

## Draft TC ABSTRACT

### I. Basic project data

▪ Country/Region:	Colombia
▪ TC Name:	Support to the water and sanitation sector through the application of AquaRating in Colombia
▪ TC Number:	CO-T1417
▪ Team Leader/Members:	Maria del Rosario Navia (team Leader)(INE/WSA); Corinne Cathala (Alternate Team Leader) (INE/WSA); Keisuke Sasaki, Miguel Campo Llopis, Celia Bedoya and Yolanda Galaz (INE/WSA); Manuel José Navarrete (WSA/CCO), and Javier Jiménez (LEG/SGO)
▪ Taxonomy.	Client support
▪ Reference to Request <sup>1</sup> :	<a href="#">ldbdocs 40519108</a>
▪ Date of TC Abstract:	August, 2016
▪ Beneficiary:	Financiera de Desarrollo Territorial (FINDETER)
▪ Executing Agency and contact name	IDB Headquarters (INE/WSA) and FINDETER
▪ IDB Funding Requested:	\$600.000
▪ Local counterpart funding, if any:	
▪ Disbursement period:	Execution: 36 months Disbursement: 40 months
▪ Required start date:	November 1st, 2016
▪ Types of consultants:	Individual Consultants
▪ Prepared by Unit:	INE/WSA
▪ Unit of Disbursement Responsibility:	INE/WSA
▪ Included in Country Strategy;	Yes
▪ TC included in CPD:	No
▪ GCI-9 Sector Priority:	Infrastructure for competitiveness and social welfare

### II. Objective and Justification

- 2.1 AquaRating is a voluntary and universal system that offers a comprehensive assessment of the performance of water and sanitation services, based on reliable information and validated by independent agents. The development of AquaRating has been financed through TC operations ATN/WP-11217-RG, ATN/MA-13269 and ATN/MA-13270-RG. On June 25th, 2014, the Bank approved a new TC operation (RG-T2456 or ATN/MA-14477-RG and ATN/MA-14485-RG) in the amount of USD1.0 million to support the start of operations of the AquaRating Entity, which is still under execution.
- 2.2 AquaRating is an IDB flagship knowledge product developed by the IDB. Given the high demand for the tool in the Latin American and Caribbean (LAC) region, the Bank wishes to continue supporting AquaRating until it becomes a reference for all utilities in LAC, and a world-wide standard for performance assessment of water and sanitation providers.

<sup>1</sup> A copy of the Letter of Request, Programming/Portfolio Review Mission Aide Memoire or Report requesting the TC should be submitted with the Abstract.

- 2.3 The interest for AquaRating in Colombia has been rising quickly. Financiera de Desarrollo Territorial S.A. (FINDETER)<sup>2</sup> personnel have participated in initial training. Also, personnel from Comisión de Regulación de Agua Potable y Saneamiento Básico (CRA)<sup>3</sup>, Superintendencia de Servicios Públicos Domiciliarios (SSPD)<sup>4</sup>, Ministerio de Vivienda, Ciudad y Territorio (MVCT)<sup>5</sup>, and the Departamento Nacional de Planificación (DNP)<sup>6</sup>, have participated in several presentations. Starting in June 2015, AquaRating has been presented to several utilities that have shown interest in applying it. Additionally, the Swiss State Secretariat for Economic Affairs (SECO) has offered a donation (investment operation) of around \$15 million in order to develop and implement action plans derived from the application of AquaRating in these selected utilities. Part of this TC will finance the startup costs of the SECO project, so when the donation is approved, the Project Unit is created and running.
- 2.4 During this last year, the IDB and FINDETER have been assessing the demand of urban water utilities for implementing AquaRating and finally, in May 2016, a collaboration letter was signed between FINDETER and the IDB Water and Sanitation Division, and the initial activities for the implementation of AquaRating began.
- 2.5 The objective of this TC is to promote efficiency in water and sanitation utilities through the use of AquaRating. The specific objectives are: (i) to support the application of AquaRating performance assessment tool in at least 5 water and sanitation utilities, so this TC will serve to fund the implementation activities while SECO's contribution is agreed and approved; (ii) to strengthen the capacity of FINDETER and other sector institutions to promote efficiency; (iii) to promote dialogue about utilities performance among national and regional sector institutions; and (iv) to promote knowledge exchange among operators.
- 2.6 This TC is consistent with the Update to the Institutional Strategy (UIS) 2010-2020 (GN-2788-5) and is aligned with the development challenges of: (i) social inclusion and equality; (ii) productivity and innovation; and (iii) economic integration.

### III. Description of activities and outputs

- 3.1 **Component 1. Self-Assessment and validation of water and sanitation services through AquaRating(Total: US\$196.000).** This component will result in the application of AquaRating in at least five urban utilities in order to assess the level of performance and define a baseline with the objective of identifying improvement measures. For each of the utilities participating in the program, a work plan will be developed, discussed and agreed upon, to implement AquaRating. The staff of these utilities will receive training and all the information they need in order to apply the AquaRating. During the application of AquaRating, each utility will receive the required technical support. This component will also include the validation of the information provided by the utilities, so that they have a validated initial assessment

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<sup>2</sup> FINDETER is a national mixed economy stock corporation, organized as a second-tier credit institution, tied to the Ministry of Finance and Public Credit that grants rediscount loans to finance public and private infrastructure and provides technical assistance in the execution of infrastructure projects.

<sup>3</sup> CRA establishes the economic regulation in terms of tariffs, quality, efficiency, and performance of water and sanitation utilities.

<sup>4</sup> SSPD is in charge of supervising and controlling that the regulation is followed by utilities

<sup>5</sup> The Ministry of Housing, City and Territory is the head of the water and sanitation sector.

<sup>6</sup> DNP is the executive administrative agency in charge of defining, recommending and promoting public and economic policy.

of the service provider (baseline). In some cases, at the request of a utility a full audit can be performed. This component will be executed by the IDB.

- 3.2 **Component 2. Training and local Capacity Building (Total: US\$300,000).** The result of this component is to create the bases at the local level for further implementation of the AquaRating. This component will include training of staff from FINDETER, CRA, SSPD, MVCT, DNP and other government institutions at the national level that will benefit from understanding the objectives and benefits of AquaRating. A local team will be created in order to promote and support the use of AquaRating by Colombian utilities. Some of the consultants hired will become the reference for the application of AquaRating in the future. A number of them will be part of FINDETER's team, and one of them will be part of the IDB team. This component will be executed by the IDB and FINDETER (see 5.1).
- 3.3 **Component 3. Support to sector institutions (Total: US\$104,000).** Given the nature of this AquaRating tool, with the activities in components 2 the institutions in the sector will learn from them and will identify issues, (may include regulations, internal procedures, among others) that they'd need to modify in order to improve the effectiveness of their operations, or the current regulatory framework. This component will provide the required support in order to implement some of those measures.

#### IV. Budget

- 4.1 The total amount of funding requested, is US\$600,000 to be financed from xxxxxxxx. The distribution of resources is as follows:

##### Indicative Budget

Activity/Component	Description	IDB/Fund Funding	Total Funding
Self-Assessment and validation of water and sanitation services through AquaRating	Application of AquaRating in at least 5 urban utilities	196,000	196,000
Training and local Capacity Building	Training of staff from governmental institutions and utilities etc. Creating the team and basis for further application of AquaRating	300,000	300,000
Support to sector institutions	Support the change required in sector institutions	104,000	104,000
<b>TOTAL</b>		<b>600,000</b>	<b>600,000</b>

#### V. Executing agency and execution structure

- 5.1 Based on demand, Colombia has been selected as the first country where the AquaRating will be implemented with the participation of all entities in the sector led by FINDETER. Component 1 will be executed by the IDB. Component 2 will be executed by FINDETER (\$165,000) and the IDB (135,000). Component 3 will be executed by the IDB. The supervision responsibility for the execution of this TC will rest with María del Rosario Navia (INE/WSA).
- 5.2 FINDETER has been a key actor to support the implementation of projects within the program Agua para la Prosperidad, a program funded by the MVCT. The specialized

technical assistance provided by FINDETER's Water and Sanitation Unit (Gerencia de Agua) has contributed to a better administration of financial resources dedicated to water, sanitation and solid waste management projects. Since 2012 FINDETER has provided technical assistance in projects benefiting more than 26 states, 165 municipalities and 9 million people. FINDETER has also taken part in the supervision of 65 sewerage projects, 62 water projects, 23 technical assistance projects, 8 water and sewerage projects, and seven sanitary landfills. As a result of this work, FINDETER has strengthened its Water and Sanitation Unit and has defined as a priority to continue its work with urban water and sanitation utilities in order to improve their performance and increase the service level, promoting a better and more sustainable service to the users.

## **VI. Project Risks and issues**

- 6.1 There is the risk that a utility starts applying the AquaRating and doesn't complete the process. To mitigate this risk, the team will ensure that high level professionals in the utility are closely involved and leading the process, including the general manager of the utility. Another risk is that there might be a low level of acceptance of the AquaRating tool among sector institutions. To mitigate this risk, the team will ensure that there is a buy-in from those institutions by engaging with them for a long period and in several occasions. They have always confirmed that the AquaRating would be very beneficial for the sector.

## **VII. Environmental and Social Classification**

- 7.1 Following ESG's project classification process requirements, it has been determined that this TC operation falls under Category C. No environmental assessment studies or consultations are required for Category "C" operations.