Appraisal Environmental and Social Review Summary

Appraisal Stage

(ESRS Appraisal Stage)

Date Prepared/Updated: 04/24/2020 | Report No: ESRSA00593
BASIC INFORMATION

A. Basic Project Data

<table>
<thead>
<tr>
<th>Country</th>
<th>Region</th>
<th>Project ID</th>
<th>Parent Project ID (if any)</th>
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<tbody>
<tr>
<td>Honduras</td>
<td>LATIN AMERICA AND CARIBBEAN</td>
<td>P173125</td>
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| Project Name                        | Urban Water Supply Strengthening Project |

<table>
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<tr>
<th>Practice Area (Lead)</th>
<th>Financing Instrument</th>
<th>Estimated Appraisal Date</th>
<th>Estimated Board Date</th>
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<th>Borrower(s)</th>
<th>Implementing Agency(ies)</th>
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<tr>
<td>Secretaria de Finanzas de Honduras (SEFIN)</td>
<td>Honduran Strategic Investment Office (INVEST-H)</td>
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Proposed Development Objective(s)
Improve the quality and efficiency of water supply services provided by eligible urban water providers; and to support urban water providers to respond to COVID-19 emergency needs

Financing (in USD Million) Amount

| Total Project Cost | 48.00 |

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]
Despite substantial improvements in urban water coverage, Honduras still faces significant challenges in providing better and more reliable services to over one hundred medium and small-sized cities. The 2015 Sustainable Development Goals (SDGs) set ambitious targets, including achieving 100 percent access to safe and affordable drinking water by 2030 which requires significant investments in infrastructure rehabilitation. There is broad consensus among sector and municipal authorities, and small town service providers that improved and reliable access to water supply constitutes the foremost priority. The importance of ensuring access to safely managed water
supply has been made all the more apparent in the midst of the evolving global Coronavirus Pandemic. Preparation of the proposed operation coincides with the rapidly unfolding spread of the COVID19 virus. It is widely recognized that access to safely managed water supply is critical to prevent the spread of disease including through the provision of water for handwashing – which is considered crucial to break the cycle of contagion.

The Project builds on the advances made under the previous World Bank financed water and sanitation project in Honduras (P103881), 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.

Component 1. Improving water supply services provision in eligible UWPs/municipalities. This Component will support the operationalization of water systems as contemplated in the Framework Law using a demand-based approach. To this end, the Component will finance goods, works and services. Investments will include the rehabilitation and upgrading of urban water systems prioritized in the Rapid Impact and Rehabilitation Plans (RIRPs) and Business Plans (BPs) aimed at improving operational and financial management, enhancing energy efficiency, optimizing existing water supply systems, and increasing water continuity. More reliable water supply services—resulting from more efficiently operating and financially sustainable service providers is expected to render beneficiary communities more resilient to climate change–related droughts and diseases and may reduce the need for new water abstraction.

This Component will, likewise, support emergency needs resulting from the COVID-19 pandemic through the implementation of priority activities defined by urban municipalities, prioritizing vulnerable groups, healthcare facilities, schools and unserved populations. On the latter, activities will be focused to water supply and hygiene, including communications campaigns aimed at promoting more rational use of water supply, reuse of gray water, as well as adequate education in hygiene and sanitation practices to stem the outbreak of pandemic and waterborne diseases, among others. A liquidity facility mechanism will be explored to support water systems during the COVID related emergency.

Component 2. Institutional strengthening of ERSAPS and support to implement Component 1 activities. This Component will support ERSAPS’ institutional capacity to implement incremental activities associated with Component 1 for participating UWPs. This Component will support ERSAPS in their efforts to help service providers improve their WSS services by complying with sector rules, regulations, and monitoring the performance of the providers included in this Project.

Component 3. Project management, communication, outreach, monitoring and evaluation . This Component will finance travel, training, consulting services and general operating costs of the Project Implementation Unit (PIU) to support Project implementation. In addition, will finance TA to support the PMU in, among others, monitoring and evaluation of result, procurement and FM activities, implementing environmental and social standards, undertaking annual audits, carry out gender strategies and citizen engagement measures, outreach activities to explain Project benefits to beneficiaries and communication campaigns to promote handwashing and other hygiene practices, to mitigate disease contagion (including COVID-19).
Component 4. Contingent Emergency Response Component (CERC). This component will finance immediate response activities and expenditures for eligible emergencies, as defined in the Contingency Emergency Response Operational Manual prepared and adopted by the GoH.

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. The project will target potentially qualifying municipalities with an urban population between 5,000 to 300,000 people. As a demand-based project, all applications from water service providers will be accepted on a first-come first-served basis, subject to the specific criteria described in the PAD and to be further detailed in the Project’s operating manual (OM). Hence, specific locations of interventions cannot be identified at this stage. It is estimated that approximately 20 municipalities will be able to benefit from the project, out of a total of more than 80 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 percent 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) high levels of crime and violence, particularly in urban settings that could affect implementation.

Regarding water governance, citizen engagement and involvement in management of water and sanitation services is still weak, which may pose a 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% have 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.

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.

The Project may intervene in areas with presence of Indigenous Peoples and Afro-Hondurans (IPAH) that comply with the criteria set forth in ESS7. Out of 8,303,773 habitants in Honduras, 717,620 people (8.64%) self-identified as
pertaining to one of the 9 indigenous/afro descendent populations. It is estimated that 17.91 percent of them live in urban settings (117,517). Further description of the IPAH population is included under ESS7.

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 projects with multilateral lenders applying World Bank (WB) safeguard policies. Specifically, INVEST-H is currently implementing WB projects with a good track record of safeguards compliance and has recently prepared another WB project under the new Environmental and Social Framework (ESF), focused on water security in the Dry Corridor of Honduras (P169901). 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. In this vein, to strengthen their capacity to effectively manage E&S risks of this project, particularly considering the challenges of overseeing multiple simultaneous sub-projects and engaging with a wide range of stakeholders, the dedicated Project Implementing Unit (PIU) within INVEST-H will include full time environmental and social specialists (one each). In addition, INVEST-H’s in-house resettlement, legal and gender specialists will provide intermittent support to the project, and if deemed necessary by the World Bank and the PIU during the course of implementation, additional consultants in these areas or other areas of social and environmental expertise will be hired under the PIU to support the project. In addition, together with financing from the Water Security in the Dry Corridor of Honduras Project (P169901) 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. SUMMARY OF ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS

A. Environmental and Social Risk Classification (ESRC)  Moderate

Environmental Risk Rating  Moderate

The environmental risk classification is moderate at this stage. From an environmental perspective, project related risks will stem from minor physical investments to support municipal water service providers in small to medium size municipalities to rehabilitate and upgrade their systems. Civil works will focus primarily on implementing Rapid Impact Rehabilitation Plans (RIRPs) under Subcomponent 1.2, and/or Business Plans (BPs) under Subcomponent 1.3, both of which will aim at rehabilitating and upgrading water systems to, inter alia: (i) improve energy efficiency; (ii) reduce non-revenue water losses; (iii) rehabilitate existing water supply system infrastructure; and (iv) develop and implement social outreach, stakeholder engagement and communication plans. Specific civil works are expected to encompass, inter alia: replacement of pumps, electrical panels, and defective pipes and valves, macro and micrometer installation, and rehabilitation of water treatment plants. No system expansion works, or development of new water supply sources, will be undertaken. The range in total value of investments in any given municipality will be around US$1-3 million. 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. A major focus of the project will be to strengthen service provider capacity to improve operations and maintenance.
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(O&M) stage management of municipal water supply systems, which should contribute towards environmental and health benefits in the long term through enhanced watershed management and reduced public health risks from poorly treated water. Investments to enhance efficiency and reliability of existing water systems will also contribute to climate change resilience. As such, it is expected that the project overall will contribute towards positive environmental benefits.

Social Risk Rating

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 will have positive repercussions on other aspects of wellbeing.

The social risk rating is considered Moderate. The main social risks and impacts expected include: (i) negative reaction of community members to volumetric tariffs (a pre-condition to finance ring-fenced providers’ needs and priorities) and the potential that they could be cost restrictive, thus increasing tensions over water access; (ii) national context characterized by high levels of crime and violence, particularly in urban settings; (iii) weak citizen engagement and involvement in management of water and sanitation services; and, (iv) the potential exclusion of indigenous peoples, afro-Hondurans and other vulnerable groups from project benefits and activities. Limited adverse site-specific impacts may also result from construction works. To mitigate these risks, the Project will support, among other measures: (i) a comprehensive social outreach program during the design and implementation of infrastructure works; (ii) technical assistance to ring-fenced providers on how to avoid a negative impact on vulnerable and poor population’s economy; (iii) strengthening of local water and other governance structures as part of their technical support during implementation; (iv) social screening in each subproject to determine the presence of indigenous peoples or afro descendants and address their specific needs in line with ESS7; and (v) technical support to raise awareness and identify vulnerable groups. Subproject-specific construction related social risks and impacts will also be assessed and managed as part of subproject planning and implementation.

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:

Given that the exact scope and locations of infrastructure activities will be defined only during project implementation, based on a first-come, first-served basis and subject to the specific eligibility criteria to be described in the OM, the project has adopted a framework approach to environmental and social management. As such, an Environmental and Social Management Framework (ESMF) has been developed and provides information on requirements and processes for E&S due diligence of future subprojects, in particular with respect to Subcomponents 1.2 and 1.3. The ESMF provides: (i) a high level characterization of potential contextual environmental and social risks and issues which may be present in different beneficiary municipalities; (ii) identification of 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; (ii) 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); (iv) details of the requirements for subproject Environmental
and Social Impact Assessments (ESIAs) to be undertaken during implementation, including social conflict analysis and assessment of potential disproportionate impacts on vulnerable and poor groups related to shifting to volumetric water tariffs, and site-specific Environmental and Social Management Plans (ESMPs); and (v) implementation arrangements, capacity building measures, and budget for environmental and social management during both construction as well as O&M stages. It also considers and appropriately references the WB’s Environmental, Health and Safety (EHS) General and good practice Sector-Specific Guidelines.

During implementation, as municipal service providers are selected to participate in the project, and Rapid Impact Rehabilitation Plans (RIRPs) and Business Plans (BPs) are developed detailing site specific investment plans, INVEST-H will implement the ESMF by carrying out municipal subproject level Environmental and Social Impact Assessment (ESIAs) and developing ESMPs, spanning all relevant environmental, social, health and safety (ESHS) issues as applicable, including indigenous peoples and resettlement plans when applicable. These processes will be done in accordance with the project’s ESMF, with additional guidance from the Resettlement Framework (RF) and Indigenous Peoples Planning Framework (IPPF) where applicable, as discussed under ESS5 and 7. The subproject level ESIAs will be 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 INVEST-H 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 ensure effective environmental and social performance of water supply systems in their O&M stage. Any TA studies completed during implementation will be reviewed to include attention to E&S aspects and ensure consistency with the ESF in their TORs and at completion stage prior to being finalized.

For Component 4 (Contingent Emergency Response Component, CERC), the project will adopt a manual including relevant procedures and requirements to comply with the ESF, as shall be further outlined in an accompanying CERC-specific ESMF, in case the component is activated. This CERC manual and accompanying ESMF are under development currently, and are expected to be completed within 30 days of Project Effectiveness.

Details of preparation stage consultations and disclosure of the ESMF and other framework planning instruments for the project are outlined under ESS10.

Appropriate E&S supervision and oversight arrangements will be in place throughout project implementation. Contractors will be required to maintain ESHS officers and ensure all ESHS contract requirements are implemented, and lead training and orientation of workers. Each of the subprojects will have a multidisciplinary professional supervision team at site for day to day supervision of technical, environmental and social compliance with these requirements. INVEST-H will have full time environmental and social specialists to oversee the quality of the E&S supervision by the firms, periodically visit all works sites and handle reporting to the World Bank and relevant national authorities.
Invest-H developed a Stakeholder Engagement Plan (SEP) that maps out the various project stakeholders and develops 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 outlines (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; (v) who will be charged/responsible for this engagement; (v) timeline and cost. Amongst key stakeholders are ring-fenced service providers, municipalities, ERSAP, Juntas de Vecinos (neighborhoods boards), COMASs, USCLs, women’s organizations, other NGOs, and other development agencies working at the municipal level.

During early stages of preparation, several in-person meetings were undertaken with municipal authorities, staff of ring-fenced providers, COMASs, and civil society. These meetings provided key information on stakeholders as well as potential environmental and social risks and impacts. In light of the declaration of COVID-19 as a pandemic by the World Health Organization (WHO) in March 2020 and emerging incidence of the virus in Honduras, the government subsequently imposed limitations to mobility and group congregations; therefore, additional face to face and group consultations were not pursued as initially planned. Consequently, consultations were adapted to a virtual format in accordance with WB guidance. The virtual consultations took place between March 24 and April 17, 2020 through 3 complementary channels: (i) through targeted emails and phone calls with municipal authorities and ring-fenced providers of selected municipalities that could apply to project financing, with whom the GoH shared key project information and draft instruments and sought their written or oral feedback; (ii) disclosing key project information and draft environmental and social instruments in the INVEST-H website; feedback could be provided through a survey included there or through email; and (iii) phone conversations with indigenous and Afro-Honduran (IPAH) national leaders to consult on the project, potential impacts on IPAH if their municipalities participate in the Project, suggested mitigation measures and Grievance Redress Mechanism (GRM) adaptations. During implementation, as part of subproject ESIAs and consistent with the SEP and ESMF, consultations will take place at the subproject level with affected and other interested parties, including vulnerable groups.

The SEP describes a project-level GRM that has been developed and shared during consultations with key stakeholders. It has several channels to submit grievances, including mailboxes, telephone and email. It includes guidance to be followed for the classification of grievances, description of follow up actions, response and appeal process, monitoring and evaluation, and institutional responsibilities for implementation. A section on project-level GRM implementation will be included in the quarterly reports prepared by INVEST-H and submitted to the WB.

The draft SEP, along with the other project E&S management frameworks, draft ESCP, ESMF, RF, IPPF, and LMP, were publicly disclosed in-country between March 24 and April 17, 2020 through INVEST-H’s webpage: http://www.investhonduras.hn/agua-potable/. The SEP was updated to reflect recommendations received and redisclosed following Project Appraisal, and thereafter will be updated and redisclosed as needed throughout the life of the project.

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
The standard is relevant. Project implementation will involve various workers, ranging from PIU staff to specialized personnel of consulting and implementation firms as well as unskilled laborers. Invest-H developed Labor Management Procedures (LMP) during project preparation to manage labor related risks and impacts. The LMP provides an overview of applicable legislation, expected types of personnel to be hired under the project, and measures to comply with ESS2, including specific provisions on Occupational Health and Safety (OHS), child labor, minimum salary and work hours. The LMP also included a description of the GRM available to project workers. Labor-related requirements specific to construction activities for each subproject will also be incorporated into the site-specific ESMPs and bid documents for all investments and will be supervised by construction supervision firms.

The project will not hire people younger than 18 years old, and INVEST-H will monitor compliance in all subprojects. Gender Based Violence (GBV) risks were screened for the project and determined to be low. Mapping of institutions in charge of GBV prevention and response will be included in environmental and social assessments of each subproject, complemented by GBV training for key stakeholders, including municipal and ring-fenced provider staff.

The LMP will be reviewed and updated throughout project implementation as required, considering the activities to be undertaken in each subproject and as additional project activities unfold entailing additional labor related risks or issues.

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 have been 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 results of subproject level ESIA analysis, in light of specific works to be carried out and conditions at site. Benchmark standards for pollution prevention and control will follow the World 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 mitigation measures include:

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 investments will be limited to rehabilitation of existing systems 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 considered negligible, and might even constitute a reduction from baseline levels.

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 includes 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 World Bank’s Environmental, Health and Safety (EHS) Guidelines. The ESMF includes generic measures for the management of hazardous materials as a result of the potential decommissioning activities, 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 water treatment plants, using appropriate technologies to be selected as part of subproject feasibility and engineering studies.

Hazardous chemicals: The operation of water treatment plants typically uses chemicals such as chlorine and potentially other hazardous materials. To ensure proper storage, handling and use of such chemicals, the ESMF includes generic management measures and good practices, to be confirmed and detailed further as required in subproject ESMPs during implementation, depending on the specific technologies used at treatment plants supported under the project.

Air emissions and noise: A limited amount of noise and dust will be generated during the construction phase from the use of heavy vehicles, machinery, and construction activities. These are not expected to be significant impacts; nonetheless the ESMF considers generic mitigation measures, which may include dust suppression and vehicle maintenance to minimize the impact of air emissions, and application of working hours restrictions to manage noise nuisance. These will be confirmed and detailed further as required in subproject ESMPs during implementation. The project is not expected to generate significant GHG emissions.

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 under component 1 will also aim to educate consumers about water use efficiency. The ESMF specifies that the potential to promote energy efficiency through the project should be explored as part of subproject ESIAs and reflected within technical plans and designs, wherever technically and financially feasible.

Water Balance: Given that investments will focus only on rehabilitation of existing schemes, it was determined that a water balance study is not deemed necessary as per this standard. Subproject ESIAs will nonetheless include available data on estimations and trends in local water resource availability.

**ESS4 Community Health and Safety**

This standard is relevant given that various project activities may expose communities to minor 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 and may include air emissions and odors, closure of roads, traffic disruptions, and others. The ESMF identifies and lays out generic measures to minimize community risks from these and other issues, while site-specific ESIAs and planning will confirm relevant issues and include more detailed management measures in the subproject ESMPs. The ESMF assesses, 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. The Project will take measures to ensure that, prior to deployment, such personnel will be: (i) screened to confirm that they have not engaged in past unlawful or abusive behavior, including sexual exploitation and abuse (SEA), sexual harassment (SH) or excessive use of force; (ii) adequately instructed and trained, on a regular basis, on the use of force and appropriate behavior and conduct (including in relation to SEA and SH), as set out in ESMF; and (iii) deployed in a manner consistent with applicable national law. The need for 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 subproject ESMPs. The ESMF also specifies that subproject ESIAs 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 minimizing water supply disruptions and community outreach promoting 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. The Project will not finance activities to expand water systems infrastructure and therefore does not expect to cause impacts beyond existing footprint. Nonetheless, it is not possible to completely rule out the need to localized, limited and small-scale permanent or temporary physical or economic displacement as determined under ESS5. To address potential risks and impacts under ESS5, INVEST-H developed a Resettlement Framework (RF). The RF examines national legislation around involuntary land acquisition and resettlement as well as gaps with the World Bank’s ESS5; describes procedures, measures and steps to follow for land acquisition, including description of conditions for willing-buyer-willing seller and land donations. 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 and in line with the RF.

**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 on rehabilitation of existing systems, the likelihood of direct negative impacts to areas of high biodiversity sensitivity is negligible. Nonetheless, the potential for any 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 provides 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**

This standard is relevant. The project is national in scope and Indigenous Peoples and Afro-Hondurans constitute at least 8% of the country’s population. However, only municipalities with urban population of more than 5,000 people can request financing and, hence, the Indigenous and Afro-Honduran (IPAH) population potentially affected would be that living in urban or peri-urban settings within the existing service areas of participating water service providers, that comply with the criteria set forth in ESS7.

Based on the self-identification method, the XVII National Population Census shows that out of 8,303,773 habitants in Honduras, 717,620 people (8.64%) self-identified as pertaining to one of the 9 indigenous/afro descendent populations. The 82.9 percent of them (538,952 people) live in rural areas while 17.91 percent in urban settings (117,517). For those living in urban areas, Lenca people are the most represented with 44,901 people; followed by Miskito population with 27,244, Garífuna with 22,144, and Maya Chortí with 10,891. In general, indigenous peoples (IPs) exhibit higher rates of poverty and extreme poverty relative to the non-IP population, as well as poorer access to basic services: 72 percent of indigenous households, compared to 41.6 percent of households nationally, cannot afford a basic food basket, which puts them on the extreme poverty line. The average monthly income of IPs amounts to 36.8 percent of the national average, and much less in the case of the Tolupán, Chortí, Pech and Lenca. Regarding access to water through public systems, the penetration rate is also low: only 44% of Maya Chortí and 54% for Garífunas, while 80% of Miskitos does not have access to the public water system. IPs also face discrimination, which makes them vulnerable in general to unfair and precarious working conditions.

The ESIA to be developed in compliance with ESS1 at the beginning of each subproject will determine if IPAH, complying with the ESS7 criteria, are present in the area of intervention of the subproject. Determination will be based on secondary sources as well as consultation with experts and IPAHs organizations. If the subproject will be implemented in an area with IPAH presence, the ESIA will include characterization of this population, potential opportunities, benefits, adverse risks and impacts, mitigation measures as well as other adjustments needed to ensure that they can equally benefit from the project and an they are not negatively affected. Following consultation with IPAHs in the areas of interventions, an Indigenous Peoples Plan (IPP) will be developed, consulted and validated with them, as well as implemented, monitored and reported during the life of the subproject.

These IPPs will be developed following the guidance outlined in an Indigenous Peoples Planning Framework (IPPF) that includes a description of the project and of IPAH; an analysis of the national legal framework relevant to IPAH; gap analysis with ESS7; a description of potential opportunities, risks and impacts; the guidelines for screening for the presence of IPAHs, site-specific social assessments, as well as designing and implementing IPPs, as needed, and in consultation with project affected and beneficiary IPAH communities, as described above. The IPPF also includes an identification of preliminary adjustments to the Grievance Redress Mechanism of the Project if implemented in a municipality with IPAH presence. The GRM would be further adjusted, if needed, following consultation in the context of each subproject with IPAH presence.
The draft IPPF was consulted with IPAH organizations at the national level and was published at INVEST-H’s website. It was open for virtual feedback (through email or the website) from March 24 to April 17, 2020. The IPPF will be revised to incorporate feedback received and subsequently redisclosed.

ESS8 Cultural Heritage

This standard is relevant since the construction activities may involve soil excavations. The ESMF includes 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 includes: (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 directly affected by the project. 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

OP 7.50 Projects on International Waterways

OP 7.50 is triggered due to the demand based approach of the Project and the fact that investments may take place in international basins that Honduras shares with its neighboring countries. Nonetheless, due to investments being only on existing schemes which will not adversely change the quality or quantity of water flows to riparian states or be adversely affected by riparians’ water use, an exception to the notification requirement was approved by the Regional Vice President on March 24, 2020.

OP 7.60 Projects in Disputed Areas

No projects in disputed areas.

III. BORROWER'S ENVIRONMENTAL AND SOCIAL COMMITMENT PLAN (ESCP)

<table>
<thead>
<tr>
<th>DELIVERABLES against MEASURES AND ACTIONs IDENTIFIED</th>
<th>TIMELINE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establish and maintain appropriate ESHS staffing at the PIU level, including at minimum one environmental specialist and one social specialist.</td>
<td>07/2021</td>
</tr>
<tr>
<td>Contract supervision consultants with appropriate ESHS expertise and experience to oversee all works sites, prior to initiation of works, and maintain throughout corresponding construction periods.</td>
<td>06/2022</td>
</tr>
</tbody>
</table>
Prior to initiation of the Operations phase of any project investment, present for Bank approval a compliance audit of the construction stage ESMP and other E&S plans as applicable.  

<table>
<thead>
<tr>
<th>Date</th>
<th>Action</th>
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<tbody>
<tr>
<td>03/2024</td>
<td>Carry out ESIAs and develop management plans in accordance with the project ESMF, RF and IPPF as part of the consultancy/ies to define project interventions. Reflect any necessary management measures into bid documents prior to their issuance, and thereafter, ensure implementation of all required E&amp;S measures.</td>
</tr>
<tr>
<td>10/2021</td>
<td>Prior to any disbursement under Component 4 on Contingent Emergency Response, ensure completion of the CERC Manual in a manner acceptable to the Bank, including appropriate measures for E&amp;S management in accordance with the ESF. In case of CERC activation, complete, submit to the World Bank for approval, and disclose any necessary environmental and social instruments as required under the ESF prior to initiation of corresponding activities. Thereafter, implement required management measures.</td>
</tr>
</tbody>
</table>

**ESS 10 Stakeholder Engagement and Information Disclosure**

Implement the project Stakeholder Engagement Plan (SEP) throughout the life of the project. Update whenever required, based on implementation experience.  

<table>
<thead>
<tr>
<th>Date</th>
<th>Action</th>
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<tbody>
<tr>
<td>06/2026</td>
<td>Maintain an accessible project GRM throughout the life of the project.</td>
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</table>

**ESS 2 Labor and Working Conditions**

Update the Labor Management Procedures (LMP), to reflect additional information about labor modalities, issues and risks identified and confirmed as designs, full E&S plans and bid documents are completed for subprojects.  

<table>
<thead>
<tr>
<th>Date</th>
<th>Action</th>
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<tbody>
<tr>
<td>03/2022</td>
<td>Implement LMP, including labor GRM, throughout the life of the project.</td>
</tr>
<tr>
<td>06/2026</td>
<td>Ensure all site-specific ESIAs and ESMPs cover relevant OHS risks and management measures, and ensure measures are implemented throughout each subproject construction period, as well as appropriate capacity building for O&amp;M stage OHS management.</td>
</tr>
<tr>
<td>06/2026</td>
<td>Throughout the life of the project, ensure all workers receive appropriate OHS training as well as information on their rights, how to access the labor GRM, etc. Ensure all contracted workers sign codes of conduct, and supervise their enforcement.</td>
</tr>
</tbody>
</table>

**ESS 3 Resource Efficiency and Pollution Prevention and Management**

Carry out water quality studies as part of subproject assessments and design studies, to ensure project interventions achieve water quality standards as per national law and ESHGs.  

<table>
<thead>
<tr>
<th>Date</th>
<th>Action</th>
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<tbody>
<tr>
<td>10/2021</td>
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</tbody>
</table>
Build capacity of ring fenced providers on systems maintenance and water quality monitoring, to ensure safe and effective operation of water systems. Supervise water quality of operating systems following investments and until project closure.  

<table>
<thead>
<tr>
<th>ESS 4 Community Health and Safety</th>
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<tbody>
<tr>
<td>Adopt and implement measures and actions for traffic and road safety as part of subproject ESMPs, and ensure their implementation throughout the life of construction works.</td>
</tr>
<tr>
<td>Include in corresponding ESMPs, and ensure implementation of measures and actions for management of community safety risks related to use of security personnel by contractors in accordance with ESS4.</td>
</tr>
</tbody>
</table>

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<thead>
<tr>
<th>ESS 5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Develop, and implement prior to any construction, RAPs wherever required in accordance with the RF.</td>
</tr>
<tr>
<td>Provide adequate evidence of voluntary and adequately informed willing seller arrangements for subprojects where land purchased for project purposes, as part of each subproject ESIA.</td>
</tr>
<tr>
<td>Set up and ensure full accessibility of a GRM for land acquisition and resettlement related issues for any activity requiring a RAP.</td>
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</table>

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<tr>
<th>ESS 6 Biodiversity Conservation and Sustainable Management of Living Natural Resources</th>
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</thead>
<tbody>
<tr>
<td>For any future subproject or activity that causes significant impacts to natural habitats or biodiversity, ensure appropriate management measures in accordance with the mitigation hierarchy, and if needed, a stand-alone biodiversity management plan.</td>
</tr>
<tr>
<td>For reforestation and forest management related activities under the project, ensure full implementation of ESS6 requirements on sustainable forest management.</td>
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<tr>
<th>ESS 7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Develop, consult, disclose and implement Indigenous Peoples Plan, in accordance with the IPPF, for all subprojects which may affect (either positively or negatively) indigenous peoples, prior to bidding of works of the corresponding subproject.</td>
</tr>
<tr>
<td>Ensure culturally appropriate GRM and stakeholder engagement modalities for any subproject or activity affecting or involving indigenous peoples. Specify details in the subproject IPPs.</td>
</tr>
</tbody>
</table>

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<tr>
<th>ESS 8 Cultural Heritage</th>
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<tbody>
<tr>
<td>As part of all assessments of potential tangible and intangible cultural heritage impacts. Avoid impacts where possible through redesigns; otherwise, develop cultural heritage plans as per the ESMF.</td>
</tr>
</tbody>
</table>
Ensure chance find procedures are incorporated in all bidding documents, and enforced throughout construction.

ESS 9 Financial Intermediaries

B.3. Reliance on Borrower’s policy, legal and institutional framework, relevant to the Project risks and impacts

Is this project being prepared for use of Borrower Framework? No

Areas where “Use of Borrower Framework” is being considered:
None

IV. CONTACT POINTS

World Bank
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Telephone No: 5768+245 Email: maguero@worldbank.org

Borrower/Client/Recipient
Borrower: Secretaria de Finanzas de Honduras (SEFIN)

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

V. FOR MORE INFORMATION CONTACT

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Washington, D.C. 20433
Telephone: (202) 473-1000
Web: http://www.worldbank.org/projects

VI. APPROVAL

Task Team Leader(s): Marco Antonio Aguero
Practice Manager (ENR/Social) Valerie Hickey Cleared on 09-Apr-2020 at 13:50:7 EDT