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# Republic of Honduras Strategy and Action Program for WSS in Small Towns in Honduras

## Water and Sanitation Service Provision in Small Town in Honduras

June 2016

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LATIN AMERICA AND CARIBBEAN





**Water and Sanitation Service Provision in  
Small Towns in Honduras—Overview,  
Capacity Constraints, and a Path Forward  
(P132283)**

June 2016

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## Abbreviations and Acronyms

AECID	Agencia Española de Cooperación Internacional para el Desarrollo (Spanish Agency for International Development Cooperation)
AMASM	Asociación de Municipios para Agua Saneamiento y Medio Ambiente (Association of Municipalities for Water, Sanitation, and the Environment)
AMHON	Asociación de Municipios de Honduras (Honduran Association of Municipalities)
CENET	Centro Nacional de Educación para el Trabajo (National Center for Labor Training)
COMAS	Comité Municipal de Agua y Saneamiento (Municipal Water and Sanitation Committee)
CONASA	Consejo Nacional de Agua Potable y Saneamiento (National Water and Sanitation Council)
CPF	Country Partnership Framework
CRI	Climate Risk Index
CWB	Junta de Agua Comunitaria (Community Water Board)
ERSAPS	Ente Regulador de los Servicios de Agua Potable y Saneamiento (National Water and Sanitation Service Regulator)
FOCARD	Foro Centroamericano y República Dominicana de Agua Potable y Saneamiento (Central American and Dominican Republic Forum for Drinking Water and Sanitation)
FONASAN	Fondo Nacional Agua y Saneamiento (National Water and Sanitation Fund)
ICT	information and communications technology
JAPOE	Junta de Agua de la Comunidad de Jesus de Otoro (Jesus de Otoro Community Water Board)
MAMUCA	Mancomunidad de Municipios del Corredor Atlántico (Association of Municipalities of the Atlantic Corridor)
MANOF	Mancomunidad de Municipios del Norte de Francisco Morazán (Association of Municipalities of Northern Francisco Morazán)
MAPAS	Monitoreo de los Avances de País en Agua Potable y Saneamiento (Monitoring Country Progress in Water and Sanitation)
PER	public expenditure review
PIAPS	Plan Integrado de Agua Potable y Saneamiento (Integrated Water and Sanitation Plan)
PLANASA	Plan Nacional de Agua y Saneamiento (National Water and Sanitation Plan)
PROMOSAS	Water and Sanitation Sector Modernization Project
PIU	project implementing unit
SANAA	Servicio Autónomo Nacional de Acueductos y Alcantarillados National Autonomous Water and Sewage Agency
SCD	Systematic Country Diagnostic
SDC	Swiss Agency for Development and Cooperation
SEFIN	Secretaría de Finanzas (Secretariat of Finance)
SIASAR	Rural Water and Sanitation Information System
SPI	Simple Performance Index
TA	technical assistance
UDASJI	Unidad Descentralizada de Agua y Saneamiento de San Juan (Decentralized Water and Sanitation Unit of San Juan)
UNAH	Universidad Nacional Autónoma de Honduras (National Autonomous University of Honduras)
UPI	Universidad Politécnica de Ingeniería de Honduras (Polytechnic Engineering University of Honduras)
USCL	Unidad de Supervisión y Control Local (Local Control and Supervision Unit)
WOP	water operator partnerships
WSS	water supply and sanitation

# Executive Summary

Poor water supply and sanitation (WSS) service provision at the municipal level led to the concentration of authority under the National Water and Sewerage Service (*Servicio Autónomo Nacional de Acueductos y Alcantarillados*, SANAA) in the mid-1900s. Fifty years hence, the pendulum swung back to the decentralization of WSS services after the difficulties encountered by a single public entity in developing and managing the WSS operations of an entire country. Decentralization of public services aims to improve service quality by vesting decision making power in local authorities with a better understanding of local realities, and who are more accountable for their performance to voters.<sup>1</sup> This culminated in the passage of 2003 Water and Sanitation Framework Law, which decentralizes WSS service provision in Honduras. The law delegates WSS service provision authority to municipalities, who in turn establish the service provision model to use within their jurisdiction. As of mid-2016, 13 WSS systems have yet to be transferred to municipalities on account of lingering questions about employee salaries and local capacities; these concerns are particularly pronounced in the nine small towns that have not yet received transfer. At the same time, Honduras is urbanizing and small towns are growing, especially along the GoH's identified Development Corridors.<sup>2</sup> The government recognized that establishing sound institutional models while small towns are still small will help avoid problems of unplanned urban growth that bedevil large cities in Honduras and across Latin America.

Within this context, the government of Honduras (GoH) requested Bank support to take stock of water supply and sanitation (WSS) service delivery in small towns and build institutional capacity to provide sustainable WSS service management in small towns. Donor bandwidth in the WSS sector in Honduras in recent years has focused on large metropolitan areas, namely Tegucigalpa, and rural areas. This TA is an initial effort to strengthen support for, and increase visibility of, WSS service provision in small towns of 5,000 to 30,000 inhabitants, which total 53 nationwide and account for approximately 40 percent of the country's rapidly expanding urban population outside of the major cities of Tegucigalpa and San Pedro Sula. The GoH seeks to institutionalize effective management practices in small towns that can grow with the local populations.

Technical assistance for small towns complements the Bank's broader water engagement in Honduras, including the flagship US\$40 million Water and Sanitation Sector Modernization Project (PROMOSAS, P103881), that included support to two small towns as part of the US\$10 Additional Financing set to close in December 2016. The Bank is also supporting government planning and management capacity through several

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<sup>1</sup> *Introducing Accountability and Transparency to Water and Sanitation Services in Honduras through Enhanced User Participation*, World Bank Institute, January 2010,  
[http://siteresources.worldbank.org/INTSOCACCDEMSEGOV/Resources/2871813-1200515311988/4577172-1271445400159/notes01\\_honduras.pdf](http://siteresources.worldbank.org/INTSOCACCDEMSEGOV/Resources/2871813-1200515311988/4577172-1271445400159/notes01_honduras.pdf).

<sup>2</sup> The “Honduras economic corridors”, defined as settlements (rural and urban) located in a catchment area of 10 kilometers alongside the primary paved axis of the country, that articulate the “mayor and intermediate cities” of Honduras. This area is considered of economic importance due to the concentration of population

complimentary technical assistance activities, including work on sector financial policy, national water and sanitation plan, basin approaches to sanitation, and climate resilience. The results of this TA, which leveraged activities across the Bank portfolio in Honduras, have better positioned small towns to improve WSS service delivery through policy, planning and financing mechanisms, and visibility that improves access to capital through, stronger capacities at service providers, and more readily available technical assistance providers. Similarly, the results of the TA seed the ground for continued dialogue between the Bank and government of Honduras in the WSS sector following the closing of PROMOSAS. Much of the learning about small towns also scales laterally to inform WSS service provision in the peri-urban areas that encircle major cities.

#### *Overview of TA Objectives and Deliverables*

The TA set out to achieve four objectives: (i) inform development financing to improve WSS service in small towns; (ii) inform government policy and strategy through the national sector policy instruments; (iii) strengthen capacity of small town WSS service providers; and (iv) deepen and disseminate knowledge around WSS service provision in small towns.

The TA deliverables are structured around three pillars. The first pillar supported knowledge creation through (a) the preparation of an assessment of WSS service provision in small towns, and (b) the documentation of the mancomunidad joint service provider model. The second pillar supported capacity building for (a) small town service provider staff and (b) local technical assistance providers. The third pillar informed government policy for the provision of technical assistance for small town WSS providers and increased the visibility of small towns for the government and donors alike. This package of activities was intended to better position small towns to improve WSS service provision going forward.

#### *Pillar 1: Knowledge Creation*

The first deliverable of the TA was an assessment of the unique set of service provision challenges in small towns. The TA conducted a thorough desk review of the dispersed data sources and limited existing studies on WSS service provision in small towns and a series of field visits to bring together an assessment of the status of WSS services for the first time. The TA documented that WSS coverage remains limited in small towns—only 79 percent of residents have access to improved sources of drinking water. Moreover, those families that do have drinking water service cannot count on potable water to flow from the tap, as continuity averages just 11 hours/day, with some towns going days at a time with no water. Sector authorities indicate that few small town providers chlorinate water, though water quality data is not widely or systematically gathered. Some 20 small towns lack sewage networks, and of those that do have sewerage systems, only 13 route that wastewater to a treatment plant before discharge, leading to concerns about human health and the deterioration of water resources. Through the process of analyzing existing data, the TA highlighted numerous areas to strengthen data collection by national authorities to improve decision making by national authorities. According to data gathered under the TA, the average tenure of an employee at a small town WSS provider is 2.6 years and this short tenure contributes to limited capacity at service providers.

Despite the capacity constraints, insufficient financing for infrastructure remains a binding constraint in many small towns. In sum, the TA made an important contribution by documenting key service provision challenges and avenues by which small towns in Honduras can improve the coverage and quality of drinking water and sanitation service delivery.

The second deliverable under the knowledge creation pillar of the TA responded to a request from the GoH to analyze the applicability of the mancomunidad model—a legally constituted association of municipalities—in the WSS sector. Mancomunidades have generated positive results in other sectors in Honduras and across Central America and has the potential to help small municipalities and small town providers overcome constraints associated with lack of capacity and economies of scale. The Bank, through the US\$30 million Water and Sanitation Sector Modernization Project (PROMOSAS), provided technical assistance for the formation of the Aguas del Valle mancomunidad, the first joint WSS service provider in Honduras. The TA analyzed the process and documented lessons learned from the first year of operations.

Aguas del Valle was legally established as a joint WSS service provider in September 2013 that merged the existing providers from the small towns of San Manuel and Pimienta with the higher capacity provider in Villanueva. Active participation from mayors, particularly in community engagement, was critical to build necessary political support for the process, as was technical assistance financed by PROMOSAS starting in 2011. The joint service provider's management staff is based in Villanueva and supports field offices in San Manuel and Pimienta; WSS systems in the respective municipalities remain physically independent. The TA found that the impact of the formation of the joint service provider on service delivery is inconclusive at this early stage. Since the establishment Aguas del Valle, the number of paying costumers has increased by 13 percent. Coverage has improved marginally from 96 percent in 2012 to 98 percent in 2014. Continuity across the three municipalities has not improved and remains below 8 hours/day. Data on water quality remain unavailable. At the same time, the process of formally establishing the joint service provider occupied a significant amount of staff energy that could have gone to other tasks, and administrative challenges remain in areas spanning cost recovery, nonrevenue water, and late payments.

Another application of the mancomunidad legal framework documented under the TA is in the provision of shared support services for WSS providers. The Güisayote mancomunidad, linking five municipalities in the Department of Ocotepeque, pools resources to provide technical assistance to independent WSS service providers. In this case, support services have been particularly useful in watershed management, and the municipalities have not found it necessary to establish a joint service provider. Indeed, WSS system infrastructure in one of the member municipalities, La Labor, is operated concurrently by two independent service providers under a longstanding, informal agreement. Pooled support services under the framework of a mancomunidad appear to be an effective approach to make technical knowhow more accessible to small communities.

The analytical work carried out under the TA found that the mancomunidad model, with its different applications, shows promise as one alternative to enhance service provision in small urban areas. Expanded markets could potentially encourage private participation, which is absent in small towns in Honduras today. Nevertheless, the multiyear process of forming the Aguas del Valle joint service provider, and political capital required on the part of local leaders, occupied staff bandwidth though has not yet markedly improved service delivery. Shared infrastructure would create stronger incentives for regional collaboration through mancomunidades, though it is not clear that such opportunities exist today in small towns in Honduras. In the near to medium term, the pooled support service model employed by the Güisayote mancomunidad appears to offer more tangible benefits than the formation of a joint service provider in the Honduran context.

#### *Pillar 2: Capacity Building*

The second stream of activities carried out under the TA designed and implemented training courses for (a) the staff of small town service providers and (b) local technical assistance providers. As a result of these courses, Honduras is on firmer ground to offer the ongoing support that small town WSS providers will need in the years to come.

Recognizing the unique challenges facing small towns and the demand for capacity building and on-call support emanating from providers in those areas, the National Water and Sanitation Service Regulator (*Ente Regulador de los Servicios de Agua Potable y Saneamiento*, ERSAPS) and the Swiss Agency for Development and Cooperation (SDC) developed a 10 module training curriculum for managers and employees of small town WSS providers. Under the TA, the Bank partnered with SDC and the National Center for Labor Training (CENET) to scale up this initiative, and in doing so deepened the longstanding relationship in the water sector in Central America. Training in water-specific topics is supplemented by capacity building in business management with the goal of helping service providers think like a financial sustainable business, including cost recovery. The expanded curriculum was tested with 21 small town service providers in October 2015.

To bring the availability of TA and on-call support for small town or peri-urban WSS services to national scale, Honduras needs to increase the number of individuals who have formal training in the provision of such TA. To this end, the TA supported a partnership with the Engineering Polytechnic University of Honduras (UPI) to develop and finance a diploma program for local WSS service technicians. The first cohort of 18 technicians received their diplomas in December 2015. The process of designing and implementing the courses built consolidated, local training capacity at CENET and UPI, and the curricula are replicable and scalable.

#### *Pillar 3: Government Policy Support*

The TA supported government policy and enhanced opportunities and visibility of small towns on two levels: (a) delivery of strategic guidelines for SANAA's provision of technical assistance to small towns and (b) leverage complimentary Bank supported activities to increase the visibility of small towns in the national sector dialogue, policy, planning, and financing instruments. Finally, the TA identified the successful

implementation of the Municipal Civil Service Law as a priority for the WSS sector and an area for potential Bank support going forward.

First, the TA supported development of Strategic Guidelines for SANAA Technical Assistance in Small Town to guide the transition of agency from the national WSS utility to its new role as the government's primary TA entity, as envisioned and approved in the 2003 Water Framework Law. The guidelines build on the assessment of WSS service provision carried out under the knowledge creation pillar of this TA and the courses carried out as part of the capacity building pillar to target the unique needs of service providers in those areas. The guidelines address prioritization of support, development of operational instruments, and specific themes such as WSS infrastructure in schools and environmental sustainability, among other areas. SANAA has established a working group to formally incorporate the strategic guidelines into the organization's work plan for small towns. Once operationalized, these guidelines will help SANAA strengthen its role as a trusted partner for small town WSS providers and meet ongoing needs to capacity building as well as one-off maintenance and repair issues.

Second, activities carried out under the TA have increased the visibility of small towns in sector policy, planning, and financing instruments. The category of small towns was formally included in the National Water and Sanitation Sector Policy, approved in March 2013, the National Water and Sanitation Plan (*Plan Nacional de Agua Potable y Saneamiento*, PLANASA), approved in 2014, and the National Water Sector Financial Policy, approved in 2015, that includes formal mechanisms to channel funds to small towns. Complimentary Bank TAs supported preparation of these three instruments. These government policy instruments create new avenues to help small towns overcome financing constraints by explicitly considering small towns in the sector budgeting process and opening up new financing mechanisms, such as results based contracts to attract private participation. Likewise, raising the profile of small towns can help them attract donor attention, which is often concentrated on rural areas and large cities. Ultimately the inclusions in sector policy instruments and improved visibility of small towns should allow them to improve service delivery.

Finally, the TA identified high turnover at WSS service providers, often coinciding with political cycles, as key constraint to effective management. Rotation generates a continual need for capacity building for new employees. The Honduran Municipal Civil Service Law, in force since 2014, aims to create a standing corps of civil servants, including at WSS providers. The law creates an opportunity to provide thorough training to WSS staff who will then be able to apply and build on what they're learned over the course of their careers. The successful implementation of the Municipal Civil Service Law should therefore be a long-term goal for the WSS sector and the process could benefit from Bank support going forward.

### *Lessons Learned*

The experience of carrying out the TA yielded important insights that will serve to improve WSS service provision in small towns going forward. The first key takeaway is that among the interrelated service provision challenges in Honduras, access to financing

for WSS system investments and maintenance remains a binding constraint for small towns. The GoH, with Bank support, has begun to explore additional avenues for sector financing, an effort which it will need to continue to meet its goals of universalizing access to WSS services. Second, improving data collection by national authorities—from the types of indicators tabulated to the way they are managed—would strengthen decision making. Donor support can help build capacity to for the GoH to sustainably collect needed data. Finally, short tenures of WSS service provider staff, coupled with low levels of formal education in small towns, ensure that government and donor-provided technical assistance will remain crucial for years to come. The GoH is now better positioned to provide this needed TA in small towns, and the donor community will continue to play a vital role in convening and financing these activities.

#### *Fostering Continued Country Engagement*

Capacity building delivered under this TA has supported the implementation of the one water-related Bank investment operation in Honduras, PROMOSAS, and supports sector dialogue going forward. An additional financing for PROMOSAS was approved in 2013 to extend some US\$2 million infrastructure investments to two small providers that benefited from managerial training under the TA. These two small towns have approved a new tariff structure that encourages the sustainability of the PROMOSAS investments. Nevertheless, a further nine small town systems await transfer from SANAA to municipalities. A follow-on operation to PROMOSAS that specifically targets the remaining small towns could help assuage concerns related to financial liabilities and institutional capacity that hold back the decentralization process. Indeed, the TA found that access to capital for investments is a binding constraint to improving WSS service delivery in small towns, regardless of management and operational capacities. Fiscal space remains tight and a request for a new operation in the WSS sector is not expected in 2016, though the replicable results and strategic guidelines for support for small towns developed under this TA outline avenues for continued engagement with the country's WSS sector institutions that could lead to a new investment operation in the future.

#### *Conclusion*

In summary, the TA created knowledge, strengthened capacity, and informed government and donor policy vis-à-vis WSS service provision small towns in Honduras. Small town WSS service providers have management and operational tools to improve service delivery, and local institutions have developed the capacity to provide this training as needed. The government has a clearer picture of the state of WSS services in small towns and applicability of the mancomunidad model, specifically targeted policy actions toward small towns, and is working to systematically improve its provision of technical assistance. Taken together, these actions have better positioned small towns and the GoH to expand and improve the quality and sustainability of the services they provide to communities. Nevertheless, the findings of the TA reiterated that access to finance for infrastructure investments, maintenance, and rehabilitation remains a binding constraint to the provision of sustainable WSS services in small towns.

# **Output Report: Water and Sanitation Service Provision in Small Towns in Honduras—Overview, Capacity Constraints, and a Path Forward (P132283)**

## **1. Purpose and Methodology**

### **1.1 Overview of the Technical Assistance**

The purpose of this technical assistance (TA) was to support the government of Honduras (GoH) in assessing water supply and sanitation (WSS) service delivery in small towns using available official data, build institutional capacity to provide sustainable WSS service management in small towns, and increase visibility of small towns in sector planning instruments. It responds to a request from the government and sector authorities, including the National Water and Sanitation Council (Consejo Nacional de Agua Potable y Saneamiento, CONASA), National Autonomous Water and Sewerage Agency (Servicio Autónomo Nacional de Acueductos y Alcantarillados, SANAA), and the National Water and Sanitation Service Regulator (Ente Regulador de los Servicios de Agua Potable y Saneamiento, ERSAPS).

The TA delivered a package of activities intended to better position small towns to improve WSS service provision. These activities are structured along three pillars, the findings of which are summarized in this report. Pillar 1 created knowledge and delivered (a) an assessment of WSS service provision in small towns, and (b) the documentation of the mancomunidad joint service provider model. Pillar 2 strengthened capacity by providing training for (a) small town service provider staff and (b) local technical assistance providers. Pillar 3 informed government policy for the provision of technical assistance for small town WSS providers and increased the visibility of small towns in national sector planning instruments.

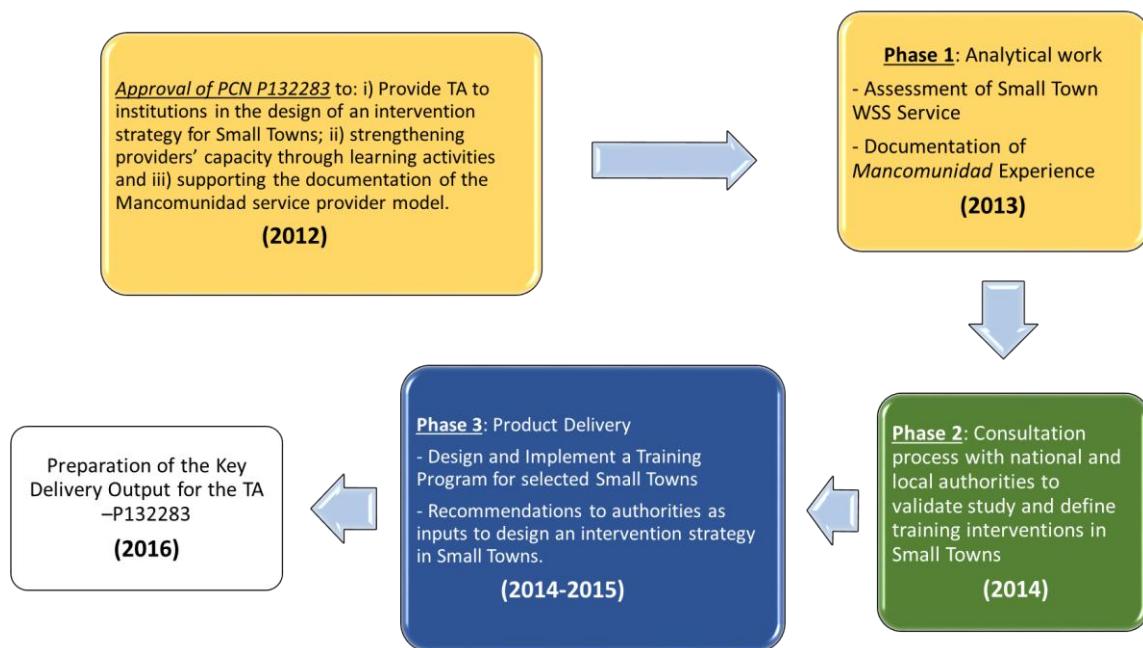
This report synthesizes the results and experiences of a comprehensive, participatory process that contributed to strengthening WSS service delivery capacity at small town providers and analytical capacity at sector institutions. The analytical work involved a thorough document review of the sector's legal and institutional underpinnings, field visits with WSS providers and mancomunidades to collect data, as well as consultation with national experts within and outside government. In partnership with the Swiss Agency for Development and Cooperation (SDC) and based on the findings of its analytical work and experience in training for small towns, a capacity-building curriculum was developed and implemented at 21 small town WSS service providers. The findings from the analytical work were also used in the preparation of guidelines for a national strategy for intervention in the WSS sector in small towns. The sum of these activities has strengthened the sector knowledge base, boosted managerial capacity at small town providers, and informed policy to increase the visibility of small towns in the national sector dialogue—taken together, small towns are better positioned to improve WSS service delivery as a result of the TA. Moreover, the lone Bank investment operation in the WSS sector in Honduras, the Water and Sanitation Sector Modernization

Project, PROMOSAS, will close in December 2016 and the TA has seeded the ground for future engagement that could help lead to new Bank operations in the country.

## 1.2 Overview of the Methodology

The methodology applied during this TA consisted of three key phases: (i) stock taking and assessment, (ii) stakeholder consultation, and (iii) design and implementation of further TA (Figure 1).

**Figure 1 – Phases of the TA**



The first phase of the TA entailed the gathering and preparation of documents with two different ends: (i) an assessment providing an overview of the state of the water and sanitation services delivered in the 53 small towns in Honduras, and (ii) documentation of the experience of implementing a joint WSS service provider through the formation of a mancomunidad that linked two small towns with a larger neighboring WSS provider. Both documents were based on the existing, but limited, information gathered by ERSAPS.

The second phase consisted of a series of workshops and meetings with central government and municipal authorities, donors, and nongovernment organizations (NGOs) to validate key messages from the WSS service provision assessment; provide inputs on potential objectives of a government intervention strategy in small towns; and define a training program, informed by the knowledge generated in the assessment, to strengthen the managerial capacities of small town providers. The Water and Sanitation in

Towns/Schools initiative, financed and implemented by the SDC, served as the basis for the training program piloted under this TA.<sup>3</sup>

The third phase consisted of implementing a series of tasks defined in previous phases: (i) the adaptation of the SDC's training program for providers of WSS service in small towns, (ii) the definition of the criteria for the selection of the small towns that were to benefit from the training programs, and (iii) the preparation of a set of general recommendations to sector authorities to help establish a strategy for future interventions in small towns. Consultations with key sector authorities, including ERSAPS, SANAA, and CONASA, as well as small town and peri-urban WSS providers, enabled the validation of the analytical work.

This output document was prepared by the Bank team to summarize the results and lessons learned throughout the activities of this TA. Drawing the conclusions presented in this document required gathering data through desk research combined with a series of field visits and consultations with sector representatives, consultants, and staff involved during the project.

This TA built on previous analytical work carried out by the Bank and the government of Honduras that identified management capacity as a significant bottleneck to expanding and sustaining WSS service provision. Table 1 offers a summary of findings from key documents on analytical work in the sector that indicates a need to strengthen the managerial and technical capacities of urban WSS providers. Analysis conducted of urban providers nationwide is relevant to inform the discussion of service provision in small towns. These documents were based on analysis coordinated by sector authorities in different periods, all of them concluding that, before and after the rollout of the 2003 Water Framework Law, there was and is still an interest in and need for capacity building and TA at the local level.

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<sup>3</sup> For details on the SDC's Water and Sanitation in Towns/Schools initiative, see <https://www.eda.admin.ch/countries/honduras/es/home/cooperacion/proyectos.html/content/projects/SDC/en/2010/7F07761/phase1?oldPagePath=/content/countries/honduras/es/home/internationale-zusammenarbeit/projekte.html>.

**Table 1 – Underpinnings for Boosting the Managerial Capacity of Urban WSS Providers**

<b>Year</b>	<b>Title</b>	<b>Findings</b>
2002	WSS Sectorial Analysis in Honduras <sup>a</sup>	<ul style="list-style-type: none"> <li>• Management is carried out without tracking key indicators such as unaccounted-for water, percentage of metered connections, and cost of production.</li> <li>• Providers do not have manuals for operating various service delivery components.</li> <li>• There are serious deficiencies in management capacity in the units responsible for managing systems, mainly those operated by municipalities that have not received training or TA.</li> <li>• The administrative structure and the human resources available at the local levels are misaligned with the needs of the services, suggesting external interference in their allocation.</li> <li>• The transfer of services to municipalities demands human resources in excess of the current supply.</li> <li>• Efforts at institutional strengthening have favored developed municipalities to the detriment of underdeveloped municipalities.</li> </ul>
2003	Water and Sanitation Sector Framework Law <sup>b</sup> (Sector Reform)	<ul style="list-style-type: none"> <li>• The law recognizes the need to improve the sector institutional framework to develop planning tools and regulations, and improve service provision.</li> <li>• The objectives of the law include strengthening the governance of service delivery through appropriate distribution of the roles, competencies, and responsibilities of stakeholders.</li> </ul>
2006	Strategic Plan for the Modernization of the WSS Services in Honduras <sup>c</sup>	<ul style="list-style-type: none"> <li>• Human resources are inadequate, unskilled and often acting empirically.</li> <li>• Physical and financial planning is lacking, especially at the municipal level.</li> <li>• Operators are still not consolidated entities; the majority have been created since the approval of the WSS Framework Law in 2003.</li> <li>• There is a lack of regulatory instruments and good practice manuals that promote improvement in service provision.</li> </ul>

2011	The State of Water and Sanitation Services in Small Towns <sup>d</sup>	<ul style="list-style-type: none"> <li>In the 68 diagnoses performed on urban providers, key weaknesses in small towns were found to be the availability of skilled human resources with the capacity for strategic planning, investment programming, internal control, enforcement actions (through COMAS and USCL), and citizen participation.</li> <li>On the basis of the analysis, the small towns received a score of “Low Institutional Capacity.”</li> </ul>	Institutional Capacity to Operate a WSS System	
			Analyzed Variables	Scorecard Results
			Operational Capacity	Green
			Managerial Capacity	Red
			Technical Capacity	Red
			Financial Capacity	Yellow
			Governance	Red

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- a. WSS Collaborative Group, 2012, “WSS Sectorial Analysis in Honduras,” chapters 2-4.
- b. Decree No. 118-2003, published October 8, 2003, Preamble and article 2, subsection 5. <http://www.ersaps.hn/documentos/normativa/1%20Ley%20Marco%20de%20Agua%20y%20Saneamiento.pdf>.
- c. “Strategic Plan for the Modernization of the WSS Services in Honduras,” chapter 4.1. [www.ersaps.hn/documentos/interes/PEMAPS.pdf](http://www.ersaps.hn/documentos/interes/PEMAPS.pdf).
- d. Based on the conclusions of the 4<sup>th</sup> Consultancy Report on the state of water and sanitation services in small towns (2011), David Cariás. WSP Honduras.

## 2. Country and Sector Background

Honduras is a lower middle-income country with a per capita gross national income of about US\$2,291 that faces many development challenges.<sup>4</sup> In 2013, 64.5 percent of its 8.1 million inhabitants lived in poverty and 42.6 percent lived in extreme poverty. Although these poverty rates are high (the second highest in Latin America), they reflect a decrease in poverty since 2012. Some 58 percent of rural residents live in extreme poverty.<sup>5</sup> In 2013, extreme poverty rates were almost three times higher in rural areas than in the capital of Tegucigalpa. Over the past decade, reductions in extreme poverty have been observed, mainly in rural areas. Poverty and extreme poverty have increased slightly in urban areas, contributing to an observed increase in poverty rates.<sup>6</sup>

Nearly half of the population is rural, 80 percent of which live in hillside areas, where subsistence agriculture predominates. Agriculture plays an important role in the economy, accounting for 58 percent of exports, 14 percent of gross domestic product (GDP), and 35 percent of employment.<sup>7</sup> The country is also marked by exposure to natural disasters. Honduras ranks as the country most affected by extreme climate events

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<sup>4</sup> Data from World Bank Open Data, available at [data.worldbank.org](http://data.worldbank.org).

<sup>5</sup> Línea de Pobreza, 2014, Instituto Nacional de Estadística, <http://www.ine.gob.hn/index.php/component/content/article?id=91>.

<sup>6</sup> World Bank, 2015, “Honduras Economic DNA.”

<sup>7</sup> Central Bank of Honduras, Exports, <http://www.bch.hn/exportaciones.php>; World Bank, *World Development Indicators*; World Bank, Open Data, Agriculture, value added (share of GDP), <http://data.worldbank.org/indicator/NV.AGR.TOTL.ZS>, and Employment in agriculture (share of total employment) <http://data.worldbank.org/indicator/SL.AGR.EMPL.ZS>.

in the world,<sup>8</sup> which represents a major challenge for development. Between 1993 and 2012, annual economic losses due to climate events were equivalent to 2.84 percent of GDP.<sup>9</sup> In 1998, Hurricane Mitch impacted 90 percent of Honduras, caused 5,700 deaths, displaced nearly half a million people, and resulted in estimated economic losses equivalent to 81 percent of GDP.<sup>10</sup>

Public service provision remains poor—almost 1 million people lack access to running water and 1.4 million nationwide lack access to improved sanitation services.<sup>11</sup> In Tegucigalpa alone, approximately 298,000 poor residents in highly vulnerable peri-urban areas receive poor WSS services or are simply not connected.<sup>12</sup> Rural households have particularly low access to important services such as improved sanitation, health care, and electricity, leading to poor health outcomes and missed school days.<sup>13</sup> The lack of access to basic services largely correlates with living in rural areas, parental education, and family per capita income. The World Bank is supporting improved access to WSS services in Honduras through TA and the PROMOSAS investment operation (see Box 1 for more details). The 53 small towns in Honduras—officially defined as urban settlements of 5,000 to 30,000 residents—share service provision challenges with both rural areas and the peri-urban areas surrounding major cities.

### **Box 1 – Water and Sanitation Sector Modernization Project, PROMOSAS**

Since 2007, the government of Honduras has been implementing the US\$30 million World Bank–financed WSS Sector Modernization Project, (PROMOSAS, P103881, Cr 4335-HO). PROMOSAS supports the operationalization of the 2003 Water Framework Law. The main objectives of PROMOSAS are (i) to improve the sustainability, efficiency, and reliability of WSS services in eligible municipalities; and (ii) to improve the performance of national WSS sector institutions in the exercise of their roles in accordance with the WSS Sector Framework Law.

PROMOSAS provides financial and technical support to municipalities, decentralized service providers, and national sector institutions (ERSAPS, CONASA, and SANAA).

<sup>8</sup> The Global Climate Risk Index (CRI) developed by Germanwatch analyzes the quantified impacts of extreme weather events (for example, meteorological events such as tropical storms; hydrological events such as storm surges, floods, and landslides; and climatological events such as droughts)—in terms of fatalities as well as economic losses—on the basis of data from the Munich Re NatCatSERVICE (Global Climate Risk Index, 2014); Sonke Kreft and David Eckstein, 2013, “Who Suffers Most from Extreme Weather Events? Weather-Related Loss Events in 2012 and 1993 to 2012,” Briefing Paper, Germanwatch.

<sup>9</sup> Compared with other Central American countries, Honduras has suffered the highest average annual economic losses due to weather-related disasters as a percentage of GDP from 1990 to 2012: Honduras (2.84%), Nicaragua (1.89%), El Salvador (0.91%), Guatemala (0.62%), Panama (0.05%), and Costa Rica (0.02%). (Global Climate Risk Index 2013, compiled by S. Harmeling and D. Eckstein for Germanwatch).

<sup>10</sup> ECLAC, 1998, “Honduras: Assessment of the damage caused by Hurricane Mitch.”

<sup>11</sup> UNICEF/WHO, “Honduras: estimates on the use of water sources and sanitation facilities (1980-2015),” [http://www.wssinfo.org/fileadmin/user\\_upload/resources/Honduras.xls](http://www.wssinfo.org/fileadmin/user_upload/resources/Honduras.xls).

<sup>12</sup> Estimates presented by the national water and sanitation provider (SANAA) for 2015.

<sup>13</sup> Hernandez Ore, Marco Antonio; Sousa, Liliana Do Couto; Lopez, J. Humberto. 2016. Honduras - Unlocking economic potential for greater opportunities – systematic country diagnostic. Washington, D.C. World Bank Group. <http://documents.worldbank.org/curated/en/2016/02/25894168/honduras-unlocking-economic-potential-greater-opportunities-systematic-country-diagnostic-vol-2>.

The Project supports the decentralization of water systems from SANAA to 11 municipalities, grouped into nine utilities. These utilities include an association of municipalities (mancomunidad), where two small towns and one midsize provider combine efforts to deliver services.

The Bank approved a US\$10 million additional financing for PROMOSAS in 2013 to increase the number of municipalities supported by the program. The Small Towns TA was formally a standalone activity, though it influenced the decision to include small urban providers in the PROMOSAS additional financing that benefited through TA-supported knowledge and capacity building. Some US\$2 million has been allocated to infrastructure investments at small utilities in San Pedro de Tutule and Teupasentí, both of which benefited from capacity building under the TA. Knowledge generated through the Project and the Small Towns TA will continue to inform the decentralization process following the close of PROMOSAS in December 2016, and WSS sector authorities have expressed interest in a follow-on operation that would explicitly target the remaining 13 centralized providers, of which nine are small towns.

### 3. Assessment of WSS Service Provision in Small towns

The first pillar of the TA encompasses knowledge creation. The first of two deliverables under this pillar was the preparation of an assessment of WSS service provision in small towns. The assessment was based on existing sector data as reported to the regulatory authority, ERSAPS; field visits; and consultations with sector officials. The assessment outlines water and sanitation service provision in small towns in Honduras, including coverage, quality, and sustainability, as well as the types of service provision models currently used throughout the country, and conducts a preliminary appraisal of the available data. A summary of the assessment is presented below.

#### 2.1 Urbanization and Small Towns in Honduras

Although Honduras became a majority urban country in 2008, it remains one of the least urbanized countries in Latin America, with some 54 percent of the population living in cities.<sup>14</sup> Urbanization is expected to continue and could reach 70 percent by 2040. Coupled with population growth, it could double the number of people living in urban areas, presenting a host of challenges—from land use planning to public service provision—for cities large and small.<sup>15</sup>

Some 46 percent of the urban population is concentrated in the country's two largest cities, Tegucigalpa and San Pedro Sula, and another 25 percent live in the country's 16 intermediate cities. The 53 largely agriculture-dependent small towns in Honduras account for 14 percent of the urban population.<sup>16</sup> This amounts to 41 percent of the urban

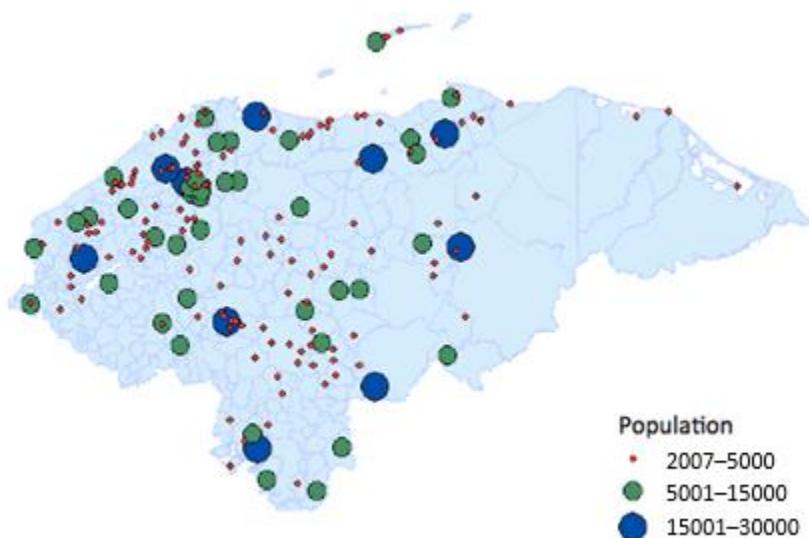
<sup>14</sup> World Bank, World Development Indicators, Urban Population, <http://databank.worldbank.org/data/reports.aspx?source=2&country=HND&series=&period=>.

<sup>15</sup> Honduras, Country Vision 2010–2038 and National Plan 2010–2022.

<sup>16</sup> Municipalities with a population between 2,000 and 5,000 are considered urban by the national statistics institute and often face similar challenges in service provision to those faced by small towns. This analysis uses the threshold of 5,000 inhabitants, to align with the categories established in the government's Country

population of the country's economic corridor outside Tegucigalpa and San Pedro Sula, as indicated in Figure 2.<sup>17</sup> Preliminary data from the 2013 Census indicate that there may be an increase in the number of small towns from 53 to 73—37 percent—suggesting that rapid urbanization will strain public services in this group. In light of this growth, the GoH sees an opportunity in small towns to institutionalize effective practices at WSS service providers that serve increasingly large segments of the population. In addition, Figure 3 shows that small towns have the highest concentrations of indigenous populations, offering an opportunity to target assistance toward a traditionally vulnerable population. As detailed in this document, small towns have markedly lower levels of WSS service coverage than other urban areas. Effective interventions that strengthen capacity and improve management practices in those areas that help bring services up to the level found in larger urban areas can have important impacts on poverty and shared prosperity.

**Figure 2 – Location of Small Towns in Honduras**



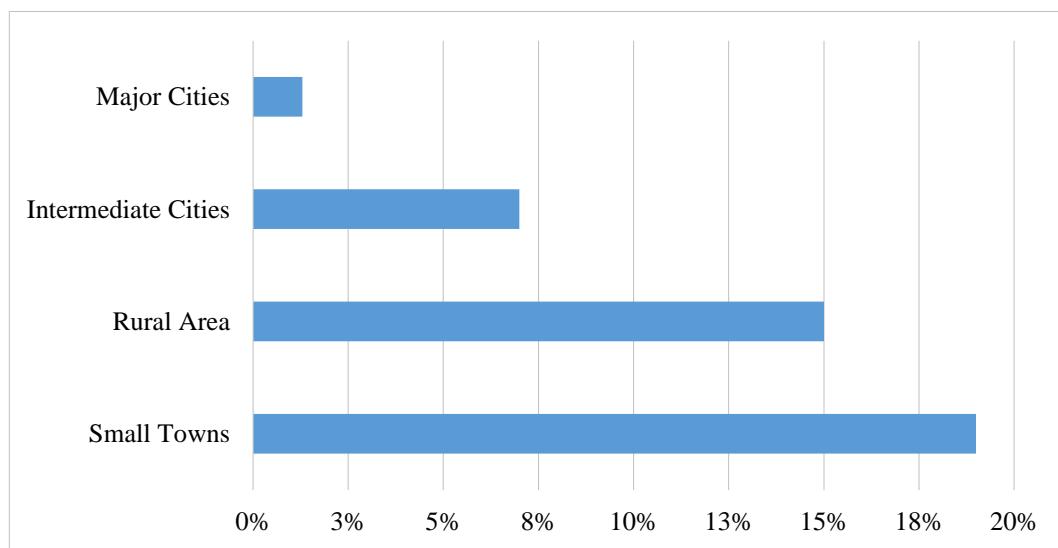
Source: Cuéllar 2013.

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Vision 2010–2038 and National Plan 2010–2022. The knowledge generated through this TA can inform service provision in areas that fall below the cutoff for small towns. Indeed, many urban areas between 2,000 and 5,000 people will grow above the 5,000-person threshold in the near to medium term.

<sup>17</sup> Trends in urban population growth provided by the National Institute of Statistics (2010).

**Figure 3 – Indigenous Population as a Percentage of Total Population**



## 2.2 Legal and Institutional Framework

Poor WSS service quality at the municipal level led to calls in the mid-1900s for the concentration of authority for service provision under a technically competent national entity with the technical and human resources to deliver quality services. To this end, SANAA was chartered in 1961 with a mandate to develop and operate water and sanitation infrastructure throughout Honduras. WSS infrastructure expanded under SANAA, but concerns emerged about the quality and sustainability of those systems and the management models put in place to run them. By the mid-1990s, following more than three decades of centralized service provision, nearly half of Hondurans still lacked access to improved sanitation services and a quarter lacked access to drinking water.<sup>18</sup> Demand emerged for stronger local input and control over service provision in recognition of the complexities SANAA faced as a single public entity charged with running the WSS systems of the entire country. Indeed, many local communities had already begun to take steps to shore up aging systems and expand infrastructure to cover families and business not reached by the SANAA network. Several changes in the country's legal framework would seek to strengthen local control over water services.

The National Water and Sanitation Framework Law, passed in 2003, calls for the decentralization of WSS service provision.<sup>19</sup> This process entails transferring ownership and control of WSS systems that have been built and run by SANAA to municipalities. As of mid-2016, 13 WSS systems remain to be transferred, nine of which are in small towns. The key sticking points include salary liabilities and weak institutional capacity at municipalities. SANAA will take on the role of national TA provider for decentralized municipal providers. Decentralization of WSS systems is intended to improve service delivery by promoting accountability—local providers, in theory, are more attuned to

<sup>18</sup> WHO/UNICEF Joint Monitoring Programme (JMP) for Water and Sanitation, 2015 update, [http://www.wssinfo.org/fileadmin/user\\_upload/resources/Honduras.xls](http://www.wssinfo.org/fileadmin/user_upload/resources/Honduras.xls).

<sup>19</sup> Decree No. 118-2003, published October 8, 2003.

local conditions and more likely to be held accountable for their performance by the voting public.<sup>20</sup> The transfer also creates fiscal space for the central government by shifting staffing costs from SANAA to municipal providers. Under the law, municipalities are tasked with establishing a service provision model for their jurisdiction in accordance with the following principles:

- Decentralized management model with a commercial focus that is technically and administratively autonomous
- Promotion of transparency, accountability, and citizen participation
- Tariffs that reflect real costs in order to promote financial sustainability
- Promotion of education on good sanitation practices and integrated water resources management, in addition to developing sanitation facilities at schools
- Services that are subject to regulation, monitoring, and citizen accountability

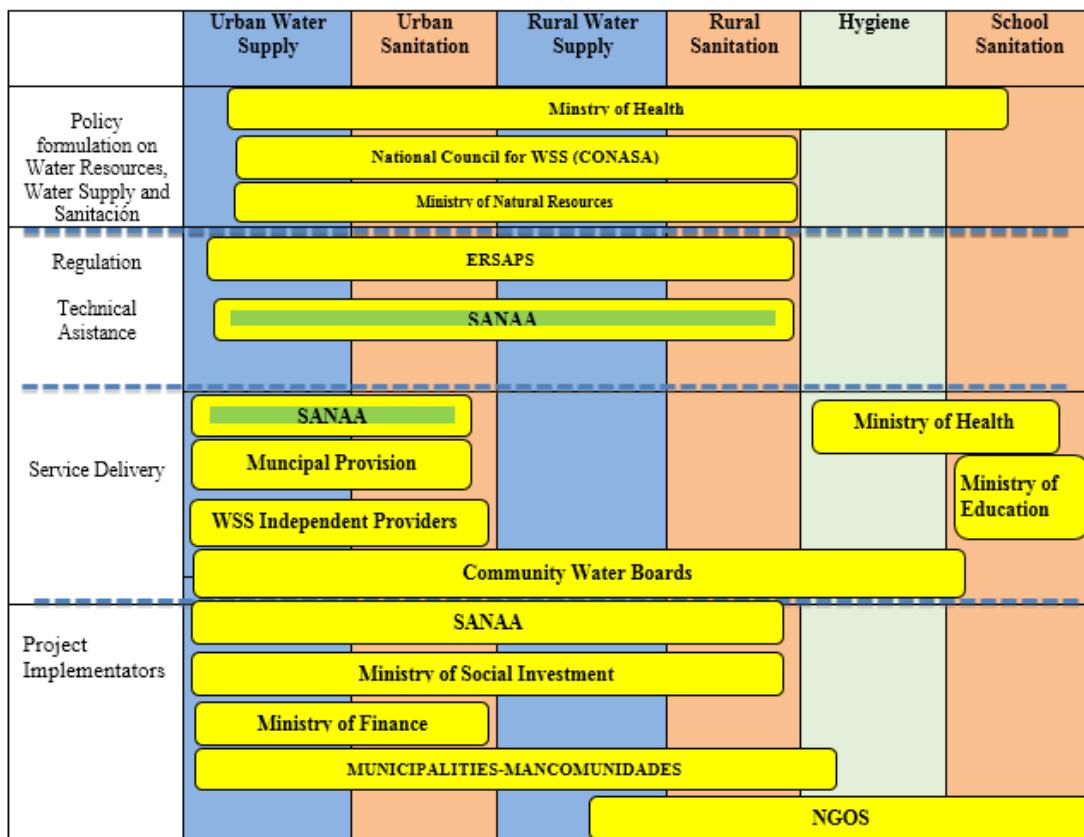
The water sector in Honduras comprises multiple actors with interlocking roles, as illustrated in Figure 4. The 2003 Water Framework Law establishes roles and responsibilities. The Secretariat of Health sets standards for the quality of drinking water and wastewater effluent, while the Secretariat of Natural Resources sets policy for the management of the country's water resources. The National Water and Sanitation Council, CONASA, acts as an interlocutor between the various agencies involved in the WSS sector in Honduras, and supports sector planning and strategy. The National Water and Sanitation Service Regulator, ERSAPS, oversees compliance on the part of WSS service providers with national legislation and regulations, largely through the collection and dissemination of data from service providers. SANAA is transitioning away from its legacy role as the centralized provider of WSS services to become a provider of TA for decentralized municipal WSS service providers. Municipalities are responsible for ensuring WSS service delivery through (i) community water boards (CWBs), (ii) direct municipal provision, (iii) legally constituted municipal companies, or (iv) a concession agreement. Associations of municipalities known as mancomunidades, described in detail below, can supplement municipal capacity in the provision of WSS services.<sup>21</sup>

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<sup>20</sup> World Bank Institute, January 2010, “Introducing Accountability and Transparency to Water and Sanitation Services in Honduras through Enhanced User Participation,” [http://siteresources.worldbank.org/INTSOCACCDEMSIDEgov/Resources/2871813-1200515311988/4577172-1271445400159/notes01\\_honduras.pdf](http://siteresources.worldbank.org/INTSOCACCDEMSIDEgov/Resources/2871813-1200515311988/4577172-1271445400159/notes01_honduras.pdf).

<sup>21</sup> Law and Regulations for Municipal Governments (La ley de municipalidades y su reglamento), <http://amhon.hn/files/pdfs/Ley%20De%20Municipalidades%20y%20Su%20Reglamento.pdf>.

**Figure 4 – Honduras WSS Sector Institutional Context**



Reference: MAPAS Country Report from Honduras, 2013

- SANAA: Currently transitioning from provider to a TA role

### 2.3 WSS Service Provision Models

A patchwork of national, municipal, and community providers deliver WSS service in small towns. The Water Framework Law establishes five distinct service models in small towns:

- (i) *SANAA*. WSS systems that are centrally built, owned, and operated by SANAA and have not yet been transferred to municipalities.
- (ii) *Autonomous Municipal Company*. Legally constituted, autonomous public entities charged with WSS service provision. Autonomous municipal companies may receive funding from the municipal government; however, the Framework Law envisions that these companies should possess the authority to make personnel, technical, and administrative decisions based on merit and with an eye toward operating as a sustainable business. There is limited evidence as to the effectiveness of these arrangements in practice, though discussions with sector authorities indicate that establishing a company has led to incremental improvements in autonomy.
- (iii) *Direct municipal provision*. A unit or department charged (for instance, a department of public works) with WSS service provision under the control of the elected mayor. Employees are appointed by the mayor and often change with the

electoral cycle. According to a recent Bank study, direct municipal providers often suffer from a lack of qualified personnel, as well as insufficient and politically driven budgets.<sup>22</sup>

(iv) *Community water boards (CWBs).* Autonomous community-led provision of WSS services. The model is based on the experience of water boards that serve rural and peri-urban areas. Neighbors elect officers for the CWB from the local community. Under the law, as regulated by ERSAPS, CWB members hold office—president, manager, treasurer, supervisor (*fiscal* in Spanish)—for up to two years, at which time community assemblies are held to elect new officers or return existing officers to their posts.

(v) *Association of Municipalities, or Mancomunidades.* Under Honduran law, municipalities can choose to form associations of municipalities (mancomunidades) to address common challenges. A mancomunidad is a legally constituted association of municipalities that seeks a specific, designated objective or benefit, including leveraging economies of scale or pooling resources to provide common TA.

Community-based models predominate in smaller municipalities, while SANAA is more active in the management of larger WSS systems. Midsized small towns, between 10,000 and 20,000 inhabitants, trend toward direct municipal provision. In some cases, multiple providers operate within the same city—for instance, seven CWBs complement WSS primary service by SANAA in the municipality of La Esperanza. Table 2 shows the distribution of service provision models in urban areas as of 2015.

**Table 2 – Urban WSS Service Provision Models, 2015**

	Metropolitan Area	Intermediate Cities	Small Towns	Municipal Population
SANAA	1	3	4	77,444
Concession	1	—	—	—
Autonomous Municipal Company	—	12	2	83,693
Direct Municipal	—	1	33	326,648
CWB	—	—	14	99,281
<b>Total</b>	<b>2</b>	<b>16</b>	<b>53</b>	

Source: Moncada Gross 2015.

In all but four small towns the local WSS systems have been transferred from SANAA (those pending as of February 2016 are La Esperanza-Intibucá, La Paz, La Entrada Copán, and Copán Ruinas). Of those, some 62 percent are now administered directly by municipalities, a model which, as described above, often produces poor WSS service. An additional 14 systems are run by CWBs. CWBs represent a practical solution in both

<sup>22</sup>World Bank, 2013, “A Public Expenditure Review: Decentralization of Water and Sanitation Services (PER),” <http://documents.worldbank.org/curated/en/2013/08/18903974/public-expenditures-decentralized-governance-honduras-towards-restoring-fiscal-consolidation>.

dispersed and concentrated rural areas,<sup>23</sup> though, in its current form, the model requires modification (detailed below) to be suitable for handling the complexities of service provision in urban areas. Only two small town systems (in El Paraíso and Nacaome) have been legally constituted as autonomous municipal companies.

### **Service Provider Effectiveness by Model**

A Water Public Expenditure Review (PER) carried out in 2013 by the Bank concluded that the overall performance of autonomous service providers such as municipal companies or water boards is significantly better than that of either the national utility or nonautonomous municipal providers across cities of all sizes in Honduras.<sup>24</sup> The analysis built a Simple Performance Index (SPI) for service providers based on five parameters: (i) employees per 1,000 connections, (ii) level of metering, (iii) service continuity, (iv) level of disinfection of water, and (v) tariff effectiveness (average tariff over average cost). As illustrated in Figure 5, specifically for the small towns segment, the systems managed by SANAA and by mainline municipal departments are mostly rated as poor in terms of overall SPI,<sup>25</sup> in contrast to autonomous municipal companies and water boards, for which a much lower proportion of systems is rated as poor. This suggests that simply decentralizing service provision is not enough to improve the quality of service delivered to customers. A management model that is appropriate for the particular small town, along with institutional, legal, and financial autonomy, must be in place and aligned with financial and institutional incentives. In addition, decentralized service providers need personnel with sufficient technical and managerial skills. This is consistent with the spirit of the 2003 WSS Framework Law.

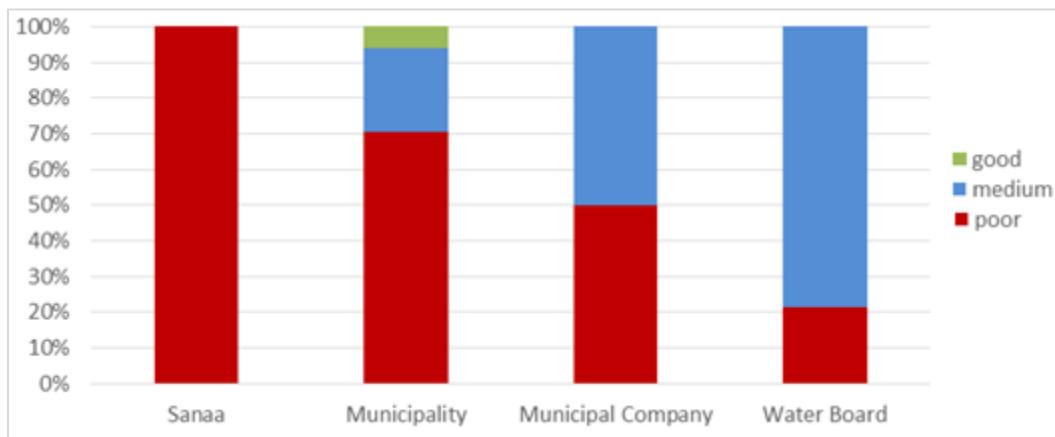
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<sup>23</sup> According to ERSAPS, rural areas are subdivided in two categories: (i) rural concentrated, comprising settlements between 2,000 and 5,000 inhabitants, and (ii) rural dispersed, with populations under 2,000.

<sup>24</sup> World Bank, 2013, “A Public Expenditure Review: Decentralization of Water and Sanitation Services (PER),” <http://documents.worldbank.org/curated/en/2013/08/18903974/public-expenditures-decentralized-governance-honduras-towards-restoring-fiscal-consolidation>.

<sup>25</sup> For each parameter, a score from 1 (worst) to 3 (best) was assigned on the basis of international best practices. The sum of all scores yielded an overall score called the Simple Performance Index (SPI), with scores ranging from 5 (worst) to 15 (best), constituting a proxy for overall performance of the utility. For the purpose of the analyses, the overall score was used to divide the service providers between low, medium, and good performance utilities. Providers with a total SPI score from 5 to 8 are considered ‘poor,’ 9 to 12 are considered ‘medium,’ and 13 to 15 are considered ‘good.’

**Figure 5 – Service Provider Performance by Management Model in Small Towns**



*Source:* Public Expenditure Review, World Bank.

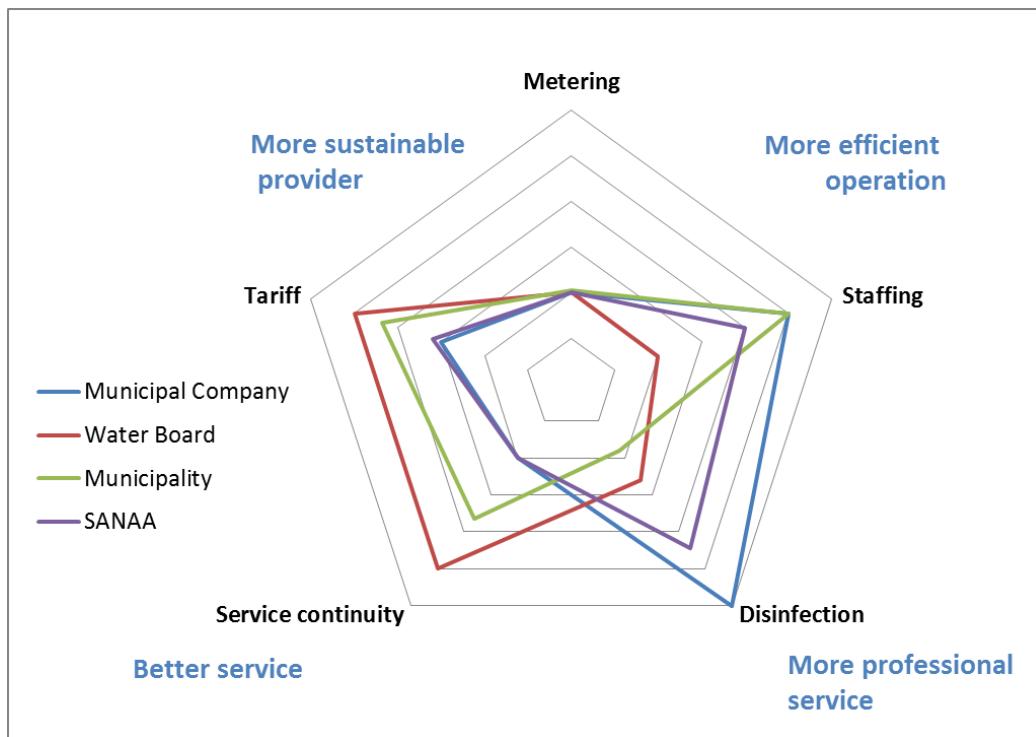
*Note:* The models are ranked by increasing level of autonomy from political influence.

Findings also suggest that municipal companies and water boards in small towns perform better than those managed by SANAA and municipalities themselves.<sup>26</sup> Figure 5 shows that most small town providers are still steps from reaching sustainable and efficient service. The small towns managed by CWBs, in the aggregate, provide more sustainable services than those managed by municipalities, due in large part to their proximity to customers. SANAA and the municipal companies present the strongest performance in water treatment, while CWBs face difficulties with disinfection, mainly owing to capacity and budget constraints.

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<sup>26</sup>Results based on a Simple Performance Index (SPI) calculated by the Bank with data collected by ERSAPS. The SPI was developed combining five parameters (metering, staffing, disinfection, continuity, and tariff). For each parameter, a score from 1 (worst) to 3 (best) was assigned on the basis of international good practices. The sum of all scores yielded an overall score, ranging from 5 (worst) to 15 (best). The SPI was used as a proxy for overall performance of the utilities during the Honduras Water PER in 2013.

**Figure 6 – Performance of Small Towns Based on Quality Parameters**



Source: Bank calculation based on ERSAPS data.

The results of the analysis conducted in the Water PER suggest that the decentralization process has had some positive impacts on sector performance—municipal companies in small towns, most of which were created after the decentralization process, perform better on the whole than SANAA. It should also be highlighted that CWBs and municipal companies in small towns perform relatively well against other models, though, as outlined above, many of these providers still leave homes and businesses with intermittent or no coverage. Despite their shortcomings, the CWB model appears to be the most effective approach for many small town contexts, particularly those at the lower end of the population distribution. See Box 2 for a profile of a well-run CWB serving the municipality of Jesus de Otoro in the department of Intibucá.

## **Box 2 – Effective Practices in Community WSS Management, the Experience of JAPOE**

### *Jesus de Otoro Community Water Board (JAPOE)*

The municipality of Jesus de Otoro, population 9,970, established a community water board, JAPOE, in 1995 to revamp a failing local water system. JAPOE today serves as a reference for effective community management in Honduras and beyond, having achieved financial sustainability and continuous water service for its customers. The CWB model was originally established in Honduras in the 1970s to administer rural WSS systems for communities of fewer than 2,000 residents. Today CWBs cover some 7,000 communities across the country. As rural areas continue to grow into small towns, the CWB model is likely to remain an important mechanism for participatory local WSS service provision, though it will need to be adapted to fit more complex urban environments. JAPOE provides useful lessons in the effective use of the CWB model at the scale of a small town. Two innovative approaches are particularly instructive:

- *Representative community-management approach.* Community assemblies are a primary way that CWBs make operational decisions, allowing residents' voices to guide the decision-making process. Nevertheless, this form of direct democracy faces limits as communities grow—the logistics of coordinating priorities among hundreds or even thousands of users becomes daunting. Facing this challenge, JAPOE decided to group users into directorates of 200 connections. A volunteer delegate represents each directorate in community assemblies, creating a model that is scalable while remaining responsive to citizen input.
- *Professionalization of administrative functions.* JAPOE hires personnel to carry out management, administrative, and operations and maintenance functions. In doing so, JAPOE is able to supplement the voluntary capacity of the community delegates with professionals who are able to tend to the day-to-day operation of the WSS system.

As of 2015, JAPOE's leadership is looking to the future and seeking to head off the impacts of climate change on their community's water supply. The CWB is exploring local approaches to watershed management and is interested in expanding payment for ecosystem services schemes (for instance, working with small-scale coffee farmers to protect watersheds).

However, the analysis also suggests that decentralization cannot be seen as the solution to solve the challenges the sector faces. In fact, the findings suggest that direct municipal service provision in many cases does not perform as well as municipal companies. Interestingly, the results shown in Figure 5 also suggest that as the degree of political influence decreases, service provider performance improves significantly. The analysis suggests that decentralization of the sector—to autonomous service providers or local government—should be accompanied by appropriate management models and capacity building, to realize the benefits of sector reform. The national government further incentivizes decentralization by offering carrots such as low-cost financing and plans to

award prizes through the proposed WSS National Fund for those providers that meet quality targets (based on ERSAPS data).

#### **2.4 Institutionalization of Citizen Participation at Small Town WSS Service Providers**

Formalizing and institutionalizing small town WSS service providers represents an important step on the road to improving service quality and complying with the 2003 Water Framework Law. Institutionalization as established in the law can be divided into the development of three primary components: (i) municipal WSS policies, (ii) legal charters for service providers, and (iii) citizen participation mechanisms. A municipal WSS policy should define the type of service provider that will operate within the jurisdiction and outline what support will be provided by the municipality. Once the service provider has been defined at the policy level, it should be legally incorporated, in accordance with the Framework Law. Local citizen participation is a critical part of decentralized service provision. To that end, the law established two key mechanisms for the participatory governance of WSS services: (a) the Municipal Water and Sanitation Committee (Comité Municipal de Agua y Saneamiento, COMAS) and (b) the Local Control and Supervision Unit (Unidad de Supervisión y Control Local, USCL). Both of these bodies are made up of local residents and have a role in approving key service provider policies such as the management model and tariffs. Well-functioning COMASs and USCLs promote improved service quality by offering a direct mechanism for citizen participation and accountability at decentralized WSS providers.

#### **2.5 Status of WSS Provision in Small Towns**

##### **Assessment Methodology and Data Limitations**

The TA sought to take stock of the status of WSS provision in small towns as an input to developing an intervention strategy. An assessment of WSS service provision in small towns was prepared on the basis of existing data. This report makes use of the data collected by the WSS sector regulatory agency, ERSAPS, and in previous World Bank studies, as well as the limited other analytical work available on the sector. Much of the data are limited in scope or coverage, and often not up to date. In addition, data from different sources and studies are not readily comparable because often they have been prepared using different methodological approaches. The process highlighted the limitations of the data available in Honduras today and the need to gather more in-depth, up-to-date data on the WSS sector in order to be better able to target future TA and investment interventions.

##### **Service Coverage**

The collection of fundamental data on WSS service coverage, including coverage at the municipal level, is incomplete. The national census, last published in 2000, disaggregates rural and urban WSS coverage data but does not publish data at the municipality level. Preliminary data from the 2013 census adopts the same methodology. Available data at the municipal level is tabulated by ERSAPS on the basis of the data reported to it by local service providers. Individual WSS service providers are required to report the number of connections and number of homes within their service area; population-level data are not tabulated. (ERSAPS does not have the authority to sanction providers that do not submit timely or accurate data.) As such, reliable measures of WSS coverage in small towns are not available.

In the absence of reliable data for communities, the ERSAPS tabulations of household coverage can serve as a stopgap metric for WSS coverage. This dataset includes only homes within a service provider's coverage area; thus it is not known whether other buildings are served by individual solutions or lack service altogether. Table 3 presents a summary of ERSAPS data as provided by service providers; coverage levels in each of the 53 small towns appear in annex 4.<sup>27</sup> These data show that only 2 of the 53 small town providers offer universal access to improved drinking water, and that more than one in five homes in small towns lack access. Regarding sanitation, ERSAPS requires providers to supply data on sewer network coverage, though it does not collect data for on-site or individual sanitation solutions, such as latrines and septic systems. The available data indicate that no provider offers universal sewer network coverage. Sector officials indicate that the vast majority of such homes that are not connected to the sewer network have on-site solutions, though further field research would be needed to obtain a better overview of the sanitation situation. Larger municipalities within the bracket of small towns fare worse than smaller settlements in terms of water coverage, and only slightly better in sanitation coverage.

**Table 3 – Household-Level WSS Service Coverage, Small Towns**

Population Size	Water Coverage (%)	Sewerage Coverage (%)
5,000 to 15,000	84	23
15,000 to 30,000	73	30
<b>Total Small Towns</b>	<b>79</b>	<b>27</b>

Source: ERSAPS data, cited in Cuellar 2013.

National data can serve as a check on data supplied by service providers, though available data do not permit meaningful comparisons between small towns and other urban or rural settlements owing to differences in the methodologies applied. Table 4 summarizes water and sanitation coverage in urban and rural areas and at the national level, based on survey data compiled by the UNICEF/WHO Joint Monitoring Programme.<sup>28</sup> The ERSAPS estimate, at the service provider level, of 79 percent water coverage lags the Joint Monitoring Programme estimates for rural and urban piped water measures of 84 and 97 percent, respectively. Sanitation coverage is tabulated at the national level as “access to improved sanitation,” whereas service providers report only on sewer network coverage. This leaves a methodological gap that does not permit useful comparisons. This lack of reliable, comparable data points to the need for future analytical work to accurately quantify WSS service coverage levels in small towns. Moreover, looking beyond misgivings about the data, it is clear that much work remains

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<sup>27</sup> Ramón Cuéllar, 2013, “Abastecimiento de agua y saneamiento en pequeñas localidades urbanas de Honduras Características, Potencialidades y Elementos Estratégicos,” study prepared under the TA for the World Bank’s Water and Sanitation Program. Data for small towns reflect the data reported by providers to ERSAPS and do not cover all independent or informal providers serving small towns.

<sup>28</sup> UNICEF/WHO, “Honduras: estimates on the use of water sources and sanitation facilities (1980–2015),” [http://www.wssinfo.org/fileadmin/user\\_upload/resources/Honduras.xls](http://www.wssinfo.org/fileadmin/user_upload/resources/Honduras.xls).

to bring small town WSS service to the national level and ultimately to universalize coverage in line with the Sustainable Development Goals (SDGs).

**Table 4 – WSS Service Coverage, National Level**

Coverage Area	Piped Water Coverage (%)	Improved Sanitation Coverage (%)
Rural	84	78
Urban	97	87
<b>National</b>	<b>91</b>	<b>83</b>

Source: Joint Monitoring Programme data, 2015 update.

### Service Quality—Continuity

Many of the families and businesses that are counted as having WSS service cannot rely on potable water to flow from the tap on demand. Water supply continuity in small towns averages just 11 hours per day, and some towns go days with no water service. ERSAPS tabulates data on water continuity on the basis of reports from service providers and classifies them into four categories: (i) 20–24 hours per day; (ii) 5–20 hours per day; (iii) less than 5 hours per day; and (iv) rationed. For the purposes of this report, service of 20 to 24 hours per day is considered continuous. ERSAPS defines “rationed” as less than continuous service in towns that do not report continuity in any of the other three categories. The middle category of 5–20 hours is too broad to serve for informed decisions about intervention. To improve the relevance of monitoring data, it would be useful to create additional ranges, such as 5–10, 10–15, and 15–20 hours. Based on the data reported to ERSAPS, just 14 of 53 small towns—the majority of which have fewer than 15,000 inhabitants—have at least 20 hours of service, while 15 must resort to rationing water (Table 5).<sup>29</sup>

**Table 5 – Water Service Continuity in Small Towns**

Population Size	20–24 Hours	5–20 Hours	<5 Hours	Rationed	No Data	Total
5,000 to 15,000	12	14	3	9	4	42
15,000 to 30,000	2	3	—	6	-	11
<b>Total</b>	<b>14 (26%)</b>	<b>17 (32%)</b>	<b>3 (6%)</b>	<b>15 (28%)</b>	<b>4 (8%)</b>	<b>53</b>

Source: Moncada Gross 2015.

Despite discontinuous drinking water services in most small towns, Figure 7 indicates that some 79 percent of small towns possess drinking water treatment facilities capable of producing enough water to cover the population’s needs for human consumption.<sup>30</sup> The explanation for the gap between installed capacity and delivered water is that some systems are off-line or in a state of disrepair that results in reduced water production. The

<sup>29</sup> Ramón Cuellar 2013.

<sup>30</sup> Cuellar (2013) cites ERSAPS data for installed capacity at drinking-water treatment plants. This calculation is based on an average need of 130 liters of water per person per day and assumed system losses of 30 percent.

binding constraints are financial resources for replacement parts coupled with management and operating know-how, rather than installed capacity. No in-depth studies exist on the number of installed plants that are in working order or what would be required to repair those that are offline.

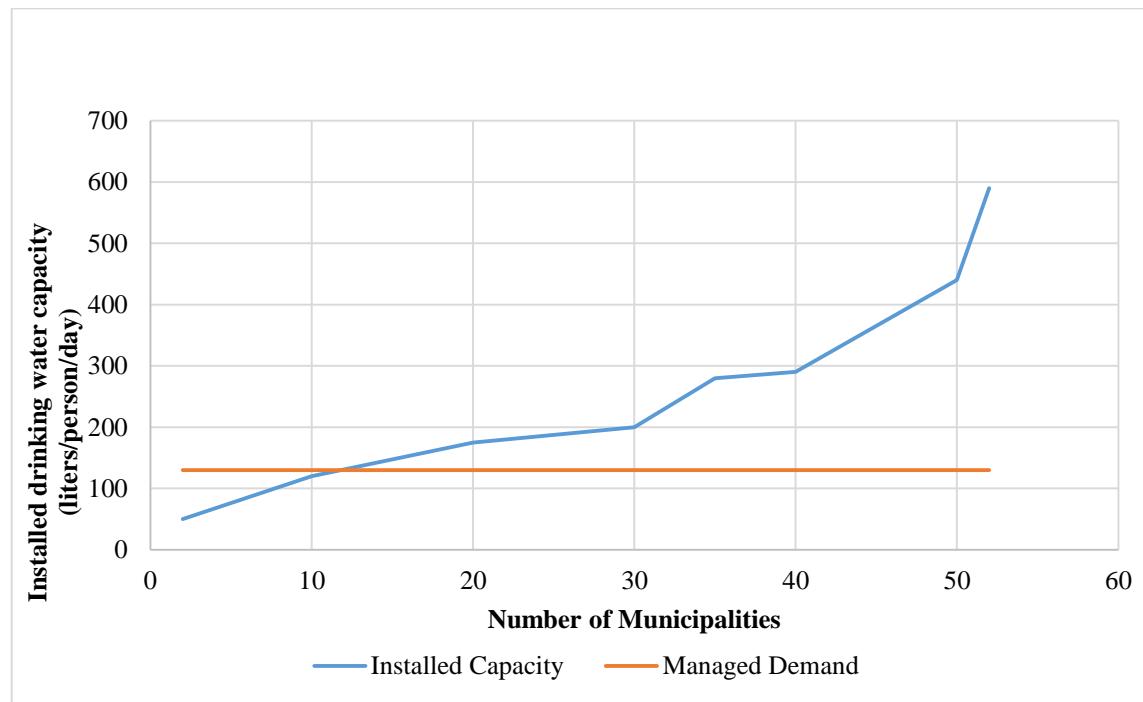
Nevertheless, consultations carried out under the TA with small town providers indicated that employees of some providers simply did not know how to conduct preventive maintenance or make needed repairs on their own (**Error! Reference source not found.**). This finding suggests that training in the operations and maintenance of WSS systems could empower employees of small town providers to make repairs quickly, without having to resort to outside assistance. For complex challenges or those requiring specialized equipment, on-call TA from SANAA will continue to be required.

### Box 3 – Relevance of On-Call Technical Assistance from SANAA

#### *Maintenance Trouble in the Municipality of San Juan*

The Decentralized Water and Sanitation Unit of San Juan (UDASJI) is charged with water provision for the municipality's approximately 9,000 residents. During consultations carried out under the TA, the San Juan drinking water treatment plant was offline because of a clog in the filtration system. The UDASJI was awaiting assistance from a SANAA representative to get the plant back up and running properly. In this context, the UDASJI suggested that technical support from SANAA continues to play a critical role in operations and maintenance.

**Figure 7 – Drinking Water Treatment Plant Production**



Source: ERSAPS.

Looking upstream from the treatment plant, consultations with small town and peri-urban providers carried out under the TA indicated generalized concern about the availability of water resources for use in drinking water system. Drought in western Honduras in 2014–2015 has highlighted the urgency of addressing water security. Indeed, several providers reported facing sporadically dry water intakes in 2015. Despite the concern, data on raw water availability are not gathered at the municipal or provider levels. It will be important to begin to incorporate water security metrics in the reporting requirements of small town providers in order to generate the data needed to confront water scarcity associated with climate change.

### **Service Quality—Potability**

When water does flow from the tap, in many cases it is not suitable for human consumption without further treatment. Only 15 small towns (28 percent) have drinking-water treatment plants. Nationwide, treatment plants regularly require maintenance or encounter technical issues that local providers do not have the personnel to resolve, resulting in a further deterioration of drinking water service quality. ERSAPS does not collect information on the chlorination of drinking water, though anecdotal evidence from discussions with ERSAPS authorities indicates that many providers do not chlorinate their water. To target future sector investment effectively, more detailed information on the type and effectiveness of treatment will be critical.

### **Sanitation Infrastructure**

Many small towns also lack adequate sanitation infrastructure. Only 34 of the 53 small towns have sewer networks, and just 13 have the infrastructure to route wastewater to a treatment plant before discharging it to watercourses.<sup>31</sup> The sanitation solution adopted for Honduras's larger cities has generally been a sewer network. This approach has the disadvantage of limited coverage, leaving uncovered much of the peri-urban population or the population with low ability to pay. To fill the gap in areas where sewer networks are not financially viable, such as small towns, the sector has relied on in situ disposal of wastewater. Treatment is mostly done through stabilization ponds and, to a lesser extent, Imhoff tanks. In the operation and maintenance of stabilization ponds, regulation is lacking and analysis of the treated effluent is not routine. These findings are coherent with an analysis of the stabilization ponds carried out in 2005, in which maintenance was rated acceptable for just under half of the ponds in small towns and inadequate for the just over half. Permanent, full time staff are assigned to 60 percent of these ponds; the rest are staffed part-time.<sup>32</sup>

As is the case with drinking-water service, sanitation coverage data report on the existence of physical infrastructure but not the quality or sustainability of those systems. Some treatment plants treat only a portion of the wastewater they receive; others are offline altogether. Data on the quality of water leaving treatment plants is not widely

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<sup>31</sup> Luis Moncada Gross, 2015, “Análisis de Situación de Pequeñas Ciudades y Propuesta de Líneas Estratégicas—Estrategia de Fortalecimiento Gestión Agua Potable y Saneamiento Pequeñas Ciudades en Honduras,” study prepared under the TA for the World Bank’s Water and Sanitation Program.

<sup>32</sup> Stewart Oakley, 2005, “Analysis of the Stabilization Ponds of Honduras,” RRASCA, FHIS, and USAID.

gathered. A 2013 study found that, on the whole, 85 percent of wastewater is discharged to watercourses or directly in urban areas without treatment.<sup>33</sup>

## 2.6 Investment in WSS Provision for Small Towns

International partners contribute up to 76 percent of investment funding for WSS infrastructure in small communities of 2,000 to 15,000 residents, followed by CWBs at 15 percent, users at 6 percent, and the central government, through SANAA, at 3 percent. Nationwide, donors finance 53 percent of WSS infrastructure, municipalities contribute 30 percent, and the central government contributes 17 percent.<sup>34</sup> Despite this financial assistance, a recent Bank study found that the country faces an estimated annual deficit of US\$350 million to reach national WSS targets by 2022.<sup>35</sup> Municipalities often lack direct or reliable access to debt financing that would enable them to maintain and expand WSS systems. This is due in part to national rules that prohibit municipal governments from taking on debt that extends beyond their four-year tenure. In many cases, infrastructure works are only partially completed because of the lack of consistent funding sources. Although there is a clear need to increase funding for WSS infrastructure, it is important to define the limits to the capacity of municipalities to execute investments.

Given the magnitude of the financing gap, improved access to finance alone will not be enough to reach universal WSS service provision. Some 60 percent of small town providers, according to ERSAPS data, are able to cover their operating costs. Nevertheless, cost recovery remains a challenge for many. This limits their ability to finance new investments with their own funds. Similarly, water supplied by existing infrastructure could be put to better use. Anecdotal evidence from conversations with sector authorities and small town providers suggests that much work remains to instill a culture of water in local populations that values the scarce resource and takes steps within households and business to ensure that it is used efficiently. Waste is a particularly relevant issue in areas that lack household metering. Demand management that reduces customer waste would allow providers to improve service coverage and quality using existing water sources and treatment infrastructure. Finally, there is a tendency to overdesign urban services, leading to higher capital and maintenance costs, and, in some cases, overly complex systems that local communities lack the know-how to maintain. Building infrastructure that is sized to meet current and projected future demand—but not more—will help keep investment costs in check.

Despite the challenges of poor service coverage and quality outlined above, the bulk of donor TA and funding—which constitutes the primary source of investment in the WSS sector in Honduras—goes to intermediate and large cities, or rural areas, which leaves a

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<sup>33</sup> Central American and Dominican Republic Forum for Drinking Water and Sanitation (FOCARD), 2013, “Gestión de las Excretas y Aguas Residuales en Centroamérica y República Dominicana—Diagnóstico Regional,” [http://incap.int/index.php/es/publicaciones/doc\\_view/423-focard-diagnostico-regional-2013](http://incap.int/index.php/es/publicaciones/doc_view/423-focard-diagnostico-regional-2013).

<sup>34</sup> Investment figures from Cuellar (2013).

<sup>35</sup> World Bank, “Monitoring Country Progress in Water and Sanitation (MAPAS) Honduras Country Report—2014,” [http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2014/06/11/000350881\\_20140611084512/Rendered/PDF/886230WSP0Box30eVersion0009June2014.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2014/06/11/000350881_20140611084512/Rendered/PDF/886230WSP0Box30eVersion0009June2014.pdf).

gap in support for small towns. This is due in part to a perceived lack of capacity at small town providers to make effective and sustainable use of investments.<sup>36</sup>

## 2.7 Institutional Capacity at Small Town WSS Providers

Sustainable and reliable WSS service in small towns calls for strong capacity at the local level to sustainably manage institutions and infrastructure. Analytical work, consultations with sector authorities and small town providers, and data gathered during the preparation of this TA indicate that many personnel at small town providers do not have the training they need to carry out their job functions professionally. A 2002 sector analysis identified serious deficiencies in management capacity in the municipal units responsible for managing WSS systems, particularly in municipalities that have not received training or TA.<sup>37</sup> ERSAPS prepared a strategic plan in 2006 that sought to address inadequate human resources at WSS providers.<sup>38</sup> A 2011 World Bank study highlighted low capacity as a significant constraint at small town WSS providers.<sup>39</sup> Ongoing Bank dialogue throughout the WSS sector in Honduras supports the perception that a lack of know-how holds back service provision.

Structural factors drive low capacity among small town providers, including short tenure at WSS providers and low levels of formal education among sector personnel in small towns. The TA gathered data from 36 managerial employees at 30 small town providers who participated in Bank-supported training activities (detailed below) to better understand their educational backgrounds and their experience in the WSS sector.<sup>40</sup> The first important factor that emerged was that many employees have little work experience in the sector. The average tenure of employees in the sample is 2.6 years. As illustrated in Figure 8, fully a quarter of employees have been on the job for a year or less, offering little time to get up to speed.

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<sup>36</sup> José David Cáceres, 2014, “Mapeo de Actuaciones de las Agencias Miembros de la Mesa de Cooperantes del Sector de Agua Potable y Saneamiento de Honduras—Período 2014–2015,” Swiss Agency for Cooperation and Development.

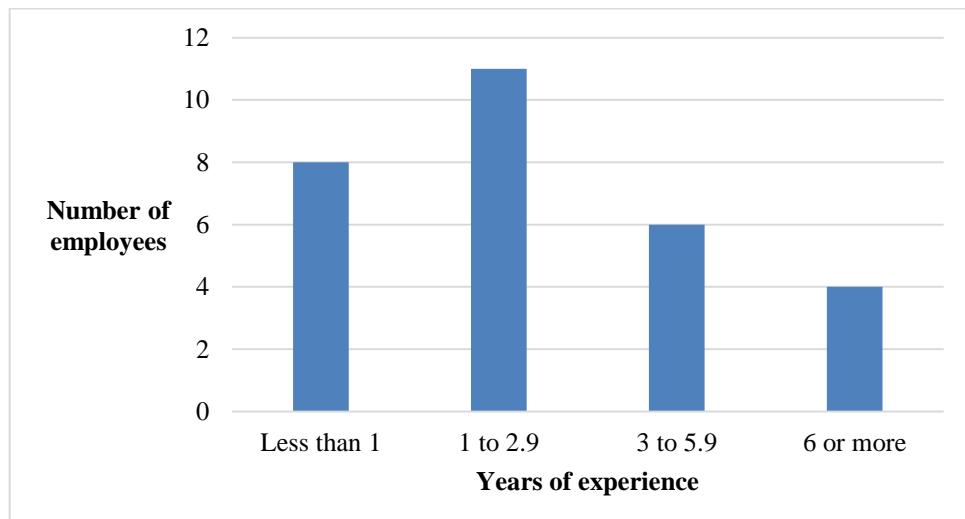
<sup>37</sup> WSS Collaborative Group, 2012, “WSS Sectorial Analysis in Honduras,” chapters 2–4.

<sup>38</sup> “Strategic Plan for the Modernization of the WSS Services in Honduras,” chapter 4.1. [www.ersaps.hn/documentos/interes/PEMAPS.pdf](http://www.ersaps.hn/documentos/interes/PEMAPS.pdf).

<sup>39</sup> Based on the conclusions of the 4<sup>th</sup> Consultancy Report on the state of water and sanitation services in small towns, David Carías, 2011, WSP Honduras.

<sup>40</sup> Data were provided by CENET based on biographical information provided during registration for WSS training programs. This survey is not intended as a rigorous analysis of human resources at small town providers but as a snapshot of the individuals who administer WSS systems in those areas. This report refers to staff at municipal units and enterprises, as well as officers at CWBs, as employees, though many are in fact volunteers.

**Figure 8 – Tenure at WSS Service Provider**



*Source:* Author's calculations, data provided by CENET.

National sector authorities suggest that much of this turnover stems from political appointments made during the four-year municipal electoral cycle. The national Municipal Civil Service Law (Ley de Carrera Administrativa Municipal), passed in 2010 and in force since September 2014. The law seeks to create a standing civil service within each of the country's 298 municipal governments—including those of small towns—composed of professionals who remain in their positions through electoral cycles.<sup>41</sup> The law entered into force in September 2014 and creates an important opportunity to strengthen WSS service provision in small towns, as employees at both autonomous and direct municipal providers should spend more time in their positions. Longer tenures both justify and underscore the need for an integrated capacity-building program. This legislation could curb turnover at WSS authorities, though, as of 2016, it has yet to be consolidated in practice. Operationalization of the Municipal Civil Service Law should be a long-term goal for the sector.

According to ERSAPS, small towns still lack adequate numbers of employees per 1,000 connections; the benchmark in Central America is 6 employees per 1,000 connections.<sup>42</sup> Looking beyond these indicators, Figure 9 shows that only 11 percent of employees assisted under this TA hold a university degree in a field related to WSS (such as civil engineering), half completed high school, and 16 percent completed only primary school. Just one employee in the ERSAPS data has benefited from formal technical education in WSS service provision.

This low level of formal education in general, and WSS training in particular, holds back the professionalization of the sector and will not be remedied in the short term. Training

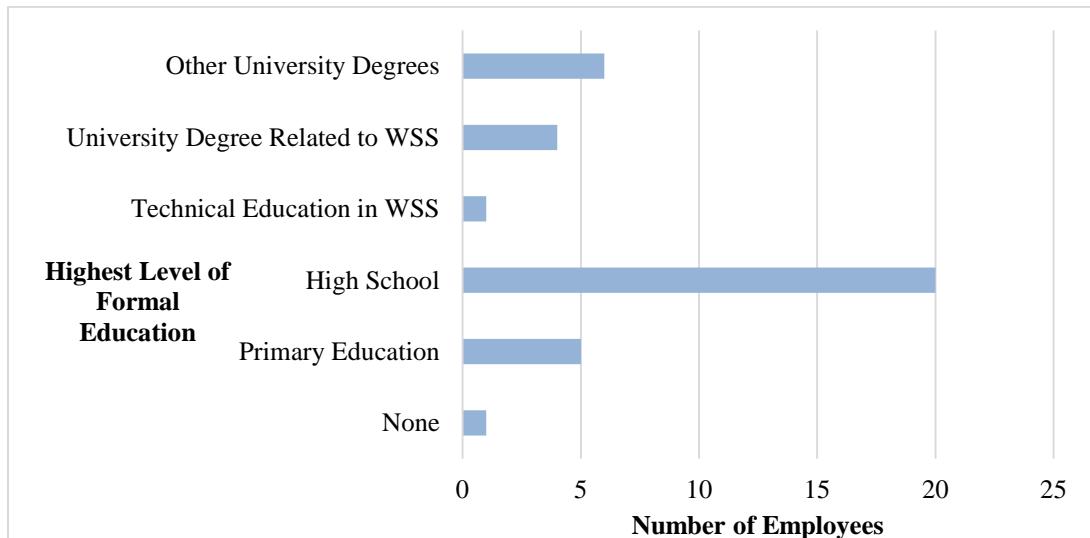
<sup>41</sup> Ley de Carrera Administrativa Municipal, Decree 74/2010,

<http://www.tsc.gob.hn/leyes/Ley%20de%20la%20Carrera%20Administrativa%20Municipal.pdf>.

<sup>42</sup> MAPAS Regional Synthesis, WSP, World Bank Group (2014).

and on-call TA can play important roles in empowering employees to perform well in their jobs.

**Figure 9 - Level of Formal Education, Employees of Small Town WSS Providers**



Source: Author's calculations, data provided by CENET.

Human resources in CWBs, which provide WSS service to 14 small towns and virtually all of peri-urban Tegucigalpa, present a particularly troubling picture. Officers at CWBs are volunteers from the community who are elected through a community assembly to posts including president and treasurer. By law, community assemblies are held every two years to select new officers or renew the terms of incumbents.

Official data are not tabulated, but according to national sector authorities, approximately half of the sitting officers return, sometimes in other positions (for example, a CWB president becomes treasurer). Term limits seek to prevent the capture of WSS service provision by vested individual or group interests that usurp the needs of the broader community. Nevertheless, two-year rotations ensure that CWBs are staffed by residents who have little experience in the provision of WSS services. Compounding the difficulties presented by short terms in office, officers seldom have training in management or engineering, and indeed have little formal education. Unofficial estimates from the Honduran Association of Community Water Boards suggest that the average officer at a peri-urban CWB has completed between six and eight years of schooling; estimates for remote small towns are three to four years.

#### **4. Mancomunidades—Joint Service Provision and Pooled Support Services**

The second deliverable of the knowledge creation pillar of TA was the systematization of the Aguas del Valle Mancomunidad experience. A mancomunidad is a formal legal mechanism that facilitates collaboration between municipalities. The GoH is interested in exploring the usefulness of the mancomunidad model to support WSS service provision, by linking small towns and intermediate cities with larger, geographically proximate

WSS providers, based on success in other sectors in Honduras and Central America. Based on government interest, the Bank carried out an assessment as part of the TA of the formation and initial results of the Aguas del Valle Mancomunidad, which was the first such entity established to focus on the WSS sector in Honduras.

#### *Overview of the Macomunidad Model*

Honduras has 298 municipalities, most of which have small populations: 132 have fewer than 10,000 inhabitants and only 13 exceed 100,000 residents. To overcome constraints associated with small size, many municipalities have chosen to form associations of municipalities, or mancomunidades, to address common challenges. Under the 1990 Law of Municipalities and associated regulations, a mancomunidad is a legally constituted association of municipalities that seeks a specific, designated objective or benefit.<sup>43</sup> They are public entities formed after a two-thirds vote of the town councils (Corporaciones Municipales) of the participating municipalities. As of 2015, Honduras had 44 functioning mancomunidades, and an additional 11 had been formed but did not yet provide services.<sup>44</sup> In the context of WSS service provision, a mancomunidad can range from the creation of a joint service provider to leverage economies of scale or shared infrastructure, to the pooling of resources to provide common TA services to individual municipalities. As of 2015, one mancomunidad had established a joint WSS service provider, and at least three others pool resources for TA for the local WSS sector.<sup>45</sup> The mancomunidad model represents a middle ground between centralized and local responsibility for service provision, and a certain recognition of the capacity and technical limitations faced by some small, decentralized WSS providers.

Shared interests drive Honduran municipalities' decisions to form mancomunidades. The study carried out under this TA, "Aguas del Valle—Modelo Innovador en la Prestación de Servicios de Agua y Saneamiento con Economía de Escala para Medianos y Pequeños Prestadores," identified three primary factors that contribute to the formation of mancomunidades in the WSS sector: (i) common infrastructure; (ii) economies of scale; and (iii) shared watersheds.<sup>46</sup> Common infrastructure can include drinking-water and wastewater treatment plants. Economies of scale can be derived from establishing a joint service provider to cover multiple, geographically close municipalities. Similarly, a mancomunidad can hire technical experts to provide services to a group of municipalities or buy materials in bulk to reduce unit costs. Finally, a common—and finite—water source can create a strong incentive for stakeholders to coordinate water use across municipal boundaries.

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<sup>43</sup> La ley de municipalidades y su reglamento,  
<http://amhon.hn/files/pdfs/Ley%20De%20Municipalidades%20y%20Su%20Reglamento.pdf>.

<sup>44</sup> Honduras Association of Municipalities, "Listado de mancomunidades,"  
[http://amhon.hn/j1/images/demo/doc/Mancomunidades\\_Honduras\\_2015\\_2.pdf](http://amhon.hn/j1/images/demo/doc/Mancomunidades_Honduras_2015_2.pdf).

<sup>45</sup> Other active mancomunidades that pool technical resources include Güisayote, MAMUCA (Mancomunidad de Municipios del Corredor Atlántico), and Mancomunidad de Municipios del Norte de Francisco Morazan (MANOF). A report from the December 2015 National Mancomunidades Forum offers further detail: <http://www.observatoriodescentralizacion.org/wp-content/uploads/2015/06/MEMORIA-FORO-NACIONAL-DE-MANCOMUNIDADES-2014.pdf>.

<sup>46</sup> Martha Lizeth Galo Osorio, 2014, "Aguas del Valle—Modelo Innovador en la Prestación de Servicios de Agua y Saneamiento con Economía de Escala para Medianos y Pequeños Prestadores," World Bank.

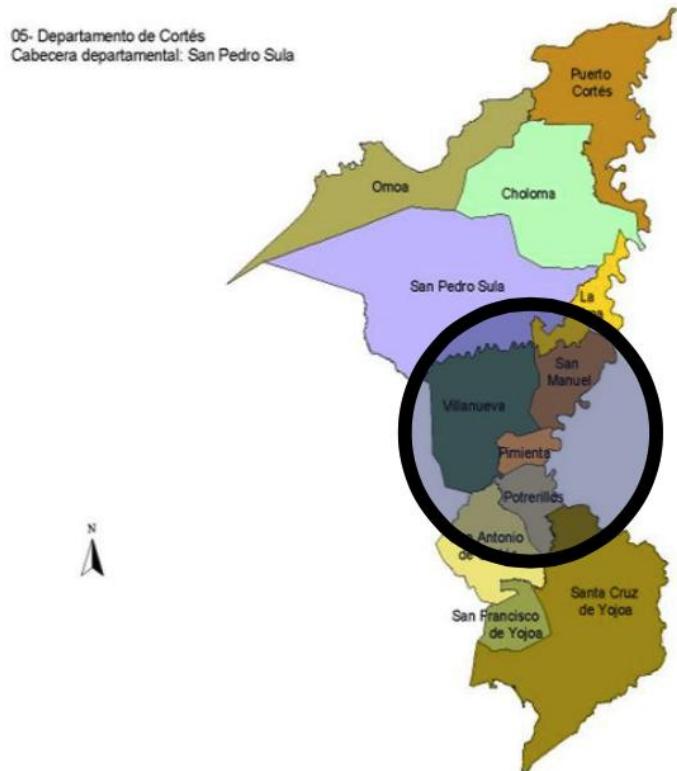
#### 4.1 Joint Service Provision—Aguas del Valle

The adjacent municipalities of Villanueva, San Manuel, Pimienta, and Potrerillos, situated in Cortés Department near San Pedro Sula (Figure 10), face numerous common challenges in the provision of WSS service. All of the municipalities' water systems, which depend on groundwater, offer intermittent service of generally less than 12 hours per day. Only 8 of 29 neighborhoods in Villanueva are connected to sewerage networks, 4 of 18 in San Manuel, and none in Pimienta (information was not available for Potrerillos).<sup>47</sup> No wastewater is treated before discharge. Villanueva is the largest of the municipalities in the mancomunidad at 134,196 inhabitants, and is the fastest-growing municipality in the country owing in part to a dynamic maquila industry. San Manuel has some 53,009 residents and is also growing rapidly. Pimienta is home to approximately 25,469 residents, some 50 percent of whom commute daily to jobs in Villanueva or San Manuel. The smallest member of the mancomunidad is Potrerillos, at 4,240 inhabitants. Faced with similar challenges in adjoining jurisdictions, the four municipalities joined forces to improve WSS service coverage and quality through the formation of a mancomunidad called Association of Municipalities for Water, Sanitation, and the Environment (Asociación de Municipios para Agua Saneamiento y Medio Ambiente, AMASM) in May 2011. This is the first—and only, as of mid-2016—mancomunidad formed specifically to address challenges in the water sector, and one of the few in the country that brings together small towns and intermediate cities.

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<sup>47</sup> Data collected by service providers, as reported by Galo 2014, are tabulated at the neighborhood level but not disaggregated by household or family.

**Figure 10 – Map of the Municipalities of AMASM**



Source: Galo Osorio, 2014.

The four municipalities formally launched the mancomunidad through the signing of a legal agreement by the respective municipal Secretariats of Finance in early-2009, as illustrated in Figure 11. Changes in the political environment—including a constitutional crisis in mid-2009 that led to an abrupt change in the presidency, and turnover in local government in early-2010—led to delays during the initial launch of the mancomunidad. The respective mayors ultimately provided crucial leadership during the process, including community outreach, and today constitute the executive committee that oversees the operations of the mancomunidad. With AMASM legally established, the mancomunidad chartered a regional, joint WSS service provider in September 2013 that merged the individual providers of San Manuel and Pimienta with the larger and more established municipal provider in Villanueva. This joint service provider operates today as Aguas del Valle.<sup>48</sup> Despite being chartered as one legal entity, the WSS infrastructure in the respective municipalities remains physically independent. Potrerillos opted out of the joint service provision model for political reasons and continues to provide services on its own. ERSAPS approved the service management model, and, after several iterations, Aguas del Valle was registered with the national Secretariat of the Interior and Population. Once legally constituted, Aguas del Valle obtained a tax number (*Registro Tributario Nacional*, RTN) that allowed it to open a bank account. Aguas del Valle is the first legally chartered joint service provider in the WSS sector in Honduras and, as it

<sup>48</sup> Aguas del Valle disseminates information and service updates on its Facebook page: <https://www.facebook.com/Aguas-del-Valle-444482738970201/>.

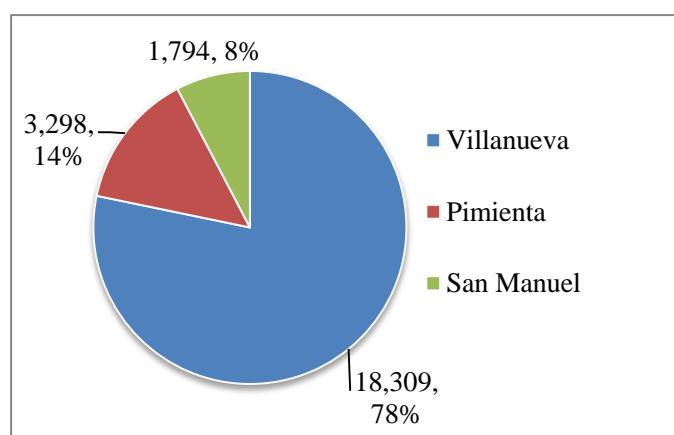
continues to refine its management model in the years to come, is poised to yield important lessons for the country.

**Figure 11 – Formation of the Aguas del Valle Joint Service Provider**



Aguas del Valle has made concrete progress to improve administrative capacity since its incorporation. The joint service provider is staffed by technical and administrative personnel in Villanueva, itself the area with the largest number of connections, as shown in Figure 12. Aguas del Valle staff, including a general manager, administrator, and commercial manager, support field offices in San Manuela and Pimienta. Staff costs are covered by tariffs paid by Aguas del Valle's customers. Since the start of operations in 2013, the mancomunidad has increased the number of paying clients by 13 percent through the regularization of buildings that were previously connected but not charged for service (so called *clandestinos*). Among other utilities that benefited from PROMOSAS, a roughly comparable group, the increase in paying customers in the same period was 3 percent. Water supply coverage has improved marginally under the mancomunidad, going from 96 percent in the year before the joint service provider was launched to 98 percent in 2014 (Figure 13).<sup>49</sup> Data are not available on the quality of water delivered through the pipes.

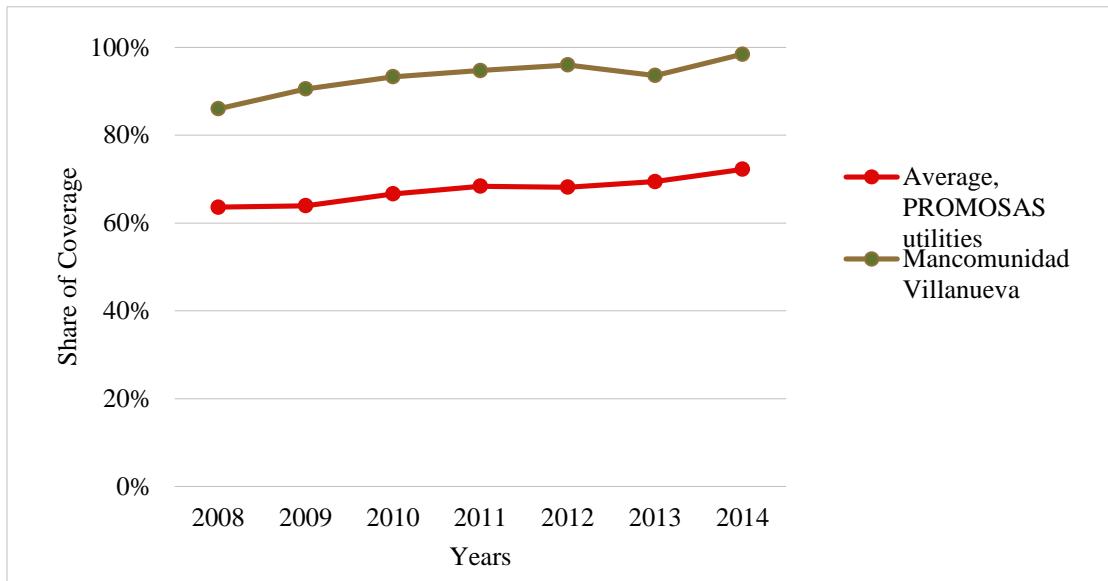
**Figure 12 – Distribution of Water Connections in the Mancomunidad, 2014**



<sup>49</sup> Raw coverage data cited here were collected by ERSAPS and analyzed by the PROMOSAS implementing unit at the Ministry of Finance.

Source: Ministry of Finance, PIU PROMOSAS.

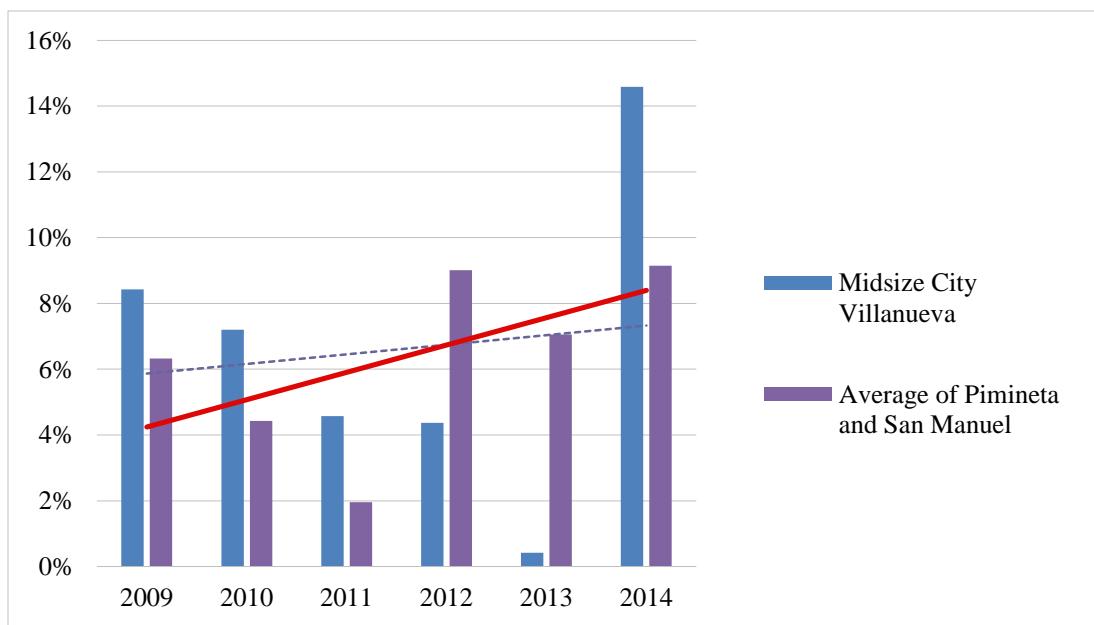
**Figure 13 – Water Coverage Levels, Mancomunidad Villanueva and PROMOSAS**



Source: Ministry of Finance, PIU PROMOSAS.

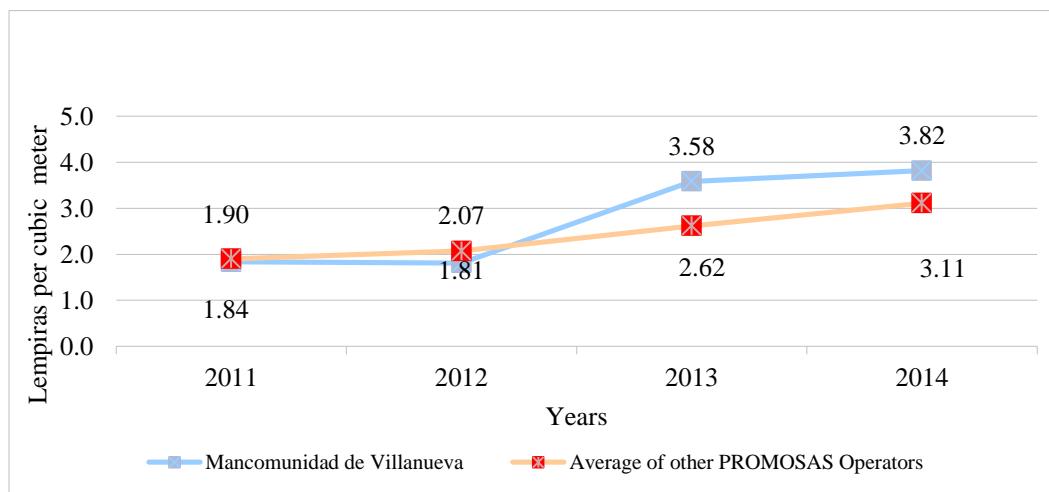
Since the formation of Aguas del Valle, synergies between the intermediate city (Villanueva) and the two small towns (Pimienta and San Manuel) are starting to benefit the small providers, which have seen improvements in coverage, as indicated in Figure 14. This is due in part to actions taken to standardize administrative procedures in the main and satellite offices of Aguas del Valle, and TA provided through PROMOSAS—including the preparation of manuals, regulations, diagnostics, and hydrological balances. With support from the mayors, Aguas del Valle has adjusted rates to better reflect costs, made debt collection a priority, and implemented a new billing system based on an updated cadaster. This has resulted in greater revenue per cubic meter of water produced, as shown in Figure 15.

**Figure 14 – Trend in Number of Water Connections in Mancomunidad Villanueva Members**



Source: Ministry of Finance, PIU PROMOSAS

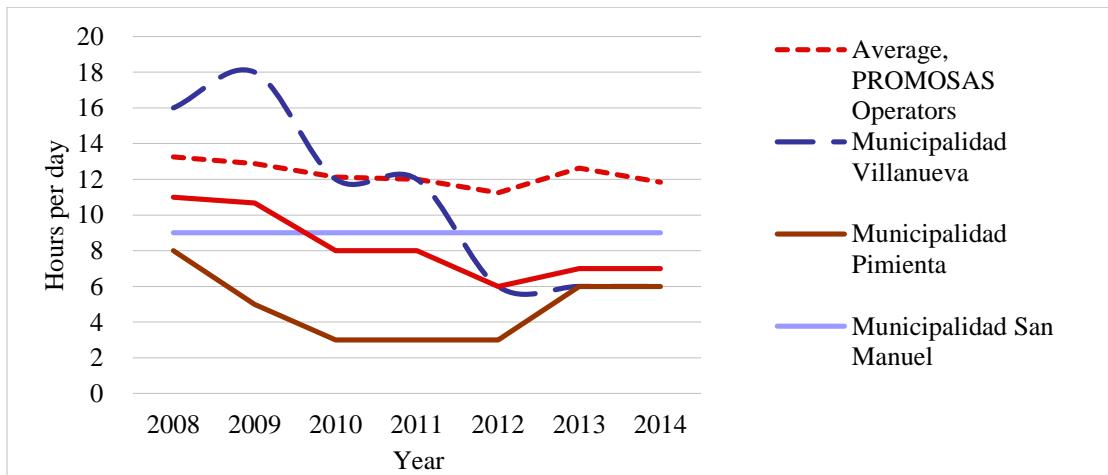
**Figure 15 – Increased Revenue per Unit Volume in PROMOSAS Operators (Mancomunidad and Small Towns)**



Source: Ministry of Finance, PIU PROMOSAS.

The progress made on administrative indicators has not yet translated to improved service continuity for Aguas del Valle's customers. According to data gathered for the PROMOSAS project, continuity has fallen sharply in Villanueva, as shown in Figure 16, while having improved only marginally in Pimienta and held steady in San Manuel. Taken together, Aguas del Valle lags comparable providers. Potability data is not available.

**Figure 16 – Service Continuity, Mancomunidad Villanueva and PROMOSAS Operators**



Source: World Bank data collected for the PROMOSAS project.

#### 4.2 Pooled Support Services—Mancomunidad Güisayote

To contextualize the TA deliverable on the formation of the joint service provider model of Aguas del Valle, task team also considered the effectiveness of pooled support services, another application of the mancomunidad model. The mancomunidad of Güisayote is headquartered in the municipality of La Labor (population 9,516) in Ocotepeque Department near the Salvadoran and Guatemalan borders. The association covers the municipalities of La Labor, Dolores Merendon (population 3,741), Fraternidad (population 4,890), Lucerna (population 5,859), and Sensenti (population 11,426).<sup>50</sup> The permutation of the mancomunidad model applied in Güisayote does not fully unite municipal water service provision—CWBs continue to operate WSS services independently. Rather, it pools resources to finance personnel who support municipalities in the designation and administration of protected areas, such as watersheds. (It is also active in solid waste disposal and other municipal infrastructure.) Support personnel hired by the mancomunidad assist municipalities in the technical aspects of the purchase and reforestation of lands in the surrounding hillsides, specifically in what parcels to acquire and what species of trees to plant. Pooled support services are an effective way to make skilled personnel available at an accessible cost.

Interestingly, two separate CWBs supply drinking water and sanitation services to the municipality of La Labor. The two CWBs split control and operation of the town's drinking water and wastewater plants. Under the terms of a long-standing—but informal—agreement, one CWB operates the plants one month with its own personnel, and the other CWB operates the plants the next month with its personnel. Local authorities indicated that this arrangement has functioned reasonably well and that, as a result, they did not see a need to explore a joint service provision model under a mancomunidad at this point. This experience suggests that municipalities can benefit

<sup>50</sup> The Mancomunidad Güisayote maintains a website at <http://www.mancomunidadguisayote.hn/>.

from pooled support services financed by a mancomunidad without expending the resources to charter a joint service provider. Nevertheless, the informal arrangement sharing the operation of WSS services is fragile in that official roles are not officially assigned, and a change in leadership could unravel the progress made in La Labor.

#### 4.3 Takeaways from Experiences with Mancomunidades

The formation of the joint service provider Aguas del Valle represents a pioneering experience that could be replicated in other parts of the country. However, it is not yet clear that the benefits of the mancomunidad model in the WSS sector outweigh the costs of establishing a joint service provider. The multiyear process to establish the mancomunidad and joint service provider requires managerial and political bandwidth and distracts from other aspects of strengthening individual providers. In terms of results, two years after its formation, Aguas del Valle faces many of the same administrative challenges as the individual providers it brought together, including cost recovery, the reduction of nonrevenue water, and high rates of late payments. The initial on coverage and continuity data, as presented above, does not point to the conclusion that the mancomunidad has improved WSS service delivery. A fuller treatment of the lessons about the process of forming a mancomunidad and joint service provider have been documented in the report titled “Aguas del Valle—Modelo Innovador en la Prestación de Servicios de Agua y Saneamiento con Economía de Escala para Medianos y Pequeños Prestadores,” carried out under this TA.<sup>51</sup>

Similarly, it is not clear that many opportunities exist for a joint service provision model to emerge organically in the near-term in Honduras. Analysis carried out under the TA highlighted that establishing a joint service provider with the aim of improving economies of scale, in the absence of shared WSS infrastructure, can present high costs with limited visible benefits in the near term. (Also, as the case of Güisayote illustrates, shared infrastructure can be operated reasonably effectively without establishing a formal mancomunidad.) Technical assistance from the Bank’s PROMOSAS project was critical in the creation of the mancomunidad and of Aguas del Valle as a constituted supramunicipal service provider that today offers service to multiple municipalities. Indeed, the ability to access funding through PROMOSAS was the primary driver of the formation of the mancomunidad, and it is not clear that a mancomunidad would have formed there, or in a similar context, without it having been a condition of the PROMOSAS program.

The pooled service provision model employed by the Mancomunidad Güisayote appears to be a more feasible near-term approach than the joint service provision model to help small town providers improve specific aspects of WSS service provision (such as watershed management). Nevertheless, the joint service provision model offers important opportunities to gain economies of scale and to inject management know-how in small towns. These benefits could outweigh the initial sunk costs associated with the creation of the mancomunidad over the long term. This approach has proven effective in other countries in the region and remains of particular interest in the context of Honduras with

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<sup>51</sup> Martha Lizeth Galo Osorio, 2014, “Aguas del Valle—Modelo Innovador en la Prestación de Servicios de Agua y Saneamiento con Economía de Escala para Medianos y Pequeños Prestadores,” World Bank.

298 distinct municipalities. Additionally, the model of joint service provision through a mancomunidad could prove advantageous for attracting private interest in the operation of WSS services. Today, national sector authorities state that small towns in Honduras are generally too small to be of much interest to the private sector, though larger groupings of municipalities aggregated through a mancomunidad could invite private participation in the sector.

## 5. Capacity Building for Small Town WSS Service Provision

The second pillar of the TA supported capacity building for small town service provider staff and local technical assistance providers. The government identified lack of capacity, outlined in Table 1, as a major constraint to sustainable WSS service provision in small towns, which in turn creates a barrier to investment in those communities. Faced with the a persistent challenge of low capacity, the GoH requested Bank support to develop and execute on-the-job training for staff at small town WSS service providers, as well as training for technical assistance providers as a means to bolster domestic capacity to provide on-call support to for WSS service providers. The impact of training programs may not always immediately translate to improved service provision—other binding constraints exist, including the need for infrastructure investments—though strengthen capacity establishes a foundation upon which small towns can make incremental improvements to services offered in the future. This chapter presents an overview of the capacity building activities supported by the TA.

Honduran WSS sector authorities requested support in developing capacity building that is specifically tuned to the unique needs and challenges of the municipal entities and CWBs that provide WSS services in small towns, as well as formal training for personnel who provide TA and on-call support. Recognizing the demand for capacity building emanating from providers in those areas, the SDC and ERSAPS developed a 10-module training curriculum. Four small town service providers completed this course in 2013 and offered positive feedback on the usefulness and applicability of the materials presented. The Bank partnered with SDC to scale up this initiative and in doing so deepened the long-standing relationship between the two institutions in the water sector in Central America. Development and implementation of the capacity-building program would not have been possible without the technical and financial assistance offered to ERSAPS by the SDC; a list of SDC's specific contributions is available in annex 1. Now that the training materials have been developed and tested, curricula and trainers can be reactivated when the government or donors chose to finance further courses.

### 5.1 On-the-Job Training for Small Town Providers

#### Selection Criteria

The Bank, in coordination with the GoH, established selection criteria for participants in on-the-job training courses. Among the most important criteria that enabled the selection of small town service providers to participate in the training program were (i) geographic location: cities that are within 50 kilometers of a large provider or an intermediate city, that has benefited from PROMOSAS; (ii) providers involved in institutional-strengthening processes through sector programs (PROMOSAS, PIAPS, SDC's Water and Sanitation in Towns/Schools initiative); (iii) those small towns where SANAA is

providing service and decentralization is pending; and (iv) small towns that possess basic infrastructure (water and wastewater treatment plants) with the caveat that the state of the infrastructure should be such that it does not require major investments for its operation. The interest and availability of personnel was also taken into account.

### **Course Material**

To scale up the capacity-building program, the Bank hired local consultants to work with the Secretariat of Economic Development's National Center for Labor Training (Centro Nacional de Educación para el Trabajo, CENET<sup>52</sup>), the government's official on-the-job training entity, to update the existing 10 course modules based on initial participant feedback and develop two additional modules on energy efficiency and on financially and environmentally sustainable service provision. The resulting 12 modules constitute a 36-hour training course entitled "Small Town Water and Sanitation Service Management." Training in WSS-specific topics—the sector institutional framework, coordinating operation and maintenance of small town physical infrastructure, tariffs, planning—is supplemented by capacity building in business management, including accounting and cost recovery, with the goal of helping service providers think like financially sustainable businesses. Table 6 presents a complete list of topics covered in the course.<sup>53</sup> On the basis of feedback from the initial round of courses offered by the SDC, the Bank team worked with CENET to develop a separate, complementary course in business leadership skills specifically targeted to managers of small town WSS service providers. Both courses were adopted by CENET as part of its official training topics, making CENET the first public entity to provide on-the-job training in this field.

**Table 6 – Small Town Water and Sanitation Service Management Course Modules**

<b>Module</b>	<b>Content</b>
1	Legal and Institutional Framework
2	Regulation of Service Provision and Community Water Boards
3	Regulation of Tariffs, Addressing User Requests and Complaints
4	Drinking-Water and Sanitation Systems
5	Drinking-Water Quality Control
6	Maintenance of Equipment
7	Regulation and Tariffs
8	Administration and Accounting
9	Management and Results Plans
10	Information Systems
11	Energy Efficiency at Small Town Water Utilities
12	Financially and Environmentally Sustainable WSS Service Provision

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<sup>52</sup> CENET is a public agency that offers regular and one-off training programs across a range of sectors to build the stock of human capital in Honduras. The agency was recently transferred from the Ministry of Education to the Ministry of Economy and Competitiveness to reflect the government's view of labor training as a driver of economic growth. More information is available at [www.cenet.gob.hn](http://www.cenet.gob.hn).

<sup>53</sup> Full reports for the training courses, prepared by CENET, are available upon request from the WSP office in Honduras.

The expanded curriculum was field tested with 21 officials from 20 service providers in April 2015 (a full list of participants is available in annex 2). Local experts, including current and former ERSAPS staff, led training sessions, which allowed for sector specialists with deep knowledge of the realities of working in Honduras to tailor international best practices to the country's unique context. The intervention, although not designed to measure impact rigorously, helped WSS service providers in small towns make incremental improvements to their management practices. Providers learned tools to improve the uptake of micrometering in their communities (**Error! Reference source not found.**), update tariff structures to more accurately reflect the cost of service, and take steps to establish citizen participation entities and legally register service providers, as presented in annex 4. Successful participants—in this case, all—received a certificate of completion during a graduation ceremony held in December 2015.

#### **Box 4 – Household Metering to Promote Equity**

##### *Testimonial: Building a culture of payment for services through equitable service provision*

The Jesus de Otoro Community Water Board, JAPOE, built community support for expanded use of metering through the lens of equity. As codified in the CWB's charter, all community members have the right to water service, though overuse of water by some community members can result in insufficient supply for covering all families.

To reduce water usage, JAPOE launched a micrometering program and tariff system based on blocks. For approximately one year after meters were installed, residents received mock invoices showing their water usage and the cost for that amount of water, though they were not required to pay. After allowing residents time to adjust their usage patterns on the basis of the cost of water, JAPOE began to send bills based on usage that residents were responsible for paying. By installing household metering of water usage and gradually rolling out a tariff system based on that usage, residents better understood the value of water and reduced their use of the resource. As a result, sufficient water is available in the network to serve all households and thus equitably cover the entire community—including those who live on hillsides.

Participants were asked to provide feedback on the quality and usefulness of the courses for their work. Reactions were largely positive, with 20 of 21 participants giving a score of "excellent." Participants also offered valuable feedback that will be incorporated into future iterations of the course. Service providers highlighted the need to strengthen training in water resources and watershed management (such as payment for ecosystem services

models<sup>54</sup>). This training should be offered by experienced water resources specialists, possibly from the Ministry of Environment. Similarly, participants emphasized the need to focus specifically on topics that are relevant for small towns and leave aside those that

<sup>54</sup> Potential payment for ecosystem services models in Honduras include cash transfers from WSS utilities to coffee farmers located upstream, to reduce production or to fallow fields that are located near streams so as to improve water quality. A cleaner water source translates to reduced treatment costs.

pertain to larger providers, such as energy efficiency (the majority of small town WSS systems are gravity-driven and do not use energy-intensive infrastructure such as pumps).

In partnership with ERSAPS and CENET, the Bank piloted a leadership skills course under this TA for managers as a follow-on to the management training courses. The training emphasized developing “soft” skills and new approaches to leadership that include fostering creativity, spurring innovation, focusing on the customer, and managing change, as outlined in Table 7. This training course was developed on the basis of participant feedback from the initial SDC program and broader experience in Latin America that highlighted the importance of client-centered management. The leadership skills course included a hands-on group exercise to prepare a business plan, enabling participants to work in teams on a project directly related to their work responsibilities. Nineteen managers, representing an equal number of WSS service providers, participated in the 24 hour, in-person course in June 2015. Participants reported that the training would help them to more effectively lead neighborhood meetings and interact with municipal authorities such as the mayor.

**Table 7 – Leadership Skills Training Course Modules**

<b>Module</b>	<b>Content</b>
1	Individual Business Skills
2	Leading Change
3	Creativity and Innovation
4	Ideas to Improve Services
5	Client Identification
6	Value Propositions
7	Cost Structure
8	Partners, Resources, and Key Activities
9	Client Relationships
10	Service Delivery
11	Sources of Income

The blend of managerial and leadership training is crucial for managers from small town providers to be able to put what they learn in the classroom into practice in the field. In addition to developing capacity at small town service providers, the process of designing and implementing the course built training capacity at CENET. This marks the first foray of the national government’s official on-the-job-training entity into training for small town water providers and signals an important step in the training needed to professionalize water service provision in those areas. By centralizing training under CENET, service providers and donors alike can turn to a single entity for trusted capacity-building services. In addition, now that the training curriculum has been developed and field tested, the replicable content can be adapted quickly for use with administrators at CWBs in peri-urban areas, which often have similar administrative structures and physical infrastructure, and face many similar challenges. Indeed, the municipality of Tegucigalpa has expressed interest in strengthening the capacity of peri-urban providers.

## 5.2 Formal Training for Local TA Providers for Small Towns

To be able to provide on-call support for small town or peri-urban WSS service providers on a national scale, Honduras needs to increase the number of individuals who have formal training in the provision of such TA. To this end, the TA supported a partnership with the Engineering Polytechnic University of Honduras (UPI) to develop and finance a diploma program for local water and sanitation service technicians. The 15-day, 120-hour course provides an in-depth treatment of the content, including legal framework and tariffs, directed at small town providers. It also included additional training in more advanced topics such as geographic information systems. Table 8 outlines the nine modules of the course. The first cohort of 19 recently minted WSS technicians from across the country received their diplomas in December 2015 (a full list of participants is available in annex 3), increasing in-country capacity to provide TA services to small town or peri-urban WSS service providers. This replicable course has also generated experience that UPI, a respected private university, can build upon to offer similar training programs when funding and interest is available from the government or donors.

**Table 8 – Local Water and Sanitation Service Technicians**

<b>Module</b>	<b>Content</b>
1	Legal Framework
2	Information Technology Tools to Support WSS Service Providers
3	Cadaster of Users, Communication and Outreach
4	Geographic Information Systems
5	Invoicing and Billing, Employee Roles, and Salaries
6	Accounting, Tariff Management
7	Partnerships with Third-Party Providers
8	Efficient Water Usage
9	Management and Results Plans

## 6. Policy Guidance for WSS Service Provision

The final pillar of the TA sought to inform government policy for the provision of technical assistance for small town WSS providers and increase the visibility of small towns in sector planning instruments for both the GoH and external donors. The TA informed policy through two formal channels: (i) the preparation of a set of guidelines for SANAA's provision of technical assistance for WSS providers in small towns, and (ii) the inclusion of small towns in sector policy and planning instruments. The downstream impact of heightened visibility of small towns is expected to be more systematic provision of technical assistance to small towns coupled with greater access to financing, which will ultimately improve service delivery. This section describes how the TA informed GoH policy toward small towns.

### 6.1 Strategic Guidelines for SANAA Technical Assistance in Small Towns

SANAA is in the process of transforming from the national water utility to the GoH's unified provider of technical assistance for decentralized WSS utilities, in accordance with the 2003 Water Framework Law. To support the change process at SANAA, the

GoH request Bank support in the development of strategic guidelines to orient the technical assistance SANAA will offer WSS providers in small towns. In response to this request, the TA supported the preparation of a set of guidelines in close partnership with SANAA. The iterative process built on the results of the assessment carried out under this TA and experience from implementing the training courses, combined with lessons learned from other initiatives in small towns.

The guidelines were generated with the support of CENET, in consultation with key sector institutions including ERSAPS, SANAA, CONASA, the WSS National Providers Association (AHPSAS), and the Honduran Association of Municipalities (Asociación de Municipios de Honduras, AMHON). The guidelines will help SANAA systematically define its new scope of work and lead the sector reform dialogue to strengthen the national water and sanitation institutional capacities, move forward in completing the decentralization process, and better position small town providers to improve WSS service provision.

The strategic guidelines focus on five objectives, aligned with the challenges outlined above and government priorities. They include (i) universalize access to WSS services, (ii) improve the service levels of existing WSS systems, (iii) achieve sustainable management of WSS services, (iv) operate WSS services within a framework of sustainable water resources management, and (v) transparently cover operating and investment costs. Table 9 outlines the proposed strategic guidelines, aligned with the WSS Sector National Policy and Plan, as well as the expected outputs, suggested to SANAA authorities, which could frame future schemes in capacity building and TA for small town providers.

**Table 9 – Strategic Program Guidelines for Intervention in Small Towns to Build SANAA’s Capacity-Building and National TA Program**

Suggested Guideline	Expected Outputs in Capacity Building and TA
Developing operational instruments	<ul style="list-style-type: none"> <li>• Consolidate and adapt best-practice manuals</li> <li>• Prepare additional learning modules in operations and maintenance</li> <li>• Develop and approve technical specifications for small town providers</li> </ul>
Creating and strengthening the availability of certified private consultancies for small towns	<ul style="list-style-type: none"> <li>• Design and approve mechanisms to certify TA local providers</li> <li>• Provide municipalities with templates for terms of reference and hiring procedures to ensure the quality of the services hired</li> </ul>
Establishing capacity-building and TA subprograms	<ul style="list-style-type: none"> <li>• Improve managerial skills among small town managers</li> <li>• Provide training and assistance to small towns in management practices</li> <li>• Establish knowledge exchange events, both locally and abroad, including water operator partnerships</li> </ul>

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Establishing financial mechanisms for institutional strengthening activities	<ul style="list-style-type: none"> <li>• Design master plans for the development of small-scale water and sanitation systems</li> <li>• Design the methodology to prepare Results-Oriented Provider Plans.</li> <li>• Assist small town providers in accessing financial mechanisms established in the WSS Financial Policy</li> </ul>
Improving school infrastructure	<ul style="list-style-type: none"> <li>• Implement the School and Healthy House Methodology (Escuela y Casa Saludable) in small towns</li> </ul>
Promoting environmental and sustainable services	<ul style="list-style-type: none"> <li>• Complement the Territorial and Micro Watershed Integrated Management Plans (Plan de Ordenamiento y Manejo de la Microcuenca), framed within an interinstitutional collaboration agreement with the Ministries of Agriculture, Forestry and Environment, and AMHON</li> <li>• Support small towns in defining a financial model that includes tariffs, the financing environmental protection, and conservation activities to protect local watersheds</li> </ul>

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Given finite resources, SANAA cannot assist all small towns simultaneously and that political economy conditions might not enable some municipal providers to participate in the process of improving their technical and managerial capacities. In this regard, the strategic guidelines include recommendations in terms of staggering the implementation of the TA and reform initiatives. The guidelines recommend prioritizing small towns that already have drinking water and wastewater treatment plants, with the aim of improving the sustainable management of existing infrastructure. To this end, the strategy identifies 11 small towns, ranging in size from 6,914 to 26,626 inhabitants, for intervention in the first phase.

A preliminary version of the guidelines was presented to SANAA leadership in January 2016. SANAA has established a working group to develop a plan to formally incorporate the strategic guidelines into the organization's work plan for small towns. It is expected that the guidelines will allow SANAA to work more effectively with small towns to help improve WSS service provision in the near to medium term. While the one ongoing Bank investment operation in the WSS sector in Honduras, PROMOSAS, closes in December 2016, the strategic guidelines can serve as a roadmap for to maintain engagement with the government until prospects for a follow-on operation improve.

## 6.2 Increased Visibility of Small Towns in Sector Planning Instruments

The TA strengthen government implementation capacity for the 2003 Water Framework Law vis-à-vis small towns through support for three complimentary TAs: (i) the development of a National Water and Sanitation Sector Policy, approved in March 2013; (ii) the preparation and approval of a Water and Sanitation National Plan (*Plan Nacional de Agua Potable y Saneamiento*, PLANASA) in 2014; and (iii) the development of a National Water Sector Financial Policy in 2015. These three sector planning instruments explicitly address small towns, as outlined below.

The Honduras National Water and Sanitation Sector Policy, approved by CONASA in March 2013<sup>55</sup>, seeks to guide and orient decision making in the WSS sector through the year 2038.<sup>56</sup> It establishes small towns of 5,000 to 30,000 residents as one of the five categories of population centers in the context of WSS service provision.<sup>57</sup> The inclusion of a separate category for small towns in the Sector Policy was a crucial first step to increase the visibility of these communities in ongoing sector planning and strategy instruments.

The Water and Sanitation National Plan (*Plan Nacional de Agua Potable y Saneamiento*, PLANASA), supported by the Bank, is an instrument to implement sector policy over the long term passed on hydrological basins and population strata, one of which are small towns. The PLANASA sets a goal of 91 percent potable water coverage and 60 percent improved sanitation coverage in small towns by 2022. To reach these coverage targets, the PLANASA calls for US\$21.3 million to expand access to drinking water in small towns, and US\$13.9 million to broaden small town sanitation coverage through the year 2018.<sup>58</sup> Inclusion of a line item for small towns in national sector planning is an important milestone in allocating adequate financing for WSS service provision in these areas.

The 2015 National Water Sector Financial Policy, developed with Bank support, operationalized the priorities set for in the PLANASA. It stratifies municipalities by population size and delineates mechanisms for small towns to access the National Water and Sanitation Fund (Fondo Nacional Agua y Saneamiento, FONASAN) for investment capital and the national budget to finance technical assistance. The Financial Policy seeks to encourage private participation in the WSS sector, including in small towns, by sanctioning the use of performance-based contracts. The use of ‘green’ funds, specifically earmarked by donors for climate-relevant activities, to support water resources management. The Financial Policy also includes a non-reimbursable lump sum prize, administered by CONASA, to be used for improvements to WSS systems to be awarded to a small town provider on the basis of progress made.<sup>59</sup> The Bank is continuing work in 2016 with the GoH in the development of specific sector financing mechanisms in line with the Financial Policy. The inclusions of small towns in the National Water Sector Financial Policy opens new avenues for financing that should gradually allow small towns to finance the investments needed to improve WSS service provision.

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<sup>55</sup> [http://es.ircwash.org/sites/default/files/politica\\_nacional\\_formato\\_carta\\_marzo-2013-version\\_resumida1.pdf](http://es.ircwash.org/sites/default/files/politica_nacional_formato_carta_marzo-2013-version_resumida1.pdf)

<sup>56</sup> Consejo Nacional de Agua Potable y Saneamiento (CONASA), March 2013, “Política Nacional del Sector Agua Potable y Saneamiento”.

<sup>57</sup> The five categories include: (i) major urban areas of Tegucigalpa and San Pedro Sula; (ii) intermediate cities of greater than 30,000 inhabitants; (iii) small towns of 5,000 to 30,000 inhabitants; (iv) small communities and concentrated rural areas of 250 to 5,000 inhabitants; and (v) dispersed rural areas with less than 250 inhabitants.

<sup>58</sup> Consejo Nacional de Agua Potable y Saneamiento (CONASA), “Plan Nacional de Agua Potable y Saneamiento (PLANASA),” December 2014.

<sup>59</sup> Consejo Nacional de Agua Potable y Saneamiento (CONASA), “Política Financiera del Sector Agua Potable y Saneamiento de Honduras,” November 2015.

## 7. Outcomes, Lessons Learned, and Future Engagement

The process of implementing the TA has yielded tangible results and important insights into WSS service provision in small towns in Honduras that are relevant to inform Bank operations and other donor activity going forward. This section outlines the key results of the TA around each outcome level. It then presents lessons that point to new interventions or approaches identified through carrying out the TA that can help Honduras rise to the challenge of providing quality, sustainable WSS services for all.

### 7.1 Overview of TA Outcomes

Table 10 summarizes the results of the TA across four levels: (i) development finance informed and leveraged; (ii) knowledge creation; (iii) policy informed; (iv) capacity building. Taken together, the TA made an important contribution to place small towns on a firmer footing to continue to improve WSS service provision going forward.

**Table 10 – TA Outcome Levels and Categories**

Outcome Level	Results of the TA
<b>Development financing informed and leveraged</b> Donor resources are mobilized to improve WSS services in small towns	<ul style="list-style-type: none"> <li>PROMOSAS additional financing allocated credit and counterpart funds for investments in two small towns—San Pedro de Tutule and Teupasentí—that benefited from management training under the TA</li> <li>SDC-WSP Strategic Alliance informed, which forms part of the SDC Regional AGUASAN Program</li> </ul>
<b>Knowledge Creation</b> Lessons learned and best practices regarding WSS services in small towns of Honduras are widely disseminated	<ul style="list-style-type: none"> <li>Mancomunidades service provider model documented in the report “Aguas del Valle—Modelo Innovador en la Prestación de Servicios de Agua y Saneamiento con Economía de Escala para Medianos y Pequeños Prestadores”</li> <li>La Mancomunidad Aguas del Valle management model replicated in other parts of the country with the support of the “Cabeza de Danto” TA financed by the Spanish Agency for International Development Cooperation</li> <li>Exchange events in best practices on management in small towns, carried among small operators, but also involving intermediate (medium size) operators</li> </ul>
<b>WSS sector policy and strategy informed</b> WSS sector policy and national plans informed regarding the proposed intervention strategy for improving WSS services in small towns	<ul style="list-style-type: none"> <li>Strategic Guidelines for SANAA Technical Assistance in Small Towns developed in partnership with CONASA and presented to SANAA</li> <li>Assessment of WSS Service Provision in Small Towns prepared and delivered to sector authorities</li> <li>National Water and Sanitation Plan (<i>Plan Nacional de Agua Potable y Saneamiento</i>, PLANASA), approved in 2014 with a specific designation for small towns.</li> <li>National Water Sector Financial Policy, approved in 2015, with specific policy lines for financing in Small Towns.</li> </ul>
<b>Client capacity increased</b> Capacity of small town service providers to manage WSS services is	<ul style="list-style-type: none"> <li>Curriculum for capacity building at small town WSS providers developed with CENET</li> <li>Curriculum for WSS technicians developed in partnership with private university.</li> </ul>

strengthened	<ul style="list-style-type: none"> <li>• Training provided for 21 small town service providers and 19 WSS technicians</li> </ul>
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## 7.2 Development Financing Informed and Leveraged

The TA leveraged approximately US\$2 million in infrastructure investments from the PROMOSAS additional financing by improving management capacities at WSS service providers in the beneficiary small town of San Pedro de Tutule and Teupasentí. Moreover, the TA has tested capacity building approaches that could inform a follow-on operation to PROMOSAS aimed at completing the WSS sector decentralization process, which hinges on the transfer of nine small town WSS systems. Nevertheless, financing remains a binding constraint to improving WSS service delivery in Honduras.

### *Investments to Support Universalization of WSS Services in Honduras*

The assessments carried out under the TA highlighted wide gaps in WSS service provision in small towns: 21 percent of residents in small towns do not have access to an improved drinking water source; 37 percent of small towns providers report offering service that is rationed for fewer than 5 hours per day; and 35 percent offer service less than 20 hours per day. Indeed, the Bank's 2015 Honduras Systematic Country Diagnostic (SCD) highlights unequal access to WSS services as a key challenge to reducing poverty and boosting shared prosperity in Honduras.<sup>60</sup> Closing the service gap calls for improved management capacity to make better use of infrastructure and resources; it will also require additional financial resources to rehabilitate and expand WSS infrastructure. Properly targeted, increased investment can have a direct impact on poor communities. The Bank can play an important role in financing the infrastructure investments needed to universalize access to WSS services in small towns.

Progress made through PROMOSAS with two small towns combined with the results of this TA, indeed could provide key inputs to the design of a future WBG operation in the sector. The results of both, lending and the WSP TA activities in small towns, are already informing the dialog with the central government, who has shown interest to continue pushing for the decentralization of the remaining systems. As of mid-2016, 13 WSS systems have yet to be decentralized to municipalities, the majority (9) are small towns.

## 7.3 Knowledge Creation—Broadening the Knowledge Base to optimize technical and financial resources

The TA made valuable contributions to the sector knowledge base about the use of management models, provider capacity, and service coverage and quality in small towns in Honduras. It also highlighted the limitations of existing data a pointed toward areas for improvement. The knowledge generated then helped inform government policy, as well as the capacity building pillar of this TA. This new knowledge has informed decision

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<sup>60</sup> Hernandez Ore, Marco Antonio; Sousa, Liliana Do Couto; Lopez, J. Humberto. 2016. Honduras – Unlocking economic potential for greater opportunities – systematic country diagnostic. Washington, D.C. World Bank Group. <http://documents.worldbank.org/curated/en/2016/02/25894168/honduras-unlocking-economic-potential-greater-opportunities-systematic-country-diagnostic-vol-2>.

making—including development of the Sector Financial Policy—and seem likely to influence investment choices in the short to medium terms. Over the course of client consultations carried out under the TA, several additional avenues emerged for deepening knowledge of WSS provision in small towns. The Honduran Association of Municipalities, AMHON, expressed interest in Bank support to conduct a thorough diagnostic of the status of the implementation of legal instruments at small town WSS providers. This would help to target further TA to ensure compliance with the 2003 Water Sector Framework Law. Likewise, a more thorough understanding of the use of information and communications technology (ICT) solutions on the part of small town WSS providers would help to target future TA in that area, to improve efficiency and transparency at service providers.

The TA documented the innovative use of the mancomunidad joint service provision and pooled support services models, as applied to the provision of WSS services. In coming years, Aguas del Valle will yield additional insights as the mancomunidad continues to consolidate WSS service provision, and the Bank should continue to monitor that process. As water security challenges grow, mancomunidades have made possible the financing of useful TA to municipalities on collective and participatory management of shared watersheds.

#### *Strengthen WSS Sector Data Collection and Analysis for Small Towns*

The assessment carried out under the TA highlighted shortcomings in the data collected by national sector authorities and pointed to several key areas where metrics should be strengthened: (i) improved availability of fundamental metrics such as access to services or percentage of nonrevenue water; (ii) more precise measurement of key parameters, such as average hours of continuity as opposed to a large range such as the currently used 5 to 20 hours per day; (iii) new indicators reflecting emerging concerns about climate change and disaster risk management; (iv) availability of human resource data—including educational attainment and experience in the water sector—to inform capacity-building efforts and bring about greater service provision efficiencies; and (v) expanded data on tariffs, fees, and subsidies to inform tariff design and improve infrastructure design. These data are needed to improve the targeting of TA and investments, and should be collected on an ongoing basis as part of the standard reporting documents that providers supply to ERSAPS. PROMOSAS has extensively supported capacity at ERSAPS, and follow-on TA activities could maintain a similar institutional modality to support ERSAPS to collect, compile, and manage data. Moreover, it is worth exploring potential incentives—both carrots and sticks—to encourage accurate and timely reporting of key indicators. The Bank could play an important role in providing technical support to ERSAPS to strengthen data collection through a future TA or investment operation. Additionally, knowledge sharing through ongoing instruments such as MAPAS, SIASAR as well as potential TAs like the WASH Poverty Diagnostic, could benefit from more precise data.

#### **7.4 Government and Donor Policy and Strategy Informed**

The assessment and sector strategy informed the national dialogue, boosting the profile of underserved small towns. The category of small town was formally included first in the National Water and Sanitation Sector Policy in 2013 and then in the National Water and

Sanitation Plan (*Plan Nacional de Agua Potable y Saneamiento*, PLANASA), approved in 2014, both of which were prepared with Bank support. The National Water Sector Financial Policy, prepared with Bank support and approved in 2015, was designed to include mechanisms to channel funds to small towns. A set of Strategic Guidelines for SANAA Technical Assistance in Small Towns has been developed with SANAA to provide systematic direction for its redefined role as the national provider of technical support for the WSS sector, and SANAA has established an internal working group to operationalize the guidelines. The guidelines offer forward-looking linkages to continue to support dialogue between the Bank and the WSS sector in Honduras.

#### *Increased Visibility of Small Towns to the Government and Donors*

Small towns play a central role in the national WSS sector dialogue today due in part to the analytical work and capacity building carried out under the TA. Increased prominence in the national development agenda, coupled with effective training for small town providers that increases their capacity to manage investments, opens the door to donor activity. The TA has demonstrated the viability of engaging with small towns for other international partners as well as for government officials. A recent example is that of the Spanish Agency for International Development Cooperation (Agencia Española de Cooperación Internacional para el Desarrollo, AECID), which is developing a program in the mancomunidad of Cabeza de Danto which replicates lessons learned in the formation of the Aguas del Valle joint service provider. The increased visibility of small towns should ultimately translate to increased access to funding and training, and in turn to better WSS service provision for their residents.

#### *Toward the Professionalization of WSS Service Provision*

The 2010 passage of the national Municipal Civil Service Law created an important opportunity to professionalize the provision of WSS service. If the law becomes consolidated in practice, it should have a meaningful impact on the ability of WSS providers to attract and retain high-quality staff and managers. This stability will lessen the need to continually train—and retrain—new employees. The Bank should continue to support the implementation of the Municipal Civil Service Law as a channel for operationalizing the training of small town WSS providers and improving service delivery. The results of further consultation with the government suggest that this could take the shape of a TA initiative.

#### *Decentralization and Community Participation*

The WSS service decentralization process set in motion by the 2003 Water Sector Framework Law remains a work in progress more than a decade hence. Efforts should continue to move municipal governments away from direct service provision, which has performed poorly, and to create autonomous small town providers, which have a better success rate. A Bank effort could assist the government in developing standard tools, instruments, and incentives for moving municipal governments in this direction. Financial incentives from the Bank could be key to this kind of activity.

In terms of participation, municipal provision, including the presence of COMASs and USCLs, offers a degree of proximity to residents that fosters accountability and improved

governance. Nevertheless, challenges in terms of service coverage, quality, and sustainability remain entrenched. Much of the problem, as detailed above, stems from the limited technical and administrative capacity at small town providers. In the case of CWBs, common in small towns and predominant in peri-urban areas, the high turnover of personnel is a key challenge to effective service provision. CWBs are often led by volunteers with little experience or training in the provision of WSS services. This situation points to the need to continue the professionalization of day-to-day WSS service provision operations, while maintaining direct channels for citizen participation in guiding the overall direction of services offered in towns. The Honduran experience of decentralizing WSS service to limited-capacity municipal providers should raise red flags for countries considering similar reforms, particularly with regard to the role of the community and the speed and scope of decentralization.

#### *Importance of maintaining flexibility to meet evolving client needs*

The approach to informing government policy taken by the TA evolved with changing government priorities. Over the course of TA implementation, the government placed increasing importance on the development of complimentary Bank supported TAs including Water and Sanitation National Plan, PLANASA, in 2014, and the WSS Sector Financial Policy in 2015. The task team adjusted to the government's lead by supporting the explicit incorporation of small towns into these instruments, which have since been formally approved and will guide government actions in the sector for years to come. This support built on the assessment of WSS in small towns carried out under the TA and complimented the small towns intervention strategy that was prepared at the request of SANAA. These adjustments called for an increase in budget, though delivered stronger results for the client.

#### **7.5 Strengthened Client Capacity—Importance of Strengthening Ongoing Technical Assistance**

WSS providers from 21 small towns have improved knowledge to incrementally improve management practices through successful participation in the training provided through the TA. In addition, a cohort of 19 WSS technicians has received training that will enable them to provide on-call support to small town providers. The training courses supported by the TA included staff from two small town providers that benefited from the 2013 PROMOSAS additional financing who now have improved operational and management knowledge to sustainably administer their WSS systems. The TA also consolidated training for small town providers under CENET, which will enable this public agency to grow and evolve the curriculum to meet new challenges. CENET now offers certifications for graduates of its WSS training courses.

#### *Operationalize the Guidelines for Government's Intervention in Small Towns*

The strategic guidelines for intervention in small towns developed under the TA in collaboration with SANAA offer a road map for capacity-building activities to help WSS service providers improve service quality and coverage. SANAA, the national entity charged with providing TA for WSS providers in Honduras, has formed a working group to put the recommendations into practice. The 2015 SCD identifies poor management practices at SANAA as a bottleneck to improving WSS service coverage and quality, and

points to the need to continued support for the sector.<sup>61</sup> The donor community, including the Bank, would need to play an important role in providing ongoing financial and technical assistance for these training activities. Indeed, the guidelines provide a series of entry points for the Bank to maintain engagement with the WSS sector in Honduras while seeding the ground for new investment operations.

*Technical and Support Services to Professionalize Service Delivery in Small Town Providers.*

The experience of the TA emphasized the need to offer ongoing technical and support services—spanning administration and management models to operations and maintenance of infrastructure—to complement capacity-building activities for small town providers. This need is likely to persist at least in the medium term until access to education becomes broad enough to allow for effective training of water sector professionals. The government is cognizant of the need and duly charged SANAA with providing technical and support services for decentralized service providers. Nevertheless, the donor community will continue to play a key role in financing, convening, and bringing global knowledge to the training activities for personnel at WSS providers to supplement the financial and technical resources available from SANAA.

*Scale Knowledge Laterally to Strengthen the Municipality of Tegucigalpa's role as WSS Provider for peri-urban areas.*

Knowledge generated through the TA concerning the capacities, challenges, and demands for support of small town WSS service providers—CWBs, autonomous municipal providers, and direct municipal providers—is highly relevant to strengthening WSS service provision in other types of communities. One of the sticking points in the transfer of Tegucigalpa's WSS system from SANAA to the municipality has been the role of the approximately 350 CWBs that provide service to peri-urban areas surrounding the capital. Many of these CWBs lack the financial and administrative capacity to take on the additional responsibilities that come with the municipalization of WSS services. Through the Honduran Association of Community Water Boards, CWBs have voiced strong interest in training, which would target CWBs that provide services in some of the country's poorest communities. The management training developed and piloted under the TA is directly relevant and can be replicated for these peri-urban CWBs. Many small communities falling below the 5,000-inhabitant threshold for small towns present similar characteristics—types of WSS systems, management models, growing populations—and would benefit from the training developed through the TA.

*Increased Focus on Water Security*

The implementation of training courses for small town WSS providers and subsequent feedback from participants highlighted the interest of local providers in increased training to meet emerging water security challenges and operationalize integrated water resources and watershed management in their communities. However, much of the existing training material for small town providers, including the curricula developed under this TA, starts at water intake. There is a need to strengthen curricula in water security and climate resilience topics tailored to small providers, as well as to develop trainers to offer these

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<sup>61</sup> Ibid.

new courses. Increasing the focus on water security topics is also in line with country needs identified in the 2015 SCD and support for the GoH's National Water Resources Policy and Strategy targeted by the FY16-20 Country Partnership Framework (CPF).<sup>62</sup>

#### *Replicability of Training—New Directions for Capacity Building*

The experience of developing and implementing a training program for small town WSS providers identified several potential areas of Bank support that could be implemented based on country demand. First, high turnover at CWBs creates an ongoing need for capacity building. Approximately half of the staff at CWBs rotates every two years—amounting to over 750 people at peri-urban Tegucigalpa's 350 CWBs alone—which suggests that a stream of incoming cohorts could benefit from training tailored to their new roles and personal profiles. To meet this demand for training, the Honduran Association of Community Water Boards suggested the creation of a standing training program for CWBs. A permanent program to build capacity at CWBs represents a plausible medium-term step to improve service delivery by boosting management skills. Second, the National Autonomous University of Honduras (UNAH) and the Engineering Polytechnic University (UPI) have expressed interest in the development of a diploma program for civil service professionals who will provide TA at small town or peri-urban WSS providers. This program would bridge management and engineering topics to fill a gap between one-off, on-the-job training programs and a full-fledged engineering or management university degree. These two initiatives represent opportunities emerging from the TA to further institutionalize training for WSS providers in Honduras. Third, to scale up these training opportunities, it is worth investigating the possibility of creating an online or virtual learning version of existing curricula.

#### *Evaluation of the results of training activities*

Attributing causal effects to capacity building activities is a challenge across sectors, thought training activities in the WSS sector can begin by looking to how training is believed to be linked to service provision. Participant satisfaction surveys and the establishment of solid institutional models are two places to start. The TA incorporated participant satisfaction surveys as an important first step (20 of 21 participants considered the on-the-job training course ‘excellent’). The experience of implementing the capacity building program for WSS providers in small towns under the TA highlighted the importance of collecting baseline data to begin to quantify the impact of training provided. In the case of this TA, ex ante and ex post surveys could shed light on the institutional progress made to align small town providers and CWBs with relevant legislation (for instance, the creation of requisite community participation mechanisms). To this end, it could be valuable to partner with the Education Global Practice and include an education specialist with experience in on-the-job training programs in the design process.

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<sup>62</sup> World Bank. 2015. *Honduras - Country partnership framework for the period FY16 - FY20*. Washington, D.C.: World Bank Group. <http://documents.worldbank.org/curated/en/2015/12/25480989/honduras-country-partnership-framework-period-fy16-fy20>.

# **Annex 1—Contributions from the Swiss Agency for Cooperation and Development (SDC) to the Small Town Water and Sanitation Service Management Course**

No.	Aportes	Descripción/Caracterización
1	Manual técnico para la gerencia de AA	Provisto por ERSAPS para el diseño e implementación del curso de Gerencia de AA
10	Módulos del curso de gerencia de AA	Versión amigable para desarrollar el curso con perfil de entrada de participantes de juntas rurales y prestadores de pequeñas localidades
1	Diseño curricular	Implementar el curso de gerencia de AA
1	Buenas prácticas	De las USCL-COMAS de las 4PC
1	Manual de organización y funcionamiento	De las USCL de las 4PC
1	Lecciones aprendidas	Fortalecimiento de los prestadores de las 4PC (Énfasis en procesos que implementan los prestadores de las pequeñas localidades)
1	Intercambio de experiencias	Prestadores de las 4PC

## Annex 2—WSS Service Indicators

Nº	Ciudad	Departamento	Población	Cobertura Agua	Cobertura AS	POTABILIZACIÓN lts/segundo	PRODUCCIÓN (lps)		Continuidad
							Superficial	Subterránea	
1	La Esperanza-Intibucá	Intibucá	26,500	71%	34%				5-20 horas
2	San Lorenzo	Valle	25,626	88%	17%	50	1,000.0	s.d	racionado
3	La Paz	La Paz	23,669	99%	59%	25, 25 y 25			5-20 horas
4	Talanga	Francisco Morazán	21,356	62%	15%		10.5	12.4	racionado
5	Potrerillos	Cortés	20,935	95%	0%		-	130.0	5-20 horas
6	La Entrada	Copán	20,361	74%	19%	100	167.0	-	racionado
7	El Paraíso	El Paraíso	18,993	86%	86%	50	123.5	-	racionado
8	Santa Bárbara	Santa Bárbara	18,035	29%	35%	25	132.0	-	20-24 horas
9	Yoro	Yoro	17,360	65%	13%	50	94.6	-	20-24 horas
10	Nacaome	Valle	17,328	83%	9%		1,000.0	-	racionado
11	Santa Rita	Yoro	15,097	71%	10%		3.0	26.6	racionado
12	Guaimaca	Francisco Morazán	14,771	72%	11%		24.1	2.8	racionado
13	Santa Cruz de Yojoa	Cortés	14,507	39%	13%				5-20 horas
14	Nueva Ocotepeque	Ocotepeque	14,500	0%	0%				racionado
15	Pimienta	Cortés	13,488	61%	0%		-	25.5	racionado
16	Trujillo	Colón	12,995	61%	11%		53.0		racionado
17	San Marcos de Colón	Choluteca	12,958	89%	43%	25			s.d.
18	Sonaguera	Colón	12,946	85%	55%				racionado
19	El Negrito	Yoro	12,794	32%	6%		1,500.0	s.d	5-20 horas
20	Morazán	Yoro	11,830	82%	13%		1,500.0	9.0	<5 horas
21	Campamento	Olancho	11,340	90%	26%	25			5-20 horas
22	Marcala	La Paz	11,244	84%	30%	52	53.2	-	racionado
23	Sabá	Colón	10,432	81%	15%		537.0	4.0	5-20 horas
24	San Juan Pueblo	Atlántida	10,033	82%	0%		39.7	-	20-24 horas
25	Jesús de Otoro	Intibucá	9,970	92%	18%	30	18,230.0		racionado
26	Agua Blanca Sur	Yoro	8,974	100%	0%				20-24 horas
27	Roatán	Isla de La Bahía	8,802	42%	4%	15			< 5 horas
28	El Triunfo	Choluteca	8,435	79%	8%				5-20 horas
29	Las Vegas	Santa Bárbara	8,363	93%	31%	50	27.3	-	5-20 horas
30	Trojes	El Paraíso	8,146	74%	53%		38.0	-	racionado
31	Azacualpa	Santa Bárbara	7,841	100%	0%		13.0		12 horas
32	Urraco Pueblo	Yoro	7,485	88%	0%				20-24 horas
33	Villa de San Francisco	Francisco Morazán	7,483	0%	0%		6.0		racionado
34	San Manuel	Cortés	7,226	20%	18%		-	12.5	5-20 horas
35	El Paraíso	Copán	7,200	88%	51%	25	29.0	-	20-24 horas
36	Mezapa	Atlántida	7,064	48%	0%				20-24 horas
37	Villa de San Antonio	Comayagua	7,051	81%	56%				5-20 horas
38	Copán Ruinas	Copán	6,914	69%	0%	50	64.0	-	5-20 horas
39	San Eco de La Paz	Olancho	6,780	97%	16%				5-20 horas
40	Gracias	Lempira	6,715	48%	33%				s.d.
41	El Pino	Atlántida	6,500	77%	0%				5-20 horas
42	Monjas	Choluteca	6,374	83%	0%				5-20 horas
43	Baracoa	Cortés	6,168	81%	0%				20-24 horas
44	Florida	Copán	6,019	94%	10%		19		5-20 horas
45	Arizona	Atlántida	5,946	49%	0%		111.8	-	20-24 horas
46	Sabana Grande	Francisco Morazán	5,683	56%	24%		3.2	2.8	s.d.
47	Ojojona	Francisco Morazán	5,683	75%	0%	5	3.9	-	< 5 horas
48	San Luis	Santa Bárbara	5,625	68%	37%		12.0	-	20-24 horas
49	Santa Ana	Atlántida	5,471	73%	0%		20		20-24 horas
50	Valle de Angeles	Francisco Morazán	5,454	60%	0%				20-24 horas
51	Quimistán	Santa Bárbara	5,415	64%	47%		569.0	8.0	20-24 horas
52	El Porvenir	Atlántida	5,036	97%	0%		151.5	-	20-24 horas
53	La Masica	Atlántida		0%	0%		10		
	Promedio			74%	27%				

Source: ERSAPS, Moncada Gross 2015.

## **Annex 3—Institutional Consolidation at Small Town WSS Providers**

### ***Progress Made in Professionalizing Small Town WSS Service Provision***

Small town WSS providers have achieved varying levels of progress in formalizing and professionalizing service delivery in line with the 2003 Water Sector Framework Law. Table AS.1 shows the results of an analysis conducted under the TA into the progress made to formalize and professionalize service provision in the 25 small towns that participated in the WSS service provider training program that started in October 2014. The table provides a snapshot of a cross-section of small town WSS service providers and not a rigorous evaluation of the impact of the training courses provided.<sup>63</sup> A green cell indicates that a policy or program has been adopted or implemented at the respective WSS service provider; yellow indicates that initial steps have been taken to launch a policy or program, though it has not yet been consolidated, approved, or implemented; and a blank cell indicates that no progress has been made in the respective area. The three primary indicators are arranged in rough chronological order, though they can in fact be undertaken independently (that is, a provider could consolidate indicator 3 before making any progress on indicators 1 or 2).

**Indicator 1** seeks to capture progress made on codifying municipal policies that designate a service provider type (for example, autonomous municipal entity or CWB). Only 10 of the 20 small town providers have begun to draft a municipal WSS policy, and none have had one approved.

**Indicator 2** assesses the formalization of a small town’s service provider in terms of the existence of a legal charter. (A provider does not need to be designated by a municipal policy before being formalized.) Six small town providers that participated in the management training course have been legally constituted.

**Indicator 3** is a measure of key citizen participation mechanisms, including Municipal Water and Sanitation Committees (COMASs) and Local Control and Supervision Units (USCLs). Over half of the 20 small towns that participated in the management training have a standing COMAS or are in the process of developing one. USCLs are present or in development in 17 of the 20. Citizen participation is the most advanced of the indicators tabulated, in part reflecting long-standing community involvement in WSS service provision in small towns where SANAA had been absent.

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<sup>63</sup> The collection of service providers included here is likely biased toward the generally well-performing, responsive providers that participated in the training program. Although data are not available, it is reasonable to expect that these providers have made more steps toward formalization and professionalization of services than the median small town WSS provider.

**Table A3.1 – Toward Professionalization of Service Provision after Participation in the Small Town Water and Sanitation Service Management Course**

Municipality	Department	Other Partner(s)	Indicator 1		Indicator 2	Indicator 3		
			1.0 Municipal Policies			3.0 Citizen Participation Mechanisms		
			1.1 Developed	1.2 Approved		3.1 COMAS	3.2 USCL	
Masaguara	Intibucá							
Yamaranguila		CRS/SDC						
San Juan		CRS/SDC						
San Isidro		ERSAPS/SDC						
Japoe <sup>a</sup>		ERSAPS/SDC	Yellow					
Trojes	El Paraíso	CONASA/SDC	Yellow					
El Paraíso		ERSAPS/SDC						
Alauca		ERSAPS /SDC	Yellow					
Moroceli		ERSAPS	Yellow					
Teupasenti		ERSAPS	Yellow					
Jacaleapa								
Tatumbla	Francisco Morazán	ERSAPS/FHIS						
Guaimaca		ERSAPS/FHIS						
Tegucigalpa								
Villa de San Antonio	Comayagua	SANAA	Yellow					
Lamaní		AECI	Yellow					
Ajuterique			Yellow					
San Sebastián			Yellow					
Marcala	La Paz	ERSAPS-FHIS	Yellow					
San Pedro de Tutule		ERSAPS/PROMO SAS						
Cane			Yellow					

Source: World Bank Staff estimates.

a. Japoe did not participate in the management training. It is included here as an example of good practice at a small town CWB.

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