



Concept Environmental and Social Review Summary

Concept Stage

(ESRS Concept Stage)

Date Prepared/Updated: 08/28/2020 | Report No: ESRSC01576



BASIC INFORMATION

A. Basic Project Data

Country	Region	Project ID	Parent Project ID (if any)
Brazil	LATIN AMERICA AND CARIBBEAN	P173621	
Project Name	Supporting Smart Urban Water Management in the Recife Metropolitan Region (RETF)		
Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
Water	Investment Project Financing		9/30/2020
Borrower(s)	Implementing Agency(ies)		
Companhia Pernambucana de Saneamento (COMPESA)	Companhia Pernambucana de Saneamento (COMPESA)		

Proposed Development Objective

Improve the non-revenue water management program and support the modernization of water supply and sanitation service delivery in the Recife Metropolitan Region, through the piloting of innovative smart water technologies and approaches.

Financing (in USD Million)	Amount
Total Project Cost	2.41

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 Proposed Project is part of a broader trust-funded Program consisting of Bank-Executed Trust-Funded (BETF), as well as of Recipient-Executed Trust-Funded (RETF) activities. This Summary Description concerns the RETF activities, although the overall structure applicable to both BETF and RETF activities is here used for consistency.



The Proposed Project consists of the following parts:

*Part 1. Smart Non-Revenue Water Management in the Recife Metropolitan Region (RMR), including: (i) the upgrade and expansion of Compesa’s Operational Management System for water supply in the RMR, providing timely process knowledge for decision-making in terms of where, when and how to intervene to reduce water losses; and (ii) the acquisition of equipment for the “smart” management and monitoring of water losses in the RMR, including testing and piloting of innovative equipment.

*Part 2. Integration of Behavioral Insights into Water and Sanitation Service Delivery in the RMR: No activities are financed through the RETF under this Part.

*Part 3. Modernization of Water and Sanitation Service Delivery, including: (i) the assessment and modernization of Compesa’s existing customer relationship management (CRM) system, including through the potential use of machine learning; and (ii) the assessment of and recommendations to improve Compesa’s billing and collection practices and policies, and increase water and wastewater bill payment, which was greatly impacted by the COVID-19 pandemic.

D. Environmental and Social Overview

D.1. Detailed project location(s) and salient physical characteristics relevant to the E&S assessment [geographic, environmental, social]

The Recife Metropolitan Region (RMR) is the fourth largest metropolitan area in Brazil with a population of approximately 4 million inhabitants. The RMR is the most important commercial and service center in the northeast region of Brazil, generating about 76 percent of Pernambuco State’s GDP. The RMR presents a rich-poor spatial dichotomy, and the low-income areas are home to 40 percent of the RMR population (1.6 million people), and are characterized by: their location, often in environmentally sensitive or high-risk areas; makeshift, self-built housing; irregular development patterns; a lack of basic urban services such as water, sanitation, and solid waste collection; a lack of physical and social infrastructure; and insecure land tenure.

The RMR faces complex water challenges, aggravated by climate change and increasing water variability. Water is supplied by the COMPESA from a complex of large and small dams. Water losses play an important role in the efficient use of water and in the reliable and secure supply and Pernambuco’s performance is worse in terms of water losses than the rest of Brazil. Non-revenue water (NRW) in the RMR is very high, with an average of 57.3 percent. Current water losses stand at 678 liters per connection per day. Overall water supply coverage is 89 percent, falling to 76 percent in the poor areas but supply is usually intermittent. Unreliable supply and rationing resulted in over exploitation of aquifers by private users, resulting in an estimated two thousand wells, which pose at once a loss of revenue for the utility, a potential environmental problem, and an inefficient aggregate solution for water supply. The sustainability of this situation is questionable given the rapid rate at which the aquifer is declining.

Overall coverage of sanitation services is around 42 percent, and even lower in the poor areas. In the RMR, an estimated 20 percent of total sewage is treated – the four existing treatment facilities presenting severe operational problems – and 20 percent of solid waste is disposed of informally, most often in drainage and sewerage canals, a particularly acute problem in "favelas". As a result, the heavily contaminated river system affects the quality of the water along the coast.

Given that the RMR is water stressed (compounded by climate change), reducing water losses is a key element to increasing service resilience and sustainability. Reduction of water losses will increase the volume of water available



for COMPESA to distribute which in turn will help increase the authorized and billed consumption volumes. In addition to structural problems, water losses are also directly linked with customer behavior. Water meter tampering/fraud and illegal connections to the public network have a direct impact on both real (physical) and apparent (commercial) losses. The most traditional solutions are costly and require permanent enforcement, and these tools such as educational campaigns, as well as enforcing tariffs, fees and fines have not been very efficient in reducing water losses. Another fact that deserves attention is that COMPESA’s customers seem to behave differently when deciding or not to pay bills from other similar household services, such as electricity. Based on these observations, further evidence-based approaches focusing on customer behavior need to be explored to reduce water losses, guide policy making, as well as support the development of pilots to reduce apparent losses. The World Bank believes that there is considerable scope for using behavioral insights for policy issues in the developing world, including those related to resource use. Despite this, however, the use of such behavioral tools in developing country are still rare.

D. 2. Borrower’s Institutional Capacity

With the support from the World Bank financed Pernambuco Sustainable Water Project (P108654), COMPESA is implementing a long-term program to control and reduce real water losses by enhancing infrastructure, combating fraud and illegal connections, and improving staff training. In the medium-term, this program aims at reducing the water losses by 30 percent over current levels, by establishing sectorization through District Metered Areas (DMAs), controlling and managing pressures, increasing and improving macro and micro metering, replacing old pipes, mobilizing officials to combat waste and fraud, and reducing the time to repair leaks. During implementation of this project, COMPESA has enhanced its management capacity for E&S risks and impacts through its Environmental and Social units and through close Bank supervision. Given that this Project has low E&S risks, their capacity is considered sufficient for adequate management of E&S.

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

A. Environmental and Social Risk Classification (ESRC)

Moderate

Environmental Risk Rating

Low

Activities envisaged under the proposed Recipient-Executed Trust Fund Project comprise analytical studies, training of personal and acquisition of equipments aiming to improve the services provided by COMPESA and its relationships with customers, also reducing hassle factors related to bill payment and increasing payment options for their customers. Therefore, the potential adverse risks to and impacts on the environment are likely to be minimal or negligible. The environmental risk is classified as Low.

Social Risk Rating

Moderate

Activities envisaged under the proposed Project comprise analytical studies, training of personal and acquisition of equipments aiming to improve the services provided by COMPESA and its relationships with customers, by reducing hassle factors related to bill payment and increase payment options for their customers. The social risk is classified as Moderate given the social activities the Project will support in regards to the relationship between the provider of water and sanitation services with its customers. The relevant areas for social risk management are: (i) ensuring that COMPESA keeps sound worker-management relationships with its direct and contracted workers and adopts measures to prevent the spread of COVID-19 among workers and direct project beneficiaries, (ii) ensuring that the

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self-service terminals to be acquired with Project funds are placed by COMPESA in safe and universally accessible places, (iii) ensuring that training activities aimed to contribute to reducing gender inequality and bridging the gender gap within COMPESA take in consideration all measures needed to prevent the spread of COVID-19, and (iv) ensuring that COMPESA keeps proportionate channels of communication (information, feedback and grievance redressing) about the new services provided with its customers and also internal grievances in COMPESA.

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:

No adverse environmental risks and impacts are envisaged from the proposed Project. As such it does not require further Environmental and Social assessment following the initial screening.

The social risk envisaged refers to:

- (a) Universal accessibility to self-service terminals – not only considering people with disabilities, but also those that face “digital illiteracy”. This risk will be addressed through (i) the selection of locations to place these self-service terminals only in buildings that comply with the robust Brazilian requirements on construction standards and accessibility, (ii) the provision of on-site assistance by support staff during the early stages of project implementation, and (iii) the Project’s communication campaign – as captured in the project’s Environmental and Social Commitment Plan.
- (b) The spread of COVID-19 among project workers and participants of stakeholder engagement activities and gender-related training activities. This risk will be mitigated by full adherence of COMPESA to current national and WHO guidelines on COVID-19 precautions, including the provision of PPE to project workers and the priority of virtual events (meetings, workshops, consultations, learning classes, etc.).

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

None

ESS10 Stakeholder Engagement and Information Disclosure

As part of the proposed Project, COMPESA will acquire self-service terminals to facilitate the access of its customers to water bills and other information. These terminals will be located in COMPESA’s buildings and other places of high pedestrian flow. COMPESA will also explore a set of activities aiming to reduce gender inequality in access to water and sanitation services and to create stronger links with its customers. Due the pandemic, the envisaged engagement with female customers, women and civil society organizations will avoid public hearings and community meetings as well as minimize direct interaction between project agencies and beneficiaries. These activities will and rely mostly on social media, online channels, dedicated online platforms and virtual workshops .

As part of the proposed Project, and relying on these virtual media, COMPESA will: (i) devise and implement an information campaign about the new self-service terminals and the available locations; (ii) provide guidance to customers on the use of these terminals; (iii) advertise its corporative Grievance Redress Mechanism in all places where the terminals will be located; (iv) carry out customer satisfaction surveys in relation to the new services; and (v) explore means to promote citizen engagement in water and sanitation services delivery (a particularly critical



dimension during and after the COVID-19 pandemic), through partnerships with women's groups, local organizations, and organizations of people with disabilities.

For providing information on its services to customers, COMPESA will rely on toll-free phone lines, a virtual agency in its website, social media and the APP COMPESA.

COMPESA's Ombudsman Office is available for grievance redress through the web portal (<https://servicos.compesa.com.br/ouvidoria/>), by phone and in presence in the Central Office (at the city of Recife). COMPESA has a special site for receiving complaints about the quality of its services and the behavior of its direct workers (<https://servicos.compesa.com.br/canal-de-denuncias/>). These access numbers and contacts will be displayed publicly, including at each terminal location and in all communication materials produced for the information campaigns and for promoting citizen engagement in the delivery of water and sanitation services. Due to the nature and scale of the risks and impacts of the project, the preparation of a stand-alone SEP is not necessary (as envisaged under ESS 10, footnote 3) and the above-mentioned activities will be inserted in the Project's ESCP.

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. The project will rely on COMPESA direct workers, contracted consultants and primary-supply workers. Project workers will be subject to provisions related to workplace safety as well as the principles of: fair treatment, nondiscrimination, non-harassment and equal opportunity of project workers; protection of project workers as appropriate and promotion of occupational health and safety; freedom of association and collective bargaining in a manner consistent with national law and the requirements of the Bank's ESF ESS2; and prevention of the use of all forms of forced labor and child labor. The Project will support activities to address the gender gap within COMPESA labor force (reviewing the recruitment process and providing recommendations to improve gender neutrality in job advertisements as well as to improve human resource policies, facilities, and working-hours arrangements).

Project workers will have access to means to raise workplace concerns without fear of retaliation through an independent GRM. These principles and requirements will be set in the Project's Labor Management Procedures, which will include a code of conduct and a full description of the channels, processing flows and procedures of the independent GRM. These Labor Management Procedures will be in place no later than 30 days following the Effective date.

Due to the Covid-19 pandemic, COMPESA will set and distribute to all its contractors a clear and straightforward set of procedures to address key issues associated with COVID-19 in the workplaces and in the contact with local communities and Project's beneficiaries and partners. These procedures shall be followed by direct and contracted workers. They will ensure adherence to both national and WHO current guidelines to OHS and COVID precautions. COMPESA will also consider the potential need to provide PPE to workers dealing with the public. These procedures shall be improved as necessary throughout the Project life cycle and their observance by direct and contracted workers must be supervised, monitored, and documented.

ESS3 Resource Efficiency and Pollution Prevention and Management



This standard is currently not relevant. The project aims to contribute to reduce water losses and increase the efficiency of the water and sanitation services in the city of Recife. Project activities will not increase waste generation or overload the existing waste management system.

ESS4 Community Health and Safety

The standard is relevant because the project will support the provision of services to customers through the self-service terminals that will be located in COMPESA offices and other places of high pedestrian flow. The relevant principles of universal accessibility will be considered in selecting these places and COMPESA will also make support staff available to provide guidance to users of the self-service terminals, helping them to have access to these new facilities.

Due to the Covid-19 pandemics, COMPESA will also exercise appropriate precautions against introducing the infection to local communities through the activities carried out by its workers and contractors. COMPESA will ensure adherence to both national and WHO guidelines to COVID precautions and will consider the potential need for provision of PPE to workers at its service dealing with the public, in general, and with the users of the self-service terminals, in particular.

Stakeholder engagement and gender-related training activities will follow measures that also address risks related with the contagion of COVID-19. Thus, virtual meetings shall have preference to in presence events. Whenever the later are unavoidable, they shall convene small number of people and ensure the participants wear individual protection equipment and keep physical distancing. These events may also be used to raise awareness about preventative measures, follow emergency legislation to the extent that these are mandatory or advisable as well as relevant guidance provided by national authorities, WHO and other organizations. The adoption of these measures must be documented.

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

This standard is currently not relevant.

ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

This standard is currently not relevant.

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

This standard is currently not relevant. Within the Metropolitan Region of Recife no Indigenous Peoples have established distinct communities possessing the characteristics of self-identification as members of a distinct indigenous social and cultural group, collective attachment to land, customary and distinct cultural, economic, social or political institutions and a distinct language or dialect.

ESS8 Cultural Heritage

This standard is currently not relevant.



ESS9 Financial Intermediaries

This standard is currently not relevant.

C. Legal Operational Policies that Apply

OP 7.50 Projects on International Waterways No

OP 7.60 Projects in Disputed Areas No

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:

An Environmental and Social Commitment Plan will be prepared before Appraisal. The ESCP will contain the actions to be developed for ensuring information disclosure, communication and feedback as well as grievance redress under the project.

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

The ESCP may include the following measures:

1. Preparation of the Labor Management Procedures;
2. Actions to ensure information disclosure, engagement with key stakeholders and effective grievance redressing processes;
3. Actions with concrete milestones and time-frames for ensuring information disclosure, communication and feedback as well as grievance redress under the project.

C. Timing

Tentative target date for preparing the Appraisal Stage ESRS 30-Sep-2020

IV. CONTACT POINTS

World Bank

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Public Disclosure



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Borrower/Client/Recipient

Borrower: Companhia Pernambucana de Saneamento (COMPESA)

Implementing Agency(ies)

Implementing Agency: Companhia Pernambucana de Saneamento (COMPESA)

V. FOR MORE INFORMATION CONTACT

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VI. APPROVAL

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