

**PROJECT INFORMATION DOCUMENT (PID)  
APPRAISAL STAGE**

Report No.: AB7248

<b>Project Name</b>	AZ Integrated Solid Waste Management Project (Additional Financing)
<b>Region</b>	EUROPE AND CENTRAL ASIA
<b>Country</b>	Azerbaijan
<b>Sector</b>	Solid waste management (100%)
<b>Project ID</b>	P144279
<b>Parent Project ID</b>	P110679
<b>Borrower(s)</b>	GOVERNMENT OF REPUBLIC OF AZERBAIJAN Ministry of Finance 83, S. Vurgun Street Azerbaijan, AZ 1022 Tel: +994-12-596-7184, Fax: +994-493-0546
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<b>Environment Category</b>	<input type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> FI <input type="checkbox"/> TBD (to be determined)
<b>Date PID Prepared</b>	March 12, 2013
<b>Date of Appraisal Authorization</b>	February 21, 2013
<b>Date of Board Approval</b>	May 30, 2013

### Country and Sector Background

1. **Azerbaijan has been undergoing economic growth driven by the oil-economy.** Growth has slowed down from 5.0 percent in 2010 to only 0.1 percent of real Gross Domestic Product (GDP) in 2011. However, growth is expected to increase again and stabilize at a moderate level with projections of annual growth of 2.0 percent in 2012 and approximately 3.8 percent during 2013–16 (CPS Progress Report FY11-14). To sustain this growth, Azerbaijan will need to diversify its economy, introduce market-based policies, and strengthen public services.

2. **Improving the coverage, quality, and sustainability of local service delivery remain a key Government priority in Baku,** which is the largest urban agglomeration and economic center of Azerbaijan. The Greater Baku area has an estimated population of 3.3 million (2010) and is expected to continue growing at an average annual rate of approximately 1.3 percent, reaching about 4.3 million in 2030 (Ekodenge Strategic Plan Consultant Report 2012).

3. **Poorly managed solid waste has become a highly visible environmental issue and poses health risks to the population.** Waste generation in the Greater Baku area has reached an estimated amount of 1.8 million tons per year (AIM Texas Collection Program Design Consultant Report 2012). Demographic growth and higher incomes will further drive waste generation in Azerbaijan, particularly in the Greater Baku area, and waste generation is projected to double in the next 20 years.

4. **Azerbaijan has embarked on a long-term process of gradual improvement of waste management practices.** On September 28, 2006, the Presidential Decree No. 1697 issued the Environment State Program (ESP) and established a comprehensive plan for clean-up and remediation, hazardous and non-hazardous waste management. It involves renovating facilities and improving laws and regulations. The ESP has launched an ambitious agenda to change the current practice of Solid Waste Management (SWM) throughout the country, with particular initial emphasis on Greater Baku. This reform agenda is driven by a comprehensive operational, financial and legal restructuring of the sector in the Baku area, including significant investments in collection and disposal infrastructure supported by the Bank.

### **Objectives**

5. A revision to the original PDO 'to support the reform of the Greater Baku solid waste collection and disposal operations into an effective and sustainable system in the fields of (i) improving environmental conditions at the existing waste disposal sites, (ii) building-up operational, management and communication capabilities, (iii) rollout of collection services, and (iv) data collection and planning' would be proposed to improve its clarity.

6. The revised project objective would be to support (i) improving solid waste disposal management; (ii) increasing waste collection coverage; and (iii) enhancing waste data information and financial management capacity in the Greater Baku area.

### **Rationale for Bank Involvement**

7. As a result of the progress made and the institutional support achieved to date, the Government's sector approach has evolved beyond the original project design. The Government has established a Waste-to-Energy (WtE) Facility and a Sorting Plant located adjacent to the Balakhani landfill. The medium-to-long term strategy of the Government is to develop Balakhani as Greater Baku's principal recycling, recovery and waste management center. For that purpose, the Government plans to rehabilitate the Balakhani landfill for long-term disposal capacity to accommodate waste from the Greater Baku area for up to 20 years, including introducing a methane gas capture system. The Government's decision is based on the impressive achievements in improving management of the Balakhani site made since 2009, which eliminated the need to merely close the site. It also avoids the difficulties in finding feasible alternative sites for waste disposal if Balakhani were to be closed. This revised approach would contribute to (i) optimizing transportation routes and reducing costs; (ii) generating economies of scale; and (iii) minimizing negative environmental impacts in the Greater Baku area.

### **Description**

8. The overall design of the original project has proven to be adequate. Although revisions to the PDO are proposed to improve its clarity, in substance, the PDO remains relevant. No additional components will be introduced and the scaling-up will not trigger new safeguard policies. The Additional Financing (AF) will finance costs associated with additional activities under Component B "Balakhani Landfill Rehabilitation and Management", Component E "Technical Preparation of Future Investment", and Component A "Institutional Reform, Capacity Building and Project Management", but would not require significant changes to the

project design. Additional activities under Component B include (i) the full remediation and closure of the old waste disposal parts of the site; (ii) installation of water and leachate controls; (iii) opening of new waste cells by an upward expansion of waste disposal by increasing the “upper plateau” by an additional 50 meter; and (iv) introduction of a methane gas capture system. In addition, Component E would be revised to explicitly include activities for preparation of a national waste management and implementation roll-out plan and other national-level technical assistance to support improving SWM sector performance. Additional funds would also be allocated to Component A to cover additional expenses for project management required by the Project Management Team (PMT).

9. The original project and additional financing would finance activities under the following five components:

- a. *Component A: Institutional Reform, Capacity Building and Project Management (USD9.5 million)*. The component supports completion of strategic planning and establishment, operationalization and capacity building of the joint stock Solid Waste Management Company ‘Tamiz Shaher’(TS) expected to consolidate the fragmented waste collection and disposal systems under one new entity.
- b. *Component B: Balakhani Landfill Rehabilitation and Management (USD53.4 million)*. The component finances rehabilitation of the Balakhani landfill site, including (i) full remediation and closure of the old waste disposal parts of the site; (ii) installation of water and leachate controls; (iii) opening of new waste cells at the existing site; and (iv) introduction of a methane gas capture system.
- c. *Component C: Closure and Management of Informal Dumps (USD 7.6 million)*. This component finances closure and cleanup of informal dumps and management improvements at formal sites.
- d. *Component D: Urgent Collection Equipment (USD 5.9 million)*. This component supports to increase service quality and availability throughout the region by financing urgently needed equipment to improve solid waste collection coverage and service efficiency in the most acutely underserved areas of Greater Baku.
- e. *Component E: Technical Preparation for Future Investment (USD 5.7 million)*. The component finances feasibility studies and environmental impact assessments needed to develop landfill capacity; introduce transfer stations to maintain an enhanced collection system; preparation of a national waste management and implementation roll-out plan; and other national-level technical assistance to support improving SWM sector performance.

10. The original Closing Date of the project is September 30, 2013. An extension of the Closing date by three years to September 30, 2016 will be required to complete the additional activities. A revision of the original project name “Absheron Rehabilitation Program (ARP) II: Integrated Solid Waste Management Project” would be proposed to remove reference to the “ARP II”. The revised project name would be “Integrated Solid Waste Management Project”.

## Financing

Source	(USD million)
Republic of Azerbaijan	0.0
International Bank for Reconstruction and Development	40.0
Total	40.0

11. The overall amount of Additional Financing is US\$40 million. The majority of AF funds would be allocated to Component B to finance rehabilitation of the Balakhani landfill for long-term disposal of waste in the Greater Baku area. Additional funds would also be made available to Component A for project management and to cover additional expenses required by the PMT, and to Component E to finance activities related to national scale sector upgrading preparation activities.

## Implementation

12. The AF and project restructuring do not require any changes to the implementation arrangements in place. The Ministry of Economic Development (MED) has the overall responsibility for project implementation. A Project Management Team (PMT) has been established within the MED to manage day-to-day project management responsibilities. The PMT has been staffed adequately and functions well. The existing structures have proven to be very effective and the PMT at MED will remain the implementation unit in charge. The activities financed by this AF do not require additional capacity at the PMT.

## Sustainability

13. The Environmental State Program provides an overall framework and enjoys strong backing from all branches of government. Tamiz Shaher, the landfill operator established with support of the original project, has achieved significant improvements in operating the Balakhani landfill in a sustainable manner. The most important factor in sustainability of the solid waste management system is financial and corporate sustainability to provide and maintain adequate service levels in waste collection and manage the components of the waste collection and disposal chain. The Government's decision to upgrade the Balakhani landfill is based on the impressive achievements in improving management of the Balakhani site made since 2009, which took away the need to merely close the site. The approach avoids the difficulties in finding feasible alternative sites for waste disposal if Balakhani were to be closed. This revised approach also contributes to (i) optimizing transportation routes and reducing costs; (ii) generating economies of scale; and (iii) minimizing negative environmental impacts.

## Lessons Learned from Past Operations in the Country/Sector

14. The proposed AF incorporates lessons learned from the original project, the Azerbaijan Urgent Environmental Investment Project and the Tashkent Solid Waste Management Project. It also builds on the ongoing original project and will utilize its implementation structure and mechanisms which have proved successful.

## **Safeguard Policies (including public consultation)**

15. *Environmental safeguards.* The original project triggered OP/BP 4.01 ‘Environmental Assessment’, because potential negative environmental impacts were expected to occur due to the construction activities on closure of local uncontrolled dumps; improving Balakhani Landfill through fencing, waste coverage, drainage control, internal roads; and improving waste collection, transportation and disposal in the most acutely underserved areas of Baku. The Environmental Impact Assessment, Management Plan and Framework were prepared in 2008 to address the anticipated adverse impacts, which included: (i) traffic and noise generated by vehicles and landfill equipment; (ii) temporary pollution of air, soil, groundwater and surface water; and (iii) possible disturbance of fauna and flora ecosystems. EMPs have been incorporated in respective bidding documents and compliance is monitored closely. Mitigation measures identified by the EMP have been duly implemented during the civil works at the Balakhani Landfill.

16. In accordance with the provisions of the Environmental Management Framework (2008), an Environmental and Social Impact Assessment (ESIA) for the full rehabilitation of the Balakhani Landfill financed by this AF was prepared and disclosed in country and in the Infoshop in 2012. An Environmental Management Plan, which is part of the ESIA, has identified measures to be implemented to mitigate potential environmental impacts related to the construction/ rehabilitation works at the Balakhani site, such as erosion of slopes and sedimentation of water streams; pollution of soil and water due to improper fuelling and maintenance operations; vehicle emissions and dust; noise associated with the construction operations. The overall long-term environmental impact of the project is expected to be positive as it will lead to improved air, soil and water quality at and around the Balakhani site, improved landscape, reduced health risk, and will contribute to the improvement of the solid waste management system in the Absheron Peninsula.

17. *Social safeguards.* The project triggered OP/BP 4.12 ‘Involuntary Resettlement’ in response to the possible relocation and loss of livelihoods for up to 200 ‘waste-pickers’ at the Balakhani site. A Resettlement Policy Framework (RPF) was prepared, approved and disclosed in country and in the Infoshop on 02/27/2008. A Resettlement Action Plan (RAP) was prepared, in accordance with the RPF, concerning the relocation and compensation of 6 families (comprising 14 persons, of which 6 were women) who had been resident waste-pickers at the Balakhani site. The RAP has been fully implemented and ongoing monitoring shows that the affected persons are satisfied with their provisions under the RAP. The situation of non-resident waste-pickers at the site has been continually assessed. Surveys and monitoring show that there are (i) 144 waste pickers collecting material at the site, of which 19 percent were women; and (ii) that these non-resident waste pickers have benefitted under the project from improved working conditions, formal registration and access to increased employment opportunities at the site and no negative impacts requiring mitigation or compensation have been found.

18. The RPF has been updated for the AF and was disclosed in country and through Infoshop prior to Appraisal. Public consultations on the revised RPF were held in Baku on February 27 and 28, 2013. The activities to be financed by the AF are expected to have no negative impacts on non-resident waste pickers at the Balakhani site. Their conditions are expected to continue to improve with increased work opportunities in recycling and waste management. There is no

exclusion of the non-resident waste pickers from the income stream derived from the landfill. Non-resident waste pickers will be granted continued access to the site. The waste pickers have to register with the landfill operator prior to entering the site, receive appropriate protection gear and are allowed access to perform their activities under overall supervision of TS. The current good practice at the site will be continued during the expanded lifetime of the landfill. However, continued attention will be given to the situation of non-resident waste-pickers and in the case of detrimental changes, a RAP will be prepared to guide compensation and protection actions.

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