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Report No. P-6624-AZ

MEMORANDUM AND RECOMMENDATION
OF THE
PRESIDENT OF THE
INTERNATIONAL DEVELOPMENT ASSOCIATION
TO THE
EXECUTIVE DIRECTORS
ON A
PROPOSED CREDIT
IN AN AMOUNT EQUIVALENT TO US\$61 MILLION
TO THE
AZERBAIJAN REPUBLIC
FOR A
GREATER BAKU WATER SUPPLY REHABILITATION PROJECT

JUNE 6, 1995

Infrastructure, Energy, and Environment Division
Country Department II
Europe and Central Asia Region

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CURRENCY EQUIVALENTS

(as of February 1995)

Currency Unit = Manat
US\$1 = 4,000

WEIGHTS AND MEASURES

Metric System

ABBREVIATIONS AND ACRONYMS

ARWC - Apsheron Regional Water Company
BOD - Biological Oxygen Demand
BWA - Baku Water Agency - "Kommunpromvod"
BWD - Baku Water Distribution Company - "Bakvodoprovod"
CAS - Country Assistance Strategy
CDU - Corporate Development Unit
EBRD - European Bank for Reconstruction and Development
ECU - European Currency Unit
FSU - Former Soviet Union
GDP - Gross Domestic Product
ICB - International Competitive Bidding
IDA - International Development Association
IMF - International Monetary Fund
IS - International Shopping
LS - Local Shopping
MOH - Ministry of Health
MOHCP - Ministry of Housing and Communal Property
NPV - Net Present Value
OP - World Bank Operations Policies
PPF - Project Preparation Facility
SDR - Standard Drawing Rights
SOE - Statement of Expenditures
WDR - World Development Report

AZERBAIJAN - FISCAL YEAR

January 1 - December 31

AZERBAIJAN REPUBLIC

Greater Baku Water Supply Rehabilitation Project

Credit and Project Summary

Borrower: Azerbaijan Republic

Implementing Agency: Apsheron Regional Water Company (ARWC)

Beneficiary: Apsheron Regional Water Company

Poverty Category: Program of Targeted Interventions.

Amount: SDR 38.8 million (US\$61 million equivalent)

Terms: IDA Standard, with 35-years' maturity, and 10-years' grace.

Onlending Terms: The Ministry of Finance would onlend the IDA and EBRD funds to ARWC with repayment terms over 25 years, including 5 years of grace, at 7 percent interest.

Financing Plan: See Schedule A.

Economic Rate of Return: 26.7 percent

Staff Appraisal Report: No. 14063 AZ

Project ID Number: AZ-PA-8288

Maps:

- IBRD No. 26889 Greater Baku Sewerage System
- IBRD No. 26890 Location of Major Pumping Stations
- IBRD No. 26891 Greater Sewerage and Waste Disposal Sites
- IBRD No. 26892 Country Map and Major Water Sources
- IBRD No. 26893 Greater Baku Water Supply Network

**MEMORANDUM AND RECOMMENDATION OF THE PRESIDENT
OF THE IDA TO THE EXECUTIVE DIRECTORS
ON A PROPOSED CREDIT
TO THE AZERBAIJAN REPUBLIC
FOR A GREATER BAKU WATER SUPPLY REHABILITATION PROJECT**

1. I submit for your approval the following memorandum and recommendation on a proposed credit to the Republic of Azerbaijan for the equivalent of SDR 38.8 million (US\$61 million equivalent) to help finance a project for the rehabilitation of the Baku water supply system. The credit would be on IDA terms with a maturity of thirty five years, including ten years of grace. EBRD will make a loan of ECU 17 million (US\$23 million equivalent) to the Republic of Azerbaijan at standard EBRD terms, with a 3-year grace period and 15-year maturity, at an interest rate of one percentage point above LIBOR, which will be used to finance the purchase of goods and works under the same terms and conditions as the IDA Credit.

2. **Country Background.** Azerbaijan lies on the southeastern flanks of the Caucasus mountains and is one of the smallest countries of the Former Soviet Union (FSU). The population of Azerbaijan is estimated at about 7.4 million people (1993) with over half of the population living in urban areas. It is endowed with fertile agricultural land and natural resources, including substantial underdeveloped petroleum reserves. During 1992, after three years of relatively small declines, Azerbaijan's economy underwent a particularly sharp contraction with a rapid acceleration of inflation. These trends continued into 1993 and early 1994. Gross Domestic Product (GDP) in 1993 was only about 60 percent of its 1988 level. The worsening economic situation in 1993 was also marked by a serious deterioration in both the fiscal and external balances.

3. Nonetheless, the Government initiated reform measures to liberalize the economy and ensure the transition to a market economy. In this connection, the Government took an early decision to introduce a national currency, the manat, liberalized most prices, initiated financial sector reforms, and began developing the necessary legal and institutional framework to support these changes. On the other hand, enterprise restructuring and land reform were limited. However, the recent cease-fire and the improved prospects for peace in Nagorno-Karabakh have strengthened the Government's determination to accelerate comprehensive reforms. The Government has concluded the purchase under the IMF's Systemic Transformation Facility for a comprehensive program of stabilization and structural reform, and has requested the Bank to support its reform efforts with a Rehabilitation Credit.

4. **Sector Background.** Baku, the capital city, is the administrative, cultural, commercial and industrial center of Azerbaijan. Its population is nearly 2.6 million (1993), including 380,000 refugees from Nagorno-Karabakh, representing nearly 35 percent of the national population. At present, the city's water facilities offer a poor and declining service to about 2.45 million users. Industry has historically received priority in the allocation of water resources, with domestic water rationing the norm. Recently the water supply problem increased, especially for households, because of a marked physical deterioration in the systems. In the larger urban areas, many households are restricted to six hours or less of piped water per day. While nearly all of Baku's households are considered officially connected to the public water supply system, on average water is available to individual families for only 22 days per month for a maximum of 11 hours per day. Data provided by the Baku Water Agency (BWA) suggest that unaccounted for water is extraordinarily high and varies between 65 percent and 70 percent of production.

5. The major constraints to water sector development are endemic and include: (i) the lack of finance for maintenance, rehabilitation, and, in the longer term, new investment; (ii) the lack of a proper policy framework; and (iii) a noncommercial approach to pricing. There are a number of agencies and ministries, often with overlapping or unclear lines of authority, which impede the efficient development of multisectoral planning, programming, and budgeting initiatives. The result is a piecemeal response to sectoral needs that focuses on the installation of large-scale physical infrastructure projects. Because many of these facilities were not operationally integrated into a program of asset maintenance and improvement at the planning and implementation stage, operating and maintenance requirements customarily receive low priority in the national budgeting process. Today, many of the water infrastructure systems, especially the canals, reservoirs and water production and distribution networks, have regressed into a state of systemic degradation, exhibiting the accumulated effect of decades of inadequate maintenance.

6. Institutionally, the Ministry of Housing and Communal Property (MOHCP) owns and operates regional and municipal water supply and sewerage agencies which are responsible for the bulk transmission, treatment and distribution of potable water and the collection and disposal of sewage. Sewerage services are provided by the municipalities. The BWA and its affiliate water distribution company, the Baku Water Department (BWD) is badly in need of reorganization of its services. It is characterized by an anachronistic, unresponsive corporate model inherited from the Soviet system; fragmented organization and operations; nearly nonexistent maintenance, given lack of supplies and equipment; an absence of collection and reporting of information and ineffective enforcement of collection of arrears; and an accounting system that does not yield even the most basic management information. In light of the current crisis in provision of basic water supply, the Government has requested Bank assistance to address the most urgent aspects of water infrastructure rehabilitation.

7. **Project Objectives.** The primary objectives of the Project are to: (i) make emergency short term improvements in the water supply system to restore the water supply to Baku, in particular to the poorer elements of the population; (ii) improve the water supply system as a whole; and (iii) provide the basis for longer term planning and recovery. Although such a rehabilitation effort does not normally have extensive policy conditionality, the Project will ensure that the newly created joint stock company named the Apsheron Regional Water Company (ARWC): (i) becomes fully operational; (ii) establishes a twinning arrangement with a modern, market-oriented water agency from a developed country; and (iii) consolidates its operations under one management structure in one location.

8. **Project Description.** The Project comprises five main components:

- a. **Water Demand Management** (US\$6.7 million, or 7 percent of total project costs).
Metering and Billing. About 15,000 domestic water meters will be installed. At the same time, the billing system will be changed from flat rate billing to metered billing; Consumer Education. A consumer awareness program would provide practical advice on how to reduce water losses and optimize water use, including television commercials, posters, and the use of leaflets in targeted areas; and Household Leakage. About 180,000 households will have water fixtures installed by independent contractors to eliminate leakage.
- b. **Operations and Maintenance Improvements** (US\$28.7 million, or 30 percent of total project costs): Vehicles, Workshops and Equipment. A number of crew vehicles, light vans, trucks and other construction equipment will be acquired.

Workshops will be replaced or refurbished and supplied with the requisite tools, equipment, and communications equipment, including compressors, welding sets and portable pumps, etc. and Materials. A one-year supply of pipework materials, valves and fittings will be purchased to complement the household leak-detection program and to repair burst pipes in the network.

- c. **Supply Improvements** (US\$39.5 million, or 42 percent of total project costs):
Rehabilitation of Jeiranbatan and Kura River Treatment Facilities. This would include renovating the chemical dosing and filtration systems, refurbishing the presettlement tanks and the filter washwater systems, replacement and/or rehabilitation of electrical transformers, high-lift pumping stations, switching gear, pumps, and internal piping and filtration facilities; Rehabilitation of Pumping Stations. The 13 major pumping stations and 261 booster stations will be rehabilitated on an as-needed basis with pump replacements/repair, rehabilitation of electrical transformers, and replacement of internal piping; and Master Meters. Master flow and turbine insertion meters will be installed at each of the water sources, major pumping stations, service reservoir discharge outlets, and at key points in the distribution network.
- d. **Institutional Capacity Building** (US\$8.3 million, or 9 percent of total project costs):
Technical Assistance. Corporatization, a twinning arrangement, and related training will provide the framework for the commercial operation of ARWC. Specific programs also will be designed to assist ARWC in the implementation of the consumer education program, the introduction of new technology into the ARWC, and the implementation of an Institutional Restructuring Plan aimed at reorganizing and strengthening management systems, especially accounting, billing and collection, financial management, information management, and operations management; and office consolidation. A newly acquired headquarters building for ARWC would be remodelled, furnished, and equipped with appropriate office equipment, including computers, photocopying machines, drafting tables and the like.
- e. **Studies and Construction Supervision** (US\$6.3 million, or 7 percent of total project costs). The preparation of a Phase II Project for Baku would be placed within a national policy framework and a regional water and sewerage master plan to be developed in the context of the Corporate Development Unit, the project implementation unit (see below).

9. In addition to the five major components, the project costs also include interest during construction (US\$4.4 million or 5 percent of total project costs) and repayment of a PPF Advance (US\$1.0 million or 1 percent of project costs).

10. **Project Implementation**. To initiate the reform process and internally restructure ARWC, a Corporate Development Unit (CDU) has been established. The objectives of the CDU would be to: (i) facilitate the transition of the BWA from a Government department to the new joint stock company (ARWC); (ii) to assist ARWC in improving its operational and financial performance; (iii) manage all aspects of Project implementation; and (iv) provide the nucleus for the management team of ARWC. The CDU will be assisted in achieving these objectives under a corporate partnership agreement with a qualified water agency in Europe, Asia, or North America acceptable to IDA. In addition to implementing the reform strategy, the CDU would be responsible for Project management, including

monitoring project implementation, processing of contractor payments, processing IDA and EBRD disbursement requests, procurement and management of Project funds.

11. **International Waterway.** The Kura, Araks and Samur Rivers are international waterways within the meaning of the World Bank's Operational Policies (OP 7.50). However, the Project is exempt from the notification requirement pursuant to OP 7.50 for the following reasons: (i) the Project will finance only rehabilitation and upgrading of existing systems; (ii) the rehabilitation activities will have no adverse affect on the quantity or quality of water flows to or from any other riparian country; (iii) there is no indication that the Project would be appreciably harmed by other riparians' possible use of water and (iv) there have been no findings to suggest that any international agreements exist between Azerbaijan and other riparians on the sharing of international waters that might be affected by this Project.

12. **Project Sustainability.** The goal and the measure of Project sustainability is service that responds to the effective demand of the consumer and does so efficiently. Changes at both the local and national level would be required to achieve this goal and include three principles of reform. First, ARWC would be managed on a commercial basis. Second, the users and stakeholders in the utility would be given a strong voice and real responsibility. And third, the Government will have a continuing, but lesser, role in the provision of potable water. The Project will incorporate these principles into the Institutional Restructuring Plan. Further, changes in the national tariff policy, agreed during Project appraisal, will contribute to financial sustainability by ensuring that ARWC, over time, will recover full operational and maintenance costs and will be in a position to make contributions to its investment programs from internally generated funds. The social assessment and its follow-up programs will inculcate greater community participation in the development process.

13. **Lessons Learned from Previous Bank/IDA Involvement.** Bank/IDA project experience in Azerbaijan is limited to implementation of Project Preparation Facilities (PPF). This indicates that institutional capacity for implementation is limited, and that responsibilities are often not well delineated between Government and enterprises. Project design thus has relied on the extensive experience of Bank/IDA in the sector.

14. As of December 31, 1993, Bank lending to the water supply and sewerage sector totalled US\$11 billion, funding 277 projects. While most of these projects were successful in achieving their physical objectives and in achieving least cost solutions, there has been limited success in achieving strong and financially viable institutions and poverty relief. Bank experience also has shown that achieving institutional and financial viability through project design has proved elusive. In general, measurable success has been achieved only in projects that enjoyed the full commitment of the borrower and substantial resources for training and technical assistance. A recent World Bank study, which examined more than 120 urban water projects between 1967 and 1989, concluded that despite efforts at capacity building for the public institutions concerned, few countries have achieved acceptable levels of performance for public water and sewerage utilities. Also, the financial performance of water and sewerage agencies was equally poor.

15. Some of the reasons for the less than optimal results, which were also confirmed in the 1994 World Development Report (WDR), include: (i) lack of clear sector policies; (ii) lack of management and financial autonomy; (iii) staff inexperience in project implementation; and (iv) lack of participation by users and other stakeholders in the decisionmaking process. These lessons, to the extent feasible, have been incorporated into the design of the Project in four specific ways: (i) the IDA-initiated social assessment was a first step towards generating informed public participation in the

design of the Project. The study also demonstrated a clear willingness on the part of the consumer to pay for improved water supply. As a consequence of the assessment, a larger Government constituency is evolving in support of policy and pricing reforms; (ii) care has been taken to elicit strong support for the Project at both the Government and implementing agency level; (iii) special emphasis has been given to increasing public awareness on the merits of water conservation and environmental protection and to optimizing existing water production capacity (no new investments for capacity increases are proposed under the Project); and (iv) substantial amounts of training and technical assistance have been incorporated into the Project to support initiatives aimed at streamlining the sector, restructuring the existing water supply administration, and providing both operational and administrative training opportunities geared to improve service delivery, clarify lines of authority, and set appropriate pricing policies.

16. **Rationale for Bank Involvement.** The Project is fully consistent with the Country Assistance Strategy discussed by the Board on April 20, 1995 during the discussions on the Petroleum Technical Assistance Project.

17. **Agreed Actions.** During Credit negotiations, agreement was obtained from the Government and/or ARWC on: establishment of a national policy and regulatory framework for the water and sewerage sector to be completed by June 30, 1996 and implemented by December 31, 1996 using consultants satisfactory to IDA; preparation of an Institutional Restructuring Plan satisfactory to IDA through a twinning arrangement with a qualified water agency acceptable to IDA; establishment of a properly equipped leakage inspection repair team to be in place by December 31, 1995; appointment of a Public Relations Officer of suitable background by September 30, 1995; appointment of a Human Resources and Training Coordinator of suitable background by September 30, 1995. The ARWC also will prepare a comprehensive tariff study by June 30, 1996 and following completion of the study, long-term tariff rates will be adjusted according to an agreed timetable.

18. The following conditions for **Credit effectiveness** have been stipulated: selection of a corporate partner; satisfactory evidence that all conditions precedent to the effectiveness of the EBRD loan have been fulfilled; and the execution of a subsidiary loan agreement between the Government and ARWC satisfactory to IDA.

19. **Poverty Category.** Program of Targeted Interventions. The Greater Baku Water Supply Rehabilitation Project, which will be the Bank's first infrastructure operation in Azerbaijan, will support Government strategy by enhancing an essential public service whose benefits will be transferred to virtually every income group--including the productive sectors, the urban poor, including the elderly and pensioners on fixed incomes, and women. The results of the Baku Social Assessment Survey (July 1994) show that households on low incomes spend about 7.1 percent of their monthly income in securing minimal quantities of water from a variety of sources; compared with higher income households who spend about 2.1 percent of their income in securing an adequate supply. Therefore, an improved public water supply system will be of greater benefit to the urban poor. In order to sharpen the poverty focus of the Project, the rehabilitation program places priority attention on lower income areas of the city.

20. **Environmental Aspects.** Preparation of the Project has included environmental studies consistent with the applicable procedures of the Government of Azerbaijan and the provisions of World Bank Directive 4.01, "Environmental Assessment." In accordance with these procedures, consultants have prepared an environmental analysis, complying with the requirements of a Category B project. The Project is conceived as a package of urgent measures to restore order to the water

sector both institutionally and technically, along with identifying a menu of activities in a sector master plan that ultimately will bring about the needed improvement in the quantity and quality of water supplied to the Greater Baku area, thus leading to overall environmental improvement and increase in the quality of life for all segments of the population. Implementation of the Project will result in improvements to the quality of potable water through reduction of potential cross contamination from polluted groundwater.

21. Moreover, the replacement water pipes will be either ductile iron, steel or plastic--no asbestos cement pipe will be used. The Project will increase the volume of sewage discharged, although the total solids and biological oxygen demand loadings should increase only slightly especially if the Project's water conservation strategy is successful. Resources are insufficient, however, to address the sewerage needs in the Project area and the first priority and focus of the Project is to bring the water supply system to order. It is envisaged that the next phase of investments will provide additional resources to improve the sewerage collection systems in developed areas and to provide a minimum level of treatment, which would likely comprise at least screening and grit removal. While only about 50 percent of the sewage is now treated, the danger from hazardous wastes is not likely to increase.

22. **Program Objective Categories.** The Project would support the transition process through key policy reforms and adjustment measures in the water supply sector, including institutionalizing a rational decision making process for new investments in the sector. In addition to improved economic management measures, as a first step in privatizing the water sector, a joint stock company has been created emphasizing cost recovery principles, sound financing mechanisms (including financial resource mobilization), and a strong institutional framework supplemented through a twinning arrangement with an international private sector water agency. Poverty reduction is a major centerpiece of the Project. Most households have to cope with an insufficient and irregular supply of water, with the lower income groups and women bear the greatest burden of the water supply crisis. To extent possible, lower income areas will receive special emphasis is restoring water service.

23. **Participatory Approach.** To gain a better idea about potential impacts of water service levels on Baku residents, IDA initiated and designed a household survey/social assessment in July 1994, which was carried out by the Azerbaijan Institute of Social Management and Political Sciences in conjunction with the State University of Baku. The social assessment identified key stakeholders and proposed an appropriate framework for their participation in project design and implementation, evaluated the social impact of the proposed interventions on households and investigated whether certain social groups may be adversely affected, in order to design social mitigation measures for those who would experience negative impacts, and to ensure that project objectives and incentives for change were appropriate and acceptable to all beneficiaries.

24. **Project Benefits.** The main quantifiable benefits resulting from the Project include: (a) willingness to pay for an improved water supply system, particularly in terms of a reduction in the need for families to invest in "coping" strategies to secure a reasonable amount of water; (b) improvements in the standards of public health and hygiene by reducing the incidence of waterborne and water related diseases; and (c) incremental savings in annual operating costs. Project analysis indicate that by the year 2000, 52 percent of the quantified benefits are generated by savings in annual operating costs, with 38 percent attributable to willingness to pay and 10 percent to public health benefits. By the year 2005, willingness to pay accounts for 54 percent, savings in annual operating costs 38% and public health benefits 8 percent.

25. **Qualitative socioeconomic benefits** include: property value enhancement, which will become more apparent as the market for residential property begins to develop; environmental benefits through a substantial reduction in unaccounted-for water, improvements in water quality, reduction in the number of burst water mains, and less pumping from local groundwater sources which are both polluted and suffering from saline intrusion; recreation and amenity improvements through the rehabilitation of water supply facilities which will enhance the city's development prospects as a tourism center; industrial and regional development in the medium to long term will benefit from a more reliable and adequate water supply to support the recovery program into the next century; and national and regional development objectives will receive a significant boost through an improved public utility service which will raise living standards and enhance the public's trust in other components of the Government's development strategy.

26. **Risks.** There are risks inherent to a first-time investment operation for a new borrower. These risks include: (a) delays in Project implementation due to the limited experience of ARWC in this type of activity; (b) possible understatement of construction costs due the very limited experience of ARWC with actual costs for implementation and previous lack of construction experience to international standards in this sector; (c) reluctance of the Government to face up to the challenges of implementing the requisite sector and institutional reforms; (d) underestimating the extraordinary effort and long-term commitment required to achieve financial viability in the water supply sector; and (e) unrealistic and hence demoralizing expectations that Baku water supply crisis could be resolved in a short period of time. These risks will be reduced through the early establishment of a twinning arrangement with another water utility, by significant supervision by staff from Bank headquarters, by the use of appropriate physical and price contingencies, by the continuing dialogue with the Government and ARWC, by building the capacity of ARWC to carry out its responsibilities effectively through extensive technical assistance support, and by the public extensive information and public education program to be financed under the Project.

27. **Recommendation.** I am satisfied that the proposed credit would comply with the Articles of Agreement of the Association and I recommend that the Executive Directors approve it.

James D. Wolfensohn
President

Attachments: Schedules A - D
Washington, D.C.
June 6, 1995

SCHEDULE A

AZERBAIJAN REPUBLIC

Greater Baku Water Supply Rehabilitation Project

ESTIMATED COSTS AND FINANCING PLAN

Project Components	<u>US\$ Millions</u>			% Foreign	% of Base Cost
	Local	Foreign	Total		
A. Water Demand Management	1.82	3.63	5.45	67	7
B. Operations and Maintenance Improvements	2.96	21.45	24.41	88	33
C. Supply Improvements	4.12	27.09	31.21	87	42
D. Institutional Capacity Building	2.12	5.21	7.33	71	10
E. Studies	0.41	3.12	3.53	91	6
F. Project Supervision	1.04	0.88	1.92	46	3
Base Costs	12.47	61.38	73.85	83	100
G. Physical Contingencies	1.39	6.56	7.95	83	11
H. Price Contingencies	1.26	6.43	7.69	84	10
Total Project Costs	15.12	74.37	89.49	83	121
I. Interest & Fees	0.00	4.41	4.41	100	7
J. Repayment of PPF Advance	0.00	1.00	1.00	100	1
Total Costs to be Financed	15.12	79.78	94.90	84	129

Financing Plan:

US Millions

	LOCAL	FOREIGN	TOTAL
IDA	7.4	53.6	61.0
EBRD	0.0	23.0	23.0
Government	7.7	3.2	10.9
Total	15.1	79.8	94.9

Disbursements**Allocation of IDA Credit Proceeds**US\$ Millions

Category	Amount	% of Expenditures to be Financed
Turnkey Contract	18.5	85%
Civil Works	4.0	65%
Goods	27.4	100% of foreign expenditures 100% of ex-factory cost of local expenditures 85% of other local expenditures
Consultant's Services	4.0	100% of expenditures
Refund of PPF Advance	1.0	100% of expenditures
Unallocated	6.1	
Total	61.0	

Estimated Disbursements:

Bank Fiscal Year	1996	1997	1998	1999	2000	2001
Annual	10.9	12.9	17.1	15.7	3.5	0.9
Cumulative	10.9	23.8	40.9	56.6	60.1	61.0
% of Total	17.8	38.9	67.0	92.6	98.5	100.0

AZERBAIJAN REPUBLIC**Greater Baku Water Supply Project****Summary of Proposed Procurement Arrangements**In US\$ Millions

Project Elements	Procurement Methods (1) and (7)			
	ICB	Other	NIF(6)	Total
1. Turnkey Contract	21.85 (18.50)		16.54	38.39 (18.50)
2. Civil Works	1.92 (1.54)	6.00 (2) (4.20)	1.1	9.02 (5.74)
3. Goods	24.86 (24.00)	3.01 (3) (2.70)	4.44	32.31 (26.70)
4. Consultant Services and Training		9.06 (4) (9.06)	0.70	9.76 (9.06)
5. PPF		1.00 (5) (1.00)		1.00 (1.00)
Total	48.63 (44.04)	19.07 (16.96)	22.78	90.48 (61.00)

Note: (1) figures in parenthesis are the amount to be financed by the proposed IDA Credit.

(2) Local Shopping defined in Project Agreement.

(3) International shopping , plus Local Shopping .

(4) Hiring Consultant Firms according with IDA Guidelines.

(5) Consultants hiring for Project Preparation.

(6) Non IDA Financing.

(7) excludes interest during construction.

AZERBAIJAN REPUBLIC**Greater Baku Water Supply Rehabilitation Project****TIMETABLE OF KEY PROJECT PROCESSING EVENTS**

(a) Time taken to prepare	16 months
(b) Prepared by	Baku Water Company (BWA)
(c) First Bank mission	February 1994
(d) Appraisal	February 1995
(d) Negotiations	May 1995
(e) Planned date of effectiveness	September 30, 1995
(g) List of relevant documents	N/A (first infrastructure operation)
(h) Participants in project preparation:	

Members of the IDA Appraisal team comprised R.C. Wildeman (Task Manager), Jan Drozd and Lea Donaldson (Sanitary Engineers), William Mayville (Institutions and Training), Malcolm Summerfield (Finance and Economics), Piotr Krzyzanowski (Environment), and Ayse Kudat, Klaus Moeltner and Nezahat Ozman (Social Assessment). Members of the EBRD team included Johan Bastin (Task Manager), Rod Hewett (Water Resources Engineer), Gavin McDonell (Institutions), and Richard Beardsall (Water Utility Operations). Managing Division Chief, Jonathan Brown; Department Director, Yukon Huang.

SCHEDULE D

AZERBAIJAN REPUBLIC

Baku Water Supply Rehabilitation Project

STATUS OF BANK GROUP OPERATIONS

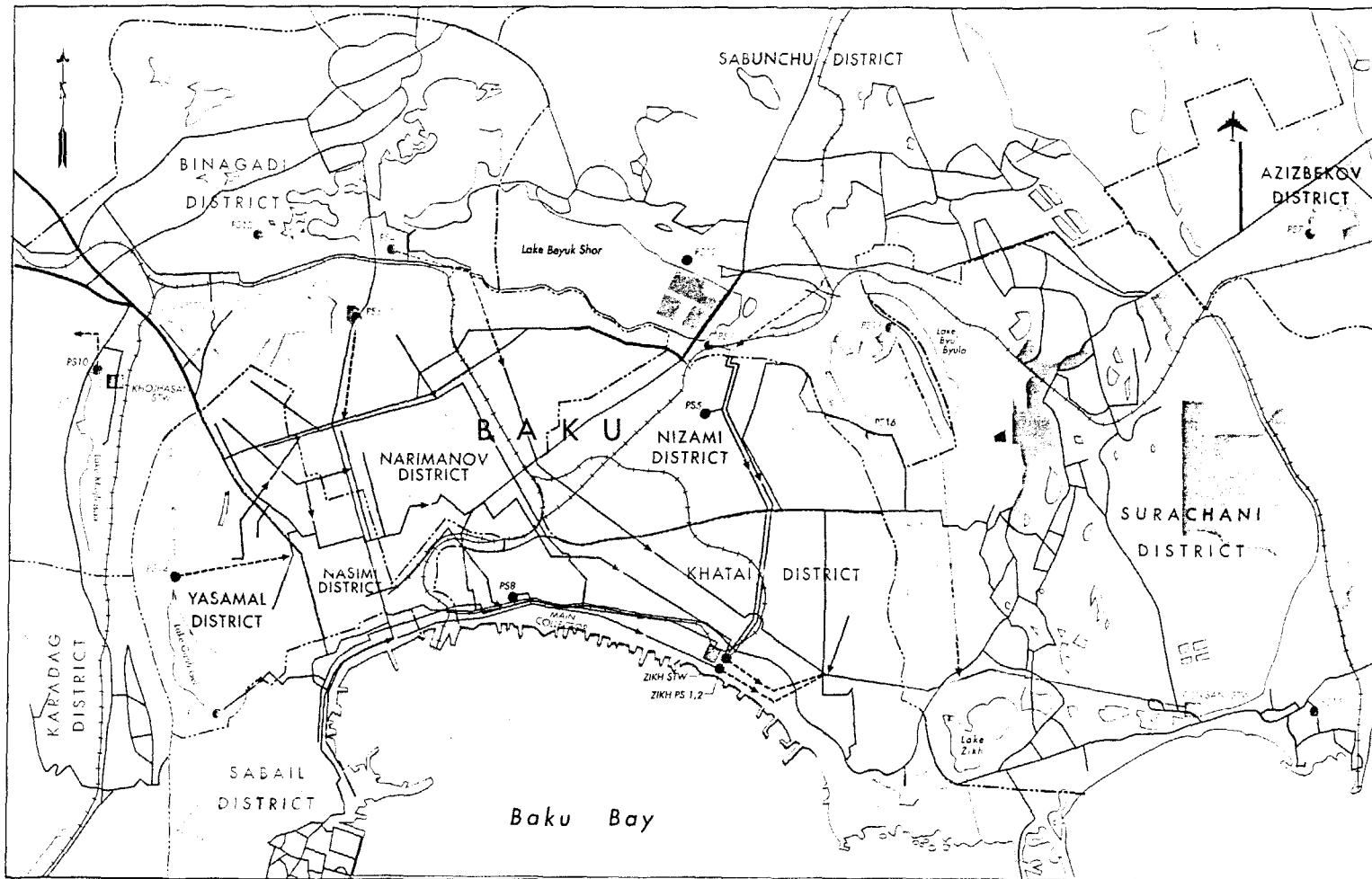
As of June 6, 1995, the Bank's lending program for Azerbaijan has one loan: the Azerbaijan Petroleum Technical Assistance Program for \$20.8 million, approved by the Board on April 20, 1995.

STATUS OF IFC OPERATIONS

As of June 6, 1995, there were no IFC operations in Azerbaijan, because it is not a member country of the IFC.

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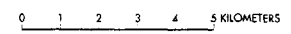
MAP SECTION



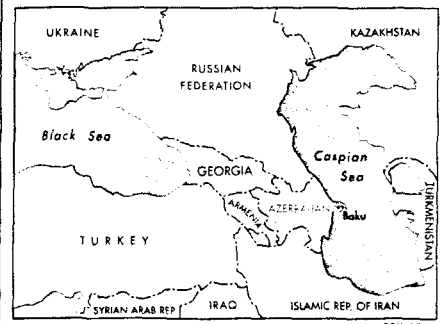
AZERBAIJAN GREATER BAKU WATER SUPPLY REHABILITATION PROJECT SEWERAGE SYSTEM

- MAIN SEWERS
- - - PUMPING MAINS
- PS ● PUMPING STATIONS*
- SEWAGE TREATMENT WORKS
- MAIN ROADS
- OTHER ROADS
- RAILROADS
- BUILT-UP AREAS
- GREEN SPACES
- - - BAKU DISTRICT BOUNDARIES
- - - BAKU ADMINISTRATIVE AREA BOUNDARIES
- - - INTERNATIONAL BOUNDARIES (INSET)

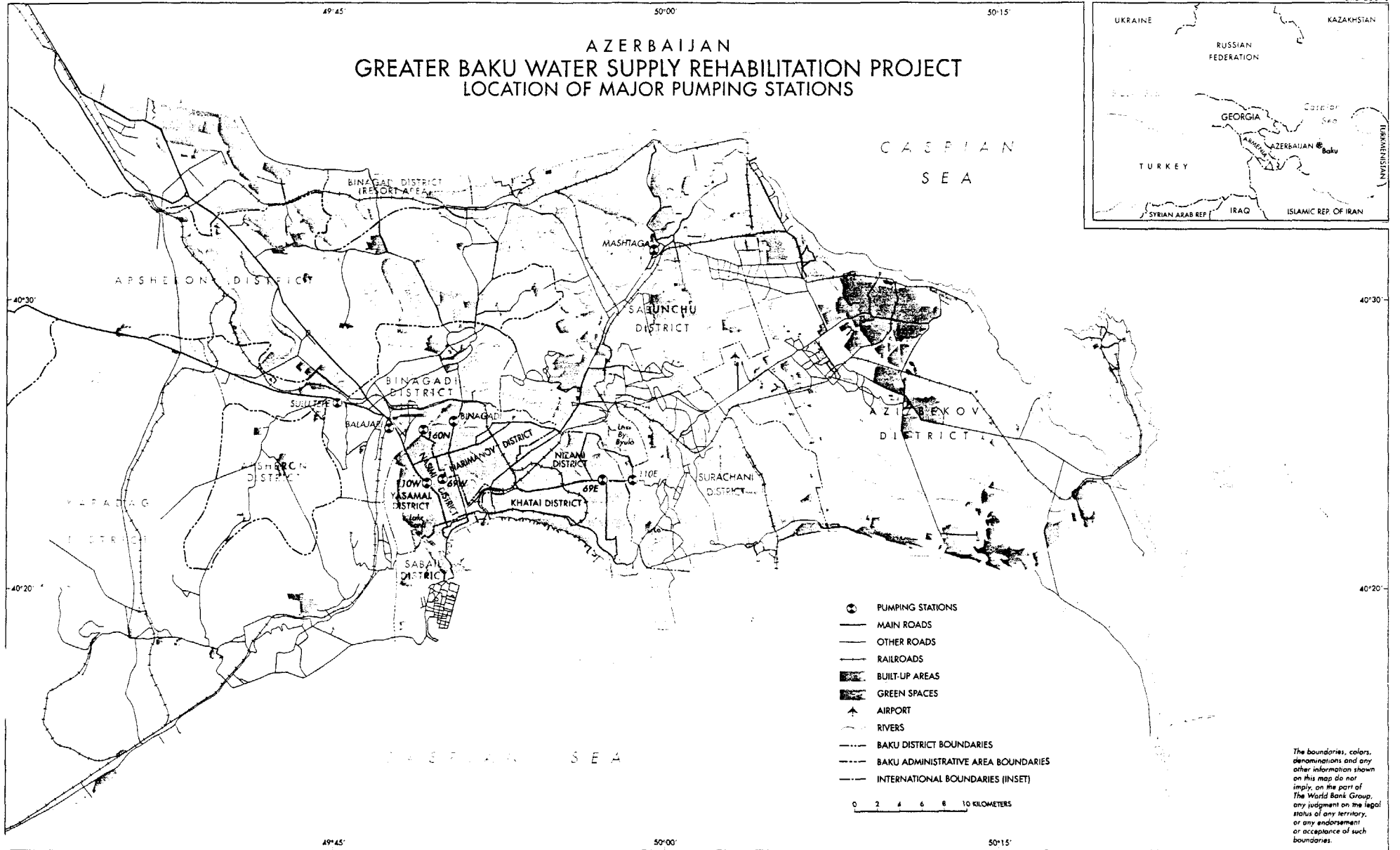
*NOTES:
 1. Pumping stations 7, 10, 12, 13, 15 and 16 do not discharge to Baku sewerage system.
 2. Not shown is Sewage Treatment Works at Mardakan/Shuvelan (on northeast coast).



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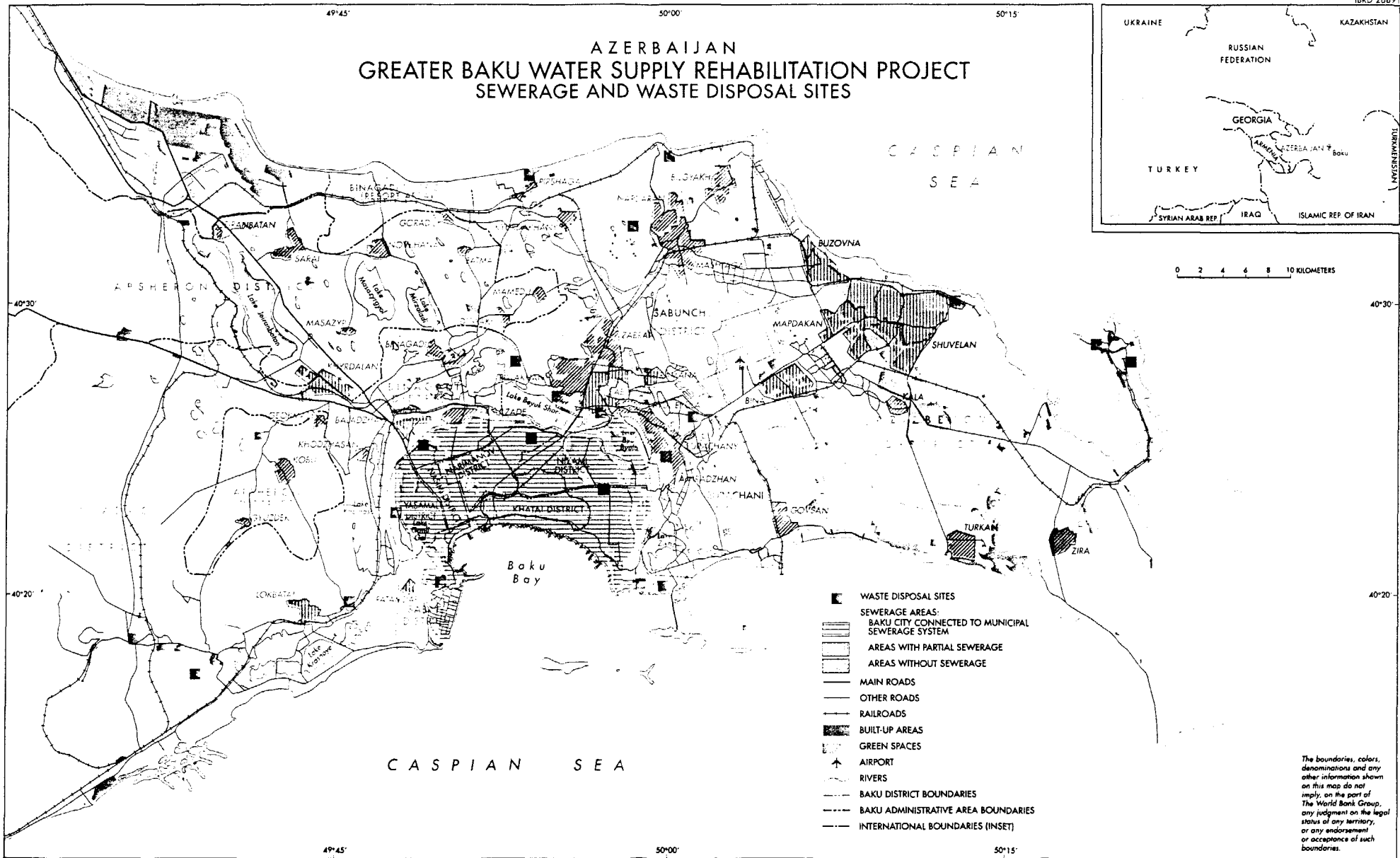


AZERBAIJAN GREATER BAKU WATER SUPPLY REHABILITATION PROJECT LOCATION OF MAJOR PUMPING STATIONS

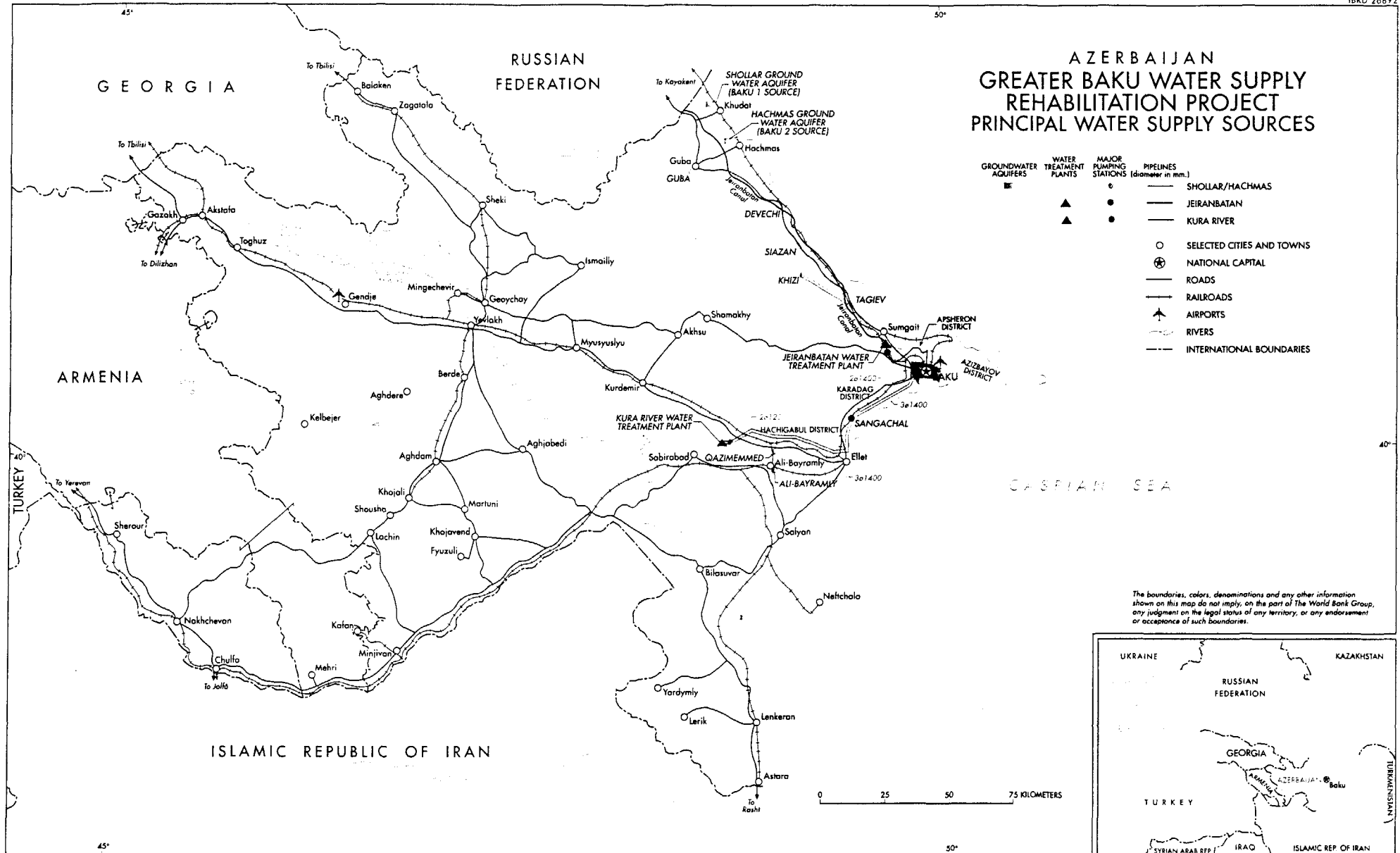


The boundaries, colors, denominations and any other information shown on this map do not imply, on the part of The World Bank Group, any judgment on the legal status of any territory, or any endorsement or acceptance of such boundaries.

AZERBAIJAN GREATER BAKU WATER SUPPLY REHABILITATION PROJECT SEWERAGE AND WASTE DISPOSAL SITES



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AZERBAIJAN GREATER BAKU WATER SUPPLY REHABILITATION PROJECT PRINCIPAL WATER SUPPLY SOURCES

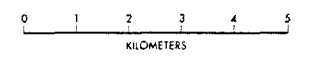
- | | | | | | |
|---|---|---|-----|---|---------------------------|
| ■ | ▲ | ● | ○ | — | SHOLLAR/HACHMAS |
| | ▲ | ● | ○ | — | JEIRANBATAN |
| | | | | — | KURA RIVER |
| | | | ○ | | SELECTED CITIES AND TOWNS |
| | | | ⊗ | | NATIONAL CAPITAL |
| | | | — | | ROADS |
| | | | — | | RAILROADS |
| | | | ✈ | | AIRPORTS |
| | | | — | | RIVERS |
| | | | --- | | INTERNATIONAL BOUNDARIES |

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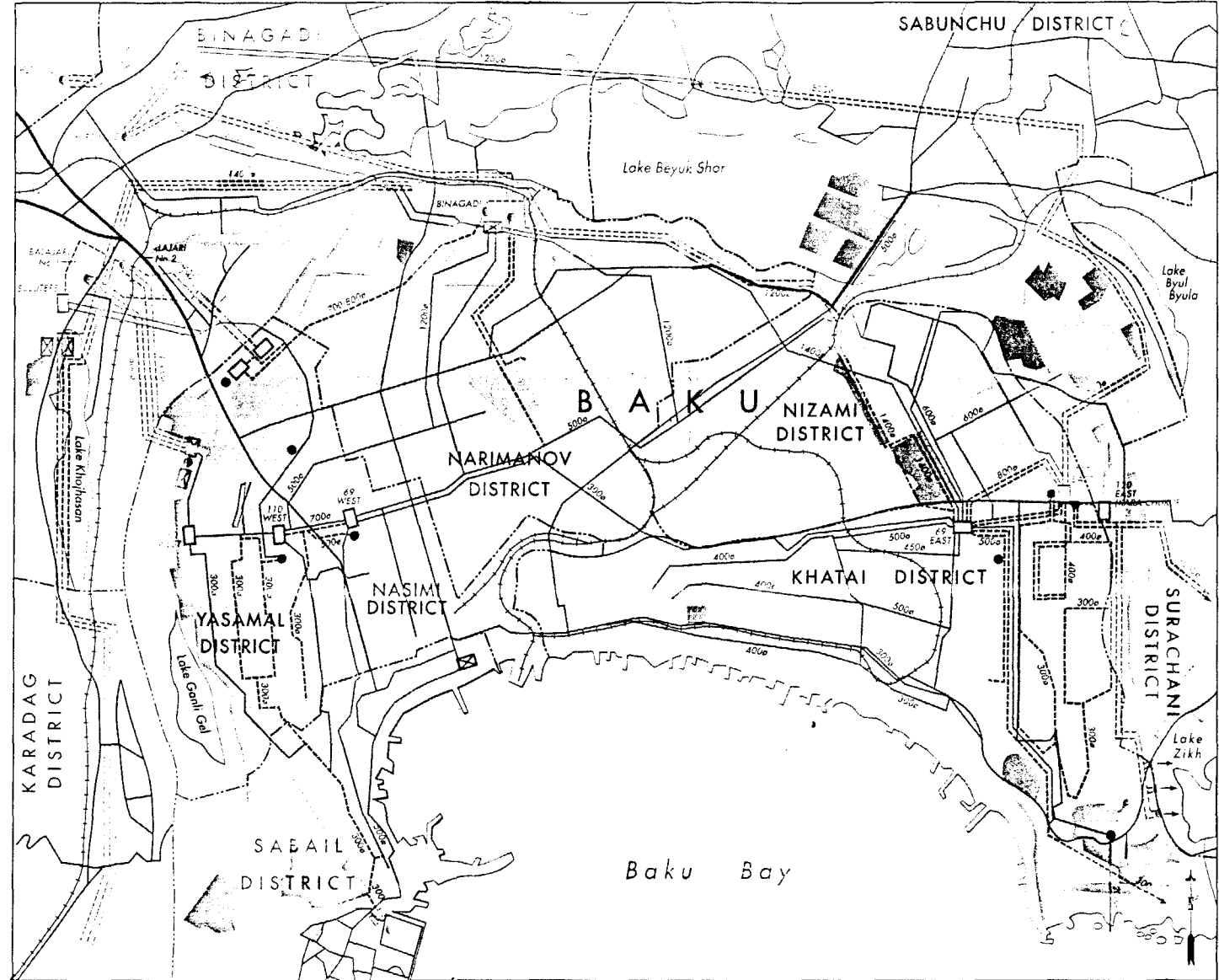
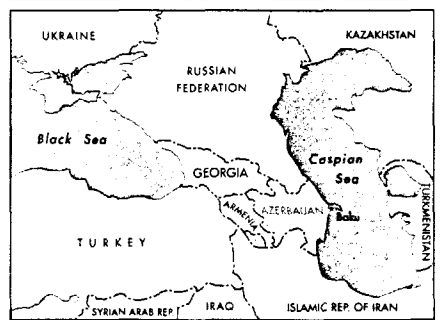


AZERBAIJAN GREATER BAKU WATER SUPPLY REHABILITATION PROJECT WATER SUPPLY SYSTEM

- GRAVITY MAINS
- - - PUMPING MAINS
- PIPE DIAMETER IN MILLIMETERS
- PUMPING STATIONS
- RESERVOIRS
- ⊠ MIXING STATIONS
- MAIN ROADS
- OTHER ROADS
- RAILROADS
- BUILT-UP AREAS
- GREEN SPACES
- - - BAKU DISTRICT BOUNDARIES
- - - BAKU ADMINISTRATIVE AREA BOUNDARIES
- - - INTERNATIONAL BOUNDARIES (INSET)



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IMAGING

Report No: P- 6624 AZ
Type: MOP