

Danube Water Program Phase IV - Fostering Water Security and Resilient Recovery in the Danube Region (P178678)

Concept Environmental and Social Review Summary Concept Stage (ESRS Concept Stage)

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Borrower(s)

Area

IAWD - International

Association of Water

Service Companies in the

Danube River Catchment



The World Bank

Danube Water Program Phase IV - Fostering Water Security and Resilient Recovery in the Danube Region (P178678)

BASIC INFORMATION A. Basic Project Data Country Region Project ID Parent Project ID (if any) Danube **OTHER** P178678 Project Name Danube Water Program Phase IV - Fostering Water Security and Resilient Recovery in the Danube Region Estimated Board Date Practice Area (Lead) Financing Instrument Estimated Appraisal Date Water **Investment Project** 9/30/2022 Financing

Implementing Agency(ies)

Association of Water Service

Companies in the Danube

IAWD - International

River Catchment Area

Proposed Development Objective

20. The Development Objective of the Danube Water Program Phase IV is to foster water security and resilient recovery of participating countries in the Danube region. This will be achieved by supporting the strengthening of water sector policies, institutional capacities, and efficiency of water sector delivery. The achievements of the previous three Phases on capacity development and performance improvement will be solidified to ensure a stable and continuous delivery of benefits.

Financing (in USD Million)	Amount
Total Project Cost	1.52

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]

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The Danube Water Program (DWP) is a policy and technical assistance program for water sector institutions and other sector stakeholders in targeted countries of the Danube / South-East Europe region. The DWP is funded through the Danube Region Water Security Multi-Donor Trust Fund contributed to by the Government of Austria and covers eleven target countries and five participating countries – the latter join program activities but cannot directly benefit from Program funding. The DWP includes Bank- and Recipient Executed activities, which are implemented by the ECA Water Unit in partnership with the International Association of Water Service Companies in the Danube River Catchment Area (IAWD). Bank-executed activities include the provision of analytical, policy and regulatory support for the water sector to national and local level authorities, and support for program implementation, whereas Recipient-executed activities include capacity building and knowledge sharing for water supply and wastewater utilities and institutions in the region.

The DWP original objective is to support institutional capacity building and the development of regulatory and policy instruments in the water supply and wastewater (WSS) sector in Danube region countries. The first phase of the DWP was formally launched in 2013 in partnership with WSS line ministries, regulators, national water utility associations, and local government representatives of countries from South-East Europe. Two follow-up phases were approved, in 2015 with a focus on scaling up the activities, and in 2019 with an expansion of the scope of the program towards the broader Water Security agenda and an emphasis towards the sustainability of the initially developed DWP activities.

Given the continuous demand for the Program's activities to support the countries in achieving the United Nation's Sustainable Development Goal No. 6 on Water, increasing resilience against the effects of climate change and COVID-19 related impacts, and fostering a holistic approach to water management, additional contributions have been accepted by the Bank for a fourth Phase of the DWP financing activities through December 2025 by further extending the significant new dimension around water resources and water risks management alongside the existing water services delivery scope. The fourth Phase of the DWP will continue with the strategic partnership between the World Bank and IAWD, fostering Water Security and Resilient Recovery in the Danube Region. Project activities will include the following two components: i) Bank-Executed Trust Fund activities fostering water security and resilient recovery, focusing on support for the related policy and regulatory reform needs aligned with the World Bank's Green, Resilient, and Inclusive Development (GRID) approach; and ii) Recipient-Executed Trust Fund activities focusing on capacity building and knowledge sharing for water supply and wastewater utilities and institutions, which will be implemented by IAWD.

Key Project activities include the following: (i) analytical work related to water security, in support of required reform agendas at regional level to address data gaps and lack of experience related to climate change and EU policy framework adaptation, in particular on integrated water resource management etc.; (ii) providing analytical and advisory support at country level on water security policy and regulatory reform needs (e.g. of methodological approaches) facilitating EU water legislation implementation and improving approaches for the integrated management of water resources and increasing resilience in the context of climate change, economic impacts of the pandemic, and reaching compliance with the EU water management acquis; (iii) improvement of water supply and sanitation service efficiency and resilience, and support committed government counterparts in the preparation of WSS sector reforms, focusing on the integration of WSS services into circular economy and in support of climate adaptation but also mitigation ambitions; and (iv) provision of regional level capacity building (training programs, conferences) and experience exchange to support WSS in becoming more resilient, climate-friendly and aware of their footprint, including support in: (v) development of a climate resilient and adapted WSS sector (energy efficiency and

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reduction of greenhouse gas emission, reduction of water losses, water reuse), transposition and implementation of updated EU Directives, rural water supply and sanitation and individual wastewater treatment solutions, circular economy in wastewater and sewage sludge management, and financial sustainability and affordability of water and wastewater services.

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 Danube region is located in Central- and South-East Europe, in one of the continents largest transboundary river catchment areas, the Danube, which is the most international river basin in the world draining into the Black Sea. The countries sharing the basin are Albania, Austria, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Germany, Hungary, Italy, Kosovo, North Macedonia, Moldova, Montenegro, Poland, Romania, Serbia, Slovakia, Slovenia, Switzerland, and Ukraine.

The region has shown considerable successes over the past decades in terms of democratization and economic sustainability. However, the countries of the region still represent a great diversity of socioeconomic, political, and geographic realities, as some of the economically most successful and at the same time most challenged counties of Europe are sharing the basin. The political situation is not stable everywhere. Trust in state institutions, unemployment, exclusion, poverty, and the role of civil society remain challenges, and about 2.5 million people still live on less than USD 2.50 a day. Water plays a key role in the countries' economies, for the people and the environment – both as a driver of economic prosperity and inclusive growth, but also as a source of insecurity. Floods hit the region hard for several years in the past decade heavily impacting the economy and affecting millions of people. In addition, droughts are increasing in frequency and significance. Impacts of the 2017 drought included millions of euros of losses in agriculture, heavy losses in energy production a reduction of the Danube flow, water shortage and dried-up lakes. Considering the above, an integrated approach to water management gain in importance and pose a particular challenge. Large investments in water assets and infrastructure upgrading are needed and taking place, often with significant external financial support. However, these investments have not yet been matched consistently with a regulatory, organizational, managerial, and technical modernization of the sector's institutions and governance. Hence, there is an ongoing need for sector support in the region to improve water services delivery and overall water security in the context of economic development and climate change.

The Danube Water Program (DWP) covers eleven target countries (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Moldova, Montenegro, North Macedonia, Romania, Serbia, Ukraine) and five participating countries (Austria, Czech Republic, Hungary, Slovakia, Slovenia) – the latter join program activities but cannot directly benefit from Program funding.

The 11 target countries encompass the area of Southeast Europe, Western Balkans and Eastern Europe. The area is rich in material cultural heritage. Program covers parts of Europe with the largest preserved natural (non- or low-cultivated) areas and surfaces under some type of nature protection regime, including Natura 2000. These areas and their eco-systems present a great contributor to provision and quality of water services.

D. 2. Borrower's Institutional Capacity

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In order to support the countries of the Danube region in addressing their water-related challenges, the World Bank and the International Association of Water Service Companies in the Danube River Catchment Area (IAWD) joined forces in 2013 to launch the Danube Water Program (DWP – P128416), which is a policy and technical assistance program for water sector institutions and other sector stakeholders. The Program is funded through the Danube Region Water Security Multi-Donor Trust Fund (TF073217) contributed to by the Government of Austria which finances work under a Recipient-executed (RETF) and a Bank-executed (BETF) Component. This is phase 4 of an ongoing partnership with the implementing agencies in the riparian countries, with a main project unit based out of Vienna, Austria. The focus of the Program (3rd as well as 4th phase) is on advisory services and analytics will be implemented by the World Bank team, while capacity building and knowledge sharing activities will be implemented by IAWD.

4th Phase represents logical extension of first 3 phases of Danube water programs which were all successfully completed as confirmed by WB satisfactory rating (including Safeguards) and willingness of donors to provide additional funding for one more Phase of the Program. During COVID19 pandemic, the Team paid particular attention to COVID 19 protection, and all training programs were organized online. As was noticed that the Program achieved significant reduction of its ecological footprint, from reduced travelling during Phase 3 while successfully meeting their goals, Phase 4 will consider maintaining this practice where possible, without compromising Program's output quality.

IAWD's task in the frame of the program (as was in the Phase 3) are the low E&S risk knowledge sharing activities like the annual Danube Water Conference, and the training activities for water utilities under the Danube Learning Partnership. Therefore, there was no specific need for Safeguards training of IAWD staff. As IAWD Technical Secretariat is taking a role of PIU for all non-WB executed activities (capacity building at utility level) a separate PIU with E&S specialists will not be set up. It will be a responsibility of WB E&S specialists to ensure that all terms of reference, work plans or other documents defining TA objectives, the scope and outputs of technical assistance activities (advisory, analytics as well as capacity building) under both Program components will be drafted so that the advice and other support provided is consistent with the requirements under the Bank's Environmental and Social Framework (ESF), in line with the WB Policy for Investment Project Financing and WB Advisory Note on TA and ESF.

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

A. Environmental and Social Risk Classification (ESRC)

Low

Environmental Risk Rating

Low

Environmental risk is rated as low for planned activities as the Program supports only 'soft' activities such as analytical and advisory work on water security and resilient water sector to guide water sector policy and regulatory recommendations at regional and national levels (Activity 1), and capacity building for enhanced water security, reliability, resilient recovery and climate change resilient water sectors (Activities 2 and 3). The Program will support the TA but will not finance the implementation of its recommendations. Whilst, the Borrower will not be legally bound to follow the recommendations they are committed to the TA's overall objectives. Investments in infrastructure and civil works are not planned under the Program thus no adverse environmental impacts to environment, nature, cultural heritage and human health are expected during the Program implementation.

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Considering that DWP is focused exclusively on sustainability and climate change resilience enhancements of WWS sector policies, regulation, guidelines and institutional capacity, adverse impacts on environment, health and safety downstream of Program implementation are unlikely. Potential positive impacts on the environment and communities from DWP activities are numerous, and include but are not limited to: enhanced water security and sectoral climate change resilience (from tackling water scarcity, occurrence of droughts, etc.), improved water supply availability and quality, as well as improved sanitation service efficiency. Consequently, the Program will also produce positive impacts on human health most important being reduced occurrence of water born diseases, reduced intake of pollutants in water and food, and availability of quality potable and raw water. Other indirect positive effects are numerous and include food security, ecosystem services preservation, biodiversity preservation and more. In addition to provision of advisory and analytics (under Activity 1), DWP plans to facilitate integration of circular economy and climate change adaptation/mitigation aspects to WSS sectoral A&A support on regional and national level (under the Activity 2) in order to additionally increase sustainability of water supply and sanitation (WSS) services. Further under Activity 2, DWP will strive to provide options for enhancing sectoral energy efficiency, accomplish reduction of greenhouse gas emissions, reduction of water losses, increase opportunities for water reuse, improve rural water supply and sanitation, improve individual wastewater treatment solutions, increase financial sustainability and affordability of water and wastewater services and introduce circular economy in wastewater and sludge management. This activity will utilize and build upon WB Water GSG Water and Resilience work and activities. Improvements of reliability, efficiency and quality of water supply and wastewater services will be supported under recipient executed capacity building under Activity 3. This activity is focused on improved practices of water utility companies and sector professionals. The proposed activity is a continuation of the 3rd Phase Danube Water Program with an unchanged scope of activity that was previously rated as C category (low risk) under Safeguards WB Operational Policy. In addition to no-implementation Program design, positive experience from implementing the three earlier phases of the project, also justifies the low risk rating.

Social Risk Rating Low

The Program's social risk is rated as low. The DWP will focus on activities aimed to reform existing policies and regulations in targeted countries, as well as to provide opportunities for capacity building and information, experience and knowledge sharing for professionals in the water sector across the Danube region. The Program will have a positive impact on all citizens of targeted countries, as it will consolidate the water sector by reforming ineffective policies and procedures, build human capital and implicitly, strengthen the countries' economies. Since vulnerable groups often suffer the most in terms of unregulated and unclean water supply, all the outputs of this initiative will benefit such groups. In the first three phases of the DWP, strong stakeholder engagement and communications mechanisms have been established. In this, fourth phase, those systems will continue to be used providing a systematic approach to capacity building and knowledge sharing. Considering this, and the fact that stakeholder engagement is deeply enshrined in the RETF, a stand alone SEP will not be prepared for this Project. Instead, compliance with the Environmental and Social Standard (ESS) 10 on Stakeholder Engagement and Information Disclosure will be ensured through adequate provisions in the ESCP. Environmental and Social Standard 2 (ESS2) on Labor and Working Conditions will apply only to direct workers (PIU) and contracted workers. The proposed Project will not finance any kind of civil works and it will not involve land acquisition, restrictions on land use or involuntary resettlement.

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

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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:

An environment and social (E&S) screening did not identify any irreversible potential risks and/or impacts based on the initial information collected from (i) scope of activities described in the Project's Concept Note, (ii) Country baseline data and (iii) the good practice and experience from similar WB projects.

The Development Objective of the DWP Phase IV is to foster water security and resilient recovery of participating countries in the Danube region. This will be achieved by strengthening water sector policies, institutional capacities, and efficiency of water sector delivery. Project activities under the extended scope will include the following two components:

- i. Bank-Executed Trust Fund activities fostering water security and resilient recovery, focusing on the related policy and regulatory reform needs aligned with the World Bank's Green, Resilient, and Inclusive Development (GRID) approach; and
- ii. Recipient-Executed Trust Fund activities focusing on capacity building and knowledge sharing for water supply and wastewater utilities and institutions, which will be implemented by the IAWD.

These activities will build upon the important achievements of the previous phases, further expanding the scope of the program towards the broader Water Security agenda and an emphasis towards the sustainability of the initially developed Program activities. Activities will be scaled-up to support countries to sustain water resources, deliver reliable and safe water services, and to increase the resilience of the water sector against water-related risks and the impacts of climate change, in line with the World Bank Water GP vision to achieve a water secure future for the people, the economy, and the environment.

The DWP will not finance any civil works nor preparation of new national/regional/local policies, revision of existing or their implementation. Also, no adverse risks and impacts to vulnerable groups are expected to result of the Project activities. The Project will, in long-term, benefit all people from targeted countries. Project activities will indirectly strengthen the countries' economies who are heavily reliant on water by supporting advisory and analytics for a strong, resilient and sustainable water sector and a systematic approach to capacity building and knowledge sharing. The borrower will prepare an Environment and Social Commitment Plan (ESCP) which outlines the measures and actions required to avoid, minimize, reduce or otherwise mitigate the potential environmental and social risks and impacts of the Program, organize E&S Program management, and allocate E&S responsibilities. The prepared ESCP, satisfactory to the Bank will be disclosed and consulted on prior to Project appraisal. In line with the WB Policy for Investment Project Financing, the terms of reference, work plans or other documents defining TA objectives, the scope and outputs of technical assistance activities (advisory, analytics as well as capacity building) will be drafted so that the advice and other support provided is consistent with the requirements under the Bank's Environmental and Social Framework (ESF).

In order to ensure compliance with the ESS2 the Borrower will include adequate provisions and proportionate mitigation measures in the ESCP. Standalone Labor Management Procedures (LMP) will not be prepared. Particularly, processes and procedures laid out in the ESCP will provide specific references to ensure that all project workers are hired and are able to benefit from the applicable labor management principles consistent with the requirements of ESS2.

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Given the described project activities and low social risk of the Project, the Borrower will not prepare a standalone SEP. Instead all relevant elements of the SEP, as well as principles and provisions of the ESS10, including the project Grievance Mechanism (GM), will be included in the ESCP. Since vulnerable groups often suffer the most in regard to poor or clean water access, all outputs of this program will ensure that these groups will be primary beneficiaries.

Areas where "Use of Borrower Framework" is being considered:

National Environmental and Social regulations are not being proposed to be applied in whole or in part for this Program.

ESS10 Stakeholder Engagement and Information Disclosure

Considering the nature of the DWP, strong and extensive stakeholder engagement for the proposed activities is key to the Program's success. Given the scope and character of the Project the stakeholder engagement process will be focused on engagement and communication between current and prospective partners, donors and government stakeholders as well as knowledge and information sharing. It will be designed to identify potential bottlenecks and opportunities for improvement as well to enable the continuity of the already existing information and knowledge sharing systems.

In previous phases of the DWP, various high functioning stakeholder engagement and communications systems were developed. This fourth phase of the Program will build on these systems and include inter alia the following key elements (i) Capacity-building under the Danube Learning Partnership (D-LeaP); (ii) 'Voice of the Danube' (VoD) communications strategy, action plan, and website; (iii) Weekly newsletter the 'Voice of the Danube weekly digest'; (iv) the yearly Danube Water Conference / Danube Water Forum (DWC/DWF); (v) Danube Water Program KnowNow webinars; and, (vi) Capacity-building workshops.

While many of these activities are primarily to build capacity and scope for better outreach, behavior and delivery of water supply rather than civil works, their scope to benefit vulnerable groups is still high. The Program provides increased capacity and support to water sector stakeholders (policy makers as well as implementers like operators) which would result in better coverage and quality of water supply to all groups including vulnerable groups.

Considering the strong stakeholder engagement system that the DWP already has in place and the fact that stakeholder engagement is deeply enshrined in Project design of the RETF component, a standalone SEP will not be required for this Project. Instead, in order to ensure compliance with ESS10 throughout the Project's lifecycle, adequate provisions and principles will be part of the ESCP. This will ensure that the engagement of relevant stakeholders is done as per ESS10 throughout respective Project activities. A separate standalone SEP risks that these activities will not be seen as core activities enshrined in the project design and may cause duplication and confusion in their implementing arrangements. Hence it is recommended that the stakeholder engagement activities remain integrated as part of project design. A short summary document describing the different outreach activities will be prepared.

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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 have direct workers hired to implement the project and contracted workers hired to perform capacity building. The project will not engage community workers nor primary supply workers. Given that the Project focuses on policy and regulation reforms and capacity building and information sharing and that no civil works are envisaged, activities under the proposed Project are expected to have negligible negative impacts related to labor working conditions and SEA/SH risks.

As per ESS2, where government civil servants are working in connection with the project, whether full-time or part-time, they will remain subject to the terms and conditions of their existing public sector employment agreement or arrangement, unless there has been an effective legal transfer of their employment or engagement to the project. ESS2 will not apply to such government civil servants, except for the provisions of paragraphs 17 to 20 (Protecting the Work Force) and paragraphs 24 to 30 (Occupational Health and Safety). If the employment or engagement of a civil servant was transferred to the Project in accordance with all legal requirements, transferred workers will be subject to all requirements of the ESS2.

Considering the low labor risk, no project level Labor Management Procedures (LMP) will be developed. Instead, in order to ensure compliance with the ESS2 the ESCP will include adequate provisions and proportionate mitigation measures which will be based on the findings of due diligence on existing labor and working conditions related systems and procedures. In addition, the ESCP will include required provisions, including the establishment of grievance mechanisms (GMs) for Project employees if such a mechanism is not already in place, as well as mandatory signature of a Code of Conduct for all project workers.

All categories of workers may be involved in activities that raise COVID-19 exposure concerns. To mitigate the risk, the project will follow applicable national guidance and WHO guidelines, and the relevant Bank's policies. As the project activities of 3rd phase continue in the 4th phase and the activities are implemented with the same partner (IAWD), the existing Project Operation Manual (POM), will be updated for the 4th phase. The update is scheduled prior to Project Effectiveness. The POM will also identify risks related to the COVID -19 pandemic and will design appropriate mitigation measures to address those risks, such as controlling entry and exit from workplace, rearranging work tasks or reducing number of workers to allow social/physical distancing, providing appropriate

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forms of personal protective equipment (PPE) and putting in place alternatives to direct contact – like teleworking or remote work and video conferences wherever possible.

As no physical investments or works are planned, OHS risks are considered negligible.

ESS3 Resource Efficiency and Pollution Prevention and Management

The Program will have positive effects on water supply efficiency, water loss, wastewater treatment quality and efficiency, and sludge management through implementation of activities focused on advisory and analytics to support policy and regulatory changes towards increased sustainability of water sector. When setting standards, limits, measures and requirements for the sector, in addition to EU sectoral directives, Program beneficiaries will be guided by ESF, World Bank's Environmental and Social Health and Safety Guidelines (WB EHSG) and Good International Industry Practice (GIIP). In line with the WB Policy for Investment Project Financing, terms of references, work plans or other documents defining TA objectives, scope and outputs of technical assistance activities (advisory, analytics as well as capacity building) will be drafted so that the advice and other support provided is consistent with the requirements under the Bank's Environmental and Social Framework (ESF).

ESS4 Community Health and Safety

The proposed Program will neither finance nor support any civil works. No rehabilitation or construction of new infrastructure or other actions that would imply environmental or social risk to the environment or community health and safety are envisaged under the Project.

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

There will be no activities involving land acquisition, restrictions on land use or involuntary resettlement.

ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

Positive effects of DWP implementation are expected on biodiversity and nature as improved water management (including increased water efficiency, improved wastewater management, management of waste treatment sludge, etc.) may cascade to reduced general pressure on water resources, including but not limited to existing and new water intakes, and quantity and quality of water discharges.

ESS7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities There are no Indigenous Peoples in the project area.

ESS8 Cultural Heritage

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The standard is currently not relevant as no activities with impacts on cultural heritage are planned under the Program. Nevertheless, in line with the WB Policy for Investment Project Financing, the terms of reference, work plans or other documents defining the scope and outputs of technical assistance activities will be drafted so that the advice and other support provided is consistent with the requirements under the Bank's Environmental and Social Framework (ESF).

ESS9 Financial Intermediaries

The ESS9 is not relevant as this project does not involve financial intermediaries.

B.3 Other Relevant Project Risks

All relevant risks that have been identified are summarized against each of the standards.

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

No possible financing partners.

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

Actions to be completed prior to Bank Board Approval:

The ESCP needs to be finalized prior to Bank Approval.

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

The ESCP will entail adequate provisions and proportionate mitigation measures that will ensure compliance with the ESS2 and ESS10, including provisions on setting up a labor GM and a project GM. It will also include provisions for E&S management of technical assistance activities to ensure consistency with ESF requirements. The ESCP will incorporate provisions clarifying that the Program will not support the implementation of its recommendations and the Borrower will not be legally bound to follow the recommendations of the TA.

IV. CONTACT POINTS

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Borrower/Client/Recipient

Borrower: IAWD - International Association of Water Service Companies in the Danube River Catchment

Area

Implementing Agency(ies)

IAWD - International Association of Water Service Companies in the Danube River Catchment

Implementing Agency: Are

V. FOR MORE INFORMATION CONTACT

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VI. APPROVAL

Task Team Leader(s): Raimund Mair

Practice Manager (ENR/Social) Gaurav Dilipkumar Joshi Recommended on 28-Aug-2022 at 04:17:39 GMT-04:00

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