

Technical Cooperation (TC) Document

I. Basic Information for TC

▪ Country/Region:	REGIONAL
▪ TC Name:	Support to the implementation of the LIS-WATER-IDB work Plan
▪ TC Number:	RG-T3511
▪ Team Leader/Members:	Cathala, Corinne (INE/WSA) Team Leader; Machado, Kleber B. (INE/WSA) Alternate Team Leader; Garcia Merino, Lucio Javier (INE/WSA); Greco, Maria Sofia (LEG/SGO); Guerrero Rivera, Marilyn Ivette (INE/WSA); Lopez, Liliana M. (INE/WSA); Machado, Fabiana Velasques De Paula (INE/WSA); Manjarres, Jose Francisco (INE/WSA); Sasaki, Keisuke (INE/WSA); Siqueira Moraes, Marcos (VPC/002)
▪ Taxonomy:	Research and Dissemination
▪ Operation Supported by the TC:	N/A
▪ Date of TC Abstract authorization:	03 Jun 2019.
▪ Beneficiary:	LAC countries
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	OC Strategic Development Program for Infrastructure(INF); Portuguese Technical Cooperation Trust Fund(PTF)
▪ Total IDB funding:	US\$450,000.00 (US\$135,000 from INF and US\$315,000 from PTF)
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	36 months
▪ Required start date:	October 2019
▪ Types of consultants:	Firm and individual consultants
▪ Prepared by Unit:	INE/WSA-Water & Sanitation Division
▪ Unit of Disbursement Responsibility:	INE-Infrastructure and Energy Sector
▪ TC included in Country Strategy (y/n):	N/A
▪ TC included in CPD (y/n):	N/A
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Productivity and innovation; Institutional capacity and rule of law; Environmental sustainability

II. Objectives and Justification

- 2.1 The objective of the Technical Cooperation operation is to strengthen regulatory agencies in the water and sanitation sector in the LAC region through the implementation of the LIS-WATER-IDB work Plan. This TC will focus on improving good practices in the area of regulation of water and sanitation services as well as supporting regulators in the LAC region through the training of their human resources and improvement of their processes.
- 2.2 The Lisbon International Centre for Water (LIS-Water) is a new international center of excellence that has been created in Lisbon, promoted by the National Laboratory of Civil Engineering (LNEC) in Portugal, in partnership with the Cranfield University from the United Kingdom, the Sorbonne Business School in France and over 100 foreign and international organizations. Centered on research and innovation in public policy, regulation and management of water services and related water resources, the LIS-Water dedicates a strong component of education, training and capacity building of water professionals and organizations. LIS-Water's areas of activity include:

(i) research and innovation; (ii) education, training and capacity building; (iii) think tank and strategic advice; (iv) business and start-up support; and (v) community outreach and engagement. The ProWAS (programme for Improvement of public policy and regulation for water and sanitation services) is aimed at strengthening the public policy and regulatory framework and practices in water and sanitation services in LAC performing benchmarking analysis, identifying and sharing processes and practices improvements, and promoting think tank, strategic advice, training and capacity building. The ProWAS intends to support Latin American and Caribbean countries to: (i) comply with international resolutions like the 2030 Agenda for Sustainable Development adopted by the United Nations in 2015; (ii) leverage cooperation and build institutional capacity; (iii) benefit the well-being of citizens and the economic activity activities; and (iv) attract and better manage external and internal financing to the water and sanitation sector.

- 2.3 The Lis-Water has approached the water and sanitation division of the IDB to collaborate on those activities and facilitate the operationalization of the ProWAS. The Association of Regulators of Water and Sanitation of the Americas (ADERASA), the Brazilian Association of the Regulatory Agencies (ABAR), the International Water Association (IWA) and Sanitation and Water for All (SWA) will also bring support to Lis-Water in terms of identification of the set of regulators the TC will support as well as the dissemination of the TC products and activities.
- 2.4 The lessons of international experience have raised questions about the design of the frameworks and institutions for regulating public utility companies, which often have multiple and conflicting objectives that are quite different from commercial goals¹. This issue exists in regulatory authorities outside of the LAC region as well as in the LAC region. The IDB has been supporting the institutions of the water and sanitation sector through its loan operations, in particular through the Policy Based Loans. However, this TC will focus specifically on the regulatory agencies in the region with support from Lis-Water and Aderasa, which will be two key players in the strengthening of regulatory authorities in the region.
- 2.5 When the market is not competitive, both public and private utilities dedicated to delivering water and sanitation services need a regulation with respect to price and quality of service. A significant pillar of the reforms in the 90's in LAC was to create entities of economic regulation of utilities that were both autonomous and independent of public control. In most cases today¹, those entities present structural weaknesses and a large space for improvement, with a significant potential impact in the quality of service provision.
- 2.6 The vast majority of water utilities in the LAC region are not financially sustainable, lack adequate staff and investment planning capabilities. Effective regulatory authorities can help strengthen water utilities so that they provide a better service. Some regulatory frameworks in the LAC have national scope, such as Chile, Colombia, Costa Rica, Honduras, Paraguay, Peru and Uruguay and others are of provincial or state level jurisdiction such as Argentina and Brazil. The most successful cases in LAC in terms of creation of a framework and solid institutions in terms of economic regulation of water and sanitation utilities are Chile, Colombia and Peru. Between 1990 and 1992, these countries created the Superintendence of Sanitation Utilities, the Commission of Drinkable Water and Basic Sanitation, and the National

¹ Water and Sanitation Sector Framework Document (GN-2781-8), December 15th, 2017

Superintendence of Sanitation Utilities, respectively. These entities assume regulatory responsibilities in fixing fees, they regulate both public and private companies, define criteria of quality of the service and they unite and broadcast sectoral information². Therefore, it is critical to continue supporting the creation and strengthening of regulatory entities with the purpose of ensuring overall sustainability of utilities, to instill technically and thoroughly sustained tariff regimes and the preparation of optimal investment plans.

- 2.7 An important factor for good performance of regulators is the strengthening of transparency frameworks, accountability and corporate governance of regulatory bodies as well as ensuring the coordination between the different entities responsible for the sector's governance, supervision and audit, which promotes and guarantees communication processes and citizen participation as direct beneficiaries of the service. While it is common knowledge that these ingredients are key for a good performance of regulators, progress to improve this situation has been very slow. This TC operation will finance the gathering of data, which will allow for a better knowledge of the situation and areas for improvement in each of the regulators. The Bank in coordination with Lis-Water will be responsible for the coordination of all activities performed under the TC operation.
- 2.8 This TC is consistent with the Update to the Institutional Strategy (UIS) 2010-2020 (AB-3008) since it will contribute to: (i) productivity and innovation; and (ii) institutional capacity and rule of law. The TC is aligned with the cross-cutting areas of: (i) climate change; and (ii) environmental sustainability by improving the management of infrastructure and water as a natural resource through a better regulation of the water and sanitation sector.
- 2.9 In addition, this TC is aligned with the IDB's Water and Sanitation Sector Framework (SFD document GN-2781-8) approved by the Bank in December 2017, specifically with Dimension 2, which has the objective to support LAC countries in the following aspects: (i) prioritization of the water and sanitation sector in national agendas; (ii) separation of roles and responsibilities of the institutions; and (iii) strengthening governance in oversight, in regulation and improving the quality of the service and incorporating good practices in the management of infrastructure. This TC is aligned with Dimension 2 of the Water and Sanitation Sector Framework as it will finance activities and measures that will strengthen regulatory authorities and improve regulatory frameworks in the LAC region.
- 2.10 The TC is also aligned with the INF since this operation will be financed with resources from the Strategic Program for the Development of Infrastructure financed with Ordinary Capital (OC-SDP for Infrastructure, GN-2819-1). The objective of this TC is consistent with the objectives and activities contemplated in this program, as one of its objectives is to improve the performance, quality and sustainability of the water and sanitation infrastructure through an improved regulation of the water and sanitation sector as a whole.

III. Description of activities/components and budget

- 3.1 The focus of this collaboration will be regional and will include the following areas: (i) identification of what has worked and what has not worked in the area of regulation and proposals of regulatory reforms in LAC, benchmarking, improvement identification

² Source: CAF 2014.

and best practices; (ii) Development of a toolkit with best practices and lessons learned; and (iii) training, capacity building and mobility. The TC operation will focus on a limited number of countries and regulatory agencies in order to have a greater impact in each of the regulatory authority and obtain visible results. The beneficiaries will be between 5 and 8 regulatory entities in the LAC region and expected impacts include strengthened regulatory agencies in terms of their human resources and processes.

3.2 Component 1. Benchmarking, improvements identification and best practices.

This component will finance the following activities: (i) Collection and processing of data and information about water and sanitation regulation in LAC countries and development of a water and sanitation regulation assessment system for benchmarking and improvement identification of processes and practices, including initial design, discussion, test and validation and the development of supporting materials (tutorial, etc.); (ii) assessment and comparison of regulatory models within LAC and with other regions of the world; and (iii) promotion of brainstorming sessions with LIS-Water and other international organizations to analyze how they can foster regulatory process improvement. A consultant or consulting firm will be hired to perform the required management in the component. The expected results in this component are monthly monitoring reports, monitoring of the operation of the platform, communication materials, quality control of the process, budget monitoring, workshops, training, etc.

3.3 Component 2. Development of a tool kit with best practices and lessons learned.

This component will finance: (i) the development of advocacy short best practice guides and videos as part of a set of knowledge products to support policy and decision makers in the water and sanitation services including central, regional and local governments; (ii) the development of best practices guides/handbooks to support the enhancement of regulatory authorities in the water and sanitation sector; and (iii) the development of a publication and video series with case studies (what we can learn from...) as part of a tool kit to support regulatory agencies in the sector.

3.4 Component 3. Training and capacity building and mobility.

This component will finance: (i) executive training and capacity building to regulatory authorities from LAC, based on face-to-face training courses and distance learning; (ii) professional training and capacity building to regulatory agencies from the LAC region based on face-to-face and distance learning; and (iii) provide mobility and exchange of experiences to regulatory agencies from the LAC region based on technical visits.

3.5 The total amount of funding requested is US\$450,000 (US\$315,000 from the Portuguese Technical Trust Fund and US\$135,000 from IDB's Ordinary Capital Strategic Development Program for Infrastructure). The distribution of resources is as follows:

Indicative Budget (US\$)

Activity/ Component	Description	OC-SDP (INF)	Portuguese Trust Fund	Total Funding
Component 1: Benchmarking	Collection and processing of data on water and sanitation regulation in LAC countries, development of a water and sanitation regulation assessment system for benchmarking.	50,000	115,000	165,000

Component 2: Development of a tool kit	Development of best practices guides, handbooks and videos.	30,000	75,000	105,000
Component 3: Training and capacity building	Capacity building to regulatory authorities in LAC, exchange of experience for regulatory agencies based on technical visits.	55,000	125,000	180,000
Total		135,000	315,000	450,000

- 3.6 Since this is a Research & Dissemination (RD), this TC it will be executed by the Bank from HQ through the Water and Sanitation Division (INE/WSA) under the supervision of the Team Leader.
- 3.7 The Bank Country offices' staff, in those countries where project activities are undertaken, will liaise with and monitor the progress of the consultants. Non-objection letters form beneficiary countries will be requested prior to LIS-WATER initiates work.

IV. Executing agency and execution structure

- 4.1 Since this is a Research & Dissemination (RD) TC, it will be executed by the Bank from HQ through the Water and Sanitation Division (INE/WSA) under the supervision of the Team Leader. All contracting activities will be carried out in accordance with Bank policies and procedures.
- 4.2 The execution and disbursement period will be 36 months. The activities to be financed with this TC operation are included in the Procurement Plan in Annex and will be executed in accordance with Goods, works and consulting services will be procured in accordance with the following Bank policies: (i) contracting of individual consultants, as established in norms AM-650; (ii) contracting of consulting firms for services associated with intellectual matters according to GN-2765 and its operational guidelines (OP-1155-4); and (iii) contracting of logistical services and other services that are different from consulting services in accordance with Policy GN-2303-20. All activities foreseen for this TC operation will be included in the procurement plan and will be executed in accordance with the bidding methods and terms established.
- 4.3 A direct hiring of LIS-WATER has been identified during the preparation of the TC. LIS-WATER is a non-profit entity and a recognized center of excellence in Portugal for water governance and regulation. The water and sanitation sector in Portugal and Lis-Water in particular are at the forefront of innovation and efficiency. As such, Lis-Water is in a position to bring a lot of value added to the LAC region in terms of its experience and knowledge. Lis-Water's founding members include the National Laboratory of Civil Engineering, Cranfield University and the Sorbonne Business School. Its strengths in research and innovation, education, training and capacity building as well as a think tank have positioned it as a strategic partner to improve and strengthen regulatory agencies in the LAC region.
- 4.4 The Bank Country offices' staff, in those countries where project activities are undertaken, will liaise with and monitor the progress of the consultants. Non-objection letters form beneficiary countries will be requested prior to LIS-WATER's work initiation in LAC countries. The beneficiary countries in which the regulatory agencies will be strengthened will be selected in the first two months of the execution of the TC operation with the support of ADERASA.

- 4.5 Monitoring and supervision of this TC will be carried out by the Bank's technical team led by the TC Team Leader, through the review of the progress of reports prepared by LI-WATER on a semiannual basis.

V. Major issues

- 5.1 One of the risks in achieving the objectives of this TC is the potential lack of appropriation of products and tools from regulatory agencies and/or national governments. To mitigate that risk, Bank staff as well as staff from ADERASA and Lis-Water will be coordinating closely the implementation of the proposed activities and will be in close contact with the regulatory agencies sector ministries to ensure full appropriation of the activities.

VI. Exceptions to Bank policy

- 6.1 This TC operation does not include any exception to Bank policies.

VII. Environmental and Social Strategy

- 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 ([see environmental filters](#)).

Required Annexes:

[Results Matrix_34165.pdf](#)

[Terms of Reference_35302.pdf](#)

[Procurement Plan_67296.pdf](#)