

TC DOCUMENT

Support to NWC for Improvements in Corporatization & Institutional Strengthening

I. Basic project data

▪ Country/Region:	Jamaica/CCB
▪ TC Name:	Support to NWC for Improvements in Corporatization & Institutional Strengthening
▪ TC Number:	JA-T1118
▪ Team Leader/Members:	Evan Cayetano (WSA/CTT), Team Leader; Yvon Mellinger (WSA/CBA) Alternate Team Leader; David Wilk, Rodrigo Riquelme, and Irene Cartin (INE/WSA); Monica Lugo (LEG/SGO); Uche Osuji (WSA/CTT); and Glaister Cunningham (CCB/CJA)
▪ Indicate if: Operational Support, Client Support, or Research & Dissemination.	Client Support
▪ Reference to Request ¹ : (IDB docs #)	IDBDOCS#40672972
▪ Date of TC Abstract:	September, 2016
▪ Beneficiary:	National Water Commission (NWC) of Jamaica
▪ Executing Agency and contact name:	National Water Commission (NWC) Mr. Mark Barnett Email: mark.barnett@nwc.com.jm
▪ Donors providing funding	Multidonor Aquafund (MAF)
▪ IDB Funding Requested:	US\$500,000.00
▪ Local counterpart funding, if any:	-0-
▪ Disbursement period:	24 months (18 months execution period)
▪ Required start date:	January 2017
▪ Types of consultants (firm or individual consultants):	Firm for Corporate Governance Firm for Institutional Strengthening
▪ Prepared by Unit:	INE/WSA
▪ Unit of Disbursement Responsibility:	CCB/CJA
▪ Included in Country Strategy (y/n);	NO
▪ TC included in CPD (y/n):	YES
▪ Update to the Institutional Strategy and Corporate Results framework :	Productivity and innovation integration

II. Objective and Justification

2.1 The general objective is to support the National Water Commission (NWC) with improving the quality and sustainability of the NWC's services to its customers. Specifically, the Technical Cooperation (TC) aims to: (i) improve NWC's capacity to

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

fund its investment program; (ii) support the preparation of plans for improvements of NWC corporate governance (CG) arrangements; and (iii) develop a detailed training plan for institutional strengthening of NWC's business planning and operations and maintenance (O&M) protocols.

2.2 The water sector in Jamaica has separated service providers, the main one being the NWC, a Government owned utility that supplies approximately 73% of the population in Jamaica. Currently, the Ministry of Growth and Job Creation (MGJC) is responsible for water sector policy and the parent ministry of the NWC. The Office of Utilities Regulations (OUR) is the economic regulator responsible for tariff setting as well as service standards. The Water Resource Authority (WRA) is responsible for the management of the country's water resources and the sole entity responsible for permitting water abstraction. The National Environment and Planning Agency (NEPA) is responsible for environmental management, and with the Ministry of Health and the WRA, are responsible for monitoring water quality. The NWC is established by an Act of Parliament as stated in Section 3 of the National Water Commission Act. The NWC is headed by a nine-member Board of Commissioners appointed by the Minister of MGJC, in whom ultimate authority resides. Under Section 4 of the NWC Act, the NWC is charged with the responsibility, within the limits of its resources, to provide and improve water supply services throughout the island. Although the Act is less clear with respect to the provision of sewerage services, in general the NWC is also responsible for the collection, treatment, and disposal of urban wastewater.

2.3 The NWC has prepared a draft Capital Investment Programme (CIP) in which 17 major projects are broadly outlined for implementation during the period 2015–2030, estimated to cost US\$3.4 billion. These projects are planned for funding through various modalities, such as grants, loans, and public private partnership arrangements. Several of the projects under the NWC's CIP are classified as priority for implementation within the first five year planning cycle of 2015–2020. One such project is the Transmission Mains Upgrading Programme which will be implemented in two stages: (i) detailed design and engineering services; followed by (ii) transmission pipeline construction and commissioning. It is the intention of the NWC to fund the detailed design through IDB LO 2633/OC-JA KMA Water Supply Improvement Program, in preparation of a possible follow-up IDB loan to finance the construction of the transmission pipelines. This TC is designed to complement the implementation of the CIP and assist NWC with improvements in its CG framework and training for improvements in its business planning and O&M protocols.

2.4 The CG situation of the NWC is such that all the members of the Board of Commissioners are appointed by the Minister responsible for Water which challenges the independence and autonomy of the NWC to operate as a commercial led company. The recommendations for CG improvements and institutional strengthening, along with designs being completed under LO 2633/OC-JA, will result

in plans required for a follow-up loan to further improvements in water supply and sewage services to NWC customers as well as provide water and sewage services to planned developments. Revenue to the NWC will increase and will enable the Commission to further improve/rehabilitate existing facilities and pursue other value added projects. The CG component will complement the infrastructure works and is critical to NWC's business planning and decision making processes.

- 2.5 This TC is aligned with the document GN-2487 "Proposal for the establishment of the AquaFund", specifically, with section VII A by strengthening of the NWC with respect to management capacity, corporate structure and transparency, execution capacity, monitoring systems, evaluation and management of information. The program is consistent with the Update to the Institutional Strategy (UIS) 2010-2020 (AB-3008) and is aligned with the development challenges of productivity and innovation.

III. Description of Activities/ Components and Budget

- 3.1 In order to achieve the above mentioned objective, the TC would finance consulting services to define CG improvements, and the preparation of a detailed training plan for institutional strengthening of NWC's business planning and O&M protocols. Accordingly, the TC has two components as follows:
- 3.2 **Component 1. CG Improvements.** Under this component the selected consultant will apply the CG tool, as outlined in IDB Technical Note 106 Corporate Governance in water and sanitation enterprises, formulate an improvement plan for CG practices within the NWC, and issue a professional opinion for development of a specific project to implement the CG Action Plan. The consultant will review the various models of public private partnership arrangements that have involved water utilities in Latin America, the Caribbean and elsewhere, broadly categorizing them into: (a) management contract; (b) lease contract; (c) BOT/BOO; (d) concession; (e) fully-utility concession; and (f) asset sale (privatization). In addition, examination of instances of public offerings and private placement should also be reviewed. In addition, the consultant will define steps towards and the potential benefits of diversification of the ownership structure of NWC. In conducting this assignment, the consultant will undertake the tasks in collaboration with the NWC Board of Commissioners and the Ministry responsible for the NWC.
- 3.3 **Component 2. Institutional Strengthening.** Under this component, consulting services will assess NWC's strategic plan, business planning mechanisms and O&M arrangements. The consultants will benchmark good practices from a comparable country and identify where improvements are needed in the following areas: business planning and tariff setting/negotiations; project identification and feasibility studies; project execution; customer service delivery; and O&M. Based on the identified needs, the consultants will prepare training and capacity building programs to be institutionalized within NWC.

Results Matrix

	Key Output Indicators	Unit	Baseline Value	Target Value	Budget US\$
Corporate Governance Improvements					
1.	Governance model designed	Models (#)	0	1	60,000
2.	Preparatory steps for PPP tender process completed	Designs (#)	0	1	44,388
3.	Training workshops (CG) delivered	Workshops (#)	0	1	25000
Institutional Strengthening					
4.	Sub-sector (Utility) action plans (CIP) designed	Plans (#)	0	1	95,000
5.	Sub-sector (Utility) policies (CIP) designed	Policies (#)	0	1	61,370
7.	Training workshops (Institutional Strengthening) developed and delivered	Workshops (#)	0	3	80,000
	Key Outcome Indicators	Unit	Baseline	Target Value	
	Plans for NWC's reorganization and improvement in its delivery of its services implemented	Plan	0	2	
1.	Improvement plan for Corporate Governance practices within NWC implemented	Plan	0	1	
2.	Training and capacity building programs are institutionalized within NWC	Programs	0	1	

[Detailed results matrix](#)

- 3.4 The total cost and the amount that would be made available by the IDB for the proposed TC is US\$500.000.

Indicative Budget (US\$)

Activity/Component	Description	IDB/Fund Funding	Total Funding
Corporate Governance Improvements	Definition of CG improvements	144,388	144,388
Institutional Strengthening	Development of business planning and tariff setting/negotiations; project identification and feasibility studies; project management; and O&M	254,870	254,870
Other costs	Contingencies, financial audit, and evaluation	100,742	100,742
Total		500,000	500,000

[Detailed budget](#)

IV. Executing agency and execution structure

- 4.1 The Executing Agency for the TC will be the NWC. The TC will be implemented by the NWC Project Executing Unit, under the leadership of the Program Manager who reports to the NWC President. The NWC will be responsible for the contracting of the required consulting services. The selection and contracting of consulting services shall be carried out in accordance with provisions of Document GN-2350-9 (“Policies for selection and contracting of consultants financed by the IDB”), of which the beneficiary confirms its knowledge.
- 4.2 Monitoring and supervision will be carried out by the Bank through INE/WSA and CCB/CJA with the support of a consultant that will review the final outputs and deliverables. The NWC will submit to the Bank annual operation’s plan, semi-annual progress reports, a mid-term report at the end of 12 months of the disbursement period, and a final evaluation report at the end of 23 months of the disbursement period. These will inform on planned activities, their progress of the activities of the TC, execution issues and means of resolution. Financial reporting will follow the standard IDB requirements for submission of audited financial statements. In addition the Bank, through the Country Office, will conduct annual supervision missions.

V. Project risks and issues

- 5.1 The main risk of this operation would be NWC’s commitment at the corporate, board and management levels. Past operations indicate unsteady and shifting priorities on the part of the leadership of NWC, where there is need for focused and committed attention to address systemic institutional hindrances and improve efficiencies. This TC, by its objective, is seeking to address this problem and is supported by the new Ministry of Growth and Job Creation (Water) that is cognizant of this issue and is committed to providing for the autonomy of NWC in conducting its business. By the training programs being targeted, this TC will provide an opportunity to change the operational culture of the NWC and institutionalize a culture of excellence in the execution of its operations.
- 5.2 Other risks relate to the lengthy and complex procurement process to which NWC is subjected; and poor contract management between NWC and consultants. NWC has significant experience with the GOJ procurement rules and well as those of IDB policies and will need to continue to pay close attention to the steps to minimize delays. With respect to contract management, this TC will be under the guidance of the Program Manager who reports to the NWC President.

VI. Exceptions to Bank Policy

- 6.1 No exceptions to Bank policy were identified

VII. Environmental and Social Classification

- 7.1 This TC will finance consultancy products, studies and plans and, as such, does not require the implementation of specific environmental or social safeguard policies. It is therefore classified as C ([see environmental filters](#)).

Required Annexes:

- Annex I [Letter of request](#)
Annex II [Procurement Plan](#)
Annex III [Terms of reference](#)

SUPPORT TO NWC FOR IMPROVEMENTS IN CORPORIZATION & INSTITUTIONAL STRENGTHENING

JA-T1118

CERTIFICATION

I hereby certify that this operation was approved for financing under **Multidonor AquaFund (MAF)** through a communication dated October 10, 2013 and signed by Felipe Caicedo (ORP/GCM). Also, I certify that resources from said fund are available for up to **US\$ 500,000** in order to finance the activities described and budgeted in this document. This certification reserves resource for the referenced project for a period of four (4) calendar months counted from the date of eligibility from the funding source. If the project is not approved by the IDB within that period, the reserve of resources will be cancelled, except in the case a new certification is granted. The commitment and disbursement of these resources shall be made only by the Bank in US dollars. The same currency shall be used to stipulate the remuneration and payments to consultants, except in the case of local consultants working in their own borrowing member country who shall have their remuneration defined and paid in the currency of such country. No resources of the Fund shall be made available to cover amounts greater than the amount certified herein above for the implementation of this operation. Amounts greater than the certified amount may arise from commitments on contracts denominated in a currency other than the Fund currency, resulting in currency exchange rate differences, represent a risk that will not be absorbed by the Fund.

(original firmado)

Sonia M. Rivera

Chief

Grants and Co-Financing Management Unit

ORP/GCM

10/20/2016

Date

Approved:

(original firmado)

Sergio I. Campos

Division Chief

Water and Sanitation Division

INE/WSA

10/21/2016

Date