Project Information Document (PID)
## BASIC INFORMATION

### A. Basic Project Data

<table>
<thead>
<tr>
<th>Country</th>
<th>Project ID</th>
<th>Project Name</th>
<th>Parent Project ID (if any)</th>
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<tbody>
<tr>
<td>Timor Leste</td>
<td>P167901</td>
<td>Timor Leste Water Supply and Sanitation Project</td>
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<table>
<thead>
<tr>
<th>Region</th>
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<td>EAST ASIA AND PACIFIC</td>
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<td>30-Mar-2020</td>
<td>Water</td>
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<table>
<thead>
<tr>
<th>Financing Instrument</th>
<th>Borrower(s)</th>
<th>Implementing Agency</th>
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<tbody>
<tr>
<td>Investment Project Financing</td>
<td>Ministry of Finance</td>
<td>Ministry of Public Works</td>
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### Proposed Development Objective(s)

The project development objective is to increase access to safely managed drinking water and sanitation services in the municipality of Baucau.

### Components

- Component 1: Water Supply and Sanitation Infrastructure Development
- Component 2: Infrastructure Sustainability Support
- Component 3: Institutional strengthening and Project Management

## PROJECT FINANCING DATA (US$, Millions)

### SUMMARY

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (US$ Millions)</th>
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<tr>
<td>Total Project Cost</td>
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<tr>
<td>Total Financing</td>
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<tr>
<td>of which IBRD/IDA</td>
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<td>Financing Gap</td>
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</table>

### DETAILS

#### World Bank Group Financing

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (US$ Millions)</th>
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<tr>
<td>International Development Association (IDA)</td>
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<td>IDA Credit</td>
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#### Non-World Bank Group Financing
B. Introduction and Context

Country Context

1. **Timor-Leste has made important strides toward securing lasting peace and stability since its independence in 2002.** At the time it became a new sovereign state in May 2002, extreme poverty and hunger were high; public infrastructure (including schools, hospitals, roads, and water and sanitation systems) was nonexistent, destroyed, or severely dilapidated; institutional frameworks were weak; and conflict and violence were ongoing threats. Shortages of human capital were equally severe, with few Timorese having the necessary skills and formal education for civil service jobs or engaging in the private sector. While there remain political, economic, and social challenges, Timor-Leste is a more peaceful and democratic nation today, having gone through several parliamentary and presidential elections since its independence.

2. **Timor-Leste is classified as a low- and middle-income country, with a gross national income (GNI) per capita (Atlas method) of US$1,810 in 2017.** Timor-Leste is a resource-rich country that has saved much of its petroleum-related proceeds in a relatively well-managed Petroleum Fund—with financial assets currently valued at over US$17 billion. However, the petroleum sector’s weight in the overall economy is declining—from 82 percent in 2012 to 36 percent in 2017—partly owing to the depletion of existing reserves. Growth in the non-oil sector is mainly driven by public spending, which is mostly financed by the Petroleum Fund. Non-oil gross domestic product growth has been decelerating since 2008, averaging less than 4 percent in 2013–2016, and even contracting in 2017–2018 due to a political stalemate. The construction sector (dependent on public infrastructure investments), public services, commerce, and agriculture account for nearly 80 percent of the non-oil economy. Declining petroleum production has contributed to a fall in GNI from a peak of US$4.6 billion (in current prices) in 2011 to US$2.4 billion in 2017.
3. **Poverty levels remain very high, with 41.8 percent** of the population lacking the minimum resources needed to satisfy basic needs. In 2015, the total population was 1.1 million and growing at 2.37 percent per year, with an estimated 25 percent living in urban areas. Based on the latest Survey of Living Standards (2014/15), 42 percent of the population lives below the national poverty line, while 30 percent lives below the US$1.90 a day international poverty line. There are also high inequalities in access to water and sanitation service provision countrywide. Only 55 percent of people in the poorest quintile have access to water supply compared to 90 percent in the richest quintile. On sanitation, only 10 percent of people in the poorest quintile have access compared to 95 percent in the richest quintile.²

4. **Malnutrition and poor health are widespread and continue to hamper the efforts of the people to improve their livelihood.** At present, nearly half of the under-five children in Timor-Leste are stunted, a rate that is among the highest in the world. The three-year average of the prevalence of undernourishment in 2016 was 26.9 percent (Food and Agriculture Organization of the United Nations Aquastat Database 2017). About 40 percent of the children under five are underweight, as are 27 percent of women and 25 percent of men ages 15–49. Addressing the links between nutrition and water and sanitation is especially important as access to safe quality water and adequate sanitation is among a core set of critical early child development interventions³.

5. **Timor-Leste is vulnerable to natural disasters due to high risk of earthquakes, tsunamis, cyclones, droughts, and heavy rainfall, and climate change will likely increase the variability of water availability and the exposure to water-related disasters.** The projected climate change poses significant risks to water supply and sanitation in Timor-Leste. Key risks include (a) saltwater intrusion in coastal aquifers, (b) reduced water supply which lowers the water table, leading to droughts, (c) decline in water quality due to contamination of wells by storm surges and flooding of surface fittings, and (d) increased risk of floods. The projected climate change thus places the delivery and management of water at risk as existing water supply schemes are already vulnerable to variations in water availability at the source, and additional water resources would be needed to meet the higher levels of services needed to achieve the Sustainable Development Goal (SDG) 2030 targets.

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² Timor-Leste: Timor-Leste Poverty Monitoring and Analysis (P165123).

Sectoral and Institutional Context

6. **Water supply and sanitation have been identified as priority sectors in both the Timor-Leste Strategic Development Plan 2011–2030 and the VIII Constitutional Government Program 2018–2023.** By 2022, the Government aims at providing 60 percent of the urban population with access to 24/7 water supply and 80 percent of the rural villages with access to a functioning water system. By 2030, the Government aims at providing 100 percent of the urban population with 24/7 access to water supply and 100 percent of the rural villages with access to a functioning water supply system. Investing appropriately in the water and sanitation sector will have a significant positive impact on health and well-being of the people and will contribute to the economic growth.

7. **The Government has prepared a Sector Investment Plan (SIP) to provide the whole population with access to water supply and sanitation services by 2030.** To achieve the SIP targets, investments of US$1.323 billion are needed, including the improvement in water production, storage capacity, treatment, and distribution network of the urban water supply systems in Dili and 12 other municipalities; the improvement of the sewerage collection and treatment and drainage systems in Dili; and the construction of rural water supply systems. As part of this planning exercise, the MPW has prepared a series of master plans to address the most urgent government priorities, including improving water supply, sanitation, and drainage services in the capital Dili and in the municipal capitals of Baucau, Same, Los Palos, and Viqueque.

8. **The Government is preparing a sector institutional reform to improve service delivery and sustainability.** The reform aims at having clear separation between the policy-making and service provision functions and regulation, which is consistent with international experience. The reform includes the establishment of a national public water supply and sanitation service utility that would be responsible for infrastructure development, O&M, and commercial activities across the country (the utility would replace SMASA as the service provider at the municipal level), while DGAS would become the regulator for water supply and sanitation, and the DNGRH the regulator for water resources.

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

A. **Project Development Objective**

PDO Statement

The project development objective is to increase access to safely managed drinking water and sanitation services in the municipality of Baucau.
Key Results

The PDO will be measured against the following indicators:

i. People using safely managed drinking water services\(^4\) under the Project, disaggregated by gender; (number).

ii. Customer satisfaction with the quality of the water supply service\(^5\) provided under the project (percentage)

iii. People using safely managed sanitation services\(^6\) under the Project, disaggregated by gender; (number).

iv. Volume of fecal sludge safely treated (m\(^3\))\(^7\).

D. Project Description

9. The project will support the Government’s SIP comprising major infrastructure development and institutional sector reforms. As a first engagement of the World Bank in the water and sanitation sector in Timor-Leste, the project provides an opportunity for knowledge transfer and an entry point for further work in Timor-Leste. Project activities will focus on the municipal capital of Baucau. The project aims at (a) addressing the infrastructure and sustainability gaps to increase access to and quality of service and increase resilience of the services to climate change in Baucau and (b) supporting the MPW in collaboration with other development partners to develop and implement the institutional reforms to improve service delivery and long-term sustainability of the investments.

10. This project will finance the construction and supervision of (i) a new water supply system, (ii) a fecal sludge treatment plant and (iii) community-based DEWATS (Decentralized Wastewater Treatment Systems).

11. The project will also finance technical assistance, capacity building and equipment to: (a) support the service provider to develop its capacity, systems and procedures to manage, operate and maintain the new water supply system and the septage treatment plant according to international quality standards, (b) develop and agree with MPW and municipal authorities on a tariffs & subsidy road map to ensure financial sustainability of the investments in Baucau with clear description of obligations and responsibilities for each party, (c) support the municipal authorities to promote and regulate fecal sludge management from household, institutional and commercial septic tanks, thereby increasing access to safely managed sanitation and (d) secure community participation and buy-in and support project sustainability.

12. Finally, the Project will support MPW-led sector stakeholder’s collaborative platform to develop and implement the sector institutional reforms road map to improve service delivery and long-term sustainability and eventually finance technical assistance, equipment, and operational costs associated with the implementation of the project.

\(^4\) Safely managed drinking water service is defined as one located on premises, available when needed and free from contamination (SDG definition).

\(^5\) Quality of service refers to the continuity of water supply, pressure and quality of water provided.

\(^6\) Safely managed sanitation facility is one where excreta is safely disposed of in situ or treated off-site (SDG definition).

\(^7\) Wastewater generated by households and other septic tanks users that is safely treated at the fecal sludge treatment plant in m\(^3\) per year.
Legal Operational Policies

<table>
<thead>
<tr>
<th>Triggered?</th>
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<tbody>
<tr>
<td>Projects on International Waterways OP 7.50</td>
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<tr>
<td>Projects in Disputed Areas OP 7.60</td>
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</tbody>
</table>

Summary of Assessment of Environmental and Social Risks and Impacts

13. The project triggers all the Environmental and Social Standards (ESS) except ESS 9 Financial Intermediaries. The physical investment of the water and sanitation facilities in Baucau is of medium scale. Overall, the project will have positive environmental benefits in improving people’s access to water, reducing waterborne diseases in communities, and reducing environmental pollution. The adverse impacts during construction will include disposal of construction wastes and hazardous wastes; increased noise, fugitive dust and mobile emissions; soil erosion and runoff from excavations and disposal of spoils; loss of vegetation; social disturbance from traffic safety; and mobility disruptions. During the operation phase, potential impacts will include discharge of effluents and sludge from the septage facility, as well as impacts on water extraction and disposal of domestic and hazardous wastes. Other potential risks include OHS risks such as the use of personal protective equipment, housekeeping of facilities, and debris management which may lead to workplace injury. The environmental impacts are considered not significant, predictable, site specific and expected to be temporary and/or reversible. These risks can be mitigated onsite in a predictable manner through engineering designs, Environmental and Social Management Plan (ESMP), and applying Standard Operating Procedures (SOPs) specified in the Contractor ESMP (CESMP). As per the Environmental & Social Directive, the environmental risk for this project is classified as Moderate. The social risk rating is substantial that will be explained further below and the overall risk rating is substantial.

The environmental baseline of the project site presented in the Initial Environmental Examination (IEE) of the Master Plan indicate that the project site is not sensitive and construction works are expected to mainly affect human settlement areas in an urban (small town) footprint context. The IEE and the Environmental Management Plan (EMP) of the Master Plan have provided an acceptable reference in assessing and mitigating the potential adverse impacts of the project.

At present GoTL is in the process of awarding a consultant to prepare the DED that includes the preparation of the ESIA & ESMP. The DED is funded by the GoTL and award is anticipated to be finalized by early 2020. The DED timeline for completion is six months upon contract award (refer RFP). As the DED will not be completed by appraisal of the project, the documents produced to inform stakeholders on ES risks and impacts, and inform the decision on financing this project, are the following: the IEE and EMP for Baucau that are attached to the 2016 Master Plan and were reviewed and informed the development of the ESCP and SEP documents. These documents have been reviewed by the team and are deemed equivalent to an ESMF. They are also informing the development of an ESIA and detailed ESMPs, which are conducted in parallel with the DED. The “IEE and EMP for Baucau Project”, RPF, ESCP, SEP and TOR ESIA & ESMP are all available for appraisal and have been disclosed on the GoTL/DGAS website on November 26, 2019 and the Bank’s portal system on 2 December 2019 to inform stakeholders of the benefits and potential impacts of the project development in reaching to a decision.
A site-specific CESMP prepared by the contractor will supplement the ESMP prepared during the DED process. The CESMP will be reviewed and approved by the PMU and the World Bank and cover SOPs for mitigating environmental impacts and addressing occupational and community health and safety related risks during construction. The contractors’ capacity and awareness on health and safety will likely vary, lower capacities potentially encountered among the local semi-skilled and non-skilled labor in the country, while higher competencies among international skilled labor.

This is the first project applying ESF in Timor Leste. While the executing agency (Ministry of Public Works) has some experience in implementing safeguard policies (WB and ADB) in transport sector through its multi-donor PMU, the implementing agency (DGAS) has much more limited experience and capacity. It is worth to emphasize the importance of capacity of DGAS as the ESF application will introduce new approaches and expand the scope to a broader range of social and environmental issues. In addition, although DGAS has some experiences in contracting E&S consultants and reviewing the deliverables and implementing their outputs the key E&S principles such as cumulative impact assessment, biodiversity, stakeholder consultation, social economic factors in land acquisition are still missing. The team has organized a brief ESF orientation workshop in April 2019 with DGAS staff to introduce its approaches and requirements. In September 2019, the Bank’s E&S team visited Timor Leste again to provide handholding support for DGAS in preparing the project. Ongoing capacity building programs will be done throughout project preparation and implementation.

Improved availability of quality water supply will have positive social outcome for the people who benefit from this service in Baucau. However, the social risk rating is considered Substantial considering potentially complex negotiation of customary tenure for land acquisition, management of local expectations around receipt of jobs, and perceived or actual risk of exclusion of vulnerable groups from receipt of project benefits. The limited experience of implementing agencies in engaging local stakeholders to manage social risk in Bank funded operations, and the indigenous cultural settings in which the project will be implemented, may have significant effects on ability to mitigate project risks and impacts. The land acquisition impacts would generally be site-specific, without likelihood of impacts beyond the project footprint with some need for mitigation of disruption of water supply for business/residential use during carrying out improvement to existing transmission/distribution lines. While local communities are often willing to donate land in exchange for project benefits, communities in Baucau request that local workers be mobilized/used for the project implementation/operation. The project may also involve moderate influx of workers (domestic and/or international) to service construction activities. The project management will have to navigate traditional beliefs and ceremonies associated with community engagement and resource ownership. The local tradition holds that the amount and abundance of spring water is influenced by spirits associated with the spring. This belief is shared by government officials within the water department and requires recognition and respect. Failure to navigate this traditional setting may induce social conflicts with local community who shared the same water source with water supply schemes; Other social risks that may result from inadequate/improper consultations with local people regarding the modalities of using shared collective resources include the unequal access to project benefits for vulnerable groups (especially women and poor people); lack of willingness to pay and affordability concerns of local people. Meaningful stakeholder consultation that results in incorporation of the key feedback received in project design will be critical. Involvement of the Baucau municipality and its empowerment following established decentralization and devolution regulations would be very important. Ensuring accountability of contractors and service providers to the Baucau municipality and through them to the range of local stakeholders will ensure that project design and implementation proceeds with full knowledge of local realities—so essential for the success of any service delivery venture such as this one. A strong well-functioning Grievance Redress mechanism that provides timely and pertinent responses to concerns/complaints received will considerably help effective two-way communication.
The ESF instruments that are to be prepared during project implementation are included in the Environmental and Social Commitment Plan (ESCP) with clear timelines agreed with DGAS. The ESCP also includes the commitment for engaging the environmental, social and safety experts during project design and implementation, as well as the training required to build capacity in managing the potential impacts. The ESCP is disclosed as appropriate through the DGAS/GoTL’s portal.

E. Implementation

Institutional and Implementation Arrangements

14. The Administrative Council of the Infrastructure Fund (Conselho de Administração do Fundo das Infra-Estruturas-CAFI) will have the overall oversight responsibility of the project implementation. The MPW will be the executing agency, with DGAS responsible for implementation of the Project, consisting of planning, contract administration, financial management, supervision of environmental and social safeguards and monitoring.

15. The Inter-Ministerial Technical Working Group Project Steering Committee will provide overall policy guidance during project preparation and implementation. It will coordinate interventions from various ministries and agencies in charge of water supply and sanitation development. The Working Group will be co-chaired by the Ministry of Public Works and Ministry of Finance and will include the Ministry of State Administration, Ministry of Health, Ministry of Education, Ministry of Justice and Secretary of State for Environment.

16. A Project Management Unit (PMU) will be established under DGAS to implement all donor funded water and sanitation projects with adequate staff and funds throughout the implementation of the Project. Key PMU professional staff will include inter alia, a Coordinator, Water Supply Engineer, Urban Sanitation Specialist, Safely Managed Sanitation Specialist, Water Operation Specialist, Social Specialist Environmental Specialist, Gender Specialist, Financial Management Specialist, Procurement Specialist and Monitoring Specialists all of whom with experience, qualifications, and terms of reference satisfactory to the Association.

17. The municipality of Baucau will have an important role to play in the project preparation and implementation in relation to: (i) supporting the objectives and implementation of the community engagement plan to strengthen beneficiaries participation and willingness to pay for the improved services, (ii) promote and regulate the management of fecal sludge and finally, (iii) support and oversee SMASA in management, operation and maintenance the new infrastructure as long as the service provision responsibility remains under the municipal authority.

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