



**Interoffice Memorandum**

To: Ms. Rebeca Arias  
UN Resident Coordinator  
Honduras

From:   
Assistant Administrator and Director, Partnerships Bureau  
UNDP New York

Subject: Honduras-MDGF-1782: Economic Governance of Water and Sanitation

Date: \_\_\_\_\_

Extension: \_\_\_\_\_

File: MDGF 1782

**I. Approval Status**

On behalf of the MDG-F Steering Committee I am pleased to inform you that your Joint Programme “Economic Governance of Water and Sanitation” is hereby approved with an allocation of USD\$ 6.5 millions for three years. This figure includes 7% for indirect costs incurred by UN Participating Organizations. Please note the 1% AA fee will be reimbursed directly to the MDTF Office and need not be included in your allocation.

**II. JP design comments**

We have identified in section III below, some changes we require to the design of your Joint programme. Once these adjustments have been reflected in the document, you may proceed with signature of the Joint Programme document. The UN Resident Coordinator and all Participating UN Organizations should each sign the Joint Programme document in addition to the Government (including primary national counterparts). We would encourage you to ensure some visibility for this event and for the launch of implementation.

The Joint Programme proposes an innovative approach focusing on the improvement of pre-investment conditions to mobilize future infrastructure investments at the sector level, water and sanitation. This approach, although strategic, faces the **risk** of not reaching the desired level of **ownership** and expectations by local decision-makers. This hypothesis should be taken into account and necessarily addressed in the mid term evaluation.

We also think that, whilst the decentralization strategy proposed could serve as a best practice in terms of interventions ensuring sustainable management and strengthening local social structures, the vaguely identified **geographical focus** of the interventions and the lack of prioritization of *mancomunidades* and *municipios* could hinder the successful achieving the expected results.

The Joint Programme involves a cross-section of UN Country team members and counterparts. However, the Secretary feels that certain aspects related to the **logic of participation** of certain agencies (concretely ILO, UNIDO and PAHO) in regards to the achievement of the JP outcomes (as



explained in section III) could be further justified as well as explaining the complementarities between the different interventions proposed.

The comments of our technical reviewer on the Joint programme document are attached for reference. The review is very positive and includes some useful recommendations you may wish to consider in the finalization of the document or during the course of the programme's implementation. Please note the changes recommended by the reviewer are not required by the Fund, unless specified under section III below.

Also note that the Fund Secretariat may revert to you soon with comments on your Monitoring Framework which we feel is limited to the programme level. The Secretariat plans to work with all approved programmes during the current year to address their M&E frameworks and to develop a small number of common indicators relating to the thematic windows, UN reform, Paris Declaration process and the Millennium Declaration.

### **III. JP re-design requirements and/or recommendations**

The Secretariat recommends that:

- The Joint Programme should define more clearly the **geographic areas** of intervention prioritizing *mancomunidades* and *municipios*. The project sites should be evidently identified in the work plan ;
- The RC together with the National Steering Committee should assess the **coherence** of the programme outcomes in relation to two specific outputs: the TEST initiative led by UNIDO and the solid waste management led by PAHO as well as the suitability of the international consultancies proposed by these and other participating agencies such as ECLAC ;
- **Complementarities** among Participating Agencies should be defined fully in the Annual Work Plan;
- In anticipation of the **risk** of not reaching the desired level of local ownership because of the failure of matching pre-investment expectations with investment projects in the municipalities, the joint programme should be monitored closely and reassessed in the mid term evaluation to verify the impact of the project in terms of resource mobilization for sector investment projects;
- The **budget** should be revised to ensure that sufficient resources are available to conduct the final evaluation.

### **IV. Management arrangements and delegation of authority**



On receipt of a copy of the signed document, the Fund Secretariat will transfer the full three-year allocation to the custody of the Multi Donor Trust Fund (MDTF) Office pending further instructions from you.

Please note the MDTF Office will pass-through funds to Participating Organizations on instruction from you as Resident Coordinator and Co-Chair of the National MDG-F Steering Committee.

As reflected in the Fund's Framework Document (Section 9 'Formulation Process & Release of Funds) and the global MoU with Participating Organizations (Article I, 2-c) the MDTF Office will release resources on an annual, advance basis. For the first advance, these funds will be transferred on the basis of receipt of the first year Annual Workplan and the signed Joint Programme document. Subsequent annual advances will be released on instructions from you and on the basis of a) receipt of the next annual work-plan approved by the National Steering Committee; b) evidence that a formal review of the programme's progress has been undertaken not more than three months earlier, either in the form of an annual progress report (if the timing coincides) or through the minutes of a National Steering Committee where this has been discussed; and c) only when combined commitments against the existing advance have exceeded 70%. Please review the initial year budget requests carefully with participating organizations in order to ensure realistic delivery targets in this regard. The annual agency apportionment projected in the final budget attached to the signed Joint Programme document should also be reviewed and can be revised up to the time of your first funds-advance request. This is important for the reasons outlined below.

In order to allow the implementation team some flexibility to adapt the strategy to unexpected challenges and opportunities (most particularly delivery issues), and to empower Resident Coordinators in their oversight responsibilities, this memorandum also provides you with the authority over the three year duration of the programme in consultation with Participating Organizations and with the agreement of your National Steering Committee to (a) transfer up to \$1,000,000 or 20% of the total value of the project budget – whichever is lowest – *between Participating Organizations* identified in the original Joint Programme budget and (b) re-phase up to \$1,000,000 or 20% of the total value of the project budget – whichever is lowest - *between years*. The base-line against which these ceilings will be measured is the annual budget projection (by year and by participating organization) confirmed at the time of your first funds-advance request. The MDTF Office must be informed of any revisions of this kind, decided locally and is responsible for tracking these delegation ceilings for each programme. Any changes that fall outside these parameters will have to be referred back to the (Global) MDG-F Steering Committee for approval.

As you will appreciate, one of the MDG-F's express goals is to strengthen the role of Resident Coordinators as leaders of Country Teams. The success of the MDG-F activities will depend on your ongoing leadership and engagement. We count on you to exercise this leadership and to ensure this Joint Programme remains an ongoing, integrated effort by the UN system in support



of national priorities. Please also use the National Steering Committee mechanism to help ensure national ownership by the Government in particular and involve it in important financial and programmatic oversight decisions.

The signed Joint Programme document and the completed Fund Release Form should be sent to the MDG-F Secretariat and MDTF Office within 30 days of the receipt of this memorandum. If this deadline is not possible, please inform the secretariat accordingly.

The Executive Coordinator of the MDTF Office, Bisrat Aklilu, will be in contact with any specific documentation requirements to ensure the programme meets compliance requirements for the Fund's pass-through arrangements.

With best wishes.

cc.

Bisrat Aklilu, Executive Coordinator, Multi-Donor Trust Fund Office  
Rebeca Grynspan, Assistant Administrator and Director Bureau for Latin America and the Caribbean, UNDP, New York  
H.E. Mr. D. Juan Antonio Yáñez-Barnuevo, Permanent Representative of Spain to the United Nations  
H.E. Mr. Iván Romero-Martínez, Permanent Representative of Honduras to the United Nations  
Ms. Milagros Hernando, Director-General for Planning & Evaluation, MFA Madrid  
Ms. Sally Fegan-Wyles, Director, Development Group Office  
MDG-F Secretariat

## 2. Executive Summary

In Honduras, although considerable advances have been made over the last 40 years in terms of water quality and sanitation, some sectors of the population still do not receive the services they need.

This lack of services is apparent in both urban and rural areas, with the problem being more critical in the latter. In the country's cities, marginal districts are those with the lowest rates of access to water and suitable sanitation.

Efforts made by the Government of Honduras and international cooperation initiatives over the last few decades have led to some improvements and, as a result, death and infant morbidity rates have fallen. However, research shows that some key factors are limiting the development of the sector, and as a result some Hondurans are prevented from having access to water and sanitation services. These factors are basically related to the incomplete organisation of the sector, insufficient investment, and the frequent lack of sustainability of the investments which are made.

In terms of water and sanitation, 2008 is a decisive year for the Honduran government, as it will see the implementation of important initiatives which form part of the country's Poverty Reduction Strategy (ERP) and international cooperation projects. In order to support this process, this Joint Programme aims to help meet the country's needs in this field.

The actions of this Joint Programme will be carried out in accordance with a number of key areas. Firstly, the Programme will aim to achieve the Millennium Development Goals (MDGs), as laid out in the UN Millennium Declaration signed by Honduras. Honduras aims to meet these MDGs, which set the target of providing access to improved water and sustainable sanitation to 95% of the population, through its Poverty Reduction Strategy (ERP). Secondly, the Programme will follow the principles of Alignment and Harmonisation included in the 2005 Paris Declaration. Honduras plans to meet these targets at a national level through an agreement with the United Nations Development Assistance Framework (UNDAF) signed by the Government of Honduras and the UN System Agencies.

Within this general framework, the aim of the Joint Programme centres around the aims of the UNDP-Spain MDG Achievement Fund, *"which seeks to support interventions that enhance access to, and provision of, services by utilities, increasing their efficiency and affordability at either a national or local level, and taking into consideration how the poor participate and benefit from these services"*.

The Programme actions follow the lines established in the terms of reference for the Thematic Window on Democratic Economic Governance, and include the strengthening of the sector's *institutional framework*, supporting the *regulatory strategy*, and the management of ***financial resources and incentives for improving access***.

The Programme also includes and implements a series of guiding principles. The first of these principles is the strengthening of national capacities by supporting the sector's institutions at both a national and local level.

At a national level, support will be given to the organisation, methodology and institutional positioning of CONASA (National Council on Water and Sanitation) and ERSAPS (Regulatory Body for Water and Sanitation Services), the two institutions created by the 2003 Framework Law which are still in their first stages of development, and which need support in terms of their operational functions and technical tools.

At a local level, work will be carried out in close technical collaboration with Municipalities, Associations and Water Boards, in other words, the organisations which, according to the Law on Municipalities, are responsible for providing water and sanitation services. In addition, the Programme aims to promote the creation of associations at a local level by supporting sectoral dialogue in order to guarantee the sustainability of the intervention.

Another driving principle of the programme is helping Honduras to achieve the MDGs. In this regard, increased coverage of high-quality water and sanitation services will be achieved by financing investment and pre-investment, using 19% of the total budget for this purpose. From the outset, the Programme will aim to establish strategic links with other donors or financial bodies in order to guarantee a greater impact in terms of increased access to water and sanitation. In addition, close support will be given to municipalities in the financial management of project proposals, and the Programme will act as an advocate, requesting financing from donors and financial bodies with the aim of obtaining an affirmative and appropriate response.

Furthermore, the Programme will aim to promote a rational, well-planned approach for taking on the management of water and sanitation, and will make the population and the authorities aware that rational management of water and sanitation services in their towns is a necessity.

The Municipal Water and Sanitation Plans are the proposed framework for the basic or pre-investment studies which will determine requirements in terms of volume, scale, and the location of controlled landfills or dumps. This will make it possible to plan specific water and sanitation projects such as the construction of sewer systems, controlled landfill sites, dumps and community water supply sources.

Based on these studies, it will be possible to estimate how much the municipality will be able to take on in terms of economic and social activities to improve its competitiveness in terms of its water supply in the medium term; a concept which is directly linked to the conservation of micro-basins.

Since the 1990s, the country has been working on a strategy of decentralisation and local development, with municipalities taking on a leading role. The country's experience shows that the creation of associations at a municipal level in a number of different geographical areas can be beneficial, as it brings services to the end users in a cost-effective manner. The aim is to implement this Joint Programme within the context of this initiative.

Before the Agencies which will work at a local level can start to carry out their operational activities, a study will be carried out in the six municipal groups (34 municipalities in total) selected in order to determine the baseline for the indicators used.

In addition, before the Programme can start its operational activities, the members of the Programme Management Committee (PMC) will complete field research to determine the number of municipalities in which the activities set out in the Programme should be carried out. They will also determine whether or not it will be more effective to concentrate on fewer intervention areas in order to achieve a greater impact.