

TC Document

I. Basic Information for TC

▪ Country/Region:	HONDURAS
▪ TC Name:	Support for the preparation of the Central District Water Supply Improvement Project
▪ TC Number:	HO-T1454
▪ Team Leader/Members:	Manjarres, Jose Francisco (INE/WSA) Team Leader; Sasaki, Keisuke (INE/WSA) Alternate Team Leader; Contin Steinemann, Christian Alberto (VPC/FMP); Garzonio, Omar Dario (INE/WSA); Velasquez Rodriguez, Manuela (INE/WSA); Guzman, Amalia Del Carmen (CID/CHO); Lozano, Raul Enrique (FMP/CCR); Lee Lee Sergio Kyu Chul (INE/WSA); Senosier, Soraya Marie Claire (VPS/ESG); De Dobrzynski, Esteban (LEG/SGO); Romero Burgos Maria Fernanda (INE/WSA); De Obaldia Fierro, Ana Victoria (CID/CPN) Lee Sergio Kyu Chul (INE/WSA); Senosier, Soraya Marie Claire (VPS/ESG); De Dobrzynski, Esteban (LEG/SGO); Romero Burgos Maria Fernanda (INE/WSA); De Obaldia Fierro, Ana Victoria (CID/CPN)
▪ Taxonomy:	Client Support
▪ Operation Supported by the TC:	N/A
▪ Date of TC Abstract authorization:	28 Aug 2024.
▪ Beneficiary:	Central District Municipality (AMDC) through Municipal Unit of Drinking Water and Sanitation of the Central District (UMAPS)
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	Japan Special Fund(JSF)
▪ IDB Funding Requested:	US\$750,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	36 months for disbursement and execution
▪ Required start date:	
▪ Types of consultants:	Individual Consultants & Firms
▪ Prepared by Unit:	INE/WSA-Water & Sanitation
▪ Unit of Disbursement Responsibility:	CID/CHO-Country Office Honduras
▪ TC included in Country Strategy (y/n):	YES
▪ TC included in CPD (y/n):	YES
▪ Alignment to the IDB Group Institutional Strategy: Transformation for Greater Scale and Impact:	Environmental sustainability; Gender equality; Gender equality and inclusion of diverse population groups; Institutional capacity and rule of law; Social inclusion and equality; Social protection and human capital development; Sustainable, resilient, and inclusive infrastructure

II. Objective and Justification of the TC

- 2.1 **Objectives.** The objective of the TC is to develop preparatory studies to support the project for the improvement of the water supply of the Central District, to enhance the access, the continuity and the quality of the drinking water supply service and sustainability. These studies will be used for the eventual parallel financing operation with JICA under Cooperation for Economic Recovery and Social Inclusion (CORE) Program, the cofinancing framework between IDB and JICA, in order to substantially improve service standards, strengthen and consolidate the management capacities of UMAPS, under a focus on resilience, social considerations and quality of infrastructure.

- 2.2 **Context.** The Framework Law on the Drinking Water and Sanitation Sector (LMSAPS, approved in 2003) and its General Regulations created the basis for modernizing and revitalizing the water and sanitation sector (WASH), based on a clear functional division by the responsible authorities. The municipalities are responsible for the provision of services, which implied a decentralization of services from the National Autonomous Service of Aqueducts and Sewers (SANAA) to the municipalities.
- 2.3 For the Central District, which covers both Tegucigalpa and Comayaguela municipalities, in development of the contents and guidelines of the LMSAPS, the Municipal Mayor's Office (AMDC) adopted a set of actions to assume its responsibility for these services with the autonomous management model of public property, to be developed by the Municipal Unit of Drinking Water and Sanitation (UMAPS).
- 2.4 On September 2023, the IDB approved a second operation in a series of Policy-Based Program (PBP) in support of the reform process that will consolidate the municipalization of W&S services by improving sectoral governance and management, in a context of Climate Change (CC) and conducive to water security ([link](#)).
- 2.5 Although the PBP has made progress in the transition of services and in the sectoral framework, there are still challenges in the sector to achieve universal access to safely managed W&S services. The challenges of the W&S sector in DC include: (i) Coverage: about 30% of households in DC are not served by UMAPS; (ii) Continuity of drinking water service: significantly reducing the intensity and frequency of scheduled rationing¹; and (iii) limited operational efficiency and financial sustainability².
- 2.6 **Justification:** The National Government, the Municipal Mayor's Office and UMAPS have made progress in identifying possible sources of financing for the development of strategic projects to overcome the challenges. The demand for drinking water in Tegucigalpa is projected to increase, been crucial to improve the efficiency of the distribution system, which faces several challenges, among which stand out: i) high levels of non-revenue water (NRW), mainly due to intermittent supply and lack of micrometers; ii) old and deteriorated pipes causing leaks and water losses, in addition to the lack of an asset management system that optimizes management and maintenance of the network; and iii) limited institutional capacity, since the assumption of the system by the UMAPS is still in the process of consolidation, making it necessary to support the adoption of modern business management tools, with the purpose of giving sustainability to the process of transferring responsibilities from the national to the municipal level.
- 2.7 Along these lines, since 2021, JICA has been working on the formulation of a program for the improvement and rehabilitation of the drinking water transport and distribution network of the Central District in Tegucigalpa, focusing on hydraulic optimization and energy efficiency of the system – with the purpose of, from the reduction of technical

¹ In 2021, households connected to the networks received water only once a week. Thanks to PBP measures, this is expected to improve to 3 times per week.

² In terms of operational efficiency, it can be highlighted, on the one hand, that, with the PBP measures, the indicator of employees per thousand connections decreased from 13 in 2019 to 7.4 for 2022, and on the other hand, that still, even after the improvement, there is a gap if this indicator is compared with the level of efficiency observed in the sector (3 employees per thousand connections). In terms of financial sustainability, as a result of the PBP, UMAPS is now able to recover its operating costs with its operating income. However, its capacity to contribute to large-scale investments is still limited.

losses and demand management, reducing pressure on the need to develop new sources of supply.

- 2.8 The preliminarily identified program, with an estimated amount of \$170 million, includes interventions in the following areas: (i) Renovation of Transmission Pipelines, (ii) Renovation of Water Transmission Pump Station, (iii) Replacement and optimization of electromechanical equipment, (iv) Rehabilitation of water distribution tank, (v) Renovation and extension of water distribution network, and (vi) Micro-metering and demand management.
- 2.9 The TC will allow the preparation of engineering projects required to improve the levels of coverage and continuity of the service, as well as promote sector innovation utilizing new technologies and tools such as digital transformation, to improve the supply of the service and the management of water resources to ensure their sustainability through the adoption of good climate resilient practices.
- 2.10 **Strategic Alignment:** The technical cooperation is consistent with the IDB Group Institutional Strategy: Transformation for Greater Scale and Impact (CA-631) and is aligned with the objectives of: (i) reducing poverty and inequality, while improving efficiency hydraulics of the supply network, will allow expanding its coverage to areas not currently served and increasing the continuity of the service, especially in peripheral areas, and avoiding additional expenses for lower-income households; and (ii) address climate change, increasing the resilience of the system to face contingencies derived from climate change. It is also aligned with the following areas of operational focus: (i) gender equality and inclusion of diverse groups of the population, strengthening the capacity of the UMAPS in relation to internal policies and strategies in favor of gender equality; (ii) institutional capacity, rule of law and citizen security, consolidating the corporate governance of the UMAPS; (iii) social protection and development of human capital, by promoting the professionalization of the UMAPS; and (iv) sustainable, resilient and inclusive infrastructure, reducing pressure on water sources and reducing energy consumption. It is also consistent with the Sectoral Framework Document on Water and Sanitation (GN-2781-13), as it seeks to reduce inequalities, promoting the provision of efficient, sustainable and good quality services, under the premise of environmentally and socially sustainable projects and incorporating Climate Change considerations. The TC is also aligned with the Country Strategy for Honduras (EBP) 2019-2022 (GN-2944), through the Water and Sanitation sector dialogue area, which highlights the need for institutional and operational management interventions that contribute to the good management of water resources, sustainability, and quality and access to services. Finally, TC is consistent with key objectives of the Japan Enhanced Initiative for Quality Infrastructure, Resilience against Disaster and Health (JEI), as it (i) promotes safe, efficient and sustainable infrastructure throughout its life cycle; (ii) seeks to increase the resilience of infrastructure to climate events; (iii) encourages the benefits of infrastructure to reach the entire population, especially the most vulnerable; and (iv) incorporates elements to consider the environmental and social impact of the projects whose designs will be supported.

III. Description of Activities and Outputs

- 3.1 **Component 1. Technical Studies.** Under this component, some of the studies to be financed are: (i) feasibility studies³, including preliminary designs and bidding documents, that incorporate considerations of resilience to climate change, gender and inclusion throughout the project cycle; (ii) preparation of the Environmental and Social Impact Analysis of the proposed interventions, including gender and diversity approach; and (iii) social analysis, to ensure the sustainability of the interventions, promoting the involvement of the beneficiary communities, including gender and diversity approach. It will include the hiring of an individual consultant to support the coordination of activities with UMAPS, AMDC and other relevant actors related to the definition of the scope of the proposed interventions. Considerations for climate adaptation and mitigation will be incorporated across the prefeasibility and concept design options and plans.
- 3.2 **Component 2. Strengthening the governance and management capacity of UMAPS.** Under this component, among others, the following products will be financed: (i) Promotion and application of the AQUARATING tool, as a sectoral instrument to promote the continuous improvement of water and sanitation service providers at the national level, with emphasis on UMAPS, as a demonstration application; and (ii) preparation of a digital transformation plan for UMAPS and identify priority activities to be conducted in the loan operation, allowing the digital modernization of the management and maintenance of the water distribution network, both from the operational aspects (instrumentation and modeling (SCADA), and to deepen transparency, citizen participation and accountability.

IV. Budget

- 4.1 The total budget for this TC is US\$ 750,000 financed by the Bank through the Japan Trust Funds (JTF), according to the detail presented in the following table

Indicative Budget

Activity/Component	IDB/JTF US\$	Total Funding US\$
Component 1: Technical Studies	US\$ 600,000	US\$ 600,000
(i) Hydraulic modeling and final design	US\$ 400,000	US\$ 400,000
(ii) Social and economic analysis, including G&D approach	US\$ 75,000	US\$ 75,000
(iii) Environmental and social impact assessment, management plan and management system, including G&D approach	US\$ 50,000	US\$ 50,000
(iv) Preparation of due diligence studies	US\$ 50,000	US\$ 50,000
(v) Support for technical supervision of TC Component 1	US\$ 25,000	US\$ 25,000
Component 2: Strengthening the governance and management capacity of UMAPS	US\$150,000	US\$150,000
(i) Roadmap for the functional improvement of UMAPS	US\$ 75,000	US\$ 75,000
(ii) Comprehensive Digital Transformation Plan for UMAPS	US\$ 60,000	US\$ 60,000
(iii) Support for technical supervision of TC Component 2	US\$ 15,000	US\$ 15,000
Total	US\$ 750,000	US\$ 750,000

³ The products derived from this TC will also allow defining the baseline of service standard indicators to be subsequently included in the Program Results Matrix, such as continuity and NRW, to ensure their feasibility and accuracy.

V. Executing Agency and Execution Structure

- 5.1 The Government asked the Bank to be the executor of this TC, through the Water and Sanitation Division (INE/WSA).
- 5.2 The Bank has adequate systems to guarantee the correct execution of the operation and ensure the sustainability of the execution of the project in line with the "Operational Guidelines for Technical Cooperation Products" (GN-2629-1) and the Procedures for the Processing of Technical Cooperation Operations and Related Matters (OP-619-4, Annex II, C 2.2). The IDB will be responsible for the administration, planning, control and supervision of the allocated financial resources, as well as all those activities related to the adequate preparation and programming of the operation.
- 5.3 The IDB will be responsible for the selection and contracting of consulting firms, individual consultants. and non-consulting services in accordance with the Bank's current procurement policies and procedures for Bank-executed operations. The activities to be executed are included in the Procurement Plan and will be contracted in accordance with Bank policies as follows: (a) AM-650 for Individual consultants; (b) GN-2765-4 and Guidelines OP-1155-4 for Consulting Firms for services of an intellectual nature and; (c) GN-2303-33 for non-consulting and other related services. The TC does not present fiduciary management risks as it will be implemented by the Bank. Therefore, no financial audit is required.
- 5.4 The Bank will coordinate all activities, including the monitoring of outputs, with the Municipal Drinking Water and Sanitation Unit, as the beneficiary of the expected outputs.
- 5.5 The Team Leader will be designated as the focal point responsible for the implementation of the TC.

VI. Project Risks and Issues

- 6.1 As major risks that could affect the execution of the TC, the following has been identified: (i) the lack of adequate and timely coordination by the entities involved; and (ii) delay in the delivery of the required technical products. To minimize these obstacles, the Bank's team will organize periodic coordination meetings with the different actors, as well as the definition of institutional articulation mechanisms and technical support that guarantee the quality and timeliness of the products.

VII. Exceptions to Bank policy

- 7.1 This TC does not contemplate any exceptions to Bank Policy.

VIII. Environmental and Social Classification

- 8.1 This TC will finance feasibility and pre-feasibility studies of investment projects with associated environmental and social studies, whose terms of reference and deliverables will be consistent with the applicable requirements of the Bank's Environmental and Social Policy Framework (ESPF). Considering that the project for which the pre-feasibility studies will be prepared are expected to have minor/no level of direct impacts a moderate level of indirect and/or cumulative impacts, the Environmental and Social Risk Rating (ESRR) is moderate.

Required Annexes:

[Request from the Client_5054.pdf](#)

[Results Matrix_88209.pdf](#)

[Procurement Plan_75996.pdf](#)