

**COMBINED PROJECT INFORMATION DOCUMENTS / INTEGRATED
SAFEGUARDS DATA SHEET (PID/ISDS)
ADDITIONAL FINANCING**

Report No.: PIDISDSA15238

Date Prepared/Updated: 08-Feb-2016

I. BASIC INFORMATION

A. Basic Project Data

Country:	Azerbaijan	Project ID:	P156377
		Parent Project ID (if any):	P118023
Project Name:	Azerbaijan Highway 3 Additional Financing (P156377)		
Parent Project Name:	Third Highway Project (P118023)		
Region:	EUROPE AND CENTRAL ASIA		
Estimated Appraisal Date:	07-Dec-2015	Estimated Board Date:	31-Mar-2016
Practice Area (Lead):	Transport & ICT	Lending Instrument:	Investment Project Financing
Sector(s):	Rural and Inter-Urban Roads and Highways (60%), Public administration-Transportation (40%)		
Theme(s):	Other trade and integration (60%), State-owned enterprise restructuring and privatization (40%)		
Borrower(s):	Ministry of Finance		
Implementing Agency:	Azerroadservice OJSC		
Financing (in USD Million)			
Financing Source			Amount
Borrower			46.60
International Bank for Reconstruction and Development			140.00
Total Project Cost			186.60
Environmental Category:	A - Full Assessment		
Appraisal Review Decision (from Decision Note):	The review did authorize the team to appraise and negotiate		
Other Decision:			
Is this a	No		

Repeater project?	
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B. Introduction and Context

Country Context

Although Azerbaijan has made notable progress in economic growth and poverty reduction over the past decade, the economic situation has become more unstable due to falling oil prices. Economic growth averaged 12.6 percent per year during the period 2002-20013. Growth declined in 2011 and 2012 to nearly zero but rebounded to 5.8 percent in 2013 and 2.8 percent in 2014. As crude oil accounted for over 90 percent of the country’s goods exports, the government’s fiscal position has deteriorated significantly.

On December 2015, the Central Bank devalued the Manat a second time by about 50 percent and announced adopting a floating exchange rate. The deterioration in fiscal trends implied decrease in public investment by 20 percent and overall budget by 17 percent. In 2016 fiscal consolidation is expected to continue, the budget is currently being revised with the reference price for oil at \$25 per barrel as oppose to previous price \$51.9. Poverty incidence declined from 49 percent in the early 2001 to around 5 percent in 2013 and consumption of goods and services by households in the bottom 40 percent grew by over 2 percent per annum between 2007 and 2012, twice the rate of the top 60 percent. Improvements in living standards were accompanied by an expansion of the middle class from just over 4 percent to about 29 percent of the population. In spite of this considerable progress, a sizeable share of the population who have moved out of poverty remain vulnerable and could fall into poverty should economic conditions deteriorate.

In view of the above, the Government’s priority to stimulate non-oil growth is now more important than ever. The sharp drop in oil price has brought to the fore the Government’s need to accelerate and implement reforms and initiatives that move the country to a post-oil growth scenario. It has also meant that the Government requires more support from the International Financial Institutions (IFIs), including the World Bank, to complete the road investment activities it has already started and modernize the sector institutions and improve the efficiency of public spending in the sector.

Sectoral and institutional Context

Roads are the dominant transport mode in Azerbaijan accounting for 60 percent of freight and 90 percent of passenger transportation . The Government has invested a total of about AZN10 billion into upgrading the road and urban transport infrastructure from 2005 to 2014 . Total lending from IFIs including the World Bank, EBRD, ADB and IDB between 2005 and 2013 amounted to AZN2.7 billion. The World Bank supported Azerbaijan’s road investment program through the Highway, Second and Third Highway projects, which totaled about US\$1 billion in lending. The biggest share of these investments has been made to rehabilitate and upgrade the main road network. While the government program also includes regional and local roads, the priority of the government under the current financial situation, is to complete reconstruction of the magistral (M) road network, including M4 Baku-Shamakhi road.

One of the key objectives of the Government is to improve the sustainability of road sector investments and efficiency of maintenance expenditures. A new organizational structure of the road agency, Azeroadservice (ARS) approved in June 2015 has established a new management and maintenance scheme for the motorways and consolidated a number of small local

maintenance units. A new organizational structure separated management and maintenance of motorways from the rest of the road network, which is well-aligned with the Bank's recommendations and findings of the major Technical Assistance implemented under the Third Highway Project. A Motorways Maintenance Unit has been established at ARS headquarters to oversee management and maintenance of the motorways network (about 1600km). In addition, seven new state-owned Regional Motorway Maintenance Units (RMU) have been established as state-owned companies to execute maintenance of motorways based on corridor approach and service-level standards (see Annex 2A). The AF will provide technical assistance and one-time capital investment to help the RMUs to become functioning entities capable of fulfilling their mandate.

C. Proposed Development Objective(s)

Original Project Development Objective(s) - Parent

The Project Development Objective is "to contribute to a more efficient and safer Baku-Shamakhi road and higher quality roads services as part of the upgrading to motorway standards, and to improve the management of the nascent motorway network."

Current Project Development Objective(s) - Parent

"To contribute to a more efficient and safer Baku-Shamakhi and Yenikend-Shorsulu roads and higher quality road services as part of the general network upgrading to motorway standard, and to improve the management of the nascent motorway network."

Key Results

Efficiency: Reduction in road user costs from Baku to Shamakhi.

Safety: Reduction of personal injury per 100-million vehicle-km along the Baku-Shamakhi road.

Quality: Percentage of M roads in good and fair condition as a share of total M roads of the network

RMUs to maintain 1200km of M roads under service level parameters

D. Project Description

The Additional Financing will scale up the Third Highway Project by providing funds to upgrade the M4 Baku-Shamakhi road to first category motorway standards and support the implementation of maintenance reforms for the M roads. For Project Component 1: Motorway Improvement. The Additional Financing will finance remaining works to upgrade km 13.3 to km 107 of M4 to first category motorway. Km 13.3 to 15 and Km 91 to 107 will be new construction and km 45 to 91 will be rehabilitation of existing lanes. For Project Component 2: Institutional Development and Support for Motorway Maintenance Reform. The Additional Financing will support the capital investment to establish the seven RMUs including construction/rehabilitation of main offices and depots and purchase of equipment and also provide technical assistance for the MMU and the RMUs.

Component Name

Component 1: Motorway Improvement

Comments (optional)

The Component includes works to upgrade the Baku-Shamakhi section of M4 road to the Category 1 motorway standards, including expansion of km 13.3-15 and km 91-107 to four lanes and pavement strengthening works for existing lanes between km 45-91. The Component will

also finance technical supervision of civil works.

Component Name

Component 2: Institutional Development and Support for Motorway Maintenance Reform

Comments (optional)

The Component includes: (i) technical assistance for establishment and capacity building of MMU and RMUs, including trainings, development of a modern communication strategy, etc.; (ii) small-scale civil works for offices and depots and provision of essential limited maintenance equipment for the newly established motorway maintenance units. The Component will also support technical advisory for implementation of project by ARS and road users' satisfaction surveys.

Component Name

Component3: Project Management

Comments (optional)

The Component will finance additional institutional support to ARS and the PIU related to AF's implementation, audits and project monitoring and evaluation.

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

The original project supports the expansion of the existing 2 lane road between the cities of Baku and Shamakhi (km 15 to 107 of the road). The main relief type in the Project area is characterized as arid-denudative to erosive-denudative mountains. The road to Shamakhi crosses a series of wide river terraces and ancient river canyons which represent erosion types of landscape. The project road passes through sparsely inhabited rural areas. Several clusters of residential houses are visible near the existing road, however, all such houses are quite distant from the existing road. Small shops, cafes and restaurants, butcher shops and car service workshops also exist along the existing road. The activities supported under the AF, will be implemented within the same project area identified for the original project.

The main sources of employment for local population are subsistence agricultural production and horticulture, animal husbandry, and roadside businesses. Several PAP households are headed by women for whom the Project could have socio-economic implications.

F. Environmental and Social Safeguards Specialists

Angela Nyawira Khaminwa (GSU03)

Gulana Enar Hajiyeva (GEN03)

Lela Shatirishvili (GSURR)

II. Implementation

Institutional and Implementation Arrangements

The Additional Financing will not change the existing institutional and implementation arrangements. The Project Implementation Unit (PIU) will continue with existing systems and will be in charge of daily activities of project implementation and coordination, including planning, budgeting, procurement, disbursement, auditing arrangements, monitoring and evaluation, and

implementation progress reports. AzerRoadServices and the PIU will be in charge of daily implementation of the Project. The Ministry of Finance will lead the technical discussions on the management and financing policy and efficient allocation of resources for the Azerbaijan motorways.

III. Safeguard Policies that might apply

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	The incremental environmental impacts associated with the additional works proposed to be supported by the Additional Financing, including a newly added section km 13.5 – 15 of the Baku-Shamakhi road, have been considered and addressed by Environmental Assessment and Management Plan for the new section km 13.5--15, and Supplemental Environmental Assessment Reports (and Management Plans), prepared for sections km 15--45, 45 – 91 and 91 – 107 respectively. Those incremental impacts are mainly associated with the need to handle the greater volume of extracted construction materials and additional earthworks, and the need to manage greater volumes of construction wastes. The environmental studies identified additional mitigation measures to be implemented in addition to those specified in the EIAs/EMPs for the original project as well as suggested additional measures for the institutional strengthening. The Regional Environmental Review (2009), a framework document for the original Project, has also been amended to set a procedure for addressing anticipated environmental impacts of the road maintenance facilities rehabilitation, which envisages preparation of site-specific EMPs for each location as part of respective design package, and suggest a template to follow
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	Involuntary resettlement impacts are anticipated under the Additional Financing (on new road sections km 13.3-15 and km 91-107). For section km 91-107 some roadside business may be impacted. For section km 13.3-15, which is densely populated,

		ARS is making efforts to eliminate need for land by adjusting design but nevertheless impacts may emerge. Additional impacts may result from rehabilitation and reconstruction works of road maintenance facilities. In anticipation of these impacts, the Resettlement Policy Framework prepared for the parent project was updated by ARS to include potential impacts under the Additional Financing and to reflect changes in legislation. Efforts are also being made to avoid or minimize the need for land acquisition and resettlement in the detailed design for these sections.
Safety of Dams OP/BP 4.37	No	
Projects on International Waterways OP/BP 7.50	No	
Projects in Disputed Areas OP/BP 7.60	No	

IV. Key Safeguard Policy Issues and Their Management

A. Summary of Key Safeguard Issues

<p>1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:</p> <p>Under the original project, the expansion of the existing two lane road Baku-Shamakhi to four lanes was classified as a Category A project. The main environmental impacts of the original project are those associated with the construction activities and include destabilization of slopes due to high erodibility of soil in sensitive areas, loss of tree plantations in various sections alongside the existing road (Jangi Forestry managed by MENR), disturbance of drainage systems specifically in Gobustan town and Sabir village, extraction of road construction materials and operation of access roads, increased dust production and air and noise pollution, and construction wastes which will need to be collected, transported and disposed regularly and in a sustainable manner. Establishment of construction camps is associated with generation of solid wastes and waste water, compression of soil and possible noise disturbance.</p> <p>Parking, operating and servicing of construction machinery carries the risk of operational spills of oils and lubricants and generation of noise, vibration, dust, and emissions. Supply of the highway construction with asphalt, stones, gravel, and sand may carry the risk of disturbance of landscape and soil as well as of hazardous emissions and generation of noise. Construction works also have important implications for the occupational health and safety of workers / personnel.</p> <p>There is a number of mud-volcanoes along the study corridor, including: Damlamaja, Uchtepe, Pirikushkul, Buransiz-Julga, Saridash-Boyanata, Shorsulu and Ayaz akhtarma. These protected areas are separate detached hills with some attached surrounding areas. These are strictly protected areas and no construction or agricultural activity is allowed within these areas. The closest mud-volcano to the EA study corridor is Pirikushkul mud volcano that is located approximately 100m from the roadside to the North side of it (between km 30.5 and km 31).</p>

<p>In the study corridor there is a number of sites which are breeding sites for the Lesser Kestrel, a species noted as Vulnerable under the IUCN Red List. In addition, the area is also likely to be a habitat for the Greek Tortoise, a Near Threatened species under the IUCN 2008 Red List. The site-specific EIAs guided the detailed design on exact location of the protected areas so that any environmental impacts of the road widening are avoided. Furthermore, it is ensured that borrows pit sites and access roads to borrow pit sites are not in vicinity to these protected areas. No stockpiling of material will be allowed in reserve area either.</p> <p>The nature of potential impacts of the activities proposed under the AF is similar to those above which have been already considered for the original project, however, the magnitude of some impacts can be greater than originally considered. This is due to the increased scope of civil works (additional paving) to be undertaken and might require greater volumes of construction materials to be extracted, and increased amount of generated wastes to be properly managed. Also, the impacts associated with reconstruction of the newly proposed segment from km 13.5 to 15 have been considered under a separate section specific EIA/EMP and were also determined as similar to those already defined for the rest of the road. The mitigation measures have been identified accordingly.</p> <p>In terms of involuntary land acquisition, the activities envisioned under the Additional Financing may result in involuntary land acquisition, impacts on assets, and/or impacts on income sources and livelihoods. The impacts are not anticipated to be large in number given efforts to minimize the need for land.</p>
<p>2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:</p>
<p>Overall, the long-term impacts of the project are positive. The project road connect north-western part of the country with the growth centers of the country, in and around Baku. Increased traffic along the road will provide local population with opportunities to gain income. Improved road infrastructure will contribute to decreased level of accidental oil spills, better regulated traffic, lower levels of dusting and vibration. The Additional Financing will contribute to the same long-term perspective.</p>
<p>3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.</p>
<p>The Regional Environmental Review considered two alternatives for the original project, including 'Without Project' and 'Widening Scenario'. Within the Widening scenario, alternative alignments were considered and compared for separate sections of the road. The final alignments are determined by the detailed design for each section, so that environmental and social impacts are minimal. The AF has been proposed for the preferred alternative 'Widening Scenario'.</p> <p>On the design for the sections on km 13.5 to 15 and km 91-107, efforts are being made to limit land acquisition and impacts on assets and livelihoods.</p>
<p>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>
<p>The Borrower has updated the findings of the existing section specific EIAs/EMPs for sections for km 15-45, 45-91 and 91-107, summarized in respective supplemental EIAs/EMPs. In addition, a new EIA/EMP has been developed for the newly proposed section km 13.5-15. All these environmental safeguard documents have been duly disclosed in discussed in-country at the selected locations of the project area (DATE and VENUE). The records of the consultation</p>

meetings have been reflected in detailed Minutes which have been enclosed to the final versions of one new and three supplemental EIAs/EMPs.

The Borrower has updated the Resettlement Policy Framework (RPF) for the original project to account for changes in the project and relevant legislation.

There is a full time Safeguard Specialist in the PIU who has participated in Bank provided trainings and has significant experience on the implementation of three project supported by the Bank, and several other operations supported by other international donors. On an institutional level, there is a designated unit within ARS which handles environmental monitoring of the road projects implemented by ARS. This unit also received training under the Bank supported Highway and Highway 2 projects. Up to date, the performance of the ARS PIU on the implementation of the environmental and social safeguards has been mainly satisfactory. In case any issues are determined during supervision visits undertaken either by the PIU specialist or jointly with the Bank supervision missions, the PIU closely follows up on addressing those issues, regularly visiting the project sites where problems have been flagged, monitoring contractor's performance against requirements of respective EMPs, and effectively coordinates any updates to the existing EMPs, when needed.

The Land Acquisition Department (LAD) in the ARS is responsible for land acquisition. The capacity of LAD in land acquisition under OP 4.12 is still limited, and the recent legal and administrative reform with regards to land acquisition means LAD needs substantial capacity development to comply with the new administrative requirements. LAD's capacity will be strengthened under the ongoing Public Investment Capacity Building Project.

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

Stakeholders include the ARS, MENR, local governments, municipalities, people residing in or around the Project area and all potential users of the road.

Consultations on the draft RPF took place at the rayon level in Absheron and Shamakhi on October 23, 2015. Participants included potentially affected persons, representatives of the implementation agency, local municipalities, and local executive committees. Issues raised during the consultations revolved predominantly around future access to villages, but also included questions regarding passage for pedestrians and cattle, mitigation of environmental impacts, and compensation for land acquired by the project.

B. Disclosure Requirements

Environmental Assessment/Audit/Management Plan/Other	
Date of receipt by the Bank	19-Jul-2009
Date of submission to InfoShop	24-Nov-2009
For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors	01-Dec-2009
"In country" Disclosure	
Azerbaijan	23-Oct-2015
<i>Comments:</i> The disclosure of the documents for the original AHP 3 and SECBO submission took	

place in 2009, as shown above. The supplemental EIAs and EMPs have been disclosed and discussed at the public consultation meetings held on October 23, 2015, in the town of Shamakhi and village of Ashagi Guzdek. The Bank received the final drafts on November 13, 2015, and posted on the Projects Operational Portal on November 18, 2015.	
Resettlement Action Plan/Framework/Policy Process	
Date of receipt by the Bank	19-Nov-2015
Date of submission to InfoShop	24-Nov-2015
"In country" Disclosure	
Azerbaijan	20-Nov-2015
<i>Comments:</i> Draft RPF was disclosed on the official website of the AYS OJSC in Azerbaijani language and English.	
If the project triggers the Pest Management and/or Physical Cultural Resources policies, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP.	
If in-country disclosure of any of the above documents is not expected, please explain why:	

C. Compliance Monitoring Indicators at the Corporate Level

OP/BP/GP 4.01 - Environment Assessment	
Does the project require a stand-alone EA (including EMP) report?	Yes [<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 type="checkbox"/>] TBD [<input checked="" 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 type="checkbox"/>] TBD [<input checked="" type="checkbox"/>]
Provided estimated number of people to be affected	
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"/>]

V. Contact point

World Bank

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Borrower/Client/Recipient

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VII. Approval

Task Team Leader(s):	Name: Elizabeth C. Wang, Nijat Valiyev
<i>Approved By</i>	

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Practice Manager/ Manager:	Name: Juan Gaviria (PMGR)	Date: 14-Dec-2015
Country Director:	Name: Mercy Miyang Tembon (CD)	Date: 09-Feb-2016