



Environmental and Social Review Summary

Concept Stage

(ESRS Concept Stage)

Date Prepared/Updated: 02/07/2019 | Report No: ESRSC00230



BASIC INFORMATION

A. Basic Project Data

Country	Region	Project ID	Parent Project ID (if any)
Honduras	LATIN AMERICA AND CARIBBEAN	P169901	
Project Name	Water Security in the Dry Corridor of Honduras		
Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
«PRACTICEAREA»	Investment Project Financing		
Borrower(s)	Implementing Agency(ies)		
Secretaria de Finanzas de Honduras (SEFIN), Secretaria de Energia, Recursos Naturales, Ambiente y Minas	Honduran Strategic Investment Office (INVEST-H)		

Proposed Development Objective(s)

The Project Development Objective (PDO) is to strengthen capacity for water resources management and improve water harvesting in the Dry Corridor of Honduras.

Financing (in USD Million)	Amount
Total Project Cost	60.00

B. Is the project being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?

No

C. Summary Description of Proposed Project [including overview of Country, Sectoral & Institutional Contexts and Relationship to CPF]

This project is envisioned to be the first of a larger Program supporting a larger investment strategy in the Dry Corridor in Honduras. The Program is conceived in two phases: (i) Honduras-Phase 1 focusing mainly on the institutional setup for water resources management, preparation of high priority hydraulic infrastructure investments for multiple uses, and enhancing availability of water supplies rainwater harvesting in small reservoirs); and (ii)



Honduras-Phase 2 focusing mainly on consolidating the institutional setup and developing the high priority infrastructure. While this project will be implemented in Honduras territory, it will provide major benefits to El Salvador since up to 50 percent of El Salvador’s water resources originate in Honduras (i.e., Lempa and Goascoaran river basins). The proposed project is aimed at: i. Strengthening Institutional Capacity for water resources governance and management; ii. Revamping and promoting resilient water infrastructure; iii. Financing project management, monitoring and evaluation ; iv. Supporting Contingency Emergency Response activities. Expected results include: I. National Water Agency established (yes/no) II. Water Resource Information system operational (yes/no) III. Water Balance per basin. Target 5. IV. Amount of water (cubic meters) harvested in the rainy season. Target 10 million m3. V. Number of beneficiaries. Target 160.000 (disaggregated by gender).

D. Environmental and Social Overview

D.1. Project location(s) and salient characteristics relevant to the ES assessment [geographic, environmental, social]
The project will be located in the Dry Corridor, a part of Honduras that is susceptible to extreme weather (droughts and floods), that have been exacerbated by climate change. The advent of extended hot, dry periods has had disastrous consequences on the cultivation of basic grain crops, such as maize, which are part of the region’s subsistence agriculture, and so consequently the poorest farmers are disproportionately impacted. Deforestation contributes to high runoff and low infiltration, which contribute to seasonal flooding problems, while in the meantime there is Insufficient infrastructure for water storage. The project will strengthen capacity for water resources management and improve water harvesting in the Dry Corridor of Honduras. Component 1 will focus on providing institutional capacity to develop better water management systems at the national, regional and local levels. This will include conducting environmental and social studies, feasibility studies of enlarging and repairing on dams in the three basins (Naocome, Choluteca, and Lempa). Component 2 includes the construction of 50 water retention ponds and 30 gravity-fed rural aqueducts to increase access to water sources by providing year round irrigation. Components 3 and 4 do not include construction and will focus on project and fiduciary management, monitoring and the development of safeguards instruments. The exact locations of the construction of the water retention ponds and the rural aqueducts are unknown at this point. Indigenous territories may be located in the project area or nearby however it is important to note the national context in which this project will operate. For the past decade, Honduras has experienced considerable social conflict over water rights and the development of hydropower. This project will not develop any new hydropower however managing perceptions of nearby communities and enhancing water resource management to provide equal water access will be essential to managing environmental and social risks. Past social conflicts around water rights in indigenous and other rural areas of the country will require the team to develop a strong and coherent strategy to engage these users to communicate the project activities, impacts and benefits. The project will identify all important stakeholders and downstream users to ensure that access to water resources are distributed fairly and equally to all users especially those that are most vulnerable (the poorest, and indigenous communities).

D. 2. Borrower’s Institutional Capacity

The principle borrowers for the project are the Finance Ministry and the Ministry of Energy, Environment ,Natural Resources and Mines. The implementing agency has been designated as the Honduran Strategic Investment Office (INVEST-H). The environmental processes in country are generally considered to be weak however INVEST-H and the other borrowing institutions have previous experience working on similar projects with multilateral lenders in accordance with Bank safeguard policies and other applicable donor requirements. Nonetheless, the capacity of both INVEST-H as well as all other implementing entities to effectively manage social and environmental risks of the proposed project will be fully assessed during the preparation phase, considering in particular: (a) the new areas of



substantive coverage of the ESF, as compared to the World Bank safeguard policies and other donor policies; and (b) the ability of the implementing agency to effectively manage the implementation of multiple simultaneous projects. If needed, training, capacity building, and other support activities will be included so that the counterparts have a clear understanding of, and are capable of implementing, the various management plans and instruments for project environmental, social, health and safety risk management. In particular, strong capacity to carry out continuous stakeholder engagement will be key to managing perceptions, as well as to oversee implementation of plans for managing biodiversity, labor, community health and safety, land acquisition (if needed), indigenous peoples, and cultural heritage issues.

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

A. Environmental and Social Risk Classification (ESRC)

High

Environmental Risk Rating

High

The principal environmental risks exist around the diversion of water from streams to small reservoirs. Aquatic and riparian habitats may be negatively impacted by reduced water flow and small areas of land will be flooded to create the reservoirs. Additionally, there is a potential risk that some downstream users of stream water will experience reduced water flows while not receiving benefits from the project. Worker and community safety during construction and operation represent additional risks.

In addition, although no physical work will be carried out under Component 1, the proposed Technical Assistance (TA) activities will finance feasibility, design, and environmental and social studies related to potential enlargement and improvements to existing dams and reservoir operation for maximizing multipurpose benefits and to improve flood management. The content of this TA work, will therefore entail analysis and planning around potentially high dam safety and environmental risks associated with these existing facilities.

Social Risk Rating

High

The project social risks are high due to country contextual factors in preparing and implementing water resource management activities in Honduras. While the project will only finance minor civil works such as the water retention ponds, maintenance for existing dams, and feasibility studies the context in which the project is operating elevates the social risk rating.

Honduras over the last decade has had numerous social conflicts around access to water. Community groups are on edge due to conflicts over water scarcity. Indigenous groups in particular have been sensitive to water scarcity issues as much of the violence has occurred within their territories or in rural settings over resources they view as cultural. Determining if the project overlaps with any indigenous territories will be a key priority early to more accurately understand the full scope of risks facing the project.

Public Disclosure



The social team will periodically revisit the risk rating to account for any additional risks throughout the development of the various instruments that support the management of the environmental and social risks.

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

B.1. General Assessment

ESS1 Assessment and Management of Environmental and Social Risks and Impacts

Overview of the relevance of the Standard for the Project:

Under Component 2, the project will entail construction of approximately fifty small reservoirs as well as thirty rural irrigation schemes across the Dry Corridor region. Based on some examples of the type of reservoir and water distribution system observed in the project area, the size of the areas to be flooded are likely to be small; nonetheless, there could be potentially significant impacts arising from the project investments which will need to be thoroughly assessed and mitigated. Impacts may include: Impact on ecological flow of waterways and riparian habitats, construction of the reservoirs, pipelines and aqueducts, and loss of land to create the reservoirs. Additionally, there is a potential risk that some downstream users of stream water will experience reduced water flows while not receiving benefits from the project. Beneficiaries of the project may also be negatively impacted by upstream sources of waterway pollution and land use, including deforestation which could lead to sedimentation and loss of capacity of the reservoirs. Worker and community safety during construction and operation represent additional risks. A full detailed ESIA, including site-specific ESMPs (as well as any other site-specific plan required as per the ESSs, where required), will be carried out prior to appraisal for all subprojects which are fully designed for year 1 investments (anticipated to be approximately 10% of total envisioned subprojects, or approximately 5 reservoirs and 3 aqueducts). Future subprojects for which exact size and location are not defined during the project preparation phase, will be required to have an ESMF prepared by the borrower prior to appraisal. The project's Environmental and Social Commitment Plan (ESCP) will specify the requirement for the Borrower to carry out each assessment, as per the ESMF, as additional subprojects are selected and designed throughout implementation. Assessments will be required to be completed prior to contracting of works, to ensure that all required mitigation and management measures falling to contractors are appropriately included in bid and contract documents. For Component 1, all TA activities related to design, upgrading or expansion of water related infrastructure will also include the necessary environmental and social assessments in accordance with the ESSs. This will also be laid out in the ESCP.

Areas where reliance on the Borrower's E&S Framework may be considered:

During preparation, the Bank will evaluate, and agree to specific measures to enhance where necessary, the existing systems and capacity of the key counterpart (INVEST-H) as well as other implementing entities. These enhancements will, at minimum, cover the specific activities under the project. Where feasible and to the extent that counterpart interest is ascertained, the project will aim to develop the permanent capacity and systems of counterpart entities, and to encourage them to adopt the project-specific management systems for broader activities.

ESS10 Stakeholder Engagement and Information Disclosure

A stakeholder analysis has not currently been completed for the project. A full SEP will be required in order to map each stakeholder and develop a strategy on how to engage with them to mitigate potential social conflicts and/or



misperceptions about project impacts and benefits and to solicit feedback on the project. This will be required well in advance of appraisal. Given the contextual risks and the types of communities that will be engaged, it is expected that several types of stakeholders will need to be targeted. The key stakeholders should include; any identified indigenous communities along the dry corridor and those that will experience direct impacts from civil works, other directly impacted communities within the dry corridor and project area of influence, NGOs, agricultural associations, water boards, local municipality officials, farmers, and others not mentioned here but that form part of the overall stakeholder group. The implementing agency will need to prepare the SEP that identifies in more detail key stakeholders and provides a systematic strategy for informing and soliciting their feedback on the project. The SEP should outline the mechanisms to integrate specific feedback into the project and address concerns voiced by community members and other stakeholders.

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 Borrower will prepare Labor Management Procedures, which will outline requirements for assessing and managing labor and working conditions and include good practice guidelines in accordance with this standard. Initial procedures, covering the types of labor and associated risks expected to arise with implementation of year-one investments, will be prepared prior to appraisal. During project implementation, the labor management procedures will be revisited and updated as required and as additional project activities unfold entailing additional labor related risks or issues. Labor-related requirements specific to construction activities will also be incorporated into the site-specific ESMPs and also bid documents for all investments. While the potential impacts of the proposed works are likely to be moderate to minor, the borrower will need to demonstrate that the appropriate health and safety policies are adopted and implemented on work sites. At this stage, it is expected that most labor will be supplied locally, and the total number of workers at each construction site will be small, so major issues associated with labor influx are not anticipated. Nonetheless, this will be fully assessed as part of the ESIA process for first-year works, and appropriate management measures for labor influx will be outlined in site-specific ESMPs, as well as treated in the ESMF based on the findings of the initial ESIA and initial screening of potential future subprojects. The labor management procedures will indicate a preference, wherever possible, for hiring local labor and will outline requirements that all workers are trained to deal with cultural differences in indigenous and rural communities. Labor from outside the community should also be trained on sexual transmitted diseases and be provided a general code of conduct. The labor management procedures will also include a GRM specifically for workers so that they have an official way to communicate complaints or other issues to the management.

ESS3 Resource Efficiency and Pollution Prevention and Management

The ESMF and ESIA's will include thorough treatment of risks associated with any proposed civil works and direct impacts of construction including air, water and noise pollution. Aspects such as energy efficiency (if pumping is required in the infrastructure) and demand-side water management aspects will also be considered in the design of all subprojects, given the dry conditions in the project area. In addition, upstream sources of reservoir pollution will need to be analyzed and evaluated. The contextual issue of pollution risk from fertilizer and pesticide run off from upstream sources could threaten the benefits of the project. Also, upstream activities may contribute to the



sedimentation of the reservoirs, reducing their capacity and downstream benefits. Consequently, the project will endeavor to assess the nature and scale of these issues and to the extent feasible will seek to include activities such as technical assistance and awareness raising to minimize these risks. Additionally, given the objective of the project is to extend the land area in crop production and intensify agricultural productivity through irrigation, there is a risk of an increase in the use of pesticides and fertilizers. The ESMF, as well as all investment-specific ESIA's, will assess this risk and propose measures to mitigate it, for example through the activities which aim to strengthen multi-community collaboration in sub-watershed management. The planned TA component will conduct a water balance study. At present, the project team will need to examine the need for GHG accounting. The approach to the GHG accounting will be detailed in the appraisal stage ESRS.

ESS4 Community Health and Safety

All investment specific ESIA's will need to evaluate risks to community health and safety, and specify mitigation measures for any potential risks identified. The ESMF will lay out requirements and procedures to ensure that all ESIA's carry out adequate assessments and develop appropriate management plans at a site specific level. Standards will be robustly applied. Water quality monitoring systems and capacity to ensure that water from the reservoirs meets applicable health and quality standards will need to be developed through the project, given the pollution risk from upstream sources including fertilizer and pesticide run off. Road safety risks associated with increased traffic during construction of the civil works is also anticipated, and traffic management plans will be developed if necessary as part of the site specific ESMP's. Given that the project will construct small dams and also include TA on existing larger dams, the World Bank team will review all dam and dam safety documentation prepared by the borrower. In addition the task team will seek advice on approaches and any required documentation for existing dam structures, as relevant.

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

At this time, there is no current estimate of households where land will be negatively impacted and resettlement needed. While there are no current estimates for this type of impact, it is possible that some of the proposed civil works will require the acquisition of land and/or resettlement. Further information will be required in order to determine the impact on households within the project area of influence. However, the ESA process will further assess land related risks concerning TA support in regards to future potential investments, including concerning existing dams and reservoirs where due diligence reviews to assess potential legacy issues might be needed. Provisions for such due diligence might be needed in the RPF, ESMF and/or ToRs for the TA activities. A resettlement planning framework will be prepared before appraisal that will provide guidance to practitioners in the event that any land acquisition or resettlement would be needed. The RPF should examine the local legal system governing land acquisition, potential eligibility criteria, a grievance mechanism for impacted persons, as well as cases for communal land. Site specific RAP's should be prepared as needed.

ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

This standard is relevant, given the potential of project infrastructure to flood -- or otherwise impact, through changes to hydrological flow regimes and/or induced land use changes -- critical, natural, and modified habitats (both aquatic and terrestrial). The dry corridor has important habitat and species to be considered, which will be



thoroughly reviewed in all investment specific ESIA's, including any measures necessary to address the mitigation hierarchy and potentially offsets when and where required. To address these risks, the ESMF will include detailed procedures for performing assessments to establish robust biodiversity baselines, determine the nature and scale of all ecological and social impacts related to project effects on natural habitats and the ecosystem services that they provide. Ecological flows will also be assessed and addressed in the designs of the infrastructure. It is expected that mitigation and management measures to address identified impacts will be outlined as part of site-specific ESMPs; however, if justified based on the nature and scale of potential impacts for any of the project investments or based on potential cumulative impacts to biodiversity across the region, a stand-alone biodiversity management plan (BMP) may be developed in accordance with this standard. The appraisal stage ESRS will provide more information on the potential content, scope and timeline for developing and implementing a BMP, if required.

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

Indigenous communities are present in the dry corridor and could be impacted by this project. Additionally, given the sensitivities around water usage and water conflict with indigenous communities in the country it is recommended that proactive engagement with these communities is initiated as early as possible to gauge any potential social risks. An Indigenous People's Planning Framework (IPPF) is recommended to be prepared before appraisal by the borrower and a subsequent Indigenous People's Plan as needed. Both the framework and the plan should be consulted with any potentially affected indigenous groups in order to manage perceptions of the project and provide factual information. Any direct impacts would require additional consultation and also meet the FPIC standard. This standard require substantial engagement with these impacted communities and broad community support would need to be acquired in order for any works to commence.

ESS8 Cultural Heritage

Currently there is no indication of potential impacts on cultural heritage. However, this will be thoroughly assessed as part of the ESIA process for all specific investments, covering both "man-made" cultural or archaeological resources as well as any natural features (such as water bodies) which may hold cultural or religious value to local communities. If potential impacts on cultural heritage near or on any project sites are identified, cultural heritage plan(s) will be developed in accordance with this standard. In addition, procedures for chance finds will be included in the ESMF, and in all site-specific ESMPs, to address any issues that may come up during the construction phase.

ESS9 Financial Intermediaries

There is no FI involved in this project.

B.3 Other Relevant Project Risks

Contextual risk in this project is important to consider. Given Honduras's history with water management and conflicts with environmental activists in the country it will be important to engage with stakeholders early on to clarify the objectives and scope of the project, ensure that the project is designed and implemented with appropriate stakeholder involvement throughout, and to provide for appropriate mechanisms for addressing any grievances which may arise.



Should "Other Relevant Project Risks" be disclosable? Yes

C. Legal Operational Policies that Apply

OP 7.50 Projects on International Waterways Yes

Two out of the five basins considered are international flowing into El Salvador. These are Lempa and Goascoran. Therefore, this safeguard is triggered.

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

There are no financing partners.

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

Actions to be completed prior to Bank Board Approval:

The borrower will be required to prepare a number of instruments, analyses, and studies prior to World Bank board approval. For Component 1, which consists of feasibility studies for enlarging and improving dams in the 3 basins, as well as maintenance of these dams, the borrower will need to conduct ESIA's during project implementation, in parallel to the completion of corresponding feasibility and technical studies.

For Component 2: an ESMF and RPF, IPPF, SEP, labor management procedures, ESIA's (including ESMPs) for year-one reservoirs and aqueducts, and an initial Cumulative Impact Assessment will be prepared prior to appraisal. Additional assessments and plans will be carried out during implementation for subsequent subprojects, and timed so as to be completed, consulted and disclosed prior to initiation of any works activities on the corresponding subprojects, in accordance with the ESMF, RPF and IPPF as required.

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

The ESCP will reference a number of different E&S documents to be developed and implemented during the course of the project. These include:

- Full implementation of year-one works in accordance with site specific ESMPs (and RAPs, IPPs, and any other site-specific plan if required based on the assessment process).
• Full implementation, and ongoing updating as needed, of the Stakeholder Engagement Plan (SEP).
• Full implementation of any management and mitigation measures identified through the initial Cumulative Impact Assessment (completed as part of the initial ESIA for year-one works).
• Full implementation, and ongoing updating as needed, of labor management procedures.



- Carrying out of all subsequent investment-specific assessments, and updating of the Cumulative Impact Assessment during project implementation, in accordance with the ESMF and prior to bidding out or contracting of the corresponding subsequent investments.
- Development and implementation of Resettlement Action Plans (RAPs) wherever required in accordance with the RPF (resettlement planning framework), prior to initiation of corresponding investment works;
- Development and implementation of Indigenous Peoples Plan (IPP) wherever required in accordance with the IPPF (indigenous people's planning framework), prior to initiation of corresponding investment works;
- Completion of all necessary ESHS assessments and plans associated with all TA activities under Component 1, in parallel to corresponding feasibility and design studies.
- Development and implementation of additional detailed plans (such as biodiversity management plans, cultural heritage management plans, dam safety plans, traffic management plans, etc.) if and when determined to be required through detailed assessment processes, and in accordance with the ESMF.

C. Timing

Tentative target date for preparing the Appraisal Stage ESRS

20-Jun-2019

IV. CONTACT POINTS

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Borrower/Client/Recipient

Borrower: Secretaria de Finanzas de Honduras (SEFIN)

Borrower: Secretaria de Energia, Recursos Naturales, Ambiente y Minas

Implementing Agency(ies)

Public Disclosure



Implementing Agency: Honduran Strategic Investment Office (INVEST-H)

V. FOR MORE INFORMATION CONTACT

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VI. APPROVAL

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Safeguards Advisor ESSA	Noreen Beg (SAESSA) Cleared on 12-Feb-2019 at 18:16:50
Practice Manager	Rita E. Cestti (PMGR) Concurred on 13-Feb-2019 at 09:12:15