

**COMBINED PROJECT INFORMATION DOCUMENTS / INTEGRATED
SAFEGUARDS DATA SHEET (PID/ISDS)
CONCEPT STAGE**

Report No.: PIDISDSC16485

Date Prepared/Updated: 27-Sep-2016

I. BASIC INFORMATION

A. Basic Project Data

Country:	Ethiopia	Project ID:	P156433
		Parent Project ID (if any):	
Project Name:	Second Ethiopia Urban Water Supply and Sanitation Project (P156433)		
Region:	AFRICA		
Estimated Appraisal Date:	16-Jan-2017	Estimated Board Date:	09-Mar-2017
Practice Area (Lead):	Water	Lending Instrument:	Investment Project Financing
Borrower(s):	Ministry of Finance and Economic Cooperation		
Implementing Agency:	Ministry of Water, Irrigation and Electricity		
Financing (in USD Million)			
			Amount
	BORROWER/RECIPIENT		60.00
	International Development Association (IDA)		445.00
	Financing Gap		0.00
	Total Project Cost		505.00
Environmental Category:	B - Partial Assessment		
Concept Review Decision:	Track II - The review did authorize the preparation to continue		
Is this a Repeater project?	No		
Other Decision (as needed):			

B. Introduction and Context

Country Context

Ethiopia has experienced strong economic growth over the past two decades. Economic growth averaged 10.7 % per year in 2003/04 to 2011/12, compared to the regional average of 5.0 %. High economic growth, with public finance focused on pro-poor spending on basic services has helped the country reduce poverty in both urban and rural areas. Extreme poverty fell from 44 percent in 2000 (one of the highest levels recorded internationally) to 23 percent in 2014. Ethiopia is among the countries with considerable achievement of MDG by successfully achieving six of the eight MDGs.

The country is in a positive trajectory to be middle income by 2025. GoE has completed implementation of GTP I and started implementation of GTP II, which set a long-term goal of becoming a middle-income country by 2025. GTP II is also committed to building climate resilient Green Economy. Thus, in GTP II the post -2015 SDGs related to green economy will be integrated and implemented in line with the sector's climate resilient green economy development strategy. Despite the impressive economic growth the country lag behind the regional average. Per capita income of US\$632 is still substantially lower than the regional average of US\$1,257 and Ethiopia is ranked 173 out of 187 countries in Human Development Index (HDI).

Sectoral and Institutional Context

Government of Ethiopia has put in place favorable policies, strategies and institutional arrangements for sustainable delivery of services in the sector. The major policy principles include: (i) recognizing water and sanitation as economic and social goods; (ii) devolving ownership and management autonomy to the lowest possible local level; (iii) supply moving towards full cost recovery for urban schemes and recovery of operation and maintenance cost for rural schemes; (iv) no direct subsidy for construction of household latrines; and (v) integrating sanitation and hygiene promotion with water Supply.

Ethiopia has made considerable progress in Water Supply and Sanitation (WSS) provision but still needs to catch up with its sub Saharan neighbors. During the MDG periods the government has made profound effort in creating the enabling policy, legal and institutional environment as well as allocated more resource to the sector. These have significantly increased access to improved water supply to 57% (2015) and access to improved sanitation to 28% (still below the sub-Saharan average of 68 % for water supply and 30% for sanitation).

Ethiopia's rapid urbanization is putting stress on the already inadequate water supply and sanitation system in urban areas. The growing demand generated by rapid population growth, fast growing infrastructure development, service sector growth such as hotels, trade, and industrialization, as well as changes in way of life and awareness level of the residents have mounted pressure in the already inadequate WSS system.

Although access to water supply and sanitation in urban areas has improved significantly, reaching about 4.5 million unserved urban residents, sustainability of the service and improving the operational efficiency of the providers still remains to be a challenge. Inefficiencies in urban water utilities largely due to underpricing (only 47% of utility cost is covered from tariff and average non-revenue water estimated as high as 40%), have significantly undermined the service levels.

Urban centers capacity to properly dispose wastewater is too low exposing natural resources for pollution and poses human health at risk. Out of the estimated 398,985 m³/day wastewater produced in Addis Ababa, AAWSA's capacity to properly dispose wastewater is only 21,738 m³/day or 5.45% of the capacity needed. The situation is even worse in other secondary cities

including Mekelle 0.35%, Bahirdar and Hawassa 0.22%, Gondar 0.07%, Dire Dawa 0.05% and Adama 0.41%. The proportion of the population with no access to waste disposal vehicles/containers is strikingly high across the urban spectrum, ranging from 93% in small/medium towns to 62% in major towns to 58% in Addis Ababa. The sub-sector requires clear assignment of responsibilities, mix of skills (not just technical), regulation for the private sector and more importantly effective planning processes. The private sector in partnership with the water supply and sanitation utilities can serve as an important vehicle to provide efficient service. However, the enabling environment for public private partnership is highly constrained and the actual practice of involvement of the private sector is extremely limited/nonexistent. Though public health proclamations and pollution control regulation are in place based on polluters pay principles, there is no appropriate mechanism and institutional capacity to enforce it.

Relationship to CAS/CPS/CPF

The proposed project is aligned with the first two pillars of the World Bank current Country Partnership Strategy (CPS) (2012-2015) for Ethiopia; pillar one's Fostering competitiveness and employment and pillar two Enhancing resilience and reducing vulnerabilities. As the project is financing improved urban sanitation, it is consistent with the first pillar of the CPS among others which aims to support increased and improved delivery of infrastructure. The project aims to improve environmental health and promotes a clean environment, which will reduce vulnerability of the urban poor from sanitation related health risks. This will make the project consistent with pillar two of the CPS. Weak urban planning and land management including poor infrastructure and housing is considered among the top ten constraints of development in the Ethiopia's country diagnostic study which is expected to guide bank intervention in the coming few years.

The project is in line with Ethiopia's Growth and Transformation Plan II (GTP II) which identifies expansion of sustainable potable water supply and improved sewerage systems; improving potable water supply services and expand accessibility as well as to establishing and improving urban sewerage systems as major objectives of the sector.

C. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)

16. The objective of the Project is to increase access to improved sanitation facilities and improve efficiency of water supply and sanitation utilities in selected urban areas.

Key Results (From PCN)

The project achievements will be measured through the following key indicators:

- i. Number of people in urban areas provided with access to (improved sanitation facilities) under the project (core);
- ii. Number of people with access to enhanced water supply services under the project (more service hours, increased quantity, improved quality);
- iii. Direct project beneficiaries, of which female beneficiaries (core); and
- iv. Revenue collection over the total population in the project area.

Intermediate Result indicators

- i. Improved wastewater collection, transport and disposal capacity in m3/day;
- ii. Number of participating towns with integrated urban sanitation management plan;
- iii. Technical performance: reduction in non-revenue water (%) / Savings from non-revenue water interventions in improved water supply m3/day;

- iv. Commercial effectiveness (improved billing and collection efficiency) (%);
- v. Service performance (service coverage ratio, hours of supply/day);
- vi. Number of people trained on hygiene and sanitation behavior change;
- vii. Indicators on grievance/citizen engagement will be included during preparation.

D. Concept Description

To ensure sustainability and financial viability, utilities are required to gradually improve their technical, financial, and operational capacity before receiving fund for investment. The proposed project mainly focuses on transformative improvement of sanitation and efficiency in water supply provision in the beneficiary towns. In addition to investment for infrastructure provision, the project mainly involves strengthening the water and sewerage utilities and the municipalities through better definition of roles and responsibilities for provision and delivery of sanitation services. The project will have the following three components.

Component I: Urban Sanitation (US\$ 356 million): The component will finance construction of centralized and decentralized water born sewer systems, construction of appropriate waste treatment facilities, hygiene and sanitation promotion activities, and supply of equipment for urban sanitation. Review of urban sanitation studies and detail designs, institutional strengthening and capacity building, will also be supported under this component.

Component II: Operational Efficiency of Water and Sewerage Utilities (US\$ 67 million): This component will finance targeted interventions to reduce and manage Non-Revenue Water (commercial loss and physical leaks), to improve staff productivity, asset management, customers handling, financial management, and billing and collection efficiency, as well as to improve water quality management, and water conservation by minimizing unsustainable water sources exploitation. Training and other capacity building packages will be tailor made to the specific utilities based on identified gaps through capacity need assessment.

Component III: Institutional Strengthening and Project Management (US\$ 22 million): Funding will be provided to enhance the capacity of participating water board members and water utility staffs to effectively manage their water supply and sanitation facilities. This will include capacity building activities such as staff training, provision of equipment to strengthen the management capacity of boards and utilities, and support for preparation of business plans to manage operations as commercial entities.

II. SAFEGUARDS

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

The project supports Addis Ababa city and about 21 secondary cities (Dire Dawa, Mekelle, Adama, Bahirdar, Hawassa, Jimma, Gonder, Sodo, Adigrate, Harar, Jigiiga, Gambella, Assosa, Semera Bishoftu, Dessie, Shashemene, Nekemte, Asela, Arbaminch, and Debrebirhan) that includes all the nine regional capital cities/towns and towns with population size of 100,000 and above. Nonetheless, the specific locations of infrastructure to be financed under the project are not known at this stage. In spite of this, a potential list of infrastructure to be constructed and rehabilitated under the project have already been identified which include: (i) construction of public and communal sanitation facilities in Low Income Areas; (ii) construction of centralized sewerage systems, sludge drying beds, simplified decentralized sewerage systems where appropriate and feasible; and (iii)

rehabilitation and replacement of old water supply distribution systems in residential areas etc., that would help to save wastage of the clean water and reduce the possible water contamination due to the prevalent 25-40% of leakage problems encountering in most of the project participating cities. The key environmental and social safeguards concerns that may arise as the result of construction of the project include: (i) possible soil and water contamination, air contamination, loss of vegetation, dust and noise nuisance, vibration, traffic congestion and soil erosion due to the planned construction and rehabilitation activities; (ii) potential adverse social impacts that might result from the need for land acquisition and/or the loss of access to economic assets and livelihoods due to planned rehabilitation and investment activities.

Project interventions will be determined in consultation with the participating cities and beneficiaries. Though specific subproject locations and interventions have not been finalized at this stage. The typical sanitation solution options and corresponding mitigation measures will be described in the Environmental and Social Management Framework (ESMF) and Resettlement Policy Framework (RPF). The ESMF outlines the steps of the environmental and social screening process (environmental and social screening form; assignment of the appropriate environmental category to the sub-project; carrying out the appropriate level of environmental work based on the screening results; public consultations process; procedures for review and clearance of the environmental and social screening results as well as separate ESIA reports; and environmental monitoring and evaluation). The RPF outlines the principles and procedures to be followed in the event of land acquisition, impact on assets and/or loss of livelihoods.

Citizen engagement and monitoring: In order to engage citizens under the project, a customer forum will be established and the existing forums in the beneficiary water and sewerage utilities will be strengthened to include citizens that are in the utilities service areas, including the ones that are not directly connected to the water supply and sewer network. The forum, which will also serve as a monitoring tool, will meet on a quarterly basis and summary of the issues discussed in such meetings will be reflected on the quarterly reports submitted to the Bank. The forum among others is expected to discuss issues related to service coverage and quality, affordability of tariffs, consultation on selection of locations for potential on site sanitation facilities. In addition, the project will support the establishment and strengthening of websites in the utilities for customer feedback. This website can be expanded to have a specific section regarding the activities under the UWSSP and allow the customer and users to feedback. This can build on parallel initiatives by the Ministry with partners on improving citizen engagement.

B. Borrower's Institutional Capacity for Safeguard Policies

While implementing various World Bank Financed infrastructure projects, the Borrower has gained experiences in preparing safeguards instruments (ESMF, RPF, ESS, ESIA and RAP documents) to identify and address potential environmental and social impacts. The Ministry of Water Irrigation and Electricity (MoWIE) is one of the few federal agencies to have an Environment Unit with a full mandate to review and approve environmental and social screening, ESIA and RAP study documents.

It is proposed that this new UWSS Project will utilize the existing experience that has been built up with the ongoing UWSSP and One WaSH National Program- Consolidated WaSH Account (OWNP-CWA) safeguard implementation arrangements. MoWIE has the responsibility for overall coordination, monitoring and evaluation of the OWP-CWA and the ongoing UWSS Project. While, Addis Ababa Water and Sanitation Authority (AAWSA) addresses any safeguards related issues for the ongoing UWSSP and other water supply projects under its implementation responsibility.

However, by considering the relatively better experiences on sanitation projects, it is proposed that the AAWSA will lead the overall preparation of ESMF and RPF documents to this new UWSS project, with active assistance from MoWIE experts.

MoWIE currently has 4 safeguards experts (2 environmental and 2 social) dedicated for the OWNP-CWA and the ongoing UWSSP. Besides, AAWSA has a total of six environmental and social safeguards experts (3 environmental and 3 social) for all the projects they are implementing.

Currently there are PMUs (with safeguard specialists) at MoWIE, AAWSA and at all nine regional water bureaus established for the implementation of the OWNP-CWA and ongoing UWSSP project. Secondary cities, like Dire Dawa and Gondar also have safeguards experts, while the remaining participating cities will be required to deploy safeguards experts before commencement of the proposed project.

Proper implementation and documentation of safeguards related matters still remains a challenge that needs to be further strengthened, through ensuring adequate personnel and capacity at the ministerial and local levels, to ensure environmental and social safeguards compliance.

C. Environmental and Social Safeguards Specialists on the Team

Chukwudi H. Okafor (GSU07)

Ruth Jane Kennedy-Walker (GEN07)

D. POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	The project supports infrastructure investments aimed at expanding access to water supply and sanitation services and will require environmental and social due diligence. Since the scope, nature of sub projects and specific investment locations cannot be determined prior to appraisal; the Borrower will prepare, consult and disclose a Environmental and Social Management Framework as a guide in precluding and managing any potential environmental and social risks.
Natural Habitats OP/ BP 4.04	No	Given the nature and complexity of the proposed project similar to that of the ongoing project; experience doesn't show any significant conversion (loss) or degradation of natural habitats, whether directly (through construction) or indirectly (through human activities induced by the project). Hence, OP/BP 4.04 will not be triggered.
Forests OP/BP 4.36	No	From the previous & ongoing implementation practices of WaSH projects, the proposed project will not have potential impacts on the health and quality of forests or the rights and welfare of people and their level of dependence upon or interaction with forests.
Pest Management OP 4.09	No	The project may involve in the procurement and/ or use of chlorine and calcium/sodium hypochlorite for the purpose of

		drinking water disinfection. Otherwise, it doesn't have any connection with the procurement of other types of pesticides or pesticide application equipment; neither will it have connections with pesticide use that might increase in health and environmental risks.
Physical Cultural Resources OP/BP 4.11	Yes	Ethiopia has nine world heritage sites [of which 8 are cultural-Aksum, Fasil Ghebbi, Harar Jugol, Konso Cultural Landscape, Lower Valley of the Awash, Lower Valley of the Omo, and Rock-Hewn Churches (Lalibela)-and one natural-Simien National Park]. The country has also submitted five sites which are on a tentative list to be considered for nomination [1. Bale Mountains National Park (2008); 2. Dirre Sheik Hussein Religious, Cultural and Historical Site (2011); 3. Holqa Sof Omar: Natural and Cultural Heritage (Sof Omar: Caves of Mystery) (2011); 4. Gedeo Mixed Cultural and Natural Landscape (2012); and 5. Melka Kunture and Bachilt Archaeological Site (2012)]. Despite this, most of them are not with close proximity to cities or towns. This policy is also triggered due to the possibility of chance finding during construction and rehabilitation activities. Any potential chance finds will be identified and dealt with in the context of the ESMF.
Indigenous Peoples OP/BP 4.10	No	The project is implemented in urban centers where the beneficiary communities lie within these urban areas, and there are no people who meet the policy criteria expected to be present in the project area.
Involuntary Resettlement OP/BP 4.12	Yes	This policy is triggered because of the potential adverse social impacts that might result from the need for land acquisition and/or the loss of access to economic assets and livelihoods due to planned rehabilitation and investment activities. Since specific investment locations cannot be identified at this stage, a Resettlement Policy Framework (RPF) will be prepared and consulted upon by the borrower.
Safety of Dams OP/ BP 4.37	No	The project doesn't involve the construction or rehabilitation of dams.
Projects on International Waterways OP/BP 7.50	No	The project will not have a significant impact on a river, canal, lake, or similar body of water that forms a boundary between, or any river or body of surface water that flows through, two or more countries.
Projects in Disputed Areas OP/BP 7.60	No	Since the project is implemented in urban areas; it will not have any connection with disputed areas.

E. Safeguard Preparation Plan

1. Tentative target date for preparing the PAD Stage ISDS

20-Oct-2016

2. Time frame for launching and completing the safeguard-related studies that may be

needed. The specific studies and their timing should be specified in the PAD-stage ISDS.

Preparation of the ESMF and RPF has been initiated in September 2016 and is expected to be completed before appraisal.

III. Contact point

World Bank

Contact: Yitbarek Tessema
Title: Lead Water and Sanitation Spec

Contact: Tesfaye Bekalu Wondem
Title: Sr Water & Sanitation Spec.

Borrower/Client/Recipient

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Implementing Agencies

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IV. For more information contact:

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V. Approval

Task Team Leader(s):	Name: Yitbarek Tessema,Tesfaye Bekalu Wondem	
Approved By		
Safeguards Advisor:	Name: Nathalie S. Munzberg (SA)	Date: 27-Sep-2016
Practice Manager/ Manager:	Name: Wambui G. Gichuri (PMGR)	Date: 23-Oct-2016
Country Director:	Name: Nicole Klingen (CD)	Date: 04-Jan-2017

1 Reminder: The Bank's Disclosure Policy requires that safeguard-related documents be disclosed before appraisal (i) at the InfoShop and (ii) in country, at publicly accessible locations and in a form and language that are accessible to potentially affected persons.