



Concept Environmental and Social Review Summary

Concept Stage

(ESRS Concept Stage)

Date Prepared/Updated: 08/29/2019 | Report No: ESRSC00759



BASIC INFORMATION

A. Basic Project Data

| | | | |
|----------------------|--|--------------------------|----------------------------|
| Country | Region | Project ID | Parent Project ID (if any) |
| Uruguay | LATIN AMERICA AND CARIBBEAN | P168624 | |
| Project Name | Uruguay Efficiency and Resilience Water and Sanitation Project | | |
| Practice Area (Lead) | Financing Instrument | Estimated Appraisal Date | Estimated Board Date |
| Water | Investment Project Financing | 10/15/2019 | 12/19/2019 |
| Borrower(s) | Implementing Agency(ies) | | |

Proposed Development Objective(s)

The two-part Project Development Objective (PDO) is to support OSE in (i) improving the efficiency of water supply operations; and (ii) pilot innovative technologies for improved resilience.

| Financing (in USD Million) | Amount |
|----------------------------|--------------|
| Total Project Cost | 25.00 |

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]

The project will aim at supporting Uruguay's water and sanitation utility in improving service delivery in targeted areas. The Project will comprise 2 components:

- Component 1. Institutional modernization and integration of OSE's systems, including (a) Upgrading and integrating the current systems used by OSE's departments to monitor water networks and control water losses, (b) Non-revenue Water (NRW) Program and energy efficiency, and (c) Development of an asset management strategy and an integrated risk management system.

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- Component 2. Innovation in drinking water treatment, including the design and construction of the Laguna del Sauce water treatment plant ozonation module.

D. Environmental and Social Overview

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

The Project is, essentially, nation-wide in scope as it would finance different types of interventions, structural and non-structural ones, around the country. Physical interventions will be implemented in targeted areas, some of which will be identified during preparation and implementation. Physical interventions would basically involve: (i) replacement of water distribution pipes, meters, and valves under the non-revenue-water (NRW) program (cities and specific areas within them where the NRW interventions will be located would be identified and selected during preparation and implementation); and (ii) remodeling civil works and equipment installation in the existing OSE's water treatment plant of Laguna del Sauce, located in the Department of Maldonado. Non-structural activities would include, inter alia, consulting services, non consulting services, purchase of goods and purchase/development of software. Works will be implemented in urban and peri-urban settings, on already modified land, and, given the nature of such works, no significant risks or adverse environmental impacts are anticipated for the Project.

D. 2. Borrower's Institutional Capacity

The proposed project will be implemented by OSE through the Management Unit for Programs with External Financing (GPFE, for its initials in Spanish), OSE's unit in charge of managing projects with external financing. The same institutional arrangement was used for the two Adaptable Program Loans, APL1 (P063383) and APL2 (P101432), and the ongoing OSE Sustainable and Efficient Project (P118064). OSE has a solid track record in Bank-financed projects and has the necessary resources, both human and financial, and adequate processes in place. OSE received a satisfactory outcome rating in the Implementation Completion and Results Report for APL1 and moderately satisfactory for APL2; also the OSE Sustainable and Efficient (OSE S&E) Project is running smoothly with satisfactory marks on procurement, fiduciary, and safeguards aspects. The OSE S&E Project has been consistently rated satisfactory in safeguards compliance through its implementation period. The Social unit (which operates under the Customer Service Management), the Occupational Health and Safety unit, the Communications Management unit and the Environmental Management unit (and other technical departments as needed) within OSE will work in close coordination with the GPFE to manage the social and environmental aspects of the Project. The social and the environmental units were created during the implementation of the APL1 and they have been further strengthened through support and close monitoring of OSE during the implementation of the APL2 and the ongoing OSE S&E. As a result, the environmental unit was upgraded to Environmental Management Unit in 2013 (Board Resolution 1416/13). The Environmental Management Unit is a team with background and expertise on diverse environmental management aspects, such as: (i) environmental assessment; (ii) occupational health and safety; (iii) environmental audits of works; and (iv) contractor management. In turn, the Communication Management unit has specialized personnel and experience in information dissemination and in stakeholder engagement activities. In addition to their experience with Bank's safeguards, OSE socio-environmental and communication staff have been trained in the ESF. However, an assessment will be carried out prior to appraisal, to determine any actions needed to ensure coordination among the units within OSE and proper capacity to meet the objectives of the WBG Environmental and Social Standards.

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

A. Environmental and Social Risk Classification (ESRC)

Moderate



Environmental Risk Rating

Moderate

The Project’s environmental impacts are expected to be primarily positive. They include: (i) reducing water losses (and, accordingly, decreasing associated consumption of energy and fresh water) through the expansion and enhancement of the non-revenue-water program; (ii) ensuring the quality of drinking water through sophisticated technological upgrades in water treatment processes; and (iii) introducing other efficiency, resilience and investment sustainability elements through the non-structural components asset management and an integrated risk management approach.

The Project would involve physical interventions of low-to-medium scale. Specifically, a) earthworks to replace water pipes (associated to the NRW program expansion) to be implemented in urban and peri-urban settings; and, b) remodeling civil works and equipment installation (construction of the ozonation module) within the premises of the OSE’s Laguna del Sauce water treatment plant. The Project is then classified as Moderate Risk given that it is not complex and/or large, does not involve activities that have a high potential for harming people or the environment, and is not located in environmentally or socially sensitive areas. Foreseen environmental risks and potential environmental impacts are considered site-specific and reversible in nature, of low magnitude, that can be easily mitigated in a predictable manner; also, routine safety precautions are expected to be sufficient to prevent accidents.

Social Risk Rating

Moderate

The Social Risk for this operation is Moderate. The project will aim at supporting Uruguay's water and sanitation utility in improving service delivery in targeted areas. No displacement process, neither physical nor economic is expected to take place related to project activities and there are not other negative social impacts associated to the Project. In addition, as stated above, the Project Implementation Unit has a solid track record in Bank-financed projects and has the necessary resources, both human and financial; and adequate processes in place to handle social aspects of the Project. PIU staff also received training on ESF. Under the current operation and previous projects, OSE has implemented positive actions related to social communication and citizen engagement, which accompanied the implementation of non revenue water program sub-projects. In this process, a multidisciplinary team of social and communications specialists is in charge of all socialization activities intended to reach all potential beneficiaries. OSE has an active Grievance Mechanism (GM), which includes a 0-800 free telephone line and a website, that will be used for the Project and improved as necessary. A stakeholder engagement plan will be prepared to strengthen project ownership among beneficiaries.

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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:

The Project would involve physical interventions to be implemented in targeted areas, some of which will be identified during preparation and implementation. Under the different components, physical interventions involve: (i) replacement of water distribution pipes, meters, and valves under the non-revenue water program; and (ii) remodeling civil works and equipment installation at the OSE’s Laguna del Sauce water treatment plant. No significant risks and adverse social and/or environmental impacts are anticipated for the Project; however, there are some risks and potential minor adverse impacts in the construction and operation phases of the Project. Risks and



potential impacts from construction works are related to earthworks, dust emissions, debris and other solid waste generation and management, social annoyance and community safety due to works in public space (traffic increase, blocked streets, noise, dust, etc.), workers safety and other standard risks and impacts of construction. During the operation phase the main environmental risks are related to the handling of oxygen and the use of ozone (basically in connection with occupational health and safety). All of the Project's risks and adverse impacts are expected to be manageable. During preparation, OSE will develop an environmental and social assessment (ESA) to support the design, construction, and operational phase of these works. Given the nature of the Project's activities, the ESA could comprise, as appropriate, different instruments to comply with applicable regulations and the WB's Environmental and Social Standards. At this stage, it is foreseen that the following instruments will be developed: a) an Environmental and Social Audit of the existing facilities and operations at Laguna del Sauce water treatment plant complemented by an Environmental and Social Impact Assessment of the construction and operation of the new ozonation module within this plant; and, b) an Environmental and Social Management Framework focused on the NRW Program interventions (ESMF-NRW), to outline how to manage associated risks and potential impacts. The ESMF-NRW will be based on the OSE's Environmental and Social Manual for Works (revised version developed under the ongoing OSE S&E Project, taking into account, among other inputs, the WBG General Environmental, Health and Safety Guidelines). As part of the ESA process and first steps of the Stakeholder Engagement Plan (SEP) under ESS10 for this Project, OSE will conduct public consultations with Project beneficiaries and other interested parties (such as government representatives, universities, and local NGOs). The ESA will document the results of the consultations and will take into account the participant's views. In addition, outreach activities to be implemented both by the Social and the Communication units will serve to disseminate the project to the public. Currently, it is expected that the Environmental Audit and the ESMF-NRW will be finalized by appraisal; also it is foreseen that at least an advanced draft of the ESIA of the ozonation module will be developed by appraisal, taking into account the outputs of the Environmental and Social Audit as part of its baseline and the advanced bidding design of the ozonation module, which is under preparation. In addition, an ESCP will be prepared to include any additional action that is agreed to be carried out during Project implementation to ensure the successful management of all environmental and social aspects associated to the Project.

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

The Project will not make use of the Borrower's E&S Framework but will comply with all applicable legal requirements.

ESS10 Stakeholder Engagement and Information Disclosure

OSE has a Communication Strategy, which was built under the ongoing OSE S&E Project, already in place and being successfully implemented. The Strategy involves external communication plans and actions implemented by OSE's Social and Communication units previous to and during the construction phase of the different works, particularly in connection with interventions of the non-revenue-water program. Actions include the implementation of an already functioning Grievance Mechanism both by OSE and its contractors. The Strategy also involves internal communications to coordinate and document the various studies, workshops, and other knowledge sharing activities developed by OSE. This Communication Strategy will serve as a sound basis for the development of the Stakeholder Engagement Plan for the Project. Key stakeholders include, inter alia, neighbor communities of the works sites, local authorities (Maldonado, other departments where the NRW Program will be expanded), local NGOs, government representatives (Ministry of Housing, Territorial Planning and Environment -MVOTMA-, National Directorate of Environment -DINAMA-, National Directorate of Water -DINAGUA-, Energy and Water Services Regulatory Unit -

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URSEA-), academia, other Water Utilities for knowledge acquisition and sharing. The ESA will properly identify key stakeholders and, as mentioned, involve consultation and feedback. The SEP will incorporate agreed actions to consult on and communicate the social and environmental impacts of the Project and a plan for future participatory activities. Actions will also aim at continuing to strengthen OSE's Grievance Mechanism and make sure it is relevant and targeted to include stakeholders and affected parties of this 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 Project would involve a limited number of direct workers and contracted workers. OSE will develop Labor Management Procedures (LMP) for direct workers and contracted workers (and primary supply workers as applicable). In addition, OSE's staff (government civil servants) will be involved in diverse activities of the Project preparation and implementation; as stated in ESS2, they will not be subject to the LMP. Appropriate occupational health and safety (OHS) measures related to the activities foreseen under the project will be applied to all types of Project workers and OSE's staff. If there are any actions needed to ensure OSE's capacity to meet this standard, OHS measures will be designed and implemented to address: (a) identification of potential hazards to project workers, particularly those that may be life threatening; (b) provision of preventive and protective measures, including modification, substitution, or elimination of hazardous conditions or substances; (c) training of project workers and maintenance of training records; (d) documentation and reporting of occupational accidents, diseases and incidents; (e) emergency prevention and preparedness and response arrangements to emergency situations; and (f) remedies for adverse impacts such as occupational injuries, deaths, disability and disease. Labor management procedures will be built on OSE's Environmental and Social Manual for Works (MAO, for its initials in Spanish - revised version issued in 2014 and currently applied by OSE to its works), which already includes requirements stated in ESS2, such as: terms and conditions of employment; nondiscrimination and equal opportunity; worker's organizations; protection of the work force. OSE's MAO also includes aspects of occupational and community health and safety, including emergency preparedness and response. In addition, OSE will develop a grievance mechanism (GM) for direct workers and contracted workers to raise and manage workplace concerns. This GM will be developed based on existing institutional settings to be supplemented as needed with project-specific arrangements. Advanced drafts of the LMP and the GM will be developed by appraisal and updated later as necessary; they will be finalized before the employment of the first Project worker.

ESS3 Resource Efficiency and Pollution Prevention and Management

Given the nature and scale of the physical interventions foreseen under the Project, it is not expected it will make a significant use of resources like water, energy and raw materials; despite the fact that ozonation technology demands more energy than conventional water treatment processes, consumption of energy is inherently relevant to water utilities. Also, it is not expected that activities financed by the Project significantly generate any kind of pollution. However, non-revenue-water activities would have to manage the disposal of water pipes and used meters, or remodeling civil works would have to manage the disposal of debris and other residues from construction. Although OSE already has specific procedures to handle this kind of solid waste, the ESA will further assess the existing practices and procedures as well as the relevance of this ESS3. As applicable and appropriate, improved and/or



additional management measures will be integrated in the social and environmental management instruments of the Project. In addition, Component 1 is focused on resource efficiency through the reduction in non-revenue-water and energy efficiency, which will involve positive outcomes in line with objectives of ESS3.

ESS4 Community Health and Safety

Given the nature and scale of physical interventions foreseen under the Project, it is not expected it will generate any significant negative impact on the community health and safety. However, some issues can be identified in connection with works in public space (specifically, the installation, replacement or repair of water pipes, and the installation of macro-meters), such as appropriate signposting and traffic management. Although OSE already has specific procedures to manage these kind of risks and potential impacts (for example, those described in the Environmental and Social Manual for Works), the ESA will further assess the existing practices and procedures as well as the relevance of this ESS4. In addition, the possibility of additional risks and potential impacts associated to the new ozonation module at Laguna del Sauce water treatment plant will be evaluated as part of the ESA process. As applicable and appropriate, improved and/or additional management measures will be integrated in the social and environmental management instruments of the Project.

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

The outcome of E&S screening did not identify any potential risks and/or impacts relevant to ESS5. Works to be financed by the Project will neither require land acquisition, nor restrictions on land or involuntary resettlement as defined under this Standard. Minor construction for household connections will take place with the permission of landowners and tenants.

ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

Given the nature and scale of the foreseen interventions under the project -basically, (i) earthworks to fix/replace water pipes to be implemented in urban and peri-urban settings; and, (ii) remodeling civil works and equipment installation within the premises of the OSE's Laguna del Sauce water treatment plant-, the outcome of E&S screening did not identify any potential risks and/or impacts relevant to ESS6.

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

The outcome of E&S screening did not identify any potential risks and/or impacts relevant to ESS7.

ESS8 Cultural Heritage

Given the nature of foreseen activities, the Project would not entail any risks or potential adverse impacts on intangible cultural heritage. However, given that excavation and construction processes would take place, OSE will implement "chance find" procedures in the event that culturally significant resources (tangible cultural heritage) are discovered during implementation. The ESA will further assess the relevance of this ESS8; as applicable and appropriate, additional and/or improved management measures will be integrated in the social and environmental management instruments of the Project.



ESS9 Financial Intermediaries

The Project will not involve the use of Financial Intermediaries.

C. Legal Operational Policies that Apply

OP 7.50 Projects on International Waterways

Yes

The policy on International Waterways is triggered for the Project, as it involves international waterways in terms of the policy (Laguna del Sauce and Rio de la Plata). The proposed project also falls within one of the exceptions provided by this policy.

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

N/A

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

Actions to be completed prior to Bank Board Approval:

OSE will carry out an Environmental and Social Assessment (ESA) prior to appraisal, to assess the risks associated to the proposed activities under the Project, inform project design and incorporate appropriate mitigation measures. Under the ESA process, it is expected that the Environmental and Social Audit of the ozonation module at Laguna del Sauce water treatment plant and the ESMF-NRW will be finalized by appraisal; it is also foreseen that an advanced draft of the ozonation module's ESIA will be developed by appraisal. OSE will also develop a Stakeholder Engagement Plan (SEP), which will include consultations to key stakeholders, and which will be conducted during project preparation and throughout implementation. The plan will be consulted and disclosed prior to appraisal. In addition, the Project will prepare Labor Management Procedures (LMP) and a Grievance Mechanism (GM) for Project Workers. Advanced drafts of both documents will be developed by appraisal.

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

Labor management procedures and GM will be updated as necessary and they will be finalized before the employment of the first Project worker. Details on issues to be addressed in the Borrower’s Environmental and Social Commitment Plan (ESCP) will be provided prior to appraisal.

C. Timing

Tentative target date for preparing the Appraisal Stage ESRS

01-Oct-2019

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IV. CONTACT POINTS

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V. FOR MORE INFORMATION CONTACT

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VI. APPROVAL

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Practice Manager (ENR/Social) Valerie Hickey Recommended on 29-Aug-2019 at 11:51:7 EDT

Safeguards Advisor ESSA Marco Antonio Zambrano Chavez (SAESSA) Cleared on 29-Aug-2019 at 12:53:30 EDT