

**MANAGEMENT, OPERATION, IMPROVEMENTS, SUPPORT OF THE IMPLEMENTATION AND  
DISSEMINATION OF THE AQUARATING PROGRAM**

**RG-T3377**

**CERTIFICATION**

I hereby certify that this operation was approved for financing under the **Multidonor AquaFund (MAF)**, through a communication dated February 6, 2019 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, representing a risk that will not be absorbed by the Fund.

Certified by: \_\_\_\_\_ **(original signed)** \_\_\_\_\_ 3/13/2019  
Sonia M. Rivera  
Chief  
Grants and Co-Financing Management Unit  
ORP/GCM  
Date

Approved by: \_\_\_\_\_ **(original signed)** \_\_\_\_\_ 3/13/2019  
Sergio I. Campos  
Division Chief  
Water and Sanitation Division  
INE/WSA  
Date

## TC Document

### I. Basic Information for TC

▪ Country/Region:	Regional
▪ TC Name:	Management, operation, improvements, support of the implementation and dissemination of the AquaRating Program
▪ TC Number:	RG-T3377
▪ Team Leader/Members:	Team Leader: Corinne Cathala (INE/WSA); Alternate Team Leader: Keisuke Sasaki (INE/WSA); Members: Federico Peñalosa and Irene Cartin (INE/WSA); and Carolina Veríssimo da Silva (LEG/SGO)
▪ Taxonomy:	Research and Dissemination
▪ Date of TC Abstract authorization:	February 6 <sup>th</sup> , 2019
▪ Beneficiary:	Regional
▪ Executing Agency:	Inter-American Development Bank
▪ Donors providing funding:	Multidonor AquaFund (MAF)
▪ IDB Funding Requested:	US\$500,000
▪ Local counterpart funding, if any:	N/A
▪ Disbursement period (which includes Execution period):	40 months (Execution: 36 months)
▪ Required start date:	March 15 <sup>st</sup> , 2019
▪ Types of consultants:	Firm and individual consultants
▪ Prepared by Unit:	INE/WSA
▪ Unit of Disbursement Responsibility:	INE
▪ 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; climate change and environmental sustainability

### II. Objectives and Justification of the TC

2.1 AquaRating is a flagship knowledge product of the Inter-American Development Bank (IDB or Bank), consisting of a rating system that assesses the performance of water and sanitation utilities to foster process improvements. It was developed as an initiative of the IDB, in collaboration with the International Water Association (IWA), to apply AquaRating in water and wastewater utilities in Latin America and the Caribbean (LAC) through the IDB and in the rest of the world through IWA, and to promote its use. The Bank's main goal at this point is, given the high demand for the tool in the LAC region, to continue supporting the implementation and improvement of the AquaRating Program until it becomes a reference for all utilities in LAC and a world-wide standard. AquaRating is a voluntary and universal system that offers a comprehensive assessment of the performance of water and sanitation services providers, based on reliable information and validated by independent and accredited agents. The main objective of this technical cooperation (TC) operation is to manage, support the dissemination, and operate the implementation of the AquaRating program in a selected number of water and sanitation utilities in LAC, and to promote its use in LAC.

- 2.2 A technical cooperation operation under execution has been supporting the launch to market of the AquaRating tool in Ecuador, Colombia, Argentina, Jamaica, El Salvador, and Mexico, among others (RG-T2883), as well as the update of the AquaRating tool. The main outputs obtained from that technical cooperation include: (i) a revamped version of the AquaRating tool; (ii) implementation of the Aquarating evaluation process in over sixty water utilities in LAC; (iii) workshops to train technical and management staff to use AquaRating in Colombia, Mexico, Argentina and El Salvador; (iv) Aquarating certification of 5 water utilities; (v) training and authorization of 4 audit firms to act as AquaRating auditors; (vi) preparation of the AquaRating Validation of Consistency guidelines Vol.1; (vii) updating and redesign of the AquaRating website ([www.aquarating.org](http://www.aquarating.org)); (viii) the AquaRating Auditors Guidelines in English and Spanish; and (ix) promotional and marketing materials in English and Spanish (i.e. production of videos in collaboration with water operators to disseminate good practices associated with the application of AquaRating).
- 2.3 The implementation of AquaRating among water and sanitation utilities in the LAC region and elsewhere, since late 2014, has brought very valuable information to the IDB and IWA on how to optimally implement the tool. The AquaRating tool has been supporting the preparation of various water and sanitation sector loan operations in the region through a thorough analysis of the water utilities. This new TC operation will make it possible to further disseminate the AquaRating evaluation tool through direct promotion in international events as well as the development of a Massive Open Online Course (MOOC). This new TC operation will also help disseminate the AquaRating tool in other borrowing member countries of the Bank in LAC such as Brazil, Bolivia, Peru, Argentina, as well as in the Caribbean since there have been expressions of interest in those countries from development banks as well as water utilities.
- 2.4 A lot of interest in AquaRating has been generated through different events and promotional efforts. As a result, several water and sanitation utilities in LAC have expressed their intention to apply AquaRating to know better about the state of their infrastructure and improve their performance. In addition, some donors are willing to finance the application of AquaRating in selected utilities. The IDB needs the resources to respond to the current and future demand for the tool.
- 2.5 This TC is consistent with the Update to the Institutional Strategy (UIS) 2010-2020 (AB-3008) and is aligned with the development challenges of: (i) productivity and innovation; and (ii) institutional capacity and rule of law, as the tool supports institutional capacity and corporate governance strengthening in water utilities. The TC is aligned with the cross-cutting areas of: (i) climate change and environmental sustainability by improving the management of infrastructure and water as a natural resource.
- 2.6 In addition, this TC is aligned with the five dimensions defined in the Water and Sanitation Sector Framework Document (SFD) (document GN-2781-8) approved by the Bank in December 2017. In the SFD, the dimensions of success and lines of action for the sector were defined, including achieving universal access to water and sanitation, improving the quality of the service, incorporating good practices in the management of infrastructure and the use of appropriate technologies, as well as the inclusion of aspects of water security. This TC is aligned, also, with the objectives and expected results of the MAF.

### III. Description of activities/components and budget

- 3.1 **Component 1. Management of AquaRating and implementation in LAC.** This component will finance the following activities: (i) provide the technical support that utilities require during the application of AquaRating; (ii) validate the consistency of the information provided by utilities to assess their performance prior to the auditing process; (iii) program management, monitoring, license management, process administration, communication management, budget management, contract management, strategic planning, AR implementation support, AR knowledge management, articulation / participation of events, identification and implementation of improvement opportunities. 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.
- 3.2 **Component 2. Updating of the AquaRating Standard.** This component will finance: (i) the update and inclusion of new relevant components in the sector and replacement by elements defined as not relevant; and (ii) the update of the Aquarating tool. A team of individual consultants or specialized firms will be hired to analyze all areas of evaluation of the AquaRating. The expected result is a diagnosis of the current content of the AquaRating standard, the new elements to be included and the automation on the platform.
- 3.3 With resources from the previous TC operation (RG-T2883), some necessary changes to the tool were carried out such as enhanced security features, more user-friendly features, and an overall change in the look of the platform. This new version will go further with modifications of new best practices in the platform in new areas, which were not initially included in the platform such as gender, circular economy, climate change, social corporate responsibility, etc. The inclusion of these new best practices will be carried out over 2019 and 2020.
- 3.4 **Component 3. Development of the AquaRating business model.** This component will finance the design of a new business model, which contemplates sustainable growth of AquaRating with optimal and rational use of resources. An individual consultant or consulting firm will be contracted to design and implement the AquaRating operation model. The result of this component is to define the business and operational model for the sustainability of AquaRating and the plan to implement the model defined.
- 3.5 Up to now, the AquaRating has been operated by the water and sanitation division of the IDB with a small team and with the support of technical cooperation operations and loan operations to implement the tool in specific countries. While this model has been successful, other business models are being contemplated to operate the Aquarating including through a license or another institution or NGO to make the AquaRating tool sustainable financially in the medium to long-term. These business model options will be analyzed with financing from this component.
- 3.6 **Component 4. Promotion and dissemination of AquaRating.** This component will finance: (i) the promotion of AquaRating in different events and special visits to interest groups and financial institutions as well as development agencies, which have expressed an interest in using the tool for the benefit of water utilities in the regions

they cover.<sup>1</sup> This component will finance travel costs for the AquaRating team as well as the IDB team to promote AquaRating;<sup>2</sup> (ii) the participation in meetings in the LAC region and outside of the region, as the case may be; (iii) the production of marketing and commercial materials, stands preparation; (iv) the publication of the AquaRating Standard for its distribution in the LAC region; and (v) the development of an innovation initiative for the application of the operators. This component will also finance the development of a MOOC on AquaRating in collaboration with the Knowledge, Innovation and Communication Sector (KIC) of the IDB.

- 3.7 The total amount of funding requested is US\$500,000 with resources of the Multidonor AquaFund (MAF). The distribution of resources is as follows:

**Indicative Budget (US\$)**

<b>Activity/Component</b>	<b>Description</b>	<b>IDB/Fund Funding</b>	<b>Total Funding</b>
Component 1: Management of AquaRating and implementation in LAC	Management of the AquaRating tool, processes and operation	150,000	<b>150,000</b>
Component 2: Updating of the AquaRating Standard	Updating and inclusion of new elements and replacement of others in the AquaRating Standard and processes	150,000	<b>150,000</b>
Component 3: Development of the AquaRating business model	Design of a sustainable business model for Aquarating.	120,000	<b>120,000</b>
Component 4: Promotion and dissemination of AquaRating	Promotion and dissemination of Aquarating in events in LAC and development of MOOC	80,000	<b>80,000</b>
<b>TOTAL</b>		500,000	<b>500,000</b>

- 3.8 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.
- 3.9 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 the application of AquaRating.

#### **IV. Executing agency and execution structure**

- 4.1 Given that the Bank has the intellectual property for the AquaRating, and as has been the case previously, the Bank will be the executing agency for this TC to ensure the optimal application of the AquaRating tool in the LAC region. IWA will be able to continue promoting the tool in other regions of the world (following the principles and procedures set by the IDB). The technical unit in INE/WSA, which has been overseeing the dissemination and technical aspects of the implementation of AquaRating, will continue performing those tasks.

<sup>1</sup> There exist on-going activities in partnership with the Asian Development Bank, the Millennium Challenge Corporation and the Economic Cooperation and Development of Switzerland.

<sup>2</sup> This TC will finance travel costs for IDB staff in accordance with GN-2470-2. As this is a knowledge activity, resources from administrative budget, supervision plans or project preparation can't be used for this purpose.

- 4.2 As the Aquarating technical and management teams are based at IDB headquarters and have been executing the previous technical cooperation operations, the IDB will be the Executing Agency for the TC through the WSA Division. All contracting activities will be carried out in accordance with Bank policies and procedures.
- 4.3 The execution and disbursement period are 36 and 40 months respectively. 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
- 4.4 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.
- 4.5 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 from beneficiary countries will be requested prior to the application of AquaRating.

#### **V. Major issues**

- 5.1 One of the risks in achieving the objectives of this TC is the potentially high and low demand picks. AquaRating could generate a lot of interest from too many utilities and sponsors at the same time, which could impact negatively the AquaRating Technical Unit. To mitigate that risk, local consultants will be contracted to attend the utilities on a day-to-day basis in each of the countries where demand is high, as has been successfully implemented in Colombia and Mexico, or through consultants to support regionally as well as firms to support complementary services such as validations, audit, support, etc. In addition, to avoid any low pick in demand, promotional activities will continue throughout the implementation of this.

#### **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.

#### **Required Annexes:**

- [Results Matrix](#)
- [Terms of Reference](#)
- [Procurement Plan](#)