Project Information Document/ Identification/Concept Stage (PID)

Concept Stage | Date Prepared/Updated: 26-Feb-2021 | Report No: PIDC238734

BASIC INFORMATION

A. Basic Project Data

Project ID	Parent Project ID (if any)	Environmental and Social Risk Classification	Project Name
P175896		Substantial	Supporting Resilient Water Resources Management and Water Services Project
Region	**Country**	**Date PID Prepared**	**Estimated Date of Approval**
LATIN AMERICA AND CARIBBEAN	Honduras	26-Feb-2021	
Financing Instrument	**Borrower(s)**	**Implementing Agency**	
Investment Project Financing	Republic of Honduras	Honduran Strategic Investment Office (Inversiones Estratégicas de Honduras - INVEST-H)	

PROJECT FINANCING DATA (US$, Millions)

SUMMARY

Total Project Cost	0.90
Total Financing	0.90
Financing Gap	0.00

DETAILS

Non-World Bank Group Financing

Trust Funds	0.90
Climate Investment Funds	0.90

B. Introduction and Context

Country Context

1. Over the past 30 years, Honduras has experienced modest and volatile economic growth, insufficient to significantly reduce poverty. Honduras' real Gross Domestic Product (GDP) in the past three decades grew at an average annual rate of 3.8 percent, exceeding the Latin American and Caribbean (LAC) regional average

of 2.6 percent, while remaining on par with the Central American average of 3.9 percent.*[1]* The country's GDP has seen a consistent decline from 4.8 to 2.7 percent between 2017 and 2019.*[2]* The country's sensitivity to external shocks, exposure to natural hazards - including floods, droughts and hurricanes, fiscal instability, low agriculture production, limited investments, and other challenges to competitiveness, combined with political instability, weak institutions and the thin economic base for generating more and better jobs, have inhibited economic diversification, undermined productivity growth, and slowed progress in raising incomes and reducing poverty and inequality.*[3]*

2. Poverty and income inequality in Honduras are among the highest in LAC, with distinctive gaps between the urban and rural divide, and most notably among Indigenous groups and Afro-descendants. Honduras is Central America's second-largest country with a population of more than 9 million and a land area of about 112,000 square kilometers. With a per capita income of US$ 2,604 (2019) [*4*], 50 percent of the population lives in a situation of poverty and 32 percent is in a situation of vulnerability. Estimates for 2020 show that at least 30 percent live on less than US $ 3.2 a day and 20 percent between US$ 3.2-US$ 5.5 a day.[*5*] Honduras has also one of the most inequitable income distributions in LAC with inequality increasing from 50.5 to 52.1 percent between 2017 and 2019.*[6]* While Honduras' urban population is growing rapidly, about half of the population still lives in rural areas where the incidence of poverty is almost 77 percent, compared to 56 percent in urban areas. In the country, rough estimates from indigenous organizations indicate that Indigenous Peoples and Afro-descendants account for an estimated 8.6 percent of the national population, with more than 70 percent still living in poverty and more than half are unemployed.

3. Honduras is a country with high exposure to hydro-meteorological events and climate variability and change that threatens its economic stability and the safety and well-being of its population. Between 1998 and 2017,*[7]* Honduras was the second most severely affected country from natural disasters primarily of hydro-meteorological and climate influence. During this period, the country suffered 66 hydro-meteorological events, including the 1998 Hurricane Mitch, which led to massive loss of life and assets. These events resulted in an average annual loss of 1.8 percent of GDP*[8]*. The country's exposure to irregular patterns of rainfall, el Niño-Southern Oscillation (ENSO) phenomena, and extreme hydro-met events (e.g., heat waves, tropical storms, hurricanes, droughts and floods) affect rural and urban areas alike. To date, land use development has largely been unplanned and remains without regulation or control, leaving many people to live in areas highly exposed to these natural hazards. Climate projections in different time horizons indicate that Honduras will continue to have high variability in precipitation and temperature cycles, in all further compounding hydro-meteorological and climate risks affecting the country.

4. In 2020, Honduras entered an economic downturn amid the novel Coronavirus Disease 2019 (COVID-19). Honduras also joined the ranks of countries with confirmed and increasing cases of the Coronavirus Disease 2019 (COVID-19). The economic decline in the country following the pandemic has seen a decline in Real GDP by 9.9 percent on year (y/y) in the first half of 2020, and the index of economic activity (IMAE) registered a 9.5 percent (y/y) decline over the first 9 months of 2020. This recession is due to a fall in trade, investment, and consumption, amid the global slow-down and prolonged containment measures set in place to control the spread of the disease. Unemployment is expected to rise, as market regulations that provide formal workers with relatively high wages and labor protections, do not reach the 80 percent of Honduran

workers who remain in the informal sector. Based on World Bank High Frequency Phone Surveys, an estimated 18 percent of people lost employment as of August 2020, primarily women and low skilled workers in the industry and services sectors.

5. In the mist of the COVID-19 pandemic, Honduras was severely hit by Tropical Storms Eta and Iota. While already facing major setbacks owing to the COVID-19 pandemic, between November 1 and 18, 2020, the country was affected by two consecutive tropical storms: Eta and Iota. Both events generated winds, river floods, storm surge and landslides, with catastrophic impacts comparable to Hurricane Mitch. According to preliminary estimates in Honduras,*[9]* Eta alone affected about 2.9 million people, 193,571 cultivated hectares, and 20,869 houses, including damages to basic infrastructure (e.g., schools, roads, and bridges). The combined effects of COVID-19, Eta and Iota, reduced tourism revenues and remittances, and forecasts predicting severe droughts during the first half of 2021, are expected to hit income growth and productivity the hardest in recent years, compounding social and economic fragility in the country.

6. As Honduras remains increasingly vulnerable to extreme weather and variable climate, the area known as the Dry Corridor is particularly affected from the impacts of these events. In Honduras, the Dry Corridor is an area that extends along the country's southwest and Pacific coast and covers almost 20,000 km2.*[10]* During El Niño years, precipitation in the Dry Corridor can drop by 30–40 percent, with rising temperatures and more frequent and longer extended rainless periods. The exposure to such dry periods, which have become almost annually recurrent for the past five years, are also often followed by excessive rains and severe flooding. These events have been taking a *devastating toll* on human life, people's well-being, and the local economy. This region is more likely to suffer more serious consequences from climate instability and other shocks, as it holds the highest rural poverty and extreme poverty in the country. The Dry Corridor in Honduras is home to approximately 2.2 million people, where 76.7 percent live in poverty and 64.5 percent in extreme poverty. The majority of these households rely on the use of natural resources and subsistence farming by growing basic grains or are landless farmers and day workers. The sustained climate variability, violence, and limited access to basic services to secure livelihoods among others, have also led to a rise in migration from this region in recent years.

[1] Central Bank of Honduras; World Development Index, and World Bank staff calculations, March 2020.

[2] According to the Central Bank of Honduras, the real GDP growth was 2.7 percent in 2019. Source: https://www.bch.hn/download/pib/2020/pib_III_trimestre_2020.pdf

[3] Strong dependence on agriculture has been identified as one of the core structural challenges hindering medium-term growth in Honduras. IMF Debt Sustainability Analysis, Article IV, July 2019.

[*4*] Central Bank of Honduras and World Bank Staff calculations.

[*5*] 2011 PPP dollars. World Bank, 2020, Poverty and Distributional Impact of COVID-19 in Honduras.

[6] Data from World Bank, Development Research Group.

[7] 2019 Global Climate Risk Index (Germanwatch).

[8] The Central America Urbanization Review: Making Cities Work for Central America, World Bank 2017.

[9] Honduras' General Coordination Secretary (*Secretaría de Coordinación General del Gobierno*, SCGG). Preliminary impacts of Tropical Storm Eta, as of November 11, 2020.

[10] This region is part of Central America's Dry Corridor, which is known for its variable precipitation patterns, and increasingly unstable weather regime and climate shocks. The Central American Dry Corridor spans across the Pacific coast from Southern Mexico to Panama. Source: Chronology of the Dry Corridor: The Impetus for Resilience in Central America. Food and Agriculture Organization (FAO) 2017.

Sectoral and Institutional Context

7. In Honduras, the main impacts associated with extreme hydro-met events and climate variability manifest most critically through water insecurity. Water resources in Honduras are very vulnerable to changing climate and anthropogenic activity. Inadequate land use practices, environmental degradation, poor engineering practices, and existing limited capacity together with ordinary climatic variability and ENSO phenomena leads to immediate manifestation of cyclic water shortages, especially in the Dry Corridor. Insufficient storage infrastructure in this region further prevents year-round access to water. The risk of unmet water demand is particularly high during the February–April dry season, when available water resources fall short of demand. Future projections under 2030 climate change scenarios coupled with water demand estimates provide evidence that such water deficits following reductions in precipitation and intensification of droughts will worsen as pressures on water resources intensify.[1]

8. Despite achieving substantial progress in closing the water supply gap over the last decades, the reliability and quality of water services in Honduras remains generally low. Since 2009, Honduras has been hit by recurrent and severe droughts that combined with water utilities' limited capacity and performance have led to poor provision of water services. In the Dry Corridor, half of the urban centers have water rationing or are unable to guarantee more than five hours a day of services and 20 percent of the rural water systems run dry at least once, requiring the Government to often declare a state of emergency. Two-thirds of urban residents in Honduras continue to receive water only three hours a day, and only one-third have access to safely managed sanitation. As of 2017, nearly one-fifth of Hondurans living in extreme poverty did not have access to adequate water and sanitation services.[2] Severe water restriction programs are imposed during most summers. The lack of safe access to water supply, sanitation and hygiene (WASH) services also significantly increases the risk of transmission of diseases. The importance of ensuring safely managed water supply, along with adequate handwashing, which is crucial for breaking the cycle of contagion and prevent the spread of disease, has been made even more apparent following the global COVID-19 pandemic.

9. In addition to limiting water availability and services, prolonged, severe and cyclical sustained droughts constrain agricultural production¾threatening the food and nutritional security of Honduras' population. In Honduras, subsistence agriculture is the primary source of income and food security for rural communities, with an estimated 72 percent of agricultural families dependent on farming on small plots of land. In addition to being typically a low revenue generation activity, this type of farming is highly vulnerable to the sustained shocks from extreme climate, particularly droughts. The deceleration of the labor-intensive agriculture sector, including coffee production, due to water shortages along with rising consumer prices, has also adversely affected rural household incomes in Honduras, as well as their access to sufficient and nutritious food. Chronic child malnutrition is roughly twice as high in rural areas (29 percent) as in urban centers (15 percent[3]), and rural households are far more likely to lack access to clean water and basic services.

Water Resources Management

10. The challenges faced in Honduras to sustain and protect water resources for different uses and users is also the result of inadequate water resources management (WRM). Honduras still lacks a national water policy and water resources master plan, and has only limited river regulation, resulting in unprotected watersheds, high deforestation rates, and contamination of water sources. The responsibility for the formulation of environmental policies and setting of minimum water quality standards falls under the Ministry of Natural Resources and Environment (*Secretaría de Recursos Naturales y Medio Ambiente* - MiAmbiente). The responsibility for water policy, financing, regulation, and monitoring is however dispersed across various ministries and agencies with no established central body to effectively coordinate efforts. Legislation governing the protection of watershed areas19 was approved more than a decade ago, but widespread lack of compliance represents additional weaknesses in the WRM framework. While the Water Law approved in 2009 envisaged the creation of a National Water Authority (*Autoridad del Agua* – ADA) with the mandate to lead water resources monitoring and management, the establishment of water rights, and the participation of water users in WRM, this Law is yet to be put into effect.[4]

11. The lack of adequate water resource information and basin management tools further hampers the Government's ability to respond to the country's growing water demands and climate risks. The Government of Honduras' (GoH) limited capacity to generate clear and usable water and hydrometeorological data undermines all aspects of river basin management, including planning, monitoring, and coordination among responsible basin management agencies. In addition, the lack of groundwater information and management of water abstraction have resulted in a proliferation of illegal wells, increasing the risk of overexploitation of aquifers. There is a pressing need to improve meteorological, climate, and water (quality and availability) information and develop relevant information products to support decision-making for management and investment planning for all stakeholders and key responsible institutions for WRM in the country.

Water Supply and Sanitation

12. In Honduras, the 2003 Drinking Water and Sanitation Sector Framework Law (the Framework Law) redefined water and sanitation services (WSS) in an effort to improve their provision. Recognizing that the prevailing institutional setup led to poor service levels, the Framework Law mandated the decentralization of the National Autonomous Water and Sewer Service (*Servicio Autónomo Nacional de Acueductos y Alcantarillados,* SANAA) and called for the transfer of its assets to municipalities by 2013. Municipalities were required to set up a ring-fenced service provider, defined as either a deconcentrated or mixed capital management model, and Urban Water Providers (UWPs) were required to install metered household connections and calculate payment based on actual consumption.

13. Many municipalities have yet to create and/or operationalize their UWPs, which undermines their capacity to deliver water supply services efficiently and reliably. In the absence of adequate management and planning, the impacts of investments in water systems have been limited and their sustainability tenuous. The establishment of strong UWPs capable of taking investment decisions based on strategic business needs is pivotal to ensuring the efficiency and reliability of services; this aligned with improve watershed management and demand management (metering and promoting rational use of water), will consider to build resilience to the risks of unmet water consumption demands. This continues to burden the poor with the cost of purchasing water from tankers, at prices up to 250 percent more than the price paid by domestic users connected to a UWP water network. Increased availability of water in the distribution network is expected to reduce dependency on these costlier coping mechanisms.

Building Resilience to Climate Risks

14. As future scenarios project that Honduras' climate vulnerability is on the rise and evidencing a negative impact on water security, the adaptation agenda must have a strong focus on water. To respond to the growing climatic threats, the GoH launched the Country Vision (2012-2030), the National Development Plan (2010-2022), the National Climate Change Strategy (NCCS) in 2010 and more recently the Water, Forest and Land Master Plan for 2017 to 2030. To guide climate-resilient development, this framework places forth as common denominators, the need for adequate water resource management, safe access to water for consumption as a human right, and smart agriculture, calling for adaptation efforts to be based on these main streams.

15. In 2017, Honduras developed its Strategic Program for Climate Resilience (SPCR) to support integrate climate resilience into development planning at national and local levels, and channel financing to implement strategic actions. Following and responding to the country's main public strategies to address climate-resilient development, Honduras embarked in the preparation of its SPCR, to strengthen the country´s climate change institutional platform, and leverage financing from the Climate Investment Funds (CIF) under the Pilot Program for Climate Resilience (PPCR). The Honduras SPCR development process became an extension of the cross-sector strategies reflected in the 2017-2030 Water, Forest and Soil Mater Plan, by further promoting inter-institutional cooperation and collaborative processes among different actors, in support of climate resilience actions. As a result, the Honduras-SPCR outlines strategic efforts and investments to address climate change through a government-led process that should follow a programmatic

approach, while highlighting the need to strengthen sector-wide institutions and raise awareness among civil society groups and the private sector.

16. The Honduras-SPCR´s first phase approach, recognizes water security as one top priority for climate resilience in the country. As reflected under the Honduras SPCR's Sub-programs I and II, the first phase of the programmatic approach places hydro-met and climate information, and WRM, respectively, among the country's key climate resilience priorities. While Sub-program I prioritizes the strengthening of meteorological knowledge, water resources, and climate data for decision-making; strategic priorities under Sub-program II focus specifically on supporting resilient WRM through strengthened water governance and development of multi-purpose use water infrastructure. The SPCR's first phase approach was also conceived as a program supporting actions for the benefit of a more resilient water sector, including the improvement of WSS services, forest and land use management, as well as water-related disaster risks management.

17. To advance the water security and resilience agenda, the GoH has prioritized strategic investments with a strong focus on water governance, resilient infrastructure, and water supply and sanitation services. At the national level, the GoH through MiAmbiente is committed to set into effect the 2009 National Water Law. On the resilient infrastructure and services front, the GoH has embarked in various initiatives to develop integrated water storage systems and multiple-use reservoirs, as well as to improve the reliability and efficiency of water supply and sanitation services across the country and in the Dry Corridor in particular.

[1] Intergovernmental Panel on Climate Change (IPCC) 2019 Report: AR5 Climate Change 2014: Impacts, Adaptation, and vulnerability.

[2] According to the 2017 Joint Monitoring Program (JMP) Report.

[3] International Food Policy Research Institute. 2016.

[4] Water Law approved through Legislative Decree No. 181-2009.

Relationship to CPF

18. This Project is aligned with two of three pillars of the World Bank Country Partnership Framework (CPF) for Honduras (Report No. No. 98367-HN dated December 15, 2015), namely: (i) Pillar 2: Bolstering Conditions for Growth, by directly contributing to Objective 1 (Improve Reliability of Key Infrastructure) and Objective 2 (Strengthen the Regulatory Framework and Institutional Capacity); and (ii) Pillar 3: Reducing Vulnerability by contributing to Objective 3 (Boost Resilience to Disasters and Climate Change). The Project contributes to these objectives by (i) improving the enabling conditions for sustainable agricultural growth and the population's well-being with improved basic services through more resilient water infrastructure and

water services delivery; and (ii) strengthening the institutions responsible for WRM and adaptation to climate change–related threats, mainly droughts and floods, in the Dry Corridor.

19. This Project is also aligned with the GoH's priorities to advance its climate resilience agenda with targeted investments that stem from the country's SPCR and PPCR engagement. The Project is designed to support efforts under the World Bank (IDA-financed) operations: The FY19 Water Security in the Dry Corridor Project (P169901) and the FY19 Urban Water Supply Strengthening Project (P173125). The Project as well as these two World Bank operations are all aligned with the Sub-Programs I and II of the country's SPCR, and their preparation was also supported through the recently closed Honduras PPCR Phase 1 Grant (P157795). The World Bank projects overall objectives are to support the country's efforts to improve water security and climate resilience in urban and rural areas, essentially through strengthened water resources governance and management, as well as more resilient water infrastructure and services. Both operations became in addition part of the COVID-19 response package of the GoH to mitigate the impacts of the pandemic though the Executive Decree 030-2020, issued on April 9, 2020. Both Projects were approved by the Board on June 2019 and are yet to become effective.

C. Project Development Objective(s)

Proposed Development Objective(s)

20. Strengthen the technical capacity and institutional coordination for effective implementation of resilient water resources management and water services investments in targeted areas of Honduras.

Key Results

21. The PPCR grant will finance technical assistance activities to support implementation of priority investments under the IDA operations to enhance water sector resilience: Water Security in the Dry Corridor Project (P169901) and the Urban Water Supply Strengthening Project (P173125). Technical assistance activities will inform the development of a water resources information system to support planning and management of water resources in a targeted basin in the Dry Corridor of Honduras. The Project will also finance a technical assistance to complete the feasibility assessments of water storage infrastructure for resilient WRM in the Dry Corridor. Technical assistance activities will further inform the selection criteria of investments seeking to foster resilience through the improvement in reliability and efficiency of rural and urban water services. The Project will in addition strengthen the coordination between project implementing agencies and the stakeholders undertaking the envisaged investments. Key results for this Project include:

22. Water resources information systems is strengthened, as verified by: advanced efforts to develop the water information system for better WRM and planning in a pilot basin of the Dry Corridor; and measured by: the completed feasibility study and design for the water resources information system in the Nacaome Basin.

23. Water storage infrastructure investments is strengthened, as verified by: the completed feasibility assessments of planned water infrastructure in selected small town and rural areas of the Dry Corridor; and measured by: the number of final designs of integrated water security systems (*Sistemas Integrados de Agua Segura*-SIAS).

24. Investment planning to improve the reliability and resilience of water services is strengthened, as verified by: advanced efforts in the prioritization of eligible water providers in urban areas and their required improvements; as measured by: the completed methodology, including the selection criteria of water providers, and its communication strategy.

25. Capacity and coordination between Project implementing agencies and stakeholders is strengthened, as verified by: the implementation arrangements strenghtened and operating to undertake envisaged investments for resilient WRM and water services; and measured by: the number of focal points/Coordinators/specialists supporting project implementation.

D. Preliminary Description

Activities/Components

26. The Project will be implemented over a period of 17 months. The following paragraphs provide a brief description of each component including cost estimates.

27. Component 1: Strengthening resilient water resources management (Total cost: US$0.60 million financed 100 percent by PPCR). The objectives of this component are to design a water resources system for the Nacaome river basin, which is essential for better WRM and planning; and to advance the readiness of resilient water infrastructure investments.

a. Feasibility study and design of a water resources information system for the Nacaome basin (Total cost: US$0.10 million). This activity will finance consultancy services for the preparation of the feasibility study and detailed design of the Nacaome basin water resources information system and for the preparation of tender documents for the procurement of the acquisition and installation of the system, which will be funded under the Water Security in the Dry Corridor Project. The feasibility study will review existing monitoring and information systems including tools and methodologies; propose a comprehensive methodology to help decision-makers make rational and informed water resources management and planning at the basin level including allocation choices and alternative actions during floods and droughts; propose a comprehensive methodology with the potential to be scaled up in other basins in the Dry Corridor and at the country level; identify the needed tools and instruments; and outline the necessary institutional arrangements, capacity building and operation and maintenance (O&M) requirements to ensure the longer-term sustainability of the system. The detailed design will outline the technical specifications of Information Technology (IT) required to set-up the integrated information platform, housing digitized records of water allocations, monitored water resources data/information, and water balance.

b. Feasibility assessment of resilient water infrastructure investments in selected small town and rural areas of the Dry Corridor (Total cost: US$0.40 million). This activity will finance consultancy services for finalizing the feasibility assessments and detailed technical designs of four planned SIAS (local water harvesting reservoir systems) under the Water Security in the Dry Corridor Project in the municipalities of La Venta, Curarén, La Paz, and Manazapa. The activity will address the gaps in the preliminary feasibility assessments that have been conducted for these four SIAS and complete their final design, including the Environmental and Social Impact Assessments and related management plans. The final design will be informed by a comprehensive risk assessment of the water reservoirs to ensure they meet safety standards. If deemed necessary, this activity will also finance consultancy services for the development of emergency plans. The construction works and supervision of these four SIAS will be financed under the Water Security in the Dry Corridor Project.

28. Component 2. Strengthening resilient water services (Total cost: US$0.20 million financed 100 percent by PPCR). The objective of this component is to advance the readiness of investments to improve the reliability and resilience of Urban Water Providers (UWPs) targeted under the Urban Water Supply Strengthening Project. It will finance consultancy services for selecting municipalities and UWPs seeking to improve their capacity to provide more reliable and resilient services. This component will support inter alia: (i) the promotion of benefits from participating in the Urban Water Supply Strengthening Project[1] to municipalities/UWPs, particularly to categories C and D municipalities; (ii) the review of applications, on a first-come first-served basis, ensuring that at least 50 percent are C and D municipalities; (iii) the coordination and handholding of weaker municipalities (particularly C and D) and UWPs during the application process; and (iv) the design and implementation of a communication strategy including the disclosure of application results in terms of eligibility criteria.

29. Component 3: Strengthening implementation capacity and institutional coordination (Total cost: US$0.20 million financed 100 percent by PPCR). The objective of this component is to improve implementation capacity and coordination of key agencies participating in the Water Security in the Dry Corridor Project and the Strengthening Urban Water Supply Project. This component will finance consultancy services and incremental operating costs to ensure the different implementation arrangements for the Water Security in the Dry Corridor Project and the Strengthening Urban Water Supply Project are in place and operational, facilitating effective dialogue and coordination between project agencies and institutions leading the water and climate resilience agenda for undertaking the envisaged support.

[1] The Urban Water Supply Strengthening Project has adopted the Honduras' Municipal Development Index to promote pro-poor access. The index, as defined by the Ministry of Interior, categorizes Honduras's 298 municipalities according to a poverty scale ranging from A (municipalities with the lowest poverty levels) to D (highest poverty levels).

Environmental and Social Standards Relevance

E. Relevant Standards

ESS Standards		Relevance
ESS 1	Assessment and Management of Environmental and Social Risks and Impacts	Relevant
ESS 10	Stakeholder Engagement and Information Disclosure	Relevant
ESS 2	Labor and Working Conditions	Relevant
ESS 3	Resource Efficiency and Pollution Prevention and Management	Relevant
ESS 4	Community Health and Safety	Relevant
ESS 5	Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Relevant
ESS 6	Biodiversity Conservation and Sustainable Management of Living Natural Resources	Relevant
ESS 7	Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Relevant
ESS 8	Cultural Heritage	Relevant
ESS 9	Financial Intermediaries	Not Currently Relevant

Legal Operational Policies

Safeguard Policies	Triggered	Explanation (Optional)
Projects on International Waterways OP 7.50	No	The technical assistance activities supporting design and assessment of the four SIAS under Component 1 are all within national basins. The technical assistance under Component 2 will be national in scope; therefore, some selected municipalities may be located within transboundary basins that Honduras shares with one or more neighboring countries. Nonetheless, Component 2 will not include detailed investment planning, and therefore this policy is not applicable.
Projects in Disputed Areas OP 7.60	No	Neither the proposed project nor the subsequent projects P169901 and P173125 will undertake interventions in disputed areas.

Summary of Screening of Environmental and Social Risks and Impacts

The proposed Project will not include any civil works; nonetheless, in accordance with the Environmental and Social Framework (ESF), the risk classification is driven by the potential risks which may result from the future construction and operation of infrastructure or other activities for which detailed studies and planning will be supported. The environmental risk is rated substantial, due to the proposed support for the completion of the designs, the Environmental and Social Impact Assessments (ESIAs) and related management plans for

pre-defined SIAS under the Water Security in the Dry Corridor Project for which ? based on the preliminary assessments carried out during preparation of that project -- the level of environmental risk ranges from moderate to substantial. The social risk is also substantial, similarly due primarily to the expected risk profile of the four SIAS which will be the subject of support under Component 1. To mitigate environmental and social risks, the procurement processes will be structured to attract high-quality consulting firms to carry out the technical, environmental and social assessments for these systems. Environmental and Social Assessment studies will also be carried out in accordance with the Environmental and Social Management Framework (ESMF), Stakeholder Engagement Plan (SEP), Indigenous Peoples and Afro-Descendants Planning Framework (IPPF), a Resettlement Policy Framework (RPF), and Labor Management Procedures (LMP), all of which have already been prepared, consulted and disclosed during preparation of the Water Security in the Dry Corridor Project. To manage water user conflicts, the designs for the SIAS envisage the separation of water for drinking purposes and for irrigation, as well as the incorporation of micro-measurement to verify the rational consumption and use of water. INVEST-H would also manage risks through citizen engagement activities, with special emphasis on the participation of users in the water basin, water supply and irrigation boards, as well as through the participation of municipalities and their Municipal Water Units. With respect to activities under Component 2 to identify and select municipalities and UWPs to participate in the Urban Water Supply Strengthening Project, they will also be carried out in accordance with the SEP, ESMF, IPPF, RPF and LMP already developed for that project, as applicable.

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