

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

Report No.: PIDISDSC15921

Date Prepared/Updated: 29-Feb-2016

I. BASIC INFORMATION

A. Basic Project Data

Country:	Azerbaijan	Project ID:	P157091
		Parent Project ID (if any):	
Project Name:	Absheron Lakes Cleanup and Rehabilitation (P157091)		
Region:	EUROPE AND CENTRAL ASIA		
Estimated Appraisal Date:	10-Feb-2017	Estimated Board Date:	18-Jul-2017
Practice Area (Lead):	Environment & Natural Resources	Lending Instrument:	Investment Project Financing
Sector(s):	General water, sanitation and flood protection sector (65%), Solid waste management (20%), Wastewater Treatment and Disposal (15%)		
Theme(s):	Pollution management and environmental health (80%), Land administration and management (10%), Other urban development (10%)		
Borrower(s):	Republic of Azerbaijan		
Implementing Agency:	Ministry of Economy		
Financing (in USD Million)			
	Financing Source	Amount	
	Borrower	15.00	
	International Bank for Reconstruction and Development	85.00	
	Financing Gap	0.00	
	Total Project Cost	100.00	
Environmental Category:	A - Full Assessment		
Concept Review Decision:	Track II - The review did authorize the preparation to continue		
Is this a Repeater project?	No		

Other Decision (as needed):	
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B. Introduction and Context

Country Context

Azerbaijan has been one of the fastest-growing economies in ECA for a decade, with an average annual growth rate of 12.6% during the period 2002-2013. As the Azerbaijan economy prepares to further diversify, policy and decision-makers plan to boost the returns to human capital and stimulate income-generation processes at the household level. Both the Government and industry are paying increasing attention to the improvement of environmental quality in urban areas as a way to sustain investments and development. The residential expansion of the Baku area will occur to the west and to the east, where polluted lakes and lands are located. Urban lakes are a key feature of the landscape that could, if properly cleaned up, significantly contribute to the improvement in the quality of life in the Greater Baku area. Land redevelopment, if managed appropriately, will also bring development and employment opportunities and share of prosperity to the local population.

Sectoral and Institutional Context

Industrial activities and urban sprawl, together with inadequate environmental management, have led to negative environmental consequences such as water pollution, solid and hazardous waste pollution, and land contamination. Unchecked pollution and uncontrolled discharge of untreated effluents and solid waste from industrial and residential sources due to insufficient and inadequate wastewater and solid waste treatment facilities exacerbate the scale of pollution and necessitate a complex solution for the rehabilitation of land and water bodies. The complex issue of landscape degradation implies not only the pollution of water bodies, but also the contamination of soil surrounding, and sediments underneath the polluted lakes.

Pollution from the oil sector is acutely observed and documented in many locations of the Absheron Peninsula – the center of the oil production area, which makes the Peninsula one of the regions with significant land contamination. There are an estimated 220,000 ha just in Greater Baku, of which about 23,000 ha, or approximately 10%, are oil-contaminated lands, and 7,200 ha contaminated lakes.

Land degradation is a deterrent to future land development in Baku. Pollution's impact on public health (including sensitive groups such as children and women) can be significant, and effect their ability to participate in, and benefit from income generation opportunities. Legacy pollution in particular is among the most serious environmental issues for individuals living near sources of pollution. Poor and vulnerable groups are disproportionately affected since they normally live in neighborhoods close to polluted and contaminated lakes and sites. It is therefore essential to clean up polluted lakes and contaminated sites, prevent further pollution, regenerate lake ecosystems, and lay a good foundation for redevelopment and ecological protection in the future.

Recently, the GoA undertook a strategic effort to clean up a part of the Boyuk Shor Lake for the 2015 European Games, and has already started the lakes' second phase cleanup. GoA is committed to scaling up the cleanup and revitalization of the Absheron lakes and surrounding area. Regulating authorities also recognize that addressing such issues is highly complex, and requires a systemic approach and high level of technical expertise as well as significant financial resources. Support to address the contamination of the lakes surrounding the city of Baku would

serve as a prototype for expanding the rehabilitation and revitalization of urban lakes. A challenge now is to finance and scale up the cleanup efforts of other urban lakes and return their potential value for productive uses that can produce direct benefits in return for the investment in cleanup. The GoA is therefore seeking external support from the World Bank and other IFIs.

Relationship to CAS/CPS/CPF

The Bank has a long-standing relationship with Azerbaijan at all levels. The Bank's new Country Partnership Framework (CPF) for FY16-20 recognizes the need to address the issues of environmental pollution and degradation and improve the quality of Azerbaijan's environmental assets through targeted cleanup operations. The project is aligned with CPF Objective 1.4: Contribute to improved quality of environmental assets by focusing on legacy pollution and governance gaps in the management of the environment and natural assets. To do so the country needs significant financial resources and the capacity to apply cost-effective cleanup solutions. As a first of its kind, the project would have significant value in terms of learning and innovation. The proposed project will contribute to achieving the Bank's Twin Goals. It will also contribute to Azerbaijan's endeavors in achieving the post-2015 Sustainability Development Goals, particularly SDG 11 which is "making cities and human settlements inclusive, safe, resilient and sustainable."

C. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)

The objective of the proposed project is to support the GoA in its efforts to reduce the Greater Baku population's exposure to and health risks from pollution hazards in and around selected project lakes. This will be accomplished by (a) developing an innovative, area-based plan and mechanisms for land redevelopment that could be scaled up and sustained in the future, (b) implementing the cleanup and ecological revitalization measures of water bodies and adjacent lands in a sustainable and cost-effective manner, and (c) strengthening the capacity of implementing agencies.

Key Results (From PCN)

The PDO will be achieved through a combination of targeted interventions and investments that would progressively clean up selected lakes and their surrounding areas for ecological revitalization and land redevelopment, and enhance the capacity of agencies responsible for lake cleanup. The project will develop a plan and mechanism to promote the partnership between public and private entities in land redevelopment in the future.

Project development indicators would be as follows (to be further developed and confirmed):

- (i) Cleaning up [name] lake watershed measured by the rehabilitation of [X] ha land around the lake and [Y] m of lakeshore;
- (ii) Reducing pollution loads (primarily nutrients from sewerage and petroleum from oil fields) in selected project lakes by handling polluted sediments in a manner most appropriate for the composition of sediments to be identified by the Feasibility Study;
- (iii) Improving environmental conditions of the lake area measured by improved water quality (monitored by measuring fixed parameters) and also [X] ha of cleaned land suitable for redevelopment;
- (iv) Increasing the number of people benefiting from improved environmental conditions (0 baseline) around [X] lakes and their surroundings, including disaggregation by gender;
- (v) Action plans agreed and implemented by involved stakeholders (AzerSu, SOCAR, local

governments), aimed at preventing secondary pollution of targeted project lakes.

D. Concept Description

Based on discussions and pre-screening with the counterpart, it was agreed that Bank financing would consider investment opportunities in four of the remaining seven lakes - Khojasan, Lokhbatan, Gu, and Girmizi. These lakes are located in the southwest part of the Greater Baku area, and their adjacent lands are planned by GBRDP for future urban (particularly residential) development. Key pollution issues in the lakes include sewage load exceeding the carrying capacity of lake ecosystems, hydrocarbon contamination from oil exploration, high salinity, and high eutrophication.

Located in a semi-arid, hilly watershed in the hinterlands of the Absheron Peninsula, the four lakes belong to one drainage area and represent an interconnected water system. Khojasan and Lokhbatan are situated upstream. Khojasan Lake and Gu Lake are directly connected by channels and marsh areas, which do not represent high biological value, do not provide habitat for aquatic species, and have been partially affected by unplanned housing developments. The lower lying group of lakes Gu and Girmizi receive inflow from Khojasan and Lokhbatan and about 90% of their water evaporates in summer and insignificantly seeps into the Caspian Sea. Both Gu and Girmizi are affected by seasonal precipitation, and partially dried.

According to the pre-feasibility study completed in 2014 by an international consulting firm for MoE, the watershed area for cleanup is about 2,084 ha and includes lakes' water surface (Lokbatan 405 ha, Khojasan 182 ha, Gu 273 ha and Girmizi 617 ha), and adjacent territory which is seasonally dry out and sparsely urbanized. The developments that have taken place are mostly in an unplanned manner and comprise industrial units, warehouses and a refinery, low density housing, basic roads and railway infrastructure. The surrounding area of the Girmizi and Gu lakes still has some small scale oil production, most of the wells are capped in the area of Lokhbatan. The lack of environmental infrastructure and proper handling of waste disposal has resulted in high sewage loads, oil contamination, low oxygen levels and toxicity and thus, significantly stressed the lake ecosystem. Along with the cleanup and ecological revitalization of all the lakes, another issue that needs to be resolved along with the cleanup and ecological regeneration of all the lakes is the lack of proper sewage collection and treatment.

The project is conceived as a two phase program which during phase one will start with interventions in the Khojasan and Lokhbatan lakes, situated in the higher elevation of the interconnected lakes micro-catchment. Phase two will focus on Gu and Girmizi lakes. The project will provide the following financial and technical support: (i) investments in up to 3 lakes for improving environmental quality of water bodies and cleaning up adjacent contaminated land; (ii) assistance for development of lake management and area master plans to ensure sustainability of cleanup results and preparation of follow-up investments; and (iii) project management and monitoring.

Specifically, the proposed project will have the following three components:

1) Technical Assistance (US\$3 million). The TA component will develop a framework for cleaning up and revitalizing Absheron lakes and remediating and redeveloping contaminated sites

in a technically sound, ecologically friendly, socially inclusive, and financially sustainable way. The framework will particularly assist the government in the following areas: institutional capacity building for a multi-sector and multi-stakeholder coordination, regulatory improvement for adopting a risk-based remediation and redevelopment scheme, current pollution control plan, citizen engagement mechanism, and a lake area cleanup and redevelopment plan with sustainable financing mechanisms.

2) Lake Cleanup and Ecological Revitalization Investment (US\$95 million). This component will provide physical investments to halt and prevent new pollution, clean up legacy pollution, improve water quality, restore water eco-systems, and plant or afforest some areas surrounding the lakes and river channels in the area of Khojasan and Lokbatan. It aims at demonstrating integrated and cost-effective investments to reduce the risk of human exposure to contaminated water and lands. The investment activities of this component will be further categorized in three sub-groups: (i) current pollution management and prevention, (ii) legacy pollution cleanup, and (iii) ecological revitalization. Current pollution management and prevention will include investments in wastewater collection and treatment systems (with technical solution of the latter aspect depending on GOA's plan to build a centralized WWT system and involving either connection to this centralized system or in-situ treatment serving the needs of targeted project lakes), solid waste management facilities along lake shore, safe closure of oil production facilities, and installation of water quality monitoring infrastructure. Legacy pollution cleanup will include dredging, treatment, and disposal of contaminated sediments; in-situ capping and any other relevant sediment remediation measures where required; sealing of old oil wells; and remediation of selected contaminated sites adjacent to the lakes. Ecological revitalization includes activities for ecological restoration of the water bodies including river channel or marsh areas; ecological restoration of lake shore line and re-vegetation; afforestation in project areas; and installation of water quality monitoring infrastructure in the lake watershed. The Feasibility Study will be undertaken during the project preparation, to determine lake specific clean-up standards to be applied under the project. Since the current national environmental legislation does not provide for such risk-based clean-up standards, the Government, during the project preparation, will commit to the application of respective international standards for the project activities, which is possible within the current regulatory framework. In parallel, the project can advise the Government on required improvements and amendments of the regulatory framework, as described in Component 1 above.

3) Project Management Support (US\$2 million). This would cover the cost of project management and implementation. It includes establishing a system for project supervision, monitoring and evaluating project outcomes, staff training, safeguards management, equipment and operational and maintenance expenses for project management during implementation. Also, TA will be provided under this Component to assist the counterpart and other stakeholders in building capacity for facilitating and managing stakeholder consultations and properly handling feedback, and for establishing a framework for conducting further consultations, as needed, throughout the project's life and for future clean-up operations.

II. SAFEGUARDS

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

The project area is located in the Absheron Peninsula, and consists of four lakes, including their surroundings proposed for remediation: Khojasan, Lokbatan, Girmizi and Gu. The four lakes form a

single watershed. The proposed area is polluted by various types of pollution of domestic and industrial origin. Developments have been undertaken in an unplanned manner and comprise industrial units, warehouses and some residential settlements together with basic roads and railway infrastructure.

B. Borrower's Institutional Capacity for Safeguard Policies

The Ministry on Economy (MOE) will be the leading agency for the project preparation and implementation. The MOE has established a Project Implementation Unit (PIU) responsible for the ongoing Integrated Solid Waste Management Project financed by the Bank loan. The PIU gained considerable experience in Bank procedures and fiduciary and safeguards requirements. MOE's capacity to manage stakeholder engagement and potential social impacts other than those related to direct land acquisition will be assessed in the course of the project preparation. Another important stakeholder is JSC Tamiz Shahar, established under the MOE, which manages the Solid Waste Landfill, operates waste incineration plant, and has been responsible for the government executed clean-up of a part of highly polluted Boyukshor Lake, also located in the Absheron Peninsula. It is expected that, while the final decision on the implementation arrangements is still to be made by MOE, the project arrangements will be based on these MOE in-house expertise, both equally crucial for the project to bring sustainable results.

C. Environmental and Social Safeguards Specialists on the Team

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D. POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	This policy is triggered because the implementation of the project, while to bring significant ecological and social benefits to local communities and area as a whole, will be associated with significant environmental and social risks, mainly due to the scale of the planned remediation and the need to treat and dispose of hazardous materials in sludge dredges from the lakes and contaminated soil around them, as well as to seal old infrastructure that is a source of contamination. The proper management of residual wastes might require building new infrastructure, such as sewage water collection facilities and landfills. Other risks surround the preparation and implementation of the Technical Assistance (TA) on the preparation of Lake Area Redevelopment Framework which should ensure compliance of the clean-up efforts with intended land use in the area, and should consider environmental and social aspects of the use of redeveloped lake areas. Of concern is the potential impacts on communities living around

		<p>the redevelopment of the Lake Area. The outputs of the TA should be consistent with the Safeguard Policies, and the draft TORs should be disclosed prior to Appraisal as part of the Safeguards documentation.</p> <p>In order to analyze and address the potential environmental and social impacts, the Borrower will develop an Environmental and Social Impact Assessment (ESIA), and will prepare an Environmental and Social Management Plan (ESMP) which will define environmental and social mitigation measures and monitoring program, and propose institutional responsibilities and arrangements for the ESMP implementation. The ESIA and ESMP shall be disclosed in-country by the Borrower, reviewed and cleared by the Bank, posted on the Bank's Project Operational Portal prior to the project appraisal.</p> <p>The Social Impact Assessment (SIA) will examine a number of issues including, but not limited to: (a) land use/access issues relating to the regional development and indirect future implications of the project; (b) the institutional processes, risks, and opportunities related to land use planning; (c) risks and impacts on local communities such as displacement of people as a result of rapid increase in property prices due to promotion of private sector development; (d) local level decision making and design implications for the participatory elements of the project.</p> <p>The SIA will propose a detailed and actionable Stakeholder Engagement Plan for the implementation phase of the project, in addition to consultations that will be held during the preparation. The SIA will be prepared in a consultative fashion and will pay particular attention to impacts on and participation of vulnerable population groups and gender.</p> <p>Also, since the project is assigned an environmental category A, the Executive Summary of ESIA and ESMP, and SIA will be submitted to the SECBO 120 days prior to the Board Date.</p>
Natural Habitats OP/BP 4.04	TBD	There are wetland areas upstream of the lakes where

		the project would aim to do ecological restoration. The project preparation studies will clarify the current and proposed future ecological status of these areas.
Forests OP/BP 4.36	No	
Pest Management OP 4.09	No	
Physical Cultural Resources OP/BP 4.11	No	The policy is not triggered, however, the ESIA and ESMP will provide for procedures to be followed in case of any chance finds.
Indigenous Peoples OP/BP 4.10	No	Indigenous People as per OP 4.10 are not present in the project area.
Involuntary Resettlement OP/BP 4.12	Yes	Project implementation will require land acquisition resulting in involuntary resettlement as per OP 4.12. Since specific sub-project locations are not clearly identified, a Resettlement Policy Framework will be prepared prior to appraisal with subsequent Resettlement Action Plans to be prepared once specific sites are known, and the need for permanent and/or temporary land acquisition is confirmed.
Safety of Dams OP/BP 4.37	No	
Projects on International Waterways OP/BP 7.50	TBD	Based on the available studies (a Feasibility Study for 9 Absheron lakes done by an international consulting firm for MOE), the system of the four proposed lakes is not hydrologically connected to the international waterways, namely the Caspian Sea. It is estimated that 90% of the water in Girmizi Lake which is the last and lowest one in the water system is evaporated in the summer. In other seasons the lake's water level varies, with likely insignificant seepage to the Caspian Sea. Also, the proposed project interventions will not cause any changes of the lakes inflows and outflows, and will help significantly improve the quality of water and sediments. The ESIA/ESMP and other specific technical studies to be conducted by the client as part of the project preparation, will provide for detailed study of the hydrogeological connections and impacts of proposed intervention, thus providing arguments to define the need for triggering the policy. If decided to be triggered, notification of riparian countries could be done through the existing Caspian Sea Convention mechanism.

Projects in Disputed Areas OP/ BP 7.60	No	
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E. Safeguard Preparation Plan

1. Tentative target date for preparing the PAD Stage ISDS

31-Dec-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.

The Borrower will prepare ESIA, ESMP, SIA and RPF in the period from May to December 2016. The public consultation and disclosure of the safeguard documents (including TORs) will take place via at least two rounds prior to the project appraisal.

Draft TORs for the Technical Assistance under Component 2 will be disclosed prior to appraisal.

III. Contact point

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V. Approval

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<i>Approved By</i>	

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Practice Manager/ Manager:	Name: Kulsum Ahmed (PMGR)	Date: 01-Mar-2016
Country Director:	Name: Mercy Miyang Tembon (CD)	Date: 10-Mar-2016

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.