
Project: UKT, Tirana: Technical and operational, environmental, and social Due Diligence

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1 Introduction

This document provides a non-technical executive summary of the key results and outcomes of the environmental and social due diligence that was conducted for the UKT Tirana Water project.

2 Project description

Ujesjelles Kanalizime Tirane (UKT) is a municipal utility company which provides water supply and wastewater services for the municipality of Tirana and bulk water to the municipality of Kamez. The European Bank for Reconstruction and Development (EBRD) is considering financing UKT's priority water projects to improve water supply within Tirana. The proposed Project entails increasing the capacity of the existing Bovilla water treatment plant (WTP) located in the north western part of Tirana, and construction of a new 10km pipeline which would pass from this WTP to the Yzberisht reservoir located in south-eastern Tirana. Key benefits are expected to be:

- Better water supply to the south west of the city;
- Less reliance on wells which are at risk from land use changes and unreliable; and
- More flexibility in the distribution of clean water to the city.

The Project is currently in concept stage and has not undergone feasibility or impact assessment studies.

2.1 Tranche 1 – Construction of New Water Pipeline

The Project is being considered in two 'Tranches', with Tranche 1 being the subject of this due diligence. Tranche 1 has two components as follows:

- Component 1: Construction of a new water pipeline that will transfer water from Bovilla WTP to the western part of the City of Tirana by gravity.
- Component 2: Extension of the capacity of Bovilla WTP from around 57 million m³/year to 76 million m³/year.

An overview of the key components of the scheme is provide in Figure 1

2.2 Tranche 2 – Future Priority Investments

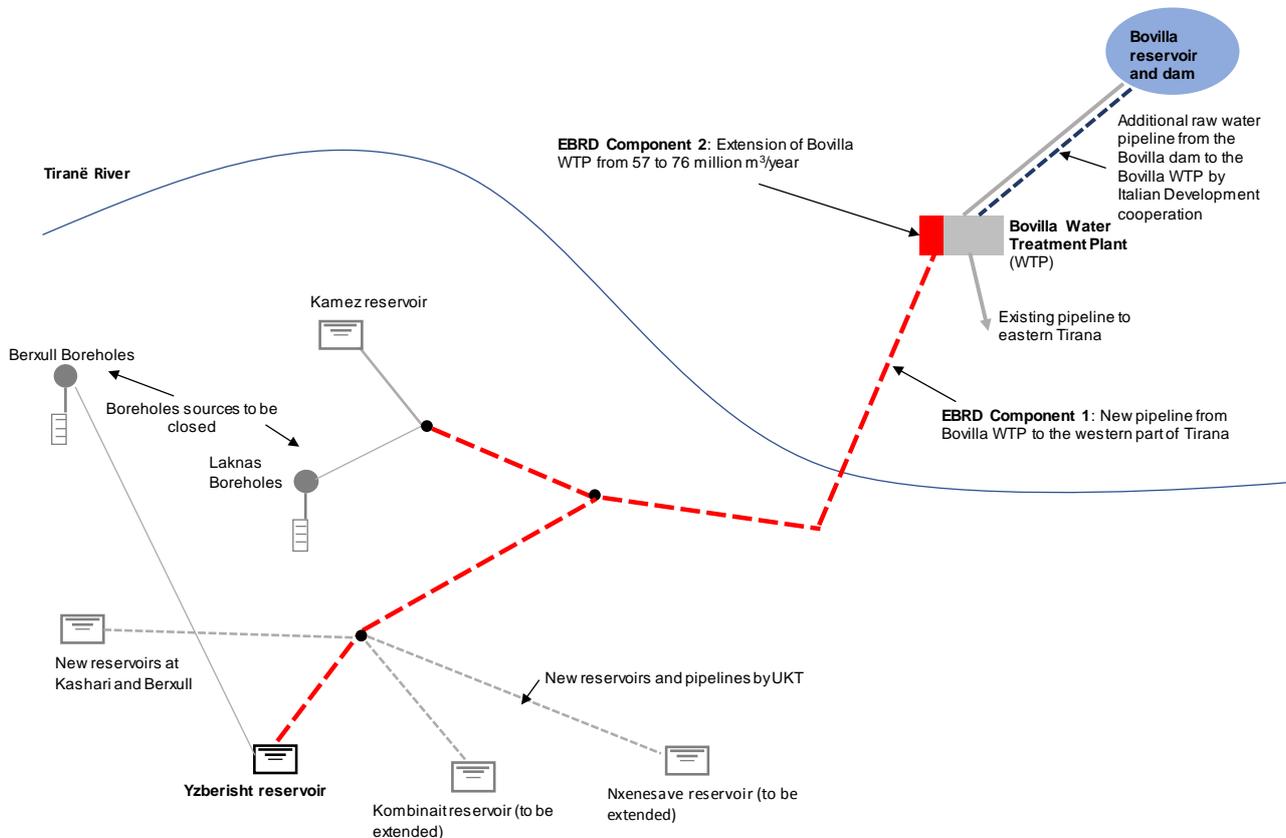
Tranche 2 will include further improvements to Tirana water supply to be defined after a strategic water resources study is completed. It is expected that these may comprise some rehabilitation of the water distribution system and further improvements to water sources.

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Figure 1: Overview of the key components



2.3 Associated Facilities

The following additional components have been identified as “associated facilities”. This means that they are not directly financed as a part of the investment EBRD are making, but are necessary for the project to work as a whole. Environmental and Social Risks associated with these facilities have also been considered in the due diligence.

Raw Water Pipeline – An additional raw water pipeline from the Bovilla dam to the Bovilla WTP, which is being implemented under a separate project funded through the Italian Development Cooperation (Ministero degli Affari Esteri).

Operation of Bovilla Reservoir – While there will be no new infrastructure at the reservoir at the abstraction point itself, the potential implications of the necessary increased abstraction at Bovilla reservoir have also been considered.

Small Storage Reservoirs – UKT will also construct up to three additional small storage reservoirs in the network to facilitate distribution. Further information on these reservoirs will be disclosed when they become available.

3 Compliance with EU requirements

The Company is considered to be compliant with applicable EU environmental, social, health and safety requirements relating to environmental impact assessments, assessment of public and private projects for environment effects, occupational health and safety requirements, public participation in the environmental decision-making process as well as water treatment and wastewater management requirements. There may be poor levels of compliance with the disposal of sludge at the existing Treatment Works, however this is due to a known problem which will be addressed by this scheme.

4 Key potential environmental and social impact Risks

The due diligence identified a number of Environmental and Social issues which require further consideration or management to meet EBRD's Environmental and Social Policy. An Environmental and Social Management Plan has been developed and agreed, between the EBRD and UKT as part of the legal agreements for the Project, to enable UKT to manage environmental and social risks to the standard required by EBRD's Policy.

The key issues and approaches to managing those issues are summarised here:

Environmental and Social Assessment and Management Systems – At this early stage of the project development, an Environmental and Social Impact Assessment (as required by both national regulations and the EBRD Environmental and Social Policy) has not yet been conducted. This must be developed for the Project and must determine the Project's full extent and type of impacts. Associated Facilities (as defined above) will also be considered in that process.

The Project is also required to develop an Environmental and Social Management System (ESMS) and associated management and monitoring plans. UKT will ultimately be responsible for ensuring that the ESMS is functioning correctly and will therefore have to employ adequate resource to monitor Project compliance.

General Construction Risks – General environmental and social risks associated with the construction of an infrastructure project have been noted and will need to be further assessed during detailed design and managed by the Contractor through the implementation of an appropriate Environmental and Social Management Plan during construction. These include (but are not limited to) construction noise, air quality impacts (such as dust and emissions from vehicles and plant), traffic management, archaeological and heritage (none currently identified), community safety during construction, biodiversity (no significant sites currently identified), localised pollution risks from oils, fuels, sediments, and top soil management,

While these all require competent management, these have been assessed as being typical of a project such as this and are therefore considered.

Water Resources – There is a need to better understand the water resources picture at a catchment level. The Bovilla reservoir has seen significant changes in land use (partly as a result of a period of poor development control). Because of this there are a number of risks to existing water resources (in particular through deforestation, agricultural practices and people settling – for example some of the wells are now on private properties which limit UKT's control of the site). These issues are outside UKT's power to resolve at source but creating a system which reduces the reliance on wells which are particularly vulnerable, is a significant benefit.

The EBRD is commissioning a Water Resources Management Plan study to commence early in 2018. The main Due Diligence report sets out the scope of this study but in brief it will need to consider the capacity and

reliable yield of the reservoir, the catchment level problems above, and the influence of climate change on the operation of the network.

Land Ownership and Land Use – Most of the proposed pipeline route follows existing urban roads so while there might be some short-term impacts from access restrictions (which will need to be considered in construction management plans), the pipeline construction doesn't appear to carry significant risk of displacement.

The extension of the Water Treatment Plant will likely not be possible within the existing boundaries of the site and therefore some permanent land take will be required. At this stage, there is no defined footprint to assess but it appears that some residential properties will be affected. EBRD will require a "land acquisition and livelihood restoration framework" to be developed to ensure that this land is obtained fairly and any potentially project affected people compensated in line with EBRD's policies.

Affordability and Tariffs – A key challenge facing users is an upcoming increase in tariffs for water services (including a 44% increase which will be implemented in January 2018). This will likely impact the more vulnerable groups in society most significantly (including low-income households and within that category some ethnic minorities and women). UKT has existing programs in place to help vulnerable populations with bill payments, including discounted or tranche payment options for pensioners (through the Municipality of Tirana) and those with accrued debt. Such programs need to continue to be implemented following the 2018 tariff increase to aid low-income households.

Employment and Livelihoods – The project will involve transferring about 43 UKT employees who work at the groundwater wells sites to the Municipality of Vorë. EBRD will require a retrenchment plan to be put in place to ensure that these transfers happen in a fair way and line with EBRD's Performance Requirements.

There has also been historic retrenchment undertaken by UKT which followed a process that would not be consistent with EBRD Performance Requirements. However we found that since changes to the national laws in 2007, UKT has adopted more stringent retrenchment regulations to better manage organisational restructuring and collective dismissals. The regulations include provisions on topics such as transparency in selection and notification of collective dismissals, analysis of alternatives and payment of wages and benefits. UKT must comply with the conclusion of the ongoing litigation process and pay appropriate compensation as directed by the courts.

Gender – It was found that there were opportunities to improve gender representation in UKT. Through this Project, UKT has the opportunity to increase the number of women in its workforce at both the management and staff levels, as well as improve worker benefits targeting families such as flexible work provisions, through the development of a Gender Action Plan.

At the societal level it was noted that women may be more vulnerable to some of the potential impacts identified in the project. For example, they may be more susceptible to changes in water tariffs or unfavourable resettlement offerings and are potentially more vulnerable to safety risks associated with disruption to street access. These factors must be considered in future proposed impact assessments and particularly in the development of mitigation measures.

The Albanian society's gender relations and divisions of labour presents an opportunity for women to benefit from changes to accessibility, availability and affordability of water services for households. The time taken for activities including paid work and those traditionally undertaken by women such as childcare and washing could be reduced, by decreasing the amount of time that is spent on having to obtain water supplies at specific times of the day or from specific locations outside the home.

Sludge Management - Wastewater and sludge generated by water treatment at the Bovilla WTP are currently not being treated and are directly discharged to the Tirana river. Good equipment for pressing and drying sludge is available on the Bovilla WTP site but is not being used due to inappropriate handover to

UKT and lack of training on how to use it. UKT will reinstate the existing equipment as part of the Environmental and Social Action Plan and the due diligence study confirmed the belt press is adequately sized for average sludge production but not for extreme water qualities.

Further Assessment of Associated Facilities – A number of associated facilities exist (i.e. facilities that are closely related to the investment but are not within the scope of the investment). In principle these do not appear to have unacceptable risks attached to them, but EBRD requires further assessment of these sites as details of their design emerge to confirm that they are being delivered in line with EBRD's requirements.

5 Stakeholder engagement, information disclosure and communication

A Stakeholder Engagement Plan has been drafted to identify relevant stakeholders including affected people and other interested parties, and establish the grievance mechanism that will be applied for the Project. In case of any complaints or grievances related to the Project, please contact UKT via the contact details and contact form presented on the UKT website at www.ukt.al.

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