

**INTEGRATED SAFEGUARDS DATASHEET  
APPRAISAL STAGE**

**I. Basic Information**

Date prepared/updated: 06/01/2007

Report No.: AC2583

**1. Basic Project Data**

Country: Brazil	Project ID: P095013	
Project Name: BR Municipal APL1: Cubatao - Guara		
Task Team Leader: Paula Dias Pini		
Estimated Appraisal Date: May 17, 2007	Estimated Board Date: October 16, 2007	
Managing Unit: LCSUW	Lending Instrument: Specific Investment Loan	
Sector: General water, sanitation and flood protection sector (100%)		
Theme: Environmental policies and institutions (P);Pollution management and environmental health (P);Municipal governance and institution building (P);Other urban development (P);Other social development (P)		
IBRD Amount (US\$m.):	14.63	
IDA Amount (US\$m.):	0.00	
GEF Amount (US\$m.):	0.00	
PCF Amount (US\$m.):	0.00	
Other financing amounts by source:		
Borrower		9.75
<u>Financing Gap</u>		<u>0.00</u>
		9.75
Environmental Category: A - Full Assessment		
Simplified Processing	Simple <input type="checkbox"/>	Repeater <input type="checkbox"/>
Is this project processed under OP 8.50 (Emergency Recovery) or OP 8.00 (Rapid Response to Crises and Emergencies)	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>

**2. Project Objectives**

The project objective is to support the Municipality of Cubatao promote sustainable development by improving the economic investment climate, strengthening municipal finance control mechanisms, and addressing urban informality.

**3. Project Description**

The project consists of two components: (1) Sustainable Municipal and Regional Development and (2) Addressing Urban Informality. Below is a description of the two components and their sub-components:

Component 1. Sustainable Municipal and Regional Development

1.1. Addressing Competitiveness (US\$ 0.50M):

Through this component, the project would support the municipal government with a strategy and a working plan for addressing the institutional aspects contributing to the increased difficulties for public and private investments in Cubatao.

(i) **Assessing Consistency Between Municipal and Environmental Regulations:** Current inconsistencies between the municipal land use regulation and the federal and state environmental regulations significantly increase the difficulties for both the public and private sectors to make investments in Cubatao. These inconsistencies will be assessed by consultants with expertise in these topics through a methodology combining technical review and consultation with the stakeholders involved. Based on these assessments and consultations, a proposal would be developed;

(ii) **Supporting Municipal and Environmental Sector Strategic Joint-Programs:** As part of the strategy for improving dialogue with the environmental sector, the project will finance consultancy services to maximize the environmental programs in Cubat?o to improve the investment climate. Various environmental mitigation programs are carried out by the private and public sectors in Cubat?o in compliance with the Federal and State Environmental License requirements. The impact of these programs can be maximized by further improving their focus and integration. These improvements may also significantly contribute towards facilitating the investment climate in Cubatao. To this end, the project would finance consultancy services to assess these programs and propose a more strategic rationale to guide their objectives and design.

#### 1.2. Addressing Creditworthiness (US\$ 1.65M):

Improving key finance control mechanisms has been identified as a priority by the assessments carried out during the project preparation, as well as by the consultations for the Agenda 21.

i) Municipal Finance Planning and Control Mechanisms; and (ii) Institutional Capacity Support.

#### 1.3. Ensuring Cities as Partners (US\$ 0.30M):

**BSMA Integrated Territorial Management Pact:** in close cooperation with other regional stakeholders (BSMA?s municipal governments, State of Sao Paulo Government, Federal Government and private sector, specially industry and port sectors), the project will finance studies and technical tools aimed at supporting regional development. These studies, including a consultation process, will focus on two topics of a broader priority regional development agenda already agreed on by the mentioned regional stakeholders. These two topics directly benefit promoting sustainable development in Cubatao and are:(i) Financing the development of Cubataos strategic environmental assessment to complement the Regional Environmental Assessment on BSMA, to provide inputs for a regional dialogue involving the federal, state and municipal governments, the private sector and the civil society on a common vision for the BSMA short, medium and long term sustainable development goals; ii) Financing the development of a preliminary proposal for an Information Management System.

### Component 2. Addressing Urban Informality

2.1. **Executive Planning for Addressing Urban Informality in Cubatao (US\$ 0.45M):** The project will assist in financing integrated technical inputs, intergovernmental dialogue (Federal, State and Municipal governments) and community participation to develop a proposal providing technical, institutional, legal and financing alternatives to address urban informality in Cubat?o, including: (a) review municipal land use

regulations to offer low-income housing alternatives within the formal urban area; (b) reaching agreements with the Federal and State governments on environmental priorities toward favoring an optimal use of areas already converted to urban use; (c) agreeing with the State Government on a low-income housing program in conjunction with agreements with the Federal Government to use remnants of federal land (mostly from the privatized Federal Railroad).

2.2. Bringing Urban Formality to Vila dos Pescadores (US\$ 20.77M): This sub-component will finance the execution of the public infrastructure integrated with activities aimed at bringing urban formality to Vila dos Pescadores (VP). To this end, this sub-component includes civil works for building the urban infrastructure and, consultancy services for providing technical support on planning, social development and environmental protection. The activities included are: (a) Adopt in VP an urban regulation complying with the 2006 City of Cubatao Master Plan requirements; (b) Finance the detailed engineering designs of the technical solutions to comply with the above; (c) Finance social assistance activities to: (i) inform the population about the planning and civil works phases schedules and details; (ii) act as a bridge connecting the population and the several sectoral specialists that will be working in the area; (iii) work closely with that segment of the population to be resettled, providing assistance throughout the resettlement process; (iv) operating the grievance mechanisms, with a permanent social team in the area; (v) implement 'post-works' assistance to the entire community in order to reduce maintenance and repair costs of the infrastructure built; (d) Finance the civil works that will provide regular urban services to VP.

2.3. Environmental Management and Rehabilitation (US\$ 0.70M): This component will support a consultancy and civil works to: (i) ensure the protection of mangrove habitat; (ii) compliance with the state environmental licenses conditions; and, (iii) an environmental education program.

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

The project will be executed in the Municipality of Cubatão. Project investments in civil works are concentrated in just one site: the Vila dos Pescadores, a 23ha slum, where about 3,000 families are living in extremely critical social and environmental conditions. About 80% of them live in stilt house without any formal urban services. Water and electricity services are irregularly accessed through informal and precarious connections. Wastewater and solid waste are directly dumped in the water underneath the houses. In addition to investments, the project will carry out studies addressing broader issues related to municipal development aspects.

#### **5. Environmental and Social Safeguards Specialists**

Ms Maria Isabel Junqueira Braga (LCSSA)

Ms Paula Dias Pini (LCSUW)

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

## **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: Vila dos Pescadores is currently one of the main sources of pollution to the mangroves in Cubatao due to lack of sewerage collection, to address this problem it will receive investments from the project in integrated urban infrastructure. The wastewater and solid waste produced by the 10,000 inhabitants are dumped into the mangroves. The project will support investments in systems for wastewater and the solid waste collection, which will be connected to appropriate disposals already existents. Vila dos Pescadores also constitutes a critical social issue for the Municipality of Cubatão because about 80% of its 3,000 families are constatly affected by flooding, and contact with contaminated water, solid waste, rats, insects and also snakes. During the flooding the risk of contamination is critical. Accidents involving fires, people falling into the mangrove, or pedestrian hit by the train, happen with regular frequency.

The main project safeguard issues are involuntary resettlement, the environmental impacts of civil works related to urban upgrading in Vila dos Pescadores; and the protection and rehabilitation of natural habitats.

Involuntary Resettlement. The project main objective in Vila dos Pescadores is to provide appropriate housing for those families currently living in stilt houses. To achieve this objective, the project will remove the families from the stilt houses and resettle them in appropriate houses in the same area currently occupied by Vila dos Pescadores. The urban solution provided does not requires removing families to other areas. The strategy proposed for the works execution would no require the use of temporary housing. An initial lot of about 400 resettlement housing units will be built in an unoccupied adjacent area, and then used to resettle 400 families living in precarious housing in the area closest to the new housing. Once these 400 families are removed, the empty precarious housing will be demolished, and construction of another 400 new houses will take place in this area. The process will continue until all identified families are resettle.

A Resettlement Framework has been prepared during the project preparation phase. A Resettlement Action Plan will be prepared in the first year of the project implementation, when detailed engineering designs will be also prepared. Both documents will be prepared following an integrated and participatory methodology. The engineering designs will provide the detailed information required for preparing the Resettlement Action Plan.

**Noise, Air and Water Quality.** The following potential impacts are linked to the civil works for the resettlement of the Vila dos Pescadores and are likely to be temporary in nature: i) increased localized soil erosion; ii) sedimentation of drainage systems; iii) impacts on water quality; iv) increased pressure on existing vegetation; and, v) disturbance of mangrove habitat during construction. The analyses undertaken for the EA revealed that the potential negative impacts associated with the civil works in the Vila dos Pescadores are significantly less than the positive benefits derived from the increased environmental protection afforded by the formalization of urban development, improved service delivery and improved municipal management arising from institutional interventions.

**Natural Habitats.** The project includes several actions to improve and protect the natural habitat in the limits of Vila dos Pescadores. As an example a bike path will be build along the perimeter of the Vila, constituting a clearly visible physical limit for the Vila dos Pescadores, and as such making it easy to identify any illegal new occupation beyond that perimeter. It is expected that the overall balance in areas of natural habitats, especially mangroves, would be extremely positive.

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

The long term social and environmental impacts of the project are extremely positive, both in terms of improving quality of life for Vila dos Pescadores residents and improving natural habitats in the area. For example, the project will improve residents' access to water, sanitation, electricity, daycare, school, parks and recreation areas. The project investments will allow for collection of wastewater and solid waste produced by about 10,000 people living in Vila dos Pescadores. Without the project, wastewater and solid waste will continue to be dumped into the mangrove.

The project will include a "Mangrove Rehabilitation and Conservation Program" that will rehabilitate and restore (1) mangrove areas adjacent to the existing urban areas of the Vila dos Pescadores, (2) denuded areas within the project area and (3) riparian areas along the Maria Ribeira and Casqueiro rivers.

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

A series of alternatives were considered - such as not financing the project, selecting an alternative resettlement option, or creating land for use in the mangrove area. None of these options would have been feasible, either because of scarcity of land for urban use, thus resulting in high land prices, social/political realities and environmental regulations.

The existing design has been determined best for minimal adverse impacts and maximum social, economic and financial sustainability.

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. In order to address the potential impacts, the Environmental Assessment has developed a detailed and comprehensive Environmental Management Program. Responsibility for implementation and oversight of this program will lie with the Borrower's Project Coordination Unit. Additional oversight will be provided through the legislative measures governing environmental licensing in Brazil through the Sao Paulo State Environmental Secretariat (SEMA). The proposed program incorporates a number of separate activities, including an Environmental Management Plan for the civil works, which will be addressed during project implementation and for which specific budget allocations have been reserved under the respective project components. Activities included under the EMP are: (i) Social Communication Program; (ii) Environmental Education program; (iii) Program of Environmental Controls for Civil Works; (iv) Civil Works Natural Rehabilitation Program; (v) Environmental Monitoring Program; (vi) Mangrove Rehabilitation; and, (vii) Conservation Program Environmental Compensation Program.

The borrower's capacity, both institutional and technical, is extremely high for this type of project. In terms of institutional capacity, SEMA has more stringent environmental regulations than the Bank and requires that 0.5% of total project costs (Bank-funded or privately-funded) to be invested in environmental conservation. In terms of technical capacity, the São Paulo Urban Development and Housing Company (CDHU) has successfully implemented similar resettlement projects, such as in Guarapiranga where CDHU built 4,000 housing units for families living in high-risk areas.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people. As part of the project preparation a number of meetings and consultations have been undertaken with a wide range of stakeholders. These include relevant government agencies at the municipal, state and federal levels, relevant community groups and non-governmental organizations.

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### ***B. Disclosure Requirements Date***

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#### **Environmental Assessment/Audit/Management Plan/Other:**

Date of receipt by the Bank	09/28/2006
Date of "in-country" disclosure	12/04/2006
Date of submission to InfoShop	01/09/2007
For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors	04/02/2007

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#### **Resettlement Action Plan/Framework/Policy Process:**

Date of receipt by the Bank	09/28/2006
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Date of "in-country" disclosure	12/04/2006
Date of submission to InfoShop	01/09/2007

**\* 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?	N/A

**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 4.12 - Involuntary Resettlement**

Has a resettlement plan/abbreviated plan/policy framework/process framework (as appropriate) been prepared?	Yes
If yes, then did the Regional unit responsible for safeguards or Sector Manager review the plan?	Yes

**The World Bank Policy on Disclosure of Information**

Have relevant safeguard policies documents been sent to the World Bank's InfoShop?	No
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?	Yes
Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?	Yes

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***D. Approvals***

<b><i>Signed and submitted by:</i></b>	<b><i>Name</i></b>	<b><i>Date</i></b>
Task Team Leader:	Ms Paula Dias Pini	
Environmental Specialist:	Ms Maria Isabel Junqueira Braga	
Social Development Specialist Additional Environmental and/or Social Development Specialist(s):		
<b><i>Approved by:</i></b>		
Regional Safeguards Coordinator:	Mr Reidar Kvam	
Comments:		
Sector Manager:	Mr Abel Mejia	
Comments:		