

**MANAGEMENT RESPONSE TO
REQUEST FOR INSPECTION PANEL REVIEW OF THE
ARGENTINA: SECOND NORTE GRANDE WATER INFRASTRUCTURE
PROJECT (IBRD NO. 8032-AR)**

Management has reviewed the Request for Inspection of the Argentina: Second Norte Grande Water Infrastructure Project (IBRD No. 8032-AR), received by the Inspection Panel on May 4, 2011 and registered on June 29, 2011 (RQ11/01). Management has prepared the following response.

July 28, 2011

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ABBREVIATIONS AND ACRONYMS

CAF	Andean Development Corporation
EIA	Environmental Impact Assessment
ESMF	Environmental and Social Management Framework
GDP	Gross Domestic Product
GoA	Government of Argentina
IADB	Inter-American Development Bank
IBRD	International Bank for Reconstruction and Development
ISDS	Integrated Safeguards Data Sheet
NGR	Norte Grande Region
OP	Operational Policy
PAD	Project Appraisal Document
SNGWIP	Second Norte Grande Water Infrastructure Project
UCPyPFE	Program/Project Coordination Unit (<i>Unidad de Coordinación de Programas y Proyectos con Financiamiento Externo</i>)
WSS	Water Supply and Sanitation

EXECUTIVE SUMMARY

On June 29, 2011, the Inspection Panel registered a Request for Inspection, (hereafter referred to as “the Request”), concerning the Argentina – Second Norte Grande Water Infrastructure Project (SNGWIP or “the Project”) to be partially financed by the International Bank for Reconstruction and Development (“the Bank”).

The Project

The SNGWIP was approved by the Board on April 5, 2011. As of July 28, 2011, the Loan Agreement has not been signed and is not effective. The SNGWIP Development Objective is to increase sustainable access to sanitation and water supply services in the Norte Grande Region of Argentina, by providing investments in infrastructure and supporting institutional development. The SNGWIP is designed as a framework project comprising several demand-driven water supply and sanitation infrastructure investments (the sub-projects), each of which will be selected and approved for Bank funding during Project implementation. **At this stage, no sub-project has been formally submitted for consideration by the Bank or approved for Bank financing under the SNGWIP.**

Request for Inspection

The Requesters are residents of the Santiago del Estero Metropolitan Area in the Province of Santiago del Estero (“the Province”), one of nine provinces that fall within the Project’s geographic area of implementation. The Requesters have concerns about the design and implementation of an infrastructure sub-project which includes sewerage works and a wastewater treatment plant in the Metropolitan Area of Santiago del Estero (“the potential sub-project”), and which could be submitted by the Province for the Bank’s consideration and potential financing under the SNGWIP. The Requesters claim that they did not have an opportunity to review the technical design and provide input and deem the consultations for the potential sub-project inadequate.

They also express concern about the quality of an environmental impact assessment for the potential sub-project previously undertaken by the Province in 2009 (2009 EIA) and claim that the Environmental and Social Management Framework (ESMF) prepared for the SNGWIP does not clearly specify the regulatory framework for citizens’ participation in the Project provinces and that the ESMF is inadequate to analyze the institutional framework within which the SNGWIP will be implemented.

The Requesters also raise broader legacy issues related to the pollution of local water bodies close to their community, including the River Dulce. In particular, they have concerns about an existing local storm water drainage channel, the “Canal DPS” and another drainage channel, “Canal Nexo,” which is currently under construction. According to the Requesters, illegal discharges to the channels are creating social and environmental problems. They have filed a lawsuit in a federal court concerning both channels. The Requesters are concerned about possible linkages and cumulative effect of these drainage channels with the overall sanitation situation of the City, and its specific impacts for their community. The Requesters have attached to the Request for Inspection pictures

of a confrontation of protesting citizens with the police over the construction of the Canal Nexo.

The Requesters state that they have communicated their concerns to the Bank, but that they are unsatisfied with the Bank responses.

According to the Request for Inspection these claims could constitute non-compliance with OP/BP 4.01 on Environmental Assessment, OMS 2.20 on Project Appraisal and the World Bank Policy on Access to Information.

Management Response

Management wishes to clarify that as of July 28, 2011, no official request has been received from the Province or the federal Government of Argentina (GoA) to consider any potential investment for financing under the SNGWIP, including the potential sub-project that is the subject of this Request. **The Bank had previously analyzed this potential sub-project during preparation of the SNGWIP and used it in Project Appraisal as a means of scoping anticipated impacts, flagging important gaps in analysis and identifying capacity constraints at the local level. The review of the potential sub-project's design and its 2009 EIA, however, concluded that, as presented, it would not be eligible for financing under SNGWIP.** The Bank therefore recommended to the GoA that it update the sub-project design, based on thorough study and consultation of technical options if it wants to resubmit the sub-project for financing consideration. The Bank also advised the GoA of the additional environmental assessment work that would be required, including public consultation and disclosure, for the potential sub-project.

Should the Province desire to submit the potential sub-project for financing under SNGWIP, it would have to address the previously detected shortcomings and would *de facto* be a technically different sub-project. Hence, the Bank is not in a position to respond to the Requesters' specific technical comments as they relate to an updated project design which may or may not be submitted by the GoA for Bank financing under SNGWIP. If a revised design and the associated safeguards documents assessing the impacts are submitted, these will be reviewed for eligibility in accordance with the Project Operations Manual, ESMF and World Bank environmental and social safeguard policies. Should the Province formally submit the sub-project for the Bank's consideration following the steps outlined in the ESMF, the selection and approval process would be based on compliance with SNGWIP eligibility criteria and with the provisions of the ESMF to ensure a sound assessment and sustainable implementation.

It is Management's view that it is premature for the Requesters to assert that they have suffered harm or potential harm as a result of Project design and preparation by the Bank, at least at this stage. The GoA has not yet submitted this or any other sub-project for consideration and approval by the Bank under the framework

Project approved by the Board following the process agreed to therein.¹ Consequently, the Bank is not involved at this stage in the preparation or implementation of any sub-project in Santiago del Estero and hence the potential sub-project cannot qualify as a Project activity under the SNGWIP. As a result, Management's view is that there cannot possibly be any actual or even potential harm resulting from the Bank's involvement. In addition, going forward Management is confident that the harmful impacts that the Requesters fear about the potential sub-project can be avoided if design and implementation follow the ESMF and Bank safeguard policies. Furthermore, as described below, in Management's view there are elements of the Request that concern existing infrastructure which is not related to any investments to be considered for financing by the Bank under the SNGWIP and therefore cannot represent harm or potential harm by Bank activities or support.

As regards the application of the ESMF to the potential sub-project in Santiago del Estero, Management wishes to point out that as a framework document, the ESMF is not designed to be an exhaustive instrument, and that site-specific information and safeguard instruments eventually will be required for each sub-project identified and selected by the Provinces and the GoA for possible financing, depending on the nature of the sub-project. Management welcomes the attention drawn by the Requesters to the editorial shortcomings in the ESMF document and has asked the GoA to correct them. Management believes, however, that in substance the ESMF is a solid and comprehensive document that can fulfill its purpose as a disclosed document for public information and comment. The Bank received an updated version of the ESMF on July 6, 2011, from UCPyPFE and has verified that the requested corrections have been incorporated. The Bank cleared this new version of the ESMF, and it was disclosed on July 27, 2011.

With regards to the broader legacy issues related to the existing storm drainage channels, Management wishes to point out that these infrastructure projects are not part of the potential sub-project, nor are they required for the potential sub-project, nor is the potential sub-project required for their functioning. Furthermore, the construction of these channels has not been financed by the Bank.

Management's view is that many of the Requesters' concerns go well beyond the potential sub-project, and that SNGWIP may not be able to address them even if the sub-project in Santiago del Estero were to be submitted by the Province. However, some of the concerns raised by the Requesters may possibly be addressed by the potential sub-project, depending on its final design. **For example, Management can ensure that there is an analysis of any potential cumulative or legacy issues in the EIA to be prepared for the sub-project, if the Province and the GoA submit it for the Bank's consideration.** In addition, the SNGWIP provides ample room through its institutional development component to support initiatives by the Provinces that enhance project outcomes, increase local capacity and improve general water and sanitation sector performance at the local level.

¹ The ESMF in the SNGWIP establishes a three step process for sub-project consideration and approval for financing by the GoA and the Bank. 1) Identification and Classification; 2) Pre-evaluation; and 3) Evaluation.

Management understands from the Requesters that the pictures attached to the Request exclusively relate to the confrontation regarding the Canal Nexo, which took place in 2009 and that it bears no connection with either the SNGWIP or the potential sub-project.

The Bank has had an extensive exchange of information with the Requesters since December 2010 (see Annex 2). Most recently, the Bank Team met with Requesters' representatives on July 8, 2011. It is Management's view that both the Bank team and Requesters' representatives have expressed their willingness to continue to cooperatively discuss the Requesters' concerns pertaining to the SNGWIP.

In Management's view, at least at this stage, the Request is not eligible in accordance with the Inspection Panel Resolution. As explained above, the potential sub-project in Santiago del Estero has not been submitted to the Bank for consideration and approval and, therefore, it cannot qualify as a Project activity. Given this preliminary stage, the potential sub-project in Santiago del Estero cannot meet the Inspection Panel eligibility requirement of potential or actual, direct and material adverse effect on the Requesters resulting from Project activities. In addition, Project activities that may take place in the other eight provinces would not directly affect the Requesters nor could they lead to a material adverse effect. Lastly, as stated above, the existing channels are not part of the potential sub-project or the SNGWIP, and are not financed by the Bank.

Notwithstanding Management's concerns regarding the eligibility of this Request for Inspection, and its understanding that the claim is premature, **Management welcomes the opportunity to clarify the issues and questions raised by the Requesters to the extent possible given that no sub-project has been received to date for consideration and approval by the Bank.** In going forward, and as part of the Bank's supervision activities under the SNGWIP and ongoing dialogue with the Project authorities, Management would undertake the following actions:

- (i) Reminding the UCPyPFE and the Province to follow the steps outlined in the ESMF if they desire to formally submit the sub-project for Bank's consideration;
- (ii) If the sub-project is formally included in the pipeline of sub-projects under preparation following the "Identification and Classification" phase, agreeing with the GoA and provincial authorities on a roadmap for the preparation of required studies and consultations, which could eventually be shared with other stakeholders, including the Requesters;
- (iii) If the sub-project is formally included in the pipeline of sub-projects under preparation, supporting the Project authorities to develop a strategy for communication and disclosure with stakeholders and particularly with the affected communities, including the possibility of organizing a participatory workshop in the University of Santiago del Estero with the participation of different stakeholders, as proposed by Requesters; and

- (iv) If the sub-project is formally included in the pipeline of sub-projects under preparation, working with GoA and Province to address the institutional strengthening needs at the provincial level for sub-project preparation and its sustainable implementation.

The issues raised by the Requesters have been brought to the attention of federal Project authorities, who have agreed to consider them as part of the EIA process if the sub-project is formally submitted to the Bank.

As mentioned above, Management anticipates that some of the issues raised by the Requesters would be addressed as part of the sub-project preparation process and assessment if the steps noted above are taken. Wider reaching initiatives proposed by the Requesters, such as the possibility of undertaking a full-fledged strategic assessment at the basin level, could be discussed with the GoA and other stakeholders, but decisions about such an exercise fall within the responsibility of the GoA and requests for financing under the SNGWIP would need to come from Project authorities at the federal and provincial levels.

I. INTRODUCTION

1. On June 29, 2011, the Inspection Panel registered a Request for Inspection, IPN Request RQ 11/01 (hereafter referred to as the Request), concerning the Argentina: Second Norte Grande Water Infrastructure Project (SNGWIP or the Project) financed by the International Bank for Reconstruction and Development (the Bank).
2. **Structure of the Text.** Following the Executive Summary and this introduction, the present document contains the following sections: the Request; Project Background, Special Issues – Eligibility; and Management Response. Annex 1 presents the Requesters’ claims and Management’s detailed responses in matrix format and Annex 2 provides a timeline of the exchanges between the Bank and the Requesters.

II. THE REQUEST

3. The Request for Inspection was submitted on behalf of residents of neighborhoods in the city of Santiago del Estero, Argentina (hereafter referred to as the Requesters). The Request was complemented by a clarifying note which is included as part of the Request. The Requesters asked that the Panel keep their names confidential.
4. Attached to the Request are:
 - Exhibit 1 – Letter to General Attorney in Santiago del Estero from the Bank Sector Leader for the Department of Sustainable Development in Argentina, Paraguay and Uruguay, Santiago del Estero dated April 20, 2011
 - Exhibit 2 – Note from Environment Directorate on refusal to conduct Public Hearing
 - Exhibit 3 – EIA “not read and approved”
 - Exhibit 4 – Photos of existing sewer discharges
 - Exhibit 5 – False addresses of the invited indigenous people
 - Exhibit 6 – Text transcripts of the Video VTS_04-1 on Public Hearing with the UCPyPFE (Coordination unit for externally financed programs/projects)
 - Photographs
5. On July 8, 2011, the Bank received video recordings of three information meetings held in Santiago del Estero in May 2011 and a public consultation meeting held in Santiago del Estero in June 2010. No further materials were received by Management in support of the Request.
6. The following claims are presented by the Requesters:
 - (i) The Requesters have concerns about an infrastructure sub-project which includes sewerage works and a wastewater treatment plant in the Metropolitan Area of Santiago del Estero (“the potential sub-project”), and which could be submitted by the Province for the Bank’s consideration

and potential financing under the SNGWIP. The Requesters have expressed concerns that the technical design and implementation of the potential sub-project, as prepared by the Province, could contribute to the pollution of the local River Dulce and that they did not have an opportunity to review the technical design and provide input. They also express concern about the quality of an environmental impact assessment for the potential sub-project previously undertaken by the Province in 2009 (2009 EIA). They also complain about consultations for the potential sub-project undertaken by the Province, which they deem inadequate;

- (ii) The Requesters further claim that the Environmental and Social Management Framework (ESMF), prepared for the SNGWIP and disclosed on February 24, 2011, has a number of shortcomings and mistakes. They feel in particular that the ESMF does not clearly specify the regulatory framework for citizens' participation in the Project provinces and that the ESMF is inadequate to analyze the institutional framework within which the SNGWIP will be implemented. They also highlight several editorial mistakes in the document.
- (iii) In addition, the Requesters raise broader legacy issues related to the pollution of local water bodies close to their community. In particular, they complain about an existing local drainage channel, the "Canal DPS,"¹ which is functioning as an open-air wastewater conduit because of illegal connections and sewage discharges, and another channel, "Canal Nexo,"² which is currently under construction. According to the Requesters the illegal discharges are creating social and environmental problems, and in particular the malodor is affecting the adjacent communities. The Requesters have filed a lawsuit in a federal court against the pollution of the Canal DPS and the River Dulce, as well as the construction of the Canal Nexo. The Requesters are concerned about possible linkages and cumulative effect of these channels with the overall sanitation situation of the City and its specific impacts for their community.
- (iv) The Requesters have attached to the Request for Inspection pictures of a confrontation of protesting citizens with the police over the construction of the Canal Nexo.
- (v) The Requesters state that they have communicated their concerns to the Bank, but that they are unsatisfied with the Bank responses.

7. The Request contains claims that the Panel has indicated may constitute violations by the Bank of various provisions of its policies and procedures, including the following:

- OP/BP 4.01, Environmental Assessment

¹ Canal de Desagüe Pluvial Sur.

² Nexo de desagüe pluvial en Campo Contreras y Los Flores.

- OMS 2.20, Project Appraisal
- The World Bank Policy on Access to Information dated July 1, 2010.

III. PROJECT BACKGROUND

Project Context

8. *The SNGWIP is part of a Government of Argentina (GoA) program responding to the need to redress historical imbalances that have impeded the development of the Norte Grande Region.* Despite the economic recovery in Argentina, growth is unequally distributed and parts of the country remain poor, including most significantly the Norte Grande Region (NGR). Although the NGR covers one-third of the national territory and comprises about 7.5 million people, representing 21 percent of the population, it produces only 10 percent of the GDP and 8 percent of the country's total exports. Poverty affects 48 percent of the population (3.6 million people), with 24.6 percent (1.85 million people) living in extreme poverty. The Norte Grande Regional Development Program which is financed by the GoA, the Inter-American Development Bank (IADB), the Andean Development Corporation (CAF), and the World Bank covers energy, transport, competitiveness and water and sanitation (WSS).

9. *The SNGWIP focuses on the critical need to improve water and sanitation in the NGR.* The region is characterized by low coverage rates, poor service levels, contamination of water sources, limited availability of water resources (Chaco, Jujuy, Catamarca), high investment needs, limited funding, as well as governance and institutional challenges. With four of its nine provinces ranking the lowest in the nation and only two provinces above the national average, the NGR is the most deprived region after the Metropolitan Region of Buenos Aires, with nearly 15 percent of the population (more than 1 million people) lacking piped water supply and 61 percent (over 4.5 million people) without piped sewerage services. The Project will address infrastructure gaps as well as sustainability issues in order to generate long-lasting performance improvements in the WSS sector of the NGR. The Project will seek to build on the GoA's commitment to give the NGR prioritized access to concessional public funding and to improve institutional capacity in the region.

Project Structure

10. The SNGWIP has been designed as a framework project comprising several possible water and sanitation sub-projects, each of which will be selected for funding during project implementation from a preliminary pipeline of potential investments. Specific sub-projects approved for funding will need to comply with the technical, economic, financial, institutional, environmental and social eligibility criteria set forth in the Project's Operational Manual, including safeguards policy compliance as outlined in its Environmental and Social Management Framework prepared for the Project (ESMF), as well as with consultation and disclosure requirements. Both documents may be updated and/or amended at any point in time with the agreement of the Bank. Consideration for funding will take place on a first-come, first-served basis from those sub-projects that are ready

for implementation. Sub-project proposals will be examined in the context of: (i) consistency with the Project objective, in particular their poverty reduction potential; (ii) compliance with all eligibility criteria, including requirements outlined in the ESMF; and (iii) level of sub-project ownership and results of stakeholder consultation at the local level.

11. The SNGWIP will also provide technical assistance to support pipeline development and sub-project preparation through its Institutional Development Component. To help encourage investment in sanitation and provide capacity building in the NGR, the technical assistance will include a group of municipalities and provinces that is broader than that ultimately funded under the investment component of the project.

SNGWIP Preparation Process

12. *The Project is the second of two projects for water infrastructure in the NGR.* The first Norte Grande Water Infrastructure Project (P120211), approved by the Board on December 20, 2010, focuses on water supply and urban drainage, while the SNGWIP focuses mainly on sanitation infrastructure. Originally conceived as a single demand-driven framework project for US\$400 million as requested by the GoA, the operation was split into two separate projects in order to respond quickly to the GoA's need to implement priority investments in water supply under the first operation, while allowing additional time to consider the approach to financing the sanitation investments, which presented more complex technical, economic and environmental and social safeguards issues.

13. *The SNGWIP was designed as a framework operation with no individual sub-projects approved for financing.* At the outset of Project preparation, the Bank analyzed the tentative list of investments to be potentially funded under the original single framework operation in the different provinces, as presented by the UCPyPFE.³ Two of the proposed sanitation sub-projects, including the potential sub-project in Santiago del Estero, had reached an advanced preparation stage and had preliminary designs and environmental impact evaluations which had been undertaken by the provinces with the intention of submitting them for funding under the GoA's Program for the Development of the NGR. The GoA submitted these studies also for the Bank's consideration, with the objective to include these two sub-projects as approved investments during the first year of SNGWIP implementation, if found eligible for financing.⁴

14. The Bank's final assessment during appraisal, however, concluded that the potential sub-project in Santiago del Estero was not eligible for financing under SNGWIP. The Bank recommended that the authorities reconsider the sub-project design and to study more thoroughly the technical solutions proposed. The Bank further advised the GoA that the completion of additional environmental assessment and safeguards work, including public consultation and disclosure, would be required for the potential sub-project if it were to be considered for financing.

³ Annex 2 of SNGWIP PAD includes the sanitation sub-projects under a preliminary pipeline of potential sub-projects.

⁴ Activities related to the potential sub-project in Santiago del Estero included several field visits and discussions with Project authorities at the federal and provincial level.

15. The Bank Team and the UCPyPFE used the lessons learned from the analysis of the preliminary pipeline of sub-projects, including the potential sub-project in Santiago del Estero, as a means of scoping anticipated impacts, flagging important gaps in analysis and identifying capacity constraints at the local level. This in turn was used for the development of the ESMF applying to all subprojects, and to scope some of the additional studies and activities that would be required to examine sub-projects for funding under the Project.

16. No sub-project has yet been formally submitted, considered or approved for financing under the SNGWIP. In order to be approved, all sub-projects without exception will need to comply with the criteria established for inclusion in the program, which include having background studies and consultation processes that meet Bank standards and comply with Bank safeguard policies.

Project Objective

17. The Project Development Objective is to increase sustainable access to sanitation and water supply services in the NGR, by providing investments in infrastructure and supporting institutional development.

Project Components

18. The Project contains the following components:

- ***Component 1: Water Supply and Sanitation Infrastructure:*** the carrying out of demand-driven sub-projects consisting of the rehabilitation, upgrading and/or reconstruction of participating Provinces': (i) wastewater collection, conveyance, treatment and disposal systems, such as wastewater treatment plants, pumping stations, main collectors and secondary sewerage networks; and (ii) water supply systems including, for instance, production and distribution systems that are considered Category A from their environmental impact assessment perspective.
- ***Component 2: Institutional and Operational Development and Technical Assistance:*** (i) the carrying out of tailored institutional and/or operational strengthening programs and provision of technical assistance for participating WSS Service Providers to improve their institutional organization, investment planning, management capabilities and technical, operational, commercial and financial efficiency including, for instance: (a) the development of WSS-related management and information systems; (b) the development of WSS customer databases and cadastres; (c) the provision of technical assistance related to strategic planning, energy efficiency and operational efficiency programs; (d) the carrying out of analysis of cost-recovery options and optimization of rates and subsidy structures; (e) design and implementation of macro- and micro-metering (including minor works), and non-revenue water reduction programs; (f) the provision of technical assistance for institutional reorganization; and (g) the design of training programs for operation and mainten-

ance of systems and installations (focused on wastewater treatment plants, water treatment plants and pumping stations), and the carrying out of studies related thereto, all under terms of reference acceptable to the Bank;⁵ (ii) the carrying out of technical studies required to support the preparation and implementation of sub-projects, for instance, feasibility studies, analysis of alternatives, engineering designs, economic and financial analysis, socio-economic surveys, environmental and social impact assessments and management plans (including screening and risk assessments, support to the preparation of safeguard instruments and monitoring) and other studies related thereto, all under terms of reference acceptable to the Bank; and (iii) the carrying out of communication plans, dissemination and knowledge-sharing activities related to the Project, and training and capacity building for the institutional strengthening of the UCPyPFE and Participating Provinces.

- **Component 3: Project Management and Supervision:** (i) the carrying out of specialized independent technical, environmental and social supervision of sub-projects' implementation, as required; (ii) the carrying out of Project audits and monitoring and evaluation activities under the Project; and (iii) the provision of administrative and operational support (including the provision of Operating Costs) to the UCPyPFE in the administration, monitoring, coordination and supervision of Project implementation.

SNGWIP Eligibility Criteria

19. The SNGWIP lists eligibility criteria for participating Provinces,⁶ which include the demonstration of sufficient and sustainable technical and institutional capacity to manage, operate and maintain the investments, and the preparation of an action plan to address sustainability of the sub-projects. The SNGWIP also includes general eligibility criteria which must be met by all sub-projects without exception, and which require complete technical designs, evidence of economic viability and financial sustainability, evidence that they are managed by stable institutions and are provided with satisfactory environmental and social management, as documented in relevant studies which have been found satisfactory by the Bank.

Potential Sanitation and Wastewater Treatment Plant Sub-project in Santiago del Estero

20. As discussed above in paragraphs 14 and 15, the Bank analyzed this proposed investment during the preparation of the SNGWIP, as noted in the SNGWIP Project Appraisal Document (PAD), Integrated Safeguards Data Sheet (ISDS) and the Executive Summaries of the Project's Environmental and Social Assessment submitted to the Bank's Board during Project preparation. Bank review of the design and pre-existing EIA of the potential sub-project concluded: (i) that the sub-project in its original design re-

⁶ Paragraphs 28 and 29 of the PAD.

quired further studies and analysis of technical solutions to ensure its soundness and overall sustainability; (ii) that the sub-project 2009 EIA and other safeguards instruments, including consultation on the sub-project, were not adequate. Project authorities were advised that the technical solutions for this sub-project needed to be reconsidered, studied more thoroughly and consulted, and that improved environmental and social studies and consultation needed to be undertaken on the revised design, following the requirements of the ESMF.

IV. SPECIAL ISSUES: ELIGIBILITY

21. In Management's view, at least at this stage, the Request is not eligible in accordance with the Inspection Panel Resolution. As explained before, the potential sub-project in Santiago del Estero has not been submitted to the Bank for consideration and approval and, therefore, it cannot qualify as a Project activity. Given this preliminary stage, the potential sub-project in Santiago del Estero cannot meet the Inspection Panel eligibility requirement of potential or actual, direct and material adverse effect on the Requesters resulting from Project activities. In addition, Project activities that may take place in the other eight provinces would not directly affect the Requesters nor could they lead to a material adverse effect. Lastly, as stated above, the existing channels are not part of the potential sub-project or the SNGWIP, and are not financed by the Bank.

22. Notwithstanding Management's concerns regarding the eligibility of this Request for Inspection, Management welcomes the opportunity to clarify the issues and questions raised by the Requesters.

V. MANAGEMENT RESPONSE

Requester's Claims and Management Responses

23. Management had an extensive exchange of information with the Requesters on the issues they raised and was fully aware of these issues prior to the Request for Inspection. Management acknowledges that the issues raised with regard to the technical design and quality of the safeguards documents of the potential sub-project – as originally designed – are relevant and agrees that there is a need to take the existing conditions of receiving water bodies into account, should the sub-project materialize. Should the Province desire to submit the potential sub-project for financing under SNGWIP, it would have to address the previously detected shortcomings and would *de facto* be a technically different sub-project. Hence, the Bank is not in a position to respond to the Requesters' specific technical comments as they relate to an updated project design which may or may not be submitted by the GoA for Bank financing under SNGWIP. If a revised design and the associated safeguards documents assessing the impacts are submitted, these will be reviewed for eligibility in accordance with the Project Operational Manual, ESMF and World Bank environmental and social safeguard policies. ***Since no sub-project has been approved or even formally received for consideration, Management fails to see how the***

Requesters could have suffered harm as a result of Project design and preparation by the Bank at this stage.

24. With regard to the concerns on the consultation process, clarifications and responses are provided in Annex 1. ***Management will continue to involve the Community Los Flores Sur jointly with other stakeholders with regard to the potential sub-project, if the authorities decide to submit it for consideration for funding under the SNGWIP.***

25. Concerning the issues related to the ESMF, detailed responses to the specific points raised by the Requesters are provided in Annex 1. Management wishes to point out that the gaps in the presentation of provincial regulations and public hearing mechanisms is a problem which is inherent to the local regulatory framework on the matter but not to the ESMF itself. The ESMF includes a list of the laws and regulations relevant for the Project in the Norte Grande region, which is intended to serve only as a reference. The ESMF supplements local legislation, laying out the principles that will guide the preparation of sub-projects to be financed by the Bank. Institutional responsibilities for the implementation of the SNGWIP are also laid out in the ESMF along with the process for public consultations on potential sub-projects. Management acknowledges the editorial shortcomings of the document raised by the Requesters and has ensured their correction in an updated version of the ESMF received from the UCPyPFE on July 6, 2011, which was reviewed by the Bank and disclosed on July 27, 2011. ***Management welcomes the corrections suggested by the Requesters. Management believes, however, that these shortcomings were mainly of an editorial nature and that overall the ESMF is a sound and comprehensive document that will fulfill the purposes for which it is intended.***

26. As regards the allegations raised by the Requesters concerning the application of the ESMF to the potential sub-project in Santiago del Estero, Management wishes to point out that by definition the ESMF is a framework that is not expected to contain specific information about potential sub-projects, as the sub-projects to which such information would relate are not selected at the time of project preparation. It is Management's impression that the Requesters expected to find sub-project specific information in the ESMF, which is not the purpose of an ESMF under a framework designed Project.

27. Management understands from the Requesters that they feel aggrieved by broader legacy issues related to the pollution of local water bodies. The Requesters have filed a lawsuit in a federal court to prevent the pollution of the local drainage channel "Canal DPS," which runs through the City of Santiago del Estero, and which is functioning as an open-air wastewater conduit because of alleged illegal connections and sewage discharges. According to the Requesters, the allegedly illegal discharges are creating social and environmental problems, and in particular the malodor is negatively affecting the adjacent communities. Furthermore, the Requesters complain about a second drainage channel, the Canal Nexo (which is under construction), also passing close to their community. The Requesters' community had a conflict with the authorities as they claim that there was no prior notice before commencing the civil works for this channel. In addition they felt that there was a lack of institutional accountability for the works. The construction of this storm drainage channel is not part of the potential sub-project that may be submitted for Bank financing, but the Requesters are concerned about possible linkages

and cumulative effects of both channels with the overall sanitation situation of the City and its specific impacts for their community. **Management understands from the Requesters that the pictures of the confrontation with the police that were attached to the Request for Inspection exclusively relate to the confrontation regarding the Canal Nexo, which took place in 2009. Management understands that the controversy and confrontation have no connection with either the SNGWIP or the potential sub-project.**

28. Management understands the Requesters' concerns about the drainage canals but wishes to underline that these infrastructure projects are not part of the potential sub-project, they are neither required for the potential subproject, nor is the potential sub-project required for their functioning. **Management's view is that many of the Requesters' concerns go well beyond the potential sub-project which may eventually be eligible for Bank financing, and that SNGWIP may not be able to address many of these concerns even if the sub-project in Santiago del Estero were to be submitted by the Province for Bank consideration and approval.** Management believes that some of the concerns raised by the Requesters could be addressed through the potential sub-project, depending on its final design. Management can ensure that there is an analysis of any potential cumulative or legacy issues in the EIA to be prepared for the sub-project, if the Province submits it for the Bank's consideration. The SNGWIP provides ample room through its institutional development component to support initiatives by the Provinces that enhance Project outcomes, increase local capacity and improve general water and sanitation sector performance at the local level.

29. As mentioned above, the Bank has had an extensive exchange of information with the Requesters on the issues raised by them prior to the registration of the Request for Inspection. The Bank has been in contact on with the Requesters since December 2010 through various e-mail exchanges and telephone conversations in which the Bank Team responded to specific questions, listened to and took action on suggestions and requests put forward by the Requesters (see timeline of exchanges in Annex 2). The Bank Team met with the Requesters' representatives at the Bank office in Buenos Aires on July 8, 2011. In this meeting, the Requesters clarified some of the concerns raised in their Request to the Panel and their experience in dealing with some of these issues with Project authorities and other stakeholders. Both the Bank team and Requesters' representatives agreed to remain in communication and it is Management's view that both parties expressed their willingness to continue to cooperatively discuss the Requesters' concerns pertaining to the SNGWIP. **Overall, Management considers the Request premature given that the sub-project has not yet been presented to the Bank for consideration or financing under the SNGWIP by the GoA, and ongoing contacts with Requesters provide the opportunity to take into consideration their concerns during the preparation of the potential sub-project.**

30. In going forward, and as part of the Bank's supervision activities under the SNGWIP and ongoing dialogue with the Project authorities, once the Loan Agreement is signed and declared effective, Management will be undertaking the following actions:

- (i) Reminding the UCPyPFE and the Province to follow the steps outlined in the ESMF if they desire to formally submit the sub-project for Bank's consideration;
- (ii) If the sub-project is formally included in the pipeline of sub-projects under preparation following the "Identification and Classification" phase, agreeing with the GoA and provincial authorities on a roadmap for the preparation of required studies and consultations, which could eventually be shared with other stakeholders, including the Requesters;
- (iii) If the sub-project is formally included in the pipeline of sub-projects under preparation, supporting the Project authorities to develop a strategy for communication and disclosure with stakeholders and particularly with the affected communities, including the possibility of organizing a participatory workshop in the University of Santiago del Estero with the participation of different stakeholders, as proposed by Requesters; and
- (iv) If the sub-project is formally included in the pipeline of sub-projects under preparation, working with GoA and Province to address the institutional strengthening needs at the provincial level for sub-project preparation and its sustainable implementation.

31. Management anticipates that some of the issues raised by the Requesters would be addressed as part of the sub-project preparation process and assessment if the steps noted above are taken. Wider reaching initiatives proposed by the Requesters, such as the possibility of undertaking a full-fledged strategic assessment at the basin level, could be discussed with the GoA and other stakeholders, but decisions about such an exercise falls within the responsibility of the GoA and requests for financing under the SNGWIP would need to come from Project authorities at the federal and provincial levels.

World Bank Policy Compliance

32. Management believes that the Bank has made diligent efforts to apply its policies and procedures in the context of the preparation and appraisal of the SNGWIP. In Management's view, the Bank has followed the guidelines, policies and procedures applicable to the matters raised by the Request, including OP 4.01, OMS 2.20 and Access to information Policy. Management believes that the Requesters' rights or interests have not been adversely affected by a failure of the Bank to implement its policies and procedures. More details are provided below regarding compliance with Safeguards and Access to Information Policies.

33. *ESMF*: Management is of the opinion that the ESMF as prepared and approved meets the requirements of such an instrument under OP 4.01. Management does acknowledge that the comments provided by the Requesters, which Management has ensured are included in the document, have improved the presentation of the document and its reference materials. However, Management is of the view that the shortcomings were primarily of an editorial nature and did not constitute a material flaw in the document.

34. **Treatment of Potential Sub-project in Santiago del Estero:** Management is of the opinion that Project preparation met the requirements of OP 4.01 in its treatment of this potential sub-project. Specifically, upon presentation to the Bank of the original sub-project design and 2009 EIA, which was prepared prior to the Bank's involvement in project preparation, the Bank reviewed the existing documentation and concluded that the potential sub-project was not eligible, as presented, for financing under SNGWIP. In addition to recommending a reconsideration of the sub-project design to study more thoroughly the technical solutions proposed, the Bank advised the GoA of the additional environmental assessment work, including public consultation and disclosure, that would need to be completed in order to submit the potential sub-project for consideration.

35. In accordance with the Project design and the ESMF, the potential sub-project would only be considered for financing if it meets the eligibility criteria and requirements outlined in the ESMF. Also in accordance with OP 4.01, as a result of Bank assessment during preparation, activities to strengthen the implementing institutions' capacity to prepare safeguards instruments for potential sub-projects were included in the SNGWIP design; these will support the preparation of the potential sub-project if the Province submits it for Bank consideration.

36. **Public Consultation:** Management is of the opinion that public consultations on the instruments required for Project appraisal for this type of framework operation were undertaken in line with the principles of OP. 4.01 and OMS 2.20. Consultation requirements that meet the requirements of OP 4.01 are included in the ESMF for application to any potential sub-project. In Management's view, one of the challenges during Project implementation will be to ensure that the ESMF guidelines on meaningful consultations are correctly applied by local authorities for all sub-projects, including any proposed for Santiago del Estero. The SNWIP can support these processes through its second and third components by providing technical assistance for capacity building and sub-project preparation.

37. **World Bank Policy on Access to Information:** Management believes that the requirements of the World Bank Policy on Access to Information were met for SNGWIP preparation as Project documentation was made available in accordance with the Policy and the disclosure of documents in accordance with the policy is included as a requirement in the ESMF.

38. The SNGWIP PAD, PID and ISDS have been translated into Spanish and were disclosed in the Bank InfoShop on July 27, 2011.

ANNEX 1

CLAIMS AND RESPONSES

No	Claim	Response
1.	<p>The Requesters state that they have suffered or could suffer harm as a result of the Bank's failures and omissions in the design and preparation of the Project, because these alleged failures of the Bank will in turn adversely affect the design and will worsen the social and environmental impacts of sub-projects financed under the Project, including the proposed sewage works and wastewater treatment plant in Santiago del Estero.</p>	<p>1.1 The Requesters are residents in the Province of Santiago del Estero, which falls within the geographic area of implementation of the SNGWIP. This area includes nine provinces located in the northern region of Argentina. The SNGWIP was approved by the Board on April 5, 2011. The Loan Agreement has not been signed to date and therefore the Project is not effective.</p> <p>1.2 The Bank Team has been in contact with the Requesters since December 2010 on a fairly regular basis through various e-mail exchanges and telephone conversations in which the Bank Team has responded to specific questions, and listened to and taken action on suggestions and specific requests put forward by the Requesters (please see timeline of exchanges in Annex 2).</p> <p>1.3 The SNGWIP is designed to follow a demand-driven framework approach which allows for the financing of several potential sanitation – and water – sub-projects, each of which will be selected and approved for funding during SNGWIP implementation based on sub-project compliance with the SNGWIP's technical, economic, financial, institutional, environmental and social eligibility criteria¹ and Bank safeguard policies. These criteria include presenting an EIA which follows the provisions of the SNGWIP's ESMF. No sub-project has yet been formally submitted or approved for funding under the SNGWIP.² The framework approach enables flexibility in the final choice of investments, as it provides the opportunity to finance sub-projects as they are identified, assessed and shown to meet SNGWIP's eligibility criteria.</p> <p>1.4 The Requesters have expressed concern about a specific sub-project in Santiago del Estero which could be potentially financed under the SNGWIP. This sub-project would mainly consist of sewerage works and a wastewater treatment plant in Santiago del Estero (the "potential sub-project").³ The Bank analyzed this investment during the preparation of the SNGWIP, as noted in the SNGWIP PAD, ISDS and Executive Summaries of Project Environmental and Social Assessment submitted to the Bank's Board.⁴ The Province had prepared a preliminary</p>

¹ As outlined in the Operational Manual for the SNGWIP.

² An illustrative list of sub-projects that could be assessed in the nine provinces as proposed by the UC-PyPFE is included in Annex 2 of the PAD.

³ *Cloaca Máxima de la Ciudad de Santiago del Estero y Planta de Tratamiento para Líquidos Cloacales.*

⁴ *Executive Summary of Environmental and Social Impact Assessment for the proposed Norte Grande Water Infrastructure Project (P120211)* submitted to SECPO on October 20, 2010 and distributed to the EDs on November 9, 2010; *Executive Summary of Environmental and Social Impact Assessment for the proposed SNGWIP (P125151)* submitted to SECPO on March 17, 2011; *Integrated Safeguard Datasheet QER stage for P120211* dated July 30, 2010; *Integrated Safeguard Datasheet Concept stage for the SNGWIP (P125151)* dated February 7, 2011; *Integrated Safeguard Datasheet Appraisal stage for the SNGWIP*

No	Claim	Response
		<p>technical design and an Environmental Impact Assessment dated 2009 (“the 2009 EIA”) which pre-dated Bank involvement. The Bank Team undertook several field visits and analyzed different aspects of the sub-project, specifically the original sub-project design and the 2009 EIA. It was concluded that the sub-project, as it was presented, was not eligible for financing under SNGWIP. In addition to recommending a reconsideration of the sub-project design to study more thoroughly the technical solutions proposed, the Bank advised the GoA of the required additional environmental assessment work, including public consultation and disclosure that needed to be completed for the potential sub-project.</p> <p>1.5 The 2009 EIA and other technical studies submitted for review by the Bank for this potential sub-project have not been approved by the Bank and would need to be resubmitted, incorporating Bank recommendations made during preparation and following the steps outlined in the ESMF, if the Province decides to submit this sub-project for financing under the SNGWIP, which it has not done to date. Only then will the Bank be in a position to verify the technical, environmental and social impacts of such a sub-project and determine whether it complies with the Project’s eligibility criteria and Bank safeguard policies.</p> <p>1.6 In general, Management agrees that the issues raised by the Requesters in the Request with respect to the potential sub-project are issues meriting further studies and analysis. However, Management notes that as the potential sub-project has not been submitted by the Province, the Bank has not had an opportunity to consider its eligibility for Bank financing under the SNGWIP. Therefore, Management cannot provide detailed responses to the claims raised by the Requesters with respect to the potential sub-project or its 2009 EIA (Items 7-13) at this point in time.</p> <p>1.7 The Requesters have also expressed concern with respect to specific sections of the SNGWIP’s ESMF. The concerns expressed by the Requesters on the ESMF document and Management’s responses are found below in Items 2-6.</p> <p>1.8 The Bank Team met with Requesters’ representatives at the Bank office in Buenos Aires on July 8, 2011. A brief summary of the issues discussed in this meeting is included in Item 13. In general, the Requesters clarified many of the concerns raised in the Request (as included in the responses below and relevant footnotes). Management’s view is that many of the Requesters’ concerns go well beyond the potential sub-project which may eventually become eligible for Bank financing.</p>

(P125151) dated March 22, 2011; Paragraph 11 of *Project Appraisal Document for the proposed SNGWIP* dated April 5,2011.

No	Claim	Response
	ESMF	
2.	<p>The Requesters complain about the Framework, prepared under the SNGWIP, because, in their view, it has a number of shortcomings and mistakes that were not corrected by the Bank although the Requesters pointed out these mistakes in their extensive contacts and correspondence with Management.</p>	<p>2.1 The ESMF is an instrument to guide the assessment and management of the environmental and social impact of sub-projects financed under the SNGWIP. The ESMF was developed during Project preparation by the Borrower, through the UCPyPFE.⁵ The ESMF was prepared to apply to high-risk (category A) sub-projects (as well as lower risk sub-projects). The ESMF was reviewed through an independent expert review exercise (which is considered good practice for this type of tool) commissioned by the Bank and was disseminated in draft form and presented in two different focus group discussions to obtain feedback from stakeholders. Management notes that as a framework document, the ESMF is not designed to be an exhaustive instrument and specific safeguard instruments (e.g., EAs, EMPs, RAPs) are to be required depending on the nature of the sub-project.</p> <p>2.2 Bank staff considered and cleared a version of the ESMF as acceptable for Project Appraisal on February 24, 2011, which was disclosed on the web page of the UCPyPFE and the Bank InfoShop on the same date.⁶ As is customary with framework documents, the ESMF is conceived as a “living document” which contemplates both the eventual need and the process for updates or corrections that may be required at any time during SNGWIP implementation, as well as future consultation on the document.⁷</p> <p>2.3 On April 1, 2011, the Requesters brought to Bank staff attention the following concerns regarding the disclosed version of the ESMF,⁸ via a telephone conversation with the Task Team Leader and subsequent e-mail:⁹ (i) the tables in the ESMF dated February 24, 2011, were not numbered; (ii) the table on pg. 17-21 (summarizing the main legal and regulatory framework on environmental and social matters applicable in the nine Norte Grande provinces), was incomplete regarding the regulation on Public Hearing applicable in Santiago del Estero Province, and in other Provinces in the region (not specified);¹⁰ (iii) the table on pg. 21 (summarizing the main institutions responsible for envi-</p>

⁵ Implementing Agency.

⁶ An earlier version of the ESMF was disclosed locally on September 28, 2010 and in the InfoShop on October 18, 2010, and a second draft was disseminated in the ESMF focus group discussions on January 25, 2011 and on January 27, 2011.

⁷ ESMF, Paragraphs 8 and 137.

⁸ Earlier on February 10, 2011, the Requesters had brought to the attention of the Task Team Leader that the ESMF draft disseminated by the UCPyPFE for the focus group discussion held in Santiago del Estero contained error messages on cross-references that had remained in the edited document. This was corrected in the draft cleared by the Bank for Appraisal on February 24, 2011.

⁹ In this exchange copied to Panel members, the Requesters informed the Task Team Leader that they had initiated legal proceedings in Court and attached a letter from a Fiscal General (“Public Attorney” or “Prosecutor”) in Santiago del Estero requesting the Bank to suspend approval of the SNGWIP frameworks. The Bank responded to this letter on April 20, 2011.

¹⁰ The point transmitted to the Project Team in the April 2011 exchanges was that “there was regulation missing” relating to the public hearing process in Santiago del Estero. Please see Item 3.2 on the result of Bank analysis of this point.

No	Claim	Response
		<p>ronmental and social matters in the nine Norte Grande provinces) had an erroneous reference to the “General Directorate of Forestry and Environment” under the Ministry of Production as the relevant institution in Santiago del Estero, given that the “General Environmental Directorate,” under the “Provincial Water Secretariat,” would now hold this responsibility;¹¹ and (iv) Paragraph 27 of the ESMF contained a reference to another paragraph (6.5) which could not be located in the document.</p> <p>2.4 The Bank Team acknowledged the issues raised by the Requesters and on April 19, 2011, Bank staff reported these issues to the UCPyPFE requesting that the document be updated and sent to the Bank for review and No Objection with the following corrections: (i) proper numbering of the tables, double-checking of references and overall proof-reading for editorial, typing and formatting issues; (ii) a review of the table on pg. 17-21 to include any additional relevant legislation and regulation on Public Hearing processes; (iii) verification of the institutions responsible for various functions related to environmental and social matters in Santiago del Estero, and necessary updates to the table on pg. 21 cited above, and Annex 12 of the ESMF; (iv) correction of Paragraph 27 to reference section 6.4 of the ESMF (rather than the non-existent section 6.5).¹²</p> <p>2.5 Management agrees with the Requesters that the issues pointed out in Item 2.2 i) and iv) affect the clarity of the document.¹³ Management acknowledges the need for quality control of final edited documents before disclosure. Management believes, however, that these shortcomings are mainly of an editorial nature that can be and have been corrected. In fact, the Bank received an updated version of the ESMF on July 6, 2011 from the UCPyPFE. The Bank Team has reviewed this version and verified that the above updates have been incorporated. The Bank has cleared a new version of the ESMF which was disclosed on July 27, 2011.</p> <p>2.6 Management believes that the ESMF and the Environmental Impact Assessments (EIA) and other instruments to be developed under its guidelines will enable the Project authorities and other stakeholders to assess and manage the environmental and social impacts of potential sub-projects and orient Bank supervision of sub-project implementation. The Bank reaffirms that it is committed to only fund sub-projects that meet all of the Project’s eligibility criteria, including an environmental and social</p>

¹¹ Based on recent information provided by the UCPyPFE, the General Environmental Directorate has been housed under different provincial ministries since its creation in 2006 and is currently under the Water Secretariat as per Decree No. 0231 dated May 4, 2009. The ESMF has been updated to reflect this in the version disclosed on July 27, 2011.

¹² Paragraph 27 of the ESMF.

¹³ The Request contains one additional editorial mistake which was not indicated previously to the Bank Team. This was in section 7.5 of the ESMF, Paragraph 143.b), which was missing the number of days required for notification of consultations. However, this aspect was covered further on in the same section 7.5. This point has also been updated in the reviewed ESMF version disclosed on July 27, 2011, stating 15 working days for disclosure of relevant safeguard instruments and consultation meetings.

No	Claim	Response
		assessment done in compliance with the ESMF and the Bank safeguard policies.
3.	According to the Requesters, the Framework does not clearly specify the "Regulatory Framework" for citizen participation in all the nine Project provinces where sub-projects are to be built.	<p>3.1 The specific issue that the Requesters have raised with the Bank Team with respect to the "Regulatory Framework" for citizen participation under the ESMF is the one discussed under Item 2.2 ii) on the applicable regulation on public hearing processes in Santiago del Estero.</p> <p>3.2 Bank analysis on this issue shows that there is a "Ley de Audiencias Publicas No. 6722 – Santiago del Estero," but it applies to legislation and administrative decisions to be undertaken by the local authorities, and not specifically to investment projects. This analysis corroborates the Requesters' claim that the provisions for public hearings are in effect not regulated in the Province. The ESMF had noted this lack of regulation on public hearing processes in Paragraph 70 of Annex 12, noting that "there is no mandate for the hosting of public consultations" in the Province.</p> <p>3.3 Management believes that the issue the Requesters are emphasizing is the lack of an adequate regulatory framework for public hearing in their Province (as well as what they see as an inconsistent interpretation of the matter by the local authorities in their province), but not a shortcoming of the ESMF. Management believes that the ESMF requires no update on this particular aspect.</p> <p>3.4 Management wishes to note that the ESMF includes a comprehensive framework to ensure sound citizen participation and public consultations in the context of preparation of each specific sub-project. Bank policies call for public consultations, and do not require a "Public Hearing" process, which is a legal instrument in the Argentinean context.</p> <p>3.5 More generally, the ESMF includes a list of the laws and regulations relevant for the Project in the Norte Grande region, which is intended to serve only as a reference.¹⁴ The ESMF does not seek to present a complete survey or an analysis of Argentine legislation and applicable norms at the provincial and municipal levels. The ESMF, which supplements local legislation, lays out the principles that will guide the preparation of sub-projects following Bank policies.</p> <p>3.6 Compliance with applicable local and federal regulations, as well as with Bank safeguard policies, and in particular having consultation processes that meet Bank safeguard policies, is a requirement for any sub-project's eligibility for financing under the SNGWIP.¹⁵</p>

¹⁴ Paragraph 27 of the ESMF.

¹⁵ Among others, Paragraph 21 of the ESMF on "Environmental and Social Subproject Eligibility Criteria", Project PAD, Project ISDS.

No	Claim	Response
4.	<p>In the Requesters' view, for many of these Provinces there is no information on public hearing mechanisms ensuring that potentially affected people would be consulted. Where hearings are provided, the way in which people will participate is not clear.</p>	<p>4.1 The specific issue that the Requesters have raised with the Bank Team with respect to public hearings is the one discussed under Item 2.2 ii) and Item 3 above.</p> <p>4.2 The ESMF includes generic procedures for disseminating sub-project information and good practice principles for consulting with sub-project stakeholders in a meaningful manner. These procedures are described in Chapter 7 of the ESMF (pp. 58-67) and will apply to all sub-projects.</p> <p>4.3 Management believes that the ESMF requires no update on this particular aspect.</p>
5	<p>In the Requesters' view, the Framework is inadequate in analyzing the institutional framework within which the SNGWIP is to be carried out, and is unclear about how the executing authorities at the provincial level for each sub-project will be identified. They state that clear institutional responsibilities have not been defined and the corresponding documentation is not referred to in the ESMF.</p>	<p>5.1 The specific issue that the Requesters have raised with the Bank Team with respect to the institutional framework within which the SNGWIP is to be carried out is the one discussed under Items 2.2 iii) and 2.2 iv). The ESMF has been updated on these points in the version disclosed on July 27, 2011.</p> <p>5.2 More generally, the institutional framework within which the SNGWIP is to be carried out is described in Chapter 3 and Annex 12 of the ESMF on the "Regulatory and Institutional Framework", as well as in Chapter 6 which describes the process for "Environmental and Social Assessment" of sub-projects. The ESMF states clearly that the information provided in the table on pg 21 is for reference (particularly given that this is a principles-oriented document covering nine provinces) and that the relevant authorities and their specific roles (particularly at the provincial level), will be identified and submitted by the provincial authorities during the "Identification and Classification" phase of the process described in Chapter 6, and as part of fulfilling the legal and institutional requirements under OP 4.01 on Environmental Assessment. This chapter, and in particular Section 6.4 (table on pg. 48), is specific with regards to the institutional responsibilities assigned to different SNGWIP participating entities (UCPyPFE, Province, Contractor, Bank) at each stage of sub-project preparation on environmental and social matters.</p>
6.	<p>The record of the "second hearing" to consult the ESMF lists participants that did not attend, while among the alleged participants are some indigenous peoples whose addresses and information are incorrect because they do not live in the area of impact of this</p>	<p>6.1 During SNGWIP preparation, Project authorities made arrangements to have the SNGWIP's ESMF benefit from a consultation and review process consistent with Bank policy for this type of instrument. Three main steps were taken in that respect: (i) expert peer review of the documents by two recognized professionals with relevant experience;¹⁶ (ii) a virtual review through communication of the documents to a variety of institutional stakeholders, including provincial environmental agencies and institutions related to water resources provision and manage-</p>

¹⁶ In January 2011 the Bank contracted two independent, expert peer reviewers with experience in environmental assessment, resettlement and social impact assessment to evaluate the ESMF. The consultants produced three evaluation reports submitted on January 13, 2011 summarizing their findings and recommendations for improving the documents. The feedback provided by these peer reviewers was shared with the Project counterparts and their comments were taken into account during the final revisions to the frameworks.

No	Claim	Response
	sub-project.	<p>ment, NGOs and others; and (iii) organization of focus group discussions through targeted meetings in two provinces of the Norte Grande region to solicit feedback from the same stakeholders.</p> <p>6.2 The “second hearing” mentioned in the Request was in fact one of the two focus group discussions described above, which took place in Santiago del Estero on January 25, 2011 and was led by the federal Government to present the framework SNGWIP and the ESMF. Management understands that the reference to participants who were not informed refers to two participants¹⁷ who did in fact attend but who later wrote to the UCPyPFE to clarify that their presence in the meeting could not be construed as an approval by them of the ESMF documents.</p>
	Potential Sub-project – Santiago del Estero	
7.	<p>The specific sub-project the Requesters are concerned about, the proposed sewage works and wastewater treatment plant in Santiago del Estero, was identified but not approved during the Project preparation. The Requesters believe that this sub-project, as currently envisioned, would cause them harm because, if not planned and designed properly, it would add an additional source of contamination to an already polluted river, the River Dulce. The River, they state, is their source of water and life.</p>	<p>7.1 Management believes that the concerns raised by the Requesters in general refer to relevant and valid issues that would be addressed during the preparation of the potential sub-project EIA following the ESMF, if the sub-project is formally submitted to the Bank for consideration for funding under the SNGWIP. The issues raised by the Requesters have been brought to the attention of federal Project authorities, who have agreed to consider them as part of the EIA process if the sub-project is formally submitted to the Bank.</p> <p>7.2 Many of the issues raised in the Request as deserving further analysis had also been raised by the Bank to SNGWIP authorities during SNGWIP preparation, beginning with a first scoping trip in December 2009. Management reiterates that the Bank will only fund the potential sub-project if it complies with all eligibility criteria and Bank safeguard policies.</p>
8.	<p>The Requesters have indicated to the Panel that they do not oppose the proposed sewage works and treatment plant per se, but want them to be planned and designed to meet appropriate technical, environmental, and social standards that would take into account the existing conditions of the River, and would not lead to contamination but rather be an integral part of measures to improve the current situation of</p>	<p>8. Management agrees with the Requesters that it is important to plan works with appropriate standards that take into account the existing conditions of receiving bodies. Management maintains that the Bank will only fund the potential sub-project if it complies with all eligibility criteria, including a sound environmental and social impact assessment that meets Bank safeguard policies.</p>

¹⁷ A representative from *Colegio Profesional de la Ingeniería y Arquitectura* and a representative from *Foro Ambientalista Santiago del Estero*.

No	Claim	Response
	<p>the River. They are, however, concerned about the impacts of the discharge of effluents on the River Dulce, which they emphasize is the most "precious thing in Santiago del Estero" as the source of water for the city as well as of livelihoods, through drinking water and fishing, for some part of the population. They argue that, as proposed, the sewage works and treatment plant are not about cleaning up the river basin, rather about polluting it.</p>	
9.	<p>The Requesters state that they have not seen the technical design for the plant but base their concerns on an analysis of the ESMF for the SNGWIP and the specific environmental impact assessment (EIA) already prepared for the proposed sewage works and treatment plant.</p>	<p>9.1 Management believes that this issue has been resolved. According to Management records, following a request by the Bank Team to the SNGWIP authorities in February 2011, the Province shared the current technical design of the potential sub-project with the Los Flores Sur community as of June 9, 2011.¹⁸</p> <p>9.2 The Bank Team has indicated to the Requesters that the 2009 EIA disclosed for the potential sub-project has not been approved by the Bank. If the Province submits this sub-project for consideration by the Bank, an adequate EIA would need to be prepared and consulted upon, in line with the ESMF and Bank safeguard policies.</p>
10.	<p>The Requesters have expressed concern on the following aspects of the disclosed EIA:</p> <ul style="list-style-type: none"> i) It did not consider the "floating population" of the city and the high population mobility in the area, nor did it discuss the management of sludge and other solid waste; ii) the selected treatment technology and energy requirements of the plant must be well analyzed; iii) the sewage works and treatment plant were not conceived within an integrated 	<p>10. Concerns of this type will be addressed in the sub-project's final technical design, EIA and other environmental and social assessment and management instruments described in the ESMF if the sub-project is formally submitted to the Bank for consideration for financing under the SNGWIP.</p>

¹⁸ A Receipt note signed by a representative of the Los Flores Sur community was submitted to the Bank by the UCPyPFE. The Requesters recently pointed out to the Bank that while the CD received on that date did not have the specified files in it, they received them after bringing this issue to the attention of the provincial Water Secretariat.

No	Claim	Response
	<p>plan that would take into account issues of land use and management of the area;</p> <p>iv) Cumulative impacts of the proposed sub-project, according to the Requesters, were not analyzed;</p>	
11.	<p>They also claim that there was no adequate consultation during the preparation of the EIA for the sewage works and plant. Not all those concerned could participate in the public hearings held to discuss the treatment plant because of poor information and inadequate prior notice about the hearings.</p>	<p>11. The Bank will only fund the sub-project if its final design, complete EIA and other required environmental and social management instruments are disclosed and consulted upon meaningfully and consultation meetings are announced sufficiently ahead of time.</p>
12.	<p>The Requesters participated in one public hearing in 2010 where they presented twenty five objections to the plant and Framework. They state that only eight of the twenty five questions were answered satisfactorily.</p>	<p>12.1 In a prior contact with the Requesters on February 21, the Bank Team clarified the framework nature of the SNGWIP and the fact that no sub-project has been preselected for financing under the Project. In order to be eligible for such financing, sub-projects will have to comply with eligibility criteria that include adequate consultation of affected populations and stakeholders. The Bank Team has also indicated to the Requesters that the 25 comments will be considered and responded to if the sub-project is formally identified by the Province and federal authorities for submission to the Bank to assess its eligibility for SNGWIP financing. The Bank Team has also communicated this to the UCPyPFE and expects all these comments to be addressed in the EIA for the Project.</p>
13.	<p>The Requesters state that they have had several exchanges with the Bank where they raised these issues, and attach to the Request correspondence with the Bank staff, but add that they are not satisfied with the response from Management.</p>	<p>13.1 The Bank Team has interacted with stakeholders including the Requesters and feels that this has helped improve the Project design. Since January 2011, the Bank Team has engaged in an active dialogue with the Requesters through phone calls and emails (see timeline in Annex 2) as well as with other stakeholders in the potential sub-project. The Bank Team has communicated all concerns to SNGWIP Government counterparts and has aimed at mobilizing the federal and local authorities to start a meaningful dialogue with citizens and stakeholders on the issues that are of concern to them. Some of their requests are under consideration by the SNGWIP authorities (such as holding a participatory workshop in the <i>Universidad Nacional de Santiago del Estero</i> (UNSE)¹⁹ to discuss the proposed potential sub-project) and some others have been fulfilled (such as the request to receive the preliminary design for the sub-project that the Province has prepared).</p>

¹⁹ National University of Santiago del Estero.

No	Claim	Response
		<p>13.2 Following a Bank Team request, an information-sharing meeting with local relevant authorities, members of the community in concerned neighborhoods and federal and provincial authorities was planned and organized by the UCPyPFE for May 6, 2011 in Santiago del Estero City. This meeting was viewed by the Bank Team as a possibility to meet the Requesters and gain a better understanding on their concerns while opening a dialogue with the participation of federal and provincial authorities.</p> <p>13.3 The Requesters responded to the invitation issued by the Water Secretariat declining to participate due to prior commitments on that date, and mentioning the short notice given for the meeting, which did not follow ESMF guidelines in this respect,²⁰ as well as the fact that there was no funding for their technical advisor to fly from Italy to participate. The Bank team actively promoted the participation of the Requesters and highlighted to them in several email and telephone exchanges that the proposed meeting was a proactive initiative from the Bank and the GoA to better understand the concerns of the Requesters and other stakeholders regarding the Project documents and the potential sub-project pointed out in their contacts with the Bank team. Furthermore the Bank team explained that the type of meeting being proposed was a round-table of discussion to gain such understanding and that it was not proposed as a consultation meeting as such in the context of the preparation of the potential sub-project but in the spirit of opening the dialogue that would enable Project authorities and the Bank to better respond to the Requesters' concerns. The meeting went ahead and included participation of representatives from other relevant neighborhood communities, the federal and provincial authorities, the Water Secretariat, the Ombudsman, the UNSE and the Bank Team.</p> <p>13.4 Management understands that two additional information meetings regarding the sub-project that may be proposed for funding by the Bank have taken place recently in Santiago del Estero as follows: (i) one on May 15, 2011, led by the UCPyPFE, with the participation of federal Project authorities. Management understands that the Requesters participated in this meeting but did not make any contributions to the general discussion (a report describing this and other recent outreach activities has been requested of the UCPyPFE);²¹ (ii) a second meeting on May 17, 2011 convened by the <i>Comisión Vecinal Virgen de Guadalupe del Barrio Los Flores</i> with the participation of the Provincial Water Secretariat, on which Management does not have further information to date. A third meeting on May 24, 2011 was called by the Requesters. The Bank was invited to this meeting on May 22, 2011. The Bank Team could</p>

²⁰ The provincial authorities had reported to the Bank and the federal Government that the invitation letter for the meeting (dated April 19, 2011) was delivered to the community. The Requesters attached a number of annexes in their response to the Water Secretariat letter, which did not reach the Bank.

²¹ The Requesters have provided a video recording on the meeting.

No	Claim	Response
		<p>not participate given prior commitments and asked to receive feedback from the presentation and discussion.</p> <p>13.5 Shortly after the Request for Inspection was registered, the Requesters asked for a meeting with the Bank Team.²² The Bank Team met with Requesters' representatives at the Bank office in Buenos Aires on July 8, 2011. In this meeting, the Requesters clarified many of the concerns posed in the Request and included in the responses above and relevant footnotes. As indicated in the main text of this Management Response, It became clear in the course of the discussion that many of the Requesters' concerns go well beyond the potential sub-project which may be eligible for Bank financing.</p>

²² According to the Requesters, the meeting was requested to discuss and inform the Bank on the informative meetings held in May 2011 (see 13.3 and 13.4), which had been mentioned in a prior e-mail sent by the Bank Task Team Leader to their technical advisor.

ANNEX 2
TIMELINE OF EXCHANGES WITH THE REQUESTERS

Contact/Exchange	Date
Fax from National University of Santiago del Estero on the EIA for the potential sub-project	11/25/2010
Telephone Conversation: UNSE/ Bank TTL	12/20/2010
E-Mail response from Bank TTL	12/20/2010
E-Mail from UNSE with 25 Observations to EIA	12/21/2010
E-Mail from UNSE with Minutes of Audiencia Publica June 2010	12/21/2010
E-Mail from UNSE with Media Article	12/21/2010
E-Mail response from Bank TTL acknowledging receipt	12/21/2010
E-Mail from Technical Advisor	1/30/2011
E-Mail from UNSE with links to media articles and other comments	2/10/2011
E-Mail response from Bank TTL explaining framework approach	2/21/2011
Telephone conversation: UNSE / Bank Team	2/21/2011
E-Mail from Representative of Comunidad Los Flores Sur forwarding images/pictures	2/21/2011
E-Mail from Representative of Comunidad Los Flores Sur requesting information on phone conversation and sending Technical Advisor's CV	2/22/2011
E-Mail response from Bank TTL to Representative of Comunidad Los Flores Sur acknowledging receipt	2/22/2011
E-Mail response from Bank TTL to Representative of Comunidad Los Flores Sur referring to phone conversation on 02/21/11	2/24/2011
E-Mail from Representative of Comunidad Los Flores Sur to Bank TTL requesting documents form Bank	2/24/2011
E-Mail from Representative of Comunidad Los Flores Sur to Bank TTL acknowledging receipt and resending Mr. Serrano's CV	2/24/2011
E-Mail from Bank TTL to Technical Advisor informing on project	3/1/2011
E-Mail from TTL to Representative of Comunidad Los Flores Sur offering to call regarding request of documentation	3/7/2011
E-Mail from Representative of Comunidad Los Flores confirming Bank TTL call for the next day	3/8/2011
E-mail from Bank TTL informing of audioconference on March 14th, 2011	3/11/2011
E-Mail from Representative of Comunidad Los Flores Sur informing EIA w/ objections from Public Consultation was published in Gov. webpage	3/13/2011
E-Mail from Representative of Comunidad Los Flores Sur informing EIA w/ objections from Public Consultation was published in WB webpage	3/14/2011
E-Mail from Bank TTL to Representative of Comunidad Los Flores Sur responding on EIA web publishing and informing on MGAS attachments	3/14/2011
E-Mail from Representative of Comunidad Los Flores Sur sending documents on liquid pouring (ERSAC - Virgen de Guadalupe)	3/14/2011
E-Mail from Technical Advisor confirming audioconference	3/14/2011
E-mail from Bank TTL informing of audioconference	3/14/2011
Telephone conversation: Technical Advisor/ Bank TTL	3/14/2011
Bank TTL sends printed version of the MGAS to the community	3/14/2011
E-Mail from Representative of Comunidad Los Flores Sur requesting information on regards of published in newspaper articles (attached)	3/16/2011
E-Mail from Representative of Comunidad Los Flores Sur requesting ISDS	3/17/2011
E-Mail from Representative of Comunidad Los Flores Sur acknowledging receipt of printed information sent by the Bank	3/18/2011

Contact/Exchange	Date
Telephone conversation: Representative of Community Los Flores Sur/ Bank TTL	
Letter from General Attorney in Santiago del Estero requesting suspension of April 5th, 2011 Meeting to approve Project framework	4/1/2011
E-Mail from Representative of Comunidad Los Flores Sur on Recurso de Amparo Federal	4/1/2011
E-Mail from Representative of Comunidad Los Flores Sur informing on video of Public Consultation in Casa de Gobierno	4/4/2011
E- mail from Bank TTL acknowledging receipt	4/4/2011
E-Mail from Representative of Comunidad Los Flores Sur attaching newspaper article	4/8/2011
E-Mail from Representative of Comunidad Los Flores Sur requesting Spanish version of documents	4/10/2011
E- mail from Bank TTL acknowledging receipt	4/10/2011
E-Mail from Representative of Comunidad Los Flores Sur sending documents on liquid pouring (ERSAC - Virgen de Guadalupe)	4/10/2011
E-Mail from Technical Advisor informing his conversation w/ Universidad Nacional de Santiago del Estero	4/14/2011
E-Mail from Bank TTL to Technical Advisor informing on possible mission	4/19/2011
Letter from Bank SL responding to General Attorney in Santiago del Estero	4/20/2011
Letter from General Attorney in Santiago del Estero clarifying earlier communication	4/26/2011
E-Mail from Representative of Comunidad Los Flores Sur requesting information on May 6th meeting	4/27/2011
E-Mail from Bank Team to Representative of Comunidad Los Flores Sur on meeting with them	4/29/2011
E-Mail from Representative of Comunidad Los Flores Sur to the Water Secretariat in Santiago del Estero	4/30/2011
E-Mail from Bank Team to Representative of Comunidad Los Flores Sur requesting phone number to call	5/2/2011
E-Mail from Bank Team to Representative of Comunidad Los Flores Sur confirming meeting on May 6th, 2011	5/2/2011
Letter from Representative of Comunidad Los Flores Sur to Secretary of Water declining participation on May 6th, 2011 meeting	5/3/2011
E-Mail from Bank Team to Representative of Comunidad Los Flores Sur confirming invitation, + e-mail informing on participants form WB	5/3/2011
E-Mail from Bank Team to Representative of Comunidad Los Flores Sur requesting them to meet the Bank's Sr. Social Specialist	5/3/2011
E-Mail from Bank Team to Representative of Comunidad Los Flores Sur complementary response to e-mail sent on April 29th, 2011 requesting more information	5/3/2011
E-Mail from Bank Team to Representative of Comunidad Los Flores Sur confirming WB participation in May 6th meeting	5/5/2011
E-Mail from Bank Team to Representative of Comunidad Los Flores Sur requesting documents and regretting their impossibility to participate in the meeting	5/6/2011
Letter from Bank SL responding to General Attorney in Santiago del Estero	5/10/2011
E-Mail from Representative of Comunidad Los Flores Sur Invitation to Informative Meeting on Urban Drainage and River Dulce Basin	5/22/2011
E-Mail from Bank Team to Representative of Comunidad Los Flores Sur informing he won't be able to participate in the informative meeting	5/24/2011
E-Mail from Technical Advisor to Bank TTL informing about interest of local communities in the potential sub-project	5/30/2011
E-Mail response from Bank TTL to Technical Advisor and offering to call him	6/30/2011
E-Mail from Representative of Comunidad Los Flores Sur confirming interview w/ Bank TTL	7/6/2011
E-Mail response from Bank TTL confirming meeting	7/6/2011

Contact/Exchange	Date
E-Mail from Representative of Comunidad Los Flores Sur attaching e-mails to discuss during meeting w/ Bank TTL	7/6/2011
E-Mail response from Bank TTL acknowledging receipt of main points for meeting	7/7/2011
Meeting: Bank Team / Requesters of Comunidad Los Flores Sur at Bank Office in Buenos Aires	7/8/2011