to ensure the safety and well being



of nearby communities and road users during reconstruction / rehabilitation and for the operation phase will be prepared together with the Emergency Response Plans with procedures to respond to accidental leaks, spills, emissions, fires, and other unforeseen crisis events by contractors and reviewed by MoTC ESS. General guidelines for traffic management plans are included in ESMF to guide contractor to prepare site specific plans. Special guidelines will be given for sensitive sites like schools, hospitals, religious places, etc.

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

The project will finance rehabilitation, reconstruction and/or upgrade of the dirt roads to asphalt of local rural roads and streets as well as local roads in urban areas. The interventions will not cause large land take impacts. Most probably there will be small and narrow linear impacts or site impacts for spot widening. It is not expected that there will be need for resettlement or demolition of any structure. Nor it is expected impacts to livelihoods because of the land takes. The implementing agency will prepare Resettlement Policy Framework because the program during the preparation will not be able to identify all investments. Only some sub-projects to be implemented during the first year will be known and for those if there will be land impacts site specific Resettlement Action Plans will be prepared.

ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

The proposed operation's sub-projects are expected to be restricted to existing road corridors and therefore impacts on habitats is expected to be limited. Nevertheless, as the location of roads are still not identified, some of the rehabilitation works might be carried out in nature protected areas and natural habitats. The potential impacts will only be identified during project design when specific routes are known, and should be addressed in subsequent ESMPs. The ESMF therefore defines procedures for identifying and managing sub-projects potentially affecting natural habitats. If sub projects will take place in protected area, opinion will be sought opinion from MoEPP if the sub project will impact any critical habitats. In addition, ESMP will include discussion on natural and critical habitats risks and impacts.

Mitigation measures should be prescribed and implemented in order to minimize the impact on the protected area. Training for contractor and supervising engineer in the protected area should be delivered by MoTC ESS before start of operation in order to increase the awareness that activities might impact the protected area and biodiversity and measures should be presented on minimizing and avoiding impact. No activities will be allowed in critical habitats. ESMF provides overview of existing protected areas.

ESS7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities

No indigenous people reside in North Macedonia.

ESS8 Cultural Heritage

Although the proposed operation will not require the construction of new roads, physical works excavations, movement of earth, quarrying and impounding and associated civil works will be undertaken. These types of activities may lead to contacting with both known and unknown physical and cultural resources. Nevertheless, due to the country's cultural richness, during the earthworks chance finds might be possible. For that reason, ESMF include



provisions on chance finds and required practices. It is unlikely that there will be intangible cultural heritage impacted by this project.

ESS9 Financial Intermediaries

The ESS 9 is not relevant since no financial intermediaries are planned under the project implementation.

C. Legal Operational Policies that Apply

OP 7.50 Projects on International Waterways

No

The project will focus on roads rehabilitation solely and therefore would not impact international waterways

OP 7.60 Projects in Disputed Areas

No

There are no disputed areas in North Macedonia

III. BORROWER’S ENVIRONMENTAL AND SOCIAL COMMITMENT PLAN (ESCP)

DELIVERABLES against MEASURES AND ACTIONs IDENTIFIED	TIMELINE
ESS 1 Assessment and Management of Environmental and Social Risks and Impacts	
EMSF prepared and was disclosed on Nov 4, 2019	11/2019
Site specific ESMP or ESMP checklists prepared, disclosed and consulted during project implementation. Those documents should be part of the bidding documents for works.	05/2020
ESMP for Berovo and Cesinovo-Oblesevo prepared and will be disclosed on Nov 5, 2019	11/2019
ESMP Checklist for Krusevo and Kocani prepared and will be disclosed on Nov 5, 2019	11/2019
Project will support preparation of guidelines for road maintenance on environmental best practices for road maintenance activities.	05/2021
ESS 10 Stakeholder Engagement and Information Disclosure	
draft SEP prepared	10/2019
ESS 2 Labor and Working Conditions	
Labor and Management Plan on place	10/2019
ESS 3 Resource Efficiency and Pollution Prevention and Management	
Site specific ESMP or ESMP checklists prepared, disclosed and consulted during project implementation. Those include mitigation measures related to sustainable use of resources, waste management and pollution management	05/2019

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ESS 4 Community Health and Safety	
As part of its bid the successful Contractor is required to submit a preliminary TMP, which will ultimately form part of the ESMP. Before work commencement updated TMP will be submitted to ESS.	05/2020
ESS 5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	
RPF developed. TO be consulted	11/2019
ESS 6 Biodiversity Conservation and Sustainable Management of Living Natural Resources	
For project implemented in protected areas, ESMP will include discussion on natural and critical habitats risks and impacts.	05/2020
ESS 7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	
ESS 8 Cultural Heritage	
Chance finds procedures will be part of the site specific ESMPs and ESMP Checklists	05/2020
ESS 9 Financial Intermediaries	

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B.3. Reliance on Borrower’s policy, legal and institutional framework, relevant to the Project risks and impacts

Is this project being prepared for use of Borrower Framework? No

Areas where “Use of Borrower Framework” is being considered:

North Macedonia’s Environmental and Social Framework is not being proposed to be applied in whole or in part for this project.

IV. CONTACT POINTS

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Borrower/Client/Recipient

Borrower: Ministry of Finance



Implementing Agency(ies)

Implementing Agency: Ministry of Transport and Communications

V. FOR MORE INFORMATION CONTACT

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VI. APPROVAL

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