



# Concept Environmental and Social Review Summary

## Concept Stage

### **(ESRS Concept Stage)**

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**BASIC INFORMATION**

**A. Basic Project Data**

Country	Region	Project ID	Parent Project ID (if any)
Honduras	LATIN AMERICA AND CARIBBEAN	P173125	
Project Name	Water and Sanitation Sustainability Project in Honduras		
Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
Water	Investment Project Financing	4/13/2020	6/23/2020
Borrower(s)	Implementing Agency(ies)		
Republic of Honduras	Honduran Strategic Investment Office (INVEST-H)		

Proposed Development Objective(s)

Support the recipient in increasing and sustaining access to safely managed water and sanitation services provided by eligible decentralized municipal service providers.

Financing (in USD Million)	Amount
<b>Total Project Cost</b>	<b>50.00</b>

**B. Is the project being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?**

No

**C. Summary Description of Proposed Project [including overview of Country, Sectoral & Institutional Contexts and Relationship to CPF]**

The Project builds on the advances made under PROMOSAS in supporting the GoH’s decentralization efforts and improving water services. The new Project takes a four-pronged approach, supporting municipalities which aims to create ring-fenced municipal service providers (Initiation), supporting the operationalization of those which have created ring-fenced municipal service providers (Incubation), strengthening ring-fenced municipal service providers that have been operating (Consolidation), and Support to Ring-Fenced Service providers incorporated as a Mixed Capital Company to attract private sector.

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Component 1. Support in improving the quality of water supply services provision in target municipalities (US\$40.5 million). This component will support the implementation of the 2003 Water Supply and Sanitation Framework Law, through a combination of TA for reforms, designs, investments, and management of WSS services.

Partnership Agreement for Component 1. At the outset of the Project, each participating municipality and ring-fenced municipal provider must sign a Partnership Agreement with the Secretariat of Finance (SEFIN) with support of INVEST-H. The Partnership Agreement will describe the obligations and commitments that the recipient and each provider will need to comply with in order to remain in the Project.

Subcomponent 1.1. Support to municipalities to create ring-fenced service providers (US\$2.5 million). This subcomponent will finance in-country travel, training and consulting services to promote and create the ring-fenced providers and help prepare its rapid impact rehabilitation plans and 5-years business plans for water and sanitation services, as needed. Municipalities with urban populations above 5,000 will be eligible to participate in this subcomponent.

Subcomponent 1.2. Support to municipalities to operationalize already created ring-fenced service providers and invest in the rehabilitation and expansion of their services (US\$20 million). This subcomponent will finance TA to support municipalities with urban populations between 5,000 and 90,000 and their providers in, inter alia: (i) the implementation of its service provider management model; (ii) the development and implementation of a rapid impact rehabilitation plan for water and sanitation services; (iii) carrying out activities to support local water governance and to build resilience to climate variability in selected micro-watersheds and its recipient water; (iv) improving creditworthiness and financial independence; (v) develop and implement social outreach, engagement and communication plans; (v) the creation of a 5-years business plan for the WSS provider. Additionally, this subcomponent will finance goods and infrastructure investments included in the rapid impact rehabilitation plans, to include activities such as replacement of pumps, electrical panels, defective pipes and valves, and any device guaranteeing the operationalization of the system.

Subcomponent 1.3. Support to strengthen the sustainability and reliability of existing ring-fenced municipal service providers (US\$17 million). This Component will finance TA, goods and infrastructure investments prioritized in business plans approved by the municipal corporations of eligible municipalities. Eligibility criteria include, among other aspects, and service providers that have been operating for more than four years, who serve an urban population between 5,000 and 300,000, who have a cost recovery ratio about one. Activities include (i) improve energy efficiency; (ii) reduce non-revenue water losses; (iii) expand and rehabilitate WSS system infrastructure; and (iv) develop and implement social outreach and communication plans. This Component will provide TA to support providers in the development of comprehensive micro-watershed conservation plans that focus on improving governance and resilience to climate variability of the prioritized watersheds and recipient water systems.

Subcomponent 1.4. Support to Ring Fenced Service providers incorporated as a Mixed Capital Company to attract private sector (US\$1 million). This subcomponent will finance a TA to municipalities with urban populations over 5,000, and meeting other eligibility criteria. This subcomponent will finance in-country travel, training and consulting services to upgrade their business plan to achieve cost recovery ratios and Earnings before Interest.



Additionally Component 2. Facilitating institutional strengthening and support of ERSAPS (US\$1 million). This Component will support ERSAPS in their efforts to help the service providers improve their WSS services by complying with sector rules, regulations, and monitoring the performance of the providers included in this Project. This Component will finance in-country travel, training, goods, consulting services, fees and technical assistance related to this component.

Component 3. Project Management (US\$3.5 million). This Component will finance travel, training, consulting services and general operating costs of the Project Implementation Unit (PIU) to support the project implementation to create ring-fenced service providers, rapid impact rehabilitation plans and 5-years business plans for water and sanitation services.

Component 4. Contingent Emergency Response Component (CERC) (US\$ 0 million). This component will provide immediate response to eligible emergencies. As such, in the event of such an eligible emergency, as defined in the Contingency Emergency Response (CER) operational manual prepared and adopted by the GoH, this component would finance emergency activities and expenditures through the reallocation of funds from the Project.

#### **D. Environmental and Social Overview**

D.1. Project location(s) and salient characteristics relevant to the ES assessment [geographic, environmental, social]

The project will support municipalities in Honduras to increase and sustain access to safely managed water and sanitation services. As a demand-based project, all applications from providers that meet eligibility criteria will be accepted on a first-come first-serve basis, subject to the specific criteria to be described in the OM. At this stage of planning, specific location of interventions has not been identified, however, the project will target all potentially qualifying municipalities that meet the criteria set forth in the OM, with an urban population between 5,000 to 300,000 people, including disadvantaged regions and population groups. It is estimated that approximately 20 municipalities will be able to benefit from the project, out of a total of more than 100 municipalities that could potentially be eligible, as per the preliminary eligibility criteria. The Honduran context is characterized by: i) one of the highest poverty rates in Latin America (61.9% percent of households live in poverty and 40.3% live in extreme poverty); ii) rapid urbanization leading to urban poverty increase (urban population growth rate -3.2 percent in 2015- and percentage of urban poor -approximately 53 percent- are among the highest in the region; iii) limited access to adequate water and sanitation services (nearly 20% of the population in extreme poverty do not have access to these services); iv) limited potable water (only 38% of the water delivered in urban areas is potable); v) lack of a National Water Resources Master Plan and river regulation; and iv) incidence of crime and violence which may affect implementation.

Water sources have not been properly protected or characterized in most of Honduras, including in the municipalities that may be eligible to participate in this project. Deforestation of the watersheds and contamination of water sources are pressing issues. According to the National Water and Sanitation Regulator, 85% of wastewater is discharged to watercourses or directly in urban areas without treatment. Honduras' quality challenges are further complicated by emerging water scarcity issues. Water scarcity has become a pressing issue in major and mid-size cities as a result of a decrease in precipitation, rapid urbanization, and the fact that urban centers are not aligned with the spatial distribution of precipitation. This is particularly true for municipalities in the Dry Corridor, which faces a



protracted dry season with drought-like conditions and widespread water scarcity, and a short but heavy rainy season.

**D. 2. Borrower’s Institutional Capacity**

The implementing agency will be the Honduran Strategic Investment Office (INVEST-H). INVEST-H has previous experience working on similar projects with multilateral lenders in accordance with Bank safeguard policies and other applicable donor requirements. Specifically, INVEST-H is currently implementing World Bank projects with a good track record of safeguards compliance and has recently prepared another Bank project under the new ESF, focused on water security in the Dry Corridor of Honduras. INVEST-H has a sound working knowledge of environmental and social management issues and it routinely hires social and environmental specialists to support preparation and implementation of its various projects. Nonetheless, their capacity to effectively manage E&S risks of the proposed project, particularly considering the challenges of overseeing multiple simultaneous sub-projects, multiple Bank and other donor financed projects, and engagement with a wide range of stakeholders, will require further strengthening. A dedicated PIU is envisaged which will include appropriate environmental and social expertise; the specific arrangements will be further scoped and agreed with the counterparts during project preparation. In addition, together with financing from the Water Security in the Dry Corridor of Honduras Project which is also expected to be under implementation by Invest-H in parallel, the project will finance elements of a comprehensive environmental and social capacity development program, including but going beyond the project team, with an aim to strengthening INVEST-H’s E&S systems across the institution in line with international standards and good practices. Training and capacity building of the municipal service providers under the project to effectively manage environmental and social issues both during project implementation as well as on an ongoing basis – including, in particular, to carry out continuous stakeholder engagement and grievance management -- will also be key to managing risks.

**II. SCREENING OF POTENTIAL ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS**

**A. Environmental and Social Risk Classification (ESRC)**

Substantial

**Environmental Risk Rating**

Moderate

The environmental risk classification is considered moderate at this stage. From an environmental perspective, project related risks will stem from minor physical investments to support municipal water supply and sanitation (WSS) systems in small to medium size municipalities to rehabilitate and expand their systems. Civil works will focus primarily on rapid impact rehabilitation (around \$1 million or less per municipality, under Subcomponent 1.2), such as replacement of pumps, electrical panels, and defective pipes and valves, etc. Some municipalities may receive additional support under Subcomponent 1.3 (up to around \$2 million per municipality) for priority infrastructure investments to, inter alia: (i) improve energy efficiency; (ii) reduce non-revenue water losses; (iii) expand and rehabilitate existing WSS system infrastructure; and (iv) develop and implement social outreach, stakeholder engagement and communication plans. Construction phase environmental impacts and risks may include traffic disruptions (for works in road rights-of-way), noise, dust, generation of construction related wastes, etc. Such impacts are expected to be site-specific, limited in scope and duration, and easily mitigated with proven technologies and measures. The project overall intends to reduce existing risks to public health and the environment stemming from inadequate or ineffective WSS systems, including health risks of inadequate water treatment, inadequate protection of upstream catchment areas, as well as pollution of downstream waterways due to inadequate provision

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and functioning of sanitation services. As such, it is expected that the project overall will contribute towards positive environmental benefits.

**Social Risk Rating**

Substantial

The project will provide beneficiaries in selected municipalities with increased and sustained access to safely managed water and sanitation services. A more continuous and improved access to potable water is expected to reduce the likelihood of outbreaks of infectious water-related diseases, particularly among children, which probably will have positive repercussions on other aspects of wellbeing.

The social risk rating is considered substantial at PCN stage, particularly due to potential risk and impacts inherent to the project and contextual factors. This SRR will be reviewed during project preparation based on further information on, and analysis of, the project activities and location.

Regarding risks and impacts inherent to project activities, they are expected to be temporary, predictable and medium in magnitude and spatial extent; however, specific locations will only be determined during implementation, based on demand. The project does not envision large infrastructure works or intervention in any highly sensitive area. Works are expected to focus on the development and implementation of rapid impact rehabilitation actions for water and sanitation services, such as replacement of pumps, electrical panels, defective pipes and valves, as well as potentially more limited support to expand existing service networks that may lead to affectations of land. Furthermore, used to a pre-determined monthly tariff, community members may react negatively to the installation of meters and the establishment of volumetric tariffs by damaging meters or refusing to pay for services. Some segments of society may not be willing or may not be able to afford new volumetric tariffs. To mitigate this potential social unrest, the Project will support a comprehensive social outreach program during the design and implementation of infrastructure works and other activities involved in the improvement of water and sanitation services. Mitigatory measures, including the outreach program and focus on limited rehabilitation actions, are already planned under the project and expected to be reliable to manage risks.

Regarding the context, the project has a national scope characterized by high levels of crime and violence, particularly in urban settings. The presence of gangs in some areas may affect implementation of rehabilitation works, volumetric tariffs or installation of micrometers. Moreover, citizen engagement and involvement in management of water and sanitation services is still weak, which may pose an additional challenge to move to volumetric tariffs. The local platforms required by the WSS Framework Law to ensure involvement of citizens in the entire service management cycle are not finalized: only 48% of the municipalities have already developed COMASs and 41% has USCLs. And those that have been created still require additional tools, training and guidance to effectively monitor urban and rural providers' performance and to carry out the full scope of their responsibilities.

**B. Environment and Social Standards (ESSs) that Apply to the Activities Being Considered**

**B.1. General Assessment**

**ESS1 Assessment and Management of Environmental and Social Risks and Impacts**

***Overview of the relevance of the Standard for the Project:***



Under Component 1, the project will entail (a) technical assistance to ring-fenced WSS service providers on a range of business planning topics as well as activities to support local water governance and to build resilience to climate variability in their micro-watersheds, and (b) rapid rehabilitation works such as replacement of pumps, electrical panels, and defective pipes and valves; etc. Subcomponent 1.2 will support about 20 municipalities with rapid impact rehabilitation investments (in the ballpark of \$1 million or less per municipality) such as replacement of pumps, electrical panels, and defective pipes and valves; repairs to municipal water treatment plants; etc. Subcomponent 1.3 will further support about 8 municipalities with additional investments (up to around \$2 million per municipality) to, inter alia: (i) improve energy efficiency; (ii) reduce non-revenue water losses; (iii) expand and rehabilitate WSS system infrastructure; and (iv) develop and implement social outreach, stakeholder engagement and communication plans. To qualify for project support, municipalities will also commit to installing micro-metering. The exact scope and locations of infrastructure activities will be defined during project implementation, based on a first-come, first-serve basis, subject to the specific criteria to be described in the OM, but may potentially include municipalities with populations between 5,000 and 300,000.

The potential environmental risks and impacts expected from these activities are anticipated to be site-specific, temporary, and manageable and are mostly related to the construction phase. Investments will focus on improving efficiency and performance and upgrading or expanding water treatment and distribution systems as well as sewerage collection and treatment systems and will not include development of new water supply sources. A major focus of the project will be to strengthen service provider capacity to improve operations and maintenance (O&M) stage management of municipal WSS systems, which should contribute towards environmental and health benefits in the long term through enhanced watershed management, reduced public health risks from poorly treated water, and reduced pollution to downstream waterways from untreated sewerage discharges.

On the social side, limited adverse impacts are expected from the rehabilitation and improvement investments, such as risks that project design may impact negatively some individual and groups because of their circumstances (e.g. people in extreme poverty or other vulnerable groups). Expansion of water and sanitation systems may require permanent or temporary physical or economic displacement that will be addressed specifically under ESS5. The main social risks and impacts are related to existing tensions around access to water and the potential increased tariffs which may be cost restrictive to vulnerable and poor groups. The potential that the project may exacerbate these tensions and vulnerabilities will be addressed through a rapid social assessment for each selected area according to TOR included in the Environmental and Social Management Framework (ESMF).

Given that qualifying municipalities as well as the specific locations and technical (feasibility and engineering) studies of specific civil works will be identified and developed only during project implementation, the borrower will be required to develop an Environmental and Social Management Framework (ESMF) prior to appraisal. The ESMF will, inter alia: (a) provide a high level characterization of potential contextual environmental and social risks and issues which may be present in different beneficiary municipalities; (b) identify applicable national legislation and overall potential direct and indirect environmental and social risks and impacts from proposed investments, based on the typology of activities to be financed and eligible areas; (c) provide generic management and mitigation measures to likely environmental and social impacts associated with these types of investments (both construction as well as ongoing O&M phase related); including mitigation measures such as the adoption of a social tariff structure to avoid disproportionate burden on vulnerable groups, at least on a transitional basis; (d) a detailed outline of requirements for subproject assessment and management planning (including for Environmental and Social Impact Assessments (ESIAs) including social conflict analysis at the subproject level to be carried out during implementation); (e)



implementation arrangements, capacity building measures, and budget for environmental and social management during both construction as well as O&M stages. .

Following an initial stakeholder mapping (at the national level, given that specific beneficiary municipalities are not yet known), a process of relevant and meaningful consultations will take place in preparation of the ESMF to integrate their challenges and expectations into the analysis of potential risks and impacts as well as the measures proposed. The ESMF will also include: Labor Management Procedures (LMP) and Chance Finds Procedures (CFP). It will consider and appropriately reference the WB’s Environmental, Health and Safety (EHS) General and Sector-Specific Guidelines and will be disclosed in country and in the WB’s external website prior to appraisal.

During implementation, INVEST-H and participating municipalities will implement the ESMF by developing site-specific ESAs including Environment and Social Management Plans (ESMPs), tailored to the scale and nature of site specific proposed interventions and existing contextual issues, to identify subproject-specific environmental and social risks and impacts and specify proper measures to be taken to avoid, minimize, or mitigate them at the municipal level for specific investment activities. The Project’s Environmental and Social Commitment Plan (ESCP) will specify the requirement for the Borrower to carry out each assessment, as per the ESMF, as subprojects are selected and designed throughout implementation. Assessments will be required to be completed prior to bidding of civil works, to ensure that all required construction stage mitigation and management measures falling to contractors are appropriately included in bid and contract documents. Subproject design and technical assistance will likewise aim to improve environmental and social performance of WSS systems in their O&M stage. Any TA studies completed during implementation will be reviewed to include attention to E&S and consistency with the ESF in their TORs and at completion stage prior to being finalized.

**Areas where “Use of Borrower Framework” is being considered:**

None

**ESS10 Stakeholder Engagement and Information Disclosure**

During project preparation, INVEST-H will prepare, consult, and disclose a Stakeholder Engagement Plan (SEP) to map out the various project stakeholders and develop a strategy on how to engage with them, share project information, mitigate potential social conflicts and/or misconceptions about project impacts and benefits, and solicit feedback on the project. The SEP will outline (i) who the potential key stakeholders are; (ii) how they are to be engaged; (iii) how often the engagement will occur throughout the project, and how disclosure will take place throughout the project; (d) how feedback will be solicited, recorded and monitored over the project; (iv) who will be charged/responsible with this engagement; (v) timeline and cost..

To develop and finalize the SEP as well as other environmental and social management instruments for the project, INVEST-H will first carry out a stakeholder mapping to identify relevant stakeholder groups, and to determine appropriate ways to engage them in the context of the project. During project preparation, INVEST-H will carry out initial consultation and engagement with potentially affected groups, other interested parties as well as disadvantaged and vulnerable groups, about the overall project design, and the proposed management arrangements as documented in the ESMF, and the SEP itself, with the objective of receiving feedback. The SEP will furthermore outline the process to be carried out at the subproject level, during project implementation, to identify and map out subproject-level stakeholders, and design and carry out meaningful engagement with different groups





as part of subproject design and implementation. Engagement planning and implementation will also put in place all necessary measures to facilitate the participation of diverse stakeholders, particularly those in need of special assistance, and to encourage women’s active participation.

The key stakeholders are expected to include INVEST-H, service providers, municipalities, Juntas de Vecinos (Neighborhoods board), COMASs, USCLs, women’s organizations, NGOs, among others. The SEP will include a gender sensitive consultation to identify specific issues and contextual factors affecting male and female stakeholders differently, including water use and access and the process of water fetching and storage. The project will ensure to engage beneficiaries and other stakeholders (including the implementing agencies) in gender-sensitive project design and implementation to build skills and knowledge for gender-sensitive water services, resource management as well as the principles of personal hygiene and how to safely store water in the home. The SEP will also include general measures to conduct targeted consultations with IP potentially complying the criteria set forth in ESS7 or vulnerable groups identified as potentially affected or interested parties during project preparation, and/or as stakeholders in the area of influence of each subproject. Documentation on the results gained from consultations during preparation and the responses provided to community concerns, including where possible adjustments to the project/subprojects, will need to be included in SEP.

A project-level Grievance Redress Mechanism (GRM) will be established and, during implementation, managed and/or monitored by a project focal point. It will be described in the SEP.

## **B.2. Specific Risks and Impacts**

**A brief description of the potential environmental and social risks and impacts relevant to the Project.**

### **ESS2 Labor and Working Conditions**

This standard is relevant. Project implementation will involve various workers ranging from central and municipal government officials to specialized contracted personnel to unskilled laborers. Prior to appraisal, the client will prepare draft Labor Management Procedures (LMP), to be annexed to the ESMF, to identify the different types of workers and risks according to the activities they may perform under the project. The LMP will lay out requirements to promote transparency in terms and conditions of employment, nondiscrimination, and equal opportunity. In addition, the LMP will include a GRM specifically for project workers to ensure they have a mechanism in place for complaints and grievances.

Among other elements, to ensure health and safety of workers during the construction and implementation phases of the project, the LMP will also include a generic Occupational Health and Safety Plan (OHSP) for likely civil works activities under Component 1, in line with the WBG general guidelines and water and sanitation EHS Guidelines. Some of OHS hazards associated with the project activities may include among others: (i) operation of heavy machinery, (ii) slips, trips and falls; (iii) material handling; (iv) exposure to hazardous substances (water treatment chemicals, fuels, etc.), and (v) traffic safety. The OHSP will include generic measures addressing these and other types of typical OHS issues, as well as procedures for incident/accidents investigation and reporting, recording and reporting of non-conformances, emergency preparedness and response procedures, and continuous trainings for workers. It will also contain measures to address potential risks and impacts that may arise from the interaction



between project workers and local communities. At this stage it is uncertain whether there could be any labor influx or if all workers will come from the local areas of project intervention; however, as civil works are expected to be relatively small scale, any labor influx would also likely be small scale. Nonetheless, to ensure that the project promotes safety of women, and to avoid that beneficiaries become targets of sexual harassment or assault, the LMP will include a code of conduct, and both labor GRM as well as the overall project GRM will include specific grievance channels, to be managed by trained personnel, for potential complaints related to gender based violence (GBV) or sexual exploitation and abuse (SEA). Likewise, there could be risks of community conflict with workers, in particular for micro-metering and related works that communities view as associated with potential water tariff reforms that they might oppose. These risks will be further analyzed during project preparation, and as relevant, potential security measures for workers will be indicated.

### **ESS3 Resource Efficiency and Pollution Prevention and Management**

The standard is relevant as there are potential sources of pollution from construction activities under Component 1. Generic mitigation measures will be included in the ESMF following the mitigation hierarchy. All site-specific ESMPs will include these mitigation measures with more specificity as applicable depending on the specific works to be carried out and conditions at site. Benchmark standards for pollution prevention and control will follow the Bank's General EHS Guidelines as well as sectoral EHS Guidelines for Water and Sanitation, as well as national standards, whichever are more stringent in any specific context. Some possible mitigation measures will include the following:

**Water quality:** One of the project's objectives is to improve the quality of potable water services; as such, water quality standards will be central in subproject designs and will follow WHO drinking water guidelines and national standards, whichever are higher. With respect to wastewater and sewerage: as most investments will be in rehabilitation rather than systems expansion, there will be no investments to develop new water sources, and physical works will be accompanied by various demand management measures aimed at eliminating inefficiencies in water distribution (including volumetric tariffs), the potential additional wastewater and sewerage generated at the household level is not expected to be significant, and might even constitute a reduction from baseline levels. However, where investments aim to expand water service coverage, there may be increases to wastewater and sewerage generated. In such cases, the ESMF will specify that subproject ESIA's and technical studies should evaluate the adequacy of existing sanitation services and coverage, and include investments and/or technical assistance to improve or provide sanitation services in parallel to expansions to the water distribution network.

**Vegetation and soil loss:** Localized soil removal and clearance of vegetation may occur particularly in the case of expansion of water supply and/or sewerage networks. The ESMF will include generic measures covering these types of impacts, to be confirmed and detailed as required in subproject ESMPs.

**Waste Management:** Construction waste will include mostly excavated soils and debris, hydrocarbon oils from construction machinery and vehicles, etc. It will also include old water and sewer pipes and other decommissioned infrastructure being removed / replaced, which may also involve potential needs for site remediation (including of soils, if applicable). All waste generated by construction activities will be disposed according to national regulations and Good International Industry Practice (GIIP) as specified in the Bank's Environmental, Health and Safety (EHS) Guidelines. The ESMF will include generic measures for the management of hazardous materials as a result of the potential decommissioning activities, site remediation (if applicable), as well as for all the rehabilitation of all civil



works sites. In addition, subproject-level ESMPs will also include measures to address and manage sludge from wastewater treatment plants, using appropriate technologies to be selected as part of subproject feasibility and engineering studies.

Hazardous chemicals: Potential use of chemicals and hazardous materials for water and wastewater treatment operations will be, and the ESMF will include generic mitigation measures and good practices accordingly, to be confirmed and detailed further as required in subproject ESMPs during implementation.

Air emissions and noise: These may be generated during the construction phase from the use of heavy vehicles, machinery, and construction activities. However, based on the proposed project activities, these are expected to be minimal. Nonetheless, the ESMF will consider generic mitigation measures, which may include dust suppression and vehicle maintenance, to minimize the impact of air emissions and to minimize and manage the noise levels, such as applying standard restrictions to hours of site work. These will be confirmed and detailed further as required in subproject ESMPs during implementation. The project is not expected to generate significant GHG emissions, and therefore a detailed GHG accounting as per this standard is not expected to be required.

Efficiency measures: The core objective of the project is to enhance the efficiency and quality of water supply, and rehabilitation plans and works under the project will aim largely at improving systems efficiency, including reducing non-revenue water losses. Communications and education programs through the project will also aim to educate consumers about water use efficiency. The ESMF will specify that the potential to promote energy efficiency through the project should be explored as part of subproject ESIA's and reflected within infrastructure plans and designs, wherever technically and financially feasible.

#### **ESS4 Community Health and Safety**

This standard is relevant given that various project activities may expose communities to health and safety risks, especially if there are communities that are immediately close to the construction sites and activities. The presence of nearby communities will be confirmed during project implementation, as part of subproject technical and ESIA studies, once the exact locations of the project construction activities are determined. Some impacts from civil works that may cause inconvenience to local communities may include air emissions and odors, hazardous materials, closure of roads, traffic disruptions, and others. The ESMF will identify and lay out generic measures to minimize community risks to these and other issues, while site-specific planning will confirm relevant issues and include more detailed management measures in the site-specific ESMPs. The ESMF will assess, at a general level, the security risks of potential areas of intervention and the potential need for security workers to protect personnel or property. However, the need for security personnel will be confirmed at the subproject planning level and will be considered in the selection of subproject sites and project staging areas (camps, construction materials and equipment storage areas, etc.), and, as relevant, appropriate security personnel management measures will be included in bid documents for contractors. Fences and security systems around the project sites, as well as placement of the construction equipment in secured storages during the construction period, will also be assessed and considered in the ESMF and any necessary sub-project ESMPs. The ESMF will also specify that subproject ESIA's should consider impacts to household hygiene and health that may be caused by temporary suspension of water services during construction, and include recommendations to address these issues, such as timing construction works to minimize



water supply disruptions, monitoring of community health and food security, as well as outreach actions to promote improved community hygiene practices.

**ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement**

This standard is relevant. Infrastructure works are expected to mainly focus on the development and implementation of rapid impact rehabilitation actions for water and sanitation services, such as replacement of pumps, electrical panels, defective pipes and valves, and any device guaranteeing the operationalization of the system on existing footprint. However, the proposed Project may also finance activities to expand water and sanitation systems infrastructure. It is not possible to rule out the need to permanent or temporary physical or economic displacement as determined under ESS5. The Borrower will prepare a Resettlement Framework prior to Appraisal. The RF should also assess if there could be impacts on access to water (from natural sources) and water rights. Once the location of subprojects is determined and the specific information is available, resettlement plans will be prepared for those subprojects causing impacts covered under ESS5.

**ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources**

At this stage, the specific locations of sub-projects (works) are still unknown; however, given that the project will target primarily urban areas of municipalities which are already connected to water supply and/or sanitation networks, and civil works will focus primarily on rehabilitation of existing systems, and in light of the expected limited scale of finance to be allocated to any given municipality for infrastructure investments, the likelihood of significant direct negative impacts to areas of high biodiversity sensitivity is negligible. Nonetheless, the potential for such impacts cannot be ruled out at this stage, given that diverse ecosystems exist across the country and at times in close proximity to, including downstream of, urban areas which could potentially participate in the project. In addition, the project will include technical assistance aiming to strengthen watershed management and protection of upper catchments, which are likely to include forested and biodiversity sensitive areas. The ESMF will provide guidance on subproject-level biodiversity screening, assessment, identification of mitigation and management measures to ensure that project activities do not alter or cause destruction or degradation of any critical or sensitive natural habitats, especially forests and wetlands. These activities will also follow WBG General and Sector specific guidelines referenced in ESS3. If deemed necessary, site-specific ESMPs will address biodiversity impacts. Meanwhile, watershed conservation and protection activities will promote sustainable forest management in upper catchments in line with the principles of this standard as part of the planning and TA provided under this project.

**ESS7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities**

The relevance of this standard will be determined during preparation. The project is national in scope and Indigenous Peoples and Afro-Hondurans constitute at least 7% of the country's population, approximately 20% of which live in urban settings. However, only municipalities with urban population of more than 5,000 people and with ring-fenced providers can request financing. Based on the information available at the time of concept review for the project, there is likely to be only one eligible municipality with a ring-fenced provider and an indigenous population, but this population is integrated into society and may not comply with the 4 criteria set forth in ESS7. The status of this group and the presence of any other indigenous peoples in the target areas will nonetheless be reviewed in detail during preparation, including consultation with indigenous groups, so that a determination can be made as to whether there



is a possibility of any future subproject affecting or benefiting indigenous groups as defined under ESS7. If the potential presence of IPs meeting the requirements of ESS7 is determined in eligible municipalities, the borrower will prepare an Indigenous Peoples Planning Framework (IPPF). Similarly, during project implementation, the presence or absence of IPs in potential areas of intervention will be confirmed as part of the subproject SIA and, if their presence and potential differentiated needs are confirmed, Indigenous Peoples Plans (IPPs) will be prepared in accordance with ESS7. The SEP will also include provisions to carry out consultation with IPs at the national and organizational level during project preparation and in a targeted manner if it can be determined that IPs might be potentially present in any eligible municipality. The SEP will also include provisions for consultations with IPs as identified in the (direct or indirect) areas of influence of the subprojects during project implementation.

**ESS8 Cultural Heritage**

This standard is relevant since some of the construction activities will involve soil excavations. The ESMF will include provisions for subproject-level screening and assessment of any known sites of cultural or historic importance which may be impacted locally, as well as identification of any sites of cultural/social importance for local communities. The ESMF, and all future site-specific ESMPs, will furthermore include: (i) Chance Finds Procedures for the construction areas, and construction contracts will include clauses requiring civil contractors to take proper protective measures in case cultural heritage sites are discovered, including to stop construction activities if cultural property sites are encountered during construction; and (ii) any needed mitigation measures to avoid or restore community cultural sites. All site-specific ESMP measures will be reflected in corresponding construction contracts.

**ESS9 Financial Intermediaries**

The standard is not relevant. The project will not involve any financial intermediaries.

**C. Legal Operational Policies that Apply**

<b>OP 7.50 Projects on International Waterways</b>	TBD
The team will confirm during project design phase.	
<b>OP 7.60 Projects in Disputed Areas</b>	No
No projects in disputed areas.	

**III. WORLD BANK ENVIRONMENTAL AND SOCIAL DUE DILIGENCE**

**A. Is a common approach being considered?** No

**Financing Partners**

None

**B. Proposed Measures, Actions and Timing (Borrower’s commitments)**

**Actions to be completed prior to Bank Board Approval:**



Prior to appraisal, the borrower will prepare draft versions of the following documents that provide the necessary level of detail to inform stakeholder engagement and Bank decision-making, and are key for understanding the project’s most relevant environmental and social risks and impacts:

- Environmental and Social Management Framework (ESMF)
- Initial draft Labor Management Procedures (LMP) with a dedicated GRM
- Resettlement Framework
- Stakeholder Engagement Plan (SEP) including project-level GRM
- Environmental and Social Commitment Plan (ESCP)
- IPPF if determined to be required (see ESS7 above)

**Possible issues to be addressed in the Borrower Environmental and Social Commitment Plan (ESCP):**

The ESCP will include details and timeframes for the implementation of the ESMF, preparation and implementation of site-specific ESIA’s and ESMP’s as needed, the implementation of the SEP with its GRM, the implementation of the LMP with its GRM, implementation of the Resettlement Framework, preparation and implementation of site-specific resettlement plans if needed, and any necessary environmental and social capacity building measures. It will also include details and timeframes for the implementation of an IPPF and/or site-specific IPPs if, during preparation or implementation, ESS7’s relevance is determined.

For all project activities that will be designed and executed during project implementation, the ESCP will specify that detailed site-specific planning shall include: (i) site-specific ESIA’s/ESA’s; (ii) ESMP’s consulted with relevant stakeholders, disclosed and approved by the Bank prior to issuance of corresponding bid packages or the initiation of civil works; and (iii) in case of land acquisition, site-specific RAPA’s/ARA’s consulted with relevant stakeholders, disclosed and approved by the Bank prior to issuance of corresponding bid packages for the initiation of civil works, and implemented prior to initiation of said construction.

**C. Timing**

**Tentative target date for preparing the Appraisal Stage ESRS**

30-Apr-2020

**IV. CONTACT POINTS**

**World Bank**

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**Borrower/Client/Recipient**

Borrower: Republic of Honduras

**Implementing Agency(ies)**

Implementing Agency: Honduran Strategic Investment Office (INVEST-H)

Public Disclosure



**V. FOR MORE INFORMATION CONTACT**

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**VI. APPROVAL**

Task Team Leader(s):	Marco Antonio Agüero
Practice Manager (ENR/Social)	Valerie Hickey Recommended on 13-Feb-2020 at 20:06:31 EST
Safeguards Advisor ESSA	Maria Da Cunha (SAESSA) Cleared on 14-Feb-2020 at 00:09:0 EST