

REGULATORY FRAMEWORK AND COMMERCIAL RESTRUCTURING PROGRAM FOR THE
WATER AND SANITATION SUBSECTOR

MIF TECHNICAL COOPERATION

(TC-98-01-42-5)

EXECUTIVE SUMMARY

EXECUTING AGENCY: Comisión Coordinadora para la Reforma Sectorial de los Recursos Hídricos [Coordinating Commission for Reform of the Water Resources Sector] (COSERHI); Administración Nacional de Acueductos y Alcantarillado [National Water Supply and Sewerage Administration (ANDA), acting through the Unidad de Reforma Empresarial [Commercial Reform Unit] (URE); and Agencia de Regulación de los Servicios de Agua Potable y Alcantarillado, [Potable Water and Sewerage Service Regulatory Agency], hereinafter called the "Regulatory Agency" or "ARESA" (paragraphs 3.15 and 3.16).

BENEFICIARY: Republic of El Salvador.

OBJECTIVES: The objective of the Technical Cooperation is to support and enhance the program for restructuring of the water and sanitation subsector under operation ES-0068, which seeks to promote comprehensive reform of the water sector and the water and sanitation subsector at the national level. Specifically, this Technical Cooperation will provide support for establishment of the regulatory framework governing provision of water and sanitation services, and for the formulation of high priority activities to aid the restructuring process and promote private sector participation.

DESCRIPTION: This Technical Cooperation will have two components: (i) support for management restructuring; and (ii) establishment of the regulatory framework for the water and sanitation subsector. The first component includes activities to provide the executing agencies with technical advice on decentralization, privatization and management restructuring in general. This component will also include formulating the commercial restructuring plan, which will provide the basis for the formation of fully autonomous and decentralized companies; determining the optimal types of management to employ (public, private, semi-private, municipal); and actually

promoting private sector participation. The second component is designed to provide support for formulation of the subsector's regulatory framework, including strategic studies and technical assistance for the regulatory agency (ARESA) to be created under operation ES-0068.

**ENVIRONMENTAL AND
SOCIAL REVIEW:**

At its meeting on March 20, 1998, CESI approved the environmental and social report on program ES-0068 of which this operation is an integral part.

FINANCING:

Type:	donation
MIF:	US\$2,400,000.00
Local counterpart funding:	US\$ 900,000.00
Total:	US\$3,300,000.00

**RECRUITMENT OF
CONSULTING
SERVICES:**

The Bank's standard procedures will be used for recruitment of consulting services, which must be from countries participating in the MIF. However, once the executing units have been sufficiently strengthened and trained, implementation of the ex-post procedures for bidding will be gradually tested. For consulting services valued at US\$200,000 or less, ad hoc recruitment procedures agreed between the Bank and the country will be used. Under these procedures, national public bidding will be held for consulting contracts valued between US\$100,000 and US\$200,000 and national private bidding for those below US\$100,000 (see Annex 1).

**SPECIAL
CONTRACTUAL
CONDITIONS:**

The conditions precedent to the first disbursement will be the standard Bank conditions for this type of operation. In addition, the beneficiary will be required to present evidence that the executive decree expanding the authority and functions of COSERHI has entered into force and that this Commission has the legal capacity to execute the technical assistance activities under its responsibility and to promote private sector participation, both under the commercial restructuring component (paragraph 3.2). The other conditions precedent, by component, will be as follows:

(a) for component 1: evidence must be submitted to the Bank indicating that the Commercial Restructuring Unit (URE) has been created (paragraph 3.38).

(b) for component 2: evidence must be submitted to the Bank showing that the Act creating ARESA has entered into force (paragraph 3.14).

I. ELIGIBILITY OF THE COUNTRY FOR FUNDING

- 1.1 The Donors Committee declared the Republic of El Salvador eligible for all types of financing at its meeting on December 3, 1993.

II. BACKGROUND

- 2.1 The Government of El Salvador has taken significant strides in its effort to modernize and reform the public sector, redefine the concept of public service and making changes in areas where the government used to maintain a centralized state monopoly. The water sector addressed by the present operation is not immune to this process, and its reorganization carries particular economic and social importance for the country.
- 2.2 The National Water and Sanitation Administration (ANDA) is an autonomous public service institution which is responsible for provision of these services throughout the country. ANDA is the only institution in El Salvador authorized to regulate, standardize, plan, set tariff rates, and operate water and sanitation services. However, its management model as a centralized public enterprise has been plagued by problems owing in part to conflicting and contradictory mandates which include development, operation, and regulation of the sector, plus strong political sensitivity.
- 2.3 Recognizing these limitations, the government and the Office of the Chairman of ANDA are proposing a comprehensive program of reforms which include the water resource sector and the water and sanitation subsector. With the goal of initiating this program, the Coordinating Committee for Restructuring of the Water Resource Sector (COSERHI) was created in 1995 with a mandate to coordinate studies and activities for modernization of the sector. COSERHI currently includes within its organization the Presidential Commission for Modernization of the Public Sector (CPMSP), which acts as coordinator; ANDA, which serves as the executive body; and the Ministry of Agriculture. COSERHI, through its technical arm, the Coordinating Unit on Modernization (UCM), has been conducting a number of studies and activities aimed at formulating a program of reforms for the water resource sector and the water and sanitation subsector.
- 2.4 In order to further the implementation of its reforms, the government has requested financing from the Bank under operation ES-0068 (Reform Program for the Water Sector and the Potable Water and Sanitation Subsector). The present technical cooperation is directly linked to development of the conceptual design and organization of the reform program being promoted under the above-mentioned program.

- 2.5 In the specific case of the subsector, the program seeks support for the establishment of an independent institutional and regulatory framework and a management restructuring project designed to develop an efficient structure for the provision of water and sanitation services. This process will begin with the passage of a law defining the regulatory framework of the water and sanitation subsector, and creating the Water and Sanitation Regulatory Agency (ARESA) as an independent public agency with its own capitalization and corporate status and having complete technical, operational, administrative, and financial autonomy.
- 2.6 The proposed act is a modern framework law which mandates ARESA to: (i) establish clear and transparent rules for service providers and consumers; (ii) set the stage for turning services over to independent operators and permitting orderly private sector participation; (iii) promote competition through comparison of operations and raise efficiency among service providers; (iv) defend consumer rights against monopolistic abuses and poor quality service; (v) determine tariff rates based on principles of economic and financial efficiency, and ensure transparency with respect to the inclusion of subsidies; (vi) oversee the decreeing of tariff rates; (vii) approve tariff rates submitted by operators on the basis of rules and methods established by the agency; and (viii) regulate service contracts in accordance with the law.
- 2.7 To complement efforts to overhaul the regulatory system, the management restructuring component is aimed at establishing a structure in which operators will provide efficient service. In the case of El Salvador, this strategy envisages transforming a highly centralized system under ANDA into a system in which various commercial units with public, private, or semi-private management would coexist, all operating in accordance with rules set by the regulatory agency.
- 2.8 The reforms will be guided by a comprehensive commercial restructuring plan which will determine the optimal strategy for attracting private investment, and the scale of viable decentralization schemes most likely to promote economic efficiency.
- 2.9 Since there is deemed to exist a minimum market size which is commercially viable for development of private sector participation (PSP) schemes, the commercial restructuring plan will seek a balance between a system based on the participation of private companies in primary systems (which are large enough to be commercially viable), and one based on decentralization of isolated systems (which may not be attractive to private firms unless they can be integrated with other markets). It follows from this general argument that it should be possible to achieve forms of devolution or decentralization that optimize regional distribution from the standpoint of commercial viability, while at the same time avoiding the creation of "residual" systems which have no other

option than to continue operating on a subsidized basis indefinitely.

III. DESCRIPTION OF THE PROJECT

A. Objectives

- 3.1 The objective of the Technical Cooperation is to support and enhance the program for restructuring of the water and sanitation subsector under operation ES-0068, which seeks to promote comprehensive reform of the water sector and the water and sanitation subsector at the national level. Specifically, this Technical Cooperation will provide support for establishment of the regulatory framework governing provision of water and sanitation services, and for the formulation of high priority activities to aid the restructuring process and promote private sector participation.

B. Description

- 3.2 The components and activities under this technical cooperation are fully integrated with the design of the loan entitled "Reform Program for the Water Sector and the Potable Water and Sanitation Subsector (ES-0068)". For this reason, the results of the technical assistance and studies financed under this operation have performance conditions linked to the loan. The principal components and activities contemplated are described below.

1. Commercial restructuring component (US\$2.38 million)

a. Technical assistance for ANDA/URE and COSERHI (US\$368,000).

- 3.3 Under this activity, international and local consultants will be hired to strengthen the capacity of COSERHI and the URE to carry out projects. These consultants will formulate terms of reference, provide guidance, and help with quality control and evaluation of reports and studies to be carried out as part of the commercial restructuring plan, as well as promoting private sector participation and providing direct advice to the country's authorities in the decentralization of services, commercial organization, privatization, and municipal participation. Internships are also included for professional staff.

b. Commercial restructuring plan (US\$1,012,000).

- 3.4 This plan will define the optimal operating structure for the water and sanitation subsector by identifying efficient commercial operating units and management systems used in the provision of water supply, sewerage, and waste treatment services. These

operating units will be defined in accordance with technical, economic, financial, institutional and legal criteria, so as to make up commercially viable systems or groups of systems. A strategy will also be defined for effectively combining, separating, and/or transferring the various commercial operating units, and a program worked out for turning services over to independent operators or decentralizing them, and for encouraging private sector participation, with performance goals to be met over the execution period (ES-0068).

- 3.5 In order to ensure transparent results, the consultant hired to prepare the commercial restructuring plan must be an internationally recognized expert with a proven track record in providing technical assistance to governments in the areas of restructuring, reforms and privatization of public sector infrastructure services. As well, participating consultants must have no association with investors interested in operating competing water and sanitation systems, nor may they carry out other activities as investors in the sector.

The main activities for preparation of the commercial restructuring plan will be as follows: (a) strategic studies on the standardization and organization of information, including cost accounting and financial systems, supply and inventories studies, and valuation of assets; (b) defining of alternatives for the formation of commercial operating units in all areas of El Salvador, based on criteria which include making optimal use of water resources, economies of scale obtainable through the grouping of systems, and commercial, commercial-financial, institutional economics, and legal aspects; (c) drawing up of the commercial restructuring plan which includes identifying operating units, projecting supply and demand over a period of 15-20 years, determining aspects of commercial management, and analyzing costs, tariff rates, expansion plans, and investment schemes; and (d) preparing an orderly, efficient and timely transfer strategy for turning systems currently managed by ANDA over to the commercial operating units identified in the study, for operation under public, private, or semi-private entities.

c. Promotion of private sector participation (US\$1,000,000)

- 3.6 To further enhance the commercial restructuring plan, a specialized consultant or investment bank will be hired to provide the government with support and technical financial advice for appropriate development and organization of PSP schemes to encourage participation in the systems identified under the commercial restructuring plan. The firm hired for this purpose must have proven experience in the organization of financial packages involving the privatization of public enterprises, and must not be associated with potential investors in the sector. The final form of the PSP scheme will be determined as part of the

study. The MIF contingency recovery clause will be applied, depending on the type of PSP scheme selected for implementation.

- 3.7 The principal activities under this heading will include the following: (a) feasibility analysis of the PSP project, including evaluation of its technical, financial and economic feasibility; (b) evaluation of PSP options and selection of the optimal alternative, including specification of the level of responsibility to be delegated between public and private sector in the provision of services, and proposal of the optimal PSP alternative, citing the relevant technical, financial, legal, institutional, and commercial justification; (c) drawing up bid documents and model contracts for private participation in competitions, including, at a minimum, identification of: the methods, criteria, points, and scoring formulas for evaluating bids; requirements to be covered in proposals; timetable for competitions; the regulatory framework for the project; bidding procedures and methods for awarding contracts; technical description, financial chart, contents, and submission of bids; means of monitoring contract performance and model contract; and (d) promotion among local and foreign investors, including the organization of information events, preparation of announcements and invitations to bid, support in clarifying bid documents and evaluation of proposals, and assistance in the negotiation and contract signing phase. In addition, plans for a system of monitoring and control measures will be drawn up for the evaluation and audit of service providers. For purposes of determining the scale of this activity, it has been suggested that the government choose an investment bank when and if it sees fit to do so. An alternative to this would be to hire a specialized consulting firm to advise the government in financial areas.

- 3.8 As a condition precedent to the first disbursement under this component, the government must present evidence satisfactory to the Bank that it has created the commercial restructuring unit under the Office of the Chairman of ANDA.

2. Establishment of the regulatory framework for the water and sanitation subsector (US\$750,000)

- 3.9 This component will support basic technical assistance activities for formulation of the legal and regulatory framework, together with the regulations to be enforced by the regulatory agency (ARESA), once the latter is legally created. It will include the following activities:

a. Technical assistance (US\$480,000)

- 3.10 The resources under this component will be used to hire a consultant specialized in the specific aspects requiring consolidation within the regulatory agency, and supplying the technical support needed to organize and prepare the institution for its task of supervising the operators of water and sanitation

systems, as well as for the performance of the other duties assigned to it by law. Support will also include a training program on regulatory aspects for ARESA staff.

- 3.11 The technical assistance for establishment of the regulatory framework will include: (i) drafting the regulations for the law creating the regulatory agency, which must contain the requirements that companies must fulfill to qualify as operators of water and sanitation systems, procedures for granting operating licenses to such companies, procedures for monitoring and controlling them, quality parameters for the provision of water and sanitation services, and penalties to be imposed on operators who fail to meet the standards and criteria established in the regulations and regulatory framework; (ii) preparing a manual of procedures, including the internal by-laws of the regulatory agency, operations manuals and wage scale; (iii) studies intended to provide basic information for the supervision of operators; and (iv) activities to provide information to promote awareness of the regulatory system in the communities.
- 3.12 Training will be provided for the staff of the regulatory agency in all topics required for the exercise of their functions, including commercial aspects, operating efficiency, water quality and service, disposal of sewage, financial and tariff rate factors, and private sector participation in the water supply system. Also, training grants will be provided in order that officials with the regulatory agency can observe successful systems for regulating the water and sanitation subsector in other countries.

b. Strategic studies (US\$270,000)

- 3.13 Strategic studies with high priority for the regulatory agency will be carried out, particularly studies on tariff rates which serve as the basis for decreeing a new tariff schedule under the law creating the regulatory framework of the water and sanitation subsector; updating of the technical standards all operators must meet to guarantee the quality of services; establishing policy, financing, and technical assistance mechanisms for the water and sanitation subsector; providing support for the planning of rules governing the rights and obligations of customers, participation by consumers in public hearings, and in general, all studies necessary for the exercise of regulatory functions.
- 3.14 As a condition precedent to the first disbursement under this component, the government must present evidence satisfactory to the Bank that the law creating ARESA has entered into force.

OPERATING BUDGET

CATEGORIES		MIF	LOCAL	TOTAL
1. Management restructuring		1,812,000	568,000	2,380,000
(i)	Technical assistance	200,000	168,000	368,000
-	Consultancy on business and commercial topic to aid the URE in setting up autonomous/decentralized systems	100,000	68,000	168,000
-	Consultancy to assist the COSERHI with promotion, participation and negotiation with the private sector	100,000	100,000	200,000
(ii)	Preparation of restructuring plan	612,000	400,000	1,012,000
-	Basic strategic studies (cost accounting and financial systems, supply and inventories studies, and regulations for commercial restructuring)	260,000	400,000	660,000
-	Commercial restructuring plan and strategy for its implementation	352,000		352,000
(iii)	Promoting private sector participation	1,000,000		1,000,000
2. Establishment of the regulatory framework for the water and sanitation subsector		480,000	270,000	750,000
(i)	Technical assistance	210,000	270,000	480,000
-	Consultancies for drafting of the regulations for the law creating the regulatory agency, manual of procedures, basic information studies for supervision of operators, dissemination of information on, and promotion of, the Regulatory Agency's activities.	160,000	200,000	360,000
-	Training of regulatory agency staff, including training grants to visit other countries with successful regulatory systems.	50,000	70,000	120,000
(ii)	Strategic studies	270,000		270,000
-	Tariff rates and subsidies	100,000		100,000
-	Updating of technical standards	70,000		70,000
-	Policy mechanisms, financing and technical assistance	100,000		100,000
Subtotal		2,292,000	838,000	3,130,000
Contingencies		108,000	62,000	170,000
TOTAL		2,400,000	900,000	3,300,000

C. Execution

- 3.15 Execution of the present operation is complementary to and governed by the execution plan for Program ES-0068. Specifically, the executing agencies of this Technical Cooperation are: (i) COSERHI, through its Coordinating Unit on Modernization (UCM); (ii) ANDA, through its Commercial Restructuring Unit (URE), to be created

within the Office of its Chairman; and (iii) the Water and Sanitation Regulatory Agency (ARESA). In parallel with the program under ES-0068, this TC is scheduled over a four-year period.

- 3.16 ANDA/URE will be responsible for coordinating the preparation and implementation of the commercial restructuring plan in component 1, which will begin with identification of the costs under each of the ANDA systems, analysis of inventories, and identification and evaluation of the equipment and assets of each system. Based on the recommendations of the commercial restructuring plan, COSERHI will carry out each of these activities for the private management system and conduct the promotional work included in this component. Among the plans outlined in loan ES-0068 is the use of a coordinator general for COSERHI. Also, ARESA - with the support and cooperation of COSERHI - will carry out component 2 of this operation once that agency has been created.
- 3.17 As a condition precedent to the first disbursement, the beneficiary will be required to present evidence that the executive decree expanding the authority and functions of COSERHI has entered into force and that this Commission has the legal capacity to execute the technical assistance activities under its responsibility and to promote private sector participation.
- 3.18 In terms of the sequencing of events, the commercial restructuring study, accompanied by technical assistance for the URE and COSERHI, is scheduled first. Next to be carried out will be the activity to promote private sector participation. Component 2 will commence as soon as the law creating ARESA is passed.
- 3.19 If as a result of activities promoting private sector participation, the operation of water and sanitation systems is granted to private companies (e.g. under a concession scheme), the cost of such promotion will be recovered by the MIF. Otherwise, the clause governing contingent recoveries will not apply. The corresponding bid documents explicitly state this contingent recoveries clause.
- 3.20 Before the consultants specified in this operation are hired, the executing agency must submit to the Bank the final terms of reference for their positions and receive the Bank's approval.

IV. REPORTS

- 4.1 COSERHI, ANDA/URE, and ARESA must submit specific reports to the Bank on each consultant hired under this project, including, at a minimum, the following: (a) an initial report containing the work plan, to be submitted within 30 days following signature of the service contract, which must include *inter alia*: (i) a project schedule; and (ii) the revised terms of reference; (b) progress reports containing a detailed description of activities carried out

during the period relative to the project schedule, providing follow-up assessments of the activities carried out, detailing the degree to which the specific and general objectives of the operation have been achieved, and projecting of the work to be done over the next six months, with recommendations concerning the courses of action to be taken or other pertinent measures; and (c) a final report 30 days after completion of the operation, which must be approved by the executing agencies and the Bank before the final disbursement. In addition, the executing institutions must present annual financial reports during Program execution, and a final report within 90 days following the date of the last disbursement. These reports must provide financial statements audited by an independent auditing firm.

V. MEETING ELIGIBILITY CRITERIA

- 5.1 Eligibility criteria. The proposal satisfies the general objectives of the MIF, one of which is to strengthen the private sector as a means of accelerating economic and social growth in developing countries. It is likewise consistent with the criterion established in Article 3, Section 2(c) and (d) of the Technical Cooperation Facility of the MIF Agreement, which calls for these resources to be used for consulting services to help regulatory agencies design and implement privatization programs.

VI. CONSISTENCY WITH THE BANK'S COUNTRY POLICY

- 6.1 This operation is consistent with the Bank's strategy for El Salvador. The country programming paper states that the Bank will participate in the financing of programs for the water sector in order to support development of its legal and institutional framework.

VII. SPECIAL ASPECTS

- 7.1 In implementing this project, the authorities will pay close attention to the agreements reached with the government on the timing and methods used in the execution of Program ES-0068, in order that the present operation will support achievement of the objectives and goals of that program. The execution of one component will commence before Program ES-0068 begins. The start of component 2, however, is subject to the creation of the regulatory agency through passage of the respective law. A preliminary draft of this law exists, has been amply discussed and analyzed by the Bank, and is expected to be placed before the Assembly during the first half of 1998.

LOGICAL FRAMEWORK
REGULATORY FRAMEWORK AND COMMERCIAL RESTRUCTURING FOR THE POTABLE WATER AND SANITATION SUBSECTOR IN EL SALVADOR
MIF (TC-98-01-42-5)

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p>the management mechanisms of the water and sanitation subsector, quality and efficiency in the services.</p>	<ul style="list-style-type: none"> - Quality of service improved relative to that currently provided by ANDA in each of the decentralized and devolved systems and/or private service delivery. A 70% or higher favorable public acceptance level is confirmed, reflecting: (i) elimination or <i>substantial decrease in the number of unjustified service cutoffs without warning</i>; (ii) customer satisfaction with potable water pressure and quality; (iii) customer satisfaction with public attention, complaints, and billing services; - Coverage of decentralized and privately administered systems expanded in accordance with the expansion plans agreed upon by the regulatory agency and the systems operators, under the terms and within the time frame established in each service contract. - Satisfactory indicators of technical and financial efficiency for each decentralized, devolved, or privately managed operator in accordance with the technical and efficiency standards established by the regulatory agency in the service contracts. 	<ul style="list-style-type: none"> - Representative survey of service users to be prepared for the program. - Reports on complaints and administrative performance provided by ARESA in accordance with its responsibilities under the law. - <i>Service contract and evaluation report</i> by ARESA. - Technical and financial monitoring reports by ARESA. 	<ul style="list-style-type: none"> - The goals for Program ES-0068 have been met. - ARESA is strengthened and is operating independently. - A strictly business-oriented structure has been developed at the service-level. - Tariff rate and development policies have been established to promote economic and financial efficiency in the drinking water services.

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p>ES-00</p> <p><u>Development of the regulatory framework for potable water and sanitation</u></p> <p>Establish a regulatory agency to govern the provision of water and sanitation</p> <p>Strengthen the sector's regulatory framework and issue regulations in accordance with the act creating the regulatory agency.</p>	<ul style="list-style-type: none"> - The regulatory agency has been created and is in operation. - The regulations under the act have been issued and the regulatory framework is in place. - Regulations governing service contracts approved. - New tariff rate schedule based on financially and economically rational criteria approved. - Policy governing assistance and allocation of subsidies approved. 	<ul style="list-style-type: none"> - Budget and personnel assigned. - Regulations published. - Provisions issued. 	<ul style="list-style-type: none"> - All of the activities under ES-00 have been completed. - Reforms receive political backing. - Social acceptance.
<p><u>Commercial restructuring of the potable water and sanitation subsector</u></p> <p>Implement a process of commercial restructuring in accordance with the creation of public, semi-public and private potable water and sanitation service operators.</p>	<ul style="list-style-type: none"> - The main potable water and sanitation system in the country is functioning under the private sector participation (PSP) modality. - Public and private municipal enterprises have been established and are functioning independently in accordance with the commercial restructuring plan. - ANDA is operating the systems that have not been decentralized, or which do not fall within the PSP modality, on a decentralized basis. - The size of ANDA in terms of household connections served at the national level has been reduced by more than 50%. - More than 50% of the rural potable water and sanitation systems currently served by ANDA are being managed by the communities. 	<ul style="list-style-type: none"> - Service contracts with quality and coverage goals. - Transfer contracts executed. 	<ul style="list-style-type: none"> - All of the activities under ES-00 have been completed. - Reforms receive political backing. - Social acceptance. - There is private sector and municipal interest in systems management.

PROPOSED RESOLUTION

**EL SALVADOR. NON-REIMBURSABLE TECHNICAL COOPERATION
FOR A PROGRAM FOR REGULATORY FRAMEWORK AND SERVICE PROVISION
REFORM IN THE POTABLE WATER AND SANITATION SUB-SECTOR
(REFORM PROGRAM OF THE WATER SECTOR AND THE POTABLE WATER AND
SANITATION SUB-SECTOR)**

The Donors Committee of the Multilateral Investment Fund

RESOLVES:

1. That the President of the Inter-American Development Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Multilateral Investment Fund, to enter into such agreements as may be necessary with the República de El Salvador and to take such additional measures as may be pertinent for the execution of the proposal memorandum referred to in Document MIF/AT-_____, with respect to a Technical Cooperation Program for Regulatory Framework and Service Provision Reform in the Potable Water and Sanitation Sub-Sector, which is part of the Reform Program of the Water Sector and the Potable Water and Sanitation Sub-Sector, referred to in Document PR-_____.

2. That up to the amount of US\$2,400,000, or its equivalent in other convertible currencies, is authorized for the purpose of this resolution, chargeable to the resources of the Technical Cooperation Facility of the Multilateral Investment Fund.

3. That the above-mentioned sum is to be provided on a nonreimbursable basis.