

**INTEGRATED SAFEGUARDS DATASHEET
APPRAISAL STAGE**

I. Basic Information

Date prepared/updated: 05/04/2007

Report No.: AC2956

1. Basic Project Data

Country: Honduras	Project ID: P103881	
Project Name: Honduras Water and Sanitation Sector Modernization Project		
Task Team Leader: Gustavo Saltiel		
Estimated Appraisal Date: May 4, 2007	Estimated Board Date: June 21, 2007	
Managing Unit: LCSUW	Lending Instrument: Specific Investment Loan	
Sector: Water supply (100%)		
Theme: Other public sector governance (P);Decentralization (P)		
IBRD Amount (US\$m.):	0.00	
IDA Amount (US\$m.):	30.00	
GEF Amount (US\$m.):	0.00	
PCF Amount (US\$m.):	0.00	
Other financing amounts by source:		
	<u>BORROWER/RECIPIENT</u>	5.00
		5.00
Environmental Category: B - Partial Assessment		
Simplified Processing	Simple <input checked="" type="checkbox"/>	Repeater <input type="checkbox"/>
Is this project processed under OP 8.50 (Emergency Recovery)	Yes <input type="checkbox"/>	No <input type="checkbox"/>

2. Project Objectives

The proposed project development objective is to improve the sustainability (1) , efficiency (2) and reliability (3) of Honduras's water supply and sanitation (WSS) services in the participating municipalities through implementing the Strategic Plan to Modernize the WSS Sector (PEMAPS). The specific objectives are to:

- o Establish and strengthen municipal service providers and support good governance in WSS services provision through increasing transparency and accountability;
- o Reinforce the national sector actors (ERSAPS, CONASA, SANAA) to fulfill their new roles-a necessity for successful decentralization of the services;
- o Reduce non-revenue water in selected areas of Tegucigalpa to provide immediate impact on the service quality.

- (1) measured in terms of cost recovery level
- (2) measured in terms of revenues per volumetric unit of water produced
- (3) measured in terms of hours of service per day

3. Project Description

The proposed operation would assist the Government of Honduras in implementing the Strategic Plan for the Modernization of the WSS Sector (PEMAPS) through activities at the national and municipal level. The project will support municipalities with urban

population between 40,000 and 300,000 to adopt autonomous service provider models by providing a combination of free technical assistance for creating the service providers, short-term efficiency improvement measures, and performance-based investment funding once services are transferred (Component 1). The project will finance efficiency improvements in Tegucigalpa to provide immediate impact on the service quality, while the transfer from the national utility to the municipality is being discussed (Component 2). Institutional strengthening actions will help fortify and establish the national sector actors (Component 3). Component 4 will finance project management activities.

Component 1: Support to mid-sized municipalities to create autonomous service providers and invest in efficiency, rehabilitation and expansion of service delivery ? Cost US\$21.2 million (IDA US\$ 17.2 million)

The component will support the implementation of the Ley Marco and the PEMAPS in medium-sized cities through a combination of technical assistance for reforms and investments for efficiency improvement and infrastructure rehabilitation and extension. This ?learning-by-doing? approach is expected to lead to service improvements ? and thus will help to build solid public and political support for decentralization. The component will provide incentives for reforms, given that municipalities will have to substantially implement some reforms in order to receive support for investments for rehabilitation and expansion.

Component 2: Tegucigalpa Non Revenue Water Reduction ? Cost US\$4.5 million (IDA US\$ 4.1 million)

The component will support a performance-based service contract with a private company to reduce technical and commercial losses in a limited geographical area of the municipality of the Metropolitan District. In addition to the contract itself, this component will finance the design and supervision of the contract. The component will conclude with an evaluation of the performance-based contract and its outcome.

Component 3: Institutional strengthening of national and regional sector institutions ? Cost US\$7.7 million (IDA US\$ 7.3 million)

Decentralization and other reforms change or establish the functioning of the national sector institutions. This component will provide support for the water sector planning entity (CONASA), a regulating agency (ERSAPS) and a national utility (SANAA) to fulfill their new roles in a timely, efficient and transparent manner. This component will also finance severance payments for the SANAA staff directly affected by the transfer of services to participating municipalities.

Component 4: Project Management ? Cost US\$1.6 million (IDA US\$ 1.4 million)

This component will finance the cost of salary, travel and general operating costs of the project management unit. In addition, this component would also finance monitoring and evaluation (M&E) activities, audits and other project management activities on governance.

4. Project Location and salient physical characteristics relevant to the safeguard analysis

The subprojects will take place in mid-sized cities throughout Honduras:

? Component 1: Works, as yet unspecified, may take place in one or more of the following cities: Choloma, Choluteca, Comayagua, Danli, El Progreso, La Ceiba, La Lima, Puerto Cortes, Siguatepeque. Some cities are coastal areas (which have distinct ethnic communities) and some are mountainous.

? Component 2: in Tegucigalpa.

5. Environmental and Social Safeguards Specialists

Mr Marquez Martinez (LCSUW)

Ms Nicole Andrea Maywah (LCSUW)

Ms Kimberly Vilar (LCSSO)

6. Safeguard Policies Triggered	Yes	No
Environmental Assessment (OP/BP 4.01)	X	
Natural Habitats (OP/BP 4.04)	X	
Forests (OP/BP 4.36)		X
Pest Management (OP 4.09)		X
Physical Cultural Resources (OP/BP 4.11)	X	
Indigenous Peoples (OP/BP 4.10)	X	
Involuntary Resettlement (OP/BP 4.12)		X
Safety of Dams (OP/BP 4.37)		X
Projects on International Waterways (OP/BP 7.50)		X
Projects in Disputed Areas (OP/BP 7.60)		X

II. Key Safeguard Policy Issues and Their Management

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts: No large-scale, significant and/or irreversible impacts are foreseen from this project. In any case, the key safeguard issues and impacts associated with this project are:

a) Noise, dust, proper disposal of construction waste, erosion control, protection of spring catchments, etc. produced during construction and installation of pipes, will be addressed by appropriate guidelines that will be incorporated into the technical specifications governing the work of construction contractors.

b) There is no expectation that cultural property would be found in the Project area. Nevertheless, because of the nature of the works envisioned, the Environmental Assessment sets forth "chance find" or equivalent procedures in case such property is encountered.

c) PROMOSAS will not finance any subprojects involving involuntary resettlement or dams and so these safeguards are not triggered.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:

No large-scale, significant and/or irreversible impacts are foreseen. However the following impacts are possible:

Component 1's expansion of water supply and sewerage networks may encourage increased population growth in areas served. Digging, construction and installation may result in the usual noise and waste which are normally managed according to established guidelines for contractors. Similarly, investments under Component 2 Leak Reduction will include works related activities such as detecting leaks and repair or replacement of pipes?all very benign rehabilitation activities without many environmental consequences. Such activities are classified as category B. Leak detection has negligible and very temporary environmental implications such as temporary air quality reduction from the smoke used to detect leaks or illegal connections for example if that particular method is used (there are others). The repair or replacement of leaky pipes will generally mean removal of dirt from digging and its eventual replacement. Again, resulting minor environmental impacts (proper disposal of construction waste, erosion control, protection of spring catchments, etc.) will be addressed by appropriate guidelines that will be incorporated into the technical specifications governing the work of construction contractors.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.

Given that subprojects will differ fundamentally and have diverse locations, consideration of alternatives will be considered on a subproject by subproject basis.

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.

The Borrower has prepared a Framework for Environmental and Social Management and an Indigenous Peoples Policy Framework (or Policy for Ethnic Communities). With two environmental engineers, a technical specialist and social specialist as well as experience in other water projects, UAP has enough capacity to plan and implement measures needed to comply with safeguards. UAP may also hire consultants as necessary to carry out the necessary environmental and social work.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people. Key stakeholders include municipalities, the water users of Honduras in the areas that will be affected or benefited by the works, ethnic communities which may be affected, SEFIN (UAP especially), SANAA, FHIS, CONASA and ERSAPS. The Concept and Appraisal Stage ISDSs, Indigenous Peoples Policy Framework and Framework for Environmental and Social Management will all be disclosed on the InfoShop website and in-country.

Consultation on safeguard policies was carried out by the government during the preparation of the frameworks. The Honduran government consulted with key indigenous

and Afro-Honduran community group leaders on April 18, 2007 on the Indigenous Peoples Policy Framework. The input from these consultations has been incorporated into the instruments.

B. Disclosure Requirements Date

Environmental Assessment/Audit/Management Plan/Other:

Date of receipt by the Bank	04/19/2007
Date of "in-country" disclosure	05/08/2007
Date of submission to InfoShop	05/03/2007
For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors	

Indigenous Peoples Plan/Planning Framework:

Date of receipt by the Bank	04/25/2007
Date of "in-country" disclosure	05/08/2007
Date of submission to InfoShop	05/03/2007

*** If the project triggers the Pest Management and/or Physical Cultural Resources, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP.**

If in-country disclosure of any of the above documents is not expected, please explain why:

C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting)

OP/BP/GP 4.01 - Environment Assessment

Does the project require a stand-alone EA (including EMP) report?	Yes
If yes, then did the Regional Environment Unit or Sector Manager (SM) review and approve the EA report?	No
Are the cost and the accountabilities for the EMP incorporated in the credit/loan?	Yes

OP/BP 4.04 - Natural Habitats

Would the project result in any significant conversion or degradation of critical natural habitats?	No
If the project would result in significant conversion or degradation of other (non-critical) natural habitats, does the project include mitigation measures acceptable to the Bank?	No

OP/BP 4.11 - Physical Cultural Resources

Does the EA include adequate measures related to cultural property?	Yes
Does the credit/loan incorporate mechanisms to mitigate the potential adverse impacts on cultural property?	Yes

OP/BP 4.10 - Indigenous Peoples

Has a separate Indigenous Peoples Plan/Planning Framework (as	No
---	----

appropriate) been prepared in consultation with affected Indigenous Peoples?
 If yes, then did the Regional unit responsible for safeguards or Sector Manager review the plan? No

If the whole project is designed to benefit IP, has the design been reviewed and approved by the Regional Social Development Unit or Sector Manager? No

The World Bank Policy on Disclosure of Information

Have relevant safeguard policies documents been sent to the World Bank's Infoshop? Yes

Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs? No

All Safeguard Policies

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies? Yes

Have costs related to safeguard policy measures been included in the project cost? Yes

Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies? No

Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents? No

D. Approvals

<i>Signed and submitted by:</i>	<i>Name</i>	<i>Date</i>
Task Team Leader:	Mr Gustavo Saltiel	05/03/2007
Environmental Specialist:	Ms Nicole Andrea Maywah	05/03/2007
Social Development Specialist Additional Environmental and/or Social Development Specialist(s):	Ms Kimberly Vilar	05/03/2007
<i>Approved by:</i>		
Regional Safeguards Coordinator: Comments:	Mr Reidar Kvam	05/03/2007
Sector Manager: Comments:	Mr John Henry Stein	05/03/2007