

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**EL SALVADOR**

**PROGRAM TO STRENGTHEN THE WATER AND SANITATION SECTOR IN  
EL SALVADOR**

**(ES-L1152)**

**LOAN PROPOSAL**

This document was prepared by the project team consisting of: Omar Garzonio (INE/WSA), Project Team Leader; Nelson Estrada (INE/WSA), Alfred Grunwaldt (CSD/CCS), and Carlos Jácome (INE/ENE), Alternate Project Team Leaders; Maria Julia Bocco, Marco Antonio Cevallos, Javier Garcia, and Carlos Güiza (INE/WSA); Ruth Alejandra Catacolí and Maria Amelia Viteri (ESG/VPS); Patricia Toriz and Juan Carlos Lazo (FMP/CES); Cristina Landázuri and Mónica Lugo (LEG/SGO); Jorge Omar Samayoa (CSD/CCS); Karen Munguia (CID/CES); Nidia Hidalgo (SCL/GDI); and Arturo Alarcón (INE/ENE).

This document is being released to the public and distributed to the Bank's Board of Executive Directors simultaneously. This document has not been approved by the Board. Should the Board approve the document with amendments, a revised version will be made available to the public, thus superseding and replacing the original version.

## CONTENTS

### PROJECT SUMMARY

I.	DESCRIPTION AND RESULTS MONITORING.....	1
A.	Background, problem addressed, and rationale .....	1
B.	Objectives, components, and cost.....	9
C.	Key results indicators.....	10
II.	FINANCING STRUCTURE AND MAIN RISKS.....	11
A.	Financing instruments.....	11
B.	Environmental and social risks .....	14
C.	Fiduciary risks .....	15
D.	Other key issues and risks .....	15
III.	IMPLEMENTATION AND MANAGEMENT PLAN.....	16
A.	Summary of implementation arrangements.....	16
B.	Mechanism for monitoring and evaluating results.....	18

ANNEXES	
Annex I	Summary Development Effectiveness Matrix
Annex II	Results Matrix
Annex III	Fiduciary Agreements and Requirements

REQUIRED LINKS	
1.	<a href="#">Multiyear execution plan / annual work plan</a>
2.	<a href="#">Monitoring and evaluation plan</a>
3.	<a href="#">Environmental and social review summary</a>
4.	<a href="#">Procurement plan</a>

OPTIONAL LINKS	
1.	<a href="#">Technical viability</a>
2.	<a href="#">Economic viability</a>
3.	<a href="#">Financial viability</a>
4.	<a href="#">Public utilities policy – compliance analysis</a>
5.	<a href="#">Operating Regulations for the program</a>
6.	<a href="#">Gender and diversity analysis</a>
7.	<a href="#">Itemized cost table</a>
8.	<a href="#">Draft progress monitoring report</a>
9.	<a href="#">Operations monitoring tool</a>
10.	<a href="#">Environmental and social management plan</a>
11.	<a href="#">Environmental and social management framework</a>
12.	<a href="#">Meaningful public consultation report</a>
13.	<a href="#">Environmental and social safeguard screening form</a>

## **ABBREVIATIONS**

AMSS	Área Metropolitana de San Salvador [San Salvador Metropolitan Area]
ANDA	Administración Nacional de Acueductos y Alcantarillado [National Water and Sewer Authority]
DIGESTYC	Dirección General de Estadística y Censos [Bureau of Statistics and Censuses]
ERP	Enterprise resource planning
M&E	Monitoring and evaluation
NRW	Nonrevenue water
PEU	Program execution unit

**PROJECT SUMMARY**  
**EL SALVADOR**  
**PROGRAM TO STRENGTHENING THE WATER AND SANITATION SECTOR IN EL SALVADOR**  
**(ES-L1152)**

Financial Terms and Conditions				
Borrower:			Flexible Financing Facility <sup>(a)</sup>	
Republic of El Salvador			Amortization period:	25 years
Executing agency:			Disbursement period:	5 years
National Water and Sewer Authority (ANDA)			Grace period:	5.5 years <sup>(b)</sup>
Loan modality			Interest rate:	SOFR-based
Multiple works program				
Source	Amount (US\$)	%	Credit fee:	(c)
IDB (Ordinary Capital) <sup>(f)</sup> :	100,000,000	100	Inspection and supervision fee:	(c)
Total:	100,000,000	100	Weighted average life	15.25 years
			Approval currency:	U.S. dollar
Project at a Glance				
<b>Project objective:</b> The general objective of the program is to support El Salvador in its efforts to strengthen its water and sanitation sector and, more specifically, to help to improve the performance and sustainability of the National Water and Sewer Authority (ANDA). Its specific objectives are: (i) to increase the reliability of drinking water service in the San Salvador Metropolitan Area; (ii) to reduce the volume of nonrevenue water (NRW) in the San Salvador Metropolitan Area; (iii) to increase the energy efficiency of drinking water systems in the San Salvador Metropolitan Area; and (iv) to improve ANDA's business management systems.				
<b>Special contractual conditions precedent to the first disbursement of the loan:</b> (i) signature by the borrower and ANDA of a valid resource transfer agreement establishing the terms for the transfer of the loan proceeds and other obligations of the parties; (ii) establishment of a program execution unit (PEU) that reports directly to the Office of the President of ANDA and selection of the following staff, as a minimum: (a) a coordinator; (b) a financial specialist; (c) a procurement specialist; and (d) an environmental and social specialist; and (iii) approval of program <a href="#">Operating Regulations</a> that are in accordance with the terms previously agreed upon with the Bank and that incorporate the relevant environmental and social requirements and, as annexes, the environmental and social management system and the environmental and social action plan (paragraph 3.4).				
<b>Special contractual conditions of execution:</b> (i) prior to the issuance of the order to begin the execution of each of the works under the program: (a) evidence will be presented that consulting services for the technical and environmental supervision of the respective works have been contracted or designated in accordance with the terms of reference previously agreed upon with the Bank and the program Operating Regulations; and (b) the permits required in El Salvador for the respective works, including the relevant environmental permit, if applicable, will have been obtained; (ii) prior to awarding the contract for each of the program works, the executing agency will have legal title to the land where the work is to be performed. Special socioenvironmental contractual conditions are set out in Annex B of the Environmental and Social Review Summary ( <a href="#">required link 3</a> ) (paragraph 3.5).				
<b>Exceptions to Bank policies:</b> None				
Strategic Alignment				
<b>Challenges:</b> <sup>(d)</sup>	SI <input checked="" type="checkbox"/>		PI <input checked="" type="checkbox"/>	EI <input type="checkbox"/>
<b>Crosscutting themes:</b> <sup>(e)</sup>	GE <input checked="" type="checkbox"/>	and DI <input checked="" type="checkbox"/>	CC <input checked="" type="checkbox"/>	and ES <input checked="" type="checkbox"/>
				IC <input checked="" type="checkbox"/>

<sup>(a)</sup> Under the terms of the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes to the amortization schedule, as well as currency, interest rate, commodity, and catastrophe protection conversions. The Bank will take operational and risk management considerations into account when reviewing such requests.

<sup>(b)</sup> Under the flexible repayment options of the Flexible Financing Facility, changes to the grace period are permitted provided that they do not entail any extension of the original weighted average life of the loan or the last payment date as documented in the loan contract.

<sup>(c)</sup> The credit fee and the inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the applicable policies.

<sup>(d)</sup> SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

<sup>(e)</sup> GE (Gender Equality) and DI (Diversity); CC (Climate Change) and ES (Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

<sup>(f)</sup> In accordance with document AB-2990, disbursement of the loan proceeds will be subject to the following thresholds: (i) up to 15% during the first 12 months; (ii) up to 30% during the first 24 months; and (iii) up to 50% during the first 36 months. All of these periods will be counted as of the date that the loan was approved by the Board of Executive Directors (paragraph 2.2).

## I. DESCRIPTION AND RESULTS MONITORING

### A. Background, problem addressed, and rationale

- 1.1 **Macroeconomic context.** During 2010-2019, El Salvador's economy expanded at an average annual rate of 2.5%. Growth was hampered by persistent structural problems, such as the low productivity of the tradable goods sector, high rates of violence, human capital shortfalls, and the country's high degree of vulnerability to natural disasters. Because of these structural factors, public and private investment levels are low. El Salvador has few monetary policy tools available to it since the economy was dollarized in 2001; in addition, bitcoin was adopted as legal tender in the country in September 2021, although it is not in widespread use.
- 1.2 As a consequence of the pandemic, the economy shrank by 7.9%, and the poverty rate climbed from 22.8% to 26.2% of the population in 2020, while the public debt jumped from 70.2% to 87.9% of GDP. In 2021, the economy rebounded with a growth rate of 10.3% of GDP, but the country's recovery has been one of the weakest in Central America. The International Monetary Fund is projecting a growth rate of 3.0% for 2022, although it may yet revise that estimate downward.
- 1.3 The government is under a great deal of pressure to invest in the country's drinking water systems because El Salvador is experiencing recurrent severe droughts. During the 2014 drought, for example, more energy had to be used in order to pump water from greater depths, and water rationing became necessary. This climate-driven situation, together with the absence of a comprehensive regulatory framework (such legislation was not passed until 2021), has had an adverse impact on the farm sector, companies that use this resource, and urban projects, and has largely hindered access to drinking water by low-income groups.
- 1.4 The Republic of El Salvador has a territory of slightly more than 21,000 km<sup>2</sup> and a population of 6.32 million. Its population density is the highest in the region (301 people per km<sup>2</sup>); 61.7% of the population lives in urban areas and the other 38.3% in rural zones.<sup>1</sup> The San Salvador Metropolitan Area, with 1.8 million inhabitants,<sup>2</sup> is home to 28% of the country's entire population. The drinking water and sanitation sector has been underperforming in terms of coverage for many years now, negatively impacting large segments of the population. The high level of water stress (i.e. the insufficient availability of water for socioeconomic and productive uses), rising demand, the issues posed by the existence of transboundary watersheds, climate change, and other factors are exacerbated by the fact that 90% of the country's surface water bodies are heavily polluted. This situation is having a negative impact not only on the natural environment and in terms of the sustainability and availability of water resources for future use, but also on the health of the population. It therefore poses a serious threat to the country's productive development and competitiveness and constitutes one of the main challenges that the nation must address as a matter of urgency.
- 1.5 **Institutional framework of the sector.** Despite the country's efforts in recent years to lay solid foundations for the development of its water resources, the

---

<sup>1</sup> Multipurpose household survey, 2020.

<sup>2</sup> *Estimaciones y Proyecciones de Población Municipales 2005-2025*, Bureau of Statistics and Censuses (DIGESTYC).

regulatory framework for the drinking water and sanitation subsector is still fragmented and based on a traditional model for determining the areas of authority and roles of the institutions in charge of regulating, managing, and delivering these services. However, the recent passage of a general water resources law<sup>3</sup> that recognizes access to water and sanitation as a human right will support efforts to organize the sector. In addition, legislation is now being drawn up for the drinking water and sanitation subsector<sup>4</sup> under the direction of the National Water and Sewer Authority (ANDA), which will have the support of various cooperation partners, including the Inter-American Development Bank (IDB), for its development and implementation. The main bodies involved in water resource management are ANDA, private suppliers, community water boards, self-sufficient systems, municipalities, the Ministry of Agriculture and Livestock, the Rio Lempa Hydropower Commission, and the Ministry of Economic Affairs. The protection of water resources is chiefly the responsibility of the Ministry of the Environment and Natural Resources, while the Ministry of Health is in charge of ensuring drinking water quality.

- 1.6 **ANDA.** ANDA is a public enterprise of the Government of El Salvador. It was founded by Decree 341 of 17 October 1961 as an autonomous public utility and legal entity authorized to provide and to help to provide the inhabitants of the country with water distribution and sewer systems by planning, financing, executing, operating, maintaining, administering, and developing works that are necessary or conducive to that end. ANDA provides water to nearly 76% of the country's population (nearly all of the urban population (95.8%) and approximately 10% of the rural population).
- 1.7 **Coverage and quality of water and sanitation services.** The country has made a major effort in recent years to expand the coverage of its drinking water service, especially in rural areas, but network coverage gaps continue to exist between rural zones (77%) and urban ones (96.6%) and between the different departments of the country; over 600,000 persons use unreliable or unsafe sources or get their water directly from surface water bodies. In urban areas, 98.2% of households have sanitation services, but only 91.3% of households in rural areas do.<sup>5</sup> If the quality of the service (reliability, accessibility, and water quality) are taken into account, then coverage levels are far lower,<sup>6</sup> falling to 77.4% for urban areas.<sup>7</sup> The coverage rates of basic sanitation<sup>8</sup> and safely managed sanitation<sup>9</sup> services in urban areas are 69.8% and 17%, respectively.<sup>10</sup> In addition, 48% of the drinking

---

<sup>3</sup> Passed in December 2021 by the Legislative Assembly ([link](#)).

<sup>4</sup> Passage is expected in 2023.

<sup>5</sup> Multipurpose household survey, 2020, DIGESTYC.

<sup>6</sup> "Safely managed drinking water" is defined as drinking water drawn from an "improved source located on premises, available when needed, and free from microbiological and priority chemical contamination."

<sup>7</sup> Joint Monitoring Program, United Nations Children's Fund (UNICEF)/World Health Organization (WHO), 2020.

<sup>8</sup> "Basic sanitation" is defined as sanitation afforded by the use of improved facilities that are not shared with other households.

<sup>9</sup> "Safely managed sanitation" is defined as sanitation afforded by the use of improved facilities that are not shared with other households and where excreta are safely disposed of in situ or removed and treated offsite.

<sup>10</sup> Joint Monitoring Program, UNICEF/WHO, 2020.

water supply is delivered intermittently, 50% of the population reports problems with water quality, and 24% of businesses report having an insufficient supply of water.<sup>11</sup> This situation is more problematic in densely populated areas such as the San Salvador Metropolitan Area, making it even harder to deliver this vital service to vulnerable households there and even more difficult still to extend the network to the periurban and rural areas. The program is thus an extremely important one and has been developed at the express request of the Salvadoran government. It will make it possible to guarantee the delivery of this service to a large part of the existing and future population and will permit the expansion of coverage to include vulnerable households that currently do not have access. Another factor to take into account is the country's climate-related vulnerability, which puts its drinking water supply at risk. Projections for the year 2100 point to a reduction in the per capita water supply of as much as 93%.

- 1.8 **Service management.** ANDA is currently faced with a number of operational and financial challenges, including the following: (i) the rates charged cover only a small part of operating costs;<sup>12</sup> (ii) NRW volumes are high (the nationwide NRW index in 2020 was 64.2%) as a consequence of the deterioration and disrepair of aging water mains, illegal connections, the theft of water from hydrants, and the use of water by public services that are provided free of charge, among other reasons; (iii) the fact that pumping and booster station equipment is obsolete and inefficient reduces water pressure and increases electricity costs; and (iv) ANDA needs improvements in its strategic and financial planning systems,<sup>13</sup> its human resources management system, and its organizational structure.<sup>14</sup>
- 1.9 **Digitalization and technological innovation.** The challenges that ANDA faces include its use of a variety of obsolete applications<sup>15</sup> owing to the existence of a number of information silos, which, in turn, greatly limit the integration of data and processes. The ANDA data center operates and supports a single core infrastructure but is unable to ensure the continuous availability of ongoing technology services because it does not have back-up operational components or climate-control systems. This situation is compounded by the technological obsolescence of most of its servers (some are over 10 years old). It also lacks contingency plans, a disaster recovery plan, and a business continuity plan. Breaking down these information silos using its current applications and systems is a fundamental challenge that should be addressed as part of its business strategy for bringing about a digital transformation. The water distribution system's main operational shortcoming is the lack of remote sensors for measuring the main parameters (energy, pressure, flow volume, etc.). Such devices are needed in order to monitor and operate the system efficiently and automatically and thus

---

<sup>11</sup> IDB Group Country Strategy with El Salvador 2021-2024.

<sup>12</sup> Water rates covered 74% of operating costs during the last completed fiscal year (2021), according to the company's financial statements. Government transfers covered its investments and the portion of its operating costs not covered by water rates.

<sup>13</sup> The company lacks a robust financial model that would enable it to prepare financial projections and develop simulations.

<sup>14</sup> For example, its commercial management division is not shown as being at the director level in its organizational chart.

<sup>15</sup> ANDA's systems and applications have been developed using a variety of technologies, some of which are obsolete (over 12 years old and no longer supported by the manufacturer).



optimize energy use, establish uniform piezometric sectors, and control water losses. Having remote sensors in place for measuring and monitoring the system would also help to reduce system downtime and thus improve service continuity.

**1.10 Considerations relating to gender and diversity in the management of ANDA.**

Gender gaps in terms of labor force participation in the water sector are reflected in the management of ANDA. Only 23.1% of the persons employed in the electricity, natural gas, and water industry are women.<sup>16</sup> In ANDA, 21.3% of the employees are women,<sup>17</sup> which is similar to the figure for 2016 (21.1%).<sup>18</sup> In leadership positions, women hold 30.3% of senior management posts and 37.2% of middle management positions. The gap is bigger at the operational, technical, and professional levels, where only 20.7% of employees are women. The company therefore needs to hire and promote more women at the various levels, especially in professional, technical, and operational positions. Persons with disabilities make up about 3% of the ANDA workforce and are more or less evenly split between men (2.9%) and women (3.5%).<sup>19</sup> The company therefore has an opportunity to bring more persons with disabilities into its workforce. At the national level, the labor force participation rate is lower for persons between the ages of 18 and 59 years who have disabilities (50.9%) than it is for the rest of the population (68.7%), as is also true of the employment rate (48.0% versus 64.0%, respectively).<sup>20</sup> Specific metrics for the water and sanitation sector in this regard are not available ([optional link 6](#)).

**1.11 Climate change.** El Salvador's geography and variable climate put it at an increased risk of frequent climate-related events. The Climate Risk Index (1996-2015)<sup>19</sup> ranks El Salvador as the fifteenth most vulnerable country to the effects of climate change. It is projected that its degree of vulnerability will have increased from its 2010 classification of "severe" to "acute" by 2030. The water sector is one of the most vulnerable in terms of both supply and infrastructure, and the country has therefore made it a priority in its nationally determined contribution (NDC). Strengthening the infrastructure of this public utility in order to increase its resilience to climate change and climate-related risks will contribute to the efforts now being made by the nation in this regard.

**1.12 General strategy for the program design.** The strategy is aimed at supporting ANDA with investments in drinking water infrastructure that will improve service delivery, with special emphasis on water quality, availability, and continuity and on clearing out operational bottlenecks in the San Salvador Metropolitan Area. These investments will be made in the restoration and expansion of service infrastructure and will be well researched in order to ensure that they incorporate measures for adapting to the impacts of climate change. Support will also be provided to strengthen ANDA's ability to expand upon and increase its operational efficiency in service delivery. The strategy will therefore focus on reducing water losses and optimizing energy use by prioritizing innovative solutions in such areas as

---

<sup>16</sup> Multipurpose household survey, 2020.

<sup>17</sup> ANDA administrative data, June 2022.

<sup>18</sup> Aragón, Blanca, and Dinorah Agüinada, 2016, "Diagnóstico de Igualdad y No Discriminación," ANDA.

<sup>19</sup> ANDA administrative data, June 2022.

<sup>20</sup> UNICEF, DIGESTYC, and National Council for Persons with Disabilities (CONAIPD) (undated).

automation, remote sensing, and monitoring. Lastly, in order to increase the sustainability of these actions, support will be provided to help ANDA improve its operational, commercial, and financial performance;<sup>21</sup> introduce a gender policy; implement good corporate governance practices<sup>22</sup> to enhance transparency, integrity, and accountability; and develop and implement an innovation and digital transformation strategy. This is expected to help increase the efficiency of ANDA's organizational structure, thereby having a beneficial effect not only in the San Salvador Metropolitan Area, but also in other areas of the country served by ANDA. A number of studies on works undertaken in similar contexts have been drawn upon to ensure the effectiveness of the proposed works.<sup>23</sup>

- 1.13 **AquaRating.** ANDA has conducted two self-evaluations using the AquaRating tool.<sup>24</sup> The most recent, based on information for 2020, pinpointed opportunities for improvement in each of the areas that was analyzed. The greatest challenges were found to relate to commercial management processes (customer service, claims management), operations (NRW, energy efficiency), planning (corporate governance and short-, medium-, and long-term planning), and finance (revenue, costs, and asset management). The program has identified various courses of action for improving and increasing the efficiency of those processes.
- 1.14 **The Bank's experience in the sector and country.** The Bank has financed a number of similar operations in various countries<sup>25</sup> which, with some slight variations, include actions of the same type as called for by the program. These experiences have demonstrated the need to adopt a comprehensive approach involving actions in such areas as infrastructure, operational modernization, institutional strengthening, and innovation. In the specific case of El Salvador, the Bank has recently provided support to the sector and to ANDA, in particular, under one loan operation<sup>26</sup> and two technical cooperation projects.<sup>27</sup> These operations included pilot projects on the replacement of water mains in prioritized areas that reduced leaks and the costs associated with their repair, contributing to the

---

<sup>21</sup> As noted in [Development in the Americas, 2020](#), service sustainability is based not only on service infrastructure but also on the way in which it is managed and regulated.

<sup>22</sup> During the preparatory work on this program, ANDA used the IDB Group's corporate governance tool for State-owned enterprises ([link](#)) to design a corporate governance action plan. The program will finance priority actions identified in that plan.

<sup>23</sup> For evidence of the effectiveness of installing micro-metering devices, see Da Silva, Nilce Regina, "Estudo Metodológico para Avaliação de Submedição de Hidrômetros Domiciliares em Sistemas de Água," Master's thesis, University of Brasília, [PTARH-DM-2008](#). For evidence of the effectiveness of NRW control mechanisms, see the [European Bank](#) "Documentation of Best Practices in Nonrevenue Water Management in Selected Mediterranean Countries: Algeria, Israel, Jordan & Morocco," 2013; and Rizzo, A., Pearson, D., Stephenson, M., and Harper, N., "Apparent Loss Control: A Practical Approach," International Water Association (IWA), Water 21, seventh article, IWA Task Force, June 2004. For evidence on the link between micro-metering and financial sustainability, see Lentini, E., "Desafíos de los Operadores de Áreas Urbanas de Más de 300.000 Habitantes," [IDB, 2015](#).

<sup>24</sup> <https://aquarating.org/>.

<sup>25</sup> Program to Expand and Improve Water Supply Sustainability and Resilience in Cities (US\$75 million) ([4413/BL-BO](#)), Santiago Water Supply Service Improvement Program (US\$25 million) ([2845/OC-DR](#)), and Rural Water and Sanitation Program (US\$20 million) ([2358/OC-ES](#)).

<sup>26</sup> Rural Water and Sanitation Program (US\$20 million) ([2358/OC-ES](#)).

<sup>27</sup> Support for the Strengthening of the Water and Sanitation Sector in El Salvador (US\$250,000) ([ATN/OC-14120-ES](#)) and Support for Strategic Planning in the Storm Drain Sector in El Salvador (US\$780,000) ([ATN/LA-15861-ES](#)).

reduction of NRW. This also enabled estimations of the benefits of implementing these types of projects, and some improvements in computer systems. Equipment, and modernization of decentralized branches; the implementation of a pilot project for the telephone service center; and the strengthening of management to address rural communities and systems. It is hoped that efforts in these areas can be resumed under this program. ANDA's use of the AquaRating tool has provided it with a detailed baseline analysis that has helped it to identify and prioritize various courses of action that can help it to improve, and some of those courses of action will be pursued under this operation. Other operations in the country<sup>28</sup> have executed drinking water and sanitation projects within the framework of broad neighborhood improvement drives in close coordination with ANDA.

- 1.15 **Lessons learned.** Based on work done by the Bank in similar operations in this sector in various countries, the following specific lessons will be applied in this program: (i) to achieve sustainability, action needs to be taken to build capacities for improving system operation and maintenance, operators' commercial management practices, investment planning, the digital transformation of operating systems, etc., not only in terms of training personnel, but also at the structural and organizational levels, using sufficient financial resources to bring about operator improvements while promoting gender equity, transparency, and accountability; (ii) it is important to tailor projects and project implementation to conditions on the ground in the country concerned and to the capacities of the companies and/or organizations working in the project area; (iii) the first step in the execution of an operation should be the development of a system for planning out actions and projects that can be used in future program activities; (iv) strengthening the operator's management practices is of key importance; and (v) the outcomes of the pilot projects conducted under the Rural Water and Sanitation Program ([2358/OC-ES](#)) demonstrate the positive financial impact of reductions in NRW.
- 1.16 **Country strategy in the sector.** The program is aligned with the Salvadoran government's Plan Cuscatlán 2019-2024 development plan, in which infrastructure is regarded as a pillar of human development, and water and sanitation are considered to be a fundamentally important subsector to which the State needs to devote more and better attention. The program is also aligned with ANDA's strategic institutional plan for 2019-2024, whose main development components include: water supply, guaranteed water quality, energy efficiency, customer service, sustainability and business management, organizational efficiency, updating of its regulatory framework, and sanitation.
- 1.17 **The IDB Group country strategy.** The program is consistent with the IDB Group Country Strategy with El Salvador 2021-2024 (document GN-3046-1) and specifically with its priority area focusing on the reactivation and restructuring of production. It will help to achieve the expected outcome of better-quality infrastructure, which is associated with the strategic objective of developing inclusive and sustainable infrastructure services.

---

<sup>28</sup> Reduction of Vulnerability in Informal Urban Neighborhoods in the San Salvador Metropolitan Area (US\$50 million) ([2630/OC-ES](#)); Program for Housing and Comprehensive Improvements for Informal Urban Neighborhoods, Phase II (USD\$70 million) ([2373/OC-ES](#)).

- 1.18 **Strategic alignment.** The program is consistent with the second Update to the Institutional Strategy (document AB-3190-2) and is aligned with the development challenges of: (i) social inclusion and equality, as it will give the population of the San Salvador Metropolitan Area greater access to drinking water services and will strengthen institutional aspects of ANDA relating to gender and diversity; and (ii) productivity and innovation, since it will take action to reduce inefficiencies in system management and will implement an innovation and digital transformation plan. The program is also aligned with the following crosscutting themes: (i) gender equality and diversity, as it will promote the participation of women as staff members of ANDA by updating its gender policy and developing mechanisms for monitoring that policy's indicators. It will also promote the participation of persons with disabilities in the ANDA workforce by reinforcing the gender unit<sup>29</sup> and designing an employment inclusion strategy for that population group; (ii) institutional capacity and rule of law, by increasing ANDA's operational efficiency, improving its business management system, and strengthening the adoption of good corporate governance practices focusing on transparency, integrity, and accountability; and (iii) climate change and environmental sustainability, since the investments it will finance will help protect the environment, contribute to climate change adaptation, and improve natural resources management. In all, **54.26%** of this operation's resources will be invested in activities that will reduce emissions of greenhouse gases as measured by the [joint multilateral development bank methodologies for tracking climate finance](#). These resources will thus help to achieve the Bank's target for climate-related financing. The operation will also contribute to the "households with new or upgraded access to water and sanitation" indicator of the Corporate Results Framework 2020-2023 (document GN-2727-12). In addition, the operation is aligned with the Bank's Vision 2025 in that it will promote social progress in a way that fosters access to and the quality of public services, foster good governance and institutions by strengthening ANDA (paragraph 1.26), and reinforce gender equality (paragraph 1.19) and climate change (paragraph 1.20). Lastly, the program is consistent with: (i) the premise set out in the Water and Sanitation Sector Framework Document (document GN-2781-8 and its update) that projects and programs are environmentally and socially sustainable and incorporate considerations relating to climate change and to environmental and cultural sustainability; (ii) with the premise set out in the fourth dimension of success of the Climate Change Sector Framework Document (document GN-2835-8) that "countries make progress on mainstreaming climate considerations across sectors;" and (iii) the Gender and Diversity Sector Framework Document (document GN-2800-8) in relation to the provision of quality public services that promote gender equality or women's empowerment. The program is included in the 2022 Operational Program Report (document GN-3087).

---

<sup>29</sup> ANDA's gender unit is responsible, in coordination with the institution's Human Resources Department, for addressing issues of workforce inclusion by undertaking actions that promote the hiring of more women and more young people, as well as opening greater job opportunities to persons with disabilities, by adapting infrastructure and physical spaces in order to ensure accessibility, while implementing training on the topic, and incorporating and monitoring indicators linked to gender and inclusion in the institution's statistics, etc.

- 1.19 **Gender and diversity strategy and actions.** In order to narrow the gender gaps in ANDA's operations, support will be provided for the review and updating of its diagnostic assessment and institutional policy on gender, which date back to 2016. The aim will be to incorporate strategic action designed to narrow the gaps in employment, wages, and leadership positions; to develop a monitoring and evaluation (M&E) module to track gender mainstreaming in the institution and in ANDA's information system; and to strengthen the Gender Unit by providing it with needed equipment. Based on the institutional diagnostic assessment, an action plan and cost table will be prepared for increasing the recruitment, promotion, and retention of women employees in ANDA. To address ANDA's diversity gaps in terms of persons with disabilities, an institutional strategy will be developed for increasing the inclusion of persons with disabilities among the staff of ANDA. That strategy will be underpinned by an analysis of workplace accessibility and will include: (i) a diagnostic assessment of the gaps and barriers that exist with respect to participation; and (ii) the development of solutions, incentives, and a results framework for the employment inclusion of members of this group. The strategy will also include a work plan and a budget for its implementation.
- 1.20 **Climate change strategy.** Project investments in energy efficiency and in NRW reduction will help to mitigate greenhouse gas emissions, since one of their outcomes will be a lower level of energy consumption.
- 1.21 **Technological innovation and digital transformation strategy.** The program will design a comprehensive plan for modernizing the technology used by ANDA and will execute a number of priority actions,<sup>30</sup> including the implementation of an enterprise resource planning (ERP) exercise. This exercise will enable ANDA to develop and integrate other technological services that will leverage the improvement of institutional processes and their digitalization. Given the limited nature of the ANDA data center's technological infrastructure and the minimal and fragmented training in new technologies of its information technology personnel, cloud services will have to be used to ensure the proper implementation of new technology projects and to support the institution's digital transformation. On the operations side, in the short term the action plan will call for a detailed diagnostic assessment of the distribution system and the development of a digital hydraulics model that accurately represents the system's topology, the distribution of water consumption and water losses, and the overall behavior of the system. In order to build this model, a reliable digitized inventory of the infrastructure (mains, pipes, and boundary valves) and customer ledgers will be required, along with a large-scale, comprehensive operation to install remote metering and sensing devices (macro-measurement at outflow points at plants, pumping stations, and tanks, flow volumes in water mains, water levels in tanks, water pressure at a series of representative points and in critical pressure zones). This will make it possible to develop a calibrated digital model and to conduct a forward-looking study to gauge future demand. This, in turn, will provide the information inputs needed to design and implement a more operationally appropriate network sectorization plan based on technical management and technical/commercial coordination criteria and on the use of efficiency indicators.

---

<sup>30</sup> According to [Development in the Americas, 2020](#), the digitalization of infrastructure services can act as a driver of economic growth (an average increase of 5.7% in GDP in Latin America and the Caribbean).



- 1.22 **Compliance with the Public Utilities Policy (document GN-2716-6).** This program and national objectives are in keeping with the principles of the Public Utilities Policy and meet its financial sustainability and economic evaluation conditions. ANDA covers its operating and maintenance costs with a combination of its revenue from water charges and funds received in a transparent manner on a regular basis from the Government of El Salvador. The program activities will also help to boost ANDA's operating income and lower its operating costs, thereby bolstering its financial sustainability (paragraph 2.14). The works that are to be financed are socially and economically viable (paragraph 1.31) ([optional link 4](#)).

**B. Objectives, components, and cost**

- 1.23 **Objectives.** The general objective of the program is to support El Salvador in its efforts to strengthen its water and sanitation sector and, more specifically, to help to improve the performance and sustainability of ANDA. Its specific objectives are: (i) to increase the reliability of drinking water service in the San Salvador Metropolitan Area; (ii) to reduce the volume of nonrevenue water (NRW) in the San Salvador Metropolitan Area; (iii) to increase the energy efficiency of drinking water systems in the San Salvador Metropolitan Area; and (iv) to improve ANDA's business management systems. The program will include the following components:
- 1.24 **Component 1: Reducing ANDA's NRW volumes (US\$33.8 million).** Activities to be financed will include: (i) renovation and rehabilitation of drinking water networks in priority areas; (ii) upgrading and expansion of macro- and micro-measurement systems and the incorporation of remote sensing devices; (iii) network automation and digital control; and (iv) sectorization, regulation, and area monitoring; and (iv) modernization and rehabilitation of traditional systems.
- 1.25 **Component 2: Boosting ANDA's energy efficiency (US\$53.5 million).** Activities to be financed will include: (i) replacement and optimization of pumping equipment; (ii) an automated digital control system; (iii) water well rehabilitation and drilling; (iv) frequency variators and installation of banks of capacitors; (v) installation of digital tools (remote measurement and control, automation, etc.) for improved control over electricity use and management at the various points along the distribution network; (vi) upgrades of medium- and low-voltage power lines; (vii) renovation of power substations; and (viii) expansion of water mains and conduits.
- 1.26 **Component 3: Improving ANDA's management (US\$9.1 million).** This component will be nationwide in scope and will contribute to the delivery of this service to 76% of the country's entire population. This will be accomplished by supporting ANDA with financing for: (i) the design and implementation of an organizational development plan; (ii) implementation of an action plan for the introduction of good corporate governance practices; (iii) the design and implementation of a technology modernization plan; (iv) development of a master water and sanitation plan for the San Salvador Metropolitan Area; (v) implementation of a strategic financial planning system; (vi) the design and implementation of a communications plan; (vii) updating of technical project design standards; (viii) provision of equipment for laboratories to use in monitoring water quality; (ix) updating of the diagnostic assessment and institutional policy on gender; (x) provision of equipment for the gender unit; (xi) development of a

gender indicators module for incorporation into ANDA's information system; and (xii) the design of an institutional strategy for the inclusion of persons with disabilities in the ANDA workforce.

- 1.27 **Project administration (US\$3.5 million).** Financing will be provided for hiring consultants, equipping the program execution unit (PEU), and contracting an external audit and program evaluations.

**C. Key results indicators**

- 1.28 **Main indicators.** The main outcomes of the project will have to do with improved access, quality, and operational efficiency of the services delivered by ANDA. The key results indicators are shown in Table I-1:

**Table I-1 – Key indicators**

Results indicators	Unit of measure	Baseline	Target
Households with access to drinking water for at least 12 hours per day, 7 days a week, in the area covered by the program	household	0	120,000
Index of distribution losses in the area covered by the program	%	60	50
Annual operating income (water charges) / annual operating costs	%	74	90

- 1.29 **Benefits and beneficiaries.** An estimated 120,000 households that already have connections to the water distribution system will directly benefit from the improvements to be made. The members of these households' levels of well-being and their quality of life will be enhanced by access to sustainable, better-quality services. The program will indirectly benefit the 1.8 million inhabitants of the San Salvador Metropolitan Area, whose quality of life will be improved by having access to sustainable, better-quality basic services. The system's sustainability will be increased not only by ANDA's improved operational and financial performance but also by the modernization and greater efficiency of its operations.
- 1.30 **Technical viability.** The program's technical viability has been ascertained through the review of the technical plans and cost estimates for the works in a sample representing approximately 43% of the investments to be made under the program ([optional link 1](#)). The proposed technical solutions have already been used in drinking water supply systems in similar urban areas and have been developed on the basis of generally accepted engineering standards and principles. The technical viability of the projects that have not been analyzed as part of the sample will be verified through properly prepared feasibility and design studies that meet the requirements established in the program Operating Regulations.
- 1.31 **Economic viability.** Because this is a multiple works program, a cost-benefit analysis of a representative sample of the projects was carried out. The projects that were evaluated are economically viable, with economic internal rates of return (EIRR) and net present values (using a 12% discount rate) of 22.2% and US\$28.8 million, respectively, for the NRW reduction and northern-zone energy efficiency project and of 20.6% and US\$2.7 million, respectively, for the

microsensor installation project. Cost-benefit analyses will be conducted for the projects that were not in the sample, and only those with an EIRR of over 12% will be financed by the program. Lastly, information furnished by ANDA indicates that the charge for water and sewer service in the area covered by the program is, on average, the equivalent of US\$6.50 per month per household, which amounts to 0.9% of the average monthly household income. While there is no social rate, the rate structure provides for lower prices as consumption decreases. The estimated monthly charge for vulnerable users, whose water consumption level is usually lower, is therefore approximately US\$4.70, which represents 2.3% of their average monthly household income. These are acceptable values by international standards ([optional link 2](#)).

## II. FINANCING STRUCTURE AND MAIN RISKS

### A. Financing instruments

- 2.1 **Modality and financial structure.** This investment loan has been designed as a multiple works program because it will finance a number of different projects. These projects involve physically similar works, but their feasibility does not depend on the execution of the other projects, and they are too small to justify separate Bank loans. As part of the preparation for this program, a representative sample of the works has been analyzed. This analysis also makes an earlier start on execution possible. A disbursement period of five years has been provided for based on experiences with previous operations (paragraph 1.15), in keeping with the multiyear execution plan ([required link 1](#)).
- 2.2 **Disbursement schedule.** In accordance with document AB-2990, “Enhancing Macroeconomic Safeguards as the Inter-American Development Bank,” the disbursement of the loan proceeds will be subject to the following thresholds: (i) up to 15% during the first 12 months; (ii) up to 30% during the first 24 months; and (iii) up to 50% during the first 36 months. All of these periods will be counted as of the date that the loan was approved by the Bank’s Board of Executive Directors. These limits may not apply if the requirements in the Bank’s policy have been met, provided that the borrower has been notified in writing.
- 2.3 **Representative sample.** The sample includes US\$42.7 million in investments to reduce NRW volumes and boost energy efficiency, which represents 43% of the total investments to be made under this program ([optional link 1](#)), including projects to bolster the system’s output in the northern zone, reinforce water mains and conduits between wells and pumping stations, rehabilitate the central pumping station, make pipe repairs and adjustments, rehabilitate power substations, and rehabilitate and/or replace micro-metering and sensing devices. The works included in the sample meet all the eligibility criteria for this program. The feasibility of these projects has been confirmed, and it is hoped that the corresponding bidding processes can be carried out during the period provided for the operation’s approval and eligibility determination with the support of technical cooperation resources. Once the eligibility of the program has been established, the preparations will be made to call for bids for the rest of the projects to be financed with program funds (paragraph 2.5). The projects to be financed—both those included in the sample and those that will be designed subsequently—are similar to one another and will be dealing with the expansion and upgrading of existing



facilities. Because most of the work will have to do with renovating and rehabilitating existing networks, supply lines, and pumping stations and the installation of macro- and micro-measuring devices, etc., they will not involve extensive, complex engineering or procurement operations, and the execution process is therefore expected to proceed smoothly.

- 2.4 **Eligibility criteria.** The following criteria were used to determine the eligibility both of the works included in the sample and the rest of the works to be financed: (i) they will benefit the population of the San Salvador Metropolitan Area and be operated and maintained by ANDA; (ii) they will be economically viable (an EIRR over 12%), technically viable (minimum-cost solutions compared to equivalent technical options), and financially, socially, and environmentally viable; (iii) they will boost energy efficiency, reduce water loss, ensure drinking water service continuity and/or quality, increase the efficiency of service delivery, and/or increase ANDA's resilience in the face of extreme hydrometeorological events; (iv) they will not have been classified in category A under the Bank's Environmental and Social Policy Framework, entail resettlement, or have adverse impacts on indigenous peoples or on critical natural habitats ([optional link 5](#)).
- 2.5 **Cost and financing.** The total amount of the loan is US\$100 million, to be financed with Bank's Ordinary Capital. The procurement of works, goods, and services will be carried out in accordance with Bank policies.

**Table II.1. Estimated program costs (US\$ thousands)**

<b>Components*</b>	<b>IDB</b>	<b>Total</b>	<b>%</b>
<b>Component 1. Reducing ANDA's NRW volumes</b>	<b>33,800</b>	<b>33,800</b>	<b>34</b>
Sectorization, regulation, and monitoring of the distribution network (northern-zone system only)	12,926	12,926	38
Rehabilitation and management of meters and sensors	9,170	9,170	27
Procurement of goods and operational and management tools	3,204	3,204	9
Projects on the sectorization, regulation, and monitoring of the San Salvador Metropolitan Area distribution networks that were not included in the sample	8,500	8,500	25
<b>Component 2. Boosting ANDA's energy efficiency</b>	<b>53,549</b>	<b>53,549</b>	<b>54</b>
Boosting of the northern-zone system output	4,665	4,665	9
Reinforcement of water mains and conduits linking wells to the La Toma pumping station	6,148	6,148	11
Reinforcement of water mains and conduits linking the La Toma and Central pumping stations	3,400	3,400	6
Reconditioning of the water mains and conduits linking the Central and San Ramón pumping stations	2,560	2,560	5
Rehabilitation of the Nejapa substation	666	666	1
Energy efficiency projects not included in the sample	36,109	36,109	67
<b>Component 3. Improving ANDA's management</b>	<b>9,150</b>	<b>9,150</b>	<b>9</b>
ANDA organizational development plan	525	525	6
Corporate governance action plan	200	200	2
Technology modernization plan	4,000	4,000	44
Gender-related activities	75	75	1
Master water and sanitation plan for the San Salvador Metropolitan Area	1,800	1,800	20
Financial and strategic planning program	1,400	1,400	15
Communications plan	250	250	3
Technical standards	200	200	2
Laboratory for testing water quality	700	700	8
<b>Administration</b>	<b>3,500</b>	<b>3,500</b>	<b>3</b>
<b>Total</b>	<b>100,000</b>	<b>100,000</b>	<b>100</b>

\*The costs shown per output or activity are indicative only ([optional link 7](#)).

## 2.6 Estimated disbursements

**Table II.2. Estimated disbursements (US\$ millions)**

<b>Source/year</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Total</b>
<b>IDB (US\$)</b>	10.32	19.26	20.22	29.52	20.68	100
<b>%</b>	10.32	19.26	20.22	29.52	20.68	100
<b>% (cumulative)</b>	10.32	29.58	49.79	79.32	100	100

- 2.7 **Time frame for start-up of the works.** The designs for the projects that were not included in the sample will be contracted and carried out during the first 24 months of the execution period. All works provided for under this program are therefore expected to start no later than 30 months after the eligibility date ([required link 1](#)) ([optional link 9](#)).

## **B. Environmental and social risks**

- 2.8 In accordance with the Environmental and Social Policy Framework and the evaluations conducted during the due diligence process, the program has been classified as a category B operation because its activities will have moderate, localized, short-term adverse environmental and social impacts. Its social and environmental risk classification is “substantial” in view of the fact that the program’s geographic scope encompasses the San Salvador Metropolitan Area, the executing agency’s lack of experience in implementing the Framework, and the country’s history of social conflict. Its risk classification for natural disasters has been deemed to be moderate in view of the extent of the threat of natural events such as earthquakes and volcanic eruptions, taking into account the heightened risk levels associated with the criticality and vulnerability of the infrastructure works to be undertaken.
- 2.9 Because this is a multiple works program, an environmental and social evaluation and an [environmental and social management plan](#) have been prepared for the works in the sample, and an [environmental and social management framework](#) has been prepared for the works not included in the sample. In accordance with Environmental and Social Performance Standard 1, a specific Environmental and Social Policy Framework has been drawn up that describes the program’s environmental and social management system. The main medium-to-high socioenvironmental risks that have been identified in the construction stage relate to the possible improper implementation of environmental and social management measures, which could impact the quality of the environment or could trigger increased conflict around the implementation of these works. In addition, deficient implementation of worker safety measures could lead to occupational and/or roadway accidents. It is also possible that cases of gender violence could increase because of the presence of external workers in rural or suburban areas. There is also the potential for impact on flora and fauna by the felling of trees or other clearing operations. Other minor impacts include air pollution, the noise and vibration caused by the use of machinery, the contamination of the soil or bodies of water by oil and other chemical spills, and interference with other public utility networks.
- 2.10 During the operational stage, the risk of an adverse impact on groundwater is classified as low in the environmental and social assessment, but the program will nonetheless deploy monitoring and early warning measures to detect reductions in water volume. To mitigate these risks, the Bank and ANDA have agreed to an environmental and social action plan for improving occupational health and safety conditions in existing facilities and a program for monitoring the volume of groundwater in the main aquifer. In addition, the following measures will be taken: (i) the [environmental and social management plan/framework](#) will be incorporated into the bidding documents; (ii) the appropriate permits and licenses will be obtained; (iii) implementation will be supervised; (iv) the socioenvironmental performance of the works will be assessed; (v) corrective action plans will be defined; and (vi) the code of conduct will be implemented, along with mechanisms to address complaints and other issues. Meaningful public consultations with stakeholders were held on 20-24 June 2022 using a hybrid format of one-on-one, in-person interactions in rural areas and virtual consultations via ANDA’s website; interest groups that support program execution participated in these consultations. The main environmental and social concerns had to do with noise, dust, the loss

of wildlife, and job creation during the construction stage; these concerns are addressed in the [environmental and social management plan](#). The report on the public consultations ([optional link 12](#)) and the final versions of the relevant environmental and social documentation have been posted on the Bank's website.

### **C. Fiduciary risks**

- 2.11 The fiduciary capacity of ANDA and its associated fiduciary risk are both rated as medium based on the medium-to-low extent of the following shortcomings: (i) a lack of experience executing IDB projects; (ii) the possible difficulty of finding specialists with the appropriate profile in terms of fiduciary execution; and (iii) unfamiliarity with the Bank's procurement policies. The following medium-to-high risks were identified: (i) dependence on other offices to facilitate contracting procedures; and (ii) delays in negotiations, in the finalization of addendums, and in the conclusion of contracts due to an excessive workload during the changeover of administrations and causes beyond the control of the executing agency. These delays could slow program execution. However, as mitigation measures, provisions have been made for training on IDB policies and procedures for ANDA personnel, ensuring that the persons hired by the PEU have the requisite profile, and reengineering processes to shorten execution times and minimize dependence on other offices (paragraph 1.26).

### **D. Other key issues and risks**

- 2.12 Medium-to-high risks associated with the planning taxonomy include the possibility that, during execution of the works, inconsistencies could arise in the content of the technical files and the certification of the available water supply and water quality, which could make it necessary to review and amend the documentation. This would have a direct impact on the timetable for execution of the works. This risk could be mitigated by updating the technical files (with regard to the availability and quality of the sources, for example) prior to the works bidding process and by implementing the plan for meaningful public consultations with stakeholders. A medium-to-high risk with respect to sustainability is the potential for extracting too much water from the aquifer during the operational stage, which could alter the amount of water in the aquifer and water quality. This could jeopardize the program outcomes. To mitigate this risk, an aquifer monitoring system will be introduced under Component 2 that will provide early warnings of any impact on groundwater resources during the operational stage. Another medium-to-high risk to sustainability is the possibility of major damage being done to power lines, which could cut off water supplies. The program will therefore provide support for the rehabilitation and modernization of the power substation and the power lines themselves and, if necessary, for the provision of alternative sources of supply. For this same taxonomy and level, it has also been determined that natural disasters could damage or destroy infrastructure during or after its construction, which would disrupt the achievement of the program's planned outcomes and outputs. ANDA's emergency response plan will therefore be updated and expanded to include the project areas. Adaptive measures to cope with natural hazards such as earthquakes, volcanic eruptions, and extreme weather events will also be integrated into the project designs.
- 2.13 **Socioenvironmental viability.** The program focuses on increasing the reliability and quality of the drinking water supply for the inhabitants of the San Salvador

Metropolitan Area who are served by the northern section of the system. It is also focused on reducing water losses, which lower water pressure. The civil works will be limited to existing facilities and areas for which ANDA already has easements. The operation's environmental and social viability will be ensured through the implementation of the measures provided for in the environmental and social management system, including, in particular, those set out in the environmental and social management plan, the environmental and social management framework, and the environmental and social action plan developed during the operation's preparation. The ready availability of the economic and human resources required to make use of these tools and monitor their application will also be ensured.

- 2.14 **Sustainability of the investments.** The financial analysis undertaken by ANDA included a historical analysis based on its financial statements and operational information. ANDA also developed a financial model for projecting its financial status in upcoming fiscal years. In recent fiscal years, ANDA has been covering its operating and maintenance costs with a combination of revenue from the rates paid by customers and government transfers, which are issued in a transparent manner on a regular basis, as shown in its audited financial statements. The program's financial viability is based on the fact that the program works and actions will lead to a net reduction in ANDA's operating and maintenance costs by making it more energy efficient and reducing water losses from the distribution system. In addition, the program will boost ANDA's operating income through the micro-metering and financial planning systems to be put in place. The program will consequently help to reinforce ANDA's financial autonomy in the coming fiscal years ([optional link 3](#)). During program preparation, an assessment of ANDA as the executing agency for the program was carried out using the Institutional Capacity Assessment Platform. That assessment pointed to the need to establish a PEU within ANDA and to provide it with a multidisciplinary team of full-time staff ([optional link 5](#)).

### III. IMPLEMENTATION AND MANAGEMENT PLAN

#### A. Summary of implementation arrangements

- 3.1 **Execution mechanism.** The borrower will be the Republic of El Salvador. ANDA will be the program's executing agency. ANDA will set up a PEU to execute, coordinate, plan, and monitor the program. The PEU will have administrative autonomy in carrying out procurement and financial management processes, but it will do so in coordination with other ANDA divisions, as specified in the program Operating Regulations ([optional link 5](#)). The PEU will report to the Office of the President of ANDA and will be staffed, as a minimum, with: (i) a coordinator; (ii) a financial specialist; (iii) a procurement specialist; and (iv) an environmental and social specialist. The program Operating Regulations will define the specific profiles and functions of the consultants working in the PEU. All the PEU specialists will work full time on the program and will be hired with the Bank's prior no objection. The selection of the PEU team members occupying the key positions listed above, as a minimum, will be a condition precedent to the first disbursement.
- 3.2 **Program Operating Regulations.** The program will be governed by the Operating Regulations, which will include: (i) the legal and institutional framework for the

- program; (ii) the description of the program, its purpose, objectives, and components; (iii) the structure and organization of the PEU, including its organizational chart, functions, responsibilities, and procedures; (iv) resource use and the eligibility criteria for the works; (v) the fiduciary annexes, which will set out the procedures to be followed for processing procurements, payments, financial programming, disbursements, expense reporting, and auditing of the program's financial statements; (vi) the environmental and social management plan; (vii) the monitoring and evaluation plan; and (viii) execution arrangements ([optional link 5](#)).
- 3.3 **Operation and maintenance.** The borrower, through the executing agency, will agree under the loan contract to maintain the works and equipment covered by the program in line with generally accepted technical standards and to allocate the funds required for that purpose. The borrower will also submit a status report on the works and equipment financed by the program to the Bank in the first quarter of each year, beginning in the year in which the first of the program works is completed and for three years following the completion of the first of the program works.
- 3.4 **Special contractual conditions precedent to the first disbursement of the loan:** (i) signature by the borrower and ANDA of a valid resource transfer agreement establishing the terms for the transfer of loan proceeds and other obligations of the parties; (ii) establishment of a program execution unit (PEU) that reports directly to the Office of the President of ANDA and selection of the following staff, as a minimum: (a) a coordinator; (b) a financial specialist; (c) a procurement specialist; and (d) an environmental and social specialist; and (iii) approval of program Operating Regulations that are in accordance with the terms previously agreed upon with the Bank and that incorporate the relevant environmental and social requirements and, as annexes, the environmental and social management system and the environmental and social action plan. These conditions are considered to be essential in order to ensure the proper execution and coordination of the program and the availability of detailed guidelines on operational aspects of the program.
- 3.5 **Special contractual conditions of execution:** (i) prior to the issuance of the order to begin the execution of each of the works provided for under the program: (a) evidence will be presented that consulting services for the technical and environmental supervision of the respective works have been contracted or designated in accordance with the terms of reference previously agreed upon with the Bank and the program Operating Regulations; and (b) the permits required in El Salvador for the respective works, including the relevant environmental permit, if applicable, will have been obtained; (ii) prior to the start of the project bidding process, the executing agency will have legal title to the land where the work is to be performed. Special social and environmental contractual conditions are set out in Annex B of the environmental and social review summary ([required link 3](#)).
- 3.6 **Procurement of works, goods, and services.** Goods, works, and services will be procured in accordance with the Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (document GN-2349-15) and the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-15). In accordance with these policies, an agreement for the partial use of the country procurement system will be implemented. This independent management



subsystem will enter into force following its harmonization with the country. The provisions of the loan contract, the guidelines established in the procurement plan ([required link 4](#)), and the program Operating Regulations ([optional link 5](#)) will also be taken into account. The contracting documents to be used are those posted on the Bank's website for use by executing agencies for international procurement procedures and those that have been harmonized with the country's procedures for domestic procurement operations. Procurement will be supervised by means of ex ante,<sup>31</sup> ex post,<sup>32</sup> or country system reviews,<sup>33</sup> as stipulated in the procurement plan.

- 3.7 **Disbursements and advances of funds.** The loan will primarily be disbursed using advances of funds modality. The timing of the advances will be determined by the financial program for the project for each six-month period in accordance with the Financial Management Guidelines for IDB-financed Projects (document GN-2811). The Bank may provide a further advance once at least 80% of the total cumulative balance disbursed has been accounted for.
- 3.8 **Audits.** The external audit of the project will be conducted by a Bank-eligible firm. Program funds will be used to contract and finance the audit in accordance with the procedures, terms of reference, and request for proposals with the Bank's no objection. During program execution, ANDA will submit audited financial reports to the Bank within 120 days after the close of each fiscal year or the date of the last disbursement.

## **B. Mechanism for monitoring and evaluating results**

- 3.9 **Monitoring.** The executing agency will prepare reports on the progress and results of the activities for which it is responsible. The monitoring arrangements will include the procurement plan, the multiyear execution plan, the annual work plan, the results matrix, the progress monitoring report, and the risk management plan. The executing agency will submit semiannual reports to the Bank that will cover the progress made, the results achieved, and an action plan for the following six-month period within 60 days of the end of each six-month period ([required link 2](#)).
- 3.10 **Evaluation.** The executing agency will contract: (i) a midterm evaluation, to be submitted 90 days after the date on which 50% of the program funds have been disbursed; and (ii) a final evaluation, to be submitted 90 days after the date of the final disbursement of program funds. The use of a before-and-after evaluation methodology is proposed. This methodology entails measuring results indicators both before and after the program actions have been implemented and then comparing those measurements to determine whether the established targets have been reached. As part of the final evaluation, an ex post economic evaluation will be conducted. The methodology to be used for that evaluation is detailed in the monitoring and evaluation plan ([required link 2](#)).

---

<sup>31</sup> Ex ante reviews are applicable for all direct contracting operations and/or those whose estimated cost is greater than: (i) US\$5,000,000 for works; (ii) US\$250,000 for goods and services; and (iii) US\$200,000 for consulting services.

<sup>32</sup> Ex post reviews will cover at least one fiscal year and at least 10% of the (preferably electronic) files, to be selected at random.

<sup>33</sup> These supervisory reviews will be conducted using the country's oversight system.

Development Effectiveness Matrix		
Summary		ES-L1152
I. Corporate and Country Priorities		
Section 1. IDB Group Strategic Priorities and CRF Indicators		
Development Challenges & Cross-cutting Issues	-Social Inclusion and Equality -Productivity and Innovation -Gender Equality and Diversity -Climate Change -Institutional Capacity and the Rule of Law	
CRF Level 2 Indicators: IDB Group Contributions to Development Results	-Households with improved access to water and sanitation (#)	
2. Country Development Objectives		
Country Strategy Results Matrix	GN-3046-1	Mejora de la calidad de la infraestructura
Country Program Results Matrix	GN-3087	The intervention is included in the 2022 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution		8.6
3.1 Program Diagnosis		1.9
3.2 Proposed Interventions or Solutions		3.2
3.3 Results Matrix Quality		3.6
4. Ex ante Economic Analysis		10.0
4.1 Program has an ERR/NPV, or key outcomes identified for CEA		1.5
4.2 Identified and Quantified Benefits and Costs		3.0
4.3 Reasonable Assumptions		2.5
4.4 Sensitivity Analysis		2.0
4.5 Consistency with results matrix		1.0
5. Monitoring and Evaluation		9.5
5.1 Monitoring Mechanisms		4.0
5.2 Evaluation Plan		5.5
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood	Medium High	
Environmental & social risk classification	B	
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Procurement: Information System.
Non-Fiduciary		
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	Yes	ATN/LA-15861-ES

The general objective of the program is to support the government of El Salvador in strengthening the water and sanitation sector, specifically by contributing to the improvement of ANDA's performance and sustainability. The specific objectives for the San Salvador Metropolitan Area are: (i) improve the continuity of potable water services; (ii) reduce NRW levels; (iii) improve the energy efficiency of drinking water systems; and (iv) improve ANDA's business management.

The diagnosis of the problem is adequate and presents sufficient supporting empirical evidence. Considering criteria for the quality of water services (continuity, availability, and quality), the diagnosis reports low levels of coverage in the urban area (77%). Forty-eight percent of the supply is qualified as intermittent and 50% of the population reports deficiencies in the quality of the water supplied. A good description of the institutional framework is presented. The main factors associated with the problem are identified and include operational and management challenges for the water service provider ANDA.

The solutions proposed by the operation are aligned with the determinants of the problem and are structured in 3 components: 1) Reduction of ANDA's Non-Revenue Water levels, 2) Improvement of ANDA's energy efficiency, and 3) Improvement of ANDA's management. The results matrix (RM) reflects the vertical logic of the project and presents at least one SMART result indicator associated with each specific objective. All result and product indicators present baseline values, goals and means to collect the information. For some products related to management improvement, the definition of specific criteria to assess achievement is recommended.

The economic analysis is based on a cost-benefit analysis of 2 projects that include investments in NRW reduction and energy efficiency with an estimated value of US\$56.1 million. Using a discount rate of 12%, the expected rate of return is 22.2% for the NRW project, and 20.6% for the water meters projects. The parameters used in the economic analysis are consistent with the RM.

The monitoring and evaluation plan is appropriate and includes an evaluation using an ex-post cost-benefit analysis and a retrospective evaluation applying a before-and-after analysis.



## RESULTS MATRIX

<b>Project objective:</b>	The general objective of the program is to support El Salvador in its efforts to strengthen its water and sanitation sector and, more specifically, to help to improve the performance and sustainability of the National Water and Sewer Authority (ANDA). The specific objectives of this operation are: (i) to increase the reliability of drinking water service in the San Salvador Metropolitan Area; (ii) to reduce the volume of nonrevenue water (NRW) in the San Salvador Metropolitan Area; (iii) to increase the energy efficiency of drinking water systems in the San Salvador Metropolitan Area; and (iv) to improve ANDA's business management systems. The achievement of these objectives will contribute to the achievement of the general objective of supporting El Salvador in its efforts to strengthen its water and sanitation sector and, more specifically, to help to improve the performance and sustainability of ANDA.
---------------------------	---

### SPECIFIC DEVELOPMENT OBJECTIVES

Indicators	Unit of measure	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification (MV) / comments
<b>Specific development objective 1: Increase the reliability of drinking water service in the San Salvador Metropolitan Area</b>										
1. Households with access to drinking water for at least 12 hours per day, 7 days a week, in the area covered by the program	Households	0	2022					120,000		MV: Report from the ANDA systems control center
<b>Specific development objective 2: Reduce the volume of nonrevenue water (NRW) in the San Salvador Metropolitan Area</b>										
2. Index of distribution losses in the area covered by the program	%	60	2022					50%	50%	MV: ANDA's annual statistical bulletin; index of distribution losses = 1 - (volume billed/volume produced)
<b>Specific development objective 3: Improve the energy efficiency of drinking water systems in the San Salvador Metropolitan Area</b>										
3. Energy consumption per cubic meter of water produced in the area covered by the program	kWh/m <sup>3</sup>	2.3	2022					2.1	2.1	MV: ANDA's annual statistical bulletin; annual energy consumption/ volume of water produced
<b>Specific development objective 4: Improve ANDA's business management systems</b>										
4. Annual operating income (rates) / annual operating costs	%	74	2022					90	90	MV: Reports on the audited financial statements of ANDA
5. Water and sanitation investment projects prioritized by ANDA in the San Salvador Metropolitan Area that follow the	%	0	2022					100	100	MV: Report on public investment projects of the Ministry of Finance

Indicators	Unit of measure	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification (MV) / comments
guidelines in the master water and sanitation plan										
6. Automated, integrated financial, commercial, human resources, and procurement procedures used by ANDA	process	0	2022					4	4	<u>MV</u> : Integrated ERP system reports
7. Percentage of ANDA employees who are women	%	21.8	2022					25	25	<u>MV</u> : ANDA's annual statistical bulletin

#### OUTPUTS

Output	Unit of measure	Associated outcome	Cost (US\$)	Baseline	Year1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification / comments
<b>Component 1. Reducing ANDA's NRW volumes</b>											
Sectorization, regulation, and monitoring of the northern- zone distribution network	System	1	12,926,000	-	-	-	1			1	<u>MV</u> : Certificate of definitive receipt of the works <u>Responsible entity</u> : ANDA PEU
Acquisition and installation of micro-metering devices and sensors	Micro-metering devices and sensors	2	9,170,000	-	-	50,000	75,000	75,000	-	200,000	<u>MV</u> : Certificate of receipt of meters and sensors and the report on their installation <u>Responsible entity</u> : ANDA PEU
Implementation of projects to reduce NRW volumes in the San Salvador Metropolitan Area that were not included in the sample	Project	1 and 2	8,500,000	-	-	-	-	1	1	2	<u>MV</u> : Certificate of definitive receipt of the works <u>Responsible entity</u> : ANDA PEU
Implementation of ANDA water and sewer system management and operations plan	Plan	3	3,204,352	-	-	1	-	-	-	1	<u>MV</u> : Semiannual program report <u>Responsible entity</u> : ANDA PEU
<u>Milestone</u> : Management-level equipment <sup>1</sup> obtained	Equipment	3	1,000,000	-	-	1	-	-	-	1	<u>MV</u> : Certificate receipt of equipment <u>Responsible entity</u> : ANDA PEU
<u>Milestone</u> : Operational equipment <sup>2</sup> obtained	Equipment	3	2,204,350	-	-	8	-	-	-	8	<u>MV</u> : Certificate of receipt of equipment

<sup>1</sup> Computer hardware, tools, accessories, and replacement parts for the maintenance of technical facilities and distribution networks.

<sup>2</sup> Three-ton forklift (1), remodeling of the northern-zone electromechanical workshop (1).

Output	Unit of measure	Associated outcome	Cost (US\$)	Baseline	Year1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification / comments
											<u>Responsible entity:</u> ANDA PEU
<b>Component 2: Boosting ANDA's energy efficiency</b>											
Improvements in the northern-zone system	System	3	17,439,584	-	-	1	-	-	-	1	<u>MV:</u> Semiannual program report <u>Responsible entity:</u> ANDA PEU
<u>Milestone:</u> Increased production in the northern zone	Well	6	4,665,084	-	-	6	-	-	-	6	<u>MV:</u> Certificate of definitive receipt of the works <u>Responsible entity:</u> ANDA PEU
<u>Milestone:</u> Reinforcement of water mains and conduits linking wells to the La Toma pumping station	Km	3	6,148,000	-	-	1	-	-	-	1	<u>MV:</u> Certificate of definitive receipt of the works <u>Responsible entity:</u> ANDA PEU
<u>Milestone:</u> Improvement of the water mains and conduits linking the La Toma and the Central pumping stations	Km	3	3,400,000	-	-	2.2	-	-	-	2.2	<u>MV:</u> Certificate of definitive receipt of the works <u>Responsible entity:</u> ANDA PEU
<u>Milestone:</u> Reconditioning of the water mains and conduits linking the Central and San Ramón pumping stations	Km	3	2,560,000	-	-	20	-	-	-	20	<u>MV:</u> Certificate of definitive receipt of the works <u>Responsible entity:</u> ANDA PEU
<u>Milestone:</u> Rehabilitation of the Nejapa substation	Substation	3	666,500	-	1	-	-	-	-	1	<u>MV:</u> Certificate of definitive receipt of the works <u>Responsible entity:</u> ANDA PEU
Implementation of the energy efficiency projects not included in the sample	Project	3	36,109,830	-	-	-	1	1	1	3	<u>MV:</u> Final consulting report, certificate receipt of equipment, or certificate of definitive receipt of the works <u>Responsible entity:</u> ANDA PEU
<b>Component 3: Improving ANDA management</b>											
Design and implementation of ANDA's organizational development plan	Plan	4	525,234	-	-	-	1	-	-	1	<u>MV:</u> Final consulting report <u>Responsible entity:</u> ANDA PEU
Implementation of the corporate governance action plan (two activities, as a minimum)	Plan	4	200,000	-	-	-	-	1	-	1	<u>MV:</u> Final consulting report <u>Responsible entity:</u> ANDA PEU
Design and implementation of ANDA's technology modernization plan	Plan	4	4,000,000	-	-	-	-	1	-	1	<u>MV:</u> Final consulting report <u>Responsible entity:</u> ANDA PEU

Output	Unit of measure	Associated outcome	Cost (US\$)	Baseline	Year1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification / comments
Procurement of the equipment <sup>3</sup> for the gender unit	Equipment	4	20,000	-	6	-	-	-	-	6	MV: Certificate of receipt of equipment Responsible entity: ANDA PEU
Updated diagnostic assessment and policy on gender focusing on the reduction of gender-related employment gaps in ANDA	Diagnostic assessment and policy	4	20,000	-	1	-	-	-	-	1	MV: Final consulting report Responsible entity: ANDA PEU
Development of a gender indicators module for the ERP information system	Module	4	15,000	-	1	-	-	-	-	1	MV: Final consulting report Responsible entity: ANDA PEU
Design of an institutional strategy for the inclusion of persons with disabilities in the ANDA workforce	Strategy	4	20,000	-	1	-	-	-	-	1	MV: Final consulting report Responsible entity: ANDA PEU
Development of a master water and sanitation plan for the San Salvador Metropolitan Area	Plan	4	1,800,000	-	-	-	-	-	1	1	MV: Approval by the ANDA Board of Directors of the master water and sanitation plan for the San Salvador Metropolitan Area Responsible entity: ANDA PEU
Implementation of ANDA's strategic financial planning program <sup>4</sup>	Program	4	1,400,000	-	-	-	-	-	1	1	MV: Final consulting report Responsible entity: ANDA PEU
Design and implementation of ANDA's communications plan	Plan	4	250,000	-	-	-	-	-	1	1	MV: Final consulting report Responsible entity: ANDA PEU
Updated set of technical standards for ANDA	Set	4	200,000	-	-	-	1	-	-	1	MV: Final consulting report Responsible entity: ANDA PEU
Upgraded laboratories for water quality testing <sup>5</sup>	Laboratory	4	700,000	-	-	-	3	-	-	3	MV: Final consulting report Responsible entity: ANDA PEU

<sup>3</sup> Includes four computers, one laptop, and one projector.

<sup>4</sup> Implementation will be considered to have been completed when the following actions have been taken: development of a comprehensive financial model, updating of the valuation of assets and inventories, completion of an updated utility rate study, and the targeting of subsidies and strategic planning on the basis of a balanced scorecard.

<sup>5</sup> Includes the procurement of equipment, refurbishment of laboratory premises, and certification.

Country: El Salvador

Division: WSA

Operation number: ES-L1152

Year: 2022

## FIDUCIARY AGREEMENTS AND REQUIREMENTS

**Executing agency:** National Water and Sewer Authority (ANDA)

**Name of operation:** Program to Strengthen the Water and Sanitation Sector in El Salvador

### I. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY

#### 1. Use of the country system in the operation<sup>1</sup>

<input checked="" type="checkbox"/> Budget	<input checked="" type="checkbox"/> Reports	<input checked="" type="checkbox"/> Information system	<input type="checkbox"/> National competitive bidding
<input checked="" type="checkbox"/> Cash flow	<input type="checkbox"/> Internal audits	<input type="checkbox"/> Shopping	<input type="checkbox"/> Other
<input checked="" type="checkbox"/> Accounting	<input type="checkbox"/> External control	<input type="checkbox"/> Individual consultants	<input type="checkbox"/> Other

#### 2. Fiduciary execution mechanism

#### 3. Fiduciary capacity

Fiduciary capacity of the executing agency	The fiduciary capacity of ANDA has been rated as medium, as has its fiduciary management risk, in view of weaknesses in the following areas: (i) a lack of experience in executing IDB projects; (ii) potential difficulty in finding specialists with the appropriate fiduciary profile; (iii) its dependence on other offices to facilitate contracting procedures; (iv) its unfamiliarity with the Bank's procurement procedures; and (v) delays in negotiations, in the finalization of addendums, and in the conclusion of contracts due to excessive workloads during the changeover of administrations and causes beyond the control of the executing agency.
--	--

#### 4. Fiduciary risks and risk response

Risk taxonomy	Risk	Level of risk	Risk response
Institutional	Lack of experience in executing IDB projects	Medium- low	Provide training to ANDA staff on IDB policies and procedures
Institutional	Difficulty in finding specialists with the appropriate fiduciary profile	Medium- low	Ensure that personnel hired by the PEU have the agreed profile
Organizational structure	Dependence on other offices to facilitate contracting procedures	Medium-high	Reengineer processes to shorten execution times and minimize dependence on other offices

<sup>1</sup> Any system or subsystem that is subsequently approved may be used in the operation in accordance with the Bank's terms of its validation.

<b>Risk taxonomy</b>	<b>Risk</b>	<b>Level of risk</b>	<b>Risk response</b>
Institutional	Unfamiliarity with the Bank's procurement and financial management policies	Medium- low	Provide training to ANDA staff on IDB policies and procedures
Internal processes	Delays in negotiations, the finalization of addendums, and the conclusion of contracts	Medium-high	Reengineer processes to shorten execution times and minimize dependence on other offices

5. Applicable policies and guidelines: Procurement processes will be defined in the Bank-approved procurement plan. These processes will be conducted in accordance with the Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (document GN-2349-15) and Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-15) or the effective versions thereof. Financial management will be conducted in accordance with the Financial Management Guidelines for IDB-financed Projects (document OP-273-12 or the effective version thereof).
6. Exceptions to policies and guidelines: None.

## II. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF THE LOAN CONTRACT

Special conditions precedent to the first disbursement:
Exchange rate: For purposes of Article 4.10 of the General Conditions, the parties agree that the applicable exchange rate will be the rate indicated in paragraph (b)(ii) of said article. For such purposes, the agreed exchange rate will be the exchange rate at which the borrower, executing agency, or any other individual or legal entity to whom authority to incur expenditures has been delegated, has made the relevant payments to the contractor, supplier, or beneficiary.
Type of audit: ANDA will be in charge of contracting the audit firm. The selected firm may be the same one that audits its financial statements so that a full picture of the executing agency and its management of the program can be made available, provided that this firm is on the list of firms deemed eligible by the IDB to audit operations financed with Bank resources. If a competitive bidding process is to be held, the guidelines established in the new governance framework for external audits of IDB-financed operations will be followed. Annual financial statements will also be prepared in accordance with the aforementioned framework. In order to ensure the audits effectiveness, the audit firm will be contracted in September of the fiscal year for which the audit is to be performed at the latest.
[Other]

## III. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

<input checked="" type="checkbox"/>	Bidding documents	For the procurement of works, goods, and nonconsulting services in accordance with the Bank's procurement policies (document GN-2349-15) that are subject to international competitive bidding (ICB), the Bank's standard bidding documents will be used or those agreed upon by the executing agency and the Bank for a particular procurement operation. The selection and contracting of consultants will be conducted in accordance with the Policies for the Selection and Contracting of Consultants financed by the Inter-American Development Bank (document GN-2350-15). The standard request for proposals issued by the Bank, or another document agreed upon by the executing agency and the Bank for a particular selection process will be used. For national bidding processes, the bidding documents that the Bank has harmonized with the country will be used. These documents will be made available via TEAMS.
-------------------------------------	-------------------	--

		The review of technical specifications and the terms of reference for procurements during the preparation of selection processes will be the responsibility of the project's sector specialist. This technical review may be carried out on an ex ante basis regardless of the procurement review method employed.								
<input checked="" type="checkbox"/>	Use of country systems	<p>All procurement operations will be publicized via COMPRASAL. The agreement for the partial use of the country procurement system, the independent management subsystem for the purchase of goods, works, and nonconsulting services, using an approach equivalent to shopping, may be used once it has taken effect, after it has been harmonized and authorized by the Salvadoran government.</p> <p>The operation's procurement plan will specify which procurement processes within the scope of the approved category will be conducted under the country system. If the Board decides to broaden the scope of the approved category for the use of the country system, that expanded scope will be applicable to the operation.</p>								
<input checked="" type="checkbox"/>	Recurrent expenditures	<p>Recurrent and maintenance expenditures required for the project during its useful life will be approved by the Project Team Leader and will be included in the annual work plans in line with the administrative procedures of the executing agency referred to in the program Operating Regulations. These procedures will be reviewed and accepted by the Bank provided that they do not run counter to principles of economy, efficiency, and competition.</p> <p>These expenditures may include office rental, utilities, communications, translations, bank charges, office supplies, advertising expenses, photocopies, fuel, lodging, per diem allowances, event logistics, postal services, secretarial and driving services, security, and others agreed upon with the Bank in accordance with the guidelines for the treatment of recurrent expenditures and the expenditure eligibility policy (document GN-2331-5 and its updates).</p>								
<input checked="" type="checkbox"/>	Procurement supervision	<p>All country procurement procedures will be subject to ex post review; ex ante reviews will be undertaken for all exceptional procurement procedures, such as direct contracting, single-source selection, new modalities, operations above the country thresholds, and international procurements whose estimated cost is greater than: (i) US\$5,000,000 for works; (ii) US\$250,000 for goods and services; and (iii) US\$200,000 for consulting services.</p> <p>The supervision modality will be established in the procurement plan based on the program's level of fiduciary risk. Procurements processed under the country system will be supervised by the country's oversight system. Ex post reviews will cover at least one fiscal year and at least 10% of the (preferably electronic) files, which will be selected at random.</p> <p>The threshold for ex post reviews are as follows:</p> <table><tr><th>Executing agency</th><th>Works</th><th>Goods/ services</th><th>Consulting services</th></tr><tr><td>ANDA</td><td>5,000,000</td><td>250,000</td><td>200,000</td></tr></table>	Executing agency	Works	Goods/ services	Consulting services	ANDA	5,000,000	250,000	200,000
Executing agency	Works	Goods/ services	Consulting services							
ANDA	5,000,000	250,000	200,000							
<input checked="" type="checkbox"/>	Records and files	The executing agency's Administrative Financial and Contracting Unit will be in charge of ensuring the use of proper control procedures for safeguarding and ensuring the integrity of the original records and files for procurement processes and financial information for which the executing agency is responsible. The Bank may verify the standards applying to the organization, control, and security of such files at any time.								

Main procurement items ([required link 4](#))

Description	Selection method	New procedures/ tools	Estimated date	Estimated amount (US\$)
<b>Goods</b>				
Procurement of 11 computer workstations	National competitive bidding		August 23	158,000
Purchase of 3 vehicles	National competitive bidding		August 23	90,000
Laboratory equipment for quality testing	International competitive bidding		November 23	700,000
Operating equipment for ANDA	International competitive bidding		March 24	2,204,352
Computer hardware, tools, accessories, and replacement parts for the maintenance of technical facilities and distribution networks	International competitive bidding		December 23	1,000,000
Procurement of meters and sensors	International competitive bidding		November 23	9,170,000
<b>Works</b>				
Rehabilitating the Nejapa substation	National competitive bidding		November 23	666,500
Reinforcing water mains and conduits linking the Central and San Ramón pumping stations	National competitive bidding		November 23	2,560,000
Reinforcing water mains and conduits linking the La Toma and Central pumping stations	National competitive bidding		November 23	3,400,000
Reinforcing water mains and conduits linking wells to the La Toma pumping station	International competitive bidding		November 23	6,148,000
Boosting the northern-zone system's output	National competitive bidding		November 23	4,665,084
Works contracts – northern zone	International competitive bidding		May 23	36,109,830
<b>Firms</b>				
Midterm and final evaluations and external audits	Selection based on the consultants' qualifications (CQS)		[date]	500,000
Updating of ANDA's technical standards	Quality- and cost-based selection (QCBS)		October 23	200,000



Description	Selection method	New procedures/ tools	Estimated date	Estimated amount (US\$)
Preparation and implementation of an organizational development plan and a communications plan for ANDA, a corporate governance action plan, a technology modernization plan for ANDA, a master water and sanitation plan for the San Salvador Metropolitan Area, and a strategic financial planning program for ANDA	Quality- and cost-based selection (QCBS)		2023 and 2024	8,950,234
Consulting services for the supervision of 5 works	Quality- and cost-based selection (QCBS)		June 23	2,127,736
Preparation of 4 detailed designs for construction	Quality- and cost-based selection (QCBS)		June 23	802,133
<b>Individuals</b>				
5 individual consultants to provide design, supervisory, and development services	Individual consultant selection (3 CV)		July 23	121,650
Executing agency staff (11 posts)	Individual consultant selection (3 CV)		April 23	1,968,000

For the procurement plan, see: ([required link 4](#)).

#### IV. FINANCIAL MANAGEMENT AGREEMENTS AND REQUIREMENTS

<input checked="" type="checkbox"/>	Programming and budget	The country system will be used. Code 480: Budgetary Procedures regulates and specifies the steps to be taken to prepare and approve the institutional budget in accordance with the applicable regulations. It also governs the availability of budgetary funds based on the established timetable and serves as guidance for organizational units applying for authorization for transfers of budgetary funds to cover needs not considered in the budget approved by the executive branch.
<input checked="" type="checkbox"/>	Disbursements and cash flow	The national cash flow subsystem will be used. The executing agency will request the Central Reserve Bank to open a special account for depositing project disbursements and making payments. This mechanism will be part of the National Single Treasury Account of the Ministry of Finance. The Bank will make disbursements via the advance of funds modality for the execution of program activities and procurements planned for periods of up to six months. The cash flow timetable prepared by the executing agency will be consistent with the procurement plan that has received the no objection of the Bank and must cover a rolling horizon of at least 12 months.

<input checked="" type="checkbox"/>	Accounting, information systems, and reporting	The country system will be used. Accounting records will be kept by the executing agency's Institutional Financial Unit, whose record-keeping procedures will be supplemented by manual processes for the preparation of special-purpose financial statements in the formats required by the Bank. The executing agency will be responsible for safeguarding the relevant documentation, which will be kept for at least three years after the date of the last disbursement. The Integrated Financial Administration System (SAFI) will be used.
<input checked="" type="checkbox"/>	Internal control and internal audit	The technical internal control standards issued by the Government Audit Office will be applied. All staff members and consultants involved in project execution are responsible for internal control functions in their respective areas. The ANDA Management/Internal Audits Unit will include project control activities in its annual work plans.
<input checked="" type="checkbox"/>	External control and financial reports	The Bank will decide whether these functions will be carried out by an eligible external independent audit firm or by the Government Audit Office of El Salvador, provided that the latter is deemed eligible by the Bank. The cost of engaging the audit firm will be charged against the loan proceeds in accordance with the terms of reference and the request for proposals that have received the no objection of the Bank. The executing agency will submit reports on the audited financial statements to the IDB within 120 days following the close of each fiscal year. The audit firm may be contracted for the duration of the execution period provided for in the loan contract.
<input checked="" type="checkbox"/>	Financial supervision	The supervision plan will include at least one visit every six months, which preferably will be conducted before the portfolio review. The external auditors will be in constant contact with the executing agency to address any doubts that may arise.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-\_\_\_/22

El Salvador. Loan \_\_\_\_/OC-ES to the Republic of El Salvador  
Program to Strengthen the Water and Sanitation  
Sector in El Salvador

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Republic of El Salvador, as Borrower, for the purpose of granting it a financing to cooperate in the execution of the Program to Strengthen the Water and Sanitation Sector in El Salvador. Such financing will be for the amount of up to US\$100,000,000 from the resources of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on \_\_\_\_ 2022)