

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

HONDURAS

TROPICAL STORM ETA EMERGENCY RESPONSE PROGRAM

(HO-L1222)

LOAN PROPOSAL

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ABBREVIATIONS

COPECO	Secretaría de Estado en los Despachos de Gestión de Riesgos y Contingencias Nacionales/Comisión Permanente de Contingencias [Secretariat of Risk Management and National Contingencies/Permanent Commission on Contingencies]
DC	Direct contracting
DRM	Disaster risk management
ECLAC	Economic Commission for Latin America and the Caribbean
EM-DAT	Emergency Events Database
FFF	Flexible Financing Facility
FHIS	Fondo Hondureño de Inversión Social [Honduran Social Investment Fund]
IDB	Inter-American Development Bank
IDECOAS	Instituto de Desarrollo Comunitario, Agua, y Saneamiento [Community Development, Water, and Sanitation Institute]
INSEP	Secretaría de Infraestructura y Servicios Públicos [Secretariat of Infrastructure and Public Services]
IRF	Immediate Response Facility for Emergencies Caused by Natural and Unexpected Disasters
LCS	Least-cost selection
MITIGAR	Disaster Risk Prevention and Mitigation Project
OC	Ordinary Capital
RMI	Risk management index
RMI _m	Risk management index at the municipal level
SCGG	Secretaría de Coordinación General de Gobierno [Secretariat of General Government Coordination]
SEDECOAS	Secretaría de Estado en los Despachos de Desarrollo Comunitario, Agua, y Saneamiento [Secretariat of Community Development, Water, and Sanitation]
SEFIN	Secretaría de Estado en el Despacho de Finanzas [Ministry of Finance]
SINAGER	Sistema Nacional de Gestión de Riesgos [National Risk Management System]
UNAH	Universidad Nacional Autónoma de Honduras [National Autonomous University of Honduras]

EXECUTIVE SUMMARY
HONDURAS
TROPICAL STORM ETA EMERGENCY RESPONSE PROGRAM
HO-L1222

Borrower:	Republic of Honduras	
Executing agency:	The Secretariat of Community Development, Water, and Sanitation (SEDECOAS/FHIS), in coordination with the Secretariat of Infrastructure and Public Services (INSEP) and the Secretariat of Risk Management and National Contingencies (COPECO)	
Financing:	IDB (Ordinary Capital-FFF) ^(a)	US\$10,056,187.00 (65%)
	IDB (Concessional OC):	<u>US\$5,414,870.00 (35%)</u>
	Total:	US\$15,471,057.00
Regular Ordinary Capital (OC) financial terms and conditions:	Amortization period:	25 years
	Grace period:	5.5 years ^(b)
	Original weighted average life:	15.25 years
	Interest rate:	LIBOR-based
	Inspection and supervision fee:	^(c)
	Credit fee:	^(c)
Concessional OC financial terms and conditions:	Amortization period:	40 years
	Grace period:	40 years
	Interest rate:	0.25%
Terms:	Commitment period:	9 months
	Disbursement period:	12 months
Currency:	United States dollar	
Objective:	<p>The general objective of the program is to support the transition of the population affected by Tropical Storm Eta towards the resumption of its regular economic and social activities, to reestablish the level of access to basic public services, and to remove debris.</p> <p>The specific objective is to restore a portion of the road infrastructure as well as the damage sustained by basic water supply services, and to remove and dispose of debris caused by Tropical Storm Eta.</p>	

^(a) 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, and commodity conversions. The Bank will take operational and risk management considerations into account when reviewing such requests.

^(b) Under the flexible payment 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.

^(c) The credit fee and 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 relevant policies.

Special contractual conditions:	The following will be special contractual conditions precedent to the first disbursement of the loan: (i) a firm will have been hired to perform the reasonable assurance audit; and (ii) the program Operations Manual will have been approved (paragraph 5.36).
Exceptions to Bank policies:	None.
Environmental and social review:	Given the nature of this program, no prior environmental impact assessments will be conducted. However, any activities undertaken will comply with national regulatory standards and specifications for the prevention and mitigation of environmental and social impacts (paragraph 5.34).
Benefits:	Program resources will finance activities that will generate benefits for families and the economy in areas affected by Tropical Storm Eta. The main indicators programmed are as follows: (i) rehabilitation of service on 164 segments of primary and secondary national roads, rural roads, and 13 bridges and box culverts. Approximately 2.2 million people will directly benefit from the rehabilitation of road infrastructure; (ii) removal and disposal of debris in the streets of 80 communities, benefiting 89,608 people; and (iii) repair of 2 water supply systems and restoration of water supply services for 23,538 people (paragraph 5.13). The program's direct beneficiaries will be approximately 2.3 million people in all.
Retroactive financing:	In accordance with the Immediate Response Facility for Emergencies Caused by Natural and Unexpected Disasters (IRF) (document GN-2038-16), the principal objective of the facility is to provide financial resources to the country affected by the disaster to cover the immediate costs of restoring basic services to the population. An estimated amount of up to US\$15.47 million (100% of the proposed amount of the loan ^(d)) may be used against the Bank loan proceeds to cover eligible expenditures that are incurred between the date of the disaster ^(e) and the approval date of this operation and that satisfy the requirements set forth in the corresponding loan contract. Please see optional link 2 , optional link 3 , and optional link 4 for details on the investments prioritized during a review of the documentation and field visits for the immediate resumption of basic service delivery to the disaster-affected population (paragraph 5.30).

^(d) This figure was estimated on the basis of information compiled during the program's design and may be modified when reimbursement requests are made, based on supporting information audited by a Bank-eligible firm.

^(e) Tropical storm Eta formed on 31 October 2020, developed into a hurricane, and weakened to a tropical storm and tropical depression over Honduras from 1 November to 6 November, the date when the government issued a national state of emergency.

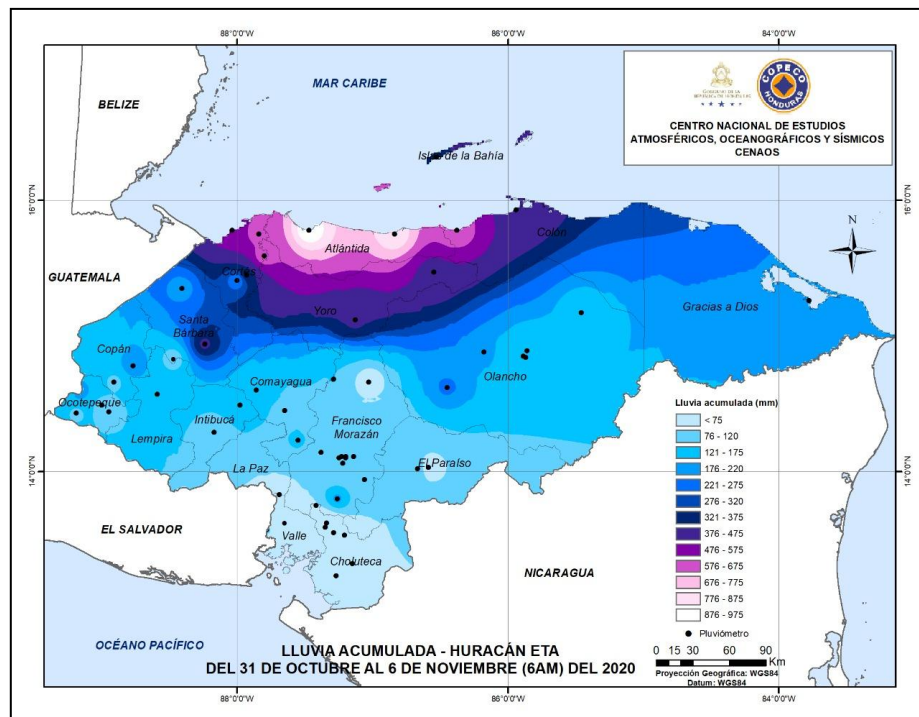
Procurement of goods and services:

Goods 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) (paragraph 5.30).

I. DESCRIPTION OF THE EVENT

- 1.1 **Timeline and evolution of Hurricane/Tropical Storm/Tropical Depression Eta and the declaration of emergency in Honduras.** Tropical Storm Eta formed over the Caribbean Sea on Saturday, 31 October 2020, and developed into a hurricane in the days that followed, reaching Category 3 status on 2 November with sustained winds of up to 195 kilometers per hour (km/h). By noon on 2 November, the eye of the system was 135 km east of Cabo Gracias a Dios, moving westward at 15 km/h toward the border between Nicaragua and Honduras. On 4 November, Hurricane Eta weakened to a tropical storm, while maintaining sustained winds of 95 km/h. Its center was 140 km west of Puerto Cabezas, Nicaragua, and continued advancing toward central Honduras at 13 km/h, as it dropped to tropical depression status.
- 1.2 The transit of the tropical storm and depression through Honduras created exceptional precipitation, particularly on the country's north coast, where rainfall exceeded 800 millimeters in the first 6 days of November (COPECO, 2020), surpassing the whole-month averages of around 500 millimeters ([UNAH, 2012](#)).

**Figure 1. Cumulative precipitation from Hurricane and Tropical Storm Eta
31 October to 6 November**



COPECO 2020.

- 1.3 These exceptionally heavy rains caused some of the country's main rivers to overflow their banks, including the Chamelecón and Ulúa rivers in the Sula Valley, which is the country's main development hub, the Aguán River, which traverses the agricultural valley of the same name, and the Leán River.

II. COUNTRY ELIGIBILITY CONDITIONS TO ACCESS THE IMMEDIATE RESPONSE FACILITY FOR EMERGENCIES CAUSED BY NATURAL AND UNEXPECTED DISASTERS

- 2.1 The Immediate Response Facility for Emergencies Caused by Natural and Unexpected Disasters (IRF) (documents GN-2038-14 and GN-2038-16) is designed to help countries cover immediate expenses incurred in restoring basic services to the population stricken by a disaster. It promptly addresses urgent investment resource needs in the immediate aftermath of a natural disaster. Four conditions must be met for eligibility: (i) a formal request has been received from the government of the affected country; (ii) a state of emergency or natural disaster has been officially declared in the affected country or region, or some other equivalent declaration has been made in accordance with local legislation; (iii) the emergency is within the scope set out in the Disaster Risk Management Policy (Operational Policy OP-704, document GN-2354-5); and (iv) the country already has or is willing to strengthen its domestic capacity for prevention, mitigation, risk reduction, and preparedness to tackle emergencies and has an appropriate organizational structure, given the risk facing the country.
- A. Formal request from the government**
- 2.2 On 10 November 2020, the Ministry of Finance (SEFIN), via letter DGP-FE-1213/2020 ([required link 3](#)), requested the Bank's support to begin the process of structuring an IRF loan operation to cover the extraordinary expenditures required to restore basic service delivery to the population stricken by the disaster caused by Tropical Storm Eta in Honduras.
- B. Declaration of state of emergency**
- 2.3 On 6 November 2020, the Executive Branch declared a nationwide state of emergency, due to the impact of the rains and flooding caused by Hurricane and Tropical Storm Eta, via Executive Decree PCM-112-2020 ([optional link 5](#)).
- C. Emergency under the operational policy**
- 2.4 The nature of the situation caused by the weather-related phenomenon, as well as the immediate actions taken by the government, are consistent with the definition of an emergency in the Bank's Disaster Risk Management Policy (Operational Policy OP-704).
- D. Country capacity for prevention, risk mitigation, and preparedness to tackle emergencies and institutional framework**
- 2.5 According to the climate risk index for the period 1998-2017 ([Eckstein et al., 2019](#)), Honduras ranks second among the countries most affected by extreme weather events in the world. Between 1998 and 2019, the country was hit by 46 large-scale disasters¹ affecting 5.3 million people, with weather-related disasters representing the majority (95% of the total) and affecting the greatest number of people (99%) (EM-DAT, 2020).² Empirical evidence indicates that these natural disasters,

¹ Disasters are large-scale if they meet at least one of the following criteria: (i) 10 or more fatalities; (ii) 100 or more people affected; (iii) an emergency has been declared; and (iv) the national authorities have made a request for international assistance.

² EM-DAT: The Emergency Events Database, Université catholique de Louvain (UCL), CRED, D. Guha-Sapir, www.emdat.be, Brussels, Belgium.

including those linked to climate change, increase inequity by disproportionately affecting those with fewer resources, thus undermining efforts to reduce poverty (Hallegate et al., 2016).³

- 2.6 One of the disasters that hit Honduras hardest in this period was Hurricane Mitch in 1998, which affected 2.1 million people, caused 14,600 deaths, occasioned losses of US\$3.7936 billion,⁴ equivalent to 81% of the country's GDP that year (ECLAC, 1999),⁵ and had major implications for the country's development model (Suárez and Sánchez, 2012).⁶
- 2.7 In recent decades, Honduras has made great strides in the legal and institutional framework for disaster risk management (DRM). In the wake of Hurricane Mitch, the country embarked on a policy reform process, moving from a disaster response model toward a new model based on proactive disaster risk management. A highlight of this process was passage of the law on the National Risk Management System (SINAGER), led by the Permanent Commission on Contingencies (COPECO) (Decree 151-2009, 26 December 2009).
- 2.8 Alongside the reform process, the Government of Honduras has taken a series of DRM actions with support from the international community. One of the main initiatives was the Natural Disaster Mitigation Project, launched in 2000 with US\$19.8 million in World Bank financing, which contributed to the creation of a national hydrological forecasting system, the development of educational guides and risk maps in 61 municipios regarded as high-risk, and the preparation of some 100 designs for risk reduction works. Later, between 2010 and 2018, the Disaster Risk Prevention and Mitigation Project (MITIGAR) (HO-L1031, loan 2152/BL-HO) was executed with IDB financing, to overcome the challenges still pending, among them: (i) lock in the gains made with the Natural Disaster Mitigation Project in prevention and mitigation at the municipal and community levels, expanding coverage to municipios identified as high- and medium-risk; (ii) conduct risk assessments for the design of risk transfer programs and the appropriate management of residual risk; and (iii) strengthen COPECO's institutional capacity for comprehensive risk management. The Contingent Loan for Natural Disaster Emergencies (HO-X1016) was approved in 2011, to help absorb the impact of a severe natural disaster on the public finances. The loan's coverage extended to earthquakes, hurricanes, and heavy rainfall and remained in effect until December 2017.
- 2.9 **Legal framework.** The Permanent Commission on Contingencies (COPECO) was created in 1990 under Decree 990-E to deal with emergencies (see Article 5 of Decree 990-E). The law on the National Risk Management System (SINAGER), enacted in 2009 (Decree 151-2009), and its implementing regulations issued in 2010 (Executive Order 032-2010), expanded COPECO's role, adding to the responsibilities of coordinating disaster management those of serving as executive

³ For example, Ahmed et al. (2009) report that an extreme weather event with a return period of 30 years especially hurts urban day laborers, who saw their poverty rise between 31% and 111%.

⁴ Ibid.

⁵ Mexico, ECLAC (1999). Centroamérica: evaluación de los daños ocasionados por el Huracán Mitch, 1998. Sus implicaciones para el desarrollo económico y social y el medio ambiente. LC/MEX/L. 375), 18 May 1999.

⁶ Suárez, G., and W.J. Sánchez (2012). Desastres, riesgo, y desarrollo en Honduras: Delineando los vínculos entre el desarrollo humano y la construcción de riesgo en Honduras.

secretary of the SINAGER board and coordinating the incorporation of risk identification and reduction into each of the different sectors and development policies. The SINAGER “is the systemic, participatory, and harmoniously coordinated conjunction of all government institutions, private companies, and civil society organizations in the country” (see Article 3 of Decree 151-2009) with the objective of prevention and reduction of the risks of potential disasters, as well as preparedness and response to disasters of natural and man-made origin (see Article 1 of Decree 151-2009).

- 2.10 **Recent gains in disaster risk management.** Large gains were made in DRM under this institutional and legal framework and as a result of execution of the MITIGAR project, as reflected in an improvement in the risk management index at the municipal level (RMI_m), which by project-end had risen from 11.6 in 2014 to 29.08 in 2016 in the target areas, whereas the risk management index (RMI) at the national level reached 40.33 in 2016, up from 30.24 in 2010.⁷ Although there has been progress, these RMI values still indicate an unsatisfactory level of DRM performance at the municipal and national levels.⁸ The rise in the RMI value at the national level reflects performance improvements in the risk identification and risk reduction subcomponents, as well as in disaster management ([IDB, 2020](#)).⁹
- 2.11 One of the main changes between 2010 and 2016 was in the risk reduction component (RMI_{RR}), where the MITIGAR project contributed to improvements in most indicators, including risk consideration in land use and urban planning, hydrological basin intervention and environmental protection, implementation of hazard-event control and protection techniques, updating and enforcement of safety standards and construction codes, and reinforcement and retrofitting of public and private assets to address vulnerability. The shift in COPECO’s role with the implementation of that program from an emergency response institution to an institution with a role in building risk reduction works is regarded as having directly contributed to the improvement of these indicators ([IDB, 2020](#)).
- 2.12 However, according to the final evaluation of the MITIGAR project ([IDB, 2020](#)), no improvements were made in the governance and financial protection component during the review period, as the value in 2016 was unchanged from 2010. The lack of progress on the implementation of postdisaster recovery strategies and tools in the affected sectors was evident during the recent disasters of late 2020.
- 2.13 The Bank has been supporting the country in DRM through loan HO-L1031, 2152/BL-HO and technical cooperation operation RG-T1518, ATN/OC-11336-RG, “Mesoamerican Territorial Information System (SMIT),” which sought to support the country in creating and managing disaster risk information.
- 2.14 The empirical evidence on the effectiveness of infrastructure rehabilitation projects is modest but suggests that this type of intervention is effective at increasing the levels of well-being of the population. Lokshin and Yemtsov (2005)¹⁰ propose an

⁷ Both indexes range from 0 (minimum) to 100 (maximum).

⁸ An RMI value below 50 is considered unsatisfactory, between 50 and 75 is considered satisfactory, and above 75 is considered outstanding.

⁹ Disaster Risk Prevention and Mitigation Project, project completion report (PCR), IDB, Honduras, 31 January 2020.

¹⁰ Lokshin, M., and R. Yemtsov (2005). Has rural infrastructure rehabilitation in Georgia helped the poor? *The World Bank Economic Review*, 19(2), 311-333.

empirical differences-in-differences matching strategy to estimate the impact of road infrastructure and drinking water rehabilitation projects and found statistically significant rises in indicators associated with the economic performance of the targeted areas (commercial activity, vehicle flow) in road infrastructure projects. The authors also found statistically significant differences between the treatment and control groups, both in the coverage of piped drinking water and in the incidence of water-borne diseases, attributable to the implementation of drinking water rehabilitation projects. Likewise, evidence of the effectiveness of road and drinking water infrastructure implementation, rehabilitation, and expansion projects has been seen in many different development outcomes. Using propensity score matching, Jalan and Ravallion (2003)¹¹ found that investments in clean drinking water reduce the prevalence and duration of gastrointestinal diseases for children in rural India. Lee, Ronsenzweig, and Pitt (1997)¹² concluded that an improvement in the quality of drinking water lowers the infant mortality rate. Van de Walle and Cratty (2002)¹³ use differences-in-differences matching to assess the impact of road infrastructure rehabilitation projects and found increases in the availability of freight services and decreases in travel time to hospitals.

- 2.15 The applicability of this type of intervention in the Honduran context has been established through previous Bank operations in these sectors. The October 2011 operation providing emergency support in response to the rains in Honduras, by redirecting resources from loans 1623/SF-HO “National Sustainable Tourism Program” and 1907/BL-HO “Multiphase Program for Road Rehabilitation of Sections of the PPP Tourism Corridor – Phase I,” approved on 22 August 2012, rehabilitated 27 water and sanitation systems, 214 sections of highway, 86 schools, and 10 health posts, restoring access to water, sanitation, intercity transit, health, and education services for 885,282 people, thus illustrating the cost-effectiveness of the works. One lesson learned from that operation, which has been incorporated into the design of this program, is to prepare an Operations Manual that sets forth the conditions and required documentation for submitting requests for reimbursement of expenditures, to facilitate preparation of the documentation by the executing agency and review by the concurrent audit. (paragraph 5.30).
- 2.16 In terms of empirical evidence from similar programs financed by the Bank under the IRF, loans 2594/OC-AR, 3688/OC-AR, and 3751/OC-EC proved the effectiveness of this type of intervention, identifying the close coordination among the national government, the provincial government, and the Bank as a key element for ensuring effectiveness. With respect to loan 2594/OC-AR, the eruption of the Puyehue Volcano in 2011 caused major economic losses, particularly in the tourism sector, since the ashfall hampered tourist attractions, airports, and other sites, interrupting the winter tourism season in the central area of the Lakes Corridor (San Carlos de Bariloche and Villa La Angostura). Through the program, the areas affected by ash recovered satisfactorily, helping to normalize tourist

¹¹ Jalan, J., and M. Ravallion (2003). Does piped water reduce diarrhea for children in rural India? *Journal of Econometrics*, 112(1), 153-173.

¹² Lee, L. F., M.R. Rosenzweig, and M.M. Pitt (1997). The effects of improved nutrition, sanitation, and water quality on child health in high-mortality populations. *Journal of Econometrics*, 77(1), 209-235.

¹³ Van de Walle, D., and D. Cratty (2002). Impact evaluation of a rural road rehabilitation project. Washington, D.C.: World Bank. Manuscript.

activity. For example, the Villa La Angostura community in Neuquén province, which was the main area impacted, reported a 65% drop in overnight stays. However, visitor levels in the 2012 winter season (July-August) and 2013 summer season (January-February) returned to their pre-eruption levels. Loan 3751/OC-EC, together with contingent loan EC-X1014, contributed to economic recovery in the provinces affected by the earthquake along the coast of the Republic of Ecuador, by rehabilitating highways, water and sanitation systems, schools, and more.

III. GOVERNMENT OF HONDURAS' INITIAL ASSESSMENT OF DAMAGE AND REHABILITATION AND RECONSTRUCTION COSTS

- 3.1 On 12 November 2020, the damage report from Eta found that 2,949,448 individuals had been affected (31.5% of the country), with 119,011 evacuated, 43,519 in shelters, and 62 deaths (Secretariat of General Government Coordination - SCGG, 2020).¹⁴ In all, 20,860 dwellings were affected, with 742 damaged and 23 destroyed. Most of the homes impacted were affected by flooding, which covered the communities with debris. In addition to the flooding and the debris therefrom, the excess precipitation had a major impact on agricultural production and caused landslides and flows that impacted both infrastructure and the population, with damage to 163 sections of road and 43 bridges affected and 23 destroyed (SCGG, 2020). A compilation of data on rehabilitation needs performed with the main institutions responsible for basic services in Honduras (INSEP and SEDECOAS) made it possible to identify US\$93 million in preliminary needs, 84% of which is for road infrastructure and debris removal, and 16% for water and sanitation infrastructure.

A. Road infrastructure

- 3.2 A direct consequence of the landslides and flooding caused by Hurricane Eta was damage to the infrastructure on 163 sections of primary and secondary roads in 16 departments in the country, including at least 43 bridges damaged and 23 destroyed (SCGG, 2020). The damage corresponded to base and slope failures on affected roads, landslides or structural failures on the supports or ramps to highway bridges, flooding of low-lying areas, partial or total blockage of roads from landslides due to the heavy rains that led to saturation, slippage of slopes, and flooding due to the insufficient hydraulic capacity of bridges and sewers. This damage affected around 11,644 families in 69 communities that were cut off (SCGG, 2020).

B. Debris removal

- 3.3 Most of the affected homes are located in the Department of Cortés (home to 93% of the total dwellings flooded nationwide, according to one conservative estimate) (Hernández, 2020),¹⁵ affecting in particular cities in the Sula Valley, including San Pedro Sula, Choloma, La Lima, and Progreso. The fact that water remained standing in many of the flooded areas for more than 10 days resulted in debris

¹⁴ Secretaría de Coordinación General del Gobierno de Honduras [Secretariat of General Government Coordination of Honduras] - SCGG, 14 November 2020, Datos de Emergencia Eta (PowerPoint).

¹⁵ Hernández, A., 2020. Estimación de daños en zonas urbanas por los pasos de las tormentas: Eta-Iota por Honduras. Reporte sobre Métodos y Resultados. Unpublished.

being scattered by the flood, which impacted streets and storm drains, and resulted in unhealthy conditions for the affected population.

C. Drinking water infrastructure

- 3.4 The passage of tropical storm Eta affected access to drinking water for approximately 1,165,608 individuals. A total of 201 water supply systems suffered some type of damage, putting them out of service. The damage affected the various components of water systems, the most common being: electromechanical equipment knocked out of service, river crossings destroyed, segments of pipe lost to landslides, and slipped embankments, among others.¹⁶ Water service outages have direct impacts on health (aggravated by the COVID-19 pandemic) and hinder clean-up of flooded homes.

IV. GOVERNMENT RESPONSE TO THE EMERGENCY

- 4.1 Government action is based on the law on the National Risk Management System (SINAGER), Decree 151-2009, and its implementing regulations (Executive Order 032-2010), adding to the responsibilities of coordinating disaster management those of serving as executive secretary of the SINAGER board and coordinating the incorporation of risk identification and reduction into each of the different sectors and development policies.
- 4.2 COPECO is attached to the Secretariat of Risk and National Contingency Management (SGRCN) (Decree [PCM-057-2019](#)) which is responsible for addressing national, regional, or local risks and contingencies caused by changing natural phenomena in the country that are classified as emergencies, disasters, or calamities.
- 4.3 From a financial resources standpoint, the initial response used the institutions' own resources. SEFIN approved a US\$40 million emergency response budget¹⁷ to meet humanitarian aid and rehabilitation needs. The main rehabilitation work has focused on road infrastructure and debris removal in urban areas. This work is primarily being done by INSEP, SEDECOAS, and COPECO, pursuant to Executive Decree PCM-112-2020 ([optional link 5](#)) authorizing these government entities to enter into the necessary contracts to rehabilitate the damaged infrastructure.

V. BANK INVOLVEMENT

A. The Bank's response

- 5.1 On 16 November 2020, the Bank approved emergency technical-cooperation operation ATN/OC-18343-HO for US\$200,000 to support the delivery of humanitarian aid in Honduras due to the impact of Eta. The Bank also provided specialists and consultants to support the Damage and Loss Assessment (DALA) spearheaded by the United Nations' Economic Commission for Latin America and the Caribbean (ECLAC), particularly for the resilient reconstruction chapter. Coordination has been established among the various sector specialists to identify

¹⁶ Oficina Presidencial de Seguimiento de Proyectos [Presidential Office of Project Monitoring] (OPSP) / SEDECOAS Proyectos de Agua identificados. January 2021.

¹⁷ Ministry of Finance data, as of 30 December 2020.

potential synergies among the rehabilitation programs in the short term, such as the present program and those in preparation, that would repair systems affected by Eta in communities with fewer than 30,000 inhabitants, while the present operation will focus on major urban areas.

- 5.2 In addition, US\$8 million was redirected from the program, “Support for the Comprehensive Social Protection System” (loan 5008/BL-HO), to finance a cash transfer to households living in extreme poverty that were affected by the hurricanes. The transfer was designed with the government (with support from the IDB, World Bank, and the United Nations Development Programme). It benefited an estimated 34,000 rural households in the affected areas. Redirecting these resources freed up US\$3.7 million from the Poverty Reduction Fund to finance other activities to help households.
- 5.3 Recognizing Honduras’ postdisaster recovery planning deficiencies (paragraph 2.13), technical cooperation resources are being provided (including operations ATN/AG-17384-HO and ATN/OC-15969-RG) to support the Government of Honduras in preparing an Economic Recovery and Reconstruction Plan for the medium term, with a team of consultants to identify and prioritize projects.
- 5.4 In response to the 10 November 2020 request from the Ministry of Finance (note DGCP-FE-1213/2020) for a loan aimed at rehabilitating basic services affected by tropical storm Eta, a special virtual mission was organized to support the government in analyzing and assessing the damage and identifying needs in terms of repairing the material damage, to restore basic services for the population. As a result of the special mission, it was agreed to prepare a loan operation for that purpose.

B. The emergency program

1. Objective

- 5.5 The general objective of the program is to support the transition of the population affected by Tropical Storm Eta towards the resumption of its regular economic and social activities, to reestablish the level of access to basic public services, and to remove debris.
- 5.6 The specific objective is to restore a portion of the road infrastructure as well as the damage sustained by basic water supply services, and to remove and dispose of debris caused by Tropical Storm Eta. The following activities will be financed:
 - a. **Component 1. Road infrastructure (US\$9.1 million)**
- 5.7 To resolve the interruption to circulation on different roads in the national system that were affected by the heavy rains and overflowing rivers and streams, rehabilitation works will be financed for roads, box culverts, and bridges. This will include: removal of debris and landslides, construction of embankments, terracing and/or geotechnical slope protection, recomposition of the base, paving, signage, as well as rehabilitation of bridges, their supports or approach structures, sewers, and hydraulic protection and drainage works based on the specific needs of each intervention, to restore road connectivity in affected areas (see [optional link 2](#)). The plan is to rehabilitate 164 sections of primary, secondary, and rural roads and 13 bridges and box culverts, with some 2.2 million beneficiaries.

- 5.8 The eligible expenditures in this component will be goods, services, and works needed for the temporary improvement, stabilization, and immediate repair of physical structures damaged by the disaster, including studies, technical designs, and the engagement of firms and individual consultants to supervise the work. Loan proceeds cannot be used for reconstruction investments.

b. Component 2. Debris removal in urban areas (US\$5.5 million)

- 5.9 In the main urban areas impacted by the floods, which include the municipios of Choloma, El Negrito, La Lima, Omoa, San Pedro Sula, Progreso, and Villanueva, the debris deposited in the streets from these events will be removed, benefiting 89,608 people in 80 communities. Financing will be provided for the rental of equipment need to haul away and dispose of the debris, for the procurement of filler material to level streets, and for engaging supervisory firms that will certify the compliance with and the technical quality of these activities (see [optional link 4](#)). The debris will be disposed of in authorized landfills, in accordance with national environmental regulations.

c. Component 3. Restoring drinking water service (US\$700,000)

- 5.10 The activities will focus on quickly restoring drinking water service. The activities include the studies and designs of the rehabilitation works; cleaning of dams and pits; repair of pumping equipment, conveyance and distribution lines, sanitation systems, and the engagement of firms and individual consultants to supervise the works (see [optional link 3](#)). This is projected to cover the immediate needs for putting 2 drinking water systems into service, with approximately 23,538 beneficiaries. The proceeds of the loan cannot be used for reconstruction investments.

d. Support for program management (US\$170,000)

- 5.11 The loan proceeds will finance support for program management, including: (i) hiring a firm to perform a reasonable assurance audit; (ii) costs associated with displacements; and (iii) the cost of the program evaluation.

2. Economic evaluation, results framework, and key indicators

- 5.12 A [simplified economic evaluation](#) was performed using the cost-effectiveness methodology for the main outlays made and investments planned that are concentrated on road and water supply infrastructure. The estimated costs for restoring the identified works and making basic services operable again are lower than the potential costs for full reconstruction of that infrastructure. Restoring the initial conditions of the infrastructure makes it possible to get these essential basic services functioning again and facilitates the resumption of economic activities associated with these population centers and affected areas in important areas of the country, minimizing the negative impacts of the phenomenon.
- 5.13 The main indicators in the Results Framework (see Annex II) are: (i) rehabilitation of 164 sections of primary, secondary, and rural roads, and of 13 bridges and box culverts, benefiting approximately 2.2 million individuals; and (ii) removal and disposal of debris in the streets of 80 communities, benefiting 89,608 individuals;

and (iii) 2 water supply systems are repaired and drinking water service is restored for 23,538 individuals.¹⁸

- 5.14 **Cost and financing.** The following table presents the total cost of the program and its financing:

Table 1. Cost and financing (US\$ thousands)

Components and investment categories	Bank	Total	%
1.1 Road infrastructure	9,061	9,061	5.6
1.2 Debris removal in urban areas	5,542	5,542	35.8
1.3 Drinking water infrastructure	701	701	4.5
2.1 Reasonable assurance audit	90	90	0.6
2.2 Final evaluation	30	30	0.2
2.3 Coordination and supervision	47	47	0.3
TOTAL	15,471	15,471	100

3. Main risks

- 5.15 Considering that most of the loan proceeds will be disbursed using reimbursement of expenses incurred, a primary fiduciary risk has been identified as the fact that prioritized works and interventions may not be eligible for financing by the program due to a lack of sufficient supporting documentation. This has been classified as a medium-level risk.
- 5.16 This risk will be mitigated by the following measures: (i) the executing agency's technical and fiduciary team has experience in Bank operations; (ii) the contracting of a reasonable assurance audit, with an audit firm acceptable to the Bank; (iii) meetings between the executing agency—SEDECOAS/FHIS—and INSEP, and COPECO, to review the methodology for collecting and preparing the documentation to be reviewed by the auditors hired; and (iv) administrative and financial supervision by SEDECOAS/FHIS.
- 5.17 An additional risk identified is that there could be a new disaster that could delay implementation of the rehabilitation work. This has been classified as a medium-level risk.
- 5.18 This risk will be mitigated by the following measures: (i) adequate planning will be done so that the work on riverbeds is done in the summer; and (ii) the Operations Manual will include recommendations to manage disaster risk during the construction phase for the rehabilitation works.

4. Execution mechanism

- 5.19 The executing agency will be the Secretariat of Community Development, Water, and Sanitation/Honduran Social Investment Fund (SEDECOAS/FHIS). Execution will be the responsibility of the FHIS Projects Office.

¹⁸ The beneficiaries were estimated based on data provided by SEDECOAS and INSEP for each of the road and water projects included in the procurement plan and project abstracts, and were reviewed by a consultant hired for that purpose. The total number of projected beneficiaries surpasses the number of affected individuals estimated by the SCGG, which reflects the SCGG underestimating the individuals affected by road interruptions and the impact on water systems.

- 5.20 SEDECOAS was created in September 2019. Attached to it is the Community Development, Water, and Sanitation Institute (IDECOAS), to which the FHIS¹⁹ is also attached. As part of the preparation of the Potable Water and Sanitation Program in Honduras (HO-L1213), an analysis was done of the FHIS Projects Office's institutional capacity, recommending that it be strengthened with technical staff for the preparation of terms of reference, evaluation of proposals, and monitoring of contracts, which has been considered in the components of this operation with the hiring of engineers (paragraph 5.34).
- 5.21 As part of the expenses to be financed retroactively (paragraph 5.34), in addition to the rehabilitation works on road infrastructure and water systems by SEDECOAS ([optional link 2](#), [optional link 3](#)), part of the road infrastructure works by INSEP have also been considered (paragraph 4.3) ([optional link 2](#)), as well as debris removal by COPECO ([optional link 4](#)). The eligibility compliance review for these expenses and the disbursement requests related to the reimbursement thereof will be the responsibility of SEDECOAS/FHIS.
- 5.22 The specific responsibilities of SEDECOAS/FHIS will be as follows: (i) contracting for the reasonable assurance audit in accordance with the procedures determined by the Bank; (ii) conducting the procurement processes for goods and services; (iii) ensuring adequate supervision of works and procurement of goods and services contracted for the program; (iv) checking the information to be provided by INSEP and COPECO for all procurement operations to be financed that are completed prior to the program's approval, and compliance with the eligibility conditions for such goods, works, and services before submitting the requests to the Bank for reimbursement of expenses; (v) preparing an annual work plan and periodic monitoring reports; (vi) preparing and keeping updated the procurement plan, the financial plan, and processing all disbursements with the Bank, including those for the reimbursement of eligible expenses incurred prior to the program approval date; (vii) preparing and presenting the justification of expenses corresponding to advances of funds, coordinating with the audit firm on the preparation of payment vouchers; (viii) ensuring the proper accounting-financial management of the operation; (ix) supervising that the delivery of the program-financed works is undertaken with the entity responsible for their operation; (x) complying with the relevant socioenvironmental standards, as applicable; and (xi) ensuring compliance with all contractual clauses.
- 5.23 To ensure efficient disbursements and transparent execution of the loan proceeds, a reasonable assurance audit will be performed, which will be commissioned by SEDECOAS/FHIS as soon as possible, no later than prior to the first disbursement of the loan proceeds in order to ensure that the expenses incurred and submitted for reimbursement are eligible in accordance with program requirements.
- 5.24 With respect to the expenses incurred prior to program approval, upon review and confirmation of eligibility of the expenses by the reasonable assurance audit, SEDECOAS/FHIS will be responsible for submitting the reimbursement requests to the Bank.

¹⁹ SEDECOAS was created by Executive Decree PCM-056-2019, published in the Official Gazette on 12 September 2019, and is attached to IDECOAS, created under Executive Decree PCM-013-2014, published in the Official Gazette on 30 May 2014, incorporating units including the Honduran Social Investment Fund (FHIS), created under Legislative Decree 12-90 as subsequently amended.

- 5.25 In the case of the water systems, once rehabilitated, their operation and maintenance will be the responsibility of the municipal governments and water boards as established in the law governing the water and sanitation sector (Decree 118-2003).

5. Resource allocation

- 5.26 SEDECOAS/FHIS will submit the procurement plan, project abstracts, and the financial plan to the Bank for approval. These plans and abstracts will contain the complete list for procurement of goods, nonconsulting services, consulting services, and works, indicating the estimated amount, procurement method, contracting and execution periods and contracts completed prior to program approval, awarded amounts, and the name of the suppliers. In the event of delays in any of the contracts or if the justification of prior expenses is not acceptable, the procurement plan may be adjusted, with the Bank's prior agreement, incorporating eligible works and procurement of materials and equipment as considered in the initial procurement plan.

6. Disbursement of funds and financial management

- 5.27 The period for disbursement of resources will be 12 months as of the effective date of the loan contract, and the period for committing resources will be nine months as of the date the national emergency was declared.²⁰ Any resources not committed or disbursed within these periods will be canceled.
- 5.28 Disbursements will be made to the designated National Treasury account. The mechanism for reimbursement of expenses incurred will be used for road works, debris removal, and drinking water systems. Supporting documentation for justification of expenses submitted to the Bank will be previously reviewed by the auditors (paragraph 5.23). SEDECOAS/FHIS will be responsible for accounting-financial management.

7. Financing of eligible expenses incurred prior to the program approval date

- 5.29 **Retroactive financing.** In accordance with the IRF (document GN-2038-16), the principal objective of the facility is to provide financial resources to the country affected by the disaster to cover the immediate costs of restoring basic services to the population. An estimated amount of up to US\$15.47 million (100% of the proposed amount of the loan²¹) may be used against the Bank loan proceeds to cover eligible expenditures that are incurred between the date of the disaster²² and the approval date of this operation and that satisfy the requirements set forth in the corresponding loan contract. Please refer to [optional link 2](#), [optional link 3](#), and [optional link 4](#) for details on the investments prioritized during a review of the documentation and field visits for the immediate resumption of basic service delivery to the disaster-affected population.

²⁰ Tropical Storm Eta formed on 31 October 2020, developed into a hurricane, and weakened to a tropical storm and tropical depression over Honduras from 1 November to 6 November, the date when the government issued a national state of emergency.

²¹ This figure was estimated on the basis of preliminary information presented during the special mission and may be modified when reimbursement requests are made, based on supporting information audited by a Bank-eligible firm.

²² See footnote 21.

8. Procurement and direct contracting

- 5.30 Project procurement will be undertaken pursuant to the Policies for the Procurement of Works and Goods Financed by the Bank (document GN-2349-15) and the Policies for the Selection and Contracting of Consultants Financed by the Bank (document GN-2350-15). For contracts completed prior to the approval date of this operation, compliance of the procedures, including advertising, with the basic procurement principles defined in the Bank's policies will be verified. Details are found in Annex III.
- 5.31 The procurement plan contains the estimated amounts of contracts and expenses, for which retroactive financing is anticipated, given the expenditures incurred by the government due to the emergency.

9. Inspection, oversight, and the reasonable assurance audit

- 5.32 The inspection and oversight of the operation by the Bank will be done by the Project Team Leader and the Fiduciary Specialists (financial and procurement) from the Country Office in Honduras. The Bank will determine the inspection procedures it deems necessary to verify the satisfactory implementation of the program, including:
- a. To ensure efficient disbursements and transparent execution of the eligible expenses, a reasonable assurance audit will be conducted, which is an external, independent audit, either ex post or concurrent, which formally complies with point K.23 of Appendix I of the Proposed Amendment to the Emergency Reconstruction Facility for Natural and Unexpected Disaster Support (document GN-2038-14) and the provisions of requirements 7 and 8 of Annex I, Application of Financial Management Principles and Requirements of the Financial Management Guidelines for IDB-financed Projects (document GN-2811).
 - b. Each assurance report will contain, at a minimum, a conclusion on the compliance with all important aspects related to the preparation and submission of expenditure justifications. The audit firm will conduct a prior review of the justifications of funds that will be submitted to the Bank, which will include an evaluation of the eligibility of expenses, compliance with the procurement procedures established for the program, and the existence of support for the payments.

10. Monitoring and evaluation

- 5.33 The Bank and SEDECOAS/FHIS will meet periodically to analyze the program's execution status and review considerations including the improvements made in areas impacted by floods and the program's execution timeline. SEDECOAS/FHIS will submit to the Bank a report on the interventions to be financed under the program. SEDECOAS/FHIS will monitor the program's results matrix indicators and will submit the following reports to the Bank: (i) initial report, within 30 days following fulfillment of the conditions precedent to the first disbursement; (ii) progress report on the contracting/execution of works and procurement of goods and services, one month prior to the end of the resource commitment period; and (iii) a final evaluation report on execution of the activities under the program, within 60 days following the end of the disbursement period, analyzing fulfillment of the results matrix indicators and attaching a summary of the audit.

11. Environmental and social considerations

- 5.34 Given the nature of this program, no prior environmental impact assessments will be conducted. Nonetheless, any activities undertaken will comply with national rules and specifications on the prevention and mitigation of environmental and social impacts. The landfills into which the debris will be deposited have been authorized by the country's environmental legislation.

12. Poverty- and social sector-targeting classification

- 5.35 There is no accurate information available on the poverty level of individuals affected by this disaster, particularly on the beneficiaries of the two subcomponents on which this operation is focused. Nonetheless, it is widely documented that natural disasters have a greater impact on populations living in poverty due to their greater vulnerability, as well as limited resources and support to prevent, address, and adapt to disasters (Hallegate et al., 2016).

C. Start of the program

- 5.36 In order to ensure that eligible expenses are verified in an efficient and timely manner and to be able to update the expenses of the interventions that will be reimbursed, **the following will be special conditions precedent to the first disbursement of the loan: (i) the contracting of the firm for the reasonable assurance audit; and (ii) submission of the program Operations Manual.** At a minimum, the Operations Manual will contain a breakdown of financial management, including procedures and documentation for requesting retroactive reimbursement of expenditures and advances.

VI. COORDINATION WITH OTHER ENTITIES

- 6.1 The government is coordinating with a number of organizations, including private enterprise and national volunteer organizations, as well as international cooperation and financing entities. SEFIN has approached financing and production promotion agencies seeking nonreimbursable support and analyzing credit mechanisms. The Ministry of Foreign Affairs mobilized through the diplomatic corps to identify bilateral and multilateral support, while SEFIN and the SCGG maintain coordination with the United Nations agencies, through the Resident Representative. All these activities, in addition to those undertaken using the Bank's financial resources, are organically coordinated through the SCGG and SEFIN. At the same time, there is an Early Recovery Group, led by the United Nations, where short-term actions are being coordinated on issues related to the rehabilitation of infrastructure, means of livelihood, debris cleanup, and housing. Participants in this group include the Honduran Private Enterprise Council, the Association of Municipios of Honduras (AHMON), United Nations agencies, and the Central American Bank for Economic Integration (CABEI).

Development Effectiveness Matrix		
Summary		HO-L1222
I. Corporate and Country Priorities		
Section 1. IDB Group Strategic Priorities and CRF Indicators		
Development Challenges & Cross-cutting Issues		
CRF Level 2 Indicators: IDB Group Contributions to Development Results	-Households with improved access to water and sanitation (#) -Roads built or upgraded (km)	
2. Country Development Objectives		
Country Strategy Results Matrix		
Country Program Results Matrix		
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		2.5 According to the climate risk index, for the period 1998-2017 (Eckstein et al., 2019), Honduras is the second country in the world most affected by climate disasters. In the period 1998-2019, the country was affected by 46 large-scale disasters, which affected 5,300,000 people, the majority of which were climate-related disasters (95% of the total) and those that generated the greatest number of victims (99 %) (EM-DAT, 2020). Empirical evidence indicates that these natural disasters, including those linked to climate change, increase inequity by disproportionately affecting those with the fewest resources, thus undermining efforts to reduce poverty (Hallegatte et al., 2016).
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution		8.8
3.1 Program Diagnosis		2.5
3.2 Proposed Interventions or Solutions		3.5
3.3 Results Matrix Quality		2.8
4. Ex ante Economic Analysis		10.0
4.1 Program has an ERR/NPV, or key outcomes identified for CEA		2.0
4.2 Identified and Quantified Benefits and Costs		3.0
4.3 Reasonable Assumptions		2.0
4.4 Sensitivity Analysis		2.0
4.5 Consistency with results matrix		1.0
5. Monitoring and Evaluation		5.5
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 Low
Environmental & social risk classification		Specify risk classification on risk tab
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Budget, Treasury, Accounting and Reporting, External Control. Procurement: Price Comparison, Contracting Individual Consultant.
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	A civil engineer supported the Project Execution Unit in the definition of the works to be financed

This operation plans to support the population affected by tropical storm ETA through the rehabilitation of infrastructure. The general objective is to support the transition process of the population affected by tropical storm ETA towards the recovery of their regular social and economic activities, by restoring the level of access to the provision of basic public services and the removal of debris. The specific objective is to restore part of the damaged road infrastructure and basic drinking water services, remove and dispose of the debris caused by tropical storm ETA.

The diagnostic that supports the design of the operation is appropriate and the results indicators are SMART. The vertical logic is weakened by the lack of indicators for measuring the general objective and the fact that the specific objective could be more clearly defined.

The economic viability of the operation is evaluated through a cost-effectiveness analysis ex-ante, which compares estimated unit costs of the project with those of similar operations. The same approach is proposed for the ex-post economic evaluation, which is adequate for this type of operation.

RESULTS MATRIX

General objective: The general objective of the program is to support the transition of the population affected by Tropical Storm Eta towards the resumption of its regular economic and social activities, to reestablish the level of access to basic public services, and to remove debris.

Specific objective: The specific objective is to restore a portion of the road infrastructure as well as the damage sustained by basic water supply services, and to remove and dispose of debris caused by Tropical Storm Eta.

Indicators	Baseline (2020)	End of program (2022)	Observations
Outcome 1: Road infrastructure restored in the areas of intervention			
Number of individuals who resume regular use of primary, secondary, and rural roads under similar conditions to those before the impact of Tropical Storm Eta.	0	2,265,000	<p>The Secretariat of General Government Coordination (SCGG) of Honduras will provide an updated estimate in a final implementation assessment report.</p> <p>The number of beneficiaries was estimated based on data provided by the Secretariat of Community Development, Water, and Sanitation (SEDECOAS); and the Secretariat of Infrastructure and Public Services (INSEP) for each of the road projects in the procurement plan and project abstracts.</p>
Outcome 2: Debris removed from urban areas			
Number of individuals in communities where the debris has been removed from the streets, resulting in similar conditions to those before the impact of Tropical Storm Eta.	0	89,609	<p>The Secretariat of Risk Management and National Contingencies (COPECO) will provide an updated estimate together with a final evaluation report on execution.</p> <p>The projection of beneficiaries was based on data furnished by COPECO for each of the debris removal projects included in the procurement plan and preliminary project abstracts.</p>

Indicators	Baseline (2020)	End of program (2022)	Observations
Outcome 3: Water supply service restored in the areas of intervention			
Number of individuals who recover water supply service under similar conditions to those before the impact of Tropical Storm Eta.	0	23,538	The SCGG will provide an updated estimate in a final implementation assessment report. The number of beneficiaries was estimated based on data provided by SEDECOAS for each of the water projects in the procurement plan and project abstracts, and was reviewed by a consultant hired for that purpose.
1. Road infrastructure			
Output 1: Primary, secondary, and rural roads rehabilitated (sections)	0	164	Data provided by SEDECOAS and INSEP
Output 2: Bridges and box culverts rehabilitated (number)	0	13	Data provided by SEDECOAS and INSEP
2. Debris removal			
Output 3: Communities whose flood debris has been removed (number)	0	80	Data provided by COPECO
3. Drinking water infrastructure			
Output 4: Water supply systems repaired (# of systems)	0	2	Data provided by SEDECOAS

Country: Honduras **Division:** RND **Operation number:** HO-L1222 **Year:** 2021

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Executing agency: Secretariat of Community Development, Water, and Sanitation (SEDECOAS)

Operation name: Tropical Storm Eta Emergency Response Program

I. THE EXECUTING AGENCY'S FIDUCIARY CONTEXT

1. Use of country system in the operation¹

<input checked="" type="checkbox"/> Budget	<input checked="" type="checkbox"/> Reports	<input type="checkbox"/> Information system	<input type="checkbox"/> National competitive bidding (NCB)
<input checked="" type="checkbox"/> Treasury	<input type="checkbox"/> Internal audit	<input type="checkbox"/> Shopping	<input checked="" type="checkbox"/> Other
<input checked="" type="checkbox"/> Accounting	<input checked="" type="checkbox"/> External control	<input type="checkbox"/> Individual consultants	<input type="checkbox"/> Other

2. Fiduciary execution mechanism

<input checked="" type="checkbox"/>	Co-executing agencies/sub-executing agencies	The Government of Honduras has determined that the executing agency for the project is SEDECOAS, which is responsible for the administration of Bank funds. The operation contemplates reimbursement of expenditures incurred by the Secretariat of Infrastructure and Public Services (INSEP) and the Secretariat of Risk Management and National Contingencies (COPECO), which executed works immediately after the storm hit.
<input checked="" type="checkbox"/>	Specific features of fiduciary execution	The executing agency will be the Secretariat of Community Development, Water, and Sanitation (SEDECOAS). The Projects Office of the Honduran Social Investment Fund (FHIS), which reports to SEDECOAS, will be responsible for execution.

3. Fiduciary capacity

The executing agency's fiduciary capacity	This project will use the institutional capacity analysis of SEDECOAS conducted in the second half of 2020 for the execution of operation HO-L1213.
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¹ Any system or subsystem that is subsequently approved may be applicable to the operation, in accordance with the terms of its validation by the Bank.

4. Fiduciary risks and risk response

Area (financial management/ procurement)	Risk	Risk level	Risk response
Financial management	Prioritized works and interventions may not be eligible for financing by the program due to a lack of sufficient supporting documentation.	Medium	<p>The executing agency's technical and fiduciary team has experience in Bank operations.</p> <p>The commissioning of a reasonable assurance audit, with an audit firm acceptable to the Bank.</p> <p>Meetings between the executing agency, SEDECOAS, and INSEP, to review the methodology for collecting and preparing the documentation to be reviewed by the hired auditors.</p> <p>Administrative and financial supervision by SEDECOAS.</p>

5. Policies and guidelines applicable to the operation: Procurement: documents GN-2349-15 and GN-2350-15. Financial: document OP-273-12 and supplements thereto.

6. Exceptions to policies and guidelines: None anticipated.

II. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF THE LOAN CONTRACT

As a special condition precedent to the first disbursement, a firm will have been hired to perform the associated audits.
The applicable exchange rate for justification of expenditures made in the local currency of the borrower's country will be option (b)(i) under Article 4.10 of the General Conditions of the loan contract.
Audit type: Concurrent and closeout
[Other issues]

III. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

☒	Bidding documents	<p>For procurement of works, goods, and nonconsulting services conducted in accordance with the procurement policies (document GN-2349-15), subject to international competitive bidding (ICB), the Bank's standard bidding documents or those agreed upon between the executing agency and the Bank for the specific procurement will be used. Consultants will be selected and contracted in accordance with the Policies for the Selection and Contracting of Consultants (document GN-2350-15), and the standard request for proposals issued by the Bank or agreed upon between the executing agency and the Bank will be used for the specific selection. National competitive bidding processes will use the procurement document agreed upon between the Public Procurement Regulatory Office (ONCAE) and the Bank. The project sector specialist will be responsible for reviewing the technical specifications and terms of reference of procurements during the preparation of selection processes. This technical review may be ex ante and is independent of the procurement review method and use of country systems.</p>
☒	Procurement and single-source selection	<p>Due to the operation type, single-source selection may be used, provided that the background documents demonstrate that this is strictly related to addressing damage caused by the storm, and that selection of the contractor and prices meet objective criteria for fair opportunity, cost, and location, based on the context in which the procurement is conducted. After contract signature, the borrower will publish the name of the contractor, price, duration, and summary scope of the contract in UNDB online and on the Bank's website. This information may be published quarterly in the form of a summary table covering the previous period.</p> <p>Shopping may also be used up to the amount for Honduras for NCB, provided that this process, along with the technical eligibility and appropriate procedure stipulated in the Bank's policies, is carried out in a timely manner, and internal processes are implemented based on the modality and with an eye to efficiency.</p>
☒	Advance procurement/retroactive financing	<p>In accordance with the Immediate Response Facility for Emergencies Caused by Natural and Unexpected Disasters (IRF) (document GN-2038-16), the principal objective of the facility is to provide financial resources to the country affected by the disaster to cover the immediate costs of restoring basic services to the population, whereas eligible expenditures will be those made within nine months following 6 November 2020, the date the national emergency was declared.*</p> <p>An estimated amount of up to US\$15.41 million will be used between the date of the emergency declaration and the approval date of this operation. Consequently, these expenditures will be financed retroactively. See optional electronic links 2, 3, and 4 for details on the investments prioritized based on the review of the documentation and field visits, in order to immediately restore basic services to the population impacted by the disaster.</p>

<input checked="" type="checkbox"/>	Procurement supervision	<p>The supervision method will be ex ante, except for competitive contracting of individual consultants, which will be ex post. Nevertheless, the terms of reference to be used will require the Bank's no objection. For procurements executed using the country system, supervision will be through the country's national supervision system.</p> <p>Ex post reviews will be conducted at least every fiscal year, in accordance with the project supervision plan, subject to changes during execution. The ex post review reports will include at least one physical inspection visit, selected from among the procurement processes subject to ex ante review.</p> <table border="1" data-bbox="646 598 1343 722"> <tr> <th>Works</th><th>Goods/services</th><th>Consulting services</th></tr> <tr> <td>Ex ante</td><td>Ex ante</td><td>Consulting firms ex ante Individuals ex post (competitive bidding)</td></tr> </table>	Works	Goods/services	Consulting services	Ex ante	Ex ante	Consulting firms ex ante Individuals ex post (competitive bidding)
Works	Goods/services	Consulting services						
Ex ante	Ex ante	Consulting firms ex ante Individuals ex post (competitive bidding)						
<input checked="" type="checkbox"/>	Records and files	The executing agency will be responsible for maintaining orderly and chronological files of the procurement process to be financed by this operation.						

Main procurement operations

Procurement description	Selection method	New procedures/tools	Estimated date	Estimated amount (US\$)
Works				
Contract for emergency construction projects to improve the following road segments: 1. Planes-Santa Fe-El Portillo-Buena Vista, 17.68 kilometers (km); and 2. Planes-Villanueva-Las Flores-Santa Rita-San Ramón, 7.64 km, in the municipio of Trojes, and Chaparral-Paraisito and Providencia in the municipio of Danlí, department of El Paraíso.	DC		November 2020	623,921.14

Procurement description	Selection method	New procedures/ tools	Estimated date	Estimated amount (US\$)
Contract for emergency construction projects for the following sectors: 1. Chichimora-Cañón-El Porvenir-Laguna de Guambuco, approximately 30 km; 2. Águila-Villa Rica, approximately 24 km; 3. Matazano-El Chaparral-La Unión-Las Quebradas-Cifuentes, approximately 30 km, in the municipio of Danlí, department of El Paraíso.	DC		November 2020	415,947.42
Contract for emergency construction project for the following sectors: 1. N43 Sulaco-Yoro road; 2. El Jaral sector, box culvert; 3. Arriba River bridge sector, all in the municipio of Sulaco; 4. Las Vegas bridge sector and roadway improvement, in the municipio of Victoria; 5. Yorito-Vallecillo sector; 6. Pacayal sector; 7. Santa María sector; 8. Luquigui sector in the municipio of Yorito, all in the department of Yoro.	DC		November 2020	256,431.59
Contract for emergency construction project for the following sectors: 1. damage to cemetery; 2. Toledo Ravine; 3. Cataguana River; 4. Los Chorritos; 5. damage to El Sesteo; 6. community of Mojiman; 7. Nueva Esperanza Ravine; 8. southern sector: Agua Zarca-El Porvenir; 9. eastern zone: Trojas-La Coroz, in the municipio of Morazán, all in the department of Yoro.	DC		November 2020	372,772.08
Contract for emergency construction project for the following sectors: 1. Chancaya-Subirana; 2. Yoro-Jocón, in the municipio of Yoro, department of Yoro.	DC		November 2020	468,060.95

Procurement description	Selection method	New procedures/ tools	Estimated date	Estimated amount (US\$)
Contract for emergency construction project for the following sectors: 1. Santa Rita-El Negrito-Morazán at kilometer 43.3; 2. Negrito-San José, in the municipio of Yoro, department of Yoro.	DC		November 2020	270,365.83
Contract for emergency construction project for the following sectors: 1. Santa Rita-El Progreso road segment; 2. CA-13 Santa Rita-Toyos, Urraco-Batán, in the municipio of El Progreso; 3. Las Lajas-Pata Gallina, in the municipio of Victoria, department of Yoro.	DC		November 2020	349,395.84
Contract for emergency construction project for the following sectors: 1. alternate road section CA-13-Juncal-Olancho; 2. improvement of crossing over the Uchupa River; 3. community of San Patricio at the La Mora tourism center, 4. access to the town of Bajos de Mame; 5. dredging of San José River; 6. San Francisco bridge; 7. Mame on the department border with Olancho, in the municipio of Olancho; 8. provisional crossing over the San Marcos River, municipio of Jocón; 9. the Aguan River at Campo Cayo, in the municipio of Arenal, department of Yoro.	DC		November 2020	551,130.34
Contract for emergency construction project for affected road segments in the following municipios: San Jerónimo, Lejamaní, Humuya, El Rosario, Meambar, La Trinidad, Ojos de Agua, located in the department of Comayagua.	DC		November 2020	236,510.30

Procurement description	Selection method	New procedures/ tools	Estimated date	Estimated amount (US\$)
Contract for emergency construction project for affected road segments in the following municipios: Ajuterique, Comayagua, Esquías, Las Lajas, La Libertad, Siguatepeque, Taulabé, San José de Comayagua, located in the department of Comayagua.	DC		November 2020	194,047.03
Contract for emergency construction project for affected road segments in the following municipios: San Luis, Minas de Oro, San José del Potrero, Villa de San Antonio, San Sebastián, Lamaní, located in the department of Comayagua.	DC		November 2020	114,591.79
Contract for emergency construction project to improve the following road segments: 1. Tutule-Guajiquiro; 2. San Rafael-El Astillero; 3. CA7 La Paz-Marcala; and 4. Zacate Blanco, in the municipios of Tutule, La Paz, and Yarula, department of La Paz.	DC		November 2020	207,660.17
Contract for emergency construction projects to improve the following road segments: 1. San Pedro de Tutule-El Pinar-V509, (detour to the municipio of Opatoro) until El Pinar (detour to the municipio of Guajiquiro); 2. La Paz-Pacheco-Tepanguare; 3. Route 112, Aguanqueterique-San Antonio del Norte bypass, department of La Paz.	DC		November 2020	219,294.75

Procurement description	Selection method	New procedures/ tools	Estimated date	Estimated amount (US\$)
Contract for emergency construction emergency projects to improve the following road segments: 1. Caridad-Lauterique; 2. access road to the community of Arada, municipio of Caridad; 3. La Orilla-El Zapote; 4. hamlet of Guacimada- hamlet of Plateros, municipio of Goascorán, department of Valle.	DC		November 2020	165,939.97
Contract for emergency construction projects to improve the following road segments: 1. Linaca-Linaca Centro-Jicaral; 2. San Jerónimo-San Francisco-San Rafael-San Agustín-La Danta; 3. El Triunfo-Santa Teresa-Las Bateas; 4. El Corpus-Concepción de María, department of Choluteca.	DC		November 2020	212,133.19
Contract for emergency construction projects to improve the following road segments: 1. Teupasenti-El Rodeo-Ocotol; 2. Paraíso-Selvas-La Lodosa; 3. Trojes-La Unión-Tapalchi, department of El Paraíso.	DC		November 2020	183,016.87
Contract for emergency construction projects to improve the Bella Vista-San Gerónimo-Pescaderos-San Antonio-Brisas del Río-San Francisco sector, department of Yoro.	DC		November 2020	278,684.77
Contract for emergency construction project for the following sectors: Capire-Boca de Español-Arenales-Río Coco, in the municipio of Trojes, department of El Paraíso.	DC		November 2020	145,581.60
Rehabilitation of the Río Palaja bridge (Puente Bailey), Arada-Santa Bárbara.	DC		February 2021	183,400.64
Rehabilitation of the water supply system in the town center of Santa Bárbara, Santa Bárbara.	DC		February 2021	248,502.71

Procurement description	Selection method	New procedures/ tools	Estimated date	Estimated amount (US\$)
Rehabilitation of the road in El Gransal-Leapaera, Lempira.	DC		February 2021	110,517.23
Rehabilitation of the road in San Antonio de Majada-Petoa, Santa Bárbara.	DC		December 2020	104,817.26
Construction of a box culvert in Planes de Pacaya-San Miguelito, Intibucá	DC		December 2020	114,936.89
Rehabilitation of road segments and construction of mitigation works in El Encanto-Gualala, Santa Bárbara	Shopping		June 2021	4,242.67
Cleaning services for areas most affected following the Tropical Storm Eta emergency declaration (COPECO Contract 012-2021)	DC		January 2021	249,568.45
Cleaning services for areas most affected following the Tropical Storm Eta emergency declaration (COPECO Contract 019-2021)	DC		January 2021	249,568.45
Cleaning services for areas most affected following the Tropical Storm Eta emergency declaration (COPECO Contract 029-2021)	DC		February 2021	116,985.21
Cleaning services for areas most affected following the Tropical Storm Eta emergency declaration (COPECO Contract 034-Eta/COPECO-2020)	DC		December 2020	207,973.71
Cleaning services for areas most affected following the Tropical Storm Eta emergency declaration (COPECO Contract 035-Eta/COPECO-2020)	DC		December 2020	332,757.94
Cleaning services for areas most affected following the Tropical Storm Eta emergency declaration (COPECO Contract 038-Eta/COPECO-2020)	DC		January 2021	207,973.71

Procurement description	Selection method	New procedures/ tools	Estimated date	Estimated amount (US\$)
Emergency cleaning services, under Operation <i>Limpieza</i> , Phase I, for areas most affected by Tropical Storm Eta and Tropical Storm Iota in municipios of the Sula Valley (Contract 043-Eta/COPECO-2020)	DC		December 2020	103,986.86
Emergency cleaning services, under Operation <i>Limpieza</i> , Phase I, for areas most affected by Tropical Storm Eta and Tropical Storm Iota in municipios of the Sula Valley (Contract 028-Eta/COPECO-2021)	DC		February 2021	62,392.11
Emergency cleaning services, under Operation <i>Limpieza</i> , Phase I, for areas most affected by Tropical Storm Eta and Tropical Storm Iota in municipios of the Sula Valley (Contract 022-Eta/COPECO-2020)	DC		January 2021	207,973.71
Emergency cleaning services, under Operation <i>Limpieza</i> , Phase I, for areas most affected by Tropical Storm Eta and Tropical Storm Iota in municipios of the Sula Valley (Contract 020-Eta/COPECO-2020)	DC		December 2020	103,986.86
Emergency cleaning services, under Operation <i>Limpieza</i> , Phase I, for areas most affected by Tropical Storm Eta and Tropical Storm Iota in municipios of the Sula Valley (Contract 040-Eta/COPECO-2020)	DC		December 2020	249,568.45
Emergency cleaning services, under Operation <i>Limpieza</i> , Phase I, for areas most affected by Tropical Storm Eta and Tropical Storm Iota in municipios of the Sula Valley (Contract 024-Eta/COPECO-2020)	DC		January 2021	207,973.71

Procurement description	Selection method	New procedures/ tools	Estimated date	Estimated amount (US\$)
Emergency cleaning services, under Operation <i>Limpieza</i> , Phase I, for areas most affected by Tropical Storm Eta and Tropical Storm Iota in municipios of the Sula Valley (Contract 026-Eta/COPECO-2020)	DC		February 2021	124,784.23
Emergency cleaning services, under Operation <i>Limpieza</i> , Phase I, for areas most affected by Tropical Storm Eta and Tropical Storm Iota in municipios of the Sula Valley (Contract 025-Eta/COPECO-2020)	DC			124,784.23
Emergency cleaning services, under Operation <i>Limpieza</i> , Phase I, for areas most affected by Tropical Storm Eta and Tropical Storm Iota in municipios of the Sula Valley (Contract 044-Eta/COPECO-2020)	DC			399,309.53
Emergency cleaning services, under Operation <i>Limpieza</i> , Phase I, for areas most affected by Tropical Storm Eta and Tropical Storm Iota in municipios of the Sula Valley (Contract 036-Eta/COPECO-2020)	DC			124,784.23
Emergency cleaning services, under Operation <i>Limpieza</i> , Phase I, for areas most affected by Tropical Storm Eta and Tropical Storm Iota in municipios of the Sula Valley (Contract 041-Eta/COPECO-2020)	DC			374,352.68
Emergency cleaning services, under Operation <i>Limpieza</i> , Phase I, for areas most affected by Tropical Storm Eta and Tropical Storm Iota in municipios of the Sula Valley (Contract 018-Eta/COPECO-2020)	DC			166,378.97

Procurement description	Selection method	New procedures/ tools	Estimated date	Estimated amount (US\$)
Emergency cleaning services, under Operation <i>Limpieza</i> , Phase I, for areas most affected by Tropical Storm Eta and Tropical Storm Iota in municipios of the Sula Valley (Contract 037-Eta/COPECO-2020)	DC			332,757.94
Emergency cleaning services, under Operation <i>Limpieza</i> , Phase I, for areas most affected by Tropical Storm Eta and Tropical Storm Iota in municipios of the Sula Valley (Contract 021-Eta/COPECO-2020)	DC			482,499.01
Emergency cleaning services, under Operation <i>Limpieza</i> , Phase I, for areas most affected by Tropical Storm Eta and Tropical Storm Iota in municipios of the Sula Valley (Contract 039-Eta/COPECO-2020)	DC			124,784.23
Rehabilitation of the water supply system	DC		December 2020	216,419.07
Installation of double-reinforced bailey bridge	DC		February 2021	183,400.63
Road rehabilitation	DC		December 2020	39,837.78
Road rehabilitation	DC		December 2020	27,452.53
Road rehabilitation	DC		December 2020	12,468.64
Road rehabilitation	DC		December 2020	17,370.31
Road rehabilitation	DC		December 2020	19,961.92
Road rehabilitation	DC		December 2020	5,810.10
Clearing of roadway	DC		February 2021	13,975.83
Road rehabilitation	DC		December 2020	12,478.42

Procurement description	Selection method	New procedures/ tools	Estimated date	Estimated amount (US\$)
Road rehabilitation	DC		December 2020	5,240.94
Road rehabilitation	DC		December 2020	24,956.85
Road rehabilitation	DC		February 2021	22,461.16
Road rehabilitation	DC		February 2021	27,951.67
Road rehabilitation	DC		January 2021	27,452.53
Road rehabilitation	DC		February 2021	12,228.85
Road rehabilitation	DC		February 2021	9,982.74
Road rehabilitation	DC		February 2021	19,965.48
Road rehabilitation	DC		December 2020	32,440.06
Road rehabilitation	DC		December 2020	20,462.73
Road rehabilitation	DC		December 2020	1,142.05
Road rehabilitation	DC		December 2020	1,814.42
Road rehabilitation	DC		February 2021	9,974.41
Road rehabilitation	DC		February 2021	13,476.70
Road rehabilitation	DC		February 2021	13,476.70
Road rehabilitation	DC		January 2021	5,490.51
Road rehabilitation	DC		December 2020	5,978.58
Road rehabilitation	DC		February 2021	7,487.05
Road rehabilitation	DC		February 2021	3,493.96

Procurement description	Selection method	New procedures/ tools	Estimated date	Estimated amount (US\$)
Road rehabilitation	DC		February 2021	6,488.78
Road rehabilitation	DC		February 2021	2,994.82
Road rehabilitation	DC		December 2020	9,483.60
Road rehabilitation	DC		December 2020	404.30
Road rehabilitation	DC		December 2020	3,234.45
Road rehabilitation	DC		December 2020	826.57
Road rehabilitation	DC		December 2020	1,486.93
Road rehabilitation	DC		February 2021	646.88
Road rehabilitation	DC		February 2021	616.18
Road rehabilitation	DC		December 2020	4,065.62
Road rehabilitation	DC		December 2020	3,514.18
Road rehabilitation	DC		December 2020	7,487.05
Road rehabilitation	DC		December 2020	8,495.31
Road rehabilitation	DC		December 2020	2,495.68
Road rehabilitation	DC		December 2020	41,556.55
Road rehabilitation	DC		February 2021	104,810.50
Road rehabilitation	DC		December 2020	84,525.37
Road rehabilitation	DC		December 2020	5,053.76
Road rehabilitation	DC		December 2020	5,788.51

Procurement description	Selection method	New procedures/ tools	Estimated date	Estimated amount (US\$)
Road rehabilitation	DC		February 2021	4,733.28
Road rehabilitation	DC		February 2021	14,355.94
Road rehabilitation	DC		February 2021	3,003.35
Road rehabilitation	DC		February 2021	7,314.60
Firms				
Contracting of audit firm consulting services	LCS			90,249.57
Individuals				
Contracting of consulting services for designing the project “outfitting of four new wells for the water supply system and construction of a drinking water supply line in the municipio of Villanueva, department of Cortés”	DC		21 May	19,296.84
Contracting of consulting services for designing the project “construction of the San Rafael Bridge, located in the municipio of Florida, department of Copán”	DC		21 May	13,156.94
Contracting of consulting services for designing the project “construction of the El Gritadero Bridge, located in the municipio of Florida, department of Copán”	DC		21 May	17,542.58
Contracting of consulting services for designing the project “rebuilding of the La Mina Villanueva dam and drinking water supply line, department of Cortés, and rehabilitation and expansion of the Villas del Río wastewater treatment plant (km 71 sector), Villanueva, department of Cortés”	DC		21 May	20,524.82

Procurement description	Selection method	New procedures/ tools	Estimated date	Estimated amount (US\$)
Contracting of consulting services for designing the project "rehabilitation of sanitary sewerage systems in: Ciudad Planeta, the Centro Norte neighborhood, the Guadalupe neighborhood, the Las Flores neighborhood, Colonia Rafael Cerrato, Colonia Los Ángeles, and Colonia 23 de Septiembre located in municipio La Lima, department of Cortés"	DC		21 May	17,542.58
Contracting of consulting services for designing the project "rehabilitation of the Concepción del Norte Bridge, located in municipio Concepción del Norte, department of Santa Bárbara; construction of box culvert in San Rafael El Pito Tierra Colorada, department of Lempira; and construction of a box culvert in El Granzal, located in municipio Lepaera, department of Lempira"	DC		21 May	38,374.40
Contracting of consulting services for designing the project "rehabilitation of the drinking water system and construction of headworks in the municipio of Yoro, department of Yoro; and rehabilitation of the drinking water system in the municipio of Morazán, department of Yoro"	DC		21 May	19,296.84
Contracting of consulting services for designing the project "construction of the Santa Clara-San Lorenzo Techín box culvert, located in the municipio of Florida, department of Copán"	DC		21 May	13,156.94
Contracting of consulting services for designing the project "rehabilitation of the drinking water and sanitation systems en Choloma, department of Cortés"	DC		21 May	22,805.36

Procurement description	Selection method	New procedures/ tools	Estimated date	Estimated amount (US\$)
Contracting of consulting services for designing the project "rehabilitation of the drinking water system for the city of Comayagua, located in the municipio of Comayagua, department of Comayagua"	DC		21 May	24,735.04
Contracting of consulting services for designing the project "rehabilitation of the water treatment plant for the Sur Cañeras sector, located in the municipio of Villanueva, department of Cortés"	DC		21 May	17,542.58
Contracting of consulting services for designing the project "construction of a box culvert for San Lorenzo Techín-Las Palmas Techín, located in the municipio of Florida, department of Copán"	DC		21 May	17,542.58

Procurement description	Selection method	New procedures/ tools	Estimated date	Estimated amount (US\$)
<p>Contracting of consulting services for designing the following projects in the department of Santa Bárbara:</p> <p>“1. Rehabilitation of a segment on the road to Ceibita, located in the municipio of Gualala; 2. Rehabilitation of a segment of the San Francisco Ojuera road, located in the municipio of San Francisco Ojuera; 3. Rehabilitation of access roads to Concepción Norte, located in the municipio of Trinidad; 4. Rehabilitation of a section of access road to the Chinda 2 community, located in the municipio of Chinda; 5. Rehabilitation of an access road to the Chinda 2 community, located in the municipio of Chinda; 6. Rehabilitation of a segment of the road to the Trinidad community, Lempira neighborhood, located in the municipio of Trinidad; 7. Rehabilitation of the access road to the Gualala community, located in the municipio of Gualala; and 8. Rehabilitation access road to Petoa, located in the municipio of Petoa.”</p>	DC		21 May	39,032.25

IV. FINANCIAL MANAGEMENT AGREEMENTS AND REQUIREMENTS

<input checked="" type="checkbox"/>	Programming and budget	Budget resources for this operation will be included in the general budget bill and its general provisions. • Challenges in budget execution are anticipated due to potential delays in the verification of projects to be included in the plan, which could affect execution.
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☒	Treasury and disbursement management	Prior to the first disbursement, the firm conducting the concurrent audit will be hired to verify the projects eligible for reimbursement. A special account for managing program funds will be opened at the Central Bank of Honduras (BCH), including its operating account, which will form part of the Single Treasury Account. The disbursement mechanism will be online disbursement. The operation will be managed in U.S. dollars. The exchange rate to be used in the operation will be the one in effect on the date when the approval currency or disbursement currency is converted into local currency. Option (b)(i) under Article 4.10 of the General Conditions of the loan contract will apply. The operation will generally work with a financial planning period of six months and execution of twelve months. The preferred disbursement method will be advances of funds. • The operation is expected to justify 70% of the cumulative balance pending justification.
☒	Accounting, information systems, and reporting	The executing agency will process payments through the Integrated Financial Information System (SIAFI) and will use the UEPEX module for recording and issuing reports on operations/transactions executed with external financing. The specific accounting rules to be followed are the International Financial Report Standards (IFRS). The SIAFI/UEPEX system will be the technology platform used for accounting and reporting purposes for the operation, and the cash basis will be used. As a supplement to the policies and guidelines applicable to the operation, the program Operating Regulations with the documented definition of workflows and internal controls will be used.
☒	External control and financial reports	To ensure efficient disbursements and transparent execution of the loan proceeds, a reasonable assurance audit will be conducted, which will be contracted by SEDECOAS/FHIS as soon as possible, no later than prior to the first disbursement of the loan proceeds in order to ensure that the expenses incurred and submitted for reimbursement are eligible expenses in accordance with the requirements established for the program. The borrower and/or the executing agency will select and contract audit services in accordance with the terms of reference previously agreed upon between the borrower and/or the executing agency and the Bank. These will establish the type, timing, and scope of the review. The selected external auditor and audit rules to be applied will be acceptable to the Bank.
☒	Financial supervision of the operation	The operation requires financial supervision by the auditing firms. Under the responsibility of the Project Team Leader and in coordination with the fiduciary management specialists, any inspection procedures deemed necessary will be carried out to verify whether program implementation is satisfactory.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/21

Honduras. Loan ____/BL- HO to the Republic of Honduras
Tropical Storm ETA Emergency Response Program

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 Honduras, as Borrower, for the purpose of granting it a financing to cooperate in the execution of the Tropical Storm ETA Emergency Response Program. Such financing will be chargeable to the Bank's Ordinary Capital (OC) resources in the following manner: (i) up to the amount of US\$5,414,870, subject to concessional financial terms and conditions ("Concessional OC"); and (ii) up to the amount of US\$10,056,187, subject to financial terms and conditions applicable to loan operations financed from the Bank's regular program of OC resources ("Regular OC"), as indicated in the Project Summary of the Loan Proposal, and subject to the Special Contractual Conditions of said Project Summary.

(Adopted on ____ 2021)