

PD-ABL-069

94689

ACTION MEMO TO THE MISSION DIRECTOR

FROM: Peter Lapera, PPD *PL*

SUBJECT: PACD Extension of Water and Sanitation for Health and Ecuadorian Development (WASHED) Project No. 518-0081

DATE: October , 1994

PROBLEM:

Your approval is required for a six-month PACD extension of the subject project until July 31, 1995. This extension is required in order to: 1) support policy dialogue activities in the water and sanitation sector; 2) complete all project activities and thus achieve project objectives; 3) extend the expiration date of the grant to CARE to complete water and sanitation activities in Los Ríos and Carchi Provinces. This extension does not modify the goal and/or purpose of the project, and will not require additional funding.

BACKGROUND:

1. The Project. The WASHED Project was authorized in July, 1989 with an original PACD of December 1993. In September of 1993, the PACD was amended to December 31, 1994. The implementing agency is the Subsecretaría de Saneamiento Ambiental (SSA) the former IEOS. The purpose of the project is: 1) to strengthen SSA'S capability to assist rural communities in eight provinces to supply systems and latrines; 2) use the water and latrines to improve family health status; and 3) maintain and improve the systems in the future.

The previous project extension to December 1994 included two new activities: 1) support of the GOE's policy dialogue activities to strengthen institutional and sectoral efficiency to improve coverage and quality of water and sanitation interventions, and 2) support of the GOE's expanded collaboration with NGOs by entering into a limited Cooperative Agreement with CARE to carry out water and sanitation activities in Los Ríos and Carchi Provinces. The current expiration date of this Cooperative Agreement is December 1994.

Three audits have been performed on the project, and one external evaluation has taken place. The audits have not found any significant negative findings. The external evaluation mentioned several drawbacks to project implementation but was generally positive of achievements to date.

2. GOE Policies and Priorities. The GOE has established that water and sanitation interventions are a priority within its social policy agenda, acknowledging the need to improve coverage and quality of water and sanitation services particularly in rural and

peri-urban areas.

The GOE, following its modernization policy, has taken aggressive actions to begin the reorganization of the sector. The following actions/commitments have taken place under the present Government:

a. Under Official Decree dated August 1993, the Ministry of Urban Development (MIDUVI) was created. The Subsecretaría de Saneamiento Ambiental (SSA) was established as part of this Ministry, taking on the functions of the Ecuadorian Institute of Sanitary Works (IEOS).

b. In September 1993, the GOE supported a water and sanitation sector analysis, carried out by PAHO, the World Bank, the IDB, and USAID/W. The sectoral analysis concluded that it is important to promote a coherent strategy in the sector, with the GOE playing a major role in policy-making, norm-setting, control and regulations and selected technical assistance. It also recommended that the construction and operation of the W&S systems be transferred to local governments and to the private sector, with the initial support of the SSA.

c. The GOE, in support of the modernization policy, has reduced the size of the sector. The SSA was reduced from approximately 3,000 employees to 1,050. Further reductions to 600 employees are expected in the near future.

d. The National Potable Water and Sanitation Policy, prepared by the SSA, has been included as part of the National Housing, Urban Development and Sanitation Policy issued by the MIDUVI, and submitted to the Executive Branch for its approval and dissemination.

e. The GOE, through an official decree dated June, 1994, merged the IEOS and the Junta Nacional de la Vivienda to become part of the MIDUVI.

DISCUSSION:

1. Project Progress To Date. The WASHED progress has been steady even though the project has had to overcome the disruptions associated with the modernization process described above, as well as with structural, authority and staff changes at the central and provincial levels. Notwithstanding these difficulties, most of the EOPS have been fully achieved, for example 100% of personnel and water board members have been trained; the operations and maintenance program has begun, etc. During the current extension period, the project has concentrated its activities on the Annual Plan for 1994 to consolidate the project's technical proposals, and to prepare the technological standards for building sustainable rural potable water and sanitation systems which will be distributed to the municipalities, NGOs, and construction companies charged with program execution in the sector.

2. USAID Response and Strategy. During the proposed extension of the project USAID will support the GOE in the following areas:

a. Transition Plan: Once the National Policy is approved, the responsibilities and roles of the institutions involved in the water and sanitation area will be defined. For example, the MIDUVI and SSA will have to establish norms, regulations, and quality control standards for the construction, operation, and maintenance of water systems. The MIDUVI would also coordinate all foreign assistance to the sector. The municipalities in turn will have to plan, design, contract, supervise construction, operate and maintain the potable water and sanitation systems.

A transition plan must be prepared to facilitate the application of the model proposed under the National Policy and to transfer the responsibilities to the municipalities without interrupting the services especially in the rural area. This plan will determine how, where and when the responsibility will be transferred to the municipalities and will define the role of the SSA.

The implementation of the transition plan will be complex and will need a series of systematic and sustained actions, technical assistance, and the commitment of national and international organizations to ensure the application of the policy and to return the responsibility for the potable water and sanitation to local governments.

b. Dissemination of the technological standards. To consolidate the gains of USAID technical and financial assistance in this sector, the WASHED Project should complete the validation and evaluation of the technological standards to build sustainable rural potable water and sanitation systems and support the dissemination among the new implementing institutions, such as municipalities, non-governmental organizations, and the private sector; in this way these institutions will have the appropriate methodology to deliver sustainable potable water and sanitation systems.

c. Cooperative Agreement with CARE. The extension of the Cooperative Agreement with CARE to July 31, 1995 would result in two specific outputs. First, this component would be an example of how the GOE can achieve its objectives through the utilization of NGOs, and this model of collaboration between the SSA and an NGO could be expanded to other geographical areas. Second, supporting this no-cost extension would enable CARE to achieve its objectives under the proposed implementation schedule. The Mission received a letter from CARE on August 8, 1994 (attached), requesting more time to comply with the proposed implementation schedule, because of unforeseen delays in project start-up.

JUSTIFICATION:

During the last year, WASHED has supported the GOE with funds and

technical assistance to formulate a new National Water and Sanitation Sectoral Policy. This no-cost PACD extension is justified on the basis that more time is required to obtain the final approval of the new sector policy, to prepare and obtain approval of the transition plan, and to initiate the policy implementation phase. Additionally, the extension is necessary to complete the dissemination of the technical standards and experience of the WASHED project in rural areas.

AMENDED BUDGET:

The amended budget, which redistributes items but does not increase the overall LOP amount, is attached to this memo as Attachment 1.

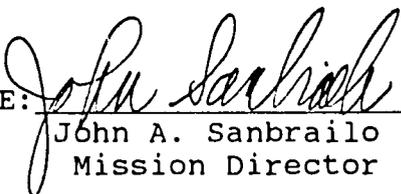
AUTHORITY:

According to LAC Delegation of Authority No. 752, Section III, Part A.2., you have the authority to approve this amendment.

RECOMMENDATIONS:

That you:

1. Approve a life of project/PACD extension of the Water and Sanitation for Health and Ecuadorian Development Project (WASHED), No. 518-0081, until July 31, 1995, by signing below.
2. Sign the attached project authorization amendment.
3. Sign the attached project implementation letter extending the PACD.

APPROVE: 
John A. Sanbrailo
Mission Director

DISAPPROVED: _____
John A. Sanbrailo
Mission Director

DATE: 11/9/94

DATE: _____

Clearances:

GDO:KYamashita: (in draft)	Date: Oct. 3/94
GDO:ELeddy: (in draft)	Date: Oct. 6/94
RHUDO:WYaeger: (in draft)	Date: Oct. 13/94
RHUDO:MPulley: (in draft)	Date: Oct. 7/94
RCO:HGranja: (in draft)	Date: Oct. 17/94
CONT:TTotino: (in draft)	Date: Oct. 21/94
PPD: BCypser: (in draft)	Date: Oct. 27/94
DDIR: LGarza: <u>L. B.</u>	Date: <u>11/09/94</u>

Drafted by: GDO-H:PRMartínez

**ANNEX I
(ANEXO I)**

**FINANCIAL PLAN
(PLAN FINANCIERO)**

Element	Element Description	Obligated To date	Increase/ Decrease	New Total
01	Technical Assistance	\$1,559,920.00	\$45,378.00	\$1,605,298.00
02	Training	548,270.21	30,095.00	578,365.21
03	Commodities	674,868.00	(18,727.00)	656,141.00
04	Operating Costs	697,061.49	(37,323.00)	6 59,738.49
05	Construction	124,958.30	(1,458.90)	123,499.40
06	Evaluation & Audit	113,700.00	(60,042.67)	53,657.33
07	Contingencies	55,222.00	247.57	55,469.57
08	Audit	26,000.00	(16,013.00)	9,987.00
09	Private Sector	100,000.00		100,000.00
10	Policy Dialogue	100,000.00	57,844.00	157,844.00
	TOTAL	\$4,000,000.00		\$4,000,000.00

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